

Price: 5,257**Recommendation:** Buy**Industry:** Non Banking Financial**Sector:** Financial Services**Report Date:** 01-May-2025

Sundaram Finance, a leading Indian financial services provider, excels in lending, insurance, and asset management. Known for its customer-centric approach, the company leverages advanced digital platforms to enhance service delivery and efficiency. With strategic diversification, rural expansion, and fintech partnerships, Sundaram Finance is positioned for sustainable growth in a dynamic financial landscape.

Sales		Profit & Loss		Profitability Matrix	
Current Year	6289 Cr	Operating Profit(Year)	5053 Cr	Operating Profit Margin	80.4 %
Previous Year	4068 Cr	Operating Profit(Quarter)	1331 Cr	EBITDA Margin	70.01 %
Current Quarter	1648 Cr	PAT (Year)	1349 Cr	Net Profit Margin	24.6 %
Previous Quarter	1601 Cr	PAT (Quarter)	349 Cr	EPS	135
Revenue (QYoY)	1346 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	42.0	Sales Growth	26.7 %	Sales Growth	2.94 %
PEG Ratio	2.92	PAT Growth	24.33 %	Sales Growth QYoY	22.44 %
EV/EBITDA	19.9	EPS Growth	3.05 %	PAT Growth	2.65 %
P/B	5.52	Dividend Yield	0.57	PAT Growth QYoY	16.33 %
Capital Allocation		Holdings		Leverage	
RoE	15.7 %	Promoter	37.2 %	Debt/Equity	4.13
RoA	2.93 %	FII	19.0 %	Debt	43700 Cr
RoCE	9.40 %	DII	7.54 %	Market Cap	58403 Cr
RoIC	9.40 %	Public	35.4 %	Enterprise value	101004 Cr
		No of Shares	11.1 Cr	Cash Equivalents	1099 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

Sundaram Finance, a prominent player in the Indian financial services sector, has recently focused on expanding its digital capabilities and enhancing customer experience. The company has been investing in technology to streamline operations and improve service delivery. This includes the implementation of advanced digital platforms for loan processing and customer interaction, which are expected to reduce turnaround times and enhance customer satisfaction. Additionally, Sundaram Finance has been exploring partnerships with fintech companies to leverage their technological expertise and expand its digital footprint. This strategic move is aimed at capturing a larger share of the tech-savvy customer base and staying competitive in the rapidly evolving financial landscape.

In terms of business diversification, Sundaram Finance has been actively expanding its product portfolio to include a wider range of financial services. The company has been strengthening its presence in the insurance sector through its subsidiary, Royal Sundaram General Insurance, which has been performing well in terms of premium growth and profitability. Furthermore, Sundaram Finance has been focusing on its asset management business, aiming to increase its market share by offering innovative investment products tailored to meet the diverse needs of its clients. This diversification strategy not only mitigates risks associated with reliance on a single revenue stream but also positions the company for sustainable growth in the long term.

Looking ahead, Sundaram Finance is poised for growth through strategic geographic expansion. The company has been increasing its presence in underpenetrated rural and semi-urban markets, recognizing the potential for growth in these areas. By tailoring its products and services to meet the specific needs of these markets, Sundaram Finance aims to tap into the growing demand for financial services in these regions. Additionally, the company is focusing on enhancing its distribution network and strengthening its brand presence to drive customer acquisition and retention. These initiatives are expected to contribute significantly to the company's growth trajectory in the coming years.

To further enhance its growth prospects, Sundaram Finance could consider exploring opportunities in the green finance sector, which is gaining traction globally. By offering financial products that support sustainable and environmentally friendly projects, the company can align itself with global sustainability trends and attract environmentally conscious investors. Additionally, Sundaram Finance could benefit from investing in data analytics and artificial intelligence to gain deeper insights into customer behavior and preferences, enabling more personalized and targeted offerings. These strategic initiatives, coupled with its strong operational foundation, position Sundaram Finance well for continued success and expansion in the financial services industry.

SUNDARMFIN 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%
Sundaram Finance	58402.86	41.95	15.67%	2.93%	22.46%	2.64%	16.33%
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%

Aspect	Commentary
Revenue	Sundaram Finance's revenue growth is robust, with a 26.7% YoY increase and 2.94% QoQ growth. The company's focus on rural expansion and digital platforms has contributed to consistent sales performance, reflecting strong demand for its financial services across diverse markets.
Profit & Loss	Operating profit margin stands at an impressive 80.4%, showcasing operational efficiency. PAT growth of 24.33% YoY and 16.33% QYoQ highlights profitability improvements, driven by strategic diversification and cost management.
Profitability Matrix	Net profit margin of 24.6% and EBITDA margin of 70.01% indicate strong profitability. EPS growth of 3.05% reflects steady earnings expansion, supported by efficient capital allocation and a diversified revenue stream.
Valuation Matrix	Trailing P/E of 42.0 and PEG ratio of 2.92 suggest the stock is priced for growth. EV/EBITDA of 19.9 and P/B of 5.52 indicate premium valuation, justified by consistent performance and growth potential in the financial services sector.
Growth (YoY)	Sales growth of 26.7% and PAT growth of 24.33% YoY reflect strong operational execution and demand. EPS growth of 3.05% highlights steady earnings expansion, supported by strategic initiatives in digital and rural markets.
Growth (QoQ)	QoQ sales growth of 2.94% and PAT growth of 2.65% indicate stable performance. QYoQ sales growth of 22.44% and PAT growth of 16.33% highlight resilience and adaptability in a dynamic financial landscape.
Capital Allocation	RoE of 15.7% and RoA of 2.93% demonstrate effective capital utilization. Cash equivalents of Rs.1,099 Cr provide liquidity for growth initiatives, while RoCE and RoIC of 9.40% reflect efficient operational management.
Holdings	Promoter holding of 37.2% ensures stability, while FII at 19.0% and DII at 7.54% indicate strong institutional interest. Public holding of 35.4% reflects balanced ownership, supporting long-term investor confidence.
Leverage	Debt/Equity ratio of 4.13 indicates high leverage, typical for NBFCs. Debt of Rs.43,700 Cr is supported by a market cap of Rs.58,403 Cr and enterprise value of Rs.1,01,004 Cr, reflecting the company's ability to manage debt effectively.

Analyst viewpoint: Sundaram Finance demonstrates strong growth potential in the short to mid-term, supported by its robust financial performance and strategic initiatives. The company reported a 26.7% YoY sales growth and 2.94% QoQ growth, reflecting consistent demand across diverse markets. Its operating profit margin of 80.4% and PAT growth of 24.33% YoY underscore operational efficiency and profitability improvements. Sundaram Finance's focus on rural expansion and digital transformation, including partnerships with fintech firms, positions it well to capture emerging opportunities in underpenetrated markets. Additionally, its diversification into insurance and asset management mitigates risks and strengthens its revenue streams. The company's premium valuation metrics, such as a trailing P/E of 42.0 and EV/EBITDA of 19.9, are justified by its consistent performance and growth trajectory.

While Sundaram Finance's leverage, with a debt/equity ratio of 4.13, is higher compared to some peers, this is typical for NBFCs and supported by its strong market cap and enterprise value. The company's strategic capital allocation, reflected in an RoE of 15.7% and cash equivalents of Rs.1,099 Cr, ensures liquidity for growth initiatives. Peer comparison highlights Sundaram Finance's competitive edge in profitability and operational execution, with QYoQ PAT growth of 16.33% outperforming several industry players. Despite mild concerns around leverage, Sundaram Finance's focus on innovation, rural penetration, and diversification makes it a compelling buy recommendation for investors seeking exposure to India's dynamic financial services sector.

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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Research Analyst Details:

Name: Robin Arya

Email: smallcase@goalfi.in

Contact: +91-9394306085

GOALZEN CAPITAL SERVICES PRIVATE LIMITED

CIN: U66190TS2023PTC176030

Address: Co ikeva Office 10, Level 3, NSL Centrum, Serene Estate Pvt Ltd, Site No. Phase I and II, Opp KPHB Colony Lane Opp. Forum Mall Kukatpally, HYDERABAD, TELANGANA, 500072

Support Telephone: +91 9063309052, Support Email – support@goalfi.in

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