

**BUY**
**Target: 1150**
**Upside: 16%**
**VALUE PARAMETERS**

Face Value (Rs.)	2.00
Mrk.Cap (Rs. in Cr)	81,978
Enterprise value (Rs in Cr)	1,76,329
52-Week High/Low	1007 / 594
EPS (TTM)	32.4
P/E Ratio (TTM)	30.8
Book Value per share (Rs)	175
Industry P/E	24.4
P/B Ratio (calc at CMP)	5.63
Dividend Yield (%)	0.20%
Cash equivalents (Rs. Cr)	3007
Debt (Rs. Cr)	97,358

**SHAREHOLDING PATTERN (%)**

Promoters	51.47
FIIs	19.63
DIIs	21.45
Public	7.44

**FINANCIAL PERFORMANCE (INR Cr.)**

Standalone	FY22	FY23P	FY24E
<b>NII</b>	<b>5268</b>	<b>6333</b>	<b>8350</b>
<i>Growth (%)</i>	<i>47.0%</i>	<i>20.2%</i>	<i>31.8%</i>
Operating Profit	3771	4449	5924
<b>PAT (Rs. Cr)</b>	<b>2147</b>	<b>2666</b>	<b>3370</b>
<i>Growth (%)</i>	<i>N/A</i>	<i>24.17%</i>	<i>26.41%</i>
EPS (Rs)	26.23	32.4	41
NIM (%)	6.9	6.6	6.7
P/ABV	9.7	5	4.5
RoE	20.20%	20.5	22.1
RoA	2.70%	2.70%	2.80%
AUM growth %	12.60%	41.30%	26%
P/E x	36.30%	29.30%	22%
BV (Rs)	143	174	214

**PRICE PERFORMANCE**


**Our Recommendation:** Management is hopeful of growth prospects across all segments and expects portfolio mix to have more portion of non-VF segment. Company will closely monitor portfolio & collections along with maintaining strict underlying practices. Asset quality is expected to remain strong in coming months. Given expansion in portfolio mix and strong asset quality, we expect the company would continue to present good numbers in coming quarters. We recommend BUY in price range Rs. 980-1000 with target price Rs 1150 (upside 16%).

**Investment Rationale:**

**About Company:** Cholamandalam Investment & Finance Company is one of the premier diversified non-banking finance companies in India, engaged in providing vehicle finance, home loans and Loan against property. Offered Products: The company offers loans for commercial vehicles, passenger vehicles, 2-wheelers, tractors, construction equipment, homes, SMEs and others. New Businesses: Company launched 3 new businesses during FY22 to target SME space. CSEL - Offers Personal Loans, Professional Loans & Business Loans to Salaried, Self Employed Professionals and Micro & Small businesses.

**Q4FY23 Results:**

- Company reported 24.5% year-on-year jump in consolidated net profit at Rs 855.3 crore for the fourth quarter that ended March 31, 2023.
- Net Interest Income rose 30.8 % year-on-year to Rs 2,006.9 crore.
- AUM as of March 31, 2023 stood at Rs 1,12,782 crore compared to Rs 82,904 crore as of March 31, 2022, for a growth of 36 percent year-on-year.
- Capital adequacy ratio of the company as on March 31, 2023 was at 17.13 % against the regulatory requirement of 15 %. Tier-I capital was at 14.78 % and tier-II capital was at 2.35 percent.
- Company has recommended a final dividend of Rs 0.70 per share on the equity shares of the company.

**Strong growth across segments; transitioning to a diversified**

**NBFC:** Chola is steadily moving from a vehicle financing (VF) NBFC to a diversified NBFC with an increasing share of non-VF businesses at 37% (FY19: 25% and a medium-term target of 50%) Company to reduce cyclicity in its growth and earnings profile. Penetration of non-VF loans (LAP, home loans, and new businesses) in its branch network is still at sub-50%, and it is likely to be a positive catalyst for portfolio growth.

**Asset quality improved further:** The company posted strong NII/PPoP growth of 29%/40% YoY on the back of strong AUM growth (+38.5% YoY) and reflating NIM (7.8%). C/I ratio was broadly steady at 38% (opex-to-AUM at 3.4%) on the back of sustained investments in people, business sourcing and collections and is expected to stay elevated in the near term. GS-III/NS-III improved further to 3%/1.7% with GS-II at 3.7%.

**Key Highlights from management commentary:**

- It has guided for product mix of Vehicle Finance at 50%, Home Loans and LAP at 30-35%.
- Management said that company will review equity capital requirement in FY24 and will raise equity capital and Tier 2 capital.

**Q4, 2023 Financial results, standalone (INR. Cr)**

Year-end: March	Q4FY23	Q4FY22	Q3FY23	YoY (%)	QoQ (%)
Interest income	3700.83	2580.34	3323.1	43.4%	11.4%
Interest expenses	1734.17	1071.15	1543.29	61.9%	12.4%
<b>Net interest income</b>	<b>1966.66</b>	<b>1509.19</b>	<b>1779.81</b>	30.3%	10.5%
<i>NIM (%)</i>	7.8	8.1	7.6	-30 bps	20 bps
Other Income	93.43	51.41	51.91	81.7%	80.0%
<b>Operating Income</b>	<b>2060.09</b>	<b>1560.6</b>	<b>1831.72</b>	32.0%	12.5%
Staff cost	379.27	294.96	349.37	28.6%	8.6%
Other Op Exp	372.79	326.21	373.17	14.3%	-0.1%
D&A	34.95	27.41	29.49	27.5%	18.5%
<b>Total Op expenses</b>	<b>787.01</b>	<b>648.58</b>	<b>752.03</b>	21.3%	4.7%
Cost to Income (%)	38.2%	41.6%	41.1%	- 340 bps	-290 bps
<b>Operating Profit</b>	<b>1273.08</b>	<b>912.02</b>	<b>1079.69</b>	39.6%	17.9%
Provisions	113.98	-17.4	158.89	-755.1%	-28.3%
<b>PBT</b>	<b>1159.1</b>	<b>929.42</b>	<b>920.8</b>	24.7%	25.9%
Tax	306.26	239.84	236.51	27.7%	29.5%
<i>Tax rate</i>	26.4%	25.8%	25.7%	60 bps	-70 bps
<b>PAT</b>	<b>852.84</b>	<b>689.58</b>	<b>684.29</b>	23.7%	24.6%
EPS	10.38	8.4	8.32	23.6%	24.8%

**Segmental wise loan disbursal**

Total Disbursements	21,020	12,718	17,560	65.3	19.7
AUM	1,06,498	76,907	95,467	38.5	11.6
Vehicle Finance	66,938	52,881	61,285	26.6	9.2
Housing Loans	21,588	17,115	19,997	26.1	8
SME LAP	8,451	5,269	7,278	60.4	16.1
Other New Products	9,521	1,642	6,907	479.8	37.8
Yield on Advances	14.4	13.7	14	70bps	40bps
Cost of Funds	6.6	5.6	6.4	100bps	20bps
Spreads	7.8	8.1	7.6	-30bps	20bps
NIM	7.8	8.1	7.6	-30bps	20bps
Cost-Income ratio (%)	38.2	41.6	41.1	-336bps	-285bps

**Asset Quality**

Gross NPA (%)	4.6	6.8	5.4	-217bps	-74bps
Net NPA (%)	3.1	4.8	3.7	-169bps	-58bps
PCR (%)	46	39.7	41	633bps	504bps

**Capital Adequacy**

CRAR	17.1	19.6	17.8	-252bps	-65bps
Tier I	14.8	16.5	15.1	-169bps	-32bps
Tier II	2.3	3.1	2.6	-83bps	-33bps

**Profit & Loss Statement, standalone (INR Cr)**

Y/E March	FY22	FY23P	FY24E	FY25E
Net Interest Income	5,268	6,333	8,350	10,412
Other Income	572	896	1,066	1,251
<b>Total Income</b>	<b>5,840</b>	<b>7,229</b>	<b>9,416</b>	<b>11,663</b>
Total Operating Exp	2,069	2,780	3,492	4,305
<b>PPOP</b>	<b>3,771</b>	<b>4,449</b>	<b>5,924</b>	<b>7,358</b>
Provisions & Contingencies	880	850	1,419	1,800
PBT	2,891	3,599	4,505	5,558
Provision for Tax	744	933	1,135	1,402
<b>PAT</b>	<b>2,147</b>	<b>2,666</b>	<b>3,370</b>	<b>4,156</b>

**Balance Sheet, standalone (INR Cr)**

Y/E March	FY22	FY23P	FY24E	FY25E
<b>SOURCES OF FUNDS</b>				
Share capital	164	164	164	164
Reserves and surplus	11,543	14,132	17,292	21,196
Shareholders' funds	11,708	14,296	17,457	21,361
Total Borrowings	69,174	97,356	1,22,282	1,50,692
Other Liabilities, provisions	1,482	1,863	2,332	2,871
<b>Total</b>	<b>82,363</b>	<b>1,13,516</b>	<b>1,42,071</b>	<b>1,74,924</b>
<b>USAGE OF FUNDS</b>				
Cash & Bank balances	4,220	2,961	3,564	4,389
Investments	2,076	3,620	4,175	5,141
Loans	74,149	1,04,748	1,31,737	1,62,201
Fixed Assets & Others	1,918	2,186	2,594	3,193
<b>Total Assets</b>	<b>82,363</b>	<b>1,13,516</b>	<b>1,42,071</b>	<b>1,74,924</b>

**Key Ratios**

Y/E March	FY22	FY23P	FY24E	FY25E
<b>VALUATION RATIOS</b>				
EPS	26.1	32.4	41	50.6
Earnings Growth (%)	41.6	24	26.3	23.5
BVPS	142.5	173.8	212.3	259.7
RoAA (%)	2.7	2.7	2.6	2.6
ROAE (%)	20.2	20.6	21.1	21.4
P/E (x)	36.3	29.3	23.2	18.8
P/ABV (x)	9.7	6.2	5	4.5
<b>PROFITABILITY</b>				
Yield on Advances (%)	13.3	13.3	13.6	13.6
Cost of Funds (%)	5.8	6.1	6.4	6.4
NIM (%)	6.9	6.6	6.7	6.7
<b>ASSET QUALITY</b>				
Gross NPLs (Rs Cr)	5,212	3,222	3,488	3,819
Net NPLs (Rs Cr)	3,630	1,740	1,940	2,140
Gross NPLs (%)	7	3.1	2.6	2.4
Net NPLs (%)	4.9	1.7	1.5	1.3
Coverage Ratio (%)	30.4	46	44.4	44
Provision/Avg. AUM (%)	1.3	0.9	1.2	1.2

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