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Chola
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RATINGS	
Business	★★★★★
Financial	★★★★☆
Valuation	★★★☆☆
Management	★★★★★

Ranking 1 to 5, denoting lowest and 5 highest

Cholamandalam Investment & Financial

30 December,2024

CMP: ₹1,220 | **Rating: BUY** | **Target: ₹1,400** | **Research Report**

Key Info

Market cap (cr)	1,02,386
52W High	₹ 1,652
52W Low	₹ 1,011
No.of eq shares(cr)	84.1
Face Value	₹ 2
Nse Code	CHOLAFIN
Bse Code	511243
Free float (cr)	84,763

Source: Nse/Bse

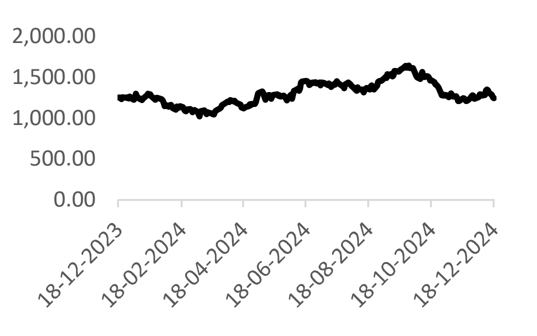
Particulars	2023	2024
P/E	23.51	28.17
P/B	4.36	4.96
Cost to Income	38.5%	37.9%
Cost of Funds	6.9%	7.8%
AUM Growth	38.5%	27.0%
NIM	6.4%	6.3%
BVPS	174.52	233.26
Dividend Yield (%)	0.26%	0.17%

Source:Company,Fin2research

Particulars	% of total share
DIIs	16.60%
FIIs	27.16%
Retail	6.01%
Promoters	50.24%
Total	100%

Source: Nse/Bse

1Y Price Chart



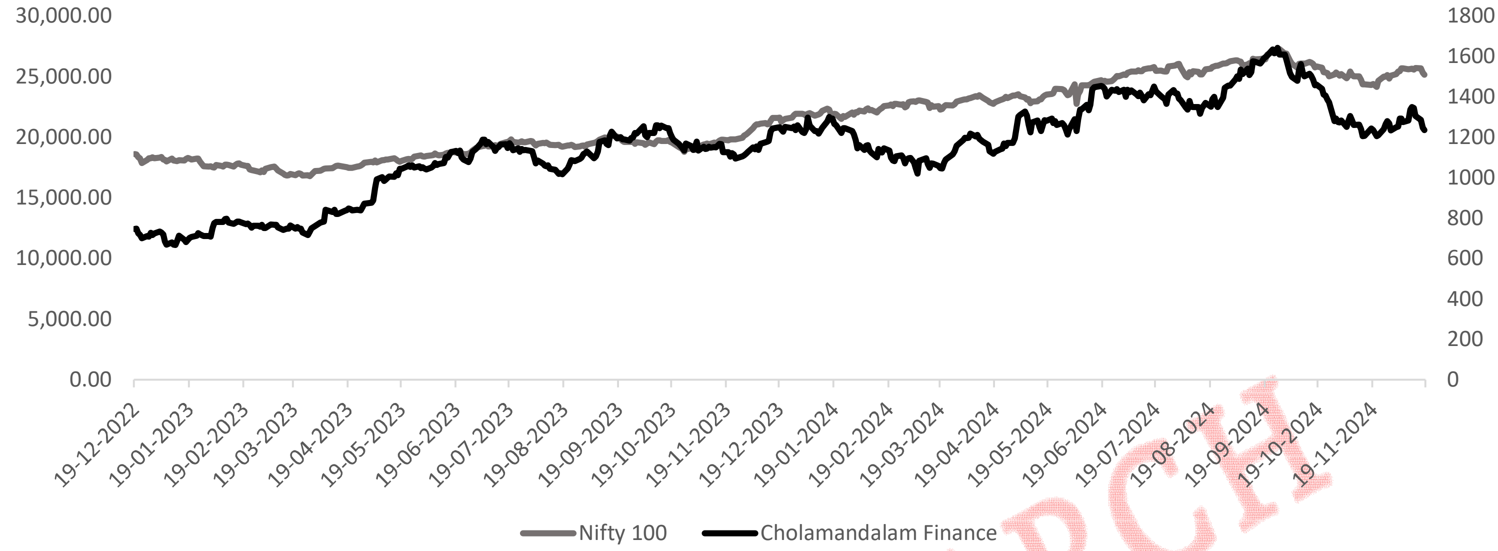
About: **Cholamandalam Investment & Finance Company Limited (Chola) is a leading and well-diversified non-banking financial company (NBFC) in India. It is primarily engaged in offering a wide array of financial products and services, including vehicle financing, home loans, and loans against property. With a strong focus on customer-centric solutions, Chola caters to a broad spectrum of customers, ranging from individuals and small businesses to large enterprises. The company has built a robust presence across the country, leveraging its extensive branch network and digital capabilities to provide accessible and innovative financial solutions.**

Recent Updates:

- The company reported a revenue of ₹3,238 crore in Q2 FY25, reflecting a 37% year-on-year (YoY) growth.Net profit rose to ₹963 crore during the same period, marking a 26% YoY increase.
- Net Interest Margin (NIM) improved to 9.1%, driven by strong growth in disbursements and portfolio expansion.
- Gross Non-Performing Assets (GNPA) increased to 3.78% from 3.47% in the previous quarter, and Net Non-Performing Assets (NNPA) rose to 2.48%.Stage 3 assets (overdue loans) were reported at 2.83%, slightly up from 2.62% in the preceding quarter.
- Disbursements during the quarter surged by 45% YoY to ₹23,782 crore, with strong growth across all business segments.The loan book expanded to ₹1.18 lakh crore, a 33% YoY increase, supported by robust demand for vehicle loans, home loans, and SME loans.
- The company specializes in financing SME customers for their business needs by leveraging existing immovable property as collateral.
- Approximately 78% of the loan book is secured against self-occupied residential properties, ensuring lower risk.
- The Loan Against Property (LAP) segment witnessed significant growth of 97% between FY22 and FY24, highlighting strong demand and expansion in this area.
- The Vehicle Finance business maintained its position as the primary revenue contributor, showing continued growth in both commercial and passenger vehicle loans.
- The company focused on expanding its home loans and affordable housing finance segments, targeting underserved markets.
- Operating expenses increased due to higher business volumes and investments in technology to enhance digital lending capabilities.
- CIFCL continued its efforts to strengthen risk management frameworks to address the marginal deterioration in asset quality.
- The company raised additional funding through market borrowings to support its aggressive growth strategy.

Key Risks:

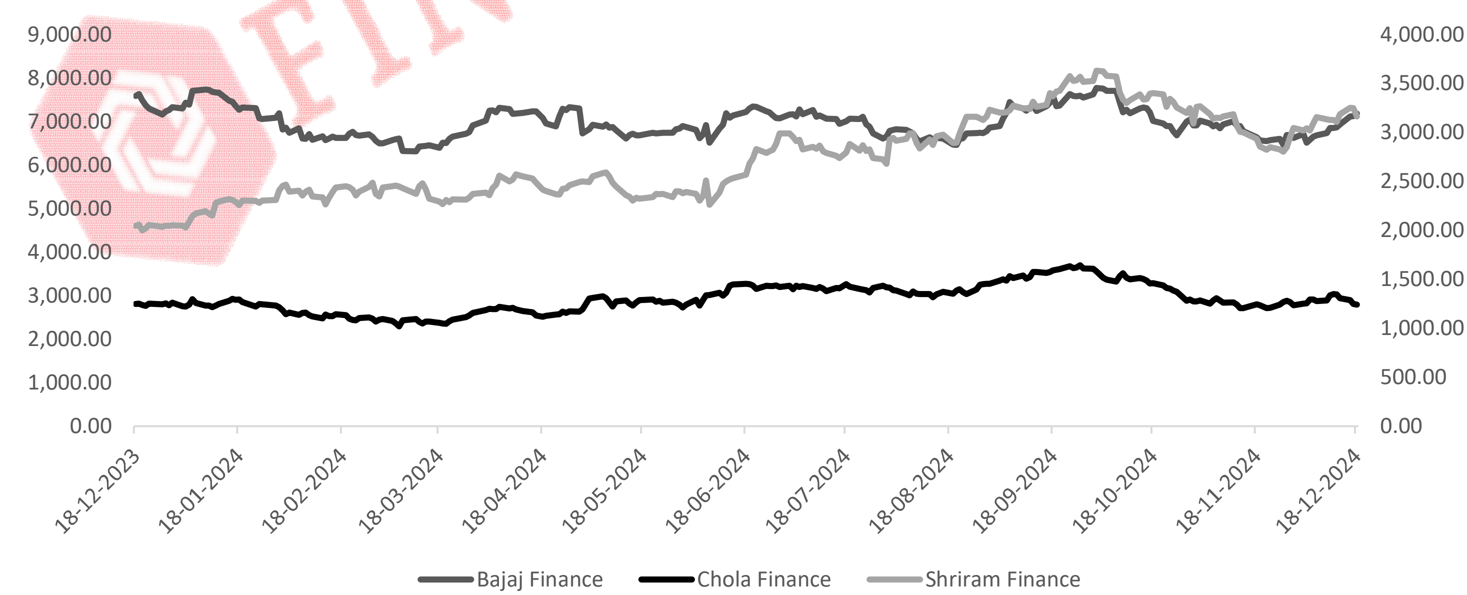
- Concentration in Secured Lending: A large portion of its loan book is secured by self-occupied residential properties, making it vulnerable to fluctuations in real estate markets.
- Rural Market Dependency: Its focus on rural and semi-urban markets exposes it to economic risks like agricultural income volatility.
- LAP Risk: The growth in the Loan Against Property (LAP) segment carries the risk of over-leveraging and asset value declines.
- Vehicle Finance Exposure: A significant reliance on vehicle finance makes it susceptible to industry disruptions, including shifts toward electric vehicles.
- Funding Risks: Dependence on borrowings and NCDs exposes the company to liquidity and interest rate fluctuations.
- Geographic Concentration: CIFCL's concentration in specific regions makes it vulnerable to local economic or regulatory disruptions.



Price Performance- CAGR%	1M	3M	6M	YTD	Year	5Y
Cholamandalam Investment & Finance	-0.20%	-21.90%	-14.60%	1.33%	-0.55%	304.64%
Nifty 100	3.33%	-4.78%	2%	15%	17%	103%
Relative return	**-4%**	**-17%**	**-17%**	**-14%**	**-17%**	**201%**

Source: Company,Fin2research

Peer Stock Comparison



Company	CMP	Mar Cap	P/E	Sales	Debt	ROE %	ROCE %	EPS
Chola Investment	₹ 1,209	1,02,386	27.11	22,502.0	157942.6	20.16%	10.42%	45.86
Bajaj Finance	₹ 6,928	4,28,810	28.71	62,278.0	324218.07	22.07%	11.92%	248.48
Shriram Finance	₹ 2,913	1,09,530	14.3	38,466.3	207819.62	15.93%	11.27%	213.88

Source: Company,Fin2research

Business Overview

- Cholamandalam Investment and Finance Company Limited (Chola), established in 1978 as the financial services arm of the Murugappa Group, began its journey as an equipment financing company.
- Over the years, it has grown into a comprehensive financial services provider, offering a wide range of solutions, including vehicle finance, home loans, loans against property, SME loans, Secured Business Personal Loans (SBPL), Consumer & Small Enterprises Loans (CSEL), loans against securities, and various other financial products tailored to meet diverse customer needs.
- Chola operates through an extensive network of 1,508 branches spread across India, supporting its strong operational presence and outreach.
- The company currently manages assets worth over INR 1,77,000 crore, reflecting its significant scale and growth. With a growing base of over 42 lakh satisfied customers across the nation, Chola remains committed to empowering individuals and businesses to lead better lives by providing accessible and reliable financial solutions.
- From its inception, Chola has remained deeply rooted in its core values, prioritizing ethics, integrity, and a strong sense of responsibility. It consistently focuses on delivering value to all stakeholders, including customers, shareholders, employees, and the society it serves.
- This unwavering commitment to ethical conduct and customer-centricity has been the cornerstone of its success and growth over the years.

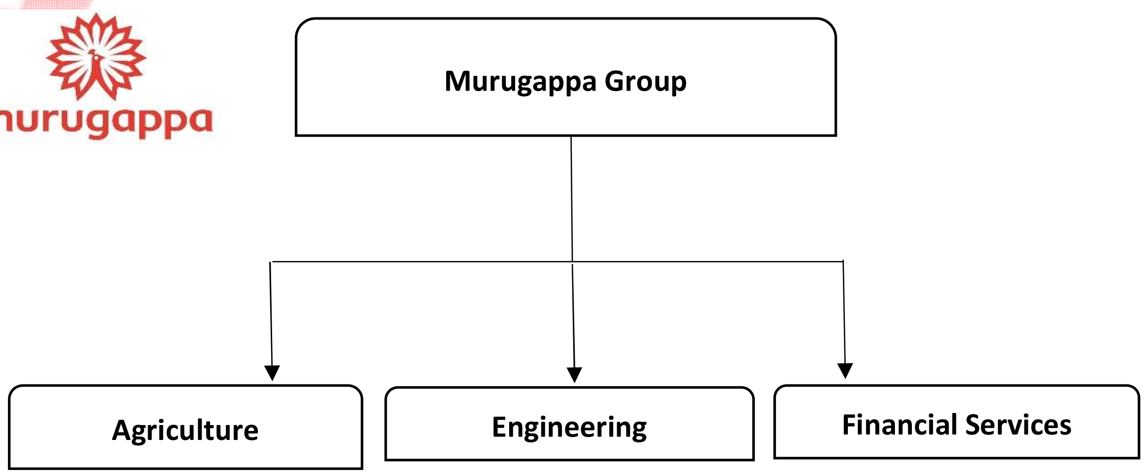
Vehicle Finance

Loan Against Property

Home Loans

New Businesses

Particulars	VF	LAP	HL	New Businesses	Business Enablers	Chola
No of Employees	41299	5071	7039	6316	1566	**61291**
No of Branches	1461	*779	*697	*688	*6	**1508**
No of Customers	2477945	61342	123593	1629539	NA	**4292419**

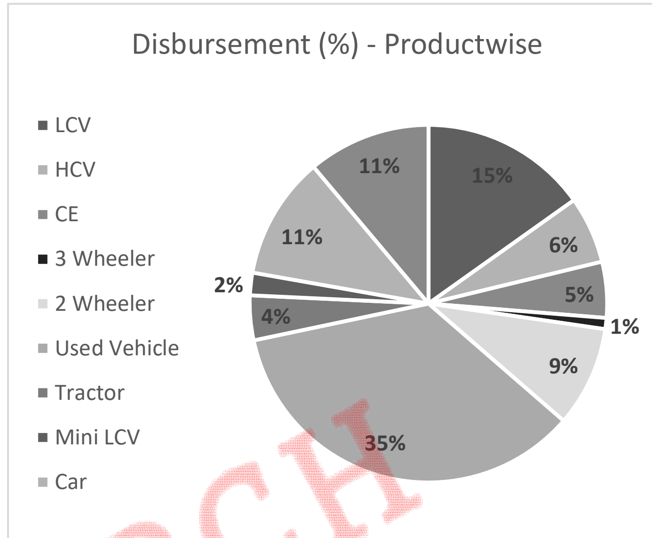


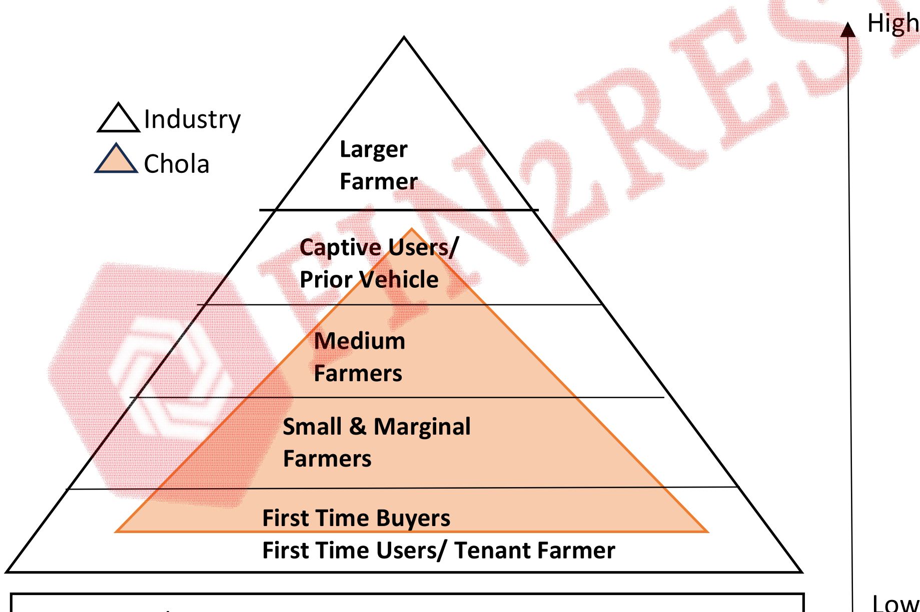
Source: Annual Report 2024

Diversified Line of Business

Vehicle Finance

- In FY24, the Indian automotive sector achieved remarkable growth of 12% year-on-year, setting new records across the Light Commercial Vehicle, Passenger Vehicle (Car and Multi-Utility Vehicle), and Two-Wheeler segments. The Two-Wheeler market grew by an impressive 13%, fueled by an expanded range of product offerings, positive market sentiment, the rapid growth of the electric vehicle segment, and the successful launch of premium models. The Three-Wheeler segment outperformed with a staggering 42% growth, driven by the rising popularity of cost-effective CNG models, the introduction of electric variants, increasing urbanization, and heightened demand for last-mile mobility solutions.
- Passenger Vehicles, including Cars and MUVs, saw an 8% increase in sales, supported by better vehicle availability, strong replacement demand, and the introduction of new models, particularly in the MUV and SUV categories. The Commercial Vehicle segment experienced flat growth, buoyed by improved vehicle supply, government tenders, and bulk purchases. In contrast, the Tractor segment faced a 7.5% decline compared to the previous year, impacted by an unfavorable monsoon and the high base effect of FY23. However, continued government support for the segment offers hope for recovery in FY25, provided favorable rainfall boosts rural demand.





Tractors only.
In exceptional cases considering implements like power tillers & combine harvestors

- **Agricultural Usage:** Financing aimed at meeting the needs of farmers for activities such as crop production, irrigation, transportation of produce, and other farm-related operations.
- **Commercial Usage:** Loans provided for non-agricultural purposes, including logistics, small businesses, and other entrepreneurial ventures.
- **Dual Purpose (Agricultural and Commercial Usage):** Funding intended for hybrid applications, supporting customers who require vehicles or equipment that serve both farming and business needs.

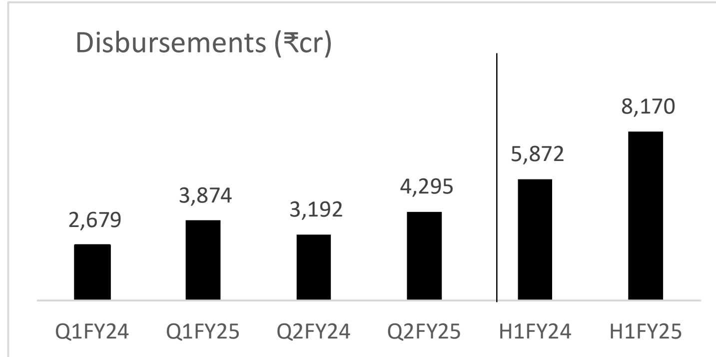
These disbursements encompass both new and pre-owned assets, allowing customers to choose based on their financial capacity and operational requirements. This comprehensive approach ensures greater inclusivity and meets the diverse needs of a rapidly evolving customer base in rural and semi-urban markets.

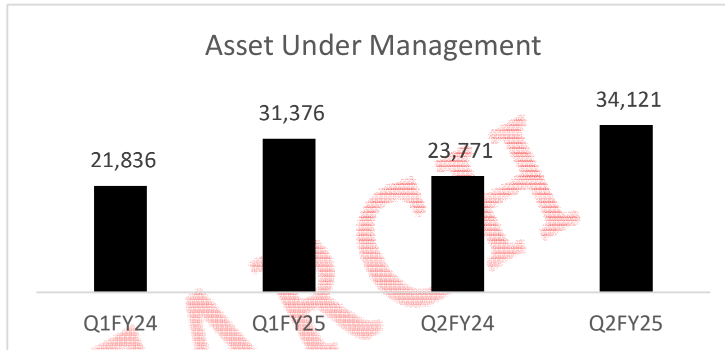
Approximately 65% of disbursements are directed toward agriculture-based customers, supporting applications such as agricultural activities, commercial operations, or a combination of both. These include financing for both new and pre-owned assets, catering to varied customer needs in rural and semi-urban markets.

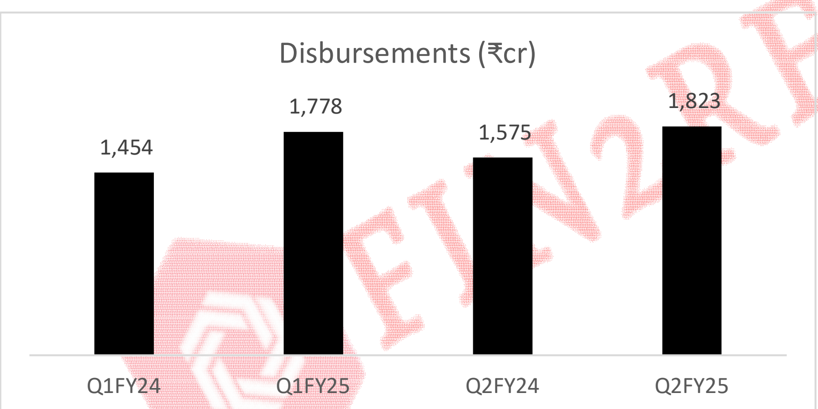
Source: Annual Report 2024

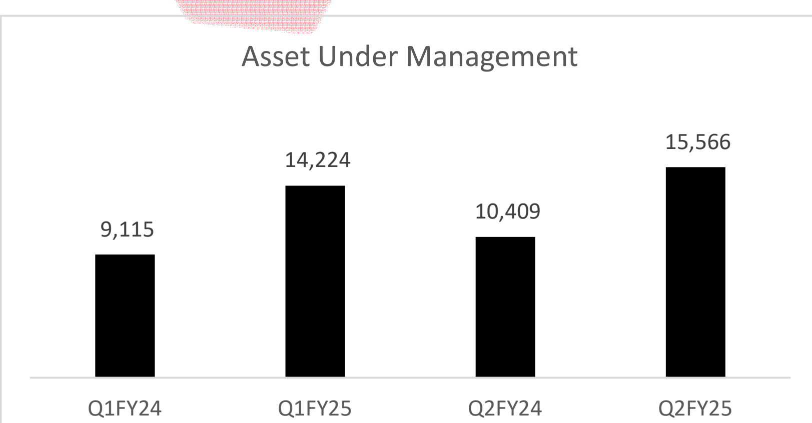
Loan Against Property (LAP)

- The market in India is estimated to be approximately ₹10 lakh crore in size, recording a healthy growth of around 15% in FY24. A key driver of future growth lies in the emerging small-ticket LAP segment, which remains significantly underpenetrated at less than 10%.
- This segment is poised for rapid expansion, supported by favorable economic conditions, increasing access to credit, and the rising demand from small businesses and entrepreneurs for funds to fuel their growth and expansion plans.
- With lenders focusing on widening their reach and tailoring products for this underserved market, the LAP sector is expected to witness sustained momentum in the coming years.
- Company's primary focus remains on retail customers, particularly in smaller towns and rural areas. We aim to enhance market share through sustained disbursement growth and robust collections.
- Leveraging extensive pan-India presence, we are expanding into Tier III and Tier IV markets to boost margins while maintaining a strong foothold in Tier I and Tier II regions.
- The asset quality has steadily improved, driven by reinforced collection and legal processes, with consistent progress observed in the Stage 3 portfolio.









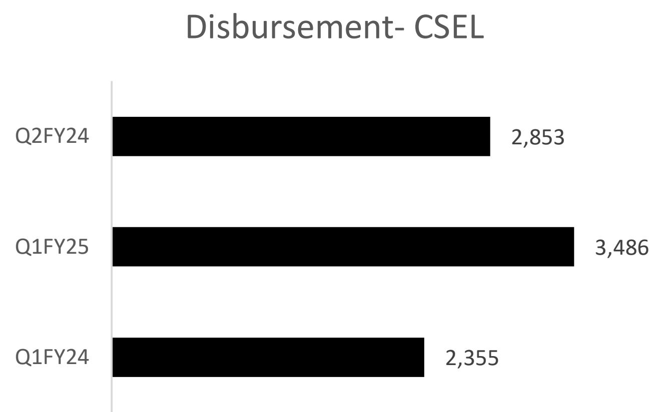
Home Loans

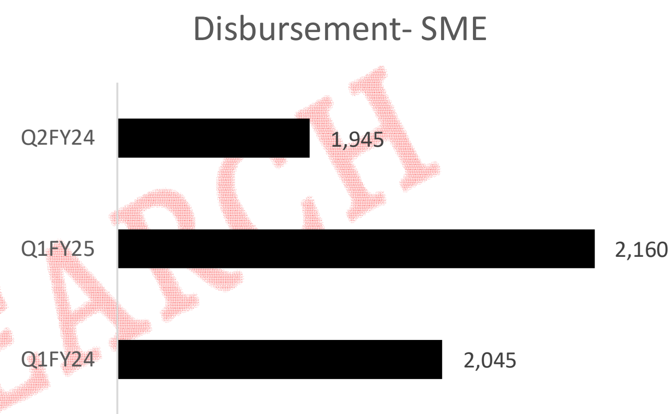
- Chola has established itself as a leading player in the home loan sector, focusing on the needs of middle- and lower-middle-income families across rural, urban, and semi-urban markets. With Assets Under Management (AUM) surpassing ₹13,000 crore.
- Company's Home Loan business plays a pivotal role in empowering these vital segments nationwide. Its unparalleled reach and robust underwriting capabilities distinguish Chola, providing access to home financing for borrowers in even the most remote villages and towns.
- The home loan division has prioritized expanding its channel partner network to serve a wider customer base, achieving a strong national footprint.
- Recent expansions have included states like Uttar Pradesh, Bihar, West Bengal, Odisha, Assam, and Jharkhand, alongside strengthening branch networks in existing regions.
- The Home Loan business remains committed to its mission of offering accessible and affordable home financing solutions, empowering customers to achieve their dreams of home ownership.
- Additionally, the company has been leveraging technology-driven platforms to simplify the loan application process and enhance customer experience.
- Through digital innovations and streamlined operations, Chola has significantly reduced turnaround times, ensuring faster approvals and disbursements.
- Its customer-centric approach, coupled with a deep understanding of local market dynamics, has enabled it to cater to diverse financial needs.

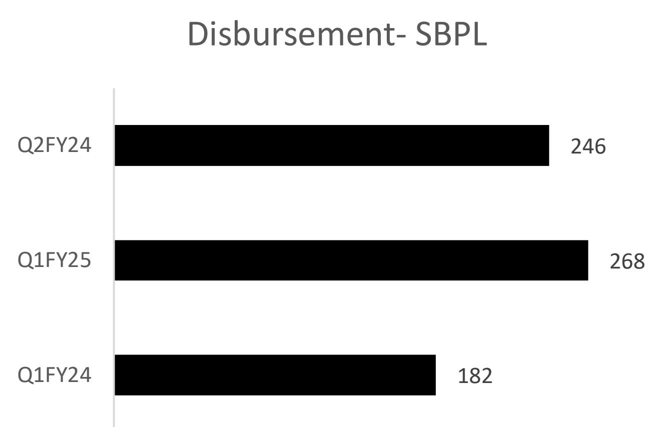
Source: Annual Report 2024

New businesses

- The personal loans segment has witnessed steady growth post-pandemic. However, despite the sector's rapid expansion, a substantial portion of India's population continues to lack access to formal credit sources.
- Recognizing this gap, company remains cautious, focusing on select business and professional customer segments to ensure prudent risk management and maintain a robust portfolio. This strategic approach enables the company to balance growth with sustainability while catering to the evolving needs of its customers.
- Meanwhile, the MSME sector stands as a cornerstone of India's economy, driving entrepreneurship and employment, especially in semi-urban and rural areas.
- With its significant contribution to the nation's GDP and exports, the sector is critical for overall economic development. Encouraged by rising demand, improved credit performance, and favorable economic indicators.
- Company is strategically positioned to scale its MSME credit portfolio. The company is leveraging its deep market insights and extensive network to provide tailored financial solutions, fostering the growth of small businesses.
- Additionally, focusing on innovative lending models and digital platforms to enhance accessibility and streamline the credit process for MSMEs.
- By addressing the unique challenges of this sector, such as limited access to formal financing and the need for flexible credit solutions, Chola aims to play a transformative role in enabling entrepreneurial success.
- This approach not only strengthens the company's position as a leading lender but also reinforces its commitment to driving financial inclusion and economic prosperity in India.
- Cholamandalam Investment & Finance Company (Chola), the financial services arm of the Murugappa Group, has introduced three new business divisions within the Consumer and SME ecosystem: Consumer & Small Enterprise Loan (CSEL), Secured Business & Personal Loan (SBPL), and SME Loan (SME).
- These additions align with Chola's strategy to strengthen its position as a market leader in Vehicle Finance, Loan Against Property, and Housing Finance.
- The CSEL division is dedicated to catering to new product segments through multiple channels, including traditional methods, direct-to-customer approaches, and digital partnerships, ensuring a comprehensive and accessible service offering.



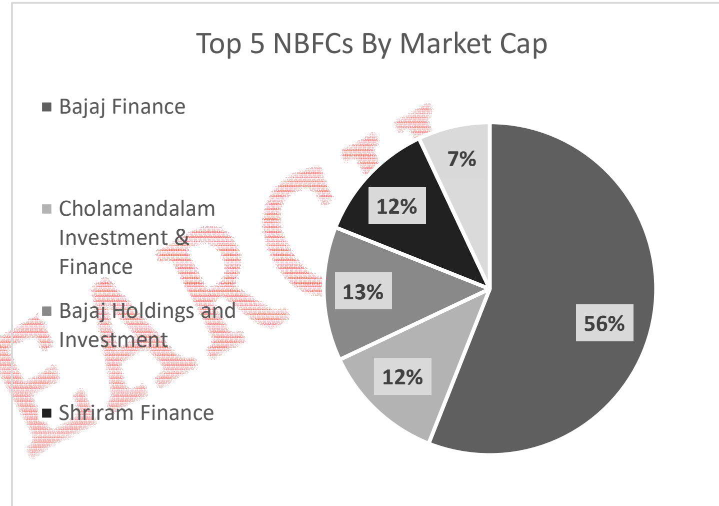




Source: Annual Report 2024

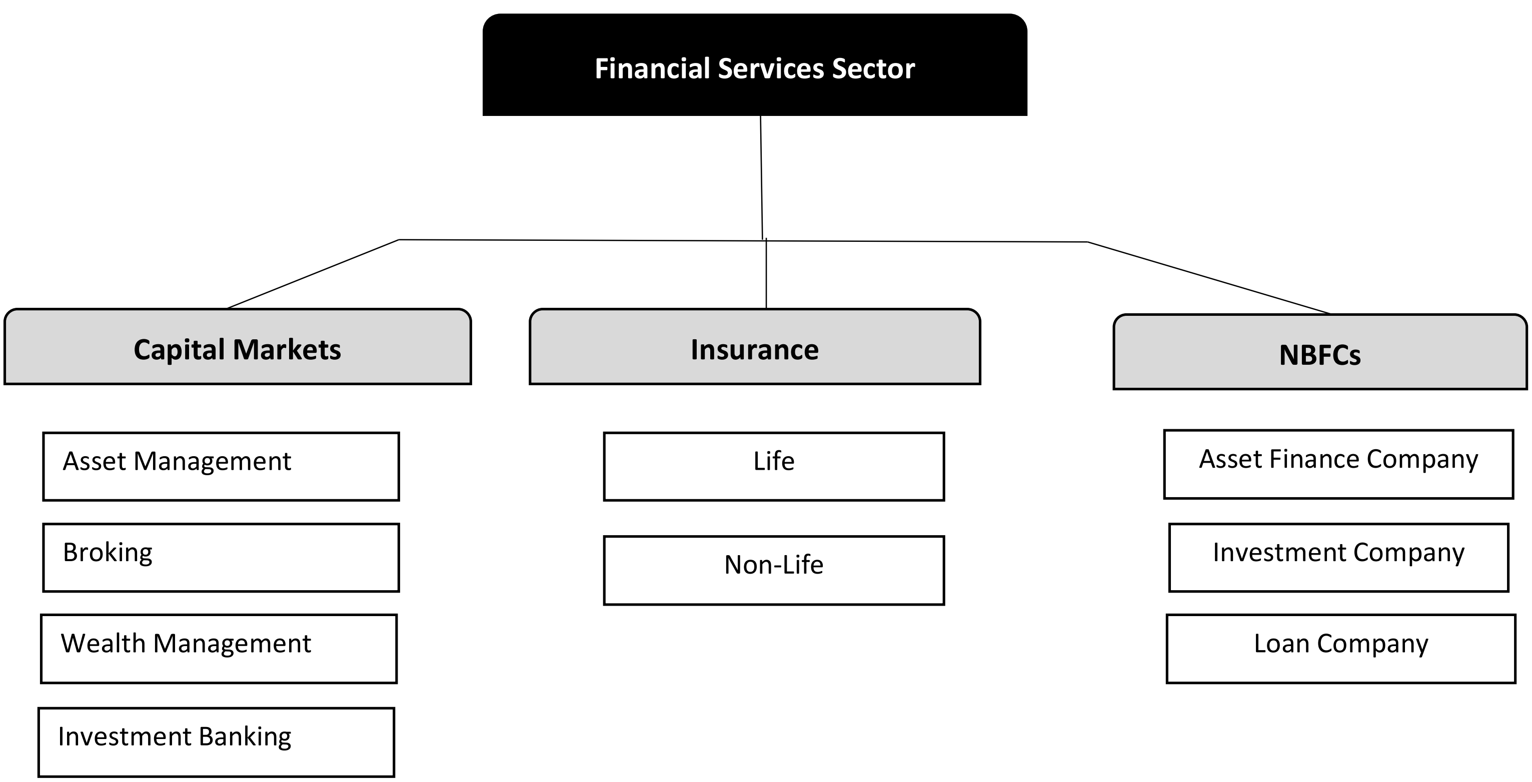
NBFC Industry Outlook

- Non-banking financial companies (NBFCs) are emerging as key players in the retail finance segment.
- NBFCs account for over 80% of equipment leasing and hire purchase activities in India.
- Public funds held by NBFCs grew from USD 278.23 billion in 2016 to USD 470.74 billion in 2020, reflecting a compound annual growth rate (CAGR) of 14.04%.
- As of September 2023, there were 9,356 NBFCs registered with the Reserve Bank of India (RBI).
- In December 2020, the RBI released a draft circular on dividend declarations by NBFCs, proposing that NBFCs maintain a minimum Capital to Risk-Weighted Assets Ratio (CRAR) of 15% for the preceding three years, including the financial year for which the dividend is declared.
- The Rajya Sabha passed the Factoring Regulation (Amendment) Bill in July 2021, enabling approximately 9,000 NBFCs to operate in the USD 6 billion factoring market. The bill also empowered the RBI to set guidelines for better regulatory oversight.
- On September 30, 2021, the RBI announced that the average base rate applicable for non-banking financial companies - microfinance institutions (NBFC-MFIs) to borrowers for the quarter starting October 1, 2021, would be 7.95%.
- On September 29, 2021, the State Bank of India (SBI) entered into agreements with three NBFC-MFIs for co-lending to Joint Liability Groups (JLGs).
- On January 25, 2023, LegalPay, a legal and insolvency financing start-up, partnered with Goldi Solar Group to launch Padmalaya Finserve. The NBFC aims to disburse INR 1,000 crore (USD 121 million) for legal



Layer	Description	% in layer
Base	Assets less than 1000 cr.	4.8
Middle	Greater than 1000 cr.	25.8
Upper	RBI-monitored 16 NBFCs currently.	69.4
Top	Systematic risk ideally empty	0

Source: Reserve Bank Of India



Global Outlook

The global NBFC market is expected to witness significant growth during the forecast period from 2024 to 2031. In 2023, the market demonstrated steady progress, and with the increasing adoption of strategies by key players, it is anticipated to grow further over the projected timeline.
North America, particularly the United States, will continue to play a pivotal role in shaping the market. Any developments in the U.S. could influence the global NBFC market trends.
The North American market is projected to expand considerably during the forecast period, driven by the widespread adoption of advanced technologies and the presence of major market players, creating substantial growth opportunities.
Europe is also expected to contribute significantly to the global NBFC market, with a robust compound annual growth rate (CAGR) forecasted for the period between 2023 and 2031.
The NBFC market size is projected to reach multi-billion USD levels by 2031, showcasing a surprising CAGR compared to 2023.
Despite intense competition, the positive global recovery trend has kept investors optimistic about the sector, with expectations of new investments in the coming years.
This report highlights the NBFC market's global performance, focusing on key regions such as North America, Europe, Asia-Pacific, South America, the Middle East, and Africa. It categorizes the market by manufacturers, regions, product types, and applications.
The report also provides insights into market size, segment analysis (covering product types, applications, and geography), the competitive landscape, and recent trends.
Additionally, it includes a detailed cost analysis and supply chain assessment.
Technological advancements will further enhance product performance, increasing its application in downstream industries. Moreover, insights into consumer behavior and market dynamics, including drivers, restraints, and opportunities, are essential for understanding the NBFC market comprehensively.

Key Growth Drivers

Shift To Financial Asset Class

The growth of the financial sector can be attributed to the expansion of equity markets and improved corporate earnings. India's personal wealth, which stood at USD 3 trillion in 2017, is projected to reach USD 5 trillion by 2022, growing at a CAGR of 13%.

Government Initiatives

In 2023, the government infused ₹9,000 crore (USD 1,080.97 million) into the revamped Credit Guarantee Scheme, enhancing MSME access to collateral-free loans. In 2021, an e-portal was launched to address tax evasion and 'Benami' property complaints. In 2020, ADB provided a USD 50-million loan to improve financial management in

Others

In January 2021, the NSE launched derivatives on the Nifty Financial Service Index, offering greater financial flexibility to institutions and retail investors. In December 2020, the IFSCA became a member of the International Association of Insurance Supervisors (IAIS). In April 2023, FPIs invested a net ₹11,631 crore (USD 1.42 trillion) in India’s capital market.

Fiscal Policy Amplyfying Divergences

Governments in advanced economies eased fiscal policy in 2023. The United States, where GDP had already exceeded its pre-pandemic path, eased policy more than did euro area and other economies in which the recovery was incomplete.

Quarter Highlights

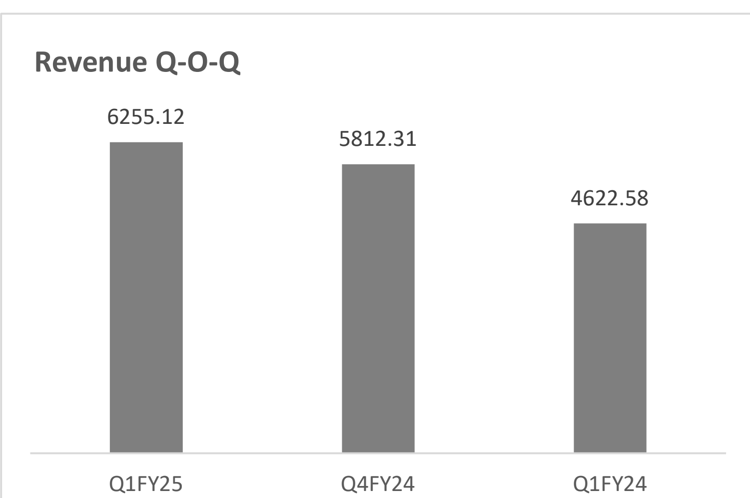
Income Statement (Standalone)

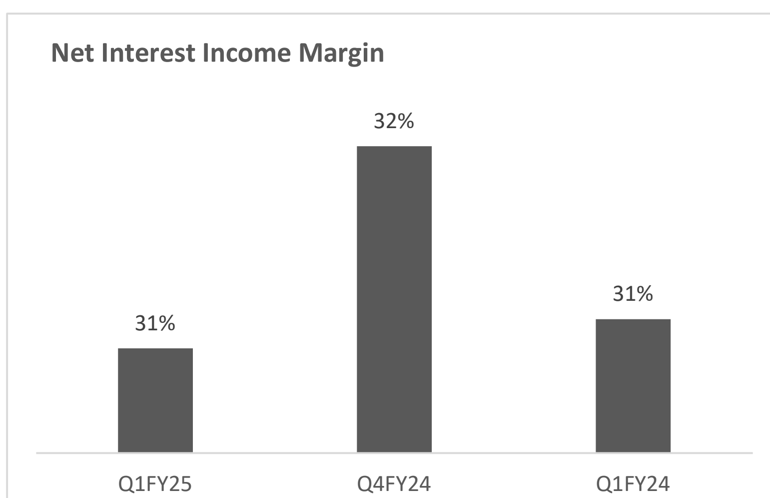
Particulars	Q2FY25	Q1FY25	Q2FY24	YOY%	QOQ%
Revenue	6226.6	5784.71	4434.95	**40.4%**	**7.6%**
Operating Expenses	1253.6	1125.06	908.16	**38.0%**	**11.4%**
Gross Profit	**4973**	**4659.65**	**3526.79**	**41.0%**	**6.7%**
Interest Expense	**3055.13**	2795.65	2205.2	**38.5%**	**9.3%**
Net Interest Income	1917.87	1864	1321.59	**45.1%**	**2.9%**
% NII Margin	***30.8%***	**32.22%**	**29.80%**	**3.4%**	**-4.4%**
Impairment of financial instrument	623.52	581.43	399.81	**56.0%**	**7.2%**
D&A	61.92	58.34	37.97	**63.1%**	**6.1%**
EBIT	***1232.43***	1224.23	883.81	**39.4%**	**0.7%**
Other Income	*66.15*	*44.26*	136.94	**-51.7%**	**49.5%**
PBT, before exception	1298.58	*1268.49*	1020.75	**27.2%**	**2.4%**
Taxes	335.53	326.26	258.26	**29.9%**	**2.8%**
PAT	**963.05**	**942.23**	**762.49**	**26.3%**	**2.2%**

Income Statement (Consolidated)

Particulars	Q1FY25	Q4FY24	Q1FY24	YOY%	QOQ%
Revenue	6255.12	5812.31	4622.58	**35.3%**	**7.6%**
Operating Expenses	1273.4	1145.23	987.58	**28.9%**	**11.2%**
Gross Profit	**4981.72**	**4667.08**	**3635**	**37.0%**	**6.7%**
Interest Expense	3058.57	2796.36	2204.16	**38.8%**	**9.4%**
Net Interest Income	1923.15	1870.72	1430.84	**34.4%**	**2.8%**
% NII Margin	***31%***	***32%***	***31%***	**-0.7%**	**-4.5%**
Impairment of financial instrument	623.53	581.67	399.87	**55.9%**	**7.2%**
D&A	62.63	58.96	38.51	**62.6%**	**6.2%**
EBIT	1236.99	1230.09	992.46	**24.6%**	**0.6%**
Other Income	67.22	44.4	72.58	**-7.4%**	**51.4%**
PBT, before exception	1304.21	1274.49	1065.04	**22.5%**	**2.3%**
Taxes	337.08	327.91	288.83	**16.7%**	**2.8%**
PAT	**967.13**	**946.58**	**776.21**	**24.6%**	**2.2%**

Source:Financial Summary



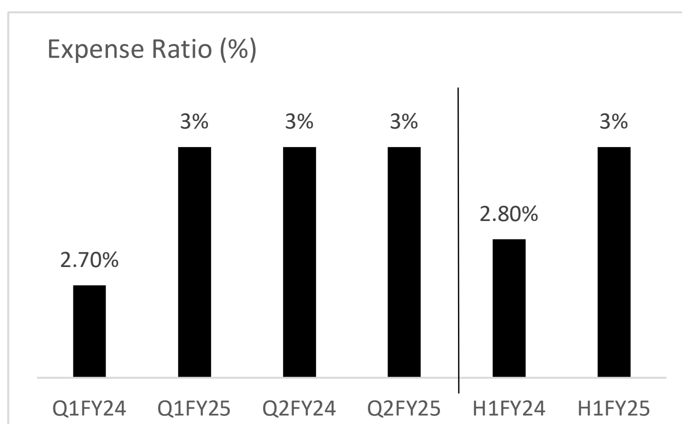


Earnings Highlights

- Cholamandalam Investment and Finance Company Limited (CIFCL) held its Q2 FY25 Earnings Conference Call on October 28, 2024, led by key executives. Q2 disbursements reached ₹24,314 crores, marking a 13% year-on-year growth, and totaled ₹48,646 crores for H1 FY25, reflecting a 17% increase.
- The company's AUM stood at ₹1,77,426 crores, registering a 33% year-on-year growth. Net income for Q2 was ₹3,238 crores, a 37% rise year-on-year, while H1 net income stood at ₹6,271 crores, growing by 40%. Profit after tax (PAT) for Q2 was ₹963 crores, a 26% increase, with H1 PAT at ₹1,905 crores, up 28%.
- Segment-wise, vehicle finance disbursements for Q2 were ₹12,336 crores, a 5% rise, and H1 disbursements reached ₹25,102 crores, up 9%. Loan Against Property (LAP) disbursements saw a 35% growth in Q2 at ₹4,295 crores and a 39% rise in H1 at ₹8,170 crores.
- Home loans recorded a 16% increase in Q2 with disbursements of ₹1,823 crores, totaling ₹3,601 crores in H1, up 19%. SME loans grew 1% in Q2 with disbursements of ₹1,959 crores, reaching ₹4,119 crores in H1 with a 3% growth. Consumer and Small Enterprise Loans (CSEL) saw a 26% increase in Q2 disbursements at ₹3,588 crores, totaling ₹7,075 crores in H1, up 36%. Secured business and personal loans grew 27% in Q2 with ₹312 crores disbursed and totaled ₹580 crores in H1, reflecting a 36% growth.
- The company achieved a 27% growth in profit before tax (PBT) for Q2 and 29% for H1, with PBT ROA at 3% for Q2 and 3.1% for H1. ROE stood at 18.24% for Q2 and 18.55% for H1. CIFCL maintained a strong liquidity position, with a cash balance of ₹13,864 crores as of September 30, 2024, including investments in government securities, treasury bills, and strips. The total liquidity, including undrawn sanctioned lines, was ₹14,404 crores, and the Asset-Liability Management (ALM) profile remained comfortable with no negative cumulative mismatches across all time buckets.
- CIFCL also outlined its capital expenditure (capex) plans and strategic investments to support future growth. The company has earmarked ₹500 crores for technological advancements and infrastructure upgrades to enhance operational efficiencies and customer experience. It plans to expand its branch network by adding 100 new branches, particularly in underserved regions, to strengthen its reach and tap into new market opportunities.
- Additionally, CIFCL is allocating ₹300 crores to develop digital lending platforms and diversify its product offerings, with a target to achieve 30% of its loan disbursements through digital channels by FY26. These strategic investments aim to sustain the company's robust growth trajectory, ensure a superior customer experience, and maintain a strong risk management framework, aligning with evolving consumer preferences and market dynamics.

Stagewise Assets & Provision Summary

Particulars	Jun-24	Sep-24	June 24 (%)	Sept 24 (%)
Gross Assets	**1,57,095**	**1,66,654**	**100.00%**	**100.00%**
Stage 1	1,49,060	1,57,446	94.89%	94.47%
Stage 2	3,912	4,500	2.49%	2.70%
Stage 3	4,123	4,708	2.62%	2.83%
Provision	**2,780**	**3,058**	**54.55%**	**53.34%**
Stage 1	565	582	0.38%	0.37%
Stage 2	339	381	8.67%	8.48%
Stage 3	1,876	2,095	45.50%	44.49%
Net Assets	**1,54,314**	**1,63,595**	**98.23%**	**98.17%**
Stage 1	1,48,495	1,56,864	94.53%	94.13%
Stage 2	3,572	4,118	2.27%	2.47%
Stage 3	2,247	2,613	1.43%	1.57%



Source: Earning's Transcript 2024

Financial Summary

Income Statement (consolidated)

In ₹cr	year ending 31st March		
Particulars	**FY22**	**FY23**	**FY24**
Revenue	10,048	12,757	18,845
Operating Expenses	1,077	1,395	1,555
Gross Profit	**8,971**	**11,362**	**17,290**
Interest Expense	4,299	5,749	9,231
Net Interest Income	**4,673**	**5,613**	**8,059**
% NII Margin	***47%***	***44%***	***43%***
D&A	895	1,266	2,331
EBIT	**3,778**	**4,347**	**5,729**
Other Income	90	221	371
PBT, before exception	3,869	4,568	6,100
Taxes	**744**	**933**	**1,159**
PAT	**2,147**	**2,666**	**3,423**

Balance Sheet (consolidated)

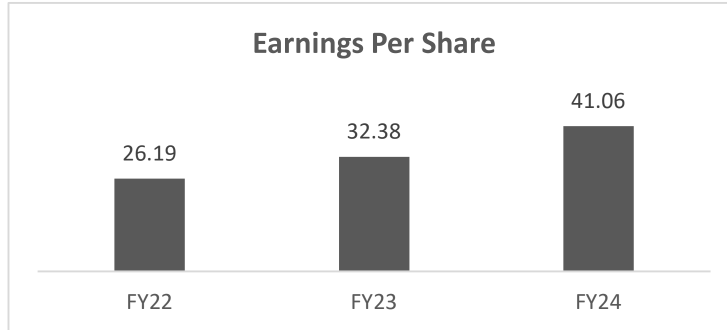
In ₹cr	year ending 31st March		
Particulars	**FY22**	**FY23**	**FY24**
P,P&E	240	375	1,539
Cash	4,220	3,007	4,394
Trade Recievables	128	202	413
Intangible Assets	29	53	36
Investments	2,076	3,562	4,036
Loans Recievables	74,149	1,04,810	1,44,463
DTA (net)	922	882	1,015
Financial Assets	187	273	248
Capital W-I-P	23	36	-
Other Assets	390	428	542
Total Assets	**82,363**	**1,13,627**	**1,56,686**
Common Equity	164	164	168
Other Equity	11,543	14,182	19,425
Total Sharholder's Eq	**11,708**	**14,346**	**19,593**
Debt	65,326	92,869	1,29,324
Trade Payables	803	1,236	1,634
Financial Liab	170	134	187
DTL (net)	-	-	-
Provisions	118	142	194
Other liab	4,239	4,900	5,755
Total Liabilities	**70,656**	**99,281**	**1,37,093**
Total Equity & Liab	**82,363**	**1,13,627**	**1,56,686**

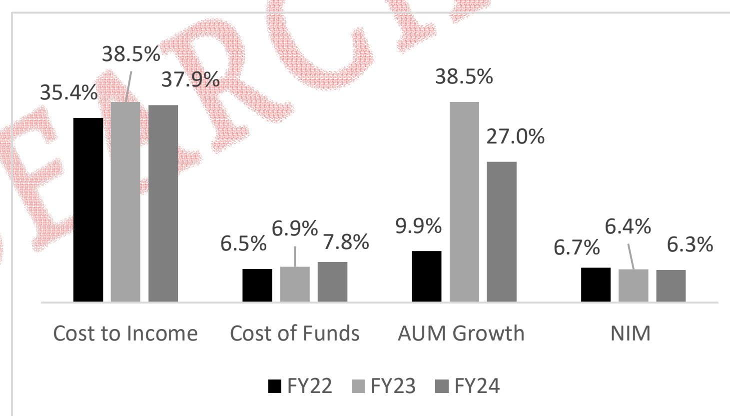
Cashflow Statement (consolidated)

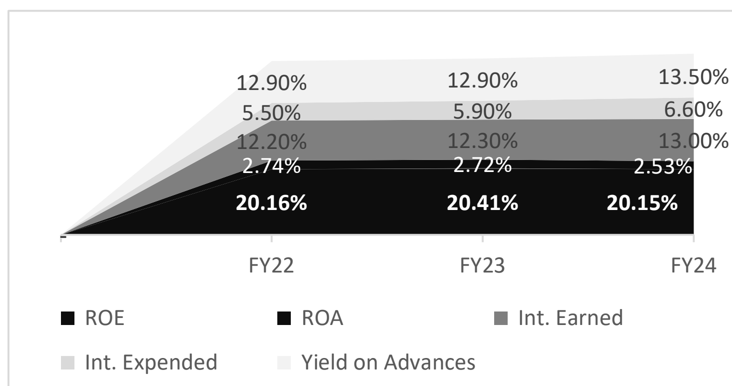
In ₹cr	year ending 31st March		
Particulars	**FY21**	**FY22**	**FY23**
CFO Before WC	7925	10003	14675
Change in WC	-12688	-36141	-49170
Tax	-845	-898	-1273
Net CFO	**-5608**	**-27037**	**-35768**
Net Capex	-69	-184	-1043
Other CFI	1736	-1976	-1662
Net CFI	**1667**	**-2160**	**-2705**
Net Borrowings	5674	27006	34054
Dividends Paid	-164	-164	-167
Other CFF	-359	608	4517
Net CFF	**5151**	**27449**	**38405**
Net change in CF	**1210**	**-1748**	**-68**

Source: Annual Report

Ratios	FY22	FY23	FY24
EPS (Basic)	26.19	32.38	41.06
	FY22	**FY23**	**FY24**
Cost to Income	35.4%	38.5%	37.9%
Cost of Funds	6.5%	6.9%	7.8%
AUM Growth	9.9%	38.5%	27.0%
NIM	6.7%	6.4%	6.3%
Profitability (%)	**FY22**	**FY23**	**FY24**
ROE	20.16%	20.41%	20.15%
ROA	2.74%	2.72%	2.53%
Int. Earned	12.20%	12.30%	13.00%
Int. Expended	5.50%	5.90%	6.60%
Yield on Advances	12.90%	12.90%	13.50%
Efficiency Ratio (%)	**FY22**	**FY23**	**FY24**
Op, Exp/ Net Income	5.0%	4.0%	3.1%
Empl Cost/ Op Exps	0.83	0.91	1.50
Balance Sheet Structure (%)	**FY22**	**FY23**	**FY24**
Loan Growth	12.6%	41.3%	27.3%
Borrowing Growth	8.5%	40.7%	28.1%
Capital Adequacy Ratio	19.6%	17.1%	17.0%
Valuation Ratios	**FY22**	**FY23**	**FY24**
Book Value	143.34	174.52	233.26
Dividend Per Share	2.00	2.00	2.00
Dividend Yield	0.28	0.26	0.17
P/E	27.43	23.51	28.17
P/PPOP	27.00	22.90	17.70
D/E	5.89	6.80	6.88
P/B	5.01	4.36	4.96







Source: Company, Fin2research

Company Board

Vellayan Subbiah
Chairman

Vellayan Subbiah holds a Bachelor's degree in Civil Engineering from IIT Madras and an MBA from the University of Michigan. He brings over 27 years of extensive experience spanning consulting, technology, projects, financial services, and engineering, having held various leadership roles across diverse industries.
He has been recognized with numerous prestigious awards, including the 'EY Entrepreneur of the Year™ 2023' and the 'EY World Entrepreneur of the Year™ 2024. In his professional journey, he has worked with renowned organizations such as McKinsey & Company and 24/7 Customer Inc., where he gained valuable insights and expertise.

Ravindra Kumar Kundu
Managing Director

Shri Sundararaman Ramamurthy holds a Bachelor's degree in Commerce and has completed the Post Graduate Programme in Management for Senior Executives from the Kellogg School of Management and the Indian School of Business, as well as an Executive Programme in Global Business Management from the Indian Institute of Management Calcutta. Brings over 36 years of experience in the automobile and financial services industries, including 24 years with Chola. He joined Chola in 2000 as Senior Executive - Marketing and progressively advanced to leadership roles, overseeing key functions such as credit, collections, and various business operations.

N Ramesh Rajan
Independent Director

N Ramesh Rajan, a commerce graduate and a Fellow Member of the Institute of Chartered Accountants of India, he brings over 41 years of extensive experience in audit, finance, strategy, and operations.
He previously served as the Chairman and Senior Partner of PwC India, where he was responsible for the overall strategy and operations of all PwC entities in the country. In this capacity, he also represented India on PwC International's Global Strategy Council and was a member of PwC's Central Cluster, led by PwC UK.
Currently, he serves as a Director on the Boards of TTK Healthcare Limited, Rane (Madras) Limited, Rane Engine Valve Limited, and Rane Brake Lining Limited.

MAM Arunachalam
Non Executive Director

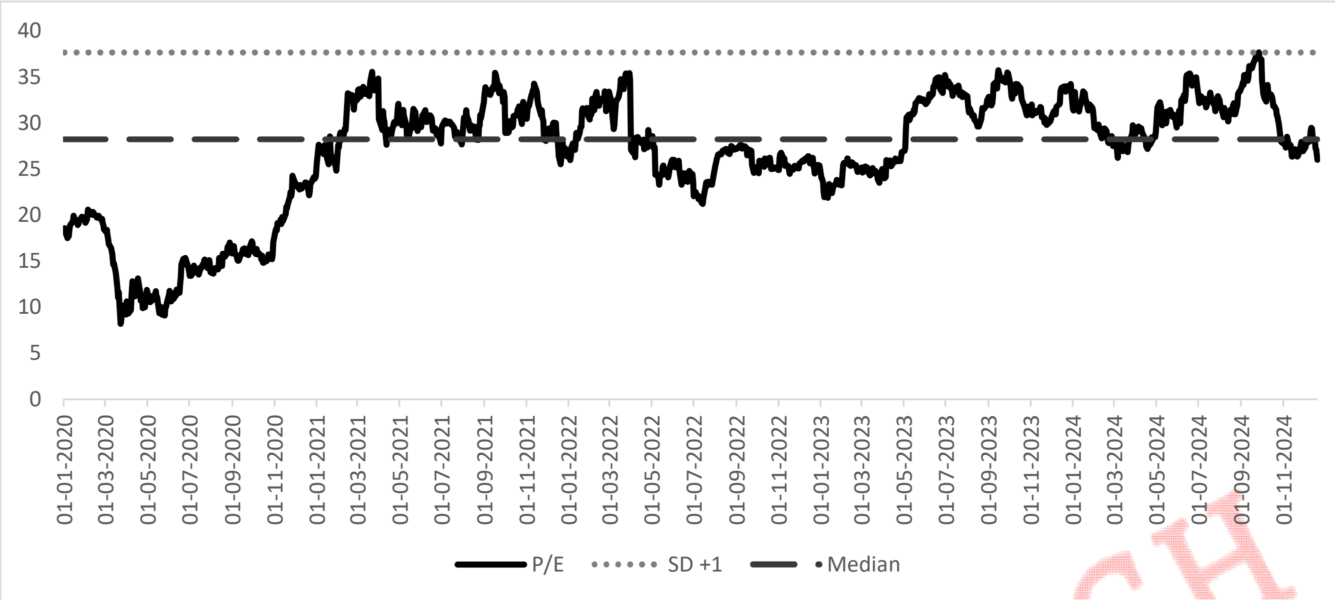
M A M Arunachalam, Director holds a Bachelor's degree in Commerce from Loyola College, Chennai, and an MBA from the University of Chicago, USA.
An accomplished industrialist with over 25 years of experience spanning engineering, construction, and financial services. Currently serves as the Executive Chairman of Tube Investments of India Limited and is the Chairman of Shanthi Gears Limited, Cholamandalam Home Finance Limited, and TI Clean Mobility Private Limited. Also serves on the Boards of CG Power and Industrial Solutions Limited, Great Cycles, Creative Cycles, and several other Murugappa Group companies.

MR Kumar
Independent Director

MR Kumar, holds a Bachelor's degree in Science from the University of Madras and possesses over 40 years of extensive experience in insurance, finance, and marketing.
Served in various capacities at Life Insurance Corporation of India (LIC) from 1986 to 2023, including as Chairman from March 2019 to March 2023. Additionally, held the position of Non-Executive Chairman in several LIC-associated entities, such as LIC Housing Finance Ltd., LIC Pension Fund Ltd., LIC Mutual Fund AMC Ltd., LIC Cards Services Ltd., IDBI Bank, LIC Singapore Pte. Ltd., LIC Lanka Ltd., LIC (International) BSC, Bahrain, and LIC Nepal Ltd.

Source: Annual Report 2024

Valuation



- The company's focus on diversifying its loan book, including vehicle finance, home loans, and small and medium enterprise (SME) loans, is expected to enhance its asset quality and drive sustainable growth. Additionally, the increasing penetration of financial services in rural and semi-urban areas provides a significant growth opportunity, especially with Chola's established presence in these regions.

- Recent developments, such as the company's digital transformation initiatives and partnerships to expand its product offerings, are expected to attract a broader range of customers and improve operational efficiency. Furthermore, Chola's robust capital adequacy ratio and prudent risk management practices provide a strong foundation for growth, even in a competitive market environment.

- It is also worth noting the evolving regulatory landscape, including the Reserve Bank of India's (RBI) guidelines on digital lending and asset classification. These regulations are likely to have a minimal impact on Chola due to its conservative provisioning policies and strong governance framework. Moreover, the recent increase in liquidity within the banking system and accommodative monetary policies are expected to support credit growth for NBFCs like Chola.

- In terms of market positioning, Chola has demonstrated resilience and consistent growth, which is reflected in its expanding loan book and improving return on equity (ROE). While larger peers such as Bajaj Finance may command higher market valuations due to their scale and profitability, Chola's niche focus, particularly in vehicle financing and rural lending, provides a competitive edge. Additionally, the company's efforts to expand its fee-based income through cross-selling insurance and wealth management products add to its revenue diversification.

- Chola's market capitalization, while smaller than its top-tier peers, has seen consistent growth in recent years. Investors considering NBFCs should weigh Chola's growth potential against the more diversified but higher-valued larger players. The company's focus on niche segments and its strong operational track record make it an attractive investment opportunity.

- As a result, we maintain a bullish outlook on Cholamandalam Investment and Finance Company Ltd. and recommend a **'Buy'** rating with a target price of **₹1,400**, based on our P/E valuation analysis and the company's growth potential. We also forecast a potential peak of ₹1,750 based on higher P/E multiples driven by earnings growth and improving asset quality. However, it is important to recognize the limitations of P/E-based valuations, which rely on historical earnings and are influenced by market sentiment. Risks such as regulatory changes, macroeconomic conditions, and competitive pressures could impact the stock's performance.

Source: Company,Fin2research

SWOT Analysis

Strength

Cholamandalam Investment and Finance Company, part of the prestigious Murugappa Group, is a prominent player in India's financial services sector with a diversified portfolio that includes vehicle finance, home loans, loan against property, SME finance, and wealth management. **The company has shown strong growth, with its loan book expanding by 17% YoY to over ₹57,000 crore in FY 2023. It reported a 30% YoY increase in net profit**, reaching ₹1,622 crore, and maintains a solid capital adequacy ratio of 19%, well above regulatory requirements. **Cholamandalam's AUM grew by 20% to ₹67,000 crore, highlighting its expanding market presence. It also holds an AA+ credit rating, reflecting its strong financial stability.** The company's technological advancements have improved customer experience and operational efficiency, while its strategic focus on rural and semi-urban markets positions it well for further growth in India's underpenetrated credit market.

Weakness

Cholamandalam Investment and Finance Company, despite strong financial growth, faces several challenges that could affect its performance. **Its heavy reliance on vehicle finance, which accounts for over 60% of its loan book, exposes it to risks from fluctuations in the automotive sector, including changes in demand and regulatory shifts.** The company's expansion into rural and semi-urban markets, while offering growth potential, also increases credit risk due to lower income levels, limited financial literacy, and higher default rates, contributing to NPAs of approximately 2.2%. **Additionally, Cholamandalam's exposure to unsecured loans heightens default risk, particularly during economic downturns**. The company also faces margin pressure from intense competition in the NBFC sector, **with its net interest margin (NIM) at 6.3% in FY 2023.**

Opportunity

Cholamandalam Investment and Finance Company offers strong investment opportunities, supported by recent broker upgrades and positive target price revisions, indicating confidence in its future performance. **The company has outperformed the Nifty 500 with an 8.4% return over 0.3 years and has delivered impressive long-term returns, including 174.1% over 5.4 years and 32.8% over 6.4 years.** It holds a high level of Foreign Institutional Investor (FII) stock holdings, demonstrating strong institutional interest, while increasing shareholding from both **FIIs/FPIs and mutual funds further bolsters confidence in the company. With a high analyst rating and at least 20% upside potential**, Cholamandalam is considered a street favorite, signaling robust investor sentiment. These factors, combined with solid historical performance, make the company a compelling growth opportunity for both institutional and retail investors.

Threat

One major risk is its high dependence on external funding to support its lending business. With a substantial portion of its loan book funded by debt, any tightening of liquidity in the market or increased **borrowing costs** due to **higher interest rates** could adversely impact its ability to expand its loan portfolio or maintain profitability. In FY 2023, the company's cost of funds saw upward pressure due to rising interest rates. Another risk is the **rising delinquency rates** in its unsecured lending portfolio, which includes home loans and small-ticket loans. As the economic environment becomes more challenging, defaults in these higher-risk segments could spike, leading to an increase in provisioning and a deterioration in asset quality.

Source: Company,Fin2research

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