

# Cholamandalam Investment

India | Diversified Financials | Result Update



29 April 2025

## Business mix management aids asset quality

While Cholamandalam Investment and Finance's (CIFIC IN) Q4 earnings stood ahead of expectations, largely driven by higher-than-anticipated business growth (30% YoY) that in turn percolated into robust topline, segmental asset quality remained unimpressive. LAP and home loan (HL; 32.4% of AUM), key growth drivers, are expected to normalize as portfolios reach maturity. Credit costs dropped 14bps sequentially, on denominator effect as headwinds in vehicle finance (VF) and unsecured business remain pressing. Even as the rally in the past three months (up 23%) was pronounced, we believe 4x forward P/ABV is a fair value multiple for a business such as CIFIC with sizeable share of cyclical VF business. Nimble business mix realignment across credit cycles positions CIFIC favorably versus peers. Hence, we reiterate Accumulate for a raised TP of INR 1,618.

**PAT beat led by cost control and stable margins:** PAT came in at INR 12.7bn (beat on estimates), up 16.6% QoQ/19.7% YoY, as opex remained flat QoQ and on a 5.8% QoQ drop in provisions. Lower opex helped the cost-income ratio improve by 194bps QoQ to 38%, boosting PPop by 9.6% QoQ/43.2% YoY. NIMs were largely steady at 8.2% and should improve going forward, as 20% of the borrowings, linked to repo and T-bill rates, are being repriced, with a 10-15bps reduction in cost of borrowings anticipated in FY26E.

**Traction in non-vehicle business continues to aid growth:** Disbursements grew 2.4% QoQ/6.6% YoY, and AUM rose 5.8% QoQ/26.9% YoY, led by LAP (up 10.3% QoQ/38.8% YoY) and HL (up 7.6% QoQ/37.5% YoY). New business growth moderated in FY25 following the FinTech exit in CSEL and the curtailment of supply chain finance in SME but may normalize by Q3-Q4FY26. VF growth has slowed to 4.7% QoQ/19.8% YoY as LAP (22.4% of AUM) and HL (10% of AUM) inch up. We forecast a 20% AUM CAGR in FY26E-28E for CIFIC.

**Mix rejig aids asset quality:** GS3 improved by 10bps QoQ to 2.81%, while credit costs stood at 1.3% (-10bps QoQ). VF credit cost at 1.2% improved a sharp 50bps QoQ and is expected to reduce further by 20bps in FY26E, aided by monsoon outcomes and improving capacity utilization, which picked up from Q3. However, CSEL and SME credit costs spiked by 140bps/60bps QoQ to 7.1%/1.4%, respectively. HL witnessed a 30bps uptick while LAP was stable. In line with guidance, we maintain credit cost estimates at 1.4% in FY26E-28E.

**Maintain Accumulate:** Q4 earnings were mixed for CIFIC. While continued home loan growth led by capacity expansion lifted the core, the asset quality metrics indicate room for improvement. Modelling in this scenario, we raise FY26E PAT estimates by 3% and cut FY27E PAT estimates 5%. We also introduce FY28E. Given increased focus on business expansion in secured lending, normalized RoAs will now be capped in the range of 2.3-2.4% and RoEs within 20-21% in FY26E-28E. Attributing multiple expansion to CIFIC's nimble business mix management (combatting cyclical) and post the recent rally (up 23% in past three months), we raise target multiple to 4.6x, to arrive at a TP of INR 1,618 (from INR 1,434). Reckoning 4.5-4.6x as fair value multiple for CIFIC's business model, we foresee 6% incremental potential upside from the current levels. Hence, **reiterate Accumulate**.

### Key Financials

YE March	FY24	FY25	FY26E	FY27E	FY28E
NII (INR mn)	96,146	132,607	166,644	209,117	249,739
YoY (%)	37.2	37.9	25.7	25.5	19.4
PPoP (INR mn)	59,039	82,311	100,569	122,222	144,466
YoY (%)	32.7	39.4	22.2	21.5	18.2
PAT (INR mn)	34,228	42,585	54,236	65,535	76,884
YoY (%)	28.4	24.4	27.4	20.8	17.3
EPS (INR)	41.2	50.7	64.5	77.9	91.4
RoE (%)	21.4	21.5	22.1	21.5	20.4
RoA (%)	2.5	2.4	2.4	2.3	2.2
P/E (x)	37.1	30.1	23.7	19.6	16.7
P/ABV (x)	7.3	6.2	5.4	4.4	3.6

Note: Pricing as on 28 April 2025; Source: Company, Elara Securities Estimate

Rating: [Accumulate](#)  
Target Price: [INR 1,618](#)  
Upside: [6%](#)  
CMP: [INR 1,526](#)  
As on 28 April 2025

#### Key data

Bloomberg	CIFIC IN
Reuters Code	CHIA.NS
Shares outstanding (mn)	840.9
Market cap (INR bn/USD mn)	1,296/15,177
EV (INR bn/USD mn)	2,788/32,991
ADTV 3M (INR mn/USD mn)	3,050/35
52 week high/low	1,683/1,146
Free float (%)	50

Note: as on 28 April 2025; Source: Bloomberg

#### Price chart



Source: Bloomberg

Shareholding (%)	Q1 FY25	Q2 FY25	Q3 FY25	Q4 FY25
Promoter	50.3	50.2	49.9	49.9
% Pledge	-	-	-	-
FII	26.6	27.2	27.4	28.2
DII	17.0	16.6	16.2	15.7
Others	6.1	6.0	6.5	6.2

Source: BSE

Price performance (%)	3M	6M	12M
Nifty	4.1	(0.6)	6.5
Cholamandalam Investment	26.0	12.3	33.4
NSE Mid-cap	3.8	(1.1)	7.6
NSE Small-cap	(3.0)	(8.4)	(1.4)

Source: Bloomberg

#### Shweta Daptardar

Diversified Financials, Non-Banking  
Financial Services  
+91 22 6164 8559  
shweta.daptardar@elaracapital.com  
Associate  
Devarshi Raj  
devarshi.raj@elaracapital.com



## Financials (YE March)

Income Statement (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Net Interest Income	96,146	132,607	166,644	209,117	249,739
Other income	3,711	3,092	3,556	4,089	4,580
<b>Total net Income</b>	<b>99,857</b>	<b>135,699</b>	<b>170,200</b>	<b>213,206</b>	<b>254,319</b>
Less :- Opex (Incl depreciation)	40,818	53,388	69,631	90,985	109,853
<b>Pre-provisioning Operating Profit</b>	<b>59,039</b>	<b>82,311</b>	<b>100,569</b>	<b>122,222</b>	<b>144,466</b>
Less:- Provisions	13,218	24,943	28,090	34,643	41,721
<b>PBT</b>	<b>45,821</b>	<b>57,369</b>	<b>72,478</b>	<b>87,579</b>	<b>102,745</b>
Less :- Taxes	11,593	14,783	18,243	22,044	25,861
<b>Reported PAT</b>	<b>34,228</b>	<b>42,585</b>	<b>54,236</b>	<b>65,535</b>	<b>76,884</b>
Balance Sheet (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Capital	1,681	1,683	1,683	1,683	1,683
Reserves & Surplus	193,885	234,592	271,140	336,271	412,752
Net worth	195,565	236,274	272,822	337,954	414,434
Non-current liabilities	1,344,736	1,749,461	2,168,219	2,649,791	3,203,599
Current Liabilities	24,207	30,741	33,313	42,002	36,227
<b>Total Liabilities</b>	<b>1,564,508</b>	<b>2,016,476</b>	<b>2,474,354</b>	<b>3,029,747</b>	<b>3,654,260</b>
<b>Fixed assets</b>	<b>15,696</b>	<b>17,829</b>	<b>9,274</b>	<b>11,592</b>	<b>14,490</b>
other non-current assets	7,417	5,431	8,468	11,658	15,007
Current investments	41,002	63,904	73,489	84,513	97,190
<b>Cash and bank balances</b>	<b>43,202</b>	<b>94,007</b>	<b>98,456</b>	<b>102,994</b>	<b>127,623</b>
Loans and advances	1,444,243	1,819,299	2,255,931	2,797,354	3,356,825
Other current assets	12,949	16,007	28,736	21,635	43,126
<b>Total Assets</b>	<b>1,564,508</b>	<b>2,016,476</b>	<b>2,474,354</b>	<b>3,029,747</b>	<b>3,654,260</b>
Per Share data & Valuation Ratios	FY24	FY25	FY26E	FY27E	FY28E
EPS- (INR)	41.2	50.7	64.5	77.9	91.4
BV (INR)	232.7	280.9	324.3	401.7	492.6
ABV- (INR)	209.5	246.9	282.4	348.3	426.1
P/E- (x)	37.1	30.1	23.7	19.6	16.7
P/ABV-(x)	7.3	6.2	5.4	4.4	3.6
Yield and Cost (%)					
Yield on advances	14.0	14.4	13.1	12.8	12.6
Cost of funds (calc)	8.0	8.1	6.8	6.5	6.4
Interest Income/ Avg. assets	6.8	7.0	5.9	5.7	5.6
Interest Expense/ Avg. assets	6.8	7.0	5.9	5.7	5.6
Net Interest Margin (%)	7.1	7.4	7.3	7.3	7.2
Asset Quality (%)					
Gross NPA (%)	2.5	2.8	3.9	4.2	4.3
Net NPA (%)	1.5	1.7	2.1	2.2	2.2
% coverage of NPA - RHS	46.4	45.3	55.0	55.0	55.0
credit cost (calc)	1.1	1.5	1.4	1.4	1.4
Capital Adequacy					
Tier 1	21.4	22.6	24.0	26.2	28.3
CAR	24.3	25.6	27.0	29.3	31.4
Growth Rates					
Loan growth	37.9	26.0	24.0	24.0	20.0
Earnings growth (RHS)	28.4	24.4	27.4	20.8	17.3
Business Ratios					
RoAA (%)	2.5	2.4	2.4	2.3	2.2
Core RoE (%)	21.4	21.5	22.1	21.5	20.4
Dividend Yield (%)	0.1	0.1	0.1	0.1	0.1
Dividend payout (%)	1.2	0.9	0.7	0.6	0.5

Note: Pricing as on 28 April 2025; Source: Company, Elara Securities Estimate

## Exhibit 1: CIFIC – Q4FY25 results highlights

INR mn	Q4FY25	Q4FY24	YoY (%/ bps)	Q3FY25	QoQ (%/ bps)	Comments
Interest income	70,251	54,202	29.6	67,092	4.7	
Interest expenses	33,623	25,793	30.4	32,718	2.8	
<b>Net interest income</b>	<b>36,628</b>	<b>28,409</b>	<b>28.9</b>	<b>34,374</b>	<b>6.6</b>	<b>NII at INR 37.5bn grew by 6.6% QoQ/28.9% YoY.</b>
Other income	956	718	33.1	1,031	(7.3)	Other income at INR 956mn declined by 7.3% QoQ but was up 33.1% YoY.
<b>Total income</b>	<b>37,584</b>	<b>29,127</b>	<b>29.0</b>	<b>35,406</b>	<b>6.2</b>	
Total operating expenses	14,269	12,850	11.0	14,130	1.0	Opex at INR 14.3bn rose by 1% QoQ/11% YoY.
<b>Operating profit (PPOP)</b>	<b>23,315</b>	<b>16,278</b>	<b>43.2</b>	<b>21,276</b>	<b>9.6</b>	<b>PPoP was higher than estimates, up by 9.6%QoQ/43.2% YoY, boosted by lower Opex</b>
Provisions & write offs	6,253	1,908	227.7	6,640	(5.8)	Provisions declined by 5.8% QoQ but spiked by 227.7% YoY, slightly below estimates.
<b>PBT</b>	<b>17,062</b>	<b>14,369</b>	<b>18.7</b>	<b>14,636</b>	<b>16.6</b>	
<b>Reported profit</b>	<b>12,667</b>	<b>10,581</b>	<b>19.7</b>	<b>10,865</b>	<b>16.6</b>	<b>PAT was a beat on estimates, driven by higher-than-expected NII, flat opex and decline in provisions QoQ.</b>
<b>Balance sheet</b>						
Disbursements	264,170	247,840	6.6	258,060	2.4	Disbursements rose 2.4% QoQ/6.6% YoY.
AUM	1,847,460	1,455,720	26.9	1,745,670	5.8	AUM was up 5.8% QoQ/6.6% YoY.
Total assets	2,016,480	1,564,508	28.9	1,923,020	4.9	
NIM - calc (%)	8.2	8.1	2bps	8.1	5bps	NIMs improved by 5bps QoQ/2bps YoY.
<b>Asset quality</b>						
Gross NPA (%)	4.0	3.5	43bps	4.0	(3)bps	GNPA was stable QoQ at 4% (spiked 43bps YoY).
Net NPA (%)	2.6	2.3	31bps	2.7	(3)bps	
Cost-income ratio (%)	38.0	44.1	(615)bps	39.9	(194)bps	Cost-income ratio improved by 194bps QoQ/615bps YoY to 38%.
Credit costs (%)	1.4	0.5	85bps	1.6	(17)bps	Credit cost came in at 1.4%, better by 17bps QoQ (up 85bps YoY).

Source: Company, Elara Securities Research

## Conference Call – Takeaways

### Business highlights and guidance

- ▶ Disbursements rose 14% YoY and AUM 30% YoY.
- ▶ Growth expectations: AUM growth target is at 20-25%. HL business growth was as follows: 15-20% in disbursements. Book growth is expected at 30% in the next two years. The focus is on LCV, PV, and used vehicles. Additional growth scope exists in two-wheelers and tractors.
- ▶ Within CSEL exited the FinTech partnership. Asset growth will be lower in FY25 due to faster rundown of FinTech assets but expect normalization by Q3-Q4FY26.
- ▶ HL: CIFC expanded into newer geographies – ~60% of disbursements is still coming from the South. In LAP, 20-25% growth is plausible, with available growth levers. Combined growth from three other zones remains lower than the South, indicating further expansion opportunity.
- ▶ Launching gold loan business: A separate branch rollout is planned.
- ▶ SME: Disbursements are expected to remain flat in FY26. The focus will be on term loans and equipment loans. Supply chain finance is curtailed.

### Asset quality

- ▶ Credit cost was 1.4%. In VF, credit cost is expected to dip by 20bps in FY26, thus a 10bps benefit.
- ▶ CSEL and MSME: Credit cost is expected to reduce by the year-end. HL, LAP and SBPL together account for 35% of the book. MSME and CSEL pressures will be offset by LAP and HL. SBPL book is performing well.
- ▶ Collection efficiency improved in Q4.
- ▶ CSEL credit cost to decline as the book runs down – partnership credit cost will reduce. In-house DST/DSA and FinTech businesses had higher delinquencies (mainly FinTech, due to changes in FLDG rules), hence CIFC decided to exit the FinTech segment.
- ▶ VF is dependent on the performance of monsoon. Capacity utilizations have improved since Q3, aiding asset quality.
- ▶ Gold loans and consumer durable financing: Customer trend analysis showed gold loan opportunities. CIFC will initially scale slowly using tech (launch starting with 122 branches).
- ▶ Challenges exist in Tamil Nadu and similar issues have been seen in Karnataka and Andhra Pradesh, primarily related to MFIs. Compliance will be stricter on collections. The new legislation is not applicable to banks and NBFCs.
- ▶ HL delinquencies have risen slightly but remain contained at 0.4%. Expect these to stay at similar levels. LAP/HL portfolios tightly manage credit costs, offset by SME and SARFAESI resolutions, although the latter takes time.
- ▶ VF write-offs remain at similar levels (higher skew toward used vehicles). Bounce rates and 30+ dpd are elevated but have improved QoQ.

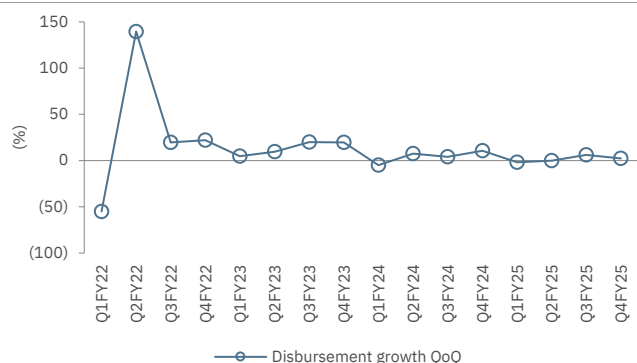
### Spread analysis

- ▶ The cost of borrowings is being repriced and 20% of borrowings is linked to repo and T-bill rates.
- ▶ When MCLR reductions materialize, benefits will flow through. Negotiations are underway with banks.
- ▶ Expect 10-15 bps CoB reduction in FY26, factoring in the transmission impact on floating-rate book.

### Other highlights

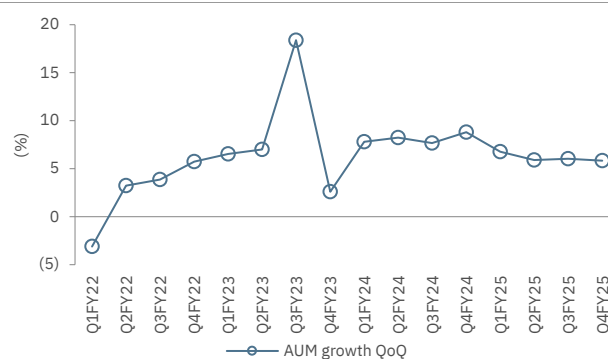
- ▶ Opex materially increased, which is atypical for Q4, but remains under control as of Q4FY25. Going forward, opex might spike due to new business launches.

**Exhibit 2: Disbursements slowed to 2.4% QoQ/6.6% YoY**



Source: Company, Elara Securities Research

**Exhibit 3: AUM at INR 1,847bn was up 5.8% QoQ/12.2% YoY**



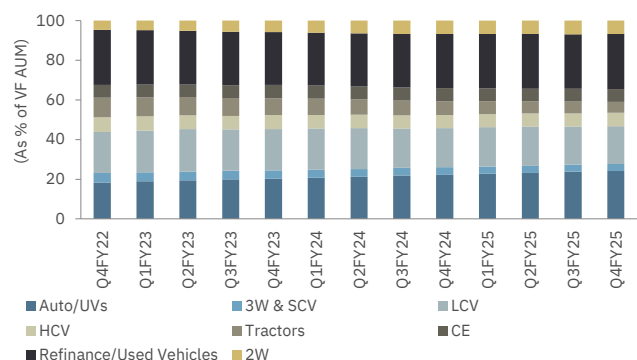
Source: Company, Elara Securities Research

**Exhibit 4: CIFC consciously took its foot off the pedal in new business segments**

Product	Details
CSEL	Offers personal loans, professional loans & business loans to salaried, self-employed professionals and micro & small businesses
	495 locations (494 co-located & one standalone);acquired over 1.41mn+ customers as on March 2025.
SBPL	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.
	Offers secured business loan against self-occupied residential property or commercial-cum-residential property as collateral.
SME	414 locations (co-located); spread across 11 states as on March 2024.
	The product suite includes supply chain financing, term loans for capex, loan against shares, funding on hypothecation of machinery for specific industries.
SME	95 (co-located) locations; business growth both through traditional and Fintech partnerships.

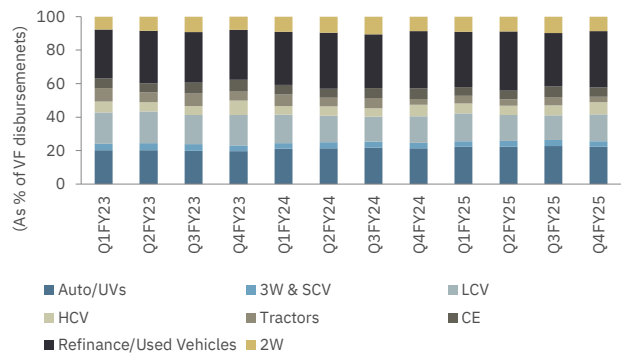
Source: Company, Elara Securities Research

**Exhibit 5: Vehicle finance – AUM mix steady**



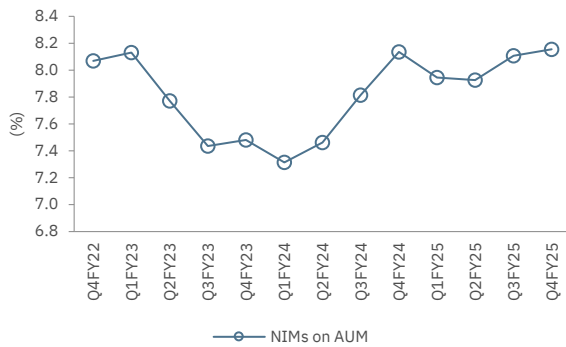
Source: Company, Elara Securities Research

**Exhibit 6: Vehicle finance – Disbursement mix saw an uptick in HCV**



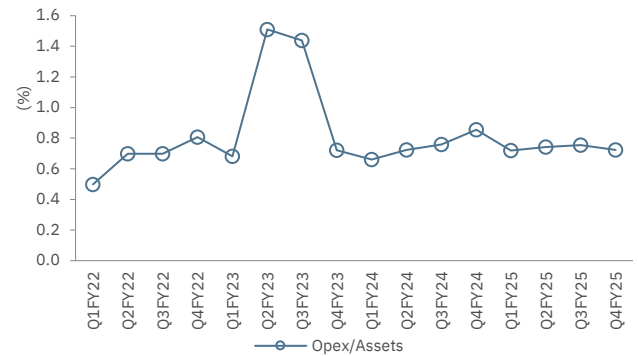
Source: Company, Elara Securities Research

**Exhibit 7: NIMs improved by 5bps QoQ**



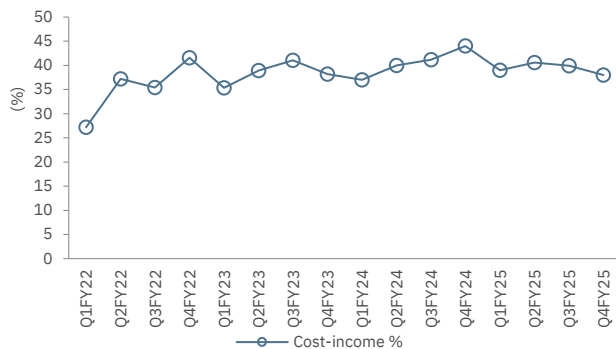
Source: Company, Elara Securities Research

**Exhibit 8: Opex-to-asset witnessed a marginal rise of 3bps QoQ...**



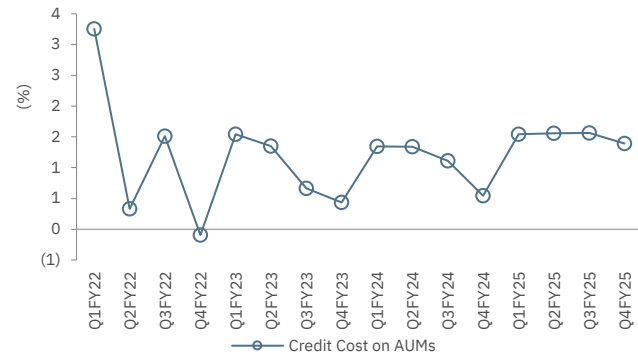
Source: Company, Elara Securities Research

**Exhibit 9: ....while cost-to-income ratio improved by 190bps QoQ**



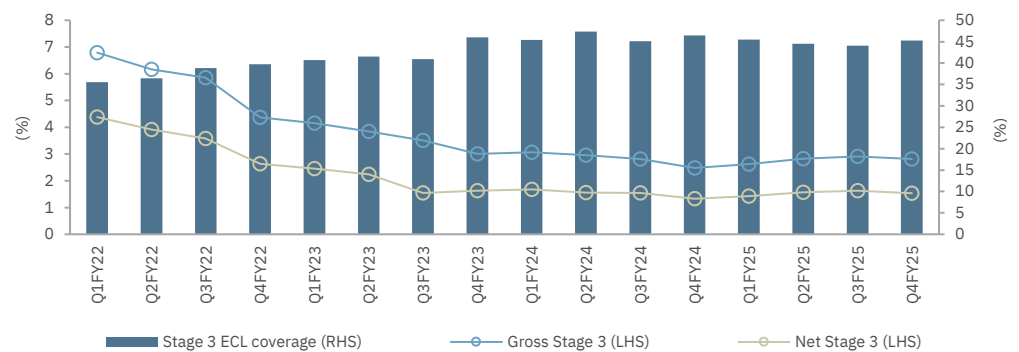
Source: Company, Elara Securities Research

**Exhibit 10: Credit costs improved by 17bps QoQ**



Source: Company, Elara Securities Research

**Exhibit 11: Gross Stage 3 improved by 10bps QoQ with PCR ramped up to 45.3%**



Source: Company, Elara Securities Research

## Exhibit 12: Stage 3 stood at 2.81% with ECL of 45.27%, whereas NPA per RBI norm stood at 2.6%

	INR mn			%		
	Asset	Total provision	NNPA	Asset	Total provision	NNPA
Stage 1A	1,750,400	6,190	1,744,210	94.44	0.35	94.11
Stage 1B	3,900	150	3,750	0.21	3.85	0.20
<b>Total Stage 1</b>	<b>1,754,300</b>	<b>6,340</b>	<b>1,747,960</b>	<b>94.65</b>	<b>0.36</b>	<b>94.31</b>
Stage 2A	29,430	2,470	26,960	1.59	8.39	1.45
Stage 2B	17,540	1,700	15,840	0.95	9.69	0.85
<b>Total Stage 2</b>	<b>46,970</b>	<b>4,170</b>	<b>42,800</b>	<b>2.53</b>	<b>8.88</b>	<b>2.31</b>
<b>Total Stage 3</b>	<b>52,130</b>	<b>23,600</b>	<b>28,530</b>	<b>2.81</b>	<b>45.27</b>	<b>1.54</b>
<b>Total</b>	<b>1,853,400</b>	<b>34,110</b>	<b>1,819,290</b>	100.00	1.84	98.16
<b>NPA as per RBI (including Sec)</b>	<b>73,570</b>	<b>25,450</b>	<b>48,120</b>	<b>3.97</b>	<b>34.58</b>	<b>2.60</b>
<b>NNPA % as per RBI (Net NPA /(Asset - provisions for GNPA))</b>						<b>2.63</b>

Source: Company, Elara Securities Research

## Exhibit 13: Asset quality deteriorated for new businesses while LAP saw an improvement in Stage 3

Particulars (%)	As of Q3FY25			As of Q4FY25		
	Stage 3 asset	Provision coverage	Net stage 3	Stage 3 Asset	Provision coverage	Net stage 3
Vehicle finance	3.7	46.0	2.0	3.5	46.3	1.9
LAP	2.3	40.4	1.4	2.0	41.9	1.2
Home loans	1.2	29.2	0.9	1.3	30.9	0.9
CSEL	1.8	49.5	0.9	2.1	59.7	0.8
SME	2.3	34.3	1.5	2.4	38.8	1.4
SBPL	1.9	24.9	1.4	2.6	30.7	1.8
<b>Total</b>	<b>2.9</b>	<b>44.1</b>	<b>1.6</b>	<b>2.8</b>	<b>45.3</b>	<b>1.5</b>

Source: Company, Elara Securities Research

## Exhibit 14: Recommend Accumulate with revised TP at INR 1,618 at 4.6x FY27E P/ABV

<b>Fair price - EVA (INR)</b>	<b>1,031</b>
Fair price - Gordon growth (INR)	2,205
<b>Average of the two (INR)</b>	<b>1,618</b>
<b>Target P/ABV (x)</b>	<b>4.6</b>
<b>Target P/E (x)</b>	<b>20.8</b>
Current price, INR	<b>1,526</b>
<b>Upside (%)</b>	6.0
Dividend yield (%)	0.1
<b>Total return (%)</b>	6.2

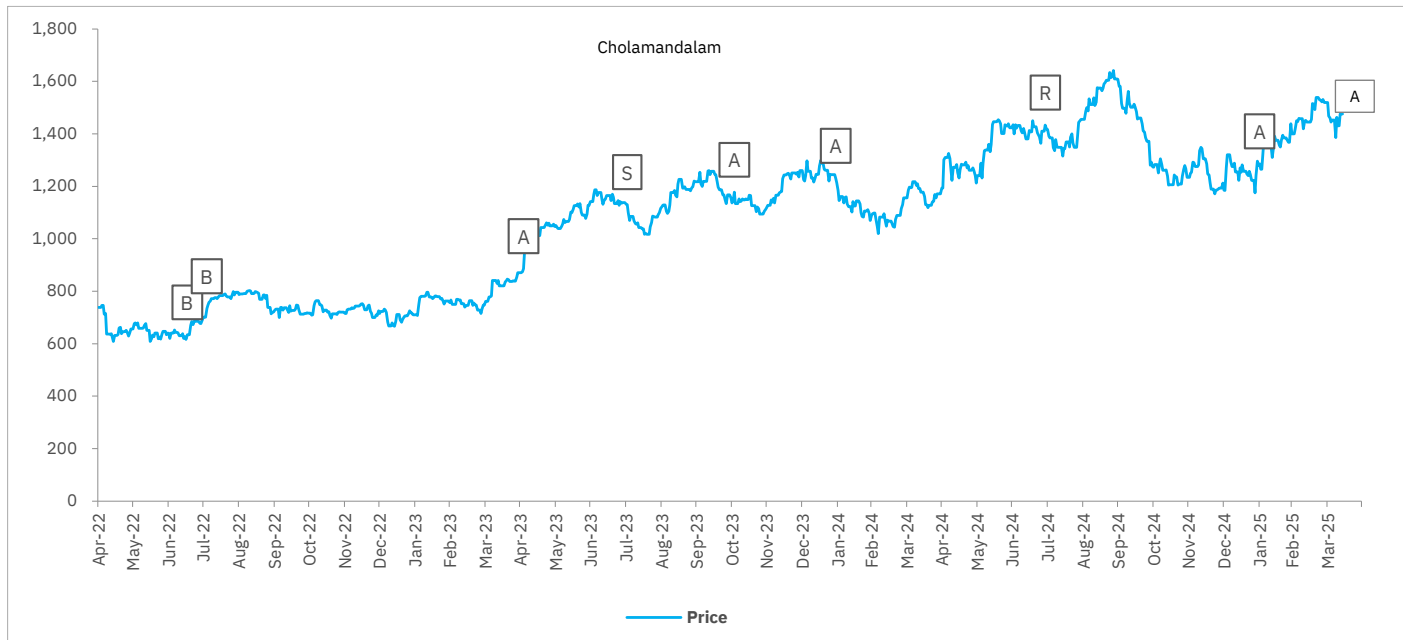
Note: pricing as on 28 April 2025; Source: Elara Securities Estimate

## Exhibit 15: Change in estimate

INR mn	Old		Revised		% Change		New
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY28E
Net interest income	166,981	217,951	166,644	209,117	(0.2)	(4.1)	249,739
Operating profit	100,184	129,405	100,569	122,222	0.4	(5.6)	144,466
Net profit	52,862	69,162	54,236	65,535	2.6	(5.2)	76,884
EPS (INR)	64.2	84.1	64.5	77.9	0.4	(7.4)	91.4
<b>Price target (INR)</b>		<b>1,434</b>		<b>1,618</b>		<b>12.8</b>	

Source: Elara Securities Estimate

## Coverage History



Date	Rating	Target Price (INR)	Closing Price (INR)
02-Aug-2021	Accumulate	570	476
01-Feb-2022	Accumulate	700	653
15-Jul-2022	Buy	760	633
01-Aug-2022	Buy	876	734
03-May-2023	Accumulate	930	887
01-Aug-2023	Sell	1,023	1,130
02-Nov-2023	Accumulate	1,231	1,177
29-Jan-2024	Accumulate	1,295	1,231
29-Jul-2024	Reduce	1,434	1,433
31-Jan-2025	Accumulate	1,434	1,286
28-Apr-25	Accumulate	1,618	1,526

## Guide to Research Rating

<b>BUY (B)</b>	Absolute Return >+20%
<b>ACCUMULATE (A)</b>	Absolute Return +5% to +20%
<b>REDUCE (R)</b>	Absolute Return -5% to +5%
<b>SELL (S)</b>	Absolute Return < -5%



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## India

**Elara Securities (India) Private Limited**  
One International Center, Tower 3,  
21st Floor, Senapati Bapat Marg,  
Elphinstone Road (West)  
Mumbai – 400 013, India  
Tel : +91 22 6164 8500

## Europe

**Elara Capital Plc.**  
6th Floor, The Grove,  
248A Marylebone Road,  
London, NW1 6JZ,  
United Kingdom  
Tel : +44 20 7486 9733

## USA

**Elara Securities Inc.**  
230 Park Avenue, Suite 2415,  
New York, NY 10169, USA  
Tel: +1 212 430 5870  
Fax: +1 212 208 2501

## Asia / Pacific

**Elara Capital (Asia) Pte.Ltd.**  
One Marina Boulevard,  
Level 20,  
Singapore 018989  
Tel : +65 6978 4047



### Managing Director

**Harendra Kumar** | harendra.kumar@elaracapital.com | +91 22 6164 8571



### Head of Research

**Dr Bino Pathiparampil** | bino.pathiparampil@elaracapital.com | +91 22 6164 8572

## Sales Team



### India

**Hitesh Danak** - hitesh.danak@elaracapital.com - +91 22 6164 8543  
**Ashok Agarwal** - ashok.agarwal@elaracapital.com - +91 22 6164 8558



### India, APAC & Australia

**Sudhanshu Rajpal** - sudhanshu.rajpal@elaracapital.com - +91 22 6164 8508  
**Joshua Saldanha** - joshua.saldanha@elaracapital.com - +91 22 6164 8541  
**Shraddha Shrikhande** - shraddha.shrikhande@elaracapital.com - +91 22 6164 8567



### India & UK

**Prashin Lalvani** - prashin.lalvani@elaracapital.com - +91 22 6164 8544



### India & US

**Karan Rathod** - karan.rathod@elaracapital.com - +91 22 6164 8570



### Corporate Access, Conference & Events

**Anita Nazareth** - anita.nazareth@elaracapital.com - +91 22 6164 8520  
**Tina D'souza** - tina.dsouza@elaracapital.com - +91 22 6164 8595

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### Elara Securities (India) Private Limited

Registered Office Address: One International Center, Tower 3, 21st Floor, Senapati Bapat Marg, Elphinstone Road (West) Mumbai – 400 013, India Tel : +91 22 6164 8500  
CIN: U74992MH2007PTC172297 | SEBI Research Analyst Registration No.: INH000000933  
Member of BSE Limited and National Stock Exchange of India Limited | SEBI REGN. NO.: INZ000238236  
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Investor Grievance Email ID: investor.grievances@elaracapital.com - Tel. +91 22 6164 8509  
Compliance Officer: Mr. Anand Rao - Email ID: anand.rao@elaracapital.com - Tel. +91 22 6164 8509