

CHOLAFIN is a comprehensive financial services provider offering vehicle finance, home loans, home equity loans, SME loans, investment advisory services, stock broking and a variety of other financial services to customers.

Investment Rationale

- ◆ **Non finance segment continues to drive growth in CIHL:** As of December 31, 2024, CIFIC's AUM surged to INR 1,745,670 Mn, growing 30.5% YoY (+6.0% QoQ), driven by strong disbursements across vehicle finance, Loan Against Property (LAP), and home loans. Q3FY25 disbursements rose 15.3% YoY to INR 258,060 Mn, with vehicle finance up 16.5% YoY, supported by SCV & LCV demand, while HCV saw moderate growth but is expected to recover in FY26E. LAP AUM grew 39.7% YoY, benefiting from small business demand and expanded reach. Home loans saw a 14.7% YoY rise, with AUM projected to grow 25.0-30.0% over two years.
- ◆ **High Yield loan book improve operating profitability:** CIFIC reported a Net Interest Margin (NIM) of 7.5%, improving by 30 bps YoY (+20 bps QoQ), driven by a balanced loan mix, efficient pricing, and strong lending margins in vehicle finance, LAP, and home loans. The cost of funds remained stable at 7.1% QoQ, while a strong liquidity buffer of INR 151,590 Mn reduced the need for high-cost borrowings. CIFIC expects cost efficiency to stabilize over two years, aided by automation, digitization, higher fee-based revenue, and economies of scale in home loans and LAP.
- ◆ **CIFIC Navigates Asset Quality Challenges with Strategic Adjustments.:** Asset quality deteriorated, with Stage 3 levels rising to 2.91% in December 2024 (vs. 2.83% in September 2024), driven by slight increases in vehicle finance and SME slippages. While SCV & LCV showed early improvement, HCV remained under pressure. GNPA rose to 4.0% (vs. 3.78%), and NNPA increased to 2.66% (vs. 2.48%). The coverage ratio stood at 44.1%, with additional provisions of INR 10,780 Mn under IndAS over IRAC. Credit costs increased to 1.4% for 9MFY25, mainly due to CSEL and SME stress, but are expected to moderate in FY26E as CIFIC exits high-risk partnership lending and improves collection efficiency.
- ◆ **Outlook and Valuations:** We model a Revenue/PAT CAGR of 20%/20% and estimate CHOLAFIN to clock PAT of Rs 6,131 Cr by FY27E. CHOLAFIN is trading at forward PE (x) of 21 and we value at 24 (x) FY27E and Recommend BUY on CHOLAFIN with target Price of Rs. 1,749 (14%).

Financial Snapshot

Year	Revenue	EBITDA	PAT	PE Ratio (x)	EV/EBITDA (x)
FY24	20,870	14,927	3,657	35.4	13.9
FY25E	25,044	17,781	4,257	30.4	6.1
FY26E	30,053	21,337	5,109	25.3	5.1
FY27E	36,063	25,605	6,131	21.1	4.2

Source: Company Data, Ace Equity, GEPL Research

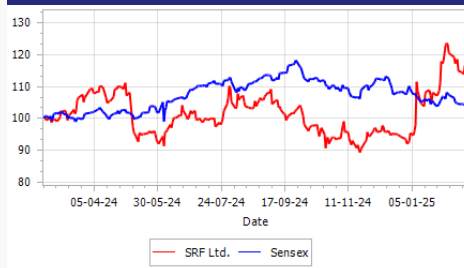
Script Details

BSE Group	A
BSE Code	511243
NSE Code	CHOLAFIN
Bloomberg Code	CIFIC IN
Market Cap (INR Cr.)	1,29,354
Free Float (%)	50.1%
52wk Low/High	1650/1066
Beta (1yr Nifty 50)	0.00
Face Value (INR)/ D. Yield (%)	2/0.1
Total paid Up Shares (Mn.)	840.9

Share Holding Pattern (%)

Promoters	Public	Others
49.9%	50.1%	-

Share Price Relative Performance



TECHNICAL VIEW

Observation

- CHOLAFIN has exhibited a robust bullish uptrend since 2020, forming a series of higher tops and higher bottoms. For three consecutive months, the stock has posted bullish closings and continues to sustain above the 12-month EMA despite market volatility, highlighting its strong relative strength.
- On the weekly scale, CHOLAFIN has formed a base pattern, signaling positive structural development. The stock remains in an uptrend, trading above key moving averages, including the 12, 26, 50, 100, and 200-week EMAs, reinforcing the bullish stance.
- The MACD momentum indicator remains in buy mode, while the RSI at 65 further confirms the strength of the ongoing uptrend.
- Additionally, the ratio chart of CHOLAFIN versus NIFTY has been in a rising trend since 2020. The recent breakout from a consolidation zone that lasted from June 2023 to February 2025 indicates the stock's potential for sustained outperformance.
- With this strong technical structure, the stock is targeting an upside of 1,749 while a stop loss is set at 1,430 on a closing basis for effective risk management.



Source: Tradingview.in, GEPL Research

- **Inference & Expectations**
- Considering these factors, it can be inferred that CHOLAFIN stock is set to continue uptrend.
- Going ahead we expect the prices to move higher till 1,749 level.
- The stop loss must be at 1,430 level, strictly on the closing basis.

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