AXIS DIRECT

Result Update
03rd February, 2026

Cholamandalam Investment & Finance Company Ltd.
BFSI – NBFC

BUY
Target Price
2,000

Growth Momentum Recovery; Asset Quality Outlook Turning Favourable!

Est. Vs. Actual for Q3FY26: **NII** – **INLINE**; **PPOP** – **BEAT**; **PAT** – **INLINE**

Changes in Estimates post Q3FY26

FY26E/FY27E/FY28E (in %): NII 0.0/-3.0/-4.0; **PPOP** 0.6/-3.5/-5.0; **PAT** -2.8/-5.6/-7.3

Recommendation Rationale

- **VF Asset Quality and Credit Costs Showing Signs of Stabilisation:** In Q3, credit cost remained marginally higher in the VF segment; however, the management highlighted multiple indicators pointing to a meaningful moderation going ahead. While Stage 3 assets have continued to remain sticky, the Stage 2 pool in the VF book has seen a 30 bps decline QoQ. CIFC has been continuously tracking early defaults, which appear on a downward trajectory and the trend is expected to continue in Q4 and beyond. CE has strengthened, and encouraging trends are visible in Jan'26. Post a seasonally weak H1, the management has observed an improvement in vehicle demand post GST rate rationalisation, leading to better utilisation and cash flows for borrowers. Consequently, the management expects VF credit costs to improve meaningfully in Q4 and the trend to sustain over FY27. The improvement in the VF portfolio is broad-based across products, geographies, and OEMs.
- **Quality Reset Underway in Non-VF Segments:** The elevated NCLs in the HL segment during Q3 were owing to CIFC booking upfront NCL of Rs 35 Cr for a Rs 65 Cr ARC sale. Within the CSEL portfolio, credit costs are gradually trending downwards, aided by the run-down of the fintech book and sourcing better quality customers through the DSA channel. Aided by an improving mix of better quality customers in the portfolio, the management remains confident of pulling down credit costs in the CSEL portfolio to <5% over the next few quarters vs 6.4% in Q3. In SBPL, the management indicated that credit costs have likely peaked in Q3, with stabilisation visible in Dec'25/Jan'26 and improvement over Q4 and FY27.
- **Favourable Portfolio Mix Drives Healthy NIMs Expansion:** In Q3, CIFC's NIMs inched up by 10 bps, aided by a decline in CoF by 10 bps, while yields remained stable. The management attributed stable yields to a favourable shift in the portfolio mix towards higher-yielding segments. Within LAP, the company forayed into the higher-yielding small-LAP segment post-COVID, which has been gaining strong traction and presently accounts for 20% of AUM, thereby supporting yields. Moreover, the company is penetrating deeper into Tier 3/4 cities, wherein better pricing is further supporting yields. Similarly, within the SME segment, CIFC is exiting the lower-yielding supply chain segment and scaling up equipment finance, a shorter-tenor, higher-yielding product, further aiding yield stability. **The management believes there are some benefits yet to accrue on the CoF to the tune of 5-10 bps in Q4, post which CoF and NIMs are expected to stabilise. From FY27 onwards, NIMs are expected to be driven by portfolio mix.**

Sector Outlook: Positive

Company Outlook: CIFC is witnessing a broad-based recovery in disbursement momentum, with Jan'26 trends remaining encouraging and tracking ahead of Q3, hinting at better growth delivery in Q4. This should support the management's 20-22% AUM growth guidance for FY26. The VF segment asset quality is showing signs of gradual recovery with improvement across delinquencies and collections, setting the stage for lower credit costs from Q4 onwards. Similar encouraging trends are visible across other segments. NIMs remain resilient, supported by a favourable shift toward higher-yielding products and improved CoF. With improving demand conditions, disciplined underwriting and stabilising credit costs, CIFC is well positioned to deliver sustainable AUM growth and earnings recovery over FY27-28E.

Current Valuation: 4.4x Sep'27E BV **Earlier Valuation: 4.5x FY27E BV**

Current TP: Rs 2,000/share **Earlier TP: Rs 1,880/share**

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

Alternative BUY Ideas from our Sector Coverage: Shriram Finance (TP: Rs 1,200/share)

Financial Performance

- **Operational Performance**: Disbursements momentum improved and grew by 16/23% YoY/QoQ, led by pick-up across segments. The Vehicle disbursements grew by 17/24% YoY/QoQ, LAP by 26/14% YoY/QoQ, and Home Loans by 10/18% YoY/QoQ. Newer business disbursements were weak and decreased by 6% YoY but increased by 24% QoQ. Gold disbursements grew by 65% QoQ, albeit on a lower base. AUM was in line with our expectations at 21/6% YoY/QoQ, with VF/LAP/HL/New Business AUM growing by 17/33/27/12% YoY.
- **Financial Performance**: NII grew by 24/6% YoY/QoQ, led by steady AUM growth, and a ~10 bps margin improvement, driven by CoF improvement of ~10 bps QoQ. Non-interest income grew by 17/9% YoY/QoQ. Opex grew by 20/5% YoY/QoQ, with the company making a provision of Rs 49.5 Cr towards the impact of revised labour laws. C-I Ratio declined marginally and stood at 39.1% vs 39.9/39.7% YoY/QoQ. PPOP grew by 24/8% YoY/QoQ. Credit costs (calc.) declined marginally and stood at 178 bps vs 183 bps QoQ. PAT grew by 19/11% YoY/QoQ.
- **Asset Quality** deteriorated slightly with GNPA/NNPA at 4.63/3.13% vs 4.57/3.07% QoQ. Asset quality deterioration was visible in the VF, SME and SBPL portfolios, while other segments witnessed stable asset quality.

Key Financials (Standalone)

(Rs Cr)	Q3FY26	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Interest Income	3,581	6.0	24.0	3,577	0.1
PPOP	2,643	7.5	24.2	2,570	2.8
Net Profit	1,288	11.5	18.5	1,293	-0.4
NNPA (%)	3.1	11 bps	47 bps	3.0	7 bps
RoA(%)	2.3	14 bps	-1 bps	2.3	0 bps

Source: Company, Axis Securities Research

(CMP as of 02nd February, 2026)

CMP (Rs)	1,596
Upside /Downside (%)	25%
High/Low (Rs)	1,832/1,241
Market cap (Cr)	1,34,701
Avg. daily vol. (6m) Shrs.	15,59,663
No. of shares (Cr)	85.2

Shareholding (%)

	Jun-25	Sep-25	Dec-25
Promoter	49.9	49.9	49.7
FIIs	28.0	26.6	26.4
MFs / UTI	12.5	13.2	12.8
Others	9.6	10.3	11.1

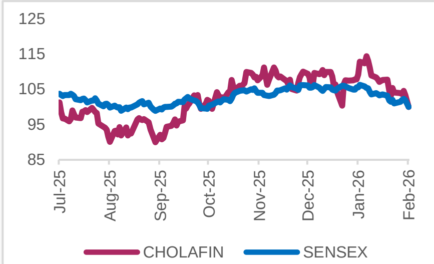
Financial & Valuations

Y/E Mar (Rs Cr)	FY26E	FY27E	FY28E
NII	14,006	16,917	20,553
PPOP	10,325	12,442	15,110
Net Profit	5,005	6,405	7,769
EPS (Rs)	59.3	75.9	92.0
BV (Rs)	337.1	410.3	499.1
P/BV (x)	4.7	3.9	3.2
RoA (%)	2.2	2.4	2.4
NNPA (%)	2.6	2.4	2.3

Change in Estimates (%)

Y/E Mar	FY26E	FY27E	FY28E
NII	0.0	-3.0	-4.0
PPOP	0.6	-3.5	-5.0
PAT	-2.8	-5.6	-7.3

Relative Performance



Source: Ace Equity, Axis Securities Research

Results Gallery

Q2FY26
Q1FY26
Q4FY25
Q3FY25

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Key Highlights

Broad-based Improvement Visible; Acceleration Likely With Improving Visibility: In Q3, CIFC reported a strong pick-up in disbursements across segments, delivering a strong 16/23% YoY/QoQ growth. The management indicated that disbursement momentum in Jan'26 is tracking well and remains better than Q3 run-rate, with Q4 disbursements outpacing Q3 across segments. The CSEL and SBPL, which were lagging in terms of growth, have been witnessing gradual signs of recovery. In the VF segment, growth in HCVs has outpaced the industry as falling CoF enabled CIFC accelerate growth, thereby aiding market share gains, while LCV and SCV growth has remained broadly in line with industry trends.

In the CSEL segment, the monthly disbursement run-rate is at Rs 1,000 Cr, with Rs 700 Cr coming from the DSA-led sourcing and Rs 300 Cr from the digital lending and consumer durable lending. The management expects disbursement growth to accelerate to 25+% from Q1 onwards, post a subdued performance following the discontinuation of 3 segments, which were disproportionately contributing to credit costs. Beyond mobiles, CIFC will also look to enhance tie-ups for other household appliances. Within the HL segment, disbursement growth was strong (+10/18% YoY/QoQ in Q3), and management remains optimistic around HL AUM growth sustaining at 28-30% over the medium term. The disbursements in LAP, Home Loans, and SBPL remained robust, aided by GST rate reductions, improved conversion rates, and sustained SME credit demand. Gold loan disbursements were strong, driven by the expansion of 118 dedicated branches across South and East India. **The management has continued to guide for 20-22% AUM growth for FY26.**

Outlook

We expect CIFC to deliver a strong AUM/NII/Earnings growth of 22/21/25% CAGR over FY26-28E. With NIMs stabilising from FY27 onwards and any favourable shift in NIMs driven solely by a change in the portfolio mix, we revise our NII/Earnings estimates lower by 3-4%/5-7% over FY27-28E. We expect CIFC to deliver a strong RoA/RoE of 2.3-2.4%/20-21% over FY27-28E.

Valuation & Recommendation

We reiterate our BUY recommendation on the stock with a target price of Rs 2,000/share, implying an upside of 25% from the CMP. We value CIFC at 4.4x Sep'27E BV vs 3.5x Sep'27E BV currently.

Key Risks to Our Estimates and TP

- The key risk to our estimates remains a slowdown in overall credit growth, which could potentially derail our earnings estimates.
- Inability to scale up new products, along with asset quality concerns cropping up, continues to remain a risk to our earnings estimates.

Change in Estimates

(Rs Cr)	Revised			Old			% Change		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
NII	14,006	16,917	20,553	14,009	17,438	21,413	0.0	-3.0	-4.0
PBP	10,325	12,442	15,110	10,266	12,896	15,905	0.6	-3.5	-5.0
Provisions	3,580	3,810	4,640	3,326	3,756	4,607	7.6	1.4	0.7
PAT	5,005	6,405	7,769	5,149	6,782	8,383	-2.8	-5.6	-7.3

Source: Axis Securities Research

Results Review (Standalone)

(Rs Cr)	Q3FY26	Q3FY25	% YoY	Q2FY26	% QoQ	9MFY26	9MFY25	% YoY
Net Interest Income	3,581	2,887	24.0	3,379	6.0	45,522	8,179	456.5
Non-Interest Income	762	654	16.5	696	9.4	9,377	1,632	474.5
Operating expenses	1,699	1,413	20.3	1,617	5.1	21,877	3,912	459.2
Staff Cost	*1,083*	*881*	*22.9*	*1,063*	*1.8*	*13,394*	*2,359*	*467.9*
Pre-provision profits	2,643	2,128	24.2	2,458	7.5	33,022	5,900	459.7
Provisions and contingencies	910	664	37.1	897	1.5	9,549	1,869	410.9
PBT	1,733	1,464	18.4	1,561	11.0	23,473	4,031	482.4
Provision for Tax	445	377	18.1	405	9.8	6,044	1,039	481.8
PAT	1,288	1,087	18.5	1,155	11.5	17,453	2,992	483.4
Business Update								
Disbursements	29,962	25,806	16.1	24,442	22.6	4,16,363	74,453	459.2
AUM	2,10,722	1,74,567	20.7	1,99,155	5.8	2,10,722	1,74,567	20.7
Vehicle Finance	*1,12,937*	*96,673*	*16.8*	*1,07,568*	*5.0*	*1,12,937*	*96,673*	*16.8*
Housing Loans	*49,162*	*37,564*	*30.9*	*46,302*	*6.2*	*49,162*	*37,564*	*30.9*
SME LAP	*21,691*	*17,121*	*26.7*	*20,405*	*6.3*	*21,691*	*17,121*	*26.7*
Other New Products	*25,952*	*23,209*	*11.8*	*24,428*	*6.2*	*25,952*	*23,209*	*11.8*
Yield on Advances	14.7	14.8	-10bps	14.7	0bps	14.7	14.7	2bps
Cost of Funds	6.7	7.1	-40bps	6.8	-10bps	7.0	7.1	-9bps
Spreads	8.0	7.7	30bps	7.9	10bps	7.8	7.6	12bps
NIMs %	8.0	7.7	30bps	7.9	10bps	7.7	7.6	12bps
Cost-Income ratio (%)	39.1	39.9	-78bps	39.7	-55bps	38.8	39.9	-105bps
Asset Quality								
Gross NPA (%)	4.6	4.0	63bps	4.6	6bps	4.6	4.0	63bps
Net NPA (%)	3.1	2.7	47bps	3.0	11bps	3.1	2.7	47bps
PCR (%)	43.0	47.6	-458bps	43.2	-20bps	43.0	47.6	-458bps
Capital Adequacy								
CRAR	19.2	19.8	-60bps	20.0	-84bps	19.2	19.8	-60bps
Tier I	14.2	14.9	-71bps	14.6	-38bps	14.2	14.9	-71bps
Tier II	5.0	4.8	11bps	5.4	-46bps	5.0	4.8	11bps

Source: Company, Axis Securities Research

Financials (Standalone)

Profit & Loss

(Rs Cr)

Y/E March	FY25	FY26E	FY27E	FY28E
Net Interest Income	**11,235**	**14,006**	**16,917**	**20,553**
Non-Interest Income	2,335	2,951	3,534	4,214
Total Income	**13,570**	**16,957**	**20,450**	**24,767**
Operating Expenses	5,339	6,631	8,009	9,657
Pre-Provision Profits	**8,231**	**10,325**	**12,442**	**15,110**
Provisions	2,494	3,580	3,810	4,640
PBT	**5,737**	**6,745**	**8,632**	**10,470**
Tax	1,478	1,740	2,227	2,701
Profit After Tax	**4,259**	**5,005**	**6,405**	**7,769**

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

Y/E March	FY25	FY26E	FY27E	FY28E
Equity Share Capital	168	169	169	169
Reserves & Surplus	23,459	28,289	34,469	41,966
Net Worth	**23,627**	**28,458**	**34,638**	**42,135**
Borrowings	**1,74,946**	**2,12,862**	**2,58,798**	**3,14,039**
Other Liabilities	3,074	3,674	4,467	5,422
Total Liabilities	**2,01,648**	**2,44,993**	**2,97,903**	**3,61,596**
Cash & Bank balances	9,401	10,931	11,803	14,326
Investments	6,390	7,764	9,441	11,459
Loans	1,81,930	2,20,670	2,69,816	3,27,504
Fixed Assets & Others	3,927	5,628	6,844	8,307
Total Assets	**2,01,648**	**2,44,993**	**2,97,903**	**3,61,596**

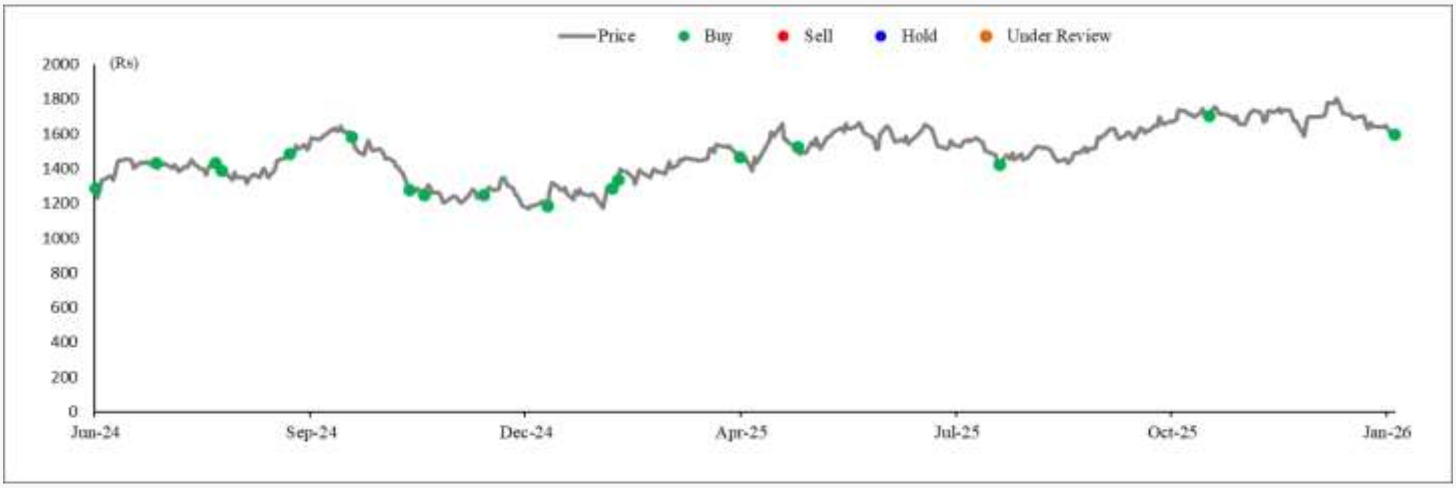
Source: Company, Axis Securities Research

Ratio Analysis **(%)**

Y/E March	FY25	FY26E	FY27E	FY28E
VALUATION RATIOS				
EPS	50.6	59.3	75.9	92.0
Earnings Growth (%)	*24.3*	*17.1*	*28.0*	*21.3*
BVPS	280.9	337.1	410.3	499.1
Adj. BVPS	223.6	269.5	332.4	408.6
RoA (%)	2.4	2.2	2.4	2.4
ROAE (%)	19.7	19.2	20.3	20.3
P/E (x)	31.5	26.9	21.0	17.3
P/BV (x)	5.7	4.7	3.9	3.2
OPERATING EFFICIENCY				
NIM (%)	7.7	7.7	7.7	7.7
Cost/Avg. Asset Ratio (%)	3.0	3.0	3.0	2.9
Cost-Income Ratio (%)	39.3	39.1	39.2	39.0
BALANCE SHEET STRUCTURE RATIOS				
Loan Growth (%)	26.9	22.9	22.3	21.4
Deposits Growth (%)	30.1	21.7	21.6	21.3
Equity/Assets (%)	11.7	11.6	11.6	11.7
Equity/Loans (%)	13.0	12.9	12.8	12.9
Total Capital Adequacy Ratio (CAR)	19.8	19.0	18.4	18.0
ASSET QUALITY				
Gross NPLs (%)	4.0	4.5	4.3	4.1
Net NPLs (%)	2.6	2.6	2.4	2.3
Coverage Ratio (%)	34.6	43.0	43.0	43.0
Provision/Avg. AUM (%)	1.5	1.8	1.6	1.6
ROAA TREE (on Total Assets)				
Net Interest Income	6.3	6.3	6.2	6.2
Non-Interest Income	1.3	1.3	1.3	1.3
Operating Cost	3.0	3.0	3.0	2.9
Provisions	1.4	1.6	1.4	1.4
Tax	0.8	0.8	0.8	0.8
ROAA	2.4	2.2	2.4	2.4
Leverage (x)	8.3	8.6	8.6	8.6
ROAE	19.7	19.2	20.3	20.3

Source: Company, Axis Securities Research

Cholamandalam Inv. & Fin. Co Ltd Chart and Recommendation History



Date	Reco	TP	Research
03-Jun-24	BUY	1,480	Top Picks
01-Jul-24	BUY	1,575	Top Picks
30-Jul-24	BUY	1,710	Result Update
01-Aug-25	BUY	1,710	Top Picks
02-Sep-24	BUY	1,710	Top Picks
01-Oct-24	BUY	1,780	Top Picks
28-Oct-24	BUY	1,675	Result Update
03-Nov-24	BUY	1,675	Top Picks
01-Dec-24	BUY	1,675	Top Picks
01-Jan-25	BUY	1,675	Top Picks
01-Feb-25	BUY	1,650	Result Update
03-Feb-25	BUY	1,650	Top Picks
01-Mar-25	BUY	1,650	Top Picks
01-Apr-25	BUY	1,780	Top Picks
28-Apr-25	BUY	1,780	Result Update
04-Aug-25	BUY	1,675	Result Update
10-Nov-25	BUY	1,880	Result Update
03-Feb-26	BUY	2,000	Result Update

Source: Axis Securities Research

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In case of any grievances, please call us at 022-40508080 or write to us at helpdesk@axisdirect.in.

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HOLD	Between 10% and -10%
SELL	Less than -10%
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