

**Price:** 1,577

**Recommendation:** Buy

**Industry:** Non Banking Financial

**Sector:** Financial Services

**Report Date:** 15-Apr-2025

Cholamandalam Investment and Finance Company Limited has demonstrated robust growth, with a 15% increase in quarterly disbursements and a 34% rise in assets under management. The company is expanding its branch network by 300 locations to boost its vehicle finance business. It plans to exit partnerships in the Consumer and Small Enterprise Loans segment to reduce credit losses. With a focus on technology and digital platforms, Cholamandalam aims for long-term growth and improved asset quality.

Sales		Profit & Loss		Profitability Matrix	
Current Year	24141 Cr	Operating Profit(Year)	17137 Cr	Operating Profit Margin	71.0 %
Previous Year	12757 Cr	Operating Profit(Quarter)	4691 Cr	EBITDA Margin	58.03 %
Current Quarter	6709 Cr	PAT (Year)	3424 Cr	Net Profit Margin	18.1 %
Previous Quarter	6227 Cr	PAT (Quarter)	1087 Cr	EPS	48.2
Revenue (QYoY)	4960 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	32.8	Sales Growth	40.7 %	Sales Growth	7.74 %
PEG Ratio	1.39	PAT Growth	28.38 %	Sales Growth QYoY	35.26 %
EV/EBITDA	16.2	EPS Growth	18.14 %	PAT Growth	12.88 %
P/B	6.21	Dividend Yield	0.13	PAT Growth QYoY	24.09 %
Capital Allocation		Holdings		Leverage	
RoE	20.2 %	Promoter	49.9 %	Debt/Equity	7.39
RoA	2.54 %	FII	27.4 %	Debt	157794 Cr
RoCE	10.4 %	DII	16.1 %	Market Cap	132765 Cr
RoIC	10.4 %	Public	6.56 %	Enterprise value	281989 Cr
		No of Shares	84.1 Cr	Cash Equivalents	8571 Cr

source : Company filings

## Company's Overview Based on Recent Concall and Performance:

Cholamandalam Investment and Finance Company Limited's recent earnings call highlighted several strategic initiatives and business strategies aimed at sustaining growth and improving operational efficiency. The company reported a robust performance with disbursements reaching INR 25,806 crores for the quarter, marking a 15% increase, and a year-to-date total of INR 74,452 crores, up by 16%. The total assets under management (AUM) stood at INR 1,89,141 crores, reflecting a 34% year-on-year growth. The company emphasized its strong liquidity position, with a cash balance of INR 15,159 crores at the end of December 2024, ensuring a comfortable asset-liability management (ALM) with no negative cumulative mismatches across all-time buckets.

In terms of new initiatives, the company is focusing on expanding its branch network, with plans to cover 300 more branches pan-India over the next 2 to 3 years. This expansion is expected to enhance their reach and support the growth of their vehicle finance business, which has already seen a 16% growth in disbursements. The company is also working on diversifying its portfolio by reducing its reliance on partnerships in the Consumer and Small Enterprise Loans (CSEL) segment, aiming to completely exit these partnerships by the next financial year. This move is expected to lower the Net Credit Loss (NCL) in this segment, which is currently inflated due to partnership-related factors.

Looking ahead, Cholamandalam is optimistic about its growth prospects, maintaining a medium-term growth expectation of 25%. The company anticipates improvements in credit costs and asset quality, particularly in the vehicle finance segment, where early delinquencies have started to decline. The management expects the fourth quarter to perform better than the third, with gradual improvements over the next 3 to 4 quarters. The company is also investing in technology and digital platforms to enhance operational efficiency and customer service, which is expected to contribute to long-term growth and profitability.

On the positive side, the company's strong financial performance and strategic initiatives position it well for future growth. However, there are areas for improvement, such as the need to address the elevated credit costs in certain segments and the challenges posed by macroeconomic factors affecting the heavy commercial vehicle market. The company's focus on reducing its partnership exposure and expanding its branch network are steps in the right direction, but the impact of these initiatives will need to be closely monitored to ensure they deliver the expected benefits. Overall, Cholamandalam's proactive approach to managing its portfolio and expanding its market presence bodes well for its future prospects.

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	88354.75	37.38	29.51%	5.31%	39.18%	11.19%	30.99%
Bajaj Finance	566349.95	35.43	22.07%	5.52%	27.33%	6.17%	16.70%
Bajaj Finserv	314304.11	36.66	15.28%	-4.93%	10.34%	6.90%	3.40%
Jio Financial	151567.23	94.31	1.27%	-36.79%	5.98%	-57.22%	0.33%
Cholaman.Inv.&Fn	132764.82	32.79	20.23%	7.75%	35.27%	12.82%	24.01%

Aspect	Commentary
Revenue	The company shows strong revenue growth with a significant year-over-year increase, indicating robust sales performance. The quarterly growth also reflects a positive trend, suggesting effective strategies in capturing market demand and expanding its customer base.
Profit & Loss	The profit and loss statement reveals a healthy operating profit margin, supported by strong earnings before interest, taxes, depreciation, and amortization (EBITDA). The net profit margin is solid, reflecting efficient cost management and revenue generation.
Profitability Matrix	The profitability matrix highlights a strong operating profit margin, indicating efficient operations. The EBITDA margin supports this, while the net profit margin and earnings per share (EPS) suggest effective cost control and shareholder value creation.
Valuation Matrix	The valuation metrics show a reasonable price-to-earnings (P/E) ratio, suggesting the stock is fairly valued. The PEG ratio indicates growth potential, while the enterprise value to EBITDA ratio reflects the company's operational efficiency and market valuation.
Growth (YoY)	Year-over-year growth metrics indicate robust sales and profit growth, reflecting successful business strategies and market expansion. The increase in earnings per share (EPS) and dividend yield further underscores the company's strong financial health.
Growth (QoQ)	Quarter-over-quarter growth metrics show consistent sales and profit increases, highlighting effective short-term strategies. The growth in profit after tax (PAT) and sales suggests the company is maintaining momentum in its operational performance.
Capital Allocation	The capital allocation metrics reveal a strong return on equity (RoE) and return on assets (RoA), indicating efficient use of capital. The return on capital employed (RoCE) and return on invested capital (RoIC) further demonstrate effective capital management.
Holdings	The holdings data shows a balanced ownership structure with significant promoter and institutional investor stakes, indicating confidence in the company's prospects. The public holding is relatively small, suggesting limited market float.
Leverage	The leverage metrics indicate a high debt-to-equity ratio, suggesting significant reliance on debt financing. However, the company's market capitalization and enterprise value suggest strong market confidence, while cash equivalents provide liquidity support.

**Analyst viewpoint:** Cholamandalam Investment and Finance Company's recent performance and strategic initiatives present a compelling case for bullish sentiment in the short to mid-term. The company has delivered impressive quarterly growth metrics, with a 15% increase in disbursements and a 34% rise in assets under management, showcasing its ability to capture market demand effectively. Valuation metrics, including a reasonable trailing P/E of 32.8 and a PEG ratio of 1.39, suggest that the stock is fairly valued with solid growth potential. Coca-Cola is also expanding its branch network by 300 locations, which is expected to strengthen its position in the vehicle finance segment, contribute to revenue growth, and reduce credit losses as it exits less profitable partnerships. This strategic focus on growth is further bolstered by investments in digital technology to enhance operational efficiency and customer engagement.

Additionally, when compared to peers like HDFC AMC and Bajaj Finance, Cholamandalam maintains a competitive edge with robust sales and PAT growth figures. The company's strong return on equity and return on assets highlight efficient capital allocation, while its liquidity position is solid with ample cash reserves to manage liabilities. Despite a high debt-to-equity ratio, strong market confidence reflected in its market capitalization provides reassurance. However, a potential area for concern is its elevated credit costs in specific sectors, which will require careful monitoring to ensure continued financial health. The company's proactive approach in addressing these challenges and expanding its market presence bodes well for future prospects, but the impact of these initiatives will need to be closely tracked.

Please read detailed disclosure on next page.

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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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