kotak Securities

Dated: 10th Nov 2025

# Cholamandalam (CIFC) - REDUCE

## Q2FY26 Result Update

| Current Market Price (CMP) | Fair Value (FV) |
|---|---|
| **Rs.1,704** | **Rs.1,600** |

## Rationale:

- Chola's smooth execution over the years has been impressive, but the current set of asset quality challenges has marred its near-term prospects for growth and the trajectory of credit costs.
- While we optimistically look forward to improving trends and GST cut benefits, overall risk-return has turned unfavorable, prompting to wait for better entry point.
- We downgrade rating to REDUCE from ADD, with Fair value of Rs. 1,600.

## Q2FY26 Earnings Update:

### Positives:

- Net Interest Income ("NII") growth was in line at 25% yoy, and Asset Under Management ("AUM") growth was 21% yoy.
- Spreads and Net Interest Margin ("NIM") expanded 8 bps and 17 bps qoq to 6.7% and 7.1%, respectively. Reported NIM was up 40 bos yoy and 10 bps qoq to 7.9%.
- We model 21% AUM growth over FY2027-28E powered by vehicle finance growth likely pick up to 13% in H2 FY26 and Loan Against Property ("LAP") to remain strong.
- We expect Chola's cost of borrowing to gradually moderate to 7.4% by FY2028E from 7.8% in H1 FY26.

### Negatives:

- Chola reported a Profit After Tax ("PAT") of Rs. 1,155 crores in Q2 FY26, 3% below our estimates of Rs. 1,186.9 crores.
- Disbursements were weak across segments. Gross Non Performing Loans ("GNPL") was at 4.6% in Q2 FY26 from 4.3% in Q1 FY26 and 3.8% in Q4 FY25.
- Stage -3 loans were up to 3.4% from 3.2% in Q1 FY26.



Holding Period: 12 months

## RATING SCALE (PRIVATE CLIENT GROUP)

### Definitions of ratings

| | | |
|---|---|---|
| **BUY** | – | We expect the stock to deliver more than 15% returns over the next 12 months |
| **ADD** | – | We expect the stock to deliver 5% - 15% returns over the next 12 months |
| **REDUCE** | – | We expect the stock to deliver -5% - +5% returns over the next 12 months |
| **SELL** | – | We expect the stock to deliver < -5% returns over the next 12 months |
| **NR** | – | **Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only. |
| **SUBSCRIBE** | – | We advise investor to subscribe to the IPO. |
| **RS** | – | **Rating Suspended.** Kotak Securities has suspended the investment rating and price target for this stock, either because there is not a sufficient fundamental basis for determining, or there are legal, regulatory or policy constraints around publishing, an investment rating or target. The previous investment rating and price target, if any, are no longer in effect for this stock and should not be relied upon. |
| **NA** | – | **Not Available or Not Applicable.** The information is not available for display or is not applicable |
| **NM** | – | **Not Meaningful.** The information is not meaningful and is therefore excluded. |
| **NOTE** | – | Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark. |

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