

## Cholamandalam Investment and Finance Co. | BUY

## In-line asset quality trends, muted disbursement growth



Cholamandalam Investment and Finance (CIFIC) delivered PAT at INR 12.7bn, up 20% YoY, 17% QoQ, and 6% ahead of JMFe. The company's RoE/RoA stood at 21.9%/2.6%, witnessing sequential improvement of 215bps/25bps QoQ. PPOP growth of 43% YoY and 10% QoQ (+4% vs JMFe) was largely driven by lower-than-expected operating expenses. Credit cost of the quarter stood at ~1.4% (down 17bps QoQ). However, disbursement growth for the quarter was only 7% YoY (~15% YoY last quarter) driving down AUM growth to 27% YoY (~30% YoY last quarter). For full year FY25, disbursement growth has come down ~14% YoY in FY25 vs ~58% CAGR during FY22-24 which will put downward pressure to AUM growth in FY27. We will watch out for management commentary during earnings call around growth outlook amidst moderating disbursements, NIM outlook amidst rate cuts and credit cost.

- **Strong earnings aided by low opex:** CIFIC reported PPOP growth of +43% YoY, +10% QoQ, +4% JMFe and PAT at INR 12.7bn (+20% YoY, +17% QoQ, +6% JMFe) which was underpinned by strong operating leverage. Total operating expenses at INR 14.3bn grew 11% YoY and 1% QoQ, 5% lower than JMFe. Consequently, the cost-to-income ratio improved to 38% from 40% QoQ. Calculated NIMs expanded to 8.2% (~5bps up QoQ), as CoF improved 19bps QoQ to 7.9%, offsetting an 11bps QoQ decline in yields to 15.8%.
- **Strong asset quality performance:** Asset quality performance remained resilient with headline GS3/NS3 ratios improving sequentially to 2.81%/1.54% (-10bps/-9bps QoQ). While GS3 ratios for VF and LAP segments improved by 14bps/26bps, they increased marginally across HL, SME, SBPL, and CSEL portfolios. Calculated credit costs moderated by 17bps QoQ to ~139bps (-7bps vs JMFe), even as write-offs remained elevated at INR 5.0bn (1.07% of AUM).
- **Growth moderation amid muted disbursements:** Disbursement growth moderated during the quarter, rising 7% YoY and 2% QoQ to INR 264.2bn, slightly below estimates (-3% vs JMFe). VF disbursements were muted at 11% YoY growth, remaining flat sequentially. On the other hand, LAP disbursements were robust (+30% YoY, +32% QoQ), while home loans grew steadily (+14% YoY, +9% QoQ). Disbursements in new businesses declined sharply (-23% YoY, -17% QoQ). Consequently, AUM grew by 27% YoY and 6% QoQ.

We will review our estimates and target price, if needed, post the earnings call scheduled on 28 April 2025. [Click here](#) to register for the call.

## CIFIC – 4Q/FY25 trends

## Exhibit 1. AUM and disbursement growth

Segment	Disbursement growth (YoY %)			AUM growth (YoY %)		
	FY23	FY24	FY25	FY23	FY24	FY25
Vehicle Finance	56.1%	21.8%	11.5%	26.6%	26.2%	19.8%
LAP	60.9%	43.7%	32.2%	26.1%	38.3%	38.8%
Home loans	60.9%	43.7%	32.2%	60.4%	58.6%	37.5%
New business	423.8%	49.3%	5.7%	479.8%	87.1%	32.6%
CSEL	NA	64.3%	11.3%	865.0%	106.8%	27.5%
SME	NA	26.9%	-4.2%	235.4%	40.2%	33.2%
SBPL	NA	138.7%	22.4%	4084.6%	215.9%	72.5%
<b>Total</b>	<b>87.5%</b>	<b>33.4%</b>	<b>13.7%</b>	<b>38.5%</b>	<b>36.7%</b>	<b>26.9%</b>

Source: Company, JM Financial

Ajit Kumar  
ajit.k@jmfl.com | Tel: (91 22) 66303489

Mayank Mistry  
mayank.mistry@jmfl.com | Tel: (91 22) 62241877

Raghvesh Sharan  
raghvesh@jmfl.com | Tel: (91 22) 66303099

Gayathri Shivaram  
gayathri.shivaram@jmfl.com | Tel: (91 22) 66301889

Shreyas Pimple  
shreyas.pimple@jmfl.com | Tel: (91 22) 66301881

Shubham Karvande  
Shubham.karvande@jmfl.com | Tel: (01 22) 6630 3696

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**Exhibit 2. Muted disbursement growth in 4QFY25**

(INR bn)	4QFY24	3QFY25	4QFY25	YoY (%)	QoQ (%)
<b>Disbursements</b>	<b>247.8</b>	<b>258.1</b>	<b>264.2</b>	<b>7%</b>	<b>2%</b>
Vehicle Finance	129.6	143.9	144.3	11%	0%
LAP	42.7	42.1	55.4	30%	32%
Home loans	17.5	18.2	19.8	14%	9%
New business	58.0	53.9	44.7	-23%	-17%
SME	20.5	19.1	17.3	-16%	-9%
CSEL	33.5	31.5	23.3	-31%	-26%
SBPL	4.0	3.3	4.0	2%	22%
<b>AUM</b>	<b>1,456</b>	<b>1,746</b>	<b>1,847</b>	<b>27%</b>	<b>6%</b>

Source: Company, JM Financial

**Exhibit 3. Improving asset quality trends**

(INR bn)	4QFY24	3QFY25	4QFY25	YoY (%)	QoQ (%)
<b>GS3</b>	<b>2.5%</b>	<b>2.9%</b>	<b>2.8%</b>	<b>33 bps</b>	<b>(10) bps</b>
Vehicle Finance	3.0%	3.7%	3.5%	51 bps	(14) bps
LAP	2.4%	2.3%	2.0%	(42) bps	(26) bps
Home loans	0.9%	1.2%	1.3%	38 bps	10 bps
New business					
CSEL	1.2%	1.8%	2.1%	89 bps	23 bps
SME	1.2%	2.3%	2.4%	117 bps	11 bps
SBPL	0.4%	1.9%	2.6%	217 bps	74 bps
<b>ECL/ EAD (%)</b>	<b>2.5%</b>	<b>2.9%</b>	<b>2.8%</b>	<b>33 bps</b>	<b>(10) bps</b>

Source: Company, JM Financial

**Exhibit 4. 4QFY25 – key highlights**

<b>Earnings Table (INR mn)</b>	4QFY24	3QFY25	4QFY25	YoY (%)	QoQ (%)
Net Interest Income	28,409	34,374	36,628	28.9%	6.6%
Non-interest income	718	1,031	956	33.1%	-7.3%
<b>Total Income</b>	<b>29,127</b>	<b>35,406</b>	<b>37,584</b>	<b>29.0%</b>	<b>6.2%</b>
Employees Cost	7,658	8,807	9,218	20.4%	4.7%
Other opex + depreciation	5,192	5,323	5,051	-2.7%	-5.1%
Total Operating Expenses	12,850	14,130	14,269	11.0%	1.0%
<b>Operating Profit (PPP)</b>	<b>16,278</b>	<b>21,276</b>	<b>23,315</b>	<b>43.2%</b>	<b>9.6%</b>
Provisions & Write Offs	1,908	6,640	6,253	227.7%	-5.8%
<b>PBT</b>	<b>14,369</b>	<b>14,636</b>	<b>17,062</b>	<b>18.7%</b>	<b>16.6%</b>
Tax	3,788	3,771	4,395	16.0%	16.6%
<b>Reported Profit</b>	<b>10,581</b>	<b>10,865</b>	<b>12,667</b>	<b>19.7%</b>	<b>16.6%</b>
<b>Balance Sheet Data (INR bn)</b>					
Loans	1,444	1,727	1,819	26.0%	5.3%
Assets Under Management	1,456	1,746	1,847	26.9%	5.8%
Disbursements	248	258	264	6.6%	2.4%
<b>Credit Quality</b>					
GS 3 (INR mn)	36450	51250	52130	43.0%	1.7%
Net S3 (INR mn)	19,520	28,650	28,530	46.2%	-0.4%
Gross S3 / AUM (%)	2.5%	2.9%	2.8%	0.3%	-0.1%
Net S3 / AUM (%)	1.3%	1.6%	1.5%	0.2%	-0.1%
Coverage Ratio (%)	1.7%	1.9%	1.8%	0.1%	0.0%
<b>IndAS - Capital Adequacy (%)</b>					
Tier I (%)	15.10%	14.92%	14.41%	-0.7%	-0.5%
CAR (%)	18.6%	19.8%	19.8%	1.2%	0.0%
<b>AUM Mix</b>					
Vehicle Finance	844,980	966,730	1,012,570	19.8%	4.7%
Home Equity	298,590	375,640	414,390	38.8%	10.3%
Housing Loans	134,040	171,210	184,270	37.5%	7.6%
CSEL	114,300	148,170	145,730	27.5%	-1.6%
SBPL	14,040	21,150	24,220	72.5%	14.5%
SME	49,770	62,770	66,280	33.2%	5.6%
<b>Key Ratios</b>					
Yield on Average loans	15.7%	16.0%	15.8%	0.2%	-0.1%
Cost of Borrowed Funds	8.0%	8.1%	7.9%	-0.1%	-0.2%
NII / AUM (%)	8.1%	8.1%	8.2%	0.0%	0.0%
Credit Cost (Provisions / AUM)	0.5%	1.6%	1.4%	0.8%	-0.2%
Reported ROA (%)	2.8%	2.3%	2.6%	-0.2%	0.2%
ROE (%)	22.2%	19.8%	21.9%	-0.3%	2.2%
Cost-to-average assets	3.4%	3.0%	2.9%	-0.5%	-0.1%

Source: Company, JM Financial

## APPENDIX I

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Member of BSE Ltd. and National Stock Exchange of India Ltd.

SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

Registered Office: 7th Floor, Chenergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, India.

Board: +91 22 6630 3030 | Fax: +91 22 6630 3488 | Email: jmfinancial.research@jmfl.com | www.jmfl.com

Compliance Officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1073 | Email: sahil.salastekar@jmfl.com

Grievance officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1073 | Email: instcompliance@jmfl.com

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