

Cholamandalam Investment

Refer to important disclosures at the end of this report

Elevated expenses/provisions drag down PAT; growth momentum healthy

CMP

Rs 569

as of (May 7, 2021)

Target Price

Rs 598 (▲)

12 months

Rating

BUY (■)

Upside

5.1 %

- CIFIC reported lower-than-expected PAT of Rs2.4bn (-40.5% qoq, +470% yoy) in Q4FY21 due to elevated employee charges (+68.2% yoy, +74.5% qoq) as well as an additional Covid-19-related management overlay of Rs3.5bn created during the quarter.
- Our channel checks had indicated that employee appraisal was already underway during Jan'21. The move was not only to support employees but also to avoid any unnecessary attrition.
- Disbursement momentum remained healthy at Rs80.7bn (+43% yoy, flat sequentially) during Q4FY21. FY21 disbursements stood at Rs260.4bn (-10% yoy) due to sluggish H1FY21 performance amid lockdowns (H1FY21 disbursements stood at Rs100.5bn).
- Vehicle Finance with Rs61.5bn in disbursements (+1.6% qoq, +31% yoy) continued to lead business growth; however, other segments also performed better. Home Loan registered growth of ~24% qoq (+99% yoy) at Rs538bn, while the LAP business declined by ~593bps qoq to Rs11.9bn (Rs12.65bn in Q3FY21).
- Total AUM grew by ~14% yoy to Rs765.3bn, which is likely to be the best among peers, considering the moratorium during H1FY21 and irregular repayments throughout the year.
- The company continues to hold strong liquidity position with Rs64.3bn as cash balance at the end of Mar'21.
- On asset quality, Stage 3 assets inched up to ~3.96% vs. ~3.75% last quarter; however, the overall coverage has improved to ~44.3%. Similarly, Stage 1-2 assets also continued to surge but with improved coverage. The company holds an additional Covid-19-related management overlay of Rs11bn (~1.4% of AUM), which provides further comfort.
- The post-earnings conference call with management is scheduled on Monday, 10th May'21 at 10.00am. Call details: 022 66290000/ 022 71950000. We have a Buy rating on the stock with a TP of Rs598.

Please see our sector model portfolio (Emkay Alpha Portfolio): [BFSI-NBFCs](#)

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Exhibit 1: Quarterly Earnings Summary

Rs mn	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	YoY (%)	QoQ (%)	FY20	FY21	YoY (%)
Net Interest Income	10,154	9,830	12,512	13,644	13,415	32.1%	-1.7%	40,604	49,401	21.7%
Other Income	1	0	34	0	2			3	36	1288.5%
Total Income	10,156	9,830	12,546	13,644	13,417	32.1%	-1.7%	40,607	49,437	21.7%
Operating Expenses	4,016	3,458	3,551	3,688	5,138	27.9%	39.3%	15,776	15,834	0.4%
Operating Profit	6,140	6,372	8,996	9,956	8,279	34.8%	-16.8%	24,831	33,603	35.3%
Provisions	5,567	562	3,176	4,446	5,035	-9.5%	13.3%	8,973	13,218	47.3%
<i>% of operating profit</i>	<i>90.7%</i>	<i>8.8%</i>	<i>35.3%</i>	<i>44.7%</i>	<i>60.8%</i>			<i>36.1%</i>	<i>39.3%</i>	
PBT	573	5,810	5,820	5,511	3,244	465.9%	-41.1%	15,857	20,384	28.5%
Tax	147	1,501	1,501	1,422	812	453.8%	-42.9%	5,334	5,235	-1.8%
<i>Tax rate (%)</i>	<i>25.6%</i>	<i>25.8%</i>	<i>25.8%</i>	<i>25.8%</i>	<i>25.0%</i>			<i>33.6%</i>	<i>25.7%</i>	
PAT	427	4,309	4,319	4,089	2,432	470.1%	-40.5%	10,524	15,149	44.0%

Source: Company, Emkay Research

Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
BUY	Over 15%
HOLD	Between -5% to 15%
SELL	Below -5%

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