

August 1, 2025

Q1FY26 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	HOLD		HOLD	
Target Price	1,500		1,575	
NII (Rs.)	1,40,075	1,71,330	1,40,768	1,73,629
% Chng.	(0.5)	(1.3)		
PPoP (Rs.)	1,04,628	1,25,906	1,03,601	1,26,565
% Chng.	1.0	(0.5)		
EPS (Rs.)	66.3	83.8	69.3	86.3
% Chng.	(4.3)	(3.0)		

Key Financials - Standalone

Y/e Mar	FY24	FY25	FY26E	FY27E
Net Int.Inc. (Rs m)	83,831	1,12,293	1,40,075	1,71,330
Growth (%)	32.4	34.0	24.7	22.3
Op. Profit (Rs m)	59,039	82,311	1,04,628	1,25,906
PAT (Rs m)	34,228	42,585	54,531	68,881
EPS (Rs.)	41.6	51.8	66.3	83.8
Gr. (%)	28.4	24.4	28.1	26.3
DPS (Rs.)	2.7	3.4	4.3	5.4
Yield (%)	0.2	0.2	0.3	0.4
Margin (%)	6.7	6.8	6.8	6.9
RoAE (%)	20.2	19.7	20.8	21.5
RoAA (%)	2.5	2.4	2.5	2.6
PE (x)	34.2	27.5	21.5	17.0
P/BV (x)	6.1	5.1	4.2	3.4
P/ABV (x)	7.4	6.4	4.8	3.9

Key Data

CHLA.NS | CIFIC IN

52-W High / Low	Rs.1,684 / Rs.1,168
Sensex / Nifty	80,600 / 24,565
Market Cap	Rs.1,197bn / \$ 13,668m
Shares Outstanding	841m
3M Avg. Daily Value	Rs.3056.34m

Shareholding Pattern (%)

Promoter's	49.90
Foreign	28.37
Domestic Institution	16.63
Public & Others	5.10
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(11.1)	12.4	2.3
Relative	(7.7)	8.1	3.9

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Q1 disbursements flat; credit cost peaks

Quick Pointers:

- Flat disbursement growth due to a slowdown in VF, HL and CSEL
- Asset quality deteriorates; credit cost to be higher than expected in FY26

Q1 disbursements remained flat YoY due to a slowdown in Vehicle Finance/Home Loan/ CSEL. Lower capacity utilization and excess rain in the quarter led to sluggish growth; however company expects a pick-up in H2 led by a positive festive season. Factoring in the same, we build an AUM growth of 22%/ 21% in FY26/ FY27E. We expect NIM to improve supported by expansion in high-yielding new business verticals and lower CoF. Expect opex to remain elevated as the company is in expansion mode (gold loans). Asset quality trends weakened in the quarter, resulting in higher credit cost (1.8%). We factor in the same and revise our credit cost assumptions for FY26/FY27E. We cut our multiple to 3.7x (vs. 4.2x Mar-27 ABV earlier) to arrive at a TP of Rs 1,500. Maintain HOLD.

- Q1 disbursements flat; expect 22% growth in FY26:** 1QFY26 disbursements stood flat YoY at Rs 243.3 bn with VF/Home Loans/LAP/New Business growing at 6.9%/ -0.8%/ 21.5%/ -28.8% YoY. Within VF, company is seeing lower capacity utilization on account of excess rain/ seasonality; however it expects an improvement in H2 with a strong festive season/ rural demand. Commentary also highlighted a conscious slowdown in new business verticals (supply chain financing and fintech-lending with partners) on account of higher stress in these segments. HL disbursements have also been flat YoY due to registration issues in some markets. Q1 AUM growth stood steady at 24% YoY /4% QoQ to Rs 1,921.5 bn and company is guiding for a similar run-rate in FY26. We build an AUM growth of 22%/ 21% in FY26/FY27E.
- CoF starts moderating; benefit to come in subsequent quarters:** NII grew by 24% YoY/4% QoQ. While CoF moderated by 10 bps QoQ to 7%, it was offset by lower yield. Consequently, reported NIM declined by 20 bps QoQ to 7.8%; however company expects margins to improve by ~15 bps in FY26 aided by a lower CoF. 50% of its bank borrowings are linked to EBLR which will see the benefit of lower CoF from Q2 onwards, while the other 50% is MCLR-linked where re-pricing will happen with a lag. Opex costs remain elevated (Opex/ AUM ratio at 2.9%) as the company is undertaking continuous expansion in new verticals (gold loans). We expect NIM trajectory to see a gradual improvement in FY26E supported by expansion in new business verticals and lower CoF. Moreover, high opex spend in new businesses is likely to be offset by an improvement in productivity.
- Asset quality trend deteriorates; stress in VF/ CSEL:** Asset quality trend declined in the quarter with GS3/NS3 at 3.16%/ 1.78% vs. 2.81%/ 1.54% in 4QFY25. Company maintains a PCR of 43.7%, while total provisions stood at 1.97% of gross advances. Commentary indicated higher stress in the auto (Small CV and tractor segment) and CSEL portfolio (fintech-partners). However, it expects credit costs to stabilize in Q2 and improve over the year as the partnership book has started to run-down and company has curtailed disbursements in segments with higher stress. Credit cost stood at 1.8% in 1Q and we expect it to trend at ~1.6% for FY26E.

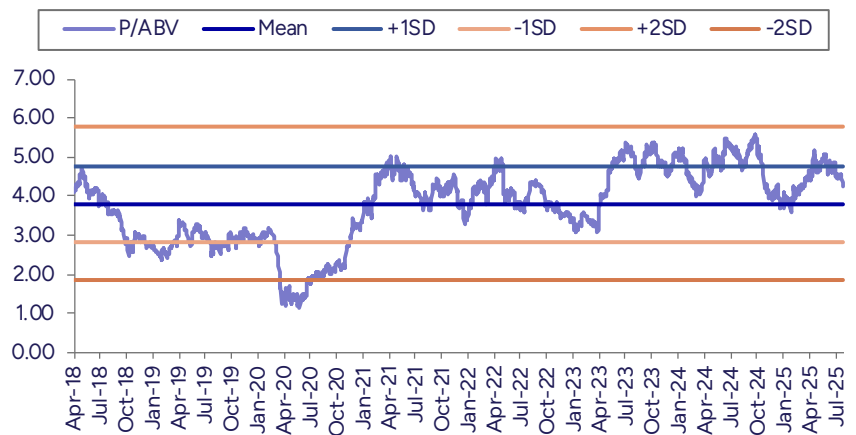


Exhibit 1: Q1FY26 Result Overview (Rs mn)

Y/e March	Q1FY26	Q1FY25	YoY gr. (%)	Q1FY26E	% Var	Q4FY25	QoQ gr. (%)	FY26E	FY25	YoY gr. (%)
NII	31,838	25,738	23.7	32,598	(2.3)	30,557	4.2	1,40,075	1,12,293	24.7
Spread (%) (calc)	6.9	6.9	0bps	7.0	-9bps	6.9	0bps	7.0	6.9	8bps
Other income	6,807	4,595	48.1	7,156	(4.9)	7,027	(3.1)	30,852	23,406	31.8
Net Revenue	38,645	30,333	27.4	39,754	(2.8)	37,584	2.8	1,70,927	1,35,699	26.0
Opex	14,528	11,834	22.8	15,703	(7.5)	14,269	1.8	66,299	53,388	24.2
PPOP	24,117	18,499	30.4	24,051	0.3	23,315	3.4	1,04,628	82,311	27.1
Provisions	8,821	5,814	51.7	6,701	31.6	6,253	41.1	31,769	24,943	27.4
PBT	15,296	12,685	20.6	17,350	(11.8)	17,062	(10.3)	72,859	57,368	27.0
Tax	3,937	3,263	20.7	4,337	(9.2)	4,395	(10.4)	18,328	14,783	24.0
ETR (%)	25.7	25.7		25.0		25.8		25.2	25.8	
PAT	11,359	9,422	20.6	13,012	(12.7)	12,667	(10.3)	54,531	42,585	28.1
Business Metrics										
AUM	19,21,480	15,54,420	23.6	19,53,707	(1.6)	18,47,460	4.0	22,51,441	18,47,460	21.9
Borrowings	18,13,040	14,99,020	20.9	18,23,460	(0.6)	17,49,461	3.6	21,01,345	17,49,461	20.1
Asset Quality Metrics										
GNPA (%)	3.16	2.62	54bps	NA	NA	2.81	35bps	3.00	2.81	19bps
NNPA (%)	1.78	1.43	35bps	NA	NA	1.54	24bps	1.75	1.54	21bps
PCR (%)	43.7	45.5	-178bps	NA	NA	45.3	-155bps	45.0	45.3	-27bps

Source: Company, PL

Exhibit 2: One-year forward P/ABV of CIFC trades at 4.2x



Source: Company, PL

Q1FY26 Concall Highlights

Growth

- 1QFY26 disbursement growth was flat (at Rs 243.25 bn) due to a slowdown in VF, home loan and CSEL segments.
- However, AUM growth remained steady (+24% YoY) to Rs 1,921.5 bn driven by the VF and LAP segments. AUM growth is expected to be maintained at ~23%, contingent on H2 performance.
- AUM mix as on 1QFY26 in terms of VF/LAP/Home Loans/New Business stood at 55%/23%/10%/12%.
- HL saw flat disbursements due to changes in the registration process in some geographies. Commentary suggests lower expansion in FY26 with disbursement growth of 10%
- Company did lower disbursements in fintech lending (of ~Rs 15 bn) and supply chain finance (of Rs 5 bn) with a focus on improving in-house book.
- Company expects to see a rebound in growth driven by festive demand and rural recovery. VF disbursement growth was soft in Q1 due to seasonality, early monsoon and weak industrial activity but a recovery is likely as these effects fade.
- Company has opened ~73 branches for gold loan segment in the tier 1 region, aiming expansion in tier-2 and 3 cities in coming quarters. All disbursements were made to new customers.

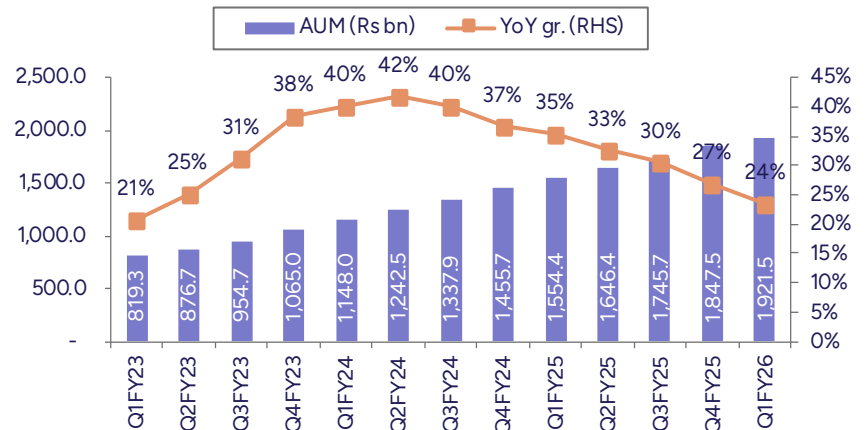
Operating profitability

- Company expects NIM to improve from Q2 driven by a 20-bps reduction in CoF as 50% of borrowings are EBLR-linked. It intends to pass 7–8 bps to customers thereby a net benefit of 12–15 bps is anticipated.
- Company expects opex to AUM ratio to trend at ~3% with an improvement in productivity; however rise in Q2 is anticipated on account of increment to employees.

Asset quality

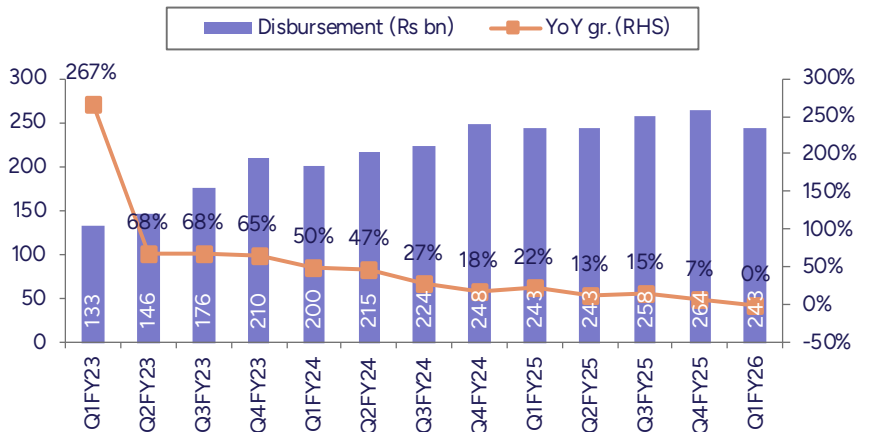
- Asset quality trend declined in the quarter with GS3/NS3 at 3.16%/ 1.78% vs. 2.81%/ 1.54% in 4QFY25. Commentary indicated higher stress in small CV, tractor and unsecured SME segments while secured SME is also seeing some pressure but it is expected to stabilize.
- Credit cost is expected to remain at 1.7–1.8% in Q2 with improvement from Q3. Base case assumes levels similar to FY25 with a potential ~10 bps improvement in a positive scenario.
- The segment-wise GS3 ratio for VF/ LAP/ HL/ CSEL/ SME/ SBPL stood at 3.89%/ 2.26%/ 1.68%/ 2.29%/ 2.87%/ 3.36% vs. 3.52%/2.02%/1.32%/2.06%/2.36%/2.59% as on 4QFY25.

Exhibit 3: AUM has seen a growth of 24%



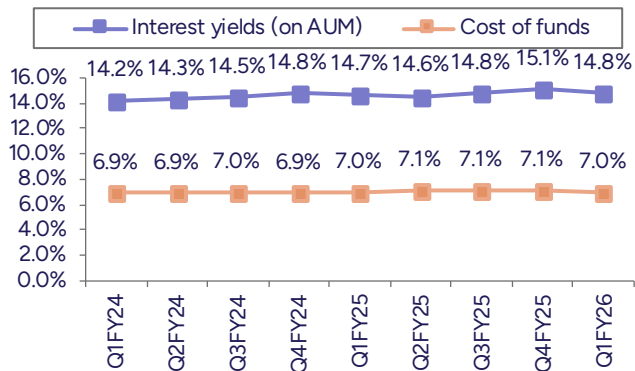
Source: Company, PL

Exhibit 4: Disbursement growth has remained flat YoY



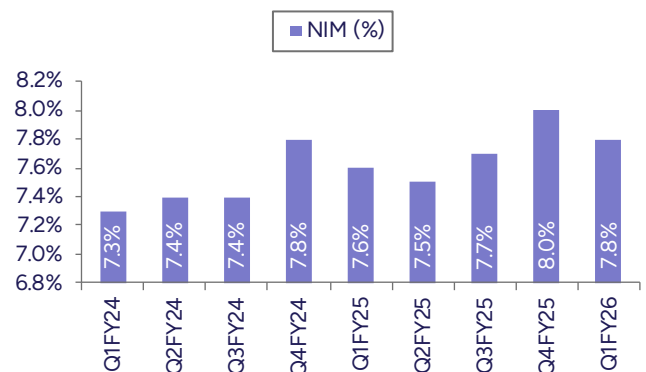
Source: Company, PL

Exhibit 5: While CoF improved by 10 bps, yield declined by 30 bps QoQ...



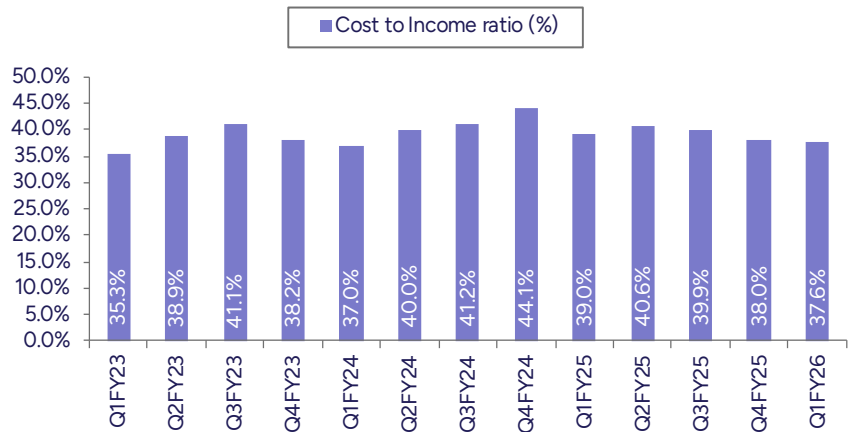
Source: Company, PL

Exhibit 6: ...resulting in NIM compression of ~20 bps



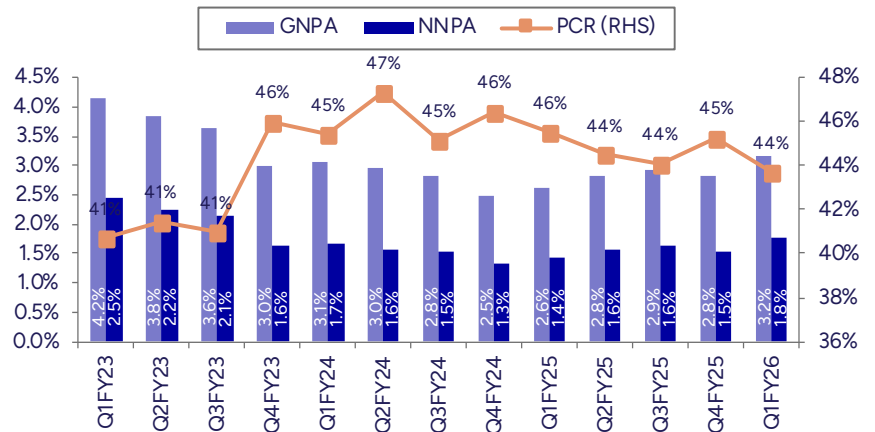
Source: Company, PL

Exhibit 7: Opex continues to remain elevated



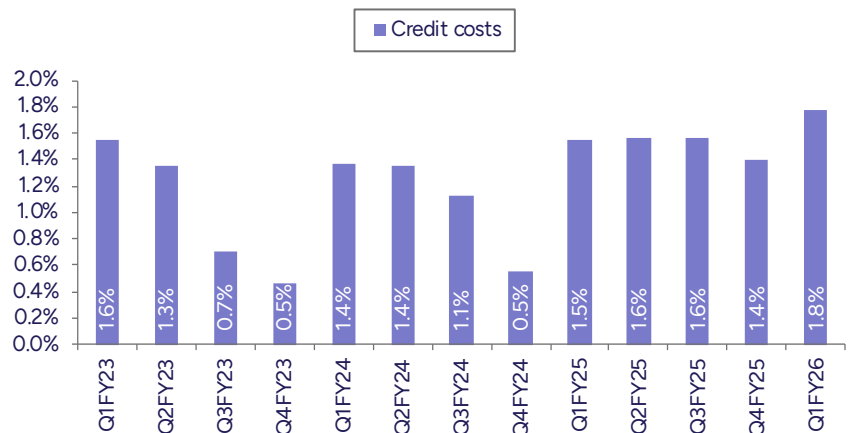
Source: Company, PL

Exhibit 8: Headline asset quality trend deteriorated in the quarter



Source: Company, PL

Exhibit 9: And credit cost (%) saw a sharp rise to 1.8%



Source: Company, PL



Income Statement (Rs. m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Int. Inc. / Opt. Inc.	1,76,137	2,37,142	2,87,018	3,45,200
Interest Expenses	92,306	1,24,849	1,46,943	1,73,869
Net interest income	83,831	1,12,293	1,40,075	1,71,330
Growth(%)	32.4	34.0	24.7	22.3
Non-interest income	16,026	23,406	30,852	32,532
Growth(%)	78.9	46.0	31.8	5.4
Net operating income	99,857	1,35,699	1,70,927	2,03,862
Expenditures				
Employees	23,306	32,805	45,483	54,569
Other Expenses	17,512	20,583	20,816	23,387
Depreciation	-	-	-	-
Operating Expenses	40,818	53,388	66,299	77,956
PPP	59,039	82,311	1,04,628	1,25,906
Growth(%)	32.7	39.4	27.1	20.3
Provisions	13,218	24,943	31,769	34,065
Profit Before Tax	45,821	57,368	72,859	91,842
Tax	11,593	14,783	18,328	22,960
Effective Tax rate(%)	25.3	25.8	25.2	25.0
PAT	34,228	42,585	54,531	68,881
Growth(%)	28.4	24.4	28.1	26.3

Balance Sheet (Rs. m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Source of funds				
Equity	1,681	1,683	1,683	1,683
Reserves and Surplus	1,93,885	2,34,592	2,85,833	3,50,237
Networth	1,95,565	2,36,274	2,87,516	3,51,920
Growth (%)	36.8	20.8	21.7	22.4
Loan funds	13,44,736	17,49,461	21,01,345	25,36,401
Growth (%)	38.1	30.1	20.1	20.7
Deferred Tax Liability	-	-	-	-
Other Current Liabilities	-	-	-	-
Other Liabilities	24,207	30,741	37,824	45,655
Total Liabilities	15,64,508	20,16,476	24,26,685	29,33,976
Application of funds				
Net fixed assets	15,695	17,827	19,215	19,995
Advances	14,44,243	18,19,299	22,06,413	26,63,222
Growth (%)	37.9	26.0	21.3	20.7
Investments	41,002	63,904	77,224	93,213
Current Assets	43,202	94,007	66,192	79,897
Net current assets	43,202	94,007	66,192	79,897
Other Assets	20,366	21,439	57,641	77,650
Total Assets	15,64,508	20,16,476	24,26,685	29,33,976
Growth (%)	37.8	28.9	20.3	20.9
Business Mix				
AUM	14,55,720	18,47,460	22,51,441	27,17,573
Growth (%)	36.7	26.9	21.9	20.7
On Balance Sheet	12,65,400	15,83,060	19,29,225	23,28,646
% of AUM	86.93	85.69	85.69	85.69
Off Balance Sheet	1,90,320	2,64,400	3,22,216	3,88,927
% of AUM	13.07	14.31	14.31	14.31

Profitability & Capital (%)

Y/e Mar	FY24	FY25	FY26E	FY27E
NIM	6.7	6.8	6.8	6.9
ROAA	2.5	2.4	2.5	2.6
ROAE	20.2	19.7	20.8	21.5

Source: Company Data, PL Research

Quarterly Financials (Rs. m)

Y/e Mar	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Int. Inc. / Operating Inc.	57,680	61,587	64,180	66,501
Income from securitization	-	-	-	-
Interest Expenses	30,551	32,718	33,623	34,663
Net Interest Income	27,128	28,869	30,557	31,838
Growth (%)	34.6	33.0	29.8	23.7
Non-Interest Income	5,248	6,537	7,027	6,807
Net Operating Income	32,376	35,406	37,584	38,645
Growth (%)	36.8	37.2	29.0	27.4
Operating expenditure	13,155	14,130	14,269	14,528
PPP	19,221	21,276	23,315	24,117
Growth (%)	-	-	-	-
Provision	6,235	6,640	6,253	8,821
Exchange Gain / (Loss)	-	-	-	-
Profit before tax	12,986	14,636	17,062	15,296
Tax	3,355	3,771	4,395	3,937
Prov. for deferred tax liability	-	-	-	-
Effective Tax Rate	25.8	25.8	25.8	25.7
PAT	9,631	10,865	12,667	11,359
Growth	26	24	20	21
AUM	16,46,420	17,45,670	18,47,460	19,21,480
YoY growth (%)	32.5	30.5	26.9	23.6
Borrowing	15,77,940	16,70,760	17,49,461	18,13,040
YoY growth (%)	32.1	35.7	30.1	20.9

Key Ratios

Y/e Mar	FY24	FY25	FY26E	FY27E
CMP (Rs)	1,423	1,423	1,423	1,423
EPS (Rs)	41.6	51.8	66.3	83.8
Book value (Rs)	232.7	280.9	341.8	418.3
Adj. BV(Rs)	192.6	223.1	297.6	366.8
P/E(x)	34.2	27.5	21.5	17.0
P/BV(x)	6.1	5.1	4.2	3.4
P/ABV(x)	7.4	6.4	4.8	3.9
DPS (Rs)	2.7	3.4	4.3	5.4
Dividend Payout Ratio(%)	-	-	-	-
Dividend Yield(%)	0.2	0.2	0.3	0.4

Asset Quality

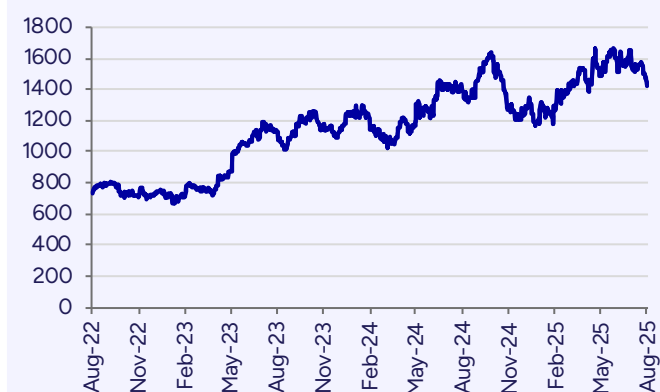
Y/e Mar	FY24	FY25	FY26E	FY27E
Gross NPAs(Rs m)	36,450	52,130	67,543	78,810
Net NPA(Rs m)	33,736	48,589	37,149	43,345
Gross NPAs to Gross Adv.(%)	2.5	2.8	3.0	2.9
Net NPAs to net Adv.(%)	1.3	1.5	1.8	1.7
NPA coverage(%)	46.4	45.3	45.0	45.0

Du-Pont as a % of AUM

Y/e Mar	FY24	FY25	FY26E	FY27E
NII	6.2	6.3	6.3	6.4
NII INCI. Securitization	6.2	6.3	6.3	6.4
Total income	7.4	7.6	7.7	7.6
Operating Expenses	3.0	3.0	3.0	2.9
PPOP	4.4	4.6	4.7	4.7
Total Provisions	1.0	1.4	1.4	1.3
RoAA	2.5	2.4	2.5	2.6
Avg. Assets/Avg. net worth	8.0	8.3	8.5	8.4
RoAE	20.2	19.7	20.8	21.5

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jul-25	Hold	1,575	1,514
2	29-Apr-25	Hold	1,575	1,526

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bajaj Finance	Hold	900	959
2	Cholamandalam Investment and Finance Company	Hold	1,575	1,514
3	Mahindra & Mahindra Financial Services	Hold	285	266
4	Shriram Finance	Hold	650	616
5	Sundaram Finance	Hold	5,000	5,167

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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