

Retail Equity Research

Cholamandalam Invst &Fin Co. Ltd.

NBFC

BSE CODE : 511243

NSE CODE: CHOLAFIN


BLOOMBERG CODE: CIFIC:IN

SENSEX : 76,457

BUY

12Month Investment Period

Rating as per Large cap

CMP Rs1,332 TARGET Rs1,485 RETURN 11% 

(Closing: 11-06-24)

Strong business momentum...

- CIFIC's AUM for Q4FY24 grew by 36% YoY/9% QoQ driven by strong traction in new business segments. Disbursement saw 18% YoY/11% QoQ growth across segments.
- NII grew by 33% YoY/8% QoQ on the back of healthy AUM growth and stable NIM at 7.8%. Opex increased by 63% YoY/21% QoQ with C/I ratio of 44%. PAT higher by 24% YoY due to lower credit cost.
- Asset quality improved further with GS3/NS3 assets ratio down by 34bps/23 bps QoQ to 2.5%/1.4% with better collection efficiency.
- The company expects 25-30% AUM growth and 20-25% disbursement growth in FY25e on the back of strong growth in the vehicle financing segment and further scale up of new business.
- We value the stock at a P/BV of 4.2x on FY26E BVPS and arrive target price of Rs1,485 with Buy rating.

Non-vehicle segment led AUM growth...

CIFIC's AUM remained strong in Q4FY24, exhibiting 36% YoY/9% QoQ growth to Rs1,53,718cr led by strong performance across its existing product lines and growing new business. New business loan higher by 87% YoY, /17% QoQ on a low base while home loans increased by 58% YoY/11% QoQ. LAP segment AUM grew by 38% YoY/11% QoQ. Vehicle finance reported 26% YoY/6% QoQ AUM growth driven by 27% YoY/7% QoQ growth in used vehicle segment. The share of vehicle finance has now reduced to 58% in March 2024 from 72% in March 2021. Disbursement grew by 18% YoY /10.7% QoQ to Rs24,784cr. The new business disbursement grew by 49% YoY for FY24, demonstrating strong position in the market. The company is optimistic of delivering AUM growth of 25-30% and disbursement growth of 20-25% in FY25e on the back of strong growth in the vehicle financing segment and further scale up of new business. Moreover, company targets new business book to constitute ~15% of the AUM in the next few years.

Stable margins despite increased cost of funds...

CIFIC witnessed strong performance during the quarter, Net Interest Income (NII) grew by 33% YoY/8% QoQ on the back of healthy AUM growth coupled with stable margins. Net Interest Margin (NIM) stood at 7.8% with 40bps YoY improvement despite increased cost of funds due to product mix with a focus on high yielding segment. Margin expect to be 7.5% range in case of no rate hikes in FY25. With continued investments in various segments and scaling up new business resulted higher opex (+63% YoY,+21% QoQ) which leading to 591bps/ YoY/287QoQ increase in cost to income ratio to 44.1%. Opex to Avg.AUM remain elevated at 3.5% vs 3.1% QoQ and CIFIC hopes to be 3% for current FY and maintain below 3.1% for FY25. PAT registered growth of 24% YoY/20% QoQ aided by QoQ lower provision of 46.8% and strong operating performance.

Asset quality improved across segments...

Asset quality improved with GS3/NS3 assets ratio improved by 34bps/23bps QoQ to 2.5%/1.4% supported by better collection efficiency. Most of the segments seen improvement in GS3, excluding CSEL, which up by 7bps QoQ GS3 to 1.17% vs 1.10% QoQ and SBPL- 0.42% vs 0.30% QoQ . PCR increased to 46.45% in Q4FY24 from 45.15% in Q3FY24.

Outlook & Valuations

Company continued to witness strong performance with robust AUM growth aided by new business segment, lower credit cost and improvement in asset quality. Gradual shift in mix towards high yielding new segments and repricing in the vehicle finance segment will result in margin expansion. Company has expanded its branch network across all its segments in FY24, which help to sustain growth trajectory going forward. Management is confident of delivering AUM growth of 25-30% and disbursement growth of 20-25% in FY25e on the back of strong growth in the vehicle financing segment and further scale up of new business. We upgrade our Hold Rating to Buy and value the stock at P/BV of 4.2x on FY26E BVPS and arrive target price of Rs1,485.

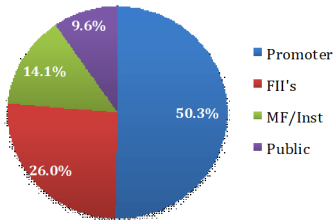
Company Background...

Cholamandalam Investment & Finance Company Ltd (CIFIC) is a south India based NBFC focusing on Commercial Vehicle & LAP financing. CIFIC has a pan-India network of 900 branches. As on Q4FY24, the company had an Asset Under Management (AUM) of Rs1,45,492cr. CIFIC has a diversified borrowing profile with 49% of funds sourced through Bank Term loans followed by 21% through debentures. As of Q4FY24, its AUM mix consisted of vehicle finance/SME LAP/home loans/new businesses at 58%/9%/21%/12%.

Company Data

Market Cap (cr)	Rs. 1,14,243
Outstanding Shares (cr)	84.0
Free Float	49.7
Dividend Yield	0.1
52 week high	Rs. 1,369
52 week low	Rs.997
6m average volume (cr)	1.8
Beta	1.05
Face value	Rs.2

Shareholding Pattern as on Sep-2023



Standalone (Rs.cr)	FY24A	FY25E	FY26E
Net Interest Income	8,383	11,458	14,549
Growth (%)	32%	34%	27%
NIM	6.5	7.0	7.1
PBT	4,582	7,994	10,228
PAT Adj	3,423	4,431	5,749
Growth (%)	28%	35%	30%
Adj.EPS (Rs)	41	53	68
Growth (%)	27%	34%	27%
BVPS	233	284	353
P/E (x)	33	26	20
P/B (x)	5.8	4.8	3.8
ROE (%)	20	20	21
ROA (%)	2.5	2.5	2.6

Source : Bloomberg-post result consensus

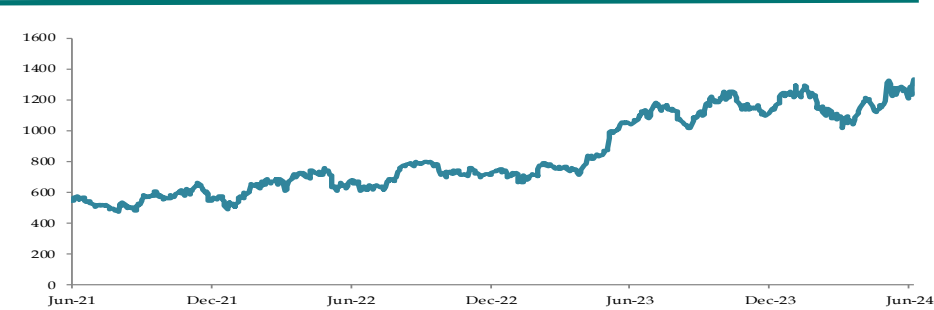
Quarterly Financials

Profit & Loss

Rs (cr)	Q4FY24	Q4FY23	YoY Growth %	Q3FY24	QoQ Growth %	Comments
Interest Income	4,934.1	3,499.1	41	4,609.9	7.0	
Interest expenses	2,579.3	1,734.2	48.7	2,439.0	5.8	
Net Interest Income	2,354.8	1,764.9	33.4	2,170.9	8.5	
Non Interest Income	558.0	295.2	89.0	408.7	36.5	
Operating expenses	1,285.0	787.0	63	1,064.0	21	
Pre Provi.Profit	1,627.8	1,273.1	27.9	1,515.6	7.4	
Provisions	190.8	114.0	67.4	358.8	-46.8	
PBT	1,436.9	1,159.1	24.0	1,156.8	24.2	
Tax	278.8	306.3	23.7	280.7	34.9	
PAT	1,058.1	852.8	24.1	876.1	20.8	

Source: Company, Geojit Research

PRICE HISTORY



Source: Bloomberg, Geojit Research.

Investment Criteria

Ratings	Large caps	Midcaps	Small caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10% - 15%	Upside is between 10% - 20%
Hold	Upside is between 0% - 10%	Upside is between 0% - 10%	Upside is between 0% - 10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated/Neutral	-	-	-

To satisfy regulatory requirements, we attribute ‘Accumulate’ as Buy and ‘Reduce’ as Sell. The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.  
Neutral- The analyst has no investment opinion on the stock under review

Definition:

**Buy:** Acquire at Current Market Price (CMP), with the target mentioned in the research note.  
**Accumulate:** Partial buying or to accumulate as CMP dips in the future.  
**Hold:** Hold the stock with the expected target mentioned in the note.  
**Reduce:** Reduce your exposure to the stock due to limited upside.  
**Sell:** Exit from the stock.  
**Not rated /Neutral:** The analyst has no investment opinion on the stock.

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