

Price: 1,492

Recommendation: Buy

Industry: Non Banking Financial

Sector: Financial Services

Report Date: 01-May-2025

Cholamandalam Investment and Finance Company Limited (Chola) is a leading financial services provider with a diversified portfolio spanning Vehicle Finance, Loan Against Property, Home Loans, and SME lending. With assets under management exceeding 1.99 lakh crore, Chola leverages digital innovation, ESG principles, and a strong presence in Tier III-VI towns to drive financial inclusion and sustainable growth.

Sales		Profit & Loss		Profitability Matrix	
Current Year	25746 Cr	Operating Profit(Year)	18155 Cr	Operating Profit Margin	70.5 %
Previous Year	18960 Cr	Operating Profit(Quarter)	5036 Cr	EBITDA Margin	71.72 %
Current Quarter	7025 Cr	PAT (Year)	4259 Cr	Net Profit Margin	16.5 %
Previous Quarter	6709 Cr	PAT (Quarter)	1267 Cr	EPS	50.6
Revenue (QYoY)	5388 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	29.5	Sales Growth	35.8 %	Sales Growth	4.71 %
PEG Ratio	0.91	PAT Growth	24.39 %	Sales Growth QYoY	30.38 %
EV/EBITDA	15.8	EPS Growth	0.0 %	PAT Growth	16.56 %
P/B	5.31	Dividend Yield	0.13	PAT Growth QYoY	19.75 %
Capital Allocation		Holdings		Leverage	
RoE	19.7 %	Promoter	49.9 %	Debt/Equity	7.40
RoA	2.38 %	FII	28.2 %	Debt	174946 Cr
RoCE	10.3 %	DII	15.5 %	Market Cap	125485 Cr
RoIC	10.3 %	Public	6.36 %	Enterprise value	291031 Cr
		No of Shares	84.1 Cr	Cash Equivalents	9401 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

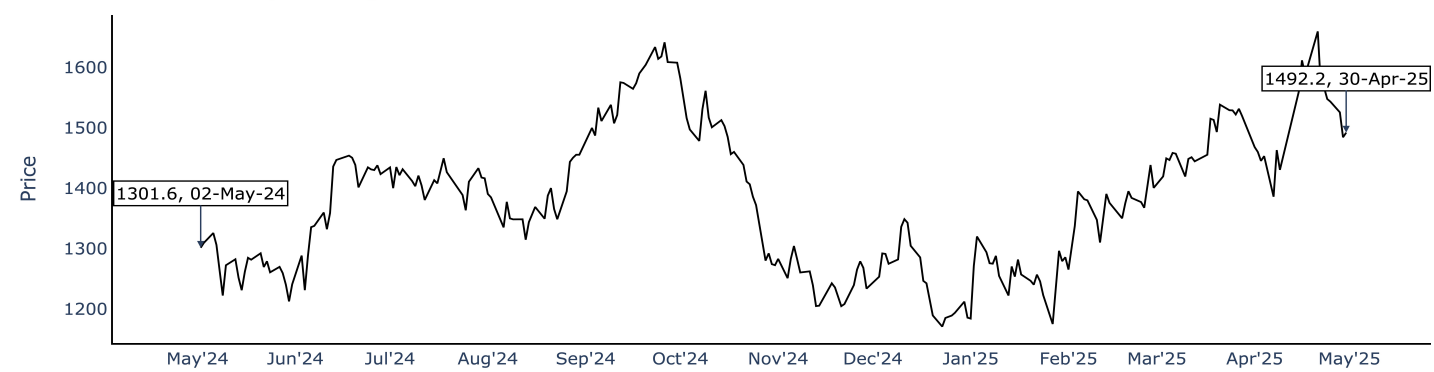
Cholamandalam Investment and Finance Company Limited (Chola) showcased robust growth across its diversified product portfolio, emphasizing strategic initiatives and scaling opportunities. The company's total assets under management (AUM) crossed 1.99 lakh crore in FY25, reflecting a 27% YoY growth. Key business segments, including Vehicle Finance (VF), Loan Against Property (LAP), Home Loans (HL), and Consumer & Small Enterprise Loans (CSEL), demonstrated strong performance. Disbursements grew by 14% YoY to 1,00,869 crore, driven by a focus on retail customers in smaller towns and rural areas. Chola's digital transformation initiatives, such as the Chola One super-app and advanced analytics for underwriting and collections, have enhanced operational efficiency and customer engagement. The company's ESG commitment was reaffirmed with its inclusion in the FTSE4Good Index Series for the fifth consecutive year.

Chola's diversification strategies are evident in its well-balanced product mix and geographical presence across 26 states and 7 Union Territories, with 92% of branches located in Tier III-VI towns. The Vehicle Finance segment, contributing significantly to AUM, saw a 20% YoY growth, supported by tailored offerings for micro and small enterprises. LAP disbursements grew by 32%, with a focus on self-occupied residential properties as collateral. Home Loans expanded by 37% YoY, leveraging the government's "Housing for All" initiative and targeting underserved rural populations. The company's SME and SBPL segments also showed promising growth, with disbursements increasing by 23% and AUM growing by 73%, respectively, reflecting Chola's commitment to financial inclusion.

Future growth perspectives are anchored in Chola's digital-first approach, ecosystem partnerships, and data-driven decision-making. The company plans to scale its digital platforms, such as GaadiBazaar for vehicle financing and Chola One for integrated financial services, to enhance customer acquisition and retention. Advanced analytics models, including Early Warning Signals (EWS) and roll-forward models, are being deployed to mitigate credit risks and improve portfolio quality. Chola's focus on expanding its reach in Tier III-VI towns and leveraging its strong capital adequacy ratio (CAR) of 19.75% ensures sustainable growth and resilience against market fluctuations.

Chola's positive trajectory is supported by its strong governance framework, risk management practices, and commitment to ESG principles. The company's ability to maintain a healthy pre-tax ROA of 3.3% and a return on equity of 19.8% underscores its operational efficiency and profitability. With a diversified funding profile and robust liquidity management, Chola is well-positioned to capitalize on emerging opportunities in the financial services sector. Its strategic focus on innovation, customer-centricity, and sustainability ensures long-term value creation for stakeholders.

CHOLAFIN Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
HDFC AMC	93521.65	38.00	32.35%	-3.55%	29.59%	-0.43%	18.05%
Bajaj Finance	536572.57	32.25	19.19%	2.34%	23.65%	5.49%	17.13%
Bajaj Finserv	311604.57	35.12	13.37%	14.21%	14.21%	8.32%	14.07%
Jio Financial	165452.23	102.60	1.23%	12.52%	17.97%	7.24%	1.76%
Bajaj Holdings	133247.52	17.74	14.77%	-54.73%	16.92%	21.72%	6.32%

Aspect	Commentary
Revenue	Revenue grew 35.8% YoY to Rs.25,746 Cr, driven by strong disbursements across key segments. Quarterly revenue growth of 4.71% reflects consistent performance. Vehicle Finance and Home Loans contributed significantly, supported by tailored offerings and rural penetration.
Profit & Loss	Operating profit surged to Rs.18,155 Cr, with a robust margin of 70.5%. PAT grew 24.39% YoY to Rs.4,259 Cr, showcasing operational efficiency. Quarterly PAT growth of 16.56% highlights steady profitability despite market challenges.
Profitability Matrix	Operating profit margin of 70.5% and net profit margin of 16.5% indicate strong cost management and profitability. EBITDA margin of 71.72% reflects efficient operations. EPS of 50.6 underscores shareholder value creation.
Valuation Matrix	Trailing P/E of 29.5 and PEG ratio of 0.91 suggest reasonable valuation given growth prospects. EV/EBITDA of 15.8 indicates efficient capital utilization. Dividend yield of 0.13% is modest, reflecting reinvestment focus.
Growth (YoY)	Sales grew 35.8% YoY, driven by diversified product portfolio and rural penetration. PAT growth of 24.39% highlights profitability improvement. Home Loans and LAP segments showed strong YoY growth, leveraging government initiatives.
Growth (QoQ)	Quarterly sales growth of 4.71% and PAT growth of 16.56% reflect consistent performance. Vehicle Finance and SME lending contributed to growth. EPS remained stable, indicating steady earnings despite market fluctuations.
Capital Allocation	RoE of 19.7% and RoA of 2.38% highlight efficient capital deployment. Cash equivalents of Rs.9,401 Cr ensure liquidity. Debt/Equity ratio of 7.40 reflects high leverage, supported by robust asset base and operational efficiency.
Holdings	Promoter holding of 49.9% ensures strong governance. FII at 28.2% and DII at 15.5% reflect institutional confidence. Public holding of 6.36% indicates limited retail exposure. Balanced ownership supports stability.
Leverage	Debt of Rs.1,74,946 Cr and Debt/Equity ratio of 7.40 indicate high leverage, typical for NBFCs. Market cap of Rs.1,25,485 Cr and enterprise value of Rs.2,91,031 Cr reflect strong market positioning and asset management capabilities.

Analyst viewpoint: Chola Investment and Finance Company Limited (Chola) continues to demonstrate strong growth momentum, supported by its diversified product portfolio and strategic focus on rural and underserved markets. The company reported a robust 35.8% YoY revenue growth to Rs. 25,746 Cr, driven by consistent disbursements across key segments such as Vehicle Finance, Loan Against Property, and Home Loans. Quarterly revenue growth of 4.71% and PAT growth of 16.56% underscore Chola's ability to maintain steady performance despite market challenges. Its operating profit margin of 70.5% and net profit margin of 16.5% reflect efficient cost management and profitability. The company's digital transformation initiatives, including the Chola One super-app and advanced analytics, have enhanced operational efficiency and customer engagement, positioning it well for sustained growth in Tier III-VI towns. Additionally, Chola's inclusion in the FTSE4Good Index Series highlights its commitment to ESG principles, further strengthening its appeal to institutional investors.

Valuation metrics such as a trailing P/E of 29.5 and PEG ratio of 0.91 suggest reasonable pricing given the company's growth prospects. Chola's RoE of 19.7% and RoA of 2.38% highlight efficient capital deployment, while its cash equivalents of Rs. 9,401 Cr ensure liquidity to support future expansion. Peer comparison indicates Chola's competitive edge in profitability and rural penetration, with its Vehicle Finance and Home Loans segments outperforming industry averages. However, the company's high leverage, reflected in a Debt/Equity ratio of 7.40, warrants close monitoring to ensure sustainable growth. Overall, Chola's strategic initiatives, operational efficiency, and focus on financial inclusion make it a compelling investment opportunity in the short to mid-term.

Please read detailed disclosure on next page.

Explanation of Investment Rating*	
Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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