



STOCK UPDATE

Result Update - Q3FY2026

SECTOR

NBFC

COMPANY DETAILS

Market cap:	Rs. 1,34,700 cr
52-week high/low:	Rs. 1832/1227
NSE volume: (No of shares)	15.0 lakh
BSE code:	511243
NSE code:	CHOLAFIN
Free float: (No of shares)	42.18 cr

Source: NSE, BSE, Mirae Asset Sharekhan Research

SHAREHOLDING (%)

Promoters	49.7
FII	26.6
DII	17.5
Others	6.2

Source: NSE, BSE, Mirae Asset Sharekhan Research

PRICE CHART



Source: NSE, BSE, Mirae Asset Sharekhan Research

PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	-10.4	-7.1	12.2	26.2
Relative to Sensex	-7.4	-4.9	11.4	20.8

Source: Mirae Asset Sharekhan Research, Bloomberg

Reco/View: **BUY**

CMP: **Rs. 1,596**

Price Target: **Rs. 1,900**

Quick Snapshot

- PAT, in line with estimates, rose by 18.5% y-o-y and 11.5% q-o-q to Rs. 1,288 crore. Disbursements grew by 20.7% y-o-y and 5.8% q-o-q to Rs. 29,962 crore.
- NIM grew 18 bps y-o-y and 1 bps q-o-q 6.8% (of AUM) driven by a faster drop in cost of funds than yield. NII rose by 24% y-o-y and 6.0% q-o-q.
- Gross NPA came in at 3.36% up by 45 bps y-o-y though stable q-o-q. Credit cost came in at 1.73% (of AUM).
- AUM/PAT CAGR is expected at 20%/24% over FY25E-FY28E, with a healthy RoA/RoE of 2.6%/19.9% in FY28. Hence, we maintain a Buy rating with PT of Rs. 1,900, valuing the stock at 3.1x FY28E Book Value.

Result overview

- NII, in line with estimates, rose 24% y-o-y and 6.0% q-o-q to Rs. 3,581 crore. NIM expanded by 18 bps y-o-y and 1 bps q-o-q 6.8% (of AUM) driven by faster drop in cost of funds than yield.
- PPOP rose 24.2% y-o-y and 7.5% q-o-q to Rs. 2,643 crore. Opex /AUM was stable at 3.23%, but employee expenses rose by 22.9% y-o-y and 1.8% q-o-q.
- Credit cost came in at 1.73% (of AUM) up by 21 bps y-o-y however down by 7 bps q-o-q. It also missed our estimates by 8 bps.
- PAT, up by 18.5% y-o-y and 11.5% q-o-q to Rs. 1,288 crore was reflection of PPOP growth however partially offset by higher credit costs. PBT-RoTA grew 3.2% y-o-y and 20 bps q-o-q.
- Asset quality was stable q-o-q, with this Gross NPA came in at 3.6% up by 45 bps y-o-y, while Net NPA came in at 1.91%. Stage-2 asset came in at 2.88% by 23 bps q-o-q, showing improvement in asset quality. HAL and CSEL saw healthy improvement, while SME and SBPL saw asset quality worsen.
- AUM rose 22.7% y-o-y and 5.8% q-o-q to Rs. 210,722 crore driven by LAP and HL/AL. VF segment grew by 16.8% y-o-y and 5.0% q-o-q. Gold loan jumped by 110% to Rs. 980 crore q-o-q on low base and expansion. Stress-facing CSEL segment declined by 2.9% y-o-y to Rs. 14,393 crore.
- Disbursements up by 20.7% y-o- and 5.8% q-o-q to Rs. 29,962 crore driven by vehicle finance and LAP. VF segment grew by 16.8% y-o-y and 24.1% q-o-q.

Our Call

Maintain Buy with a revised PT of Rs. 1,900: Following a healthy Q3FY26, the management anticipates a stronger Q4 driven by better disbursements, supported by lower GST rates, and healthy recoveries. NIMs are expected to strengthen to 8.1-8.2% in Q4FY26 driven by lower borrowing costs and change in business mix, and then stabilizing in FY27. Improvement in asset quality is expected in Q4FY26 and FY27 specifically in CSEL and SBPL segments hence lower credit costs. We expect an AUM/PAT CAGR of 20%/24% over FY25E-FY28E, with a healthy RoA/RoE of 2.6%/19.9% by FY28. We maintain our Buy rating with a PT of Rs. 1,900, valuing the stock at 3.1x FY28E Book Value.

Key Risks

- Asset quality challenges in new businesses may put continued pressure on credit cost

Valuation

Particulars	FY24	FY25	FY26E	FY27E	FY28E
Net Interest Income	8,383	11,229	13,957	16,798	20,217
Net profit	3,423	4,259	5,171	6,535	8,045
EPS (Rs)	40.7	50.5	60.3	76.2	93.8
P/E (x)	38.8	31.3	26.2	20.7	16.9
P/BV (x)	6.8	5.6	4.5	3.7	3.1
RoE (%)	20.2	19.7	19.2	19.6	19.9
RoA (%)	2.5	2.4	2.4	2.5	2.6

Source: Company; Mirae Asset Sharekhan estimates

Concall highlights

AUM & Disbursement growth

- FY2026 Guidance: Management maintained an AUM growth target of 20–22%, with momentum expected to improve across all disbursement segments.
- Disbursements: All key segments are expected to do better in Q4.
- Macro Tailwinds: GST rate cuts on vehicles have improved affordability and strengthened demand across the board.
- New Ventures: The newly launched gold loan segment disbursed Rs. 772 crore via 118 branches in the South and East.

NII and NIM

- FY27 Outlook: Management expects Q4 NIM to strengthen to 8.1%–8.2%, driven by historical seasonal trends in collection efficiency and a 5–10 bps reduction in the cost of funds. This margin expansion is supported by optimized market borrowings, lower-cost NCDs, and favorable MCLR adjustments.
- The company reported strong NIM expansion of 33 bps y-o-y driven by the progressive impact of the RBI's rate cuts on the company's cost of funds.
- The management noted that further NIM expansion will be driven primarily by an optimized business mix rather than additional reductions in the cost of funds.

PAT

- Backed by a strong performance in the H2FY26, the company anticipates a further improvement in RoA.

Asset quality and credit cost

- Management observed a reasonable moderation in delinquencies during Q3, with Stage-2 and Stage-3 assets showing a consistent improving trend that is expected to persist through Q4.
- **CSEL:** Net Credit Losses are trending positively. Management expects a further reduction in it in Q4FY26, with the trajectory likely to carry into FY27. Significant improvements are projected over the next four quarters, with the NCL for this segment potentially falling below 5% in FY27.
- **SBPL:** Credit costs are believed to have peaked in the segment. These costs are expected to stabilize and subsequently decrease in Q4FY26 and Q1FY27.
- Management anticipates Q4FY26 to show improved performance, with vehicle finance credit costs expected to moderate.

Results

Particulars	Rs cr				
	Q3FY26	Q3FY25	Y-o-Y (%)	Q2FY26	Q-o-Q (%)
Interest Earned	7,224	6,159	17.3	6,894	4.8
Interest Expended	3,643	3,272	11.3	3,516	3.6
NII	3,581	2,887	24.0	3,379	6.0
Other Income	762	654	16.5	696	9.4
Total Income	4,342	3,541	22.6	4,075	6.6
Operating Expenditures	1,699	1,413	20.3	1,617	5.1
PPOP	2,643	2,128	24.2	2,458	7.5
P&C	910	664	37.1	897	1.5
PBT	1,733	1,464	18.4	1,561	11.0
Tax	445	377	18.1	405	9.8
Net Profit	1,288	1,087	18.5	1,155	11.5
Loans	2,10,722	1,74,566	20.7	1,99,159	5.8
Disbursements	29,962	25,806	16.1	24,442	22.6

Source: Company; Mirae Asset Sharekhan Research

Key Operating Ratios

Particulars	Rs cr				
	Q3FY26	Q3FY25	Y-o-Y (bps)	Q2FY26	Q-o-Q (bps)
NII	6.80	6.62	18.2	6.79	1.1
Fee & Other Income	1.45	1.50	-5.2	1.40	4.8
Opex	3.23	3.24	-1.2	3.25	-2.2
Provisions	1.73	1.52	20.6	1.80	-7.4
Tax Rate	0.85	0.86	-1.9	0.81	3.1
RoA	2.44	2.49	-4.5	2.32	12.4

Source: Company; Mirae Asset Sharekhan Research

Actual/Estimates

Particulars	Q3FY26E	Q3FY26A	Var (%)
NII	3,592	3,581	-0.3
PPOP	2,645	2,643	-0.1
PAT	1,320	1,288	-2.4

Source: Company; Mirae Asset Sharekhan Research

Asset quality

Particulars	Q3FY26	Q3FY25	Y-o-Y (bps)	Q2FY26	Q-o-Q (bps)
GS-3 (%)	3.36	2.91	45.0	3.35	1.0
NS-3 (%)	1.91	1.65	26.0	1.93	-2.0

Source: Company; Mirae Asset Sharekhan Research

Additional Data
Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Cholamandalam Financial Holding	44.18
2	Ambadi Investments	4.00
3	Capital Group Companies	3.97
4	Vanguard Group	2.16
5	Axis AMC	1.91
6	Blackrock INC	1.86
7	SBI Pension Fund	1.82
8	JP Morgan Chase	1.80
9	New World Fund	1.71
10	SBI Funds Managements	1.24

Source: Bloomberg

Key management personnel

Name	Designation
Ravindra Kumar Kundu	MD & CEO
Arun Selvan	CFO & ED
Vellayan Subbiah	Chairman

Source: Company Website

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