

## Cholamandalam (CIFIC) – ADD

### Result Update

Current Market Price (CMP)

**Rs. 551**

Target Price

**Rs. 660**

**We see 19.8% upside in the stock at our Fair Value of Rs. 660.**

### Rationale:

- CIFIC qoq reduction in stress in stressed loans was broadly in line with peers.
- Peaking credit costs and elevated NIM will support near-term earning.
- We remain positive on ability to reduce stress loans; deliver superior performance.
- Post the sharp outperformance, we downgrade our rating to ADD.
- Our RGM based FV is Rs. 660 (up from Rs. 650) i.e. 3.4x Dec23E BV.  
(RGM – Residual growth method, FV- Fair value, BV – Book value)

### Q2FY22 Earnings Update:

#### **Positives:**

- ~150 bps qoq decline in stressed loans.
- It can toggle between asset classes to deliver pre-tax Return on asset >2.7%.

#### **Negatives:**

- Asset under management growth was weak (up 4% yoy).
- 46% yoy growth in expenses.

[Click here](#)

For detailed report dated 1 November 2021. Note: CMP & valuation may differ due to difference in dates.



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