

**Price:** 4,497

**Recommendation:** Buy

**Industry:** Non Banking Financial

**Sector:** Financial Services

**Report Date:** 03-Apr-2025

Sundaram Finance, a key player in India's financial sector, is enhancing digital capabilities to improve customer experience and efficiency. By investing in technology, the company aims to offer personalized services and leverage analytics for better risk management. Diversifying into insurance and asset management, Sundaram Finance seeks new revenue streams. It plans to expand domestically and internationally, focusing on emerging markets and underserved regions, supported by a strong capital base.

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	35.9	Sales Growth	26.7 %	Sales Growth	2.94 %
PEG Ratio	2.50	PAT Growth	24.33 %	Sales Growth QYoY	22.44 %
EV/EBITDA	18.2	EPS Growth	3.05 %	PAT Growth	2.65 %
P/B	4.72	Dividend Yield	0.67	PAT Growth QYoY	16.33 %
Capital Allocation		Holdings		Leverage	
RoE	15.7 %	Promoter	37.2 %	Debt/Equity	4.13
RoA	2.93 %	FII	18.6 %	Debt	43700 Cr
RoCE	9.40 %	DII	7.86 %	Market Cap	49989 Cr
RoIC	9.40 %	Public	35.5 %	Enterprise value	92590 Cr
		No of Shares	11.1 Cr	Cash Equivalents	1099 Cr

source : Company filings

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

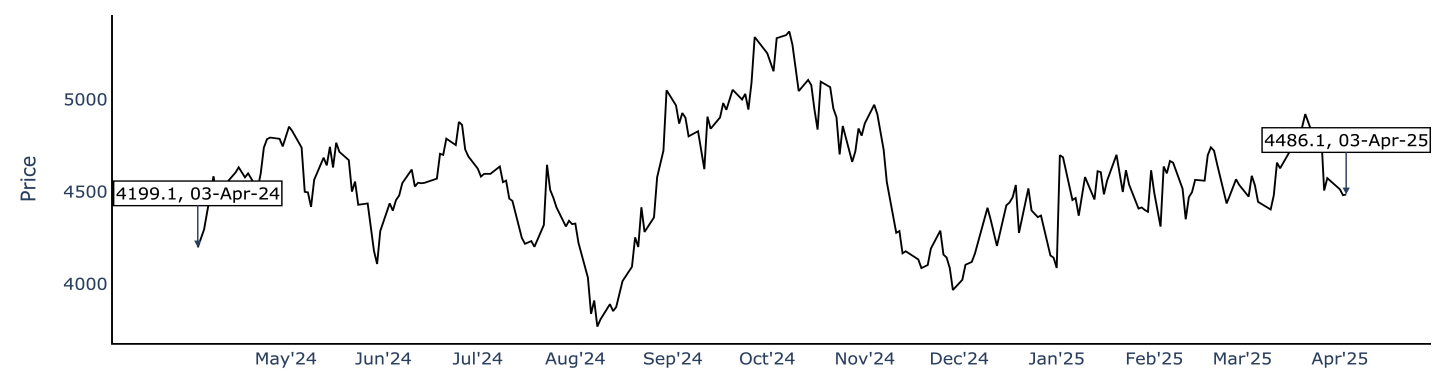
Sundaram Finance, a prominent player in the Indian financial services sector, has recently been focusing on expanding its digital capabilities to enhance customer experience and operational efficiency. The company has been investing in technology to streamline processes and offer more personalized services. This digital transformation is aimed at catering to the evolving needs of its customer base, which increasingly prefers online and mobile platforms for financial transactions. By leveraging advanced analytics and artificial intelligence, Sundaram Finance aims to improve its risk management and customer service, ensuring a more robust and responsive business model. This strategic shift not only positions the company to better compete in the digital age but also aligns with broader industry trends towards digitalization.

In terms of diversification, Sundaram Finance has been exploring opportunities in the insurance and asset management sectors. The company has been strengthening its presence in these areas through strategic partnerships and product innovations. For instance, its insurance arm has been expanding its product offerings to include more comprehensive coverage options, catering to a wider range of customer needs. This diversification strategy is designed to reduce dependency on traditional lending operations and create new revenue streams. By broadening its portfolio, Sundaram Finance aims to mitigate risks associated with economic fluctuations and regulatory changes, thereby ensuring more stable and sustainable growth.

Looking ahead, Sundaram Finance is focusing on scaling its operations both domestically and internationally. The company is exploring opportunities in emerging markets, where there is significant demand for financial services. By tapping into these markets, Sundaram Finance aims to capitalize on the growing middle class and increasing financial literacy. Domestically, the company is expanding its branch network and enhancing its distribution channels to reach underserved regions. This expansion strategy is supported by a strong capital base and prudent financial management, which provide the necessary resources for growth. The company's emphasis on customer-centricity and innovation is expected to drive its future success, as it continues to adapt to changing market dynamics.

To further strengthen its market position, Sundaram Finance could consider enhancing its sustainability initiatives, aligning with global trends towards environmental, social, and governance (ESG) criteria. By integrating ESG principles into its business operations, the company can attract socially conscious investors and customers, while also contributing to broader societal goals. Additionally, focusing on talent development and retention will be crucial as the company scales its operations. Investing in employee training and development programs can ensure that Sundaram Finance maintains a skilled and motivated workforce, capable of driving innovation and delivering exceptional customer service. These strategic initiatives, combined with its existing strengths, position Sundaram Finance well for continued growth and success in the competitive financial services landscape.

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
Muthoot Finance	95178.81	20.04	17.86%	7.43%	39.64%	8.95%	32.69%
Bajaj Finance	533057.80	33.35	22.07%	5.52%	27.33%	6.17%	16.70%
Sundaram Finance	49989.06	35.91	15.67%	2.93%	22.46%	2.64%	16.33%
Bajaj Finserv	307851.63	35.90	15.28%	-4.93%	10.34%	6.90%	3.40%
Jio Financial	146366.85	91.08	1.27%	-36.79%	5.98%	-57.22%	0.33%

Aspect	Commentary
Revenue	The company shows strong revenue growth with a significant increase from the previous year, indicating robust sales performance. The quarterly growth also reflects a positive trend, suggesting effective strategies in capturing market demand and expanding customer base.
Profit & Loss	Operating profit and PAT figures highlight efficient cost management and profitability. The year-on-year and quarter-on-quarter growth in profits suggest a stable financial position, driven by effective operational strategies and market positioning.
Profitability Matrix	High operating and EBITDA margins indicate strong operational efficiency. The net profit margin reflects effective cost control and revenue generation. EPS growth, though modest, suggests consistent shareholder value enhancement.
Valuation Matrix	The valuation metrics, including P/E and EV/EBITDA, suggest the company is valued at a premium, reflecting investor confidence. The PEG ratio indicates growth potential, while the P/B ratio suggests a strong asset base relative to market value.
Growth (YoY)	Year-on-year growth in sales and PAT underscores the company's ability to expand its market presence and improve profitability. The modest EPS growth indicates steady shareholder returns, while dividend yield reflects a balanced capital return strategy.
Growth (QoQ)	Quarter-on-quarter growth in sales and PAT highlights the company's ability to maintain momentum and adapt to market conditions. The consistent growth trajectory suggests effective short-term strategies and operational agility.
Capital Allocation	The return metrics, including RoE and RoCE, indicate efficient capital utilization and value creation. The company's focus on maintaining a strong capital base supports its growth and expansion strategies, ensuring long-term sustainability.
Holdings	The diverse shareholder structure, with significant promoter and public holdings, reflects a balanced ownership model. The presence of institutional investors indicates confidence in the company's governance and strategic direction.
Leverage	The high debt/equity ratio suggests significant leverage, which could pose risks but also indicates aggressive growth strategies. The substantial market cap and enterprise value reflect strong market positioning and investor confidence.

**Analyst viewpoint:** Sundaram Finance showcases robust short to mid-term prospects, demonstrating a commendable QoQ sales growth of 2.94% and PAT growth of 2.65%, underpinning its solid market positioning. The strong operating and EBITDA margins reflect superior operational efficiency, supported by strategic investments that are reshaping their digital landscape. Such initiatives align with the company's commitment to enhance customer experiences and streamline operations. With a strategic focus on digital transformation, Sundaram Finance aims to leverage advanced technologies for improved risk management, potentially leading to steady financial performance. This, coupled with the company's recent foray into insurance and asset management sectors, provides an alternative revenue stream, adding resilience against economic fluctuations.

Furthermore, Sundaram Finance's valuation metrics such as a trailing P/E of 35.9 and a PEG Ratio of 2.50, suggest considerable investor confidence. This is further enhanced by their competitive stance against peers like Bajaj Finance and Muthoot Finance. Notably, the company's expansion strategy into emerging markets is promising, particularly given their focus on tapping into underserved regions. While the high debt/equity ratio of 4.13 could be seen as a concern, it indicates an aggressive growth strategy, supported by a strong capital base enabling domestic and international expansion. Integrating ESG principles can attract investors focusing on sustainability, thus ensuring a well-rounded growth trajectory.

Please read detailed disclosure on next page.





