

# Cholamandalam Inv. & Finance

|                 |   |
|-----------------|---|
| Estimate change | ↔ |
| TP change       | ↑ |
| Rating change   | ↔ |

**CMP: INR1,640**

**TP: INR1,900 (+16%)**

**Buy**

## Healthy performance; asset quality improves significantly

### Business AUM rises ~21% YoY; NIM (calc.) expands ~10bp QoQ

- Cholamandalam Inv. & Finance's (CIFC) 4QFY26 PAT grew ~30% YoY to INR16.4b (~8% beat). FY26 PAT grew ~23% YoY to INR52.2b. NII in 4QFY26 grew ~26% YoY to ~INR38.6b (in line). Other income grew ~33% YoY to ~INR9.3b. This growth was mainly driven by higher fee income of INR6.3b (PY: INR4.6b) and higher assignment income of ~INR1.1b (PY: INR940m).
- Opex rose ~27% YoY to ~INR18b (in line), and the cost-to-income ratio declined ~140bp QoQ to ~37.7% (PQ: 39% and PY: 38%). PPOP grew ~28% YoY to INR29.8b (in line). FY26 PPOP grew ~28% YoY to INR105b.
- Yields (calc.) declined ~10bp QoQ to ~14.4%, while CoF (calc.) declined ~20bp QoQ to ~7.35%. NIM (calc.) rose ~10bp QoQ to ~7.1%. While yields are expected to improve with the scale-up of gold loans, consumer durable (CD), and unsecured CSEL, the company expects NIM + fees to remain broadly stable at ~8%, as the benefit from higher yields is likely to be offset by a modest increase in CoF in FY27. We expect NIM + fees to expand to ~7.7%/7.9% in FY27/FY28 (compared to ~7.6% in FY26).
- CIFC indicated that demand remains healthy across segments, particularly in vehicle finance, with momentum sustaining into Apr'26. Management highlighted that while growth last year was driven by only three segments (HL, LAP, and SBPL), it now expects all eight divisions to contribute, supporting AUM growth of ~20-23% in FY27. We model an AUM growth of ~21% each in FY27/FY28.
- Management highlighted that early delinquency indicators and non-starters have improved significantly in Apr'26 compared to Apr'25 and Apr'24, indicating better credit quality at the origination level. The CSEL portfolio is also showing improvement, while vehicle finance NCLs are stabilizing, leading the company to guide for a decline in credit costs to ~1.5% in FY27 from ~1.6% (pre-overlay) in FY26. We estimate credit costs (as a % of avg. assets) of ~1.5%/1.4% in FY26/FY27.
- We keep our FY27E/28E EPS estimates broadly unchanged. We model a CAGR of 20%/21%/25% in disbursement/AUM/PAT over FY26-28E. We estimate an RoA/RoE of ~2.6%/20% in FY28. **Reiterate our BUY rating with a TP of INR1,900 (premised on 3.6x Mar'28E BVPS).**

### AUM up 21% YoY; sustained momentum in disbursement growth

- Business AUM grew 21% YoY/6.5% QoQ to INR2.24t, with newer businesses now forming ~13% of the AUM mix.
- Total disbursements grew ~25% YoY and ~10% QoQ to ~INR329b. Newer lines of businesses contributed ~21% to the disbursement mix (PQ: ~20% and PY: ~17%). VF disbursements grew ~25% YoY.
- Gold loan disbursements in 4QFY26 stood at ~INR11.3b across 120 branches concentrated in Southern and Eastern India.

|                       |               |
|-----------------------|---------------|
| Bloomberg             | CIFC IN       |
| Equity Shares (m)     | 844           |
| M.Cap.(INRb)/(USDb)   | 1397.4 / 14.7 |
| 52-Week Range (INR)   | 1832 / 1299   |
| 1, 6, 12 Rel. Per (%) | 15/-/11       |
| 12M Avg Val (INR M)   | 2881          |

### Financials & Valuations (INR b)

| Y/E March    | FY26  | FY27E | FY28E |
|--------------|-------|-------|-------|
| Total Income | 170.7 | 205.9 | 248.8 |
| PPP          | 105.0 | 125.7 | 154.0 |
| PAT          | 52.2  | 63.6  | 81.1  |
| EPS (INR)    | 61.2  | 74.3  | 94.6  |
| EPS Gr. (%)  | 21    | 21    | 27    |
| BV (INR)     | 357   | 434   | 526   |

### Valuations

|               |      |      |      |
|---------------|------|------|------|
| NIM (%)       | 7.0  | 7.0  | 7.0  |
| C/I ratio (%) | 38.5 | 38.9 | 38.1 |
| RoAA (%)      | 2.3  | 2.4  | 2.6  |
| RoE (%)       | 19.3 | 18.8 | 19.7 |
| Payout (%)    | 3.3  | 3.0  | 2.5  |

### Ratios

|                |      |      |      |
|----------------|------|------|------|
| P/E (x)        | 26.8 | 22.1 | 17.3 |
| P/BV (x)       | 4.6  | 3.8  | 3.1  |
| Div. Yield (%) | 0.1  | 0.1  | 0.1  |

### Shareholding pattern (%)

| As of    | Mar-26 | Dec-25 | Mar-25 |
|----------|--------|--------|--------|
| Promoter | 49.3   | 49.7   | 49.9   |
| DII      | 19.9   | 17.6   | 15.5   |
| FII      | 24.9   | 26.6   | 28.2   |
| Others   | 6.0    | 6.2    | 6.4    |

FII includes depository receipts

### Stage 2 improves 40bp QoQ; credit costs decline sequentially

- GS3/NS3 improved 30bp QoQ each to 3.05%/1.6%, while PCR on S3 rose ~4pp QoQ to ~47.3%. ECL/EAD declined ~5bp QoQ to 1.97% (PQ: ~2.02%). GS3 in new businesses declined ~35bp QoQ to ~2.4% (PQ: 2.75% and PY: 2.2%).
- VF GS3 declined to ~3.8% (PQ: 4.2%), SME GS3 dipped to 3.2% (PQ: 3.25%), SBPL GS3 declined to 3.5% (PQ: 4.7%), and CSEL GS3 declined to 1.9% (PQ: 2.2%).
- Stage 2 + Stage 3 [30+ dpd] dipped ~70bp QoQ to ~5.5%. In 4QFY26, write-offs were ~INR6.9b, translating into ~1.5% of TTM AUM (PY: ~1.35% and PQ: ~1.65%). Net slippage declined to ~INR4.4b, amounting to 0.9% (PY: 1.35% and PQ: 2.35%).
- CIFIC's credit costs in 4QFY26 stood at ~INR8.5b (in line). This translated into annualized credit costs of 155bp (PY: 140bp and PQ: 180bp).
- CRAR stood at ~19.2% (Tier 1: ~14.7%) as of Mar'26.

### Key highlights from the management commentary

- The home loan segment saw temporary moderation in disbursements due to operational issues such as election-related administrative delays, land record digitization mismatches, and documentation challenges (especially in the South). Management expects 1QFY27 to be better, supported by branch maturity and pan-India expansion.
- The gold loan business is being aggressively expanded, with branch count expected to increase from ~120 currently to ~480 (i.e., 360 additions), with these being exclusive branches.
- Management indicated that internal accruals should be adequate to support growth, provided AUM growth remains below ~25% and pre-tax RoTA is sustained at ~3.5%. However, if the Tier 1 capital ratio declines toward ~13%, the company may evaluate raising fresh equity capital.

### Valuation and View

- CIFIC delivered a strong operating performance, with healthy disbursement momentum driving ~21% YoY AUM growth. Asset quality improved significantly, supported by lower slippages and improvement across both Stage 2 and Stage 3 assets, leading to a sequential decline in credit costs, while margins expanded by ~10bp QoQ, primarily driven by a reduction in cost of funds.
- The stock trades at 3.8x FY27E P/BV. We estimate a CAGR of ~21%/25% in AUM/PAT over FY26-28 for RoA/RoE of 2.6%/20% in FY28E. **Reiterate our BUY rating with a TP of INR1,900 (premised on 3.6x Mar'28E BVPS).**
- **Key risks:** 1) weak macros translating into weaker vehicle demand and sustained lower capacity utilization; and 2) impact on asset quality and credit costs due to the ongoing West Asia crisis and the El Niño impact.

**Quarterly Performance**

(INR m)

| Y/E March                  | FY25          |               |               |               | FY26          |               |               |               | FY25            | FY26            | 4Q FY26E      | v/s Est. |
|----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|-----------------|---------------|----------|
|                            | 1Q            | 2Q            | 3Q            | 4Q            | 1Q            | 2Q            | 3Q            | 4Q            |                 |                 |               |          |
| Interest Income            | 53,695        | 57,680        | 61,587        | 64,180        | 66,501        | 68,942        | 72,238        | 76,046        | 2,37,200        | 2,83,726        | 76,111        | 0        |
| Interest Expenses          | 27,957        | 30,551        | 32,718        | 33,623        | 34,663        | 35,155        | 36,430        | 37,494        | 1,24,849        | 1,43,742        | 37,447        | 0        |
| <b>Net Interest Income</b> | <b>25,738</b> | <b>27,128</b> | <b>28,869</b> | <b>30,557</b> | <b>31,838</b> | <b>33,787</b> | <b>35,808</b> | <b>38,551</b> | <b>1,12,351</b> | <b>1,39,984</b> | <b>38,663</b> | <b>0</b> |
| YoY Growth (%)             | 39.7          | 34.6          | 33.0          | 29.77         | 23.7          | 24.5          | 24.0          | 26.16         | 34.0            | 24.6            | 26.5          |          |
| Other Income               | 4,595         | 5,248         | 6,537         | 7,027         | 6,807         | 6,959         | 7,616         | 9,340         | 23,348          | 30,722          | 8,577         | 9        |
| <b>Total Income</b>        | <b>30,333</b> | <b>32,376</b> | <b>35,406</b> | <b>37,584</b> | <b>38,645</b> | <b>40,746</b> | <b>43,423</b> | <b>47,892</b> | <b>1,35,699</b> | <b>1,70,706</b> | <b>47,240</b> | <b>1</b> |
| YoY Growth (%)             | 42.6          | 36.8          | 37.2          | 29.0          | 27.4          | 25.9          | 22.6          | 27.4          | 35.9            | 25.8            | 25.7          |          |
| Operating Expenses         | 11,834        | 13,155        | 14,130        | 14,269        | 14,528        | 16,169        | 16,991        | 18,054        | 53,388          | 65,742          | 18,155        | -1       |
| <b>Operating Profit</b>    | <b>18,499</b> | <b>19,221</b> | <b>21,276</b> | <b>23,315</b> | <b>24,117</b> | <b>24,578</b> | <b>26,432</b> | <b>29,838</b> | <b>82,311</b>   | <b>1,04,965</b> | <b>29,085</b> | <b>3</b> |
| YoY Growth (%)             | 38.1          | 35.3          | 40.4          | 43.2          | 30.4          | 27.9          | 24.2          | 28.0          | 39.4            | 27.5            | 24.7          |          |
| Provisions & Loan Losses   | 5,814         | 6,235         | 6,640         | 6,253         | 8,821         | 8,970         | 9,103         | 8,464         | 24,943          | 35,358          | 8,573         | -1       |
| <b>Profit before Tax</b>   | <b>12,685</b> | <b>12,986</b> | <b>14,636</b> | <b>17,062</b> | <b>15,296</b> | <b>15,608</b> | <b>17,329</b> | <b>21,374</b> | <b>57,369</b>   | <b>69,607</b>   | <b>20,512</b> | <b>4</b> |
| Tax Provisions             | 3,263         | 3,355         | 3,771         | 4,395         | 3,937         | 4,054         | 4,452         | 4,967         | 14,783          | 17,411          | 5,271         | -6       |
| <b>Net Profit</b>          | <b>9,422</b>  | <b>9,631</b>  | <b>10,865</b> | <b>12,667</b> | <b>11,359</b> | <b>11,553</b> | <b>12,877</b> | <b>16,407</b> | <b>42,585</b>   | <b>52,196</b>   | <b>15,241</b> | <b>8</b> |
| YoY Growth (%)             | 29.8          | 26.3          | 24.0          | 19.7          | 20.6          | 20.0          | 18.5          | 29.5          | 24.4            | 22.6            | 20.3          |          |

**Key Parameters (Calc., %)**

|                |      |      |       |       |      |       |       |       |      |      |  |
|----------------|------|------|-------|-------|------|-------|-------|-------|------|------|--|
| Yield on loans | 14.4 | 14.5 | 14.65 | 14.48 | 14.4 | 14.45 | 14.49 | 14.40 | 14.5 | 14.2 |  |
| Cost of funds  | 7.86 | 7.94 | 8.06  | 7.86  | 7.78 | 7.63  | 7.56  | 7.34  | 8.1  | 7.5  |  |
| Spread         | 6.5  | 6.6  | 6.6   | 6.6   | 6.6  | 6.8   | 6.9   | 7.1   | 6.5  | 6.8  |  |
| NIM            | 6.84 | 6.78 | 6.81  | 6.80  | 6.76 | 6.91  | 6.99  | 7.09  | 6.9  | 7.0  |  |
| C/I ratio      | 39.0 | 40.6 | 39.9  | 38.0  | 37.6 | 39.7  | 39.1  | 37.7  | 39.3 | 38.5 |  |
| Credit cost    | 1.55 | 1.56 | 1.57  | 1.39  | 1.87 | 1.83  | 1.78  | 1.56  | 1.5  | 1.7  |  |
| Tax rate       | 25.7 | 25.8 | 25.8  | 25.8  | 25.7 | 26.0  | 25.7  | 23.2  | 25.8 | 25.0 |  |

**Balance Sheet Parameters**

|                              |              |              |              |              |              |              |              |              |              |              |  |
|------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--|
| <b>Disbursements (INR b)</b> | <b>243</b>   | <b>243</b>   | <b>258</b>   | <b>264</b>   | <b>243</b>   | <b>244</b>   | <b>300</b>   | <b>329</b>   | <b>1,009</b> | <b>1,116</b> |  |
| Growth (%)                   | 21.6         | 12.9         | 15.3         | 6.6          | 0.0          | 0.5          | 16.1         | 24.6         | 13.7         | 10.7         |  |
| <b>AUM (INR b)</b>           | <b>1,554</b> | <b>1,646</b> | <b>1,746</b> | <b>1,847</b> | <b>1,921</b> | <b>1,992</b> | <b>2,107</b> | <b>2,243</b> | <b>1,847</b> | <b>2,243</b> |  |
| Growth (%)                   | 35.4         | 32.5         | 30.5         | 26.9         | 23.6         | 21.0         | 20.7         | 21.4         | 26.9         | 21.4         |  |
| <b>AUM mix (%)</b>           |              |              |              |              |              |              |              |              |              |              |  |
| Vehicle finance              | 57.0         | 55.9         | 55.4         | 54.8         | 54.5         | 54.0         | 53.6         | 53.3         | 54.8         | 53.3         |  |
| Home Equity                  | 20.7         | 21.2         | 21.5         | 22.4         | 22.9         | 23.2         | 23.3         | 23.3         | 22.4         | 23.3         |  |
| Home loans & Others          | 22.3         | 23.0         | 23.1         | 22.8         | 22.6         | 22.7         | 23.1         | 23.4         | 12.8         | 13.3         |  |
| <b>Borrowings (INR b)</b>    | <b>1,499</b> | <b>1,578</b> | <b>1,671</b> | <b>1,749</b> | <b>1,813</b> | <b>1,875</b> | <b>1,978</b> | <b>2,109</b> | <b>1,749</b> | <b>2,109</b> |  |
| Growth (%)                   | 38.6         | 32.1         | 35.7         | 30.1         | 20.9         | 18.8         | 18.4         | 20.5         | 30.1         | 20.5         |  |

**Asset Quality Parameters**

|              |      |      |      |      |      |      |      |      |      |      |  |
|--------------|------|------|------|------|------|------|------|------|------|------|--|
| GS 3 (INR B) | 41.2 | 47.1 | 51.3 | 52.1 | 60.4 | 66.3 | 70.1 | 67.7 | 52.1 | 67.7 |  |
| GS 3 (%)     | 2.6  | 2.8  | 2.9  | 2.81 | 3.2  | 3.4  | 3.4  | 3.05 | 2.8  | 3.0  |  |
| NS 3 (INR B) | 22.5 | 26.1 | 28.7 | 28.5 | 34.0 | 37.6 | 40.0 | 35.7 | 28.5 | 35.7 |  |
| NS 3 (%)     | 1.5  | 1.6  | 1.7  | 1.57 | 1.8  | 1.9  | 2.0  | 1.64 | 1.5  | 1.9  |  |
| PCR (%)      | 45.5 | 44.5 | 44.1 | 45.3 | 43.7 | 43.2 | 43.0 | 47.3 | 45.3 | 47.3 |  |

**Vehicle finance AUM mix (%)**

|             |      |      |      |      |      |      |      |      |      |      |  |
|-------------|------|------|------|------|------|------|------|------|------|------|--|
| LCV         | 19.8 | 19.8 | 19.2 | 19.0 | 19.2 | 19.3 | 18.7 | 18.5 | 19.8 | 19.8 |  |
| Cars & MUV  | 22.8 | 23.1 | 23.7 | 24.1 | 24.5 | 24.8 | 25.3 | 25.5 | 22.8 | 23.1 |  |
| 3W & SCV    | 3.6  | 3.6  | 3.6  | 3.5  | 3.5  | 3.5  | 3.5  | 3.4  | 3.6  | 3.6  |  |
| Used CV     | 27.4 | 27.6 | 27.6 | 27.7 | 27.6 | 27.6 | 27.2 | 27.0 | 27.4 | 27.6 |  |
| Tractor     | 6.5  | 6.2  | 6.0  | 5.6  | 5.3  | 5.1  | 5.0  | 4.7  | 6.5  | 6.2  |  |
| HCV         | 6.7  | 6.6  | 6.6  | 6.8  | 6.7  | 6.7  | 6.9  | 7.3  | 6.7  | 6.6  |  |
| CE          | 6.5  | 6.3  | 6.4  | 6.4  | 6.3  | 6.1  | 6.2  | 6.3  | 6.5  | 6.3  |  |
| Two wheeler | 6.8  | 6.7  | 6.8  | 6.8  | 6.8  | 6.9  | 7.3  | 7.4  | 6.8  | 6.7  |  |

E: MOFSL estimates



## Key highlights from the management commentary

### Guidance

- CIFC guided for AUM growth of 20-23% in FY27
- **Segmental growth outlook:**
  - Vehicle finance: AUM growth of ~18% and disbursement growth of ~15-20%.
  - Home loans and LAP: 12-15% disbursement growth and 25%+ AUM growth.
  - SBPL: AUM growth >30%.
  - New businesses (CSEL, CD, gold loans) to grow at a higher pace due to a low base.
- Credit costs: expected to decline from ~1.6% (pre-overlay) to ~1.5%
- NIM is expected to sustain at ~8%.
- Opex is expected to remain at ~3.0-3.1% in the near term.
- Pre-tax RoA: ~3.5%.

### Opening remarks

- The company reported strong disbursement momentum in 4QFY26, with total disbursements at INR329b, up ~25% YoY, translating into AUM growth of ~21% YoY to INR2.43t.
- Growth was broad-based across key segments, indicating recovery from prior cyclical/geographic challenges seen over the last 2-3 years.
- CIFC created a management overlay of INR2b in 4QFY26 as a precautionary measure, driven by uncertainty around second-order macro risks such as geopolitical tensions, crude oil price volatility, and potential supply chain disruptions. This overlay is not reflective of any current stress in the portfolio.
- Profitability remained strong with RoA at ~4.1% (pre-overlay) and RoE at ~23%, highlighting strong operating performance despite conservative provisioning.
- Liquidity position remains comfortable with INR212b in liquid assets and no negative ALM mismatches across time buckets.
- Capital adequacy stood healthy at 19.2% (Tier 1 at 14.7%), with CCD conversion partly completed and the remainder expected in 1HFY27.
- The Board declared a final dividend of INR0.70/share.

### Business trends

- The vehicle finance segment continued to deliver strong growth with disbursements up ~26% YoY and AUM growth of ~18% YoY. Growth was seen across PVs, CVs, tractors, and LCVs, and the company also indicated market share gains. April trends remain strong across all sub-segments.
- The MSME segment saw relatively moderate disbursement growth of ~11% YoY, but AUM growth remained strong at ~29% YoY, driven by LAP, SME, and SBPL segments. SBPL continues to be a key growth driver with expected >30% AUM growth.
- Consumer segment witnessed strong traction with ~45% YoY disbursement growth, driven by scale-up in consumer durable financing, mobile lending, and digital consumer businesses.
- Within this, the newly launched gold loan business saw disbursements of INR11b in 4QFY26. Strategy is evolving toward granular lending, with average

ticket size reducing from INR300k to INR200k, although customer-level exposure remains INR400-500k due to multiple loans per borrower.

- CSEL now comprises two parts: (1) unsecured personal/professional loans and (2) consumer durable, mobile, and digital lending. Asset quality is improving here, with loan losses declining to ~5.2% and expected to improve further.
- The home loan segment saw temporary moderation in disbursements due to operational issues such as election-related administrative delays, land record digitization mismatches, and documentation challenges (especially in the South). Management expects 1QFY27 to be better, supported by branch maturity and pan-India expansion.

### **Asset quality and credit costs**

- Core asset quality trends remain stable to improving. Stage 2 assets have been improving since 2Q, indicating better borrower repayment behavior and portfolio seasoning. Stage 3 also improved in Q4.
- Early delinquency indicators such as early defaults and non-starters are significantly better in Apr'26 compared to Apr'24 and Apr'25, indicating improving credit quality at the origination level.
- No deterioration was observed in Apr'26 vs Mar'26, and first-cut NCL numbers are lower YoY.
- Credit costs (pre-overlay) declined ~20bp YoY, reflecting stable portfolio performance.
- Continuous efforts are underway to improve underwriting tools and credit filters across all divisions, which is expected to further reduce credit costs over time.
- The INR2b overlay is purely precautionary to address potential risks arising from crude price volatility, LPG supply disruptions, and sectors dependent on global trade and shipping.

### **Margins**

- NIM improved ~40bps YoY, supported by lower cost of funds. Going forward, the NIM is expected to remain stable at ~8%, as higher yields from new businesses will offset slightly higher cost of funds.
- Opex/avg. assets remained broadly stable at ~3.1% vs ~3% last year, despite investments in new businesses like gold loans and consumer durables, as well as branch expansion.
- Operating leverage is expected to take ~1 more year to fully reflect, given ongoing investments in distribution and new segments.
- Credit costs are expected to moderate to ~1.5% from ~1.6% (pre-overlay), driven by improvement in CSEL and overall asset quality normalization.
- CGTMSE-related cost during the quarter was ~INR380m, with ~70% of unsecured business loans covered (~INR50b of unsecured business loans, and out of which ~INR30-35b is covered). CGTMSE coverage is expected to increase to ~80% by the end of the fiscal year.

### **Demand outlook**

- Demand environment remains stable to strong, especially in vehicle finance, with Apr'26 witnessing healthy growth across segments.

- The company has not observed any change in customer behavior on the ground, with collections, sales, and credit trends remaining stable vs last year.
- An increase in diesel prices will impact long-haul transporters/HCV more than the LCV or SCV segment customers.
- Diesel price increases are not a major concern for the company's borrower profile (which is small transporters), as cost pass-through is feasible if demand remains strong.
- For long-haul transporters, diesel price increases could impact income (INR50k impact if prices rise ~25%), but the company has a lower portfolio mix in the HCV segment.
- Competitive intensity remains stable, with no major shift in behavior from banks over the last 4-5 months.
- The company expects disbursements to improve in Home loans from 1QFY27 onwards.

### Branch expansion

- The company plans to add ~100 branches each in home loans and LAP (co-located with existing vehicle finance branches), implying efficient cost scaling. The focus will be on manpower deployment within the existing network for other businesses.
- The gold loan business is being aggressively expanded, with branch count expected to increase from ~120 currently to ~480 branches (i.e., 360 additions), with these being exclusive branches.

### Capital position

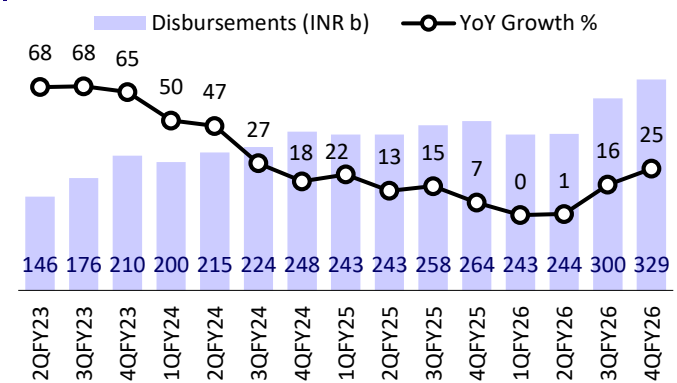
- Internal accruals are expected to sufficiently fund growth, as long as growth remains below ~25% and pre-tax RoTA sustains at ~3.5%.
- If Tier 1 capital approaches ~13%, the company may consider raising equity capital.
- Discussions with credit rating agencies are ongoing, driven by both qualitative and quantitative parameters.

### Others

- The company continues to use the ARC route for the resolution of smaller ticket loans (<INR2m), while higher ticket loans are resolved via SARFAESI.
- Fintech-originated portfolio (INR3-4b) is being gradually run down and is expected to take ~1 year.
- No changes have been made to PD/LGD assumptions in ECL modelling.
- Over the past 2-3 years, multiple segments were impacted by geography/product-related issues (especially in vehicle finance), but trends have started improving from 4Q onwards.
- Earlier, growth was driven by 3 engines (LAP, SBPL, HL), but now all 8 business verticals are expected to contribute to growth going forward.
- The total collection workforce stands at ~30,000 employees.
- Opex expected to remain in the range of ~3.0–3.1% in the near term before operating leverage benefits kick in.

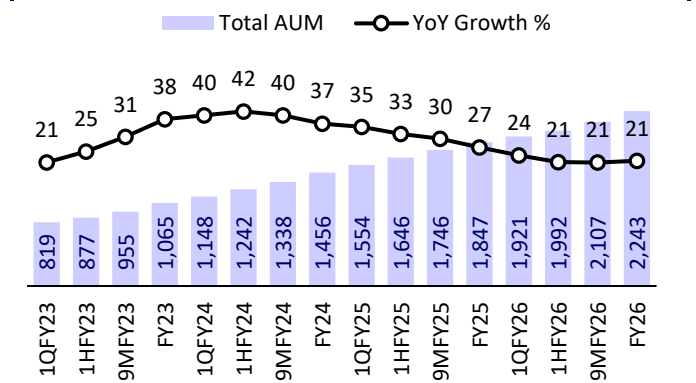
## Key exhibits

**Exhibit 1: Disbursements grew 25% YoY**



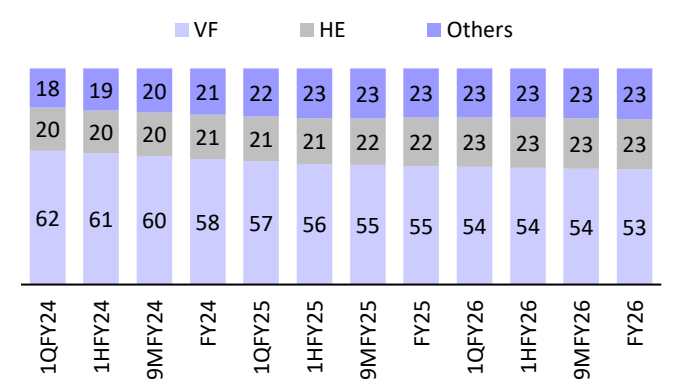
Source: MOFSL, Company

**Exhibit 2: AUM grew 21% YoY**



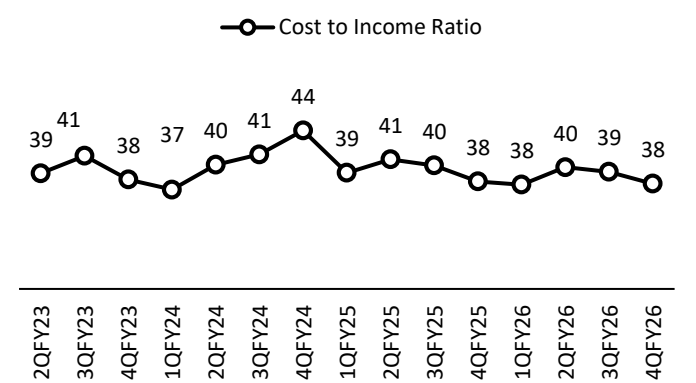
Source: MOFSL, Company

**Exhibit 3: Vehicle Finance in the AUM mix has been gradually declining, implying a more diversified mix (%)**



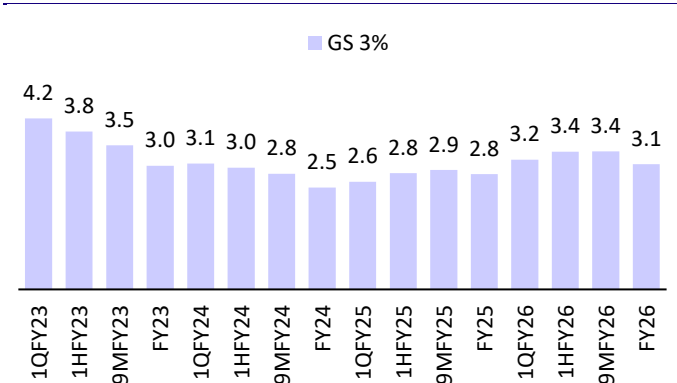
Source: MOFSL, Company

**Exhibit 4: C/I ratio declined ~140bp QoQ to 37.7%**



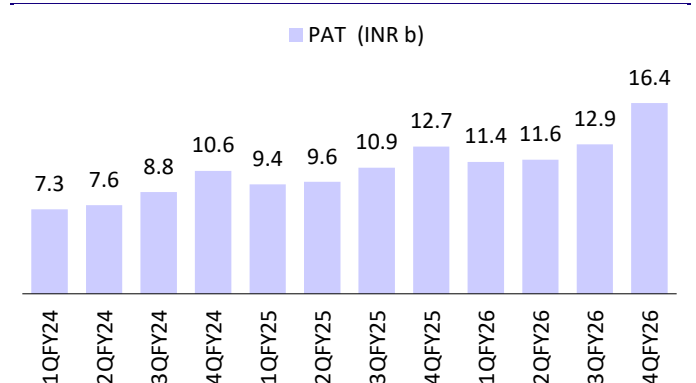
Source: MOFSL, Company

**Exhibit 5: GS3 declined ~30bp QoQ to 3.1%**



Source: MOFSL, Company,

**Exhibit 6: PAT grew 30% YoY to INR16.4b**



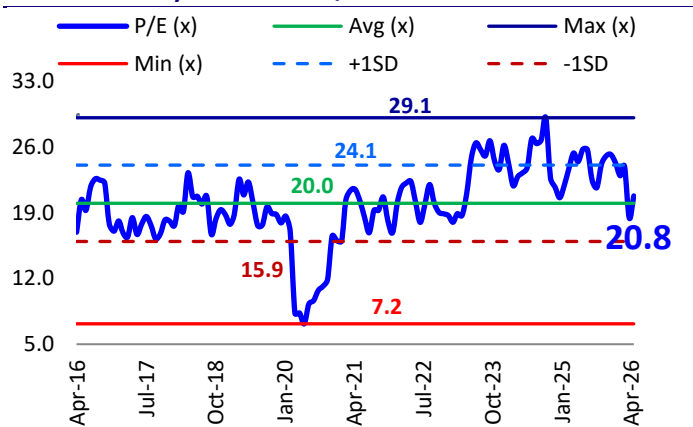
Source: MOFSL, Company

**Exhibit 7: We keep our FY27/FY28 EPS estimates broadly unchanged**

| INR B                    | Old Est.     |              | New Est.     |              | % change   |            |
|--------------------------|--------------|--------------|--------------|--------------|------------|------------|
|                          | FY27         | FY28         | FY27         | FY28         | FY27       | FY28       |
| NII (incl. assignments)  | 172.4        | 207.3        | 173.3        | 208.7        | 0.5        | 0.7        |
| Other Income             | 31.3         | 38.2         | 32.6         | 40.1         | 4.1        | 5.0        |
| <b>Total Income</b>      | <b>203.7</b> | <b>245.5</b> | <b>205.9</b> | <b>248.8</b> | <b>1.1</b> | <b>1.3</b> |
| Operating Expenses       | 78.7         | 93.1         | 80.2         | 94.8         | 1.9        | 1.9        |
| <b>Operating Profits</b> | <b>125.1</b> | <b>152.4</b> | <b>125.7</b> | <b>154.0</b> | <b>0.5</b> | <b>1.0</b> |
| Provisions               | 40.4         | 43.9         | 40.5         | 45.5         | 0.2        | 3.6        |
| <b>PBT</b>               | <b>84.6</b>  | <b>108.5</b> | <b>85.2</b>  | <b>108.5</b> | <b>0.7</b> | <b>0.0</b> |
| Tax                      | 21.8         | 28.0         | 21.6         | 27.5         | -1.1       | -1.8       |
| <b>PAT</b>               | <b>62.8</b>  | <b>80.6</b>  | <b>63.6</b>  | <b>81.1</b>  | <b>1.3</b> | <b>0.6</b> |
| AUM                      | 2,709        | 0            | 2,720        | 0            | 0.4        | 1.5        |
| Loans                    | 2,628        | 3,177        | 2,638        | 3,202        | 0.4        | 0.8        |
| Borrowings               | 2,411        | 2,902        | 2,448        | 2,958        | 1.5        | 1.9        |
| NIM                      | 7.0          | 7.0          | 7.0          | 7.0          |            |            |
| Credit Cost              | 1.6          | 0.0          | 1.6          | 0.0          |            |            |
| RoA on AUM               | 2.4          | 2.6          | 2.4          | 2.6          |            |            |
| <b>RoE</b>               | <b>18.9</b>  | <b>19.9</b>  | <b>18.8</b>  | <b>19.7</b>  |            |            |

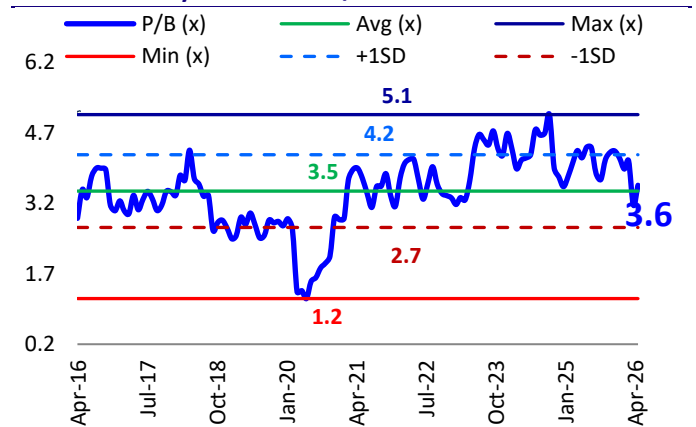
Source: MOFSL, Company

**Exhibit 8: One-year forward P/E**



Source: Company, MOFSL

**Exhibit 9: One-year forward P/B**



Source: Company, MOFSL

## Financials and valuations

| Income Statement                |               |               |               |               |               |                 |                 |                 | (INR M)         |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|-----------------|-----------------|-----------------|-----------------|
| Y/E March                       | FY20          | FY21          | FY22          | FY23          | FY24          | FY25            | FY26            | FY27E           | FY28E           |
| Interest Income                 | 78,417        | 88,772        | 93,251        | 1,18,084      | 1,75,637      | 2,37,200        | 2,83,726        | 3,39,374        | 4,08,807        |
| Interest Expenses               | 45,922        | 45,759        | 42,988        | 57,488        | 92,306        | 1,24,849        | 1,43,742        | 1,70,865        | 2,05,407        |
| <b>Net Interest Income</b>      | <b>32,495</b> | <b>43,013</b> | <b>50,263</b> | <b>60,596</b> | <b>83,331</b> | <b>1,12,351</b> | <b>1,39,984</b> | <b>1,68,509</b> | <b>2,03,400</b> |
| Change (%)                      | 11.8          | 32.4          | 16.9          | 20.6          | 37.5          | 34.8            | 24.6            | 20.4            | 20.7            |
| Income from assignments         | 2,473         | 0             | 0             | 0             | 0             | 1,590           | 4,391           | 4,830           | 5,313           |
| Other Operating Income          | 5,637         | 6,388         | 7,232         | 9,487         | 12,815        | 18,666          | 21,700          | 27,247          | 34,134          |
| Other Income                    | 3             | 596           | 905           | 2,209         | 3,711         | 3,092           | 4,631           | 5,326           | 5,965           |
| <b>Total Income</b>             | <b>40,607</b> | <b>49,997</b> | <b>58,400</b> | <b>72,292</b> | <b>99,857</b> | <b>1,35,699</b> | <b>1,70,706</b> | <b>2,05,913</b> | <b>2,48,812</b> |
| Change (%)                      | 19.3          | 23.1          | 16.8          | 23.8          | 38.1          | 35.9            | 25.8            | 20.6            | 20.8            |
| <b>Total Operating Expenses</b> | <b>15,776</b> | <b>16,394</b> | <b>20,687</b> | <b>27,799</b> | <b>40,818</b> | <b>53,388</b>   | <b>65,742</b>   | <b>80,184</b>   | <b>94,807</b>   |
| Change (%)                      | 24.3          | 3.9           | 26.2          | 34.4          | 46.8          | 30.8            | 23.1            | 22.0            | 18.2            |
| Employee Expenses               | 6,550         | 7,494         | 8,945         | 12,657        | 23,306        | 32,805          | 41,528          | 51,910          | 62,292          |
| Business Origination Expenses   | 2,398         | 2,242         | 2,259         | 2,744         | 0             | 0               | 0               | 0               | 0               |
| Other Operating Expenses        | 6,828         | 6,659         | 9,483         | 12,398        | 17,512        | 20,583          | 24,214          | 28,274          | 32,515          |
| <b>Operating Profit</b>         | <b>24,831</b> | <b>33,603</b> | <b>37,712</b> | <b>44,494</b> | <b>59,039</b> | <b>82,311</b>   | <b>1,04,965</b> | <b>1,25,729</b> | <b>1,54,005</b> |
| Change (%)                      | 16.3          | 35.3          | 12.2          | 18.0          | 32.7          | 39.4            | 27.5            | 19.8            | 22.5            |
| <b>Total Provisions</b>         | <b>8,973</b>  | <b>13,218</b> | <b>8,803</b>  | <b>8,497</b>  | <b>13,218</b> | <b>24,943</b>   | <b>35,358</b>   | <b>40,539</b>   | <b>45,492</b>   |
| % of Operating Profit           | 36.1          | 39.3          | 23.3          | 19.1          | 22.4          | 30.3            | 33.7            | 32.2            | 29.5            |
| <b>PBT</b>                      | <b>15,857</b> | <b>20,384</b> | <b>28,909</b> | <b>35,997</b> | <b>45,821</b> | <b>57,369</b>   | <b>69,607</b>   | <b>85,190</b>   | <b>1,08,514</b> |
| Tax Provisions                  | 5,334         | 5,235         | 7,442         | 9,335         | 11,593        | 14,783          | 17,411          | 21,553          | 27,454          |
| Tax Rate (%)                    | 33.6          | 25.7          | 25.7          | 25.9          | 25.3          | 25.8            | 25.0            | 25.3            | 25.3            |
| Extraordinary Items             | 0             | 0             | 0             | 0             | 0             | 0               | 0               | 0               | 0               |
| <b>PAT</b>                      | <b>10,524</b> | <b>15,149</b> | <b>21,467</b> | <b>26,662</b> | <b>34,228</b> | <b>42,585</b>   | <b>52,196</b>   | <b>63,637</b>   | <b>81,060</b>   |
| Change (%)                      | -11.3         | 44.0          | 41.7          | 24.2          | 28.4          | 24.4            | 22.6            | 21.9            | 27.4            |
| Proposed Dividend               | 1,662         | 1,640         | 1,641         | 1,645         | 1,681         | 1,683           | 1,705           | 1,885           | 2,057           |

| Balance Sheet                            |                 |                 |                 |                  |                  |                  |                  |                  | (INR M)          |
|--|-----------------|-----------------|-----------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Y/E March                                | FY20            | FY21            | FY22            | FY23             | FY24             | FY25             | FY26             | FY27E            | FY28E            |
| Share Capital                            | 1,640           | 1,640           | 1,643           | 1,645            | 1,681            | 1,683            | 1,705            | 1,714            | 1,714            |
| Equity Share Capital                     | 1,640           | 1,640           | 1,643           | 1,645            | 1,681            | 1,683            | 1,705            | 1,714            | 1,714            |
| Preference Share Capital                 | 0               | 0               | 0               | 0                | 0                | 0                | 0                | 0                | 0                |
| Reserves & Surplus                       | 80,079          | 93,962          | 1,15,434        | 1,41,316         | 1,93,885         | 2,34,592         | 3,02,335         | 3,70,378         | 4,49,381         |
| <b>Net Worth for Equity Shareholders</b> | <b>81,718</b>   | <b>95,602</b>   | <b>1,17,077</b> | <b>1,42,961</b>  | <b>1,95,565</b>  | <b>2,36,274</b>  | <b>3,04,040</b>  | <b>3,72,092</b>  | <b>4,51,095</b>  |
| <b>Borrowings</b>                        | <b>5,50,054</b> | <b>6,37,300</b> | <b>6,91,735</b> | <b>9,73,561</b>  | <b>13,44,736</b> | <b>17,49,461</b> | <b>21,08,666</b> | <b>24,47,725</b> | <b>29,57,725</b> |
| Change (%)                               | 8.8             | 15.9            | 8.5             | 40.7             | 38.1             | 30.1             | 20.5             | 16.1             | 20.8             |
| <b>Total Liabilities</b>                 | <b>6,39,930</b> | <b>7,45,484</b> | <b>8,23,634</b> | <b>11,35,155</b> | <b>15,64,508</b> | <b>20,16,476</b> | <b>24,50,699</b> | <b>28,63,509</b> | <b>34,59,065</b> |
| Investments                              | 729             | 16,188          | 20,762          | 36,280           | 41,002           | 63,904           | 66,381           | 70,984           | 82,816           |
| Change (%)                               | 0.0             | 2,120.0         | 28.3            | 74.7             | 13.0             | 55.9             | 3.9              | 6.9              | 16.7             |
| <b>Loans</b>                             | <b>5,54,027</b> | <b>6,58,393</b> | <b>7,41,492</b> | <b>10,47,483</b> | <b>14,44,243</b> | <b>18,19,299</b> | <b>21,75,712</b> | <b>26,38,104</b> | <b>32,02,001</b> |
| Change (%)                               | 5.3             | 18.8            | 12.6            | 41.3             | 37.9             | 26.0             | 19.6             | 21.3             | 21.4             |
| Net Fixed Assets                         | 2,839           | 2,294           | 2,685           | 4,233            | 16,067           | 17,827           | 18,953           | 22,744           | 26,155           |
| <b>Total Assets</b>                      | <b>6,39,930</b> | <b>7,45,484</b> | <b>8,23,634</b> | <b>11,35,155</b> | <b>15,64,508</b> | <b>20,16,476</b> | <b>24,50,699</b> | <b>28,63,509</b> | <b>34,59,065</b> |

E: MOFSL Estimates

## Financials and valuations

| Ratios                             | (%)  |      |      |      |      |      |      |       |       |
|------------------------------------|------|------|------|------|------|------|------|-------|-------|
| Y/E March                          | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY26 | FY27E | FY28E |
| <b>Spreads Analysis (%)</b>        |      |      |      |      |      |      |      |       |       |
| Avg. Yield on Loans                | 14.5 | 14.6 | 13.3 | 13.2 | 14.1 | 14.5 | 14.2 | 14.1  | 14.0  |
| Avg Cost of Funds                  | 8.7  | 7.7  | 6.5  | 6.9  | 8.0  | 8.1  | 7.5  | 7.5   | 7.6   |
| Spread of loans                    | 5.8  | 6.9  | 6.9  | 6.3  | 6.1  | 6.5  | 6.8  | 6.6   | 6.4   |
| NIM (on loans)                     | 6.5  | 7.7  | 7.5  | 7.1  | 6.7  | 6.89 | 7.01 | 7.00  | 7.0   |
| <b>Profitability Ratios (%)</b>    |      |      |      |      |      |      |      |       |       |
| RoE                                | 14.7 | 17.1 | 20.2 | 20.5 | 20.2 | 19.7 | 19.3 | 18.8  | 19.7  |
| RoA                                | 1.7  | 2.2  | 2.7  | 2.7  | 2.5  | 2.4  | 2.3  | 2.4   | 2.6   |
| Int. Expended / Int.Earned         | 58.6 | 51.5 | 46.1 | 48.7 | 52.6 | 52.6 | 50.7 | 50.3  | 50.2  |
| Other Inc. / Net Income            | 13.9 | 14.0 | 13.9 | 16.2 | 16.5 | 16.0 | 15.4 | 15.8  | 16.1  |
| <b>Efficiency Ratios (%)</b>       |      |      |      |      |      |      |      |       |       |
| Op. Exps. / Net Income             | 38.9 | 32.8 | 35.4 | 38.5 | 40.9 | 39.3 | 38.5 | 38.9  | 38.1  |
| Empl. Cost/Op. Exps.               | 41.5 | 45.7 | 43.2 | 45.5 | 57.1 | 61.4 | 63.2 | 64.7  | 65.7  |
| <b>Asset-Liability Profile (%)</b> |      |      |      |      |      |      |      |       |       |
| Loans/Borrowings Ratio             | 101  | 103  | 107  | 108  | 107  | 104  | 103  | 108   | 108   |
| Net NPAs to Net Adv.               | 2.2  | 2.2  | 2.6  | 1.6  | 1.3  | 1.5  | 1.9  | 1.7   | 1.6   |
| Assets/Equity                      | 7.8  | 7.8  | 7.0  | 7.9  | 8.0  | 8.5  | 8.1  | 7.7   | 7.7   |
| Average leverage                   | 8.5  | 7.8  | 7.4  | 7.5  | 8.0  | 8.3  | 8.3  | 7.9   | 7.7   |

| Valuations                | FY20         | FY21        | FY22        | FY23        | FY24        | FY25        | FY26        | FY27E       | FY28E       |
|---------------------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Book Value (INR)          | 100          | 117         | 143         | 174         | 233         | 281         | 357         | 434         | 526         |
| BV Growth (%)             | 26.9         | 17.0        | 22.2        | 22.0        | 33.9        | 20.7        | 27.0        | 21.7        | 21.2        |
| <b>Price-BV (x)</b>       | <b>16.4</b>  | <b>14.1</b> | <b>11.5</b> | <b>9.4</b>  | <b>7.0</b>  | <b>5.8</b>  | <b>4.6</b>  | <b>3.8</b>  | <b>3.1</b>  |
| EPS (INR)                 | 13           | 18          | 26          | 32          | 41          | 51          | 61          | 74          | 95          |
| EPS Growth (%)            | -15.4        | 44.0        | 41.4        | 24.0        | 25.6        | 24.3        | 21.0        | 21.3        | 27.4        |
| <b>Price-Earnings (x)</b> | <b>127.7</b> | <b>88.7</b> | <b>62.7</b> | <b>50.6</b> | <b>40.2</b> | <b>32.4</b> | <b>26.8</b> | <b>22.1</b> | <b>17.3</b> |
| Dividend per share        | 1.7          | 2.0         | 2.0         | 2.0         | 2.0         | 2.0         | 2.0         | 2.2         | 2.4         |
| <b>Dividend Yield (%)</b> | <b>0.1</b>   | <b>0.1</b>  | <b>0.1</b>  | <b>0.1</b>  | <b>0.1</b>  | <b>0.1</b>  | <b>0.1</b>  | <b>0.1</b>  | <b>0.1</b>  |

E: MOFSL Estimates

### AUM Mix (%)

| Y/E March            | FY20            | FY21            | FY22            | FY23             | FY24             | FY25             | FY26             | FY27E            | FY28E            |
|----------------------|-----------------|-----------------|-----------------|------------------|------------------|------------------|------------------|------------------|------------------|
| <b>AUM</b>           | <b>6,05,490</b> | <b>6,99,960</b> | <b>7,69,070</b> | <b>10,64,980</b> | <b>14,55,720</b> | <b>18,47,460</b> | <b>22,43,340</b> | <b>27,19,695</b> | <b>33,01,032</b> |
| Change (%)           | 11.6            | 15.6            | 9.9             | 38.5             | 36.7             | 26.9             | 21.4             | 21.2             | 21.4             |
| <b>On Books AUM</b>  | <b>5,51,350</b> | <b>6,58,380</b> | <b>7,41,420</b> | <b>10,47,360</b> | <b>14,43,510</b> | <b>18,19,290</b> | <b>21,76,060</b> | <b>26,38,104</b> | <b>32,02,001</b> |
| Change (%)           | 4.8             | 19.4            | 12.6            | 41.3             | 37.8             | 26.0             | 19.6             | 21.2             | 21.4             |
| % of AUM             | 91.1            | 94.1            | 96.4            | 98.3             | 99.2             | 98.5             | 97.0             | 97.0             | 97.0             |
| <b>Off Books AUM</b> | <b>54,140</b>   | <b>41,580</b>   | <b>27,650</b>   | <b>17,620</b>    | <b>12,210</b>    | <b>28,170</b>    | <b>67,280</b>    | <b>81,591</b>    | <b>99,031</b>    |
| Change (%)           | 223.8           | -23.2           | -33.5           | -36.3            | -30.7            | 130.7            | 138.8            | 21.3             | 21.4             |
| % of AUM             | 8.9             | 5.9             | 3.6             | 1.7              | 0.8              | 1.5              | 3.0              | 3.0              | 3.0              |

E: MOFSL Estimates

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| Explanation of Investment Rating |  |
|----------------------------------|--|
| Investment Rating                | Expected return (over 12-month)  |
| BUY                              | >=15%  |
| SELL                             | < - 10%  |
| NEUTRAL                          | < - 10 % to 15%  |
| UNDER REVIEW                     | Rating may undergo a change  |
| NOT RATED                        | We have forward looking estimates for the stock but we refrain from assigning recommendation |

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