


Strong Quarter! Robust Growth Across Key Parameters to Persist in FY25
Est. Vs. Actual for Q4FY24: NII – **INLINE**; PPOP – **INLINE**; PAT – **BEAT**
Changes in Estimates post Q4FY24
FY25E/FY26E: NII 5.3%/3.9%; PPOP -1.2%/-6.7%; PAT 3.0%/0.1%

Recommendation Rationale

- **AUM growth momentum to sustain:** The management remains confident about 20-25% growth in disbursements on the back of strong growth in Vehicle finance portfolio, with passenger vehicles (especially entry-level cars) doing well, a 29% YoY growth in the MUV segment, and 22% YoY growth in used vehicle portfolios. Although there was some softness in the SME which was down ~2%, the company targets New business book to constitute about 15% of the total AUM in the next few years.
- **Margins expected to remain at current levels:** With the RBI's actions of increasing risk weights, the overall increase in the cost of funds was 30bps. The company reported a Net Interest Margin (NIM) of 7.5% for FY24, a figure which management expects to maintain going forward. This expectation is supported by repricing in the Vehicle portfolio, where the marginal book reflects a 1% increase compared to the current rate. Furthermore, the home loans are expanding in newer geographies (Tier 2 and Tier 3 towns) wherein the yields are higher. Thus, the overall yield is expected to increase further in the upcoming quarter. ~15% of the loan book is fixed, 25-30% of the loan book is MCLR linked, and the rest of the loan book is EBLR Linked. Thus, margins are likely to remain at current level until the rate cut cycle begins.
- **Asset Quality to Remain Stable:** The company reported GNPA/NNPA at 3.54%/2.32%, down 109bps/ 38bps YoY/QoQ. The PCR stands 46.45%. Going forward, the company expects the LAP-related credit cost to normalise which have remained benign in the last few quarters.

Sector Outlook: Positive

Company Outlook: CIFC has guided growth momentum to sustain with AUM growing at ~25% over FY25, sustaining the current NIM as improving product mix offset the rising cost of funds. This will be primarily driven by non-VF businesses.

Current Valuation: 4.7x FY26E P/ABV (Earlier -5.7x Sep25E P/ABV)

Current TP: Rs 1,480/share (Earlier - Rs 1,375/share)

Recommendation: We continue to maintain our **BUY** recommendation on the stock

Alternative BUY Ideas from our Coverage

Bajaj Finance (TP – Rs 8,600)

Financial Performance: Disbursements growth was robust at 18/11% YoY/QoQ – led by LAP (+55/25% YoY/QoQ), Housing Loans (24/10% YoY/QoQ) and New Businesses (+24/15% YoY/QoQ). Disbursements in the Vehicle Finance segment was muted at 6/5% YoY/QoQ. AUM growth was strong at 37/9% YoY/QoQ. AUM growth was driven by strong growth across segments. NII grew by 33/8% YoY/QoQ, in-line with our expectations. Margins improved by 40bps QoQ (positive surprise). NIM improvement was driven by yield (blended) improvement of 30bps QoQ and CoF contraction of 10bps QoQ. Better non-interest income off-set the impact of higher Opex. Opex growth was higher at 63/21% YoY/QoQ. C-I Ratio inched-up to 44.1% vs 38.2/41.2% YoY/QoQ. PPOP grew by 28/7% YoY/QoQ. Provisions came in significantly lower than expected, driving healthy earnings growth. Credit costs stood at 55bps vs 45/111bps. PAT grew by 24/21% YoY/QoQ. Asset Quality improved with GNPA/NNPA at 3.5/2.3% vs 3.9/2.6% QoQ and 4.6/3.1% YoY. Asset quality has seen improvement across segments. PCR stood at 46.4% vs 46/45.1% YoY/QoQ.

Outlook: Although growth in commercial vehicles and tractors is expected to remain substandard, other loan segments such as LAP, home loans, and new business would support the CIFC to maintain robust growth momentum in AUM. With margins expected to remain stable around the current levels and strong AUM growth, NII is expected to report healthy growth. Asset quality is currently stable and there are no signs of any major stress. Thus, with stable asset quality, we believe, CIFC can sustain its ROA at 2.3%+ over FY25-26E.

Valuation & Recommendation: We maintain our 'BUY' rating on the stock and we value CIFC at 4.7x FY26E ABV to arrive at a target price of **Rs 1,480/share**, implying an upside of 14% from the CMP. The valuations reflect the superior AUM growth and performance delivery potential by CIFC.

Key Financials (Standalone)

(Rs Cr)	Q4FY24	QoQ (%)	YoY (%)	Axis Est.	Variance
NII	2,171	7.7	35.8	2,176	-0.23%
PPOP	1,516	6.7	40.4	1,565	-3.13%
PAT	876	14.9	28.0	849	3.18%
RoA- PBT (%)	3.3%	10 bps	-50 bps	-	-
NNPA (%)	2.56	-3 bps	-113 bps	-	-

Source: Company, Axis Research

(CMP as of 2 May, 2024)

CMP (Rs)	1,302
Upside /Downside (%)	14%
High/Low (Rs)	1,310/947
Market cap (Cr)	1,09,340
Avg. daily vol. (1m) Shrs.	17,74,758
No. of shares (Cr)	84.0

Shareholding (%)

	Sep-23	Dec-23	Mar-24
Promoter	51.4	50.4	50.4
FIs	21.5	24.7	26.0
DIs	20.0	18.4	17.1
Retail	7.03	6.51	6.61

Financial & Valuations

Y/E Mar (Rs Cr)	FY24	FY25E	FY26E
NII	8,383	11,045	13,947
PPOP	5,904	7,745	9,742
Net Profit	3,423	4,274	5,390
EPS (Rs)	40.7	50.9	64.1
ABV (Rs)	209.5	257.2	315.0
P/ABV (x)	6.2	5.1	4.1
RoA (%)	2.5	2.4	2.4
NNPA (%)	1.4	1.1	1.1

Change in Estimates (%)

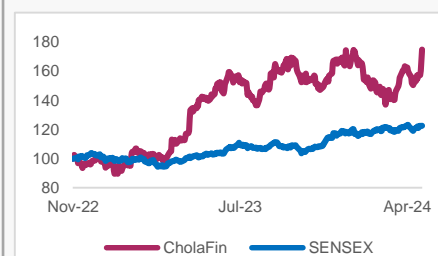
Y/E Mar	FY25E	FY26E
NII	+5.3	+3.9
PPOP	-1.2	-6.7
PAT	+3.0	+0.1

ESG disclosure Score**

Environmental Disclosure	2.9
Social Disclosure Score	27.4
Governance Disclosure Score	81.5
Total ESG Disclosure Score	37.3
Sector Average	36.3

Source: Bloomberg, Scale: 0.1-100

**Note: This score measures the amount of ESG data a company reports publicly and does not measure the company's performance on any data point. All scores are based on 2021 disclosures

Relative Performance


Source: AceEquity, Axis Securities

Prathamesh Sawant, CFA

Research Analyst

Email: prathamesh.sawant@axissecurities.in

Dnyanada Vaidya

Research Analyst

Email: dnyanada.vaidya@axissecurities.in

Key Risks to our Estimates and TP

- A slowdown in growth momentum is likely to derail our earnings estimates
- The rising mix of New businesses in total AUM could potentially pose asset quality challenges and will be a key monitorable going forward.

Change in Estimates

(Rs Cr)

	Revised		Old		% Change	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
NII	11,045	13,947	10,488	13,420	5.3	3.9
PBP	7,745	9,742	7,838	10,444	(1.2)	(6.7)
Provisions	2,023	2,526	2,289	3,246	(11.6)	(22.2)
PAT	4,274	5,390	4,150	5,383	3.0	0.1

Source: Company, Axis Securities

Q4FY24 Results Review
(Rs Cr)

Rs Bn	Q4FY24	Q4FY23	% YoY	Q3FY24	% QoQ	FY24	FY23	% YoY
Net Interest Income	2,355	1,765	33.4	2,171	8.5	8,383	6,333	32.4
Non-Interest Income	558	295	89.0	409	36.5	1,603	896	78.9
Operating expenses	1,285	787	63.3	1,064	20.8	4,082	2,780	46.8
Staff Cost	766	379	101.9	667	14.9	2,331	1,266	84.1
Pre provision profits	1,628	1,273	27.9	1,516	7.4	5,904	4,449	32.7
Provisions and contingencies	191	114	67.4	359	-46.8	1,322	850	55.6
PBT	1,437	1,159	24.0	1,157	24.2	4,582	3,600	27.3
Provision for Tax	379	306	23.7	293	29.4	1,171	933	25.5
PAT	1,058	853	24.1	876	20.8	3,423	2,666	28.4

Business Update

Disbursements	24,785	21,020	17.9	22,383	10.7	88,725	66,533	33.4
AUM	1,45,492	1,06,498	36.6	1,33,794	8.7	1,45,492	1,06,498	36.6
<i>Vehicle Finance</i>	84,418	66,938	26.1	79,640	6.0	84,418	66,938	26.1
<i>Housing Loans</i>	29,859	21,588	38.3	26,891	11.0	29,859	21,588	38.3
<i>SME LAP</i>	13,404	8,451	58.6	12,049	11.2	13,404	8,451	58.6
<i>Other New Products</i>	17,811	9,521	87.1	15,214	17.1	17,811	9,521	87.1
NIM	7.8	7.8	0bps	7.4	40bps	7.5	7.8	-28bps
Cost-Income ratio (%)	44.1	38.2	591bps	41.2	287bps	40.6	38.4	219bps

Asset Quality

Gross NPA (%)	3.5	4.6	-109bps	3.9	-38bps	3.5	4.6	-109bps
Net NPA (%)	2.3	3.1	-79bps	2.6	-24bps	2.3	3.1	-79bps
PCR (%)	46.4	46.0	45bps	45.1	131bps	46.4	46.0	45bps

Capital Adequacy

CRAR	18.6	17.1	147bps	19.4	-80bps	18.6	17.1	147bps
Tier I	15.1	14.8	30bps	15.6	-45bps	15.1	14.8	30bps
Tier II	3.5	2.3	117bps	3.8	-35bps	3.5	2.3	117bps

Source: Company, Axis Securities

Financials (Standalone)

Profit & Loss

(Rs Cr)

Y/E March	FY23	FY24	FY25E	FY26E
Net Interest Income	6,333	8,383	11,045	13,947
Other Income	896	1,603	2,065	2,322
Total Income	7,229	9,986	13,110	16,270
Total Operating Exp	2,780	4,082	5,364	6,528
PPOP	4,449	5,904	7,745	9,742
Provisions & Contingencies	850	1,322	2,023	2,526
PBT	3,600	4,582	5,722	7,215
Provision for Tax	933	1,159	1,448	1,826
PAT	2,666	3,423	4,274	5,390

Source: Company, Axis Securities

Balance Sheet

(Rs Cr)

Y/E March	FY23	FY24	FY25E	FY26E
SOURCES OF FUNDS				
Share capital	164	168	168	168
Reserves and surplus	14,132	19,388	23,526	28,744
Shareholders' funds	14,296	19,557	23,694	28,912
Total Borrowings	97,356	1,34,474	1,72,761	2,13,437
Other Liabilities, provisions	1,863	2,421	3,087	3,809
Total	1,13,516	1,56,451	1,99,543	2,46,157
APPLICATION OF FUNDS				
Cash & Bank balances	2,961	4,320	5,909	7,290
Investments	3,620	4,100	6,028	7,436
Loans	1,04,748	1,44,424	1,83,007	2,25,758
Fixed Assets & Others	2,186	3,606	4,599	5,674
Total Assets	1,13,516	1,56,451	1,99,543	2,46,157

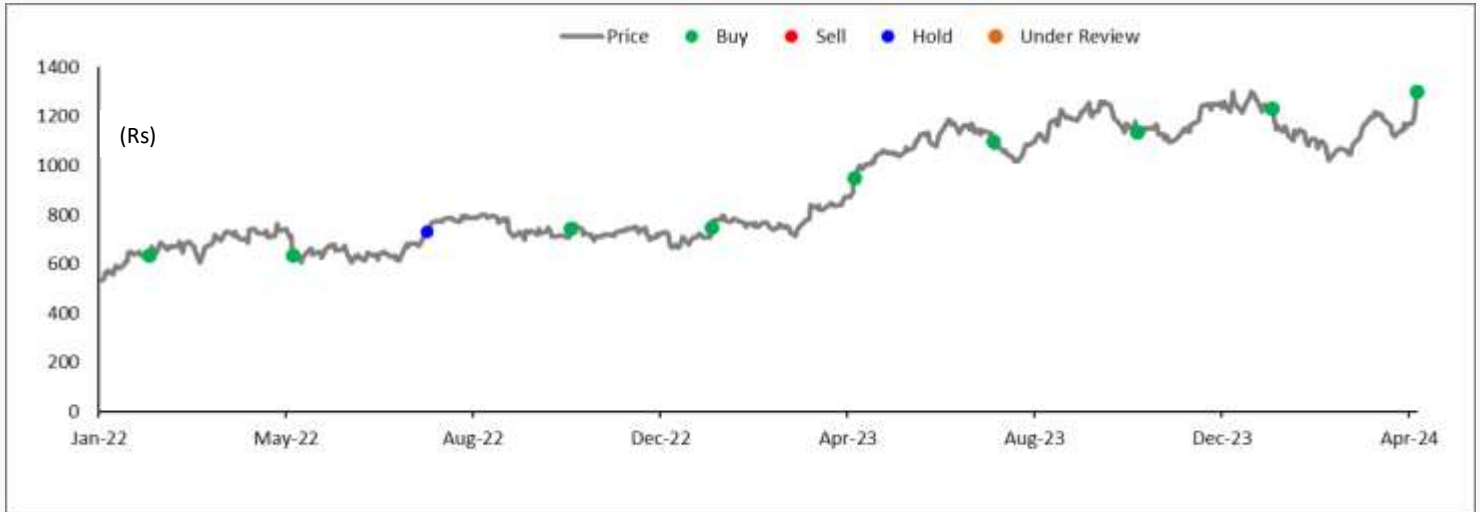
Source: Company, Axis Securities

Ratio Analysis
(%)

Y/E March	FY23	FY24	FY25E	FY26E
VALUATION RATIOS				
EPS	32.4	40.7	50.9	64.1
Earnings Growth (%)	24.0	25.6	24.9	26.1
BVPS	173.8	232.7	282.0	344.1
Adj. BVPS	133.9	209.5	257.2	315.0
RoA (%)	2.7	2.5	2.4	2.4
ROE (%)	20.6	20.1	19.7	20.4
P/B (x)	7.5	5.6	4.6	3.8
P/ABV (x)	9.7	6.2	5.1	4.1
PROFITABILITY & OPERATING EFFICIENCY				
NIM (%)	6.6	6.3	6.4	6.4
Cost/Avg. Asset Ratio (%)	2.8	3.0	3.0	2.9
Cost-Income Ratio (%)	38.5	40.9	40.9	40.1
BALANCE SHEET STRUCTURE RATIOS				
AUM Growth (%)	41.3%	36.1%	29.3%	27.2%
Borrowing Growth (%)	40.7%	37.7%	30.2%	27.6%
Equity/Assets (%)	12.6%	11.2%	10.6%	10.3%
Equity/Loans (%)	13.6%	12.1%	11.4%	11.1%
Total Capital Adequacy Ratio (CAR)	17.1	15.1	13.8	13.2
Tier I CAR	14.8	12.8	11.5	10.9
ASSET QUALITY				
Gross NPLs (%)	4.7	2.5	2.1	2.0
Net NPLs (%)	3.1	1.4	1.1	1.1
Provision Coverage Ratio (%)	33.8	46.4	46.0	46.0
Provision/Avg. AUM (%)	0.9%	1.2%	1.4%	1.5%
ROAA TREE (%)				
Net Interest Income	6.5%	6.1%	5.9%	5.9%
Non-Interest Income	0.9%	1.0%	1.0%	1.0%
Operating Cost	2.8%	2.8%	2.5%	2.3%
Provisions	0.9%	1.2%	1.3%	1.4%
Tax	0.9%	0.8%	0.8%	0.8%
ROAA	2.7	2.5	2.4	2.4
Leverage (x)	7.5	8.5	9.2	9.6
ROAE	20.6	20.1	19.7	20.4

Source: Company, Axis Securities

Cholaman.Inv.& Fn Price Chart and Recommendation History



Date	Reco	TP	Research
03-Feb-22	BUY	720	Result Update
09-May-22	BUY	720	Result Update
02-Aug-22	HOLD	720	Result Update
03-Nov-22	BUY	845	Result Update
02-Feb-23	BUY	855	Result Update
05-May-23	BUY	1,075	Result Update
03-Aug-23	BUY	1,250	Result Update
06-Nov-23	BUY	1,250	Result Update
30-Jan-24	BUY	1,375	Result Update
03-May-24	BUY	1,480	Result Update

Source: Axis Securities

About the analyst

Analyst: Prathamesh Sawant, CFA

Contact Details: prathamesh.sawant@axissecurities.in

Sector: BFSI

Analyst Bio: Prathamesh Sawant is a CFA Charter holder with over 7 years of experience in Equity Research & Valuation.

About the Analyst

Analyst: Dnyanada Vaidya

Contact Details: dnyanada.vaidya@axissecurities.in

Sector: BFSI

Analyst Bio: Dnyanada Vaidya is M.M.S (Finance) with over 6 years of research experience in the Banking/NBFC sector.

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SELL	Less than -10%
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