

Cholamandalam Investment and Finance Company Ltd.

Price Target : Rs. 350

Company Details

CMP	280.00
Face Value	2.00
Market Cap (Cr)	22770.84
EPS (TTM)	16.74
52 Week High	348.85
52 Week Low	226.35
BSE Code	511243
Sector	Finance (including NBFCs)

Company Background

Cholamandalam Investment and Finance Company Limited, a Murugappa Group company, was incorporated in 1978 as a Non Banking Finance Company (NBFC).

The company commenced its business as equipment financing to small and medium sized companies in South India, and has today emerged as a comprehensive financial service provider offering vehicle finance, home loans, home equity loans, SME loans, Stock broking and other financial services to the customers.

The company operates from 1073 branches across India with asset under management of Rs 60778 Cr. The company has two subsidiaries, Cholamandalam Securities Ltd and Cholamandalam Home Finance Ltd.

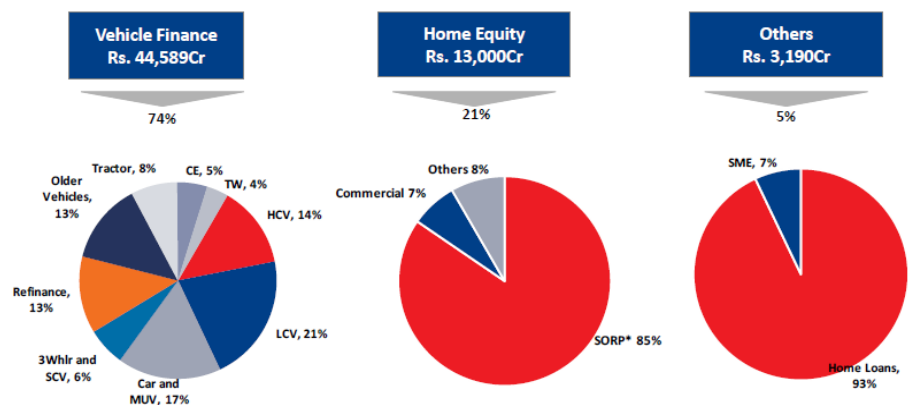
YOY - Financial Highlights [INR – Crore]

Description	Mar-19	Mar-18	Var %
Net Sales	7087.62	5500.64	28.85
Total Expenditure	1689.16	1712.29	-1.35
PBIDT	5398.46	3788.35	42.50
Operating Profit	5419.67	3788.97	43.04
OPM (%)	76.97	73.90	4.15
PBT	831.53	1483.76	23.44
Profit After Tax	1196.94	973.80	22.91
EPS*	76.56	62.41	22.67
Equity Capital	156.42	156.40	0.01

9M - Financial Highlights [INR – Crore]

Description	Dec-19	Dec-18	Var %
Net Sales	6546.56	5185.38	26.25
Total Expenditure	1559.98	1237.60	26.05
PBIDT	4986.58	3947.78	26.31
Operating Profit	4987.08	3968.67	25.66
OPM (%)	77.45	69.85	10.88
PBT	1530.84	1366.66	12.01
Profit After Tax	1011.55	898.75	12.55
EPS**	12.93	11.49	12.53
Equity Capital	156.45	156.42	0.02

Asset Under Management As On 31st Dec 2019 – Rs 60778 Cr



Financial Performance

The company's net sales and PAT at Rs 7087.62 cr and Rs 1196.94 cr during FY19 were up by 28.9% and 22.9% respectively compared to those during FY18. The operating profit of the company at Rs. 5419.67 cr in FY19 was up by 43.00% against that of Rs. 3788.97 cr in FY18.

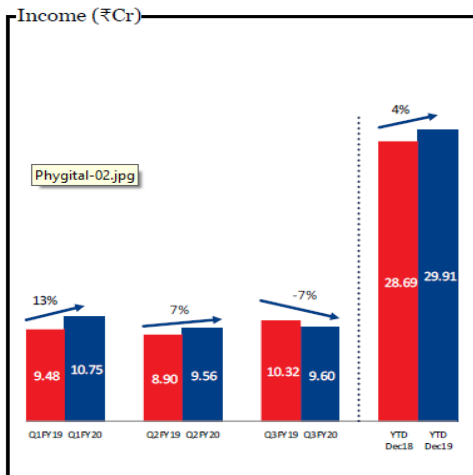
The Net Sales of the company during 9MFY20 are higher by 26.3% at Rs. 6546.56 cr compared to Rs. 5185.38 cr during the corresponding period in the previous year. PAT at Rs. 1011.55 cr is higher by 12.6% against that of Rs 898.75 cr in the corresponding period last year.

Investment Rationale

- Rising disposable income and improved lifestyle are favourable for the company. The company is switching from product focus to customer focus.
- Improved vehicle penetration from 23 vehicles per 1000 to upto 28 vehicles per 1000 population will benefit the company.
- The company is having strong geographical presence - 1073 branches across 28 states, 89% locations are in Tier-III, Tier -IV, Tier -V and Tier -VI towns which creates large opportunities for the company.

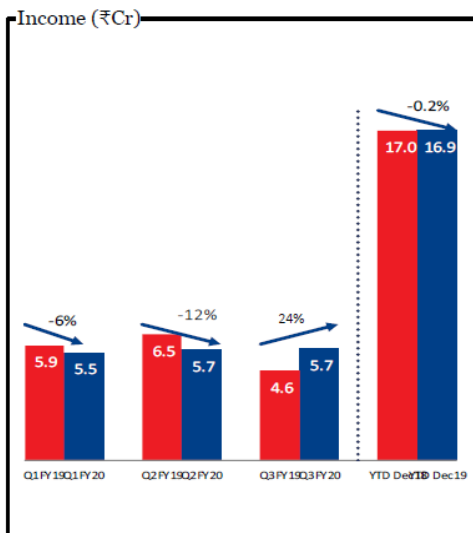
* On FV of Rs 10 per share. ** On FV of Rs 2 per share.

Cholamandalam Home Finance



- The company is planning to increase the branch network to 1100 branches by the end of this financial year.
- **The implementation of Bharat Stage VI (BS-VI) emission norms** from April 2020 onwards, will be beneficial for the company.
- **The company is focusing on three key areas like advanced analytics, end to end digitization and partnership expansion to improve overall business.**
- The company is strengthening vehicle finance portal, “ **GadiBazaar.in** ” for buying and selling used and new vehicles.
- The vehicle finance and Home equity **disbursements** have grown **7% and 10%** respectively compared to Dec18.
- Housing finance industry is growing at 15-19% while **affordable housing finance segment is growing at 30%**, and this is the core of the portfolio of company. This will enhance the profitability of the company in near quarters.
- The company has split the FV of share from Rs. 10/- to Rs.2/- on 13.06.2019.
- The Company has been continually declaring dividends and has declared **dividend of Rs. 2.10 Per Share** for FY19.

Cholamandalam Securities Ltd



Shareholding Pattern

The Promoters of the company holds 52.94% equity of the company, FII's hold 16.61%, Mutual Funds hold 18.52%, Other DIIs hold 2.93% and 9% shares are hold by public.

Concern

The slowdown in economy and competition from peers are some of the main concerns.

Valuation

The Book value of the company is Rs. 79.40 and it is trading at Price to Book value of 3.66x. Keeping in view the expected growth in GDP, governments focus on infrastructure, improved industrial activity, increasing agriculture output and growth from subsidiaries will boost growth of the company in near future.

We estimate the company to report an EPS of about Rs.19.5 for FY20 and based on PE of 18x we see price of scrip to move up to Rs 350.00 in the next 12 months (about 25 % appreciation).

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