

Pick of the Week

- In an ever-changing business environment, some of our investment ideas seem more convincing than others due to better earning visibility and/or attractive valuation. Every Monday, we bring you such fundamental stock ideas through our “Pick of the Week” report.
 - **Investment Horizon:** Though the ideal investment horizon for such ideas remain 6-9 months, our picks may provide some profit-making opportunities even to short-term investors.
 - **Risk-Return Profile:** Pick of the week ideas are the best high return research ideas at this point in time.

Scrip	Mcap (Rs Cr)	CMP	Target Price *	Potential Upside (%)	Reco
Cholamandalam Investment & Finance Co	19,597	1,253	1,403	12%	Buy

* Note: Investment horizon Approx. 6-9 months., CMP as on 16th Nov, 2018.

CMP	Target
1,253	1,403

MARKET DATA

No. of Shares	: 15.6 cr
Market Cap	: Rs 19,597 Cr
52-week High / Low	: Rs 1761/1038
BSE Code	: 511243
NSE Code	: CHOLAFIN

Investment Rationale

- ❑ In Q2FY19, AUM growth was strong at 30.9% YoY to Rs 477 bn, primarily driven by vehicle finance portfolio (up 38.1% YoY; 74.3% share of total AUM). After conscious slowdown in home equity portfolio, growth is slowly picking up at 11% YoY (22.5% of overall AUM).
- ❑ Headline asset quality improved with GNPA down 19 bps QoQ at 2.8% (down 2.2% QoQ at Rs 13.5 bn in absolute terms). There has been no incremental borrowing from the CP market post September and CIFC has adequate liquidity to maintain any significant development in the bond markets.
- ❑ Focus remains to grow in line with industry, increase share of high yielding products, maintain NIM by passing on any increase in cost of funds and build product lines (high yielding) like 2-wheeler loans (currently less than 1% of book). Also, CIFC has tightened underwriting standards and is focusing on good credit quality customers. These will help in maintaining quality and retaining profitable market share.
- ❑ We reiterate a **BUY** on Cholamandalam Investment & Finance Co with a target Price of Rs 1,403.

Financial Summary

Y/E Mar	PAT (Rs Cr)	EPS (Rs)	P/E (x)	RoE (%)	RoA (%)
FY18	974	62	20.0	20.7	2.8
FY19E	1203	77	16.2	21.4	2.8
FY20E	1463	94	13.3	21.5	2.8

Source: Axis Securities, Bloomberg, Capitaline

No of Stocks Matrix

No of Stocks	< 9m	>9m
Met Target	15	-
Not Met Target	20	-

Performance Matrix

% Return	< 9m	>9m
Met Target	11.92%	-
Not Met Target	(19.27%)	-

Benchmark Performance Matrix

% Return	< 9m	>9m
Met Target	1.79%	-
Not Met Target	5.02%	-

Note : performance of the pick of the week is calculated for stocks recommended Feb-18 to Oct-18

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DEFINITION OF RATINGS	
Ratings	Expected absolute returns over 12 months
BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%

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