


**Robust growth in AUM sustained; Opex at elevated levels**
**Est. Vs. Actual for Q3FY24:** NII – **INLINE**; PPOP – **MISS**; PAT – **BEAT**
**Changes in Estimates post Q3FY24**
**FY24E/FY25E:** NII -0.7%/3%; PPOP -3.1%/4.6%; PAT 1.5%/4.4%

**Recommendation Rationale**

- AUM growth momentum to sustain:** The management indicated that growth in AUM is expected to remain robust; however, it might drop marginally in FY25. Nevertheless, the management doesn't see any trends that make them conservative for the next year. Going forward, the LAP and Home loans portfolio will grow stronger than any other portfolio. In the Vehicle finance portfolio, the company outperformed the growth in the industry, wherein the company grew its disbursement by 22% as against the industry by 18%. Further, the management is quite confident of such growth sustaining in the next financial year as well. In the Vehicle finance portfolio, passenger vehicles (especially entry-level cars) and used vehicle portfolios are performing well; however, the management indicated that CV growth will be in single digits for the next couple of quarters. Further, the management maintained its stance to continue growing its New business book wherein it will constitute about 15% of the total AUM in the next few years.
- Margins likely to improve:** Bank borrowing rates have not moved up significantly as the spread on EBLR loans has not increased. However, due to the RBI's actions of increasing the risk weights, the overall increase in the cost of funds would be about 15-20 bps. However, according to the management, the cost of funds has mostly peaked and is likely to hover around current levels. Yields of the vehicle finance book have been improving, wherein the marginal book is 1% higher than the current. Furthermore, the home loans are expanded to newer geographies (Tier 2, Tier 3 towns) wherein the yield is higher. Thus, the overall yield is expected to increase further in the upcoming quarter. About 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, with the repricing of the vehicle finance book to aid yields going forward and the cost of funds likely to remain at current levels, margins are expected to improve.

**Sector Outlook: Positive**

**Company Outlook:** We expect CIFIC's growth momentum to sustain with AUM growing at ~28% CAGR over FY25-26E. This will be primarily driven by non-VF businesses. With AUM growth expected to remain healthy and margins expected to expand, we remain positive on CIFIC and expect the company to deliver a sustainable ROA of 2.3%+ over FY24-26E.

**Current Valuation:** 5.7x Sep25E P/ABV (Earlier - 5.7x FY25E P/ABV)

**Current TP:** Rs 1,375/share (Earlier - Rs 1,250/share)

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

**Alternative BUY Ideas from our Coverage:** Bajaj Finance (TP – Rs 8,810)

**Financial Performance:**

- Strong growth in Disbursement** at 27/4% YoY translated into healthy advances growth of 40/8% YoY/QoQ. Growth in advances was majorly driven by the used vehicle book (Up 30/6% YoY/QoQ), LAP book (Up 34/9% YoY/QoQ), and housing book (Up 66/12% YoY/QoQ). NIM was stable QoQ at 7.4%. However, it declined by 20bps YoY. Robust AUM growth and stable margins sequentially aided healthy growth in NII at 36/8% YoY/QoQ. Other income reported robust growth of 75% YoY and 16% sequentially, which was majorly driven by strong traction in fee income, up 126% YoY.
- Opex remained elevated**, up 41% YoY and 12% QoQ, primarily driven by the sharp increase in employee expenses which grew by 91% YoY and 17% sequentially. Thus, higher opex leads to lower-than-expected PPOP at Rs 1,515 Cr (up 40% YoY). Provisions were lower than our estimate at Rs 359 cr and credit cost declined 0.1% Vs 1.3% QoQ. Thus, with healthy growth in NII, strong non-interest income, and improvement in asset quality, the company reported robust growth in PAT (Up 28% YoY and 15% sequentially).

**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 CIFIC to maintain robust growth momentum in AUM. With margins expected to improve and AUM growth remaining strong, NII is expected to report healthy growth. Opex, being at elevated levels, primarily driven by higher spends in IT and branch expansion led to an increase in the C/I ratio. However, the management have guided to bring the opex/asset ratio around 3% levels going forward (currently at 3.1%). Asset quality is stable at present and there are no signs of any major stress. Thus, with AUM growth expected to remain robust, healthy growth in NII and fee income, NIM expansion and stable asset quality, we believe, CIFIC can sustain its ROA at 2.3%+ over FY24-26E.

**Valuation & Recommendation:** We maintain our 'BUY' rating on the stock and value CIFIC at 5.7x Sep25E ABV to arrive at a target price of **Rs 1,375/share**, implying an upside of 12% from the CMP. The premium valuations reflect the superior AUM growth and performance delivery potential by CIFIC.

**Key Financials (Standalone)**

(Rs Cr)	Q3FY24	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 29 Jan, 2024)

CMP (Rs)	1,231
Upside /Downside (%)	12%
High/Low (Rs)	1,310/697
Market cap (Cr)	1,03,633
Avg. daily vol. (6m)Shrs.	1964.307
No. of shares (Cr)	82.2

**Shareholding (%)**

	Jun-23	Sep-23	Dec-23
Promoter	51.5	51.4	50.4
FII's	20.9	21.5	24.7
MFs / UTI	16.5	16.7	15
Others	11.1	10.4	9.9

**Financial & Valuations**

Y/E Mar (Rs Cr)	FY24E	FY25E	FY26E
NII	8,128	10,488	13,420
PPOP	5,719	7,838	10,444
Net Profit	3,121	4,150	5,383
EPS (Rs)	38.0	50.5	65.5
ABV (Rs)	168.8	213.4	268.7
P/ABV (x)	7.3	5.8	4.6
RoA (%)	2.3	2.3	2.4
NNPA (%)	2.3	1.9	1.7

**Change in Estimates (%)**

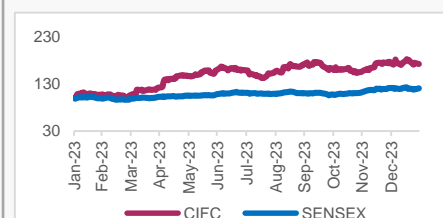
Y/E Mar	FY24E	FY25E
NII	(0.7)	3.0
PPOP	(3.1)	4.6
PAT	1.5	4.4

**ESG disclosure Score\*\***

Environmental Disclosure	2.9
Social Disclosure Score	27.4
Governance Disclosure Score	81.5
<b>Total ESG Disclosure Score</b>	<b>37.3</b>
<b>Sector Average</b>	<b>36.3</b>

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

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## 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		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
NII	8,128	10,488	13,420	8,182	10,182	-	(0.7)	3.0	-
PBP	5,719	7,838	10,444	5,900	7,494	-	(3.1)	4.6	-
Provisions	1,546	2,289	2,289	1,787	2,181	-	(13.5)	4.9	-
PAT	3,121	4,150	5,383	3,076	3,974	-	1.5	4.4	-

Source: Company, Axis Securities

## Results Review

(Rs Cr)

Rs Bn	Q3FY24	Q3FY23	% YoY	Q2FY24	% QoQ	9mFY24	9mFY23	% YoY
Net Interest Income	2,171	1,598	35.8	2,015	7.7	6,028	4,569	32.0
Non-Interest Income	409	233	75.1	351	16.3	1,045	601	73.9
Operating expenses	1,064	752	41.5	946	12.5	2,797	1,993	40.3
Staff Cost	667	349	90.8	570	16.9	1,565	886	76.5
Pre provision profits	1,516	1,080	40.4	1,421	6.7	4,276	3,176	34.6
Provisions and contingencies	359	159	125.8	400	-10.3	1,131	736	53.7
PBT	1,157	921	25.6	1,021	13.3	3,145	2,441	28.9
Provision for Tax	293	237	23.8	258	13.3	792	627	26.3
PAT	876	684	28.0	762	14.9	2,365	1,813	30.4

### Business Update

Disbursements	22,383	17,560	27.5	21,542	3.9	63,940	45,513	40.5
AUM	1,33,794	95,467	40.1	1,24,245	7.7	1,33,794	95,467	40.1
Vehicle Finance	79,640	61,285	30.0	75,396	5.6	79,640	61,285	30.0
Housing Loans	26,891	19,997	34.5	24,721	8.8	26,891	19,997	34.5
SME LAP	12,049	7,278	65.6	10,801	11.6	12,049	7,278	65.6
Other New Products	15,214	6,907	120.3	13,327	14.2	15,214	6,907	120.3
NIM	7.4	7.6	-20bps	7.4	0bps	7.4	7.7	-37bps
Cost-Income ratio (%)	41.2	41.1	19bps	40.0	127bps	39.4	38.5	95bps

### Asset Quality

Gross NPA (%)	3.9	5.4	-145bps	4.1	-15bps	3.9	5.4	-145bps
Net NPA (%)	2.6	3.7	-113bps	2.6	-3bps	2.6	3.7	-113bps
PCR (%)	45.1	41.0	418bps	47.3	-219bps	45.1	41.0	418bps

### Capital Adequacy

CRAR	19.4	17.8	162bps	16.6	275bps	19.4	17.8	162bps
Tier I	15.6	15.1	43bps	14.7	89bps	15.6	15.1	43bps
Tier II	3.8	2.6	119bps	2.0	186bps	3.8	2.6	119bps

Source: Company, Axis Securities

## Financials (Standalone)

### Profit & Loss

(Rs Cr)

Y/E March	FY23	FY24E	FY25E	FY26E
<b>Net Interest Income</b>	<b>6,333</b>	<b>8,128</b>	<b>10,488</b>	<b>13,420</b>
Other Income	896	1,381	1,784	2,286
<b>Total Income</b>	<b>7,229</b>	<b>9,509</b>	<b>12,272</b>	<b>15,706</b>
Total Operating Exp	2,780	3,790	4,434	5,262
<b>PPOP</b>	<b>4,449</b>	<b>5,719</b>	<b>7,838</b>	<b>10,444</b>
Provisions & Contingencies	850	1,546	2,289	3,246
<b>PBT</b>	<b>3,600</b>	<b>4,173</b>	<b>5,549</b>	<b>7,197</b>
Provision for Tax	933	1,052	1,399	1,814
<b>PAT</b>	<b>2,666</b>	<b>3,121</b>	<b>4,150</b>	<b>5,383</b>

Source: Company, Axis Securities

### Balance Sheet

(Rs Cr)

Y/E March	FY23	FY24E	FY25E	FY26E
<b>SOURCES OF FUNDS</b>				
Share capital	164	164	164	164
Reserves and surplus	14,132	17,019	20,860	25,841
Shareholders' funds	14,296	17,184	21,024	26,005
Total Borrowings	97,356	1,34,037	1,74,572	2,22,749
Other Liabilities, provisions	1,863	2,524	3,264	4,152
<b>Total</b>	<b>1,13,516</b>	<b>1,53,745</b>	<b>1,98,860</b>	<b>2,52,906</b>
<b>APPLICATION OF FUNDS</b>				
Cash & Bank balances	2,961	3,857	4,989	6,345
Investments	3,620	4,519	5,845	7,433
Loans	1,04,748	1,42,563	1,84,397	2,34,511
Fixed Assets & Others	2,186	2,807	3,630	4,617
<b>Total Assets</b>	<b>1,13,516</b>	<b>1,53,745</b>	<b>1,98,860</b>	<b>2,52,906</b>

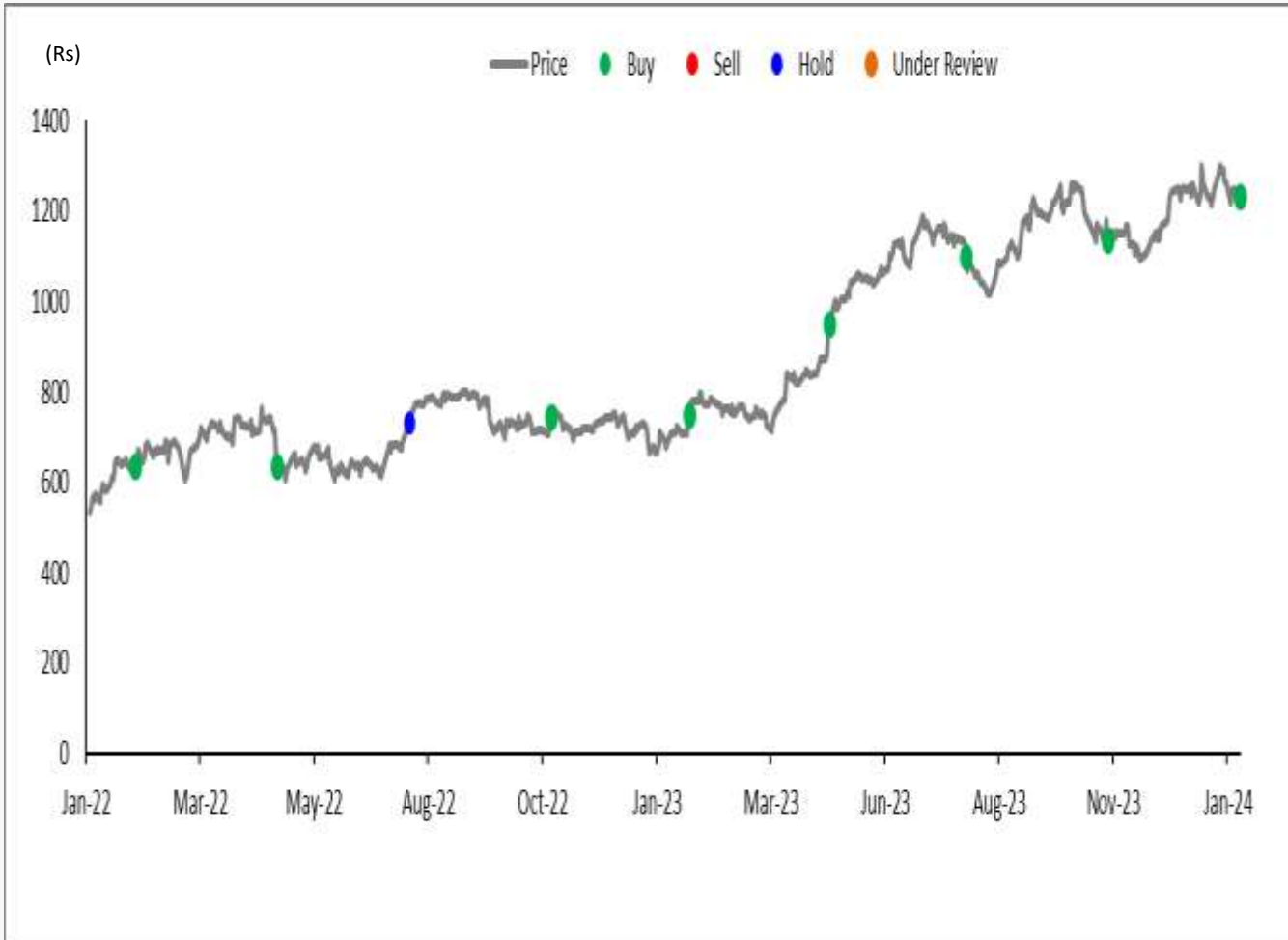
Source: Company, Axis Securities

**Ratio Analysis**
**(%)**

Y/E March	FY23	FY24E	FY25E	FY26E
<b>VALUATION RATIOS</b>				
EPS	32.4	38.0	50.5	65.5
Earnings Growth (%)	24.0	17.1	33.0	29.7
BVPS	173.8	208.9	255.6	316.2
Adj. BVPS	133.9	168.8	213.4	268.7
RoAA (%)	2.7	2.3	2.3	2.4
ROAE (%)	20.6	19.7	21.6	22.7
P/E (x)	38.0	32.4	24.4	18.8
P/ABV (x)	9.2	7.3	5.8	4.6
<b>PROFITABILITY &amp; OPERATING EFFICIENCY</b>				
NIM (%)	6.6	6.2	6.1	6.1
Cost/Avg. Asset Ratio (%)	2.8	2.8	2.5	2.3
Cost-Income Ratio (%)	38.5	39.9	36.1	33.5
<b>BALANCE SHEET STRUCTURE RATIOS</b>				
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
<b>ASSET QUALITY</b>				
Gross NPLs (%)	4.7	3.5	2.8	2.5
Net NPLs (%)	3.1	2.3	1.9	1.7
Provision Coverage Ratio (%)	33.8	33.8	33.2	33.5
Provision/Avg. AUM (%)	0.9%	1.2%	1.4%	1.5%
<b>ROAA TREE (%)</b>				
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%	2.3%	2.3%	2.4%
Leverage (x)	7.5	8.5	9.2	9.6
ROAE	20.6%	19.7%	21.6%	22.7%

Source: Company, Axis Securities

## Cholaman.Inv.& Fn PriceChart 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

Source: Axis Securities

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