Cholamandalam Investment

India | Diversified Financials | **Result Update | Rating Upgrade**

Global Markets Research

Non-VF businesses aiding growth and quality

31 January 2025

As challenges in vehicle finance (CV; 55% of AUM) and unsecured business segments remain pressing, Cholamandalam Investment and Finance's (CIFC IN) Q3 earnings saw sticky elevated credit costs and NPAs returning to year-ago levels of 4%. Said that, business performance was robust at 30.5% AUM growth as non-CV businesses, largely led by LAP, long-tenure SME and selective CSEL, nurtured growth. While VF has remained under stress for two long years with challenges in 9MFY25 intensifying, operating leverage and steadying credit costs will anchor the earnings ahead. We upgrade CIFC to Accumulate from Reduce given the recent correction in the stock but maintain our premise of expensive valuations amidst tough environments.

Steady performance at core; provisions sticky: Q3FY25 PAT of INR 10.9bn (+12.8% QoQ/24% YoY) was led by healthy NII (INR 34.3bn, +8.4% QoQ), lower opex (C/I improving 72bps), and stable credit costs (~1.6%). AUM growth was healthy (+6% QoQ) to INR 1.74tn, with strong disbursements in VF (+17% QoQ). Despite slight yield compression in HL, margins improved (+18bps QoQ), supported by strategic shifts in the self-employed segment. Asset quality saw stress with GNPA rising to 4%, but early delinquencies are showing improvement. The company is on track towards its 25% growth target, bolstered by strong disbursements, ongoing regional expansion, stronger focus on collections and optimizing operational efficiencies.

Non-VF businesses continue to aid growth: Disbursements in Q3FY25 rose 6.1% QoQ and 15.3% YoY to INR 258bn, led by a 16.7% QoQ rise in VF, supported by stronger demand for small-CV and LCV. New businesses (CSEL, SBPL, SME) saw an 8% QoQ drop, though recovery is expected. AUM grew 6% QoQ/30.5% YoY to INR 1,746bn, led by LAP (+7.9% QoQ) and HL (+7.7% QoQ). Despite macro challenges, CIFC expects gradual improvement, particularly in VF and SME segments, in the next 3-4 quarters, led by better capacity utilization, expansion into non-South markets, and productivity gains that will support growth, prompting us to maintain a 25% AUM CAGR for FY24-27E.

VF stress impacts headline NPA; underlying AQ trends improving: Asset quality deteriorated with GNPA at 4% (+22 bps QoQ), dragged by stress in small commercial vehicles, used vehicles, and tractors, though recovery is beginning. CSEL Stage 3 spiked 27bps QoQ, prompting CIFC to reduce partner exposure. Gradual improvement is expected in 3-4 quarters, with VF NPAs normalizing and CIFC winding down small-ticket, short-tenure loans. We maintain our GNPA estimates at 3.5% and expect credit costs to remain sticky at 1.4% in FY24-27E.

Upgrade to Accumulate post recent correction: We slightly adjust FY25E EPS to account for sustained credit cost pressure in the VF business. After downgrading CIFC to Reduce in Q1 as positives were priced in, we now upgrade it to Accumulate following recent corrections. This reflects confidence in CIFC's consistent strategy balancing asset quality and profitability. We expect a healthy 25% CAGR, with operating leverage mitigating elevated credit cost (1.4-1.5%), leading to a 2.4-2.5% RoA and 22-23% RoE for FY24-27E. Our TP is unchanged at INR 1,434, on FY27E P/ABV of 4.1x.

Key Financials

YE March	FY23	FY24	FY25E	FY26E	FY27E
NII (INR mn)	70,083	96,146	129,984	166,981	217,951
YoY (%)	21.9	37.2	35.2	28.5	30.5
PPoP (INR mn)	44,494	59,039	79,558	100,184	129,405
YoY (%)	18.0	32.7	34.8	25.9	29.2
PAT (INR mn)	26,662	34,228	41,274	52,862	69,162
YoY (%)	24.2	28.4	20.6	28.1	30.8
EPS (INR)	32.4	41.2	49.6	64.2	84.1
RoE (%)	20.8	21.8	21.4	22.2	23.2
RoA (%)	2.7	2.5	2.3	2.4	2.5
P/E (x)	39.6	31.2	25.9	20.0	15.3
P/ABV (x)	8.4	6.1	5.7	4.6	3.7

Note: Pricing as on 31 January 2025; Source: Company, Elara Securities Estimate

Rating: Accumulate

Target Price: INR 1,434

Upside: 12%

CMP: INR 1,286

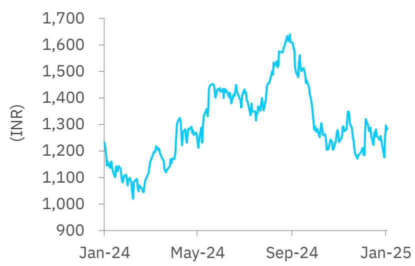
As on 31 January 2025

Key data

Bloomberg	CIFC IN
Reuters Code	CHLA.NS
Shares outstanding (mn)	841
Market cap (INR bn/USD mn)	1081/12480
Enterprise Value (INR bn/USD mn)	0/0
Avg daily volume 3M (INR mn/USD mn)	2322/27
52 week high/low	1652/1011
Free float (%)	50

Note: as on 31 January 2025; Source: Bloomberg

Price chart



Source: Bloomberg

Shareholding (%)	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25
Promoter	50.4	50.3	50.2	49.9
% Pledged	-	-	-	-
FII	26.0	26.6	27.2	27.4
DII	17.1	17.0	16.6	16.2
Others	6.5	6.1	6.0	6.5

Source: BSE

Price performance (%)	3M	6M	12M
Nifty	(2.9)	(5.8)	8.2
Cholamandalam Investment	1.0	(9.2)	8.6
NSE Mid-cap	(4.3)	(8.9)	10.6
NSE Small-cap	(9.1)	(11.6)	5.5

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Financials (YE March)

Income Statement (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Net Interest Income	70,083	96,146	129,984	166,981	217,951
Other income	2,209	3,711	4,267	4,907	5,643
Total net Income	**72,292**	**99,857**	**134,251**	**171,889**	**223,595**
Less :- Opex (Incl depreciation)	27,799	40,818	54,693	71,705	94,190
Pre-provisioning Operating Profit	**44,494**	**59,039**	**79,558**	**100,184**	**129,405**
Less:- Provisions	8,497	13,218	24,401	29,541	36,980
PBT	**35,997**	**45,821**	**55,157**	**70,643**	**92,425**
Less :- Taxes	9,335	11,593	13,883	17,781	23,263
Reported PAT	**26,662**	**34,228**	**41,274**	**52,862**	**69,162**
Balance Sheet (INR mn)	**FY23**	**FY24**	**FY25E**	**FY26E**	**FY27E**
Capital	1,645	1,681	1,646	1,646	1,646
Reserves & Surplus	141,316	193,885	211,244	262,526	330,108
Net worth	142,961	195,565	212,889	264,172	331,754
Non-current liabilities	973,561	1,344,736	1,685,862	2,095,080	2,565,682
Current Liabilities	18,634	24,207	49,550	70,672	130,212
Total Liabilities	**1,135,155**	**1,564,508**	**1,948,301**	**2,429,925**	**3,027,647**
Fixed assets	4,591	15,696	7,419	9,274	11,592
other non-current assets	6,534	7,417	10,553	13,847	17,305
Current investments	36,200	41,002	47,153	54,226	62,359
Cash and bank balances	29,614	43,202	46,635	50,136	53,708
Loans and advances	1,047,483	1,444,243	1,819,746	2,274,683	2,843,353
Other current assets	10,733	12,949	16,796	27,760	39,328
Total Assets	**1,135,155**	**1,564,508**	**1,948,301**	**2,429,925**	**3,027,647**
Per Share data & Valuation Ratios	**FY23**	**FY24**	**FY25E**	**FY26E**	**FY27E**
EPS- (INR)	32.4	41.2	49.6	64.2	84.1
BV (INR)	173.8	232.7	258.7	321.0	403.2
ABV- (INR)	152.7	209.7	226.1	278.1	348.1
P/E- (x)	39.6	31.2	25.9	20.0	15.3
P/ABV-(x)	8.4	6.1	5.7	4.6	3.7
Yield and Cost (%)					
Yield on advances	13.0	14.0	13.8	13.7	13.7
Cost of funds (calc)	6.9	8.0	7.6	7.4	7.0
Interest Income/ Avg. assets	5.9	6.8	6.5	6.4	6.0
Interest Expense/ Avg. assets	5.9	6.8	6.5	6.4	6.0
Net Interest Margin (%)	7.2	7.1	7.3	7.5	7.8
Asset Quality (%)					
Gross NPA (%)	3.0	3.0	3.3	3.5	3.5
Net NPA (%)	1.9	1.5	1.6	1.7	1.7
% coverage of NPA - RHS	46.0	55.0	55.0	55.0	55.0
credit cost (calc)	0.9	1.1	1.5	1.4	1.4
Capital Adequacy					
Tier 1	17.5	21.4	21.2	23.2	25.7
CAR	20.5	24.3	24.2	26.3	28.8
Growth Rates					
Loan growth	41.3	37.9	26.0	25.0	25.0
Earnings growth (RHS)	24.2	28.4	20.6	28.1	30.8
Business Ratios					
RoAA (%)	2.7	2.5	2.3	2.4	2.5
Core RoE (%)	20.8	21.8	21.4	22.2	23.2
Dividend Yield (%)	0.6	0.6	0.6	0.6	0.6
Dividend payout (%)	5.9	4.7	3.8	3.0	2.3

Note: Pricing as on 31 January 2025; Source: Company, Elara Securities Estimate

Quarterly financials

YE March (INR mn)	Q3FY25	Q2FY25	Q3FY24	YoY (%)	QoQ (%)	Q3FY25E	Variance (%)
NII	34,374	31,715	25,207	0.4	8.4	32,902	4.5
Operating profit	21,276	19,221	15,157	0.4	10.7	19,848	7.2
Reported profit	10,865	9,631	8,762	0.2	12.8	10,034	8.3

Source: Company, Elara Securities Estimate

Exhibit 1: Q3FY25 results highlights

INR mn	Q3FY25	Q3FY24	YoY (%/ bps)	Q2FY25	QoQ (%/ bps)	Comment
Interest Income	67,092	49,597	35.3	62,266	7.8	
Interest Expenses	32,718	24,390	34.1	30,551	7.1	
Net Interest Income	**34,374**	**25,207**	**36.4**	**31,715**	**8.4**	**NII healthy, up 8.4% QoQ/36.4% YoY courtesy traction in business**
Other Income	1,031	590	74.9	662	55.9	Other income at INR 1,031mn rose by 55.9% QoQ/74.9% YoY
Total Income	**35,406**	**25,797**	**37.2**	**32,376**	**9.4**	
Total Operating Expenses	14,130	10,640	32.8	13,155	7.4	Opex at INR 14,130mn rose by 7.4% QoQ/32.8% YoY
Operating Profit (PPOP)	**21,276**	**15,157**	**40.4**	**19,221**	**10.7**	**PPoP was higher than estimated, up by 10.7%QoQ/40.4% YoY, boosted by healthy NII and lower opex**
Provisions & Write Offs	6,640	3,588	85.1	6,235	6.5	Provisions went up by 6.5% QoQ/85.1% YoY, in line with estimates
PBT	**14,636**	**11,569**	**26.5**	**12,986**	**12.7**	
Reported Profit	**10,865**	**8,762**	**24.0**	**9,631**	**12.8**	**PAT was largely as estimated, driven by one-off of INR 652mn (net gain on derecognition of financial instruments), healthy NII, lower C/I and flat credit costs.**
Balance sheet Details						
Disbursements	258,060	223,830	15.3	243,140	6.1	Disbursements rose 6.1% QoQ/15.3% YoY, led by 16.7% QoQ rise in vehicle finance disbursements. New businesses (CSEL, SBPL, SME) saw an overall decline in disbursements of 8% QoQ.
AUM	1,745,670	1,337,940	30.5	1,646,420	6.0	AUM was up 6% QoQ/30.5% YoY with LAP (up 7.9% QoQ) and HL (7.7% QoQ) driving growth while vehicle finance AUM was up 5.1% QoQ
Total Assets	1,923,020	1,437,180	33.8	1,816,057	5.9	
NIM - calc (%)	8.1	7.8	29bps	7.9	18bps	NIMs (calculated) consequently improved by 18bps QoQ
Asset Quality						
Gross NPA (%)	4.0	3.9	8bps	3.8	22bps	GNPA at 4% rose by 22bps QoQ
Net NPA (%)	2.7	2.6	10bps	2.5	18bps	
Cost-Income Ratio (%)	39.9	41.2	(134)bps	40.6	(72)bps	Cost-income ratio improved by 72bps to 39.9%
Credit costs (%)	1.6	1.1	45bps	1.6	1bps	Credit cost coming in at 1.6% (flat QoQ)

Source: Company, Elara Securities Research

Conference Call: Key takeaways

Business updates

- Disbursements for the quarter stood at INR 258bn, marking a 15% increase, while YTD disbursements reached INR 744bn, reflecting 16% growth.
- AUM rose to INR 1,891bn, recording a substantial 34% YoY increase.
- At the business level, the vehicle finance segment recorded disbursements of INR 143bn in Q3FY25, showing 16% growth. The YTD vehicle finance disbursements amounted to INR 394bn, up by 12%.
- The loan against property business registered disbursements of INR 42bn in Q3, up by 23% from INR 34bn in the previous year, while YTD disbursements reached INR 123bn, marking a 33% growth.
- In the home loan segment, Q3 disbursements were INR 18bn, showing a 15% increase, while YTD disbursements amounted to INR 54bn, a 17% growth.
- The SME business disbursed INR 19bn in Q3, compared with INR 19bn in the same period last year, and YTD disbursements stood at INR 60bn, reflecting a modest 1% growth.
- The CSEL segment disbursed INR 1,490mn in Q3, reflecting a 14% growth, while the secured business and personal loans segment disbursed INR 3,310mn compared with INR 2,800mn in the

previous year, marking an 18% increase. YTD disbursements in this segment reached INR 9,110mn, up by 29%.

- Consolidated PBT for Q3 was INR 14bn, reflecting a 27% growth.
- The Board of Directors approved the payment of an interim dividend of 65%, equivalent to INR 1.30 per share.
- SME operates similarly to loan against property, with secured collateral.
- Recovery via SARFAESI takes 9-12 months, but reversals will begin next financial year.
- Once recoveries start, SME will turn positive, improving ROA. In steady state, SME is expected to be ~0.5%.
- CIFC maintains its 25% medium-term growth expectation.
- This growth target remains unchanged for the next financial year.
- Q4 is typically better than Q3 in terms of collections and asset quality.
- However, this year's macro environment is slightly weaker, so improvements will be slower.
- While Q4 will still be better than Q3, it may not reach last year's strong performance levels.
- Vehicle finance portfolio will gradually improve in the next 3-4 quarters as capacity utilization and production improves.
- Q1 is typically a lean period, but the next financial year should show overall better performance.
- CIFC has increased its workforce, with 55% of new hires allocated to collections.
- Given the challenging portfolio environment, collection efforts have been intensified.
- Disbursement per employee has not improved significantly in the past 3-4 years.
- This is due to market stagnation, where vehicle sales growth remains in the 5-10% range.
- Sales executives also handle early default and non-starter follow-ups, affecting their productivity.
- Small commercial vehicle capacity utilization improved after a period of decline, primarily due to improved vegetable and food transportation. It had dropped to 50% but has now increased to 70-80%.
- Heavy commercial vehicles (HCVs) faced some stress, but CIFC has limited exposure to this segment. There was a decrease in industrial production, but HCV sales have improved slightly since November-December.
- The CSEL portfolio includes ~INR 31-32bn dissociated, much of which comes from partnerships.
- CIFC plans to reduce its partnership exposure significantly by next year, starting in the current quarter.
- The expected improvement in Q4 and in the next 3-4 quarters may be led by macro factors, and not just seasonality.
- HCV capacity utilization has been hit due to lower GDP growth and reduced industrial production, leading to slower improvement in sectors such as mining and infrastructure. The HCV capacity utilization is expected to pick up in the next 3-4 quarters as economic activity and government capex improve.
- For small and light commercial vehicles, the improvement is more related to consumption and rural economic activity, which has started recovering. This is why credit costs for vehicle finance are expected to improve slowly from Q4, with better performance in the next financial year.
- Normally, capacity utilization would remain ~70% during lean periods and increase to 90% during peak periods. However, this year, due to factors such as heat waves, excessive rain, and election transitions, capacity utilization was severely hit before starting to improve.

- LAP had a slight dip in disbursements in the previous quarter due to external process changes in certain markets, affecting disbursements in some key regions. However, the expectation is for factors to stabilize and return to normal levels in Q4.
- HL saw 15% YoY growth, and CIFC expects 35% growth in the next two years in this segment, contributing to its goal of 25% overall growth next year.
- CIFC has identified an INR 650mn assignment income opportunity and is focused on capitalizing on this growth potential.
- CIFC started expanding from the South to non-South regions about two years ago. This expansion strategy is still in progress, with plans to capture more market share outside its traditional stronghold.

Financial performance

- Net income for the quarter was INR 35bn, a 37% rise compared with the previous year, while YTD net income was INR 98bn, up by 39%.
- PAT in Q3 stood at INR 10bn, representing a 24% increase, and YTD PAT was INR 29bn, reflecting a 27% growth.
- PBT-ROA for Q3 was 3.2%, while the YTD figure was 3.1%. ROE for Q3 stood at 19.6%, an increase from 18.9% in the previous year.
- CIFC maintained strong liquidity position, holding a cash balance of INR 151bn at the end of Dec 2024.
- The total liquidity position, including undrawn sanction lines, was INR 156bn.
- ALM remained comfortable, with no negative cumulative mismatches across all time markets.
- On the capital adequacy front, CIFC reported a capital adequacy ratio of 19.76% as of Dec '24, against the regulatory requirement of 15%. Tier 1 capital stood at 14.92%.
- As CIFC is in a growth phase, its cost-to-assets ratio is expected to increase temporarily. This is due to:
  - Branch expansions and a significant push into new regions.
  - Development of a digital platform to streamline operations.
  - Undergoing tech changes to modernize and improve business processes.
- Currently, CIFC anticipates an opex at 3% for the year but expects new businesses to help reduce operating opex going forward.

Margin analysis

- Borrowing costs are being maintained at current levels.
- If rate cuts occur, the benefits will flow through with a lag of one quarter.
- Borrowings are also being hit by changes in the repo rate, which could contribute to cost fluctuations.
- HL yields are currently at 16%, but there is an expectation for a slight reduction in these yields moving forward.
- Despite the reduction in yields, CIFC expects its operational metrics to improve, which should offset the decline and help maintain ROA.
- There was a 20bps QoQ decline in HL yields, primarily due to interest reversals on the pre-EMI part of loans.
- CIFC is focusing on competitive yields as it shifts towards the SEMP (self-employed) category.
- Despite the decline, same yields are expected to be maintained as CIFC continues to cater to this segment.

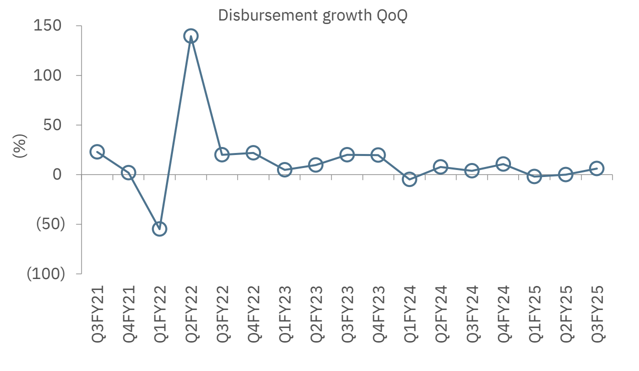
Asset quality

- Stage 3 assets increased to 2.91% as of Dec '24, compared with 2.83% in Sep '24.
- GNPA as per RBI norms rose to 4% from 3.78%, while NNPA increased to 2.66% from 2.48%. However, NNPA remained below the 6% threshold set by the RBI.
- Stage 3 assets were expected to improve in H2, but the improvement has been minimal.
- Vehicle finance saw a slight NPA increase of 10bps.
- CSEL has shown higher NPA due to partnerships.
- Higher NPA in partnerships is inflating the overall figure.
- CIFC has reduced partners from 10 to 3 in the past two years and plans to fully exit partnerships next year.
- As the small-ticket, short-tenure loans wind down, improvement will be evident
- Credit costs have remained ~155-160bps for the past three quarters.
- The increase is not just from new businesses but also from normalization of LAP credit costs.
- LAP had been generating reversals earlier, but these have now stopped as Stage 2 and Stage 3 assets have reached rock bottom.
- HL has also reduced NPAs to 1.2%, with NCL at 0.3%, though affordable housing NCL remains slightly elevated.
- SBPL is delivering over 6% ROA.
- NCL is stabilizing in the range of 1.5-2% as the book matures.
- Stress has been concentrated in small commercial vehicles and light commercial vehicles, with increasing early delinquencies from Q2FY24.
- CIFC has proactively reduced its SCV market share to mitigate risks.
- Since November, early defaults and non-starters have started declining, showing initial signs of improvement.
- Used commercial vehicles and tractors also faced stress but are now beginning to recover.
- Stage 2 assets in vehicle finance have declined, but Stage 3 has increased by 9-10bps, indicating a lagging impact.
- Q4 is expected to be better than Q3, but strong recovery will take time.
- While early delinquency indicators are improving, higher-bucket resolutions are slower.
- Full normalization will take another 3-4 quarters.
- Improvement will be gradual rather than an immediate strong recovery.
- GNPA has risen by 22bps in Q3 and 46 bps over the year.
- The gap between GNPA (4%) and Stage 3 (2.91%) exists because once an account enters GNPA, it remains there longer even if it improves.
- Stage 3 exits occur as soon as accounts go below 90 DPD, but GNPA accounts take longer to normalize.
- This gap will persist until the market strengthens further and more GNPA accounts fully recover.
- CIFC has implemented a bucket-wise collection approach based on product categories:
  - Separate buckets for cars, MEV, two-wheelers, etc.
  - Further breakdown into soft, medium, and hard buckets with different strategies.

- Higher-bucket collections receive fewer account allocations, while lower-bucket collectors handle more accounts.

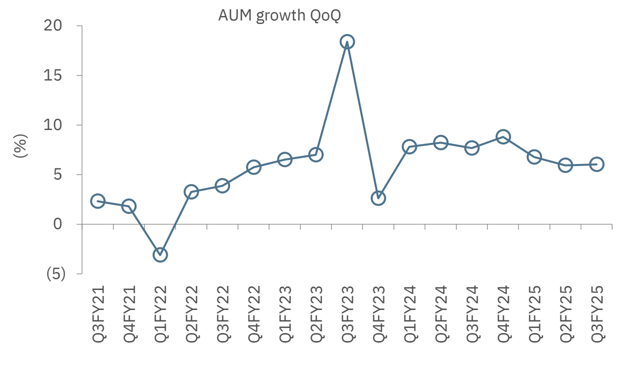
- Out of 65,000 total employees, 31,000 are dedicated to collections.
- The ratio of collection employees is stable compared with last year.
- Agency collections are not included in this number.
- Credit cost improvement in vehicle finance is expected to take about three to four quarters to normalize. CIFC's exposure to small commercial vehicles means its net credit cost will decrease starting from Q4.
- The credit cost for the current year will remain steady.
- NPA in LAP portfolio has remained relatively stable at 2.25% and has not seen significant changes.
- The stage 3 in the LAP book has stayed steady at ~INR 8,030mn for the past 12 months, with some minor fluctuations due to resolutions and roll-forwards.
- The increase in NPAs is linked to regular roll forwards, a usual process, with no major new stresses observed.
- Used vehicle finance, especially refinancing, has seen some delinquency increase due to stresses in the rural economy and consumption issues. The problem began in Q2 of the last financial year. However, there has been improvement in November and December, though it is too early to fully assess the recovery.
- Two-wheeler segment stress in collections is more pronounced when considering portfolio performance in two-wheelers. The used commercial vehicle and small commercial vehicle portfolios are also showing signs of recovery, with improved capacity utilization.

Exhibit 2: Disbursements in Q3FY25 rose 6.1% QoQ/15.3% YoY to INR 258bn, driven by VF



Source: Company, Elara Securities Research

Exhibit 3: AUM at INR 1,746bn was up 6% QoQ/30.5% YoY with LAP and HL driving growth



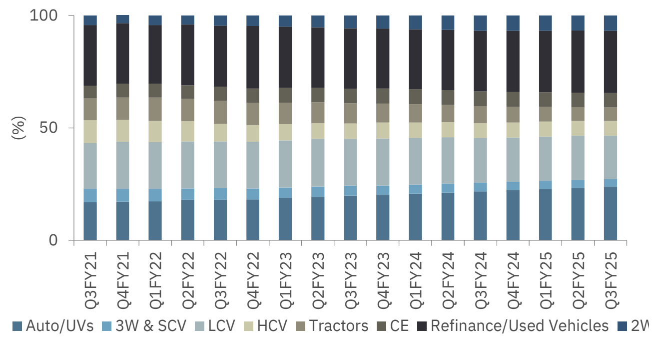
Source: Company, Elara Securities Research

Exhibit 4: CIFC witnessed continued momentum in new business verticals

Product	Details
CSEL	Offers Personal Loans, Professional Loans and Business Loans to salaried, self-employed professionals and micro & small businesses
	495 locations (494 co-located & one standalone); acquired over 1.54mn+ customers as on Dec '24.
	The business growth is through traditional DSA/DST model, partnerships and FinTech's as well direct to consumer through Chola One app and tie-up with Samsung Finance for Samsung Mobile Phone Financing.
SBPL	Offers secured business loan against self-occupied residential property or commercial-cum-residential property as collateral
	414 locations (co-located); spread across 11 states as on Dec '24.
SME	The product suite includes supply chain financing, term loans for capex, loan against shares, funding on hypothecation of machinery for specific industries.
	89 (co-located) locations; business growth both through traditional and fintech partnerships.

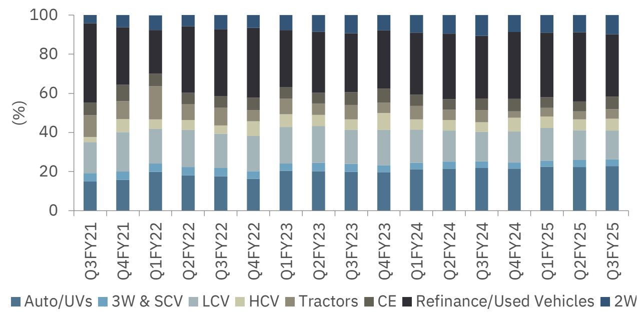
Source: Company, Elara Securities Research

Exhibit 5: Vehicle Finance AUM mix steady



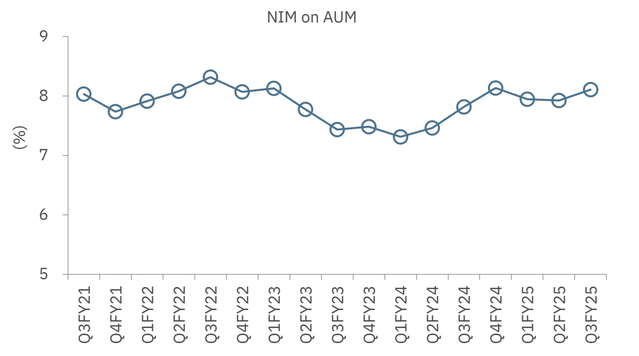
Source: Company, Elara Securities Research

Exhibit 6: Vehicle Finance disbursement mix saw an uptick in Tractors and CE while Used Vehicle's share dropped



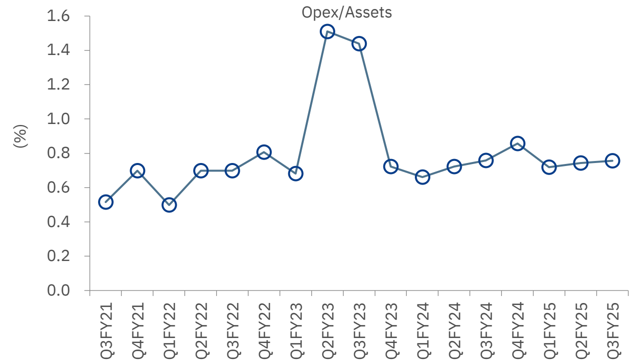
Source: Company, Elara Securities Research

Exhibit 7: NIMs improved by 18bps QoQ as focus on high-yield businesses increases



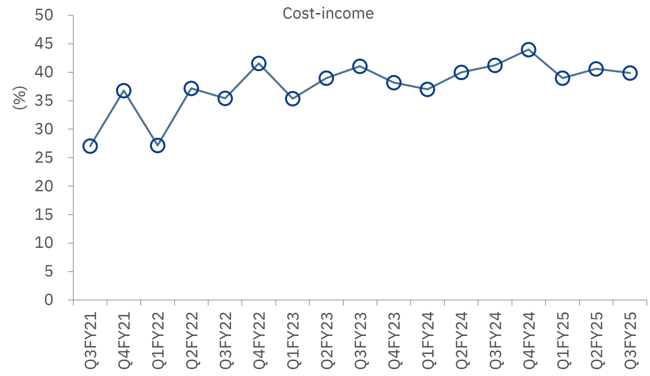
Source: Company, Elara Securities Research

Exhibit 8: Opex to asset witnessed a marginal increase of 1bps QoQ...



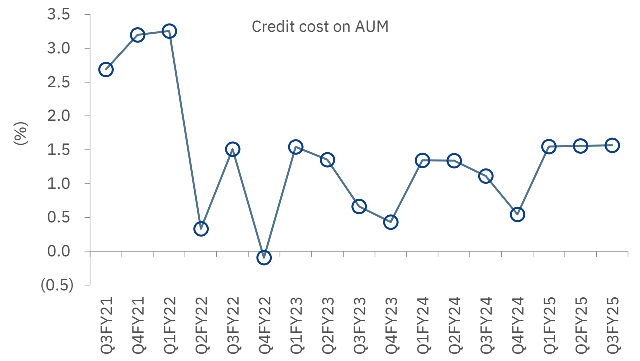
Source: Company, Elara Securities Research

Exhibit 9: ....while cost-to-income ratio improved by 70bps QoQ



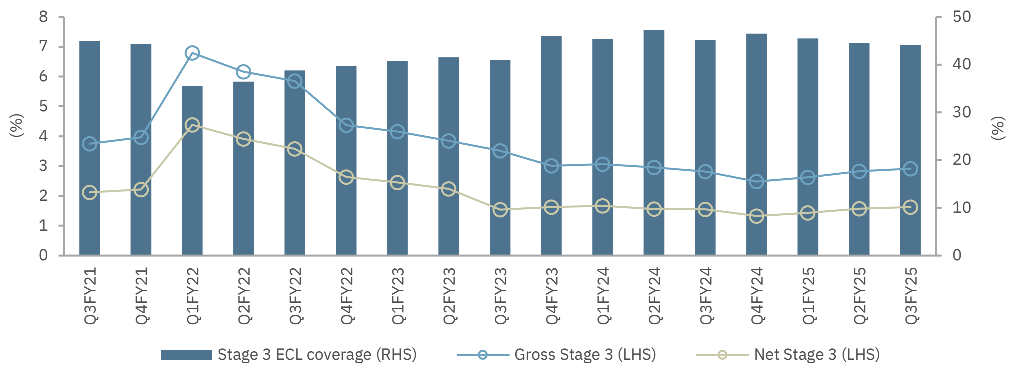
Source: Company, Elara Securities Research

Exhibit 10: Credit costs on AUM steady QoQ



Source: Company, Elara Securities Research

Exhibit 11: Gross Stage 3 deteriorated with PCR paring to 44.1%



Source: Company, Elara Securities Research

Exhibit 12: Stage 3 stood at 2.91% with ECL of 44.1% whereas NPA per RBI norm stood at 2.66%

	(INR mn)			(%)		
	Asset	Total provision	NNPA	Asset	Total provision	NNPA
Stage 1A	1,657,290	5,950	1,651,340	94.16	0.36	93.82
Stage 1B	3,600	140	3,460	0.20	3.89	0.20
Total Stage 1	**1,660,890**	**6,090**	**1,654,800**	**94.37**	**0.37**	**94.02**
Stage 2A	32,340	2,610	29,730	1.84	8.07	1.69
Stage 2B	15,580	1,500	14,080	0.89	9.63	0.80
Total Stage 2	**47,920**	**4,110**	**43,810**	**2.72**	**8.58**	**2.49**
Total Stage 3	**51,250**	**22,600**	**28,650**	**2.91**	**44.10**	**1.63**
Total	**1,760,060**	**32,800**	**1,727,260**	100.00	1.86	98.14
NPA as per RBI (incl. Sec)	**70,430**	**24,240**	**46,190**	**4.00**	**34.42**	**2.62**
NNPA % as per RBI (Net NPA / (Asset - provisions for GNPA))						**2.66**

Source: Company, Elara Securities Research

Exhibit 13: Asset quality deteriorated across product segments

	As ofQ2FY25			As of Q3FY25		
Particulars (%)	**Stage 3 Asset**	**Provision coverage**	**Net Stage 3**	**Stage 3 asset**	**Provision coverage**	**Net Stage 3**
Vehicle finance	3.6	45.8	2.0	3.7	46.0	2.0
LAP	2.3	42.5	1.3	2.3	40.4	1.4
Home loans	1.2	31.5	0.8	1.2	29.2	0.9
CSEL	1.6	50.5	0.8	1.8	49.5	0.9
SME	2.0	33.4	1.3	2.3	34.3	1.5
SBPL	1.1	24.8	0.8	1.9	24.9	1.4
Total	**2.8**	**44.5**	**1.6**	**2.9**	**44.1**	**1.6**

Source: Company, Elara Securities Research

Exhibit 14: Revise to Accumulate, TP unchanged at INR 1,434 at 4.1x FY27E PABV

Fair price - EVA (INR)	**942**
Fair price - Gordon growth (INR)	1,926
Average of the two (INR)	**1,434**
Target P/ABV (x)	**4.1**
Target P/E (x)	**17.1**
Current price (INR)	**1,285.0**
Upside (%)	**11.6**
Dividend yield (%)	**0.2**
Total return (%)	**12**

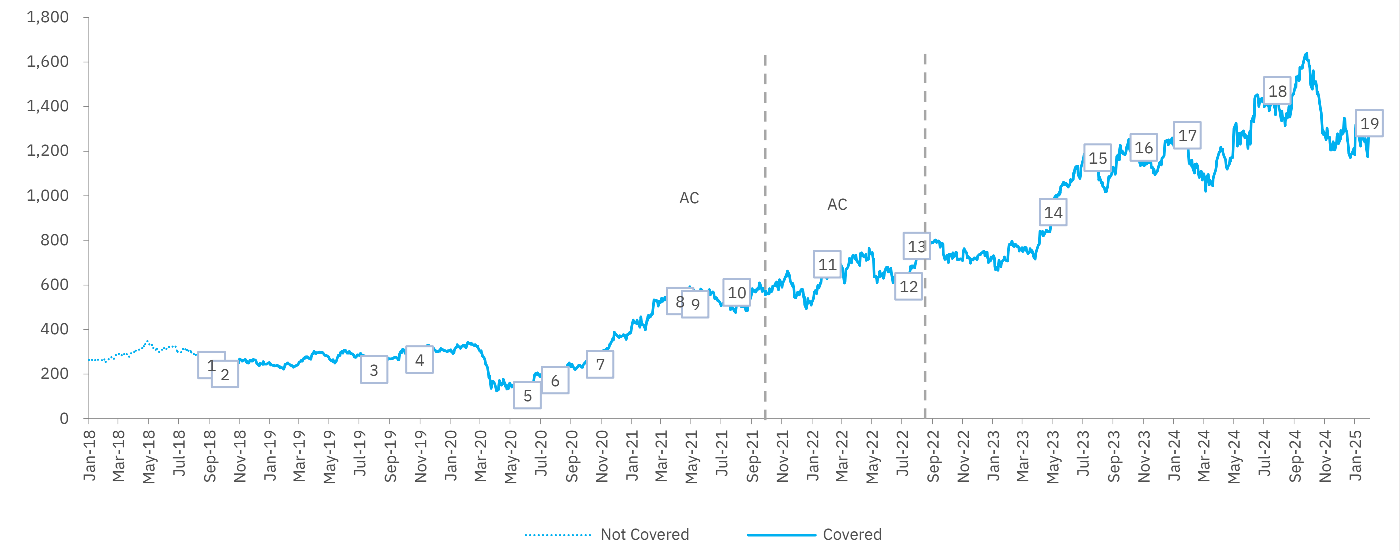
Note: Pricing as on 31 January 2025 Source: Elara Securities Estimate

Exhibit 15: Change in estimates

(INR mn)	Earlier			Revised			% Change		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27	FY25E	FY26E	FY27E
Net interest income	129,984	166,981	217,951	129,984	166,981	217,951	(0.0)	0.0	0.0
Operating profit	78,859	98,352	125,851	79,558	100,184	129,405	0.9	1.9	2.8
Net profit	43,193	53,789	69,375	41,274	52,862	69,162	(4.4)	(1.7)	(0.3)
EPS (INR)	51.9	65.4	84.3	49.6	64.2	84.1	(4.4)	(1.8)	(0.3)
Rating			**Reduce**			**Accumulate**			

Source: Elara Securities Estimate

Coverage History



	Date	Rating	Target Price	Closing Price
14	3-May-2023	Accumulate	INR 930	INR 887
15	1-Aug-2023	Sell	INR 1,023	INR 1,130
16	2-Nov-2023	Accumulate	INR 1,231	INR 1,177
17	29-Jan-2024	Accumulate	INR 1,295	INR 1,231
18	29-Jul-2024	Reduce	INR 1,434	INR 1,433
19	31-Jan-2025	Accumulate	INR 1,434	INR 1,286

Guide to Research Rating

BUY	Absolute Return >+20%
ACCUMULATE	Absolute Return +5% to +20%
REDUCE	Absolute Return -5% to +5%
SELL	Absolute Return < -5%

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