Cholamandalam Investment and Finance Company Limited

April 02, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Subordinated debt - IV	300.00	CARE AA+; Stable	Reaffirmed
Subordinated debt - V	700.00	CARE AA+; Stable	Reaffirmed
Non-convertible debentures – I	1,000.00	CARE AA+; Stable	Reaffirmed
Non-convertible debentures – II (Proposed-Public Issue)	10,000.00	CARE AA+; Stable	Reaffirmed
Perpetual debt instrument - IV	-	-	Withdrawn
Perpetual debt instrument - VI	-	-	Withdrawn
Perpetual debt instrument - VII	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to long-term debt instruments of Cholamandalam Investment and Finance Company Limited (CIFCL) continue to factor in benefits derived from being part of the Murugappa group and CIFCL's established track record in the vehicle finance (VF) segment, supported by a pan-India branch network and experienced management team. Ratings derive strength from diversified funding profile, geographically diversified product portfolio, healthy profitability, and strong liquidity profile. Ratings take note of the increase in the asset under management (AUM) from ₹1,08,840 crore as on March 31, 2023, to ₹1,48,167 crore as on March 31, 2024, and further to ₹1,77,846 crore as on December 31, 2024.

However, ratings remain constrained considering the company's moderate asset quality metrics and moderately high gearing levels despite capital raise in FY24. The gross non-performing assets (GNPA) and net NPA (NNPA) stood at 3.54% and 2.32%, respectively, as on March 31, 2024 against 4.60% and 3.11%, respectively, as on March 31, 2023.

CARE Ratings Limited (CARE Ratings) has withdrawn the rating assigned to the PDI – IV, PDI - VI and PDI-VII of CIFCL with immediate effect, as the company has repaid in full or not utilised these instruments and there is no amount outstanding as on date.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors: Factors that could individually or collectively lead to positive rating action/upgrade:

- Improvement in the scale of operations along with improvement in the profitability indicators, with a return on total assets (ROTA) of more than 3% on a sustained basis.
- Improvement in the capital structure.
- Improvement in the asset quality on a sustained basis.

Negative factors: Factors that could individually or collectively lead to negative rating action/downgrade:

- Deterioration of the asset quality parameters with an increase in GNPA beyond 5% on a sustained basis.
- Weakening of the capital adequacy levels, with Tier-I capital adequacy ratio (CAR) below 12% on a sustained basis.

Analytical approach:

Standalone

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Outlook: Stable

The stable outlook reflects the likely continuation of the stable credit profile, supported by a diversified product profile, healthy profitability and demonstrated fund-raising ability from diversified sources, including benefits derived from being part of the Murugappa group.

Detailed description of key rating drivers:

Key strengths

Benefits derived from being part of Murugappa group

CIFCL is part of the Murugappa group, one of India's largest conglomerates founded in 1900, with a focus towards engineering, auto components, cycles, abrasives, sugar, farm inputs, fertilisers, plantations, bio-products, finance, general insurance, and nutraceuticals. The group has 29 businesses, including 10 companies listed on the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE).

Headquartered in Chennai, major companies of the group include Tube Investments of India Limited, Carborundum Universal Limited, Coromandel International Limited, CG Power and Industrial Solutions Limited and E.I.D. Parry (India) Limited (rated 'CARE A1+'). Being part of the Murugappa group, CIFCL enjoys benefits through its vast client base, which provides comfort to the company's business growth profile. The company also derives financial support from the group as and when required to support the business, as exhibited in the past. As on December 31, 2024, the promoter and promoter group hold 49.92% in the company. Over the years, CIFCL's size and absolute profits have improved. Its profit after tax (PAT) increased from ₹1,186 crore in FY19 to ₹3,423 crore in FY24. In 9MFY25, the company reported a PAT of ₹2,365 crore. At present, CIFCL is a major contributor of profits and market capitalisation of the Murugappa group.

Improvement in disbursement in FY24

CIFCL's total disbursement grew from 33%, from ₹66,532 crore in FY23 to ₹88,725 crore in FY24. The company's business AUM grew by 36% in FY24 from ₹1,08,840 crore as on March 31, 2023, to ₹148,167 crore as on March 31, 2024. Disbursement in the VF segment grew by 22% (PY: 56%) to ₹48,348 crore in FY24 from ₹39,699 crore in FY23, and correspondingly, AUM in the VF segment grew by 26% from ₹68,322 crore as on March 31, 2023, to ₹86,221 crore as on March 31, 2024.

Within VF, disbursements in new vehicles and used vehicles witnessed a growth of 17% and 33%, respectively. Total disbursement in home equity grew by 46% in FY24 with disbursements of ₹13,554 crore in FY24 against ₹9,299 crore in FY23. Disbursement in the MSME segment grew from ₹6,388 crore in FY23 to ₹8,106 crore in FY24 and HL grew from ₹3,830 crore in FY23 to ₹6,362 crore in FY24.

CIFCL has increased its disbursements in three new business divisions in consumer and small enterprise or business loan ecosystem, namely, CSEL, SBPL, and SME loans. New business comprises 8% of total disbursements in FY24 and 9% of the AUM as on March 31, 2024. Disbursement in new business grew from ₹5,073 crore in FY23 to ₹8,156 crore in FY24. The company has done a total disbursement of ₹74,452 crore in 9MFY25 in which VF constituted 53% of the disbursement, loan against property (LAP) constituted 17%, new business constituted 23% and HL constituted 7%. The company is expanding its new business verticals; the performance of its new business remains a key monitorable.

Established track record in vehicle financing and experienced management team

Founded in 1978, CIFCL has a long-standing presence in the Vehicle Finance (VF) sector and has established a robust franchise across India. With 58% of its assets under management (AUM) in VF, the company holds a significant market position. CIFCL's VF portfolio is well-diversified, including light commercial vehicles (LCVs; 27.4% of the VF segment as on December 31, 2024), heavy commercial vehicles (HCVs; 13.9%), cars and multi-utility vehicles (MUVs; 32.6%), tractors (8.3%), construction equipment

(CE; 8.6%), three and two-wheelers (8.1%) & others (1.1%). As of December 31, 2024, new and used vehicles made up 72% and 28% of the outstanding VF portfolio, respectively.

Having a diversified presence across the vehicle segment allows the company to sustain growth even in periods of reduced demand or asset quality issues in any sub-segment. Despite increase in disbursements for new products, CARE Ratings expects the VF portfolio to remain a significant part of the company's assets.

The company's operations are handled by an experienced senior management team, many of whom have been with the group for over a decade. Vellayan Subbiah, the Chairman of CIFCL, has 25 years of experience across fields, including consulting, technology, projects, and financial services. In FY24, Ravindra Kumar Kundu was appointed as Managing Director, bringing over three decades of experience in automobile and financial services industries. The board of directors, overseeing the company's performance, consists of eight members, including three from the Murugappa group and five independent directors.

Geographically diversified business operations

CIFCL's branch network has a pan-India presence and is diversified across 26 states and seven UTs, with 1,577 branches as on December 31, 2024, of which, 1,527 serve VF, 781 branches serve LAP, 710 branches serve home loan (HL), and 495 branches serve Consumer and Small Enterprise Loans (CSEL), 414 branches serve Secured Business and Personal Loan (SBPL) and 89 branches serve SME Loan (SME). Of these, 771 LAP branches, 677 HL branches, 494 CSEL branches, 414 SBPL branches and 89 SME branches are co-located with VF branches. Notably, 91% of the company's branches are in Tier-III, Tier-IV, Tier-V, and Tier-VI towns. The company's branch network is distributed across the north, south, west, and east regions, with 24%, 30%, 22%, and 24% of the total branches, respectively, as on December 31, 2024. Rural, semi-urban, and urban branches accounted for 85%, 10%, and 5% of total branches, respectively, as on December 31, 2024.

Diversified funding profile

CIFCL has a fairly diversified funding profile, with access to funding from banks and market instruments including non-convertible debentures (NCDs), sub-debts, and commercial paper (CP). As on March 31, 2024, the company's funding profile consisted of term loans (inclusive of short-term loans) at 49% of the total borrowings (PY: 57%), followed by securitisation with 18% (PY:10%), debentures with 15% (PY: 16%), IFI with 7% (PY:4%), Tier-II capital with 4% (PY: 5%), FCNR with 4% (PY: 4%), CP with 2% (PY: 4%) and CCD with 2% (PY:0%). As on December 31, 2024, the company's funding profile consisted of term loans (inclusive of short-term loans) at 47% of total borrowings, followed by debentures with 14%, securitisation with 17%, IFI with 6%, Tier-II capital with 6%, ECB with 5%, CP with 3% and CCD with 1%.

Healthy profitability

The company reported PAT of ₹3,423 crore in FY24 (PY: ₹2,666 crore) on total income of ₹19,216 crore (PY: ₹12,978 crore), representing a PAT growth of 28% on a y-o-y basis. In FY24, the net interest margin (NIM) witnessed slight moderation, primarily due to increase in cost of funds, in trend with the industry. Opex (as a percentage of total assets) increased considering an increase in manpower for new businesses and collections. Pre-provision operating profit (PPOP) increased from ₹4,449 crore in FY23 to ₹5,904 crore in FY24. Overall credit cost stood at 0.98% in FY24 (PY: 0.87%). ROTA stood at 2.55% in FY24 against 2.74% in FY23. The company reported a PAT of ₹2,992 crore in 9MFY25 with a PPOP of ₹5,900 crore. NIM & Opex continue to remain at similar level in 9MFY25, whereas ROTA has come down marginally. CARE Ratings expects CIFCL's profitability to remain healthy in the medium term.

Capitalisation levels

CAR and Tier-I CAR stood at 18.56% and 15.09%, respectively, as on March 31, 2024, against 17.13% and 14.78%, respectively, as on March 31, 2023, with the company raising ₹2,000 crore as equity through qualified institutional placements (QIP) and ₹2,000 crore as compulsory convertible debentures (CCDs) in FY24. Overall gearing stood at 7.1x as on March 31, 2024 (PY: 7.1x as on March 31, 2023) and at 7.7x as on December 31, 2024. Adjusted gearing (considering CCD as part of equity) stood at 6.3x as on March 31, 2024, and 6.9x as on December 31, 2024. CAR and Tier-I CAR stood at 19.76% and 14.92%, respectively, as on December 31, 2024. CARE Ratings expects recent capital raise to support growth in the medium term. CARE Rating expects the company to maintain a capital cushion of 2% over the regulatory requirement. CIFCL has demonstrated a track record of equity capital raise. In the past, the company has been able to raise equity from investors (including promoters) with ₹250 crore in FY11, ₹212 crore in FY12, ₹300 crore in FY13, ₹500 crore in FY15, ₹1,200 crore in FY20, and ₹4,000 crore in FY24.

Key weaknesses

Moderate asset quality with improvement witnessed in FY24

Gross Stage 3 and Net Stage 3 improved to 2.48% and 1.33% as on March 31, 2024, against 3.01% and 1.62% as on March 31, 2023, respectively. Post implementation of the Income Recognition, Asset Classification and Provisioning (IRACP) norms, GNPA and NNPA stood at 6.82% and 4.85% as on March 31, 2022. It improved to 4.63% and 3.11%, respectively, as on March 31, 2023, and further to 3.54% and 2.32%, respectively, as on March 31, 2024. Gross Stage 3 and Net Stage 3 stood 2.91% and 1.63% respectively as on December 31, 2024, where as GNPA and NNPA stood at 4.00% and 2.66% respectively.

The 90+ days past due (DPD) in VF stood at 3.02% (on book) as on March 31, 2024, against 3.20% as on March 31, 2023, whereas the LAP segment witnessed significant improvement in the 90+dpd from 4.02% as on March 31, 2023, to 2.43% (on book) as on March 31, 2024. The 90+ DPD stood at 3.67% in VF and 2.27% in LAP as on December 31, 2024.

CARE Ratings expects asset quality to remain at similar levels in the medium term. The ability to improve asset quality while continuing to grow the portfolio will remain a monitorable.

Liquidity: Strong

The company's asset and liability management (ALM) as on December 31, 2024, reflected no cumulative mismatches up to one year. The company's liquidity position (cash and cash equivalents including liquid investments) as on December 31, 2024, stood at ₹9,286 crore. CIFCL has established relationships with bankers, and being part of the Murugappa group supports the company's liquidity profile.

Environment, social, and governance (ESG) risks

The company has taken steps towards sustainability by contributing towards water conservation, energy efficiency, supporting micro businesses in the renewable energy sector, among others. The company has transitioned itself to digital processes to reduce paper wastage.

CIFCL has taken initiatives to ensure employee wellness, diversity and inclusiveness, learning and development, and to empower communities. These initiatives include workshops, projects, and employee assistance programmes, among others.

The company has policies and processes in place to enable highest standards in governance and transparency, ethical behaviour, and board diversity, among others.

Applicable criteria

Definition of Default
Rating Outlook and Rating Watch
Financial Ratios - Financial Sector
Withdrawal Policy
Non Banking Financial Companies

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial Services	Financial Services	Finance	Non Banking Financial Company (NBFC)

CIFCL is an NBFC having a track record of over four decades, promoted by the Chennai-based Murugappa group. As on September 30, 2024, the group holds 50.24% stake in CIFCL. CIFCL has major presence in the VF and HE (home equity; LAP) segment. The company has 1,577 branches as on December 31, 2024, spread across 26 states and seven UTs across India with a business AUM of ₹1,74,566 crore, of which, the share of VF was 55.4%, LAP was 21.5%, HL 9.8%, MSME 3.6% and new business 9.7%.

Brief Financials (₹ crore)	31-03-2023	31-03-2024	31-12-2024
Standalone	A	A	UA
Total income	12,978	19,216	18,934
PAT	2,666	3,423	2,992
Interest coverage (times)	1.63	1.50	1.44
Total assets	1,12,881	1,55,774	1,91,444
Net NPA (%)	1.62/3.11*	1.33/2.32*	1.63/2.66*
ROTA (%)	2.74	2.55	2.30

A: Audited UA: Unaudited; Note: these are latest available financial results
**per IRACP norms*

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Debentures-Non-convertible debentures-I	Proposed	-	-	-	395.00	CARE AA+; Stable
Debentures-Non-convertible debentures-I	INE121A07QU7	12-12-2022	8.30%	12-12 -2025	605.00	CARE AA+; Stable
Debentures-Non-convertible debentures-II (Public issue)	Proposed	-	-	-	10,000.00	CARE AA+; Stable
Debt-Perpetual debt-VI	INE121A08NS6	27-06-2014	12.90%	27-06-2024*	0.00	Withdrawn
Debt-Perpetual debt-IV & VI	INE121A08NT4	09-07-2014	12.90%	27-06-2024*	0.00	Withdrawn
Debt-Perpetual debt-VII	INE121A08NU2	27-08-2014	12.80%	27-08-2024*	0.00	Withdrawn
Debt-Subordinate debt-IV	INE121A08OH7	23-08-2018	9.75%	23-08-2028	300.00	CARE AA+; Stable
Debt-Subordinate debt-V	INE121A08OG9	05-04-2018	9.05%	24-03-2028	530.00	CARE AA+; Stable
Debt-Subordinate debt-V	Proposed	-	-	-	170.00	CARE AA+; Stable

**Refers to date of first call.*

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Bonds-Perpetual Bonds	LT	-	-	-	-	1)Withdrawn (05-Jul-22)	1)CARE AA; Stable (06-Jul-21)
2	Debt-Perpetual Debt	LT	-	-	-	1)Withdrawn (08-Dec-23)	1)CARE AA; Stable (09-Dec-22) 2)CARE AA; Stable (05-Jul-22)	1)CARE AA; Stable (06-Jul-21)
3	Debt-Subordinate Debt	LT	-	-	-	-	1)Withdrawn (09-Dec-22) 2)CARE AA+; Stable (05-Jul-22)	1)CARE AA+; Stable (06-Jul-21)
4	Debt-Perpetual Debt	LT	-	-	-	1)Withdrawn (08-Dec-23)	1)CARE AA; Stable (09-Dec-22) 2)CARE AA; Stable (05-Jul-22)	1)CARE AA; Stable (06-Jul-21)
5	Debt-Perpetual Debt	LT	-	-	1)CARE AA; Stable (27-Jun-24)	1)CARE AA; Stable (08-Dec-23)	1)CARE AA; Stable (09-Dec-22) 2)CARE AA; Stable (05-Jul-22)	1)CARE AA; Stable (06-Jul-21)
6	Debt-Subordinate Debt	LT	-	-	1)Withdrawn (27-Jun-24)	1)CARE AA+; Stable (08-Dec-23)	1)CARE AA+; Stable (09-Dec-22) 2)CARE AA+; Stable (05-Jul-22)	1)CARE AA+; Stable (06-Jul-21)
7	Debt-Perpetual Debt	LT	-	-	-	1)Withdrawn (08-Dec-23)	1)CARE AA; Stable (09-Dec-22) 2)CARE AA; Stable (05-Jul-22)	1)CARE AA; Stable (06-Jul-21)

8	Debt-Perpetual Debt	LT	-	-	1)CARE AA; Stable (27-Jun-24)	1)CARE AA; Stable (08-Dec-23)	1)CARE AA; Stable (09-Dec-22) 2)CARE AA; Stable (05-Jul-22)	1)CARE AA; Stable (06-Jul-21)
9	Debt-Subordinate Debt	LT	-	-	1)Withdrawn (27-Jun-24)	1)CARE AA+; Stable (08-Dec-23)	1)CARE AA+; Stable (09-Dec-22) 2)CARE AA+; Stable (05-Jul-22)	1)CARE AA+; Stable (06-Jul-21)
10	Debt-Perpetual Debt	LT	-	-	1)CARE AA; Stable (27-Jun-24)	1)CARE AA; Stable (08-Dec-23)	1)CARE AA; Stable (09-Dec-22) 2)CARE AA; Stable (05-Jul-22)	1)CARE AA; Stable (06-Jul-21)
11	Debt-Subordinate Debt	LT	300.00	CARE AA+; Stable	1)CARE AA+; Stable (27-Jun-24)	1)CARE AA+; Stable (08-Dec-23)	1)CARE AA+; Stable (09-Dec-22) 2)CARE AA+; Stable (05-Jul-22)	1)CARE AA+; Stable (06-Jul-21)
12	Debt-Subordinate Debt	LT	700.00	CARE AA+; Stable	1)CARE AA+; Stable (27-Jun-24)	1)CARE AA+; Stable (08-Dec-23)	1)CARE AA+; Stable (09-Dec-22) 2)CARE AA+; Stable (05-Jul-22)	1)CARE AA+; Stable (06-Jul-21)
13	Debentures-Non Convertible Debentures	LT	1000.00	CARE AA+; Stable	1)CARE AA+; Stable (27-Jun-24)	1)CARE AA+; Stable (08-Dec-23)	1)CARE AA+; Stable (09-Dec-22)	-
14	Debentures-Non Convertible Debentures	LT	10000.00	CARE AA+; Stable	1)CARE AA+; Stable (27-Jun-24)	-	-	-

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Debentures-Non Convertible Debentures	Simple
2	Debt-Perpetual Debt	Complex
3	Debt-Subordinate Debt	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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