

## Cholamandalam Inv. & Finance

Estimate change	↔
TP change	↔
Rating change	↔

Bloomberg	CIFC IN
Equity Shares (m)	841
M.Cap.(INRb)/(USDb)	1345.6 / 14.7
52-Week Range (INR)	1832 / 1239
1, 6, 12 Rel. Per (%)	6/10/19
12M Avg Val (INR M)	2827

### Financials & Valuations (INR b)

Y/E March	FY26E	FY27E	FY28E
Total Income	170.2	205.9	249.4
PPP	104.4	127.2	156.3
PAT	51.2	65.8	83.2
EPS (INR)	60.2	76.9	97.3
EPS Gr. (%)	19	28	27
BV (INR)	352	432	527
<b>Valuations</b>			
NIM (%)	7.0	7.1	7.1
C/I ratio (%)	38.7	38.2	37.3
RoAA (%)	2.4	2.6	2.7
RoE (%)	19.1	19.7	20.3
Payout (%)	3.3	3.3	2.6
<b>Ratios</b>			
P/E (x)	26.5	20.8	16.4
P/BV (x)	4.5	3.7	3.0
Div. Yield (%)	0.1	0.2	0.2

### Shareholding pattern (%)

As of	Dec-25	Sep-25	Dec-24
Promoter	49.7	49.9	49.9
DII	17.6	17.3	16.1
FII	26.6	26.9	27.4
Others	6.2	6.0	6.5

FII Includes depository receipts

**CMP: INR1,594**

**TP: INR2,000 (+25%)**

**Buy**

### Business momentum strengthens; early signs of AQ recovery

#### Lower stress formation results in stable GS3 and improvement in S2

- Cholamandalam Inv. & Finance's (CIFC) 3QFY26 PAT grew ~19% YoY to INR12.9b (in line). NII rose ~24% YoY to ~INR35.8b (in line). Other income grew ~17% YoY to ~INR7.6b, primarily driven by higher fee income of INR5.3b (PY: INR4.2b) and higher assignment income of INR1b (PY: INR650m).
- Opex rose ~20% YoY to ~INR17b (in line) and cost-income ratio declined ~55bp QoQ to ~39% (PQ and PY: ~40%). This included a one-time impact of provisions of INR495m made on account of the new labor codes. PPoP grew ~24% YoY to INR26.4b (in line).
- Yields (calc.) rose ~5bp QoQ to ~14.5%, while CoF (calc.) declined ~7bp QoQ to ~7.55%. NIM (Calc.) expanded ~10bp QoQ to ~7%. Management guided for a further 5-10bp decline in CoF in 4QFY26, which should support a modest improvement in NIMs. The company expects NIMs+fees (as a % of avg. assets) to rise to around 8-8.1% in 4QFY26 and remain at similar levels through FY27. We expect NIM+fees to expand to ~8% each in FY27/FY28, (compared to ~7.8% in FY26E).
- CIFC shared that sequential momentum remains strong, driven by broad-based growth across all products, with 4Q disbursements likely to improve QoQ as demand remained healthy in Jan'26. The company maintained its AUM growth guidance of 20-22% in FY26. We model AUM growth of ~21% each in FY26E/FY27E.
- The company expects vehicle finance credit costs to decline from 4Q onward as early delinquencies ease and collection efficiency improves, with similar trends observed in Jan'26 as well. Credit costs in CSEL and SBPL are also expected to moderate, driven by the exit from partnership CSEL and rundown of this book and stabilization in the SBPL portfolio. We estimate credit costs (as a % of avg. assets) of ~1.6%/1.5% in FY26/FY27.
- We cut our FY27E/28E EPS by 2-3% to factor in slightly higher credit costs. We model a CAGR of 16%/21%/25% in disbursement /AUM/PAT over FY25-28E. We estimate RoA/RoE of ~2.7%/20% in FY28. **We reiterate our BUY rating with a TP of INR2,000 (premised on 4x Dec'27E BVPS).**

#### AUM up 21% YoY; healthy pickup in disbursement growth

- Business AUM grew 21% YoY/5.8% QoQ to INR2.11t, with new businesses now forming ~13% of the AUM mix.
- Total disbursements grew ~16% YoY and ~23% QoQ to ~INR300b, driven by GST cut and festive season. New lines of businesses contributed 20% to the disbursement mix (PQ: 19% and PY: 21%). VF disbursements grew 17% YoY.
- Gold loan disbursements in 3QFY26 stood at ~INR7.8b across 118 branches concentrated in southern and eastern India.

### Stage 2 improves 20bp QoQ; slippages and write-offs remain elevated

- GS3/NS3 were broadly stable QoQ at 3.36%/1.9%, while PCR on S3 declined ~20bp QoQ to ~43%. ECL/EAD declined ~2bp QoQ to 2.02% (PQ: ~2.04%). GS3 in new businesses declined ~5bp QoQ to ~2.75% (PQ: 2.8% and PY: 1.95%).
- VF GS3 rose to ~4.2% (PQ: 4.1%), SME GS3 grew to 3.25% (PQ: 3.1%), SBPL GS3 rose to 4.7% (PQ: 4.3%) and CSEL GS3 declined to 2.2% (PQ: 2.4%).
- Stage 2 declined ~20bp QoQ to ~2.9%. In 3QFY26, write-offs stood at ~INR7.3b, representing ~1.7% of TTM AUM (PY: ~1.3% and PQ: ~1.5%).
- CIFIC's 3QFY26 credit costs remained elevated at ~INR9.1b and translated into annualized credit costs of 177bp (PY: 157bp and PQ: 183bp).
- CRAR stood at ~19.2% (Tier 1: ~14.2%) as of Dec'25. CCDs worth ~INR3.1b were converted in Oct'25 and C ~INR10.6b in Jan'26, both resulting in the allotment of equity shares. CCDs worth ~INR6.3b are available for conversion, which will improve Tier 1 capital further in FY27.

### Key highlights from the management commentary

- The company gained market share across key OEMs, including Tata Motors, Ashok Leyland, Volvo and Maruti, and two-wheelers, such as Hero, Honda and Royal Enfield.
- CV demand began improving from Dec'26 and strengthened further in Jan'26, with haulage, tippers and secondary markets showing good traction.
- Management said that after Covid, the company introduced a small-ticket LAP product at higher interest rates as a deliberate shift in its business mix to protect margins. This segment has now gained traction, with growing volumes and higher yields helping to support overall LAP yields.

### Valuation and View

- CIFIC delivered a mixed operating performance, with a healthy pickup in disbursements driven by GST cuts and festive season, leading to AUM growth of 21% YoY. Credit costs were high due to higher write-offs and slippages despite GS3 remaining stable. However, improvement in Stage 2 was positive and should translate into improvement in Stage 3 in 4Q. Additionally, margins expanded by ~10bp QoQ, driven by improvement in yields and decline in CoF.
- The stock trades at 3.7x FY27E P/BV. In order to sustain this premium valuation multiple, CIFIC needs to meet its AUM growth guidance and show a clear improvement in asset quality going forward. Further, it might have to fully leverage its diversified product suite to deliver its medium-term AUM growth guidance of 20-25%. We estimate a CAGR of ~21%/25% in AUM/PAT over FY25-28 for RoA/RoE of 2.7%/20% in FY28E. **We reiterate our BUY rating with a TP of INR2,000 (premised on 4x Dec'27E BVPS).**
- **Key risks:** 1) weak macros translating into weaker vehicle demand and sustained lower capacity utilization; 2) higher business volumes, following the festive season and GST cuts, rebounding to previous normalized levels, and 3) deterioration in asset quality, particularly in the new businesses and vehicle finance, which could keep the credit costs high for longer than estimated.

Quarterly Performance (INR M)												
Y/E March	FY25				FY26E				FY25	FY26	3Q	v/s
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE	FY25	FY26	FY26E	Est.
Interest Income	53,695	57,680	61,587	64,180	66,501	68,942	72,238	75,993	2,37,200	2,83,674	71,700	1
Interest Expenses	27,957	30,551	32,718	33,623	34,663	35,155	36,430	37,324	1,24,849	1,43,572	35,929	1
<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>38,669</b>	<b>1,12,351</b>	<b>1,40,102</b>	<b>35,771</b>	<b>0</b>
YoY Growth (%)	39.7	34.6	32.98	29.8	23.7	24.5	24.03	26.5	34.0	24.7	23.9	
Other Income	4,595	5,248	6,537	7,027	6,807	6,959	7,616	8,725	23,348	30,107	7,611	0
<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>47,394</b>	<b>1,35,699</b>	<b>1,70,209</b>	<b>43,383</b>	<b>0</b>
YoY Growth (%)	42.6	36.8	37.2	29.0	27.4	25.9	22.6	26.1	35.9	25.4	22.5	
Operating Expenses	11,834	13,155	14,130	14,269	14,528	16,169	16,991	18,155	53,388	65,843	17,168	-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>29,238</b>	<b>82,311</b>	<b>1,04,365</b>	<b>26,215</b>	<b>1</b>
YoY Growth (%)	38.1	35.3	40.4	43.2	30.4	27.9	24.2	25.4	39.4	26.8	23.2	
Provisions & Loan Losses	5,814	6,235	6,640	6,253	8,821	8,970	9,103	8,471	24,943	35,365	8,650	5
<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>20,768</b>	<b>57,369</b>	<b>69,000</b>	<b>17,565</b>	<b>-1</b>
Tax Provisions	3,263	3,355	3,771	4,395	3,937	4,054	4,452	5,337	14,783	17,781	4,532	-2
<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>15,430</b>	<b>42,585</b>	<b>51,220</b>	<b>13,033</b>	<b>-1</b>
YoY Growth (%)	29.8	26.3	24.0	19.7	20.6	20.0	18.5	21.8	24.4	20.3	20.0	
<b>Key Parameters (Calc., %)</b>												
Yield on loans	14.4	14.5	14.65	14.5	14.4	14.45	14.49	14.4	14.5	14.2		
Cost of funds	7.86	7.94	8.06	7.86	7.78	7.63	7.56	7.50	8.1	7.6		
Spread	6.5	6.6	6.6	6.6	6.6	6.8	6.9	6.9	6.5	6.6		
NIM	6.84	6.78	6.81	6.80	6.76	6.91	6.99	7.12	6.9	7.0		
C/I ratio	39.0	40.6	39.9	38.0	37.6	39.7	39.1	38.3	39.3	38.7		
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	25.7	25.8	25.8		
<b>Balance Sheet Parameters</b>												
<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>317</b>	<b>1,009</b>	<b>1,104</b>		
Growth (%)	21.6	12.9	15.3	6.6	0.0	0.5	16.1	19.9	13.7	9.4		
<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>2,235</b>	<b>1,847</b>	<b>2,235</b>		
Growth (%)	35.4	32.5	30.5	26.9	23.6	21.0	20.7	21.0	26.9	21.0		
<b>AUM mix (%)</b>												
Vehicle finance	57.0	55.9	55.4	54.8	54.5	54.0	53.6	53.1	54.8	53.1		
Home Equity	20.7	21.2	21.5	22.4	22.9	23.2	23.3	24.1	22.4	24.1		
Home loans & Others	22.3	23.0	23.1	22.8	22.6	22.7	23.1	22.8	12.8	12.4		
<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>2,005</b>	<b>1,749</b>	<b>2,005</b>		
Growth (%)	38.6	32.1	35.7	30.1	20.9	18.8	18.4	14.6	30.1	14.6		
<b>Asset Quality Parameters</b>												
GS 3 (INR B)	41.2	47.1	51.3	52.1	60.4	66.3	70.1		52.1	69.9		
GS 3 (%)	2.6	2.8	2.91	2.8	3.2	3.4	3.36		2.8	3.1		
NS 3 (INR B)	22.5	26.1	28.7	28.5	34.0	37.6	40.0		28.5	39.9		
NS 3 (%)	1.5	1.6	1.66	1.6	1.8	1.9	1.95		1.5	1.8		
PCR (%)	45.5	44.5	44.1	45.3	43.7	43.2	43.0		45.3	43.0		
<b>Vehicle finance AUM mix (%)</b>												
LCV	19.8	19.8	19.2	19.0	19.2	19.3	18.7		19.8	19.8		
Cars & MUV	22.8	23.1	23.7	24.1	24.5	24.8	25.3		22.8	23.1		
3W & SCV	3.6	3.6	3.6	3.5	3.5	3.5	3.5		3.6	3.6		
Used CV	27.4	27.6	27.6	27.7	27.6	27.6	27.2		27.4	27.6		
Tractor	6.5	6.2	6.0	5.6	5.3	5.1	5.0		6.5	6.2		
HCV	6.7	6.6	6.6	6.8	6.7	6.7	6.9		6.7	6.6		
CE	6.5	6.3	6.4	6.4	6.3	6.1	6.2		6.5	6.3		
Two wheeler	6.8	6.7	6.8	6.8	6.8	6.9	7.3		6.8	6.7		

E: MOFSL estimates



## Key highlights from the management commentary

### Guidance and outlook

- Sequential momentum remains strong, with management indicating 4Q disbursements will be higher QoQ. The demand trends remain positive in Jan'26 as well.
- AUM growth for FY26 is guided at 20-22%.
- VF demand is expected to remain strong in 4Q and FY27, as GST cuts, lower EMIs and higher fleet utilization support CV demand.
- Credit costs are expected to moderate as early delinquencies have started improving.
- CSEL credit costs are expected to fall below 5% from next financial year.
- The company expects 5-10bp benefit in its CoF resulting in modest margin expansion in 4Q. The company expects NIMs of ~8-8.1% in 4Q and FY27.
- Partnership lending in CSEL business will be fully eliminated next year, improving both credit quality and RoA.

### Disbursements trends

- 3QFY26 disbursements stood at INR300b, up 16% YoY, leading to AUM growth of 21% YoY.
- Growth was broad-based across all product segments, indicating a healthy diversification of the franchise.
- VF disbursements grew by ~17% YoY, driven by strong traction in CVs, PVs and two-wheelers across both new and used categories.
- GST-led reduction in vehicle prices lowered EMIs and revived customer demand across CV and PV segments.
- Mortgage and SME-backed products also performed strongly, led by LAP, home loans and SBPL. This led to strong disbursements driven by resilient housing demand across geographies.
- Unsecured lending saw strong sequential momentum in 3Q, even though YoY growth remained negative due to the earlier exit from fintech partnerships.

### Segment-wise business trends

- In 3QFY26, LAP disbursements grew 26% YoY, home loan disbursements grew 10% YoY and SBPL disbursements grew 30% YoY.
- AUM growth in these segments remained strong, with LAP up 31%, HL up 27% and SBPL up 52% YoY.
- SME saw robust customer enquiries and improved conversion rates, supporting mortgage-led retail growth.
- Higher mix of small-ticket LAP and reduction in supply-chain finance improved yields in the SME book.
- Shift toward equipment finance and shorter-tenure, higher-yield products is supporting SME margins.

### CSEL and consumer durable

- CSEL disbursements improved sequentially as the company reduced dependence on risky FinTech partnerships.
- Current CSEL monthly disbursement is ~INR10b vs. a peak of INR12b earlier.

- In CSEL, the company has two engines: 1) DSA/DST business, which is doing disbursements of INR7b per month, 2) digital + consumer durable (CD), where the company is doing INR3b per month.
- In CD, the company is doing INR2b per month, of which INR2b is in a tie-up with Samsung and in digital, the company is doing INR1b per month disbursements.
- The company has tied up with Samsung and others, covering ~75% of the mobile market. Infrastructure for CD and digital lending is already in place.
- From 1QFY27, the company expects strong YoY growth as base becomes low in the CSEL segment.

### Vehicle finance

- Vehicle finance continues to be the largest and most important growth engine. Disbursement growth is being driven by both industry recovery and market-share gains across segments.
- Growth is broad-based across HCV, LCV, SCV, PVs and 2W, and across new and used vehicles.
- The company gained market share across OEMs, including Tata Motors, Ashok Leyland, Volvo and Maruti, and in two-wheelers across Hero, Honda and Royal Enfield.
- HCV disbursements grew much faster than the industry due to improving affordability after GST cuts and rate cut.
- ILCV and SCV growth is coming from retail operators and tier-3 to tier-5 towns, where banks are less active.
- Used vehicle demand has picked up strongly due to the replacement cycle kicking in as new CV sales recover. Replacement cycle can sustain used vehicle growth as long as new CV sales remain healthy.
- CV demand started picking up from December and strengthened in January, with tippers and secondary markets showing traction.

### Vehicle finance market trends

- Chola's strong CV disbursement growth is being driven by both industry recovery and market-share gains. While the industry grew around 20%, Chola grew 56% in HCV and 28% in SCV, significantly ahead of the market, whereas in LCV its growth was broadly in line with industry as its base was already high.
- Management said that after the GST cut and interest-rate reductions, vehicle prices and EMIs declined, bringing SRTO customers back into the market, especially in HCV and SCV.
- LCV spans a wide weight range from 3.5 tons to about 19 tons, and currently banks are mainly focused on financing higher-tonnage vehicles above 10 tons.
- Lower-tonnage LCVs are largely sold in Tier-3, Tier-4 and Tier-5 towns to small transporters such as vegetable and local goods carriers, where financing is dominated by NBFCs rather than banks.
- Within this, CIFC is seeing strong traction from retail operators in the IMLCV and M&HCV segments, with demand picking up from November and December and continuing into January.
- Management said that the trend of banks financing e-commerce fleets has been in place since post-COVID and is not a new development this year.

### Gold loans

- Gold loan disbursements were INR7.8b in 3QFY26 across 118 branches concentrated in southern and eastern India.
- Management highlighted this as a key growth engine going forward

### Margins and CoF

- NIM improved by 33bps YoY in 3Q due to interest-rate cuts and better funding costs.
- A further 5-10 bps reduction in cost of funds is expected in 4Q, which should flow into NIM.
- Management expects NIM at around 8-8.1% in 4Q and to remain broadly stable next year.
- Post-COVID, the company introduced a small-ticket LAP product at higher interest rates as part of a conscious shift in business mix. This strategic change was made early, anticipating margin pressure in the LAP segment.
- The small LAP product has now gained meaningful traction, with rising volumes and higher yields, which are helping support overall SME yields.
- Capital and liquidity
- Capital adequacy at 19.16%. Tier-1 capital at 14.12%
- CCD conversions: INR3.1b converted in Oct-25. INR 10.1b converted in Jan-26 and Balance INR6.3b to be converted in Apr and Jul-26
- These conversions will further strengthen Tier-1 capital in FY27
- Liquidity remains comfortable with INR189b of liquid assets

### Asset quality trends

#### Vehicle finance

- Stage-3 assets remained broadly stable between June and Dec at ~4.17%, while Stage-2 improved by ~30bp in 3Q.
- NCL declined from 2.2% in 1Q to 2% in 3Q, despite being elevated due to earlier rainfall impact and capacity utilization issues.
- Over the past 4 quarters, VF has done better in terms of all metrics including collection efficiency. For the month of Jan also despite many holidays, collection efficiency is trending strong in the southern region.
- Early delinquencies and non-starter accounts are declining, which should translate into better asset quality over the next 2-3 quarters.
- Collection efficiency improved in Jan'26 across OEMs, geographies and new/used vehicles.
- Tractor portfolio had seen stress over the past two years due to low capacity utilization, but trends are now improving.
- Management expects visible improvement in VF credit costs and NCL from 4Q onwards.
- Management attributed the elevated credit cost in 1H to monsoon disruption and low fleet utilization, and expects a visible moderation from 4Q onward as utilization and cash flows recover.

### SBPL and SME

- SBPL credit costs have peaked and will begin to improve as legal recoveries start flowing through in multiple geographies. The business is delivering PBT ROA of ~7% and management remains confident of maintaining profitability.
- Stabilization is expected in 4Q and 1QFY27, with gradual improvement thereafter as legal recoveries start flowing.
- SME stress is improving as recoveries through legal and SARFAESI routes have started coming through in Dec, which will be visible more meaningfully from 4Q onwards. SARFAESI recoveries in SME typically take 12-18 months and the current Stage-3 pipeline is now beginning to resolve. Management expects Stage-3 and NCL in SME to trend down from 4Q and continue improving into FY27.

### CSEL

- CSEL NCL reduced from 6.7% in 1Q to 6.4% in 3Q, driven by run-down of the partnership book.
- Traditional on-ground unsecured portfolio is also seeing improvement in absolute delinquencies.
- The company has segmented DSA/DST sourcing into Gold, Silver, Bronze and Diamond categories and is now sourcing only Diamond-quality customers.
- The impact of this improved sourcing will be visible after one year, but early indicators are positive.

### Home loans

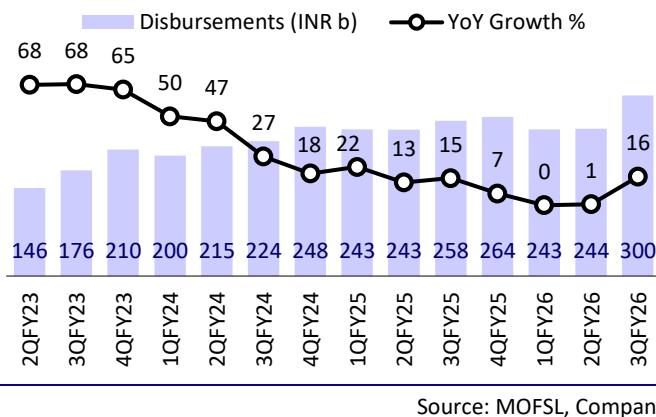
- In 3Q, INR650m of Stage-3 home loan assets were sold to an ARC, resulting in an NCL impact of about INR350m, while interest income of about INR230m was recognized.
- This was a proactive clean-up move and does not reflect deterioration in the underlying home loan book, where early delinquencies are actually declining. Management reiterated steady-state home loan NCL of 0.5-0.6% with PBT ROA of 4.5%.
- The company has created little bit of extra provision on this ARC sale and it has not taken entire benefit into the P/L.

### Others

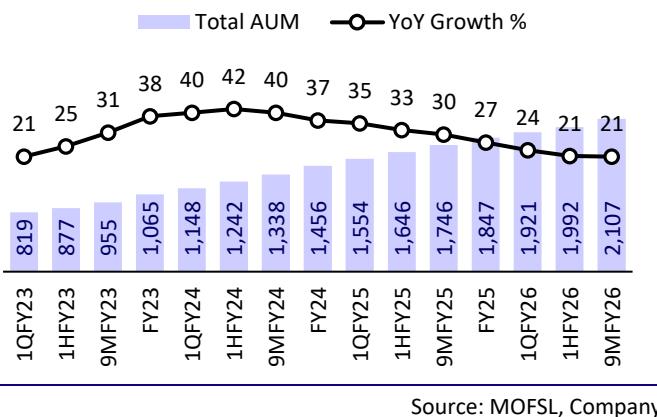
- CSEL is expected to deliver ~3.5% RoTA by FY27 as scale improves and partnership book runs down.
- SBPL continues to deliver PBT RoA above 7%.
- SME is now delivering more than 2% RoA and improving.
- Vehicle finance profitability should improve meaningfully as credit costs normalize.
- Opex remained flat YoY despite wage increases, supported by productivity improvements.

## Key exhibits

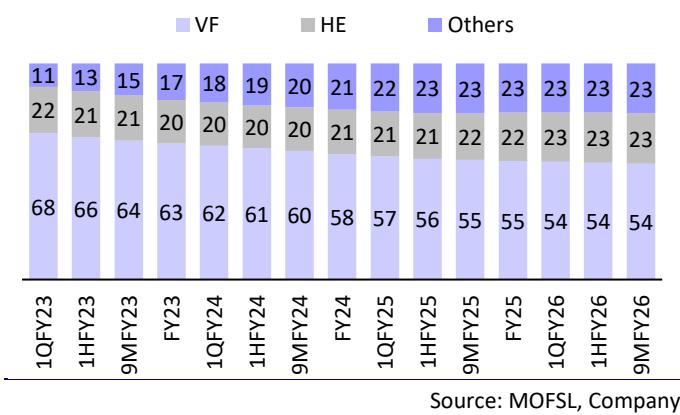
### Exhibit 1: Disbursements grew 16% YoY



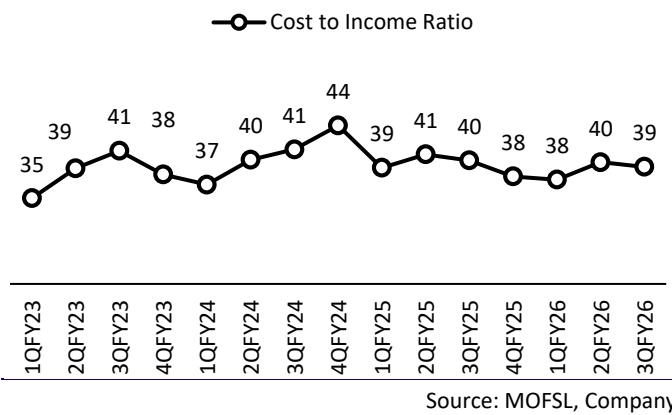
### Exhibit 2: AUM grew 21% YoY



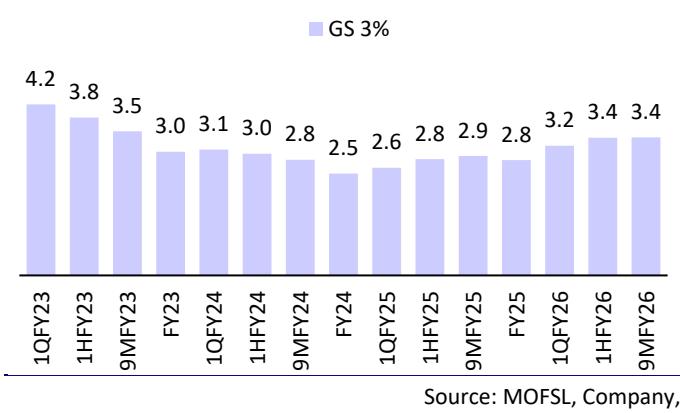
### Exhibit 3: Vehicle Finance in the AUM mix has been gradually declining, implying a more diversified mix (%)



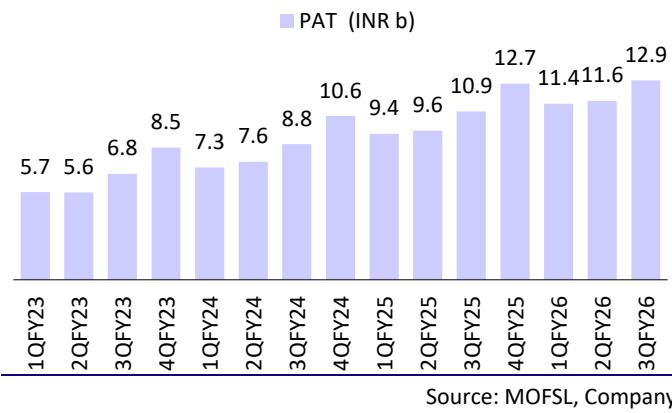
### Exhibit 4: C/I ratio declined ~60bp QoQ to 39.1%



### Exhibit 5: GS3 was stable QoQ at 3.35%



### Exhibit 6: PAT grew 19% YoY to INR12.9b

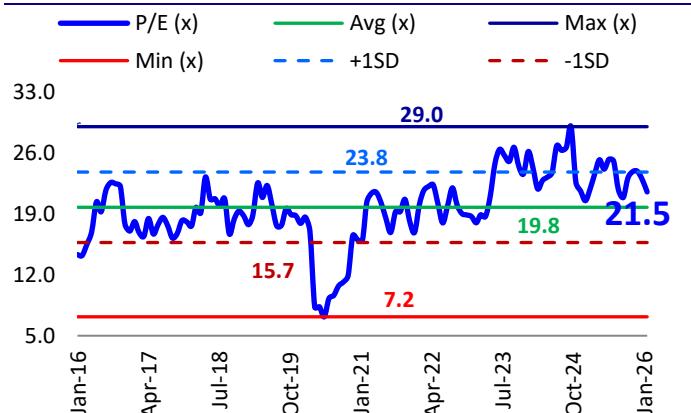


**Exhibit 7: We cut our FY27/FY28 EPS estimates by 2-3% to factor in a slightly higher credit costs**

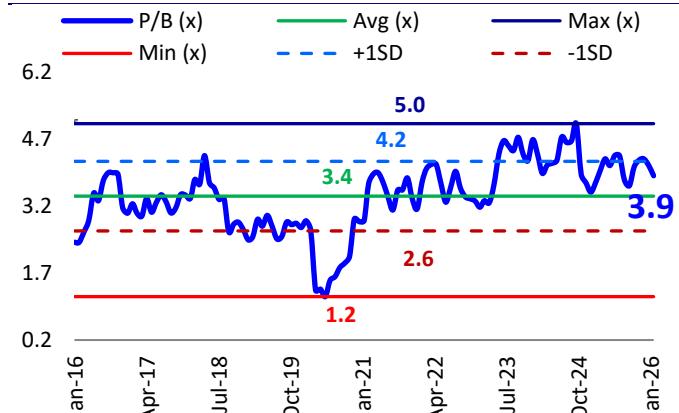
INR B	Old Est.			New Est.			% change		
	FY26	FY27	FY28	FY26	FY27	FY28	FY26	FY27	FY28
NII (incl. assignments)	144.8	175.4	211.9	144.6	174.5	211.1	-0.1	-0.6	-0.4
Other Income	25.6	31.2	38.0	25.6	31.4	38.3	-0.1	0.6	0.8
<b>Total Income</b>	<b>170.4</b>	<b>206.6</b>	<b>249.9</b>	<b>170.2</b>	<b>205.9</b>	<b>249.4</b>	<b>-0.1</b>	<b>-0.4</b>	<b>-0.2</b>
Operating Expenses	66.0	78.8	93.2	65.8	78.7	93.1	-0.2	-0.2	-0.2
<b>Operating Profits</b>	<b>104.4</b>	<b>127.8</b>	<b>156.7</b>	<b>104.4</b>	<b>127.2</b>	<b>156.3</b>	<b>0.0</b>	<b>-0.5</b>	<b>-0.2</b>
Provisions	34.8	36.6	42.1	35.4	38.5	44.2	1.8	5.2	5.0
<b>PBT</b>	<b>69.7</b>	<b>91.2</b>	<b>114.6</b>	<b>69.0</b>	<b>88.6</b>	<b>112.1</b>	<b>-0.9</b>	<b>-2.8</b>	<b>-2.2</b>
Tax	17.9	23.5	29.5	17.8	22.8	28.9	-0.9	-2.8	-2.2
<b>PAT</b>	<b>51.7</b>	<b>67.7</b>	<b>85.1</b>	<b>51.2</b>	<b>65.8</b>	<b>83.2</b>	<b>-0.9</b>	<b>-2.8</b>	<b>-2.2</b>
AUM	2,228	2,700	0	2,235	2,709	0	0.3	0.3	1.0
Loans	2,161	2,619	3,161	2,168	2,628	3,177	0.3	0.3	0.5
Borrowings	1,998	2,398	2,880	2,005	2,411	2,902	0.3	0.6	0.7
NIM	7.0	7.2	7.2	7.0	7.1	7.1			
Credit Cost	1.7	1.5	0.0	1.7	1.6	0.0			
RoA on AUM	2.4	2.6	2.7	2.4	2.6	2.7			
<b>RoE</b>	<b>19.1</b>	<b>20.0</b>	<b>20.6</b>	<b>19.1</b>	<b>19.7</b>	<b>20.3</b>			

Source: MOFSL, Company

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



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



## Financials and valuations

Income Statement <span style="float: right;">(INR M)</span>									
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Interest Income	78,417	88,772	93,251	1,18,084	1,75,637	2,37,200	2,83,674	3,33,775	4,01,100
Interest Expenses	45,922	45,759	42,988	57,488	92,306	1,24,849	1,43,572	1,63,383	1,93,917
<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>1,40,102</b>	<b>1,70,393</b>	<b>2,07,183</b>
Change (%)	11.8	32.4	16.9	20.6	37.5	34.8	24.7	21.6	21.6
Income from assignments	2,473	0	0	0	0	1,590	4,533	4,079	3,875
Other Operating Income	5,637	6,388	7,232	9,487	12,815	18,666	21,246	26,631	33,157
Other Income	3	596	905	2,209	3,711	3,092	4,329	4,762	5,142
<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>1,70,209</b>	<b>2,05,865</b>	<b>2,49,358</b>
Change (%)	19.3	23.1	16.8	23.8	38.1	35.9	25.4	20.9	21.1
<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>65,843</b>	<b>78,682</b>	<b>93,066</b>
Change (%)	24.3	3.9	26.2	34.4	46.8	30.8	23.3	19.5	18.3
Employee Expenses	6,550	7,494	8,945	12,657	23,306	32,805	42,319	51,629	61,954
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	23,525	27,054	31,112
<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>1,04,365</b>	<b>1,27,183</b>	<b>1,56,292</b>
Change (%)	16.3	35.3	12.2	18.0	32.7	39.4	26.8	21.9	22.9
<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>35,365</b>	<b>38,541</b>	<b>44,156</b>
% of Operating Profit	36.1	39.3	23.3	19.1	22.4	30.3	33.9	30.3	28.3
<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>69,000</b>	<b>88,642</b>	<b>1,12,136</b>
Tax Provisions	5,334	5,235	7,442	9,335	11,593	14,783	17,781	22,842	28,896
Tax Rate (%)	33.6	25.7	25.7	25.9	25.3	25.8	25.8	25.8	25.8
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>51,220</b>	<b>65,800</b>	<b>83,239</b>
Change (%)	-11.3	44.0	41.7	24.2	28.4	24.4	20.3	28.5	26.5
Proposed Dividend	1,662	1,640	1,641	1,645	1,681	1,683	1,702	2,139	2,139

Balance Sheet <span style="float: right;">(INR M)</span>									
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Share Capital	1,640	1,640	1,643	1,645	1,681	1,683	1,702	1,711	1,711
Equity Share Capital	1,640	1,640	1,643	1,645	1,681	1,683	1,702	1,711	1,711
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	2,97,789	3,67,740	4,48,840
<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>2,99,491</b>	<b>3,69,452</b>	<b>4,50,552</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>20,04,545</b>	<b>24,11,207</b>	<b>29,01,591</b>
Change (%)	8.8	15.9	8.5	40.7	38.1	30.1	14.6	20.3	20.3
<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>23,39,388</b>	<b>28,21,314</b>	<b>33,98,896</b>
Investments	729	16,188	20,762	36,280	41,002	63,904	60,136	69,925	81,245
Change (%)	0.0	2,120.0	28.3	74.7	13.0	55.9	-5.9	16.3	16.2
<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>21,67,680</b>	<b>26,27,945</b>	<b>31,76,686</b>
Change (%)	5.3	18.8	12.6	41.3	37.9	26.0	19.1	21.2	20.9
Net Fixed Assets	2,839	2,294	2,685	4,233	16,067	17,827	21,393	25,671	29,522
<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>23,39,388</b>	<b>28,21,314</b>	<b>33,98,896</b>

E: MOFSL Estimates

## Financials and valuations

Ratios	(%)								
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
<b>Spreads Analysis (%)</b>									
Avg. Yield on Loans	14.5	14.6	13.3	13.2	14.1	14.5	14.2	13.9	13.8
Avg Cost of Funds	8.7	7.7	6.5	6.9	8.0	8.1	7.6	7.4	7.3
Spread of loans	5.8	6.9	6.9	6.3	6.1	6.5	6.6	6.5	6.5
NIM (on loans)	6.5	7.7	7.5	7.1	6.7	6.89	7.03	7.11	7.1
<b>Profitability Ratios (%)</b>									
RoE	14.7	17.1	20.2	20.5	20.2	19.7	19.1	19.7	20.3
RoA	1.7	2.2	2.7	2.7	2.5	2.4	2.4	2.6	2.7
Int. Expended / Int.Earned	58.6	51.5	46.1	48.7	52.6	52.6	50.6	48.9	48.3
Other Inc. / Net Income	13.9	14.0	13.9	16.2	16.5	16.0	15.0	15.2	15.4
<b>Efficiency Ratios (%)</b>									
Op. Exps. / Net Income	38.9	32.8	35.4	38.5	40.9	39.3	38.7	38.2	37.3
Empl. Cost/Op. Exps.	41.5	45.7	43.2	45.5	57.1	61.4	64.3	65.6	66.6
<b>Asset-Liability Profile (%)</b>									
Loans/Borrowings Ratio	101	103	107	108	107	104	108	109	109
Net NPAs to Net Adv.	2.2	2.2	2.6	1.6	1.3	1.5	1.8	1.7	1.7
Assets/Equity	7.8	7.8	7.0	7.9	8.0	8.5	7.8	7.6	7.5
Average leverage	8.5	7.8	7.4	7.5	8.0	8.3	8.1	7.7	7.6
<b>Valuations</b>									
	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Book Value (INR)	100	117	143	174	233	281	352	432	527
BV Growth (%)	26.9	17.0	22.2	22.0	33.9	20.7	25.3	22.7	22.0
<b>Price-BV (x)</b>	<b>16.0</b>	<b>13.7</b>	<b>11.2</b>	<b>9.2</b>	<b>6.9</b>	<b>5.7</b>	<b>4.5</b>	<b>3.7</b>	<b>3.0</b>
EPS (INR)	13	18	26	32	41	51	60	77	97
EPS Growth (%)	-15.4	44.0	41.4	24.0	25.6	24.3	18.9	27.8	26.5
<b>Price-Earnings (x)</b>	<b>124.3</b>	<b>86.4</b>	<b>61.1</b>	<b>49.2</b>	<b>39.2</b>	<b>31.5</b>	<b>26.5</b>	<b>20.8</b>	<b>16.4</b>
Dividend per share	1.7	2.0	2.0	2.0	2.0	2.0	2.0	2.5	2.5
<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>0.2</b>	<b>0.2</b>

E: MOFSL Estimates

AUM Mix (%)									
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	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>22,34,721</b>	<b>27,09,222</b>	<b>32,74,934</b>
Change (%)	11.6	15.6	9.9	38.5	36.7	26.9	21.0	21.2	20.9
<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>21,67,680</b>	<b>26,27,945</b>	<b>31,76,686</b>
Change (%)	4.8	19.4	12.6	41.3	37.8	26.0	19.1	21.2	20.9
% 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>67,042</b>	<b>81,277</b>	<b>98,248</b>
Change (%)	223.8	-23.2	-33.5	-36.3	-30.7	130.7	138.0	21.2	20.9
% 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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SELL	< - 10%
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UNDER REVIEW	Rating may undergo a change
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Nainesh Rajani

Email: nainesh.rajani@motilaloswal.com

Contact: (+65) 8328 0276

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Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com
Mr. Neeraj Agarwal	022 40548085	na@motilaloswal.com
Mr. Siddhartha Khemka	022 50362452	po.research@motilaloswal.com

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