Cholamandalam Investment and Finance Company Limited

October 09, 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	10,000.00	CARE AA+; Stable	Reaffirmed
Commercial paper	15,000.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to debt instruments of Cholamandalam Investment and Finance Company Limited (CIFCL) continue to factor in benefits derived from it 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. Notably, the company's assets under management (AUM) has shown consistent growth—from ₹145,646 crore as on March 31, 2024, to ₹184,746 crore as on March 31, 2025, and further to ₹192,155 crore as on June 30, 2025.

However, ratings remain constrained considering the company's moderate asset quality metrics and moderately high gearing levels despite capital raise in FY24. The Gross Stage 3 (GS3) and Net Stage 3 (NS3) assets stood at 2.81% and 1.54%, respectively, as on March 31, 2025, against 2.48% and 1.33%, respectively, as on March 31, 2024. As on June 30, 2025, the GS3 and NS3 stood at 3.16% and 1.78%, respectively.

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 gross non-performing assets (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

Outlook: Stable

The stable outlook reflects likely continuation of 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 a 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

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

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, when required to support the business, as exhibited in the past. As on June 30, 2025, the promoter and promoter group hold 49.90% 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 ₹4,259 crore in FY25. In Q1FY26, the company reported a PAT of ₹1,136 crore. At present, CIFCL is a major contributor of profits and market capitalisation of the Murugappa group.

Improvement in disbursement in FY25

CIFCL reported a 14% year-on-year growth in total disbursements, increasing from ₹88,725 crore in FY24 to ₹100,869 crore in FY25. The company's business AUM grew by 27% in FY25, rising from ₹148,167 crore as on March 31, 2024, to ₹188,157 crore as on March 31, 2025. The disbursements for Q1FY26 stood at ₹24,325 crore and the AUM stood at ₹195,935 crore as on June 30, 2025.

In the vehicle finance (VF) segment, disbursements rose by 12% in FY25 to ₹53,922 crore (FY24: ₹48,348 crore), compared to a 22% growth in the previous year. Correspondingly, AUM in the VF segment increased by 26%, reaching ₹103,609 crore as on March 31, 2025, from ₹86,263 crore as on March 31, 2024. Within VF, disbursements for new and used vehicles grew by 11% and 13%, respectively.

Home Equity segment recorded strong growth, with disbursements rising by 32% to ₹17,913 crore in FY25, up from ₹13,554 crore in FY24. Disbursements in the MSME segment moderated to ₹7,763 crore in FY25 from ₹8,106 crore in FY24, while the Home Loan (HL) segment grew from ₹6,362 crore in FY24 to ₹7,404 crore in FY25.

Disbursement growth has slowed in SME loans considering exit from less profitable segments. In CSEL there was moderation in growth considering exit from the Fintech-led lending model, prompted by rising delinquencies and regulatory changes, including the cap on first loss default guarantee (FLDG). The new business segments accounted for 21% of total disbursements in FY25 and 12% of the AUM as on March 31, 2025. In the Q1FY26, of the total disbursements, VF contributed 56%, loan against property (LAP) 19%, new business 18%, and home loans (HL) 4%.

Established track record in vehicle financing and experienced management team

Founded in 1978, CIFCL has a long-standing presence in the VF sector and has established a robust franchise across India. With 55% of its AUM allocated to VF, the company holds a prominent market position. CIFCL's VF portfolio is well-diversified, including cars and multi-utility vehicles (MUVs) at 33.6%, light commercial vehicles (LCVs) at 27.2%, heavy commercial vehicles (HCVs) at 13.8%, construction equipment (CE) at 8.6%, two- and three-wheelers at 8.2%, tractors at 7.7%, and others at 1.0% as on June 30, 2025. New vehicles constituted 71% of the outstanding VF portfolio, while used vehicles accounted for the remaining 29%, as on June 30, 2025. 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 sub-segment. Despite increase in disbursements for new products, CARE Ratings Limited (CareEdge 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. Arulselvan D, the Chief Financial Officer of the company, has over 32 years of experience in Finance and management including over 26 years of experience in the group. Further, most senior level management collectively have decades of experience in the company.

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 1,703 branches as on June 30, 2025, of which, 1,581 serve VF, 786 branches serve LAP, 710 branches serve HL, 494 branches serve CSEL, 414 branches serve SBPL, 95 branches serve SME loans and 73 branches serve gold loan. Of these, 776 LAP branches, 677 HL branches, 494 CSEL branches, 414 SBPL branches, and 95 SME branches are co-located with VF branches. Notably, 88% of CIFCL's branches are in Tier-III to Tier-VI towns, reflecting the company's deep rural and semi-urban reach. Regionally, the branch distribution is well-balanced, with 32% in the south, 24% in the east, 23% in the north, and 21% in the west. As on June 30, 2025, rural branches accounted for 82% of the total network, while semi-urban and urban branches each represented 9%.

Diversified funding profile
CIFCL maintains a well-diversified funding profile, with access to a mix of bank borrowings and market instruments such as non-convertible debentures (NCDs), subordinated debt, and commercial paper (CP). As on March 31, 2025, term loans constituted 44% of the company's total borrowings (previous year: 46%), followed by securitisation at 15% (PY: 18%), debentures at 14% (PY: 15%), borrowings from international financial institutions (IFI) at 7% (PY: 7%), Tier-II capital at 6% (PY: 4%), External Commercial Bonds (ECB) borrowings at 8% (PY: 4%), cash credit/working capital demand loans (CC/WCDL) and short-term loans (STL) at 3% (PY: 3%), CP at 2% (PY: 2%), and compulsorily convertible debentures (CCD) at 1% (PY: 2%). As on June 30, 2025, the funding mix remained broadly stable, with term loans at 44%, debentures at 14%, securitisation at 14%, IFI at 7%, Tier-II capital at 7%, ECB at 7%, CC/WCDL and STL at 3%, CP at 3%, and CCD at 1%.

Healthy profitability
CIFCL reported a PAT of ₹4,259 crore in FY25, marking a 24% year-on-year growth from ₹3,423 crore in FY24, on a total income of ₹26,055 crore (PY: ₹19,216 crore). The improvement in net interest margin (NIM) in FY25 was driven by a reduction in the cost of borrowings, while operating expenses (Opex) as a percentage of total assets remained stable compared to the previous year. Pre-provision operating profit (PPOP) rose significantly from ₹5,904 crore in FY24 to ₹8,231 crore in FY25. However, overall credit cost as a percentage of total assets increased to 1.40% in FY25 (PY: 0.98%), primarily due to higher delinquency levels in the VF portfolio. ROTA stood at 2.39% in FY25, slightly lower than 2.55% in FY24. In Q1FY26, the company reported a PAT of ₹1,136 crore and a PPOP of ₹2,412 crore. NIM and Opex remained stable in the quarter, although ROTA declined marginally due to elevated credit costs. CareEdge Ratings expects CIFCL's profitability to remain healthy over the medium term.

Capitalisation levels
As on March 31, 2025, CIFCL reported a capital adequacy ratio (CAR) of 19.75% and a Tier-I CAR of 14.41%, compared to 18.56% and 15.09%, respectively, as on March 31, 2024. Improvement was primarily driven by strong internal accruals. Overall gearing increased to 7.7x as on March 31, 2025 (PY: 7.1x) and remained at the same level as on June 30, 2025. Adjusted gearing, considering compulsorily convertible debentures (CCD) as part of equity, stood at 7.0x on both March 31 and June 30, 2025. As on June 30, 2025, CAR and Tier-I CAR further improved to 19.96% and 14.31%, respectively. CareEdge Ratings expects CIFCL to maintain a capital cushion of at least 2% above the regulatory requirement. The company has demonstrated a consistent track record of equity capital raising, having mobilised ₹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 from investors, including promoters.

Key weaknesses

Moderate asset quality
As on March 31, 2025, CIFCL's Gross Stage 3 and Net Stage 3 assets moderated to 2.81% and 1.54%, respectively, compared to 2.48% and 1.33% as on March 31, 2024. Under the Income Recognition, Asset Classification and Provisioning (IRACP) norms, GNPAs and net NPAs (NNPAs) stood at 3.97% and 2.63%, respectively, as on March 31, 2025. The moderation in asset quality was primarily driven by increased delinquencies in the VF segment, impacted by a weak rural economy and lower vehicle utilisation due to heat waves, excessive rainfall, and election-related disruptions in H1FY25. Although utilisation improved to 70–80% by Q3/Q4, it remained below the previous year's peak of 90%. Recovery in asset quality has been slow, as customers already in Stage 3 face challenges in regularising accounts due to the burden of multiple overdue equated monthly installments (EMIs).

New business segments such as CSEL, SBPL, and MSME lending also experienced elevated delinquencies. In CSEL, the stress was largely attributed to partnership and fintech-originated loans, exacerbated by regulatory changes like the FLDG cap. The company is gradually running down the riskier partnership book and expects asset quality to improve as these exposures reduce and as seasonality in these products normalises.

As on June 30, 2025, CIFCL's Gross Stage 3 and Net Stage 3 assets stood at 3.16% and 1.78%, respectively, while GNPAs and NNPAs under IRACP norms were at 4.29% and 2.86%. The rise in NPA levels in Q1FY26 was primarily driven by the early arrival of the monsoon, which disrupted vehicle movement and led to reduced utilisation. Additionally, a slowdown in industrial production impacted borrower income, particularly in the VF segment. CareEdge Ratings expects asset quality to remain broadly stable in the medium term. The company's ability to improve asset quality while continuing to grow its portfolio will remain a key monitorable.

Liquidity: Strong
The company's asset and liability management (ALM) as on June 30, 2025, reflected no cumulative mismatches up to one year. The company's liquidity position (cash and bank balance) as on June 30, 2025, stood at ₹10,779 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

Although CIFCL's service-oriented business model limits its direct exposure to environmental risks, credit risk may arise if operations of asset class of the portfolio are adversely impacted by environmental factors. The company will proactively develop and introduce innovative financing solutions to support these eco-friendly technologies, ensuring that customers have access to the latest sustainable options.

Social risks in the form of cybersecurity threat or customer data breach or mis-selling practices can affect CIFCL's regulatory compliance and reputation, and hence, remain a key monitorable. The company continues to implement a range of impactful CSR initiatives across the nation, focusing on areas vital for societal progress, such as education, health, and livelihood creation.

CIFCL's Board comprises eight Directors, with five Independent Directors and one female Directors. 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
Short Term Instruments
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 a non-banking financial company (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 1,703 branches as on June 30, 2025, spread across 26 states, and seven UTs across India with a business AUM of ₹1,92,148 crore, of which, the share of VF was 54.8%, LAP was 22.7%, HL was 10.0%, MSME was 3.7%, and new business was 8.9%.

Brief Financials (₹ crore) (Standalone)	March 31, 2024 (A)	March 31, 2025 (A)	June 30, 2025 (UA)
Total income	19,216	26,055	7,331
PAT	3,423	4,259	1,136
Interest coverage (times)	1.50	1.46	1.44
Total assets	155,774	200,676	208,053
Net NPA (%)	1.33/2.32*	1.54/2.63*	1.78/2.86*
ROTA (%)	2.55	2.39	2.23

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	Proposed	-	-	-	10,000.00	CARE AA+; Stable
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
Commercial Paper-Commercial Paper (Standalone)	Proposed	-	-	-	15,000.00	CARE A1+

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 2025-2026	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
1	Bonds-Perpetual Bonds	LT	-	-	-	-	-	1)Withdrawn (05-Jul-22)
2	Debt-Perpetual Debt	LT	-	-	-	-	1)Withdrawn (08-Dec-23)	1)CARE AA; Stable (09-Dec-22) 2)CARE AA; Stable (05-Jul-22)
3	Debt-Subordinate Debt	LT	-	-	-	-	-	1)Withdrawn (09-Dec-22)

								2)CARE AA+; Stable (05-Jul-22)
4	Debt-Perpetual Debt	LT	-	-	-	-	1)Withdrawn (08-Dec-23)	1)CARE AA; Stable (09-Dec-22) 2)CARE AA; Stable (05-Jul-22)
5	Debt-Perpetual Debt	LT	-	-	1)Withdrawn (02-Apr-25)	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)
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)
7	Debt-Perpetual Debt	LT	-	-	-	-	1)Withdrawn (08-Dec-23)	1)CARE AA; Stable (09-Dec-22) 2)CARE AA; Stable (05-Jul-22)
8	Debt-Perpetual Debt	LT	-	-	1)Withdrawn (02-Apr-25)	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)
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)
10	Debt-Perpetual Debt	LT	-	-	1)Withdrawn (02-Apr-25)	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)
11	Debt-Subordinate Debt	LT	300.00	CARE AA+; Stable	1)CARE AA+; Stable (06-Oct-25)	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 (02-Apr-25)			2)CARE AA+; Stable (05-Jul-22)
12	Debt-Subordinate Debt	LT	700.00	CARE AA+; Stable	1)CARE AA+; Stable (06-Oct-25) 2)CARE AA+; Stable (02-Apr-25)	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)
13	Debentures-Non Convertible Debentures	LT	1000.00	CARE AA+; Stable	1)CARE AA+; Stable (06-Oct-25) 2)CARE AA+; Stable (02-Apr-25)	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 (06-Oct-25) 2)CARE AA+; Stable (02-Apr-25)	1)CARE AA+; Stable (27-Jun-24)	-	-
15	Commercial Paper-Commercial Paper (Standalone)	ST	15000.00	CARE A1+	1)CARE A1+ (06-Oct-25)	-	-	-

LT: Long term; ST: Short 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	Commercial Paper-Commercial Paper (Standalone)	Simple
2	Debentures-Non-convertible debentures	Simple
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: CareEdge 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.

Contact us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Sanjay Agarwal Senior Director **CARE Ratings Limited** Phone: +91-22-6754 3500 E-mail: Sanjay.Agarwal@careedge.in
Relationship Contact Pradeep Kumar V Senior Director **CARE Ratings Limited** Phone: 044-2850 1001 E-mail: pradeep.kumar@careedge.in	Vineet Jain Senior Director **CARE Ratings Limited** Phone: +91-22-6754 3623 E-mail: vineet.jain@careedge.in Akansha Akshay Jain Assistant Director **CARE Ratings Limited** Phone: +91-22-6754 3491 E-mail: akansha.jain@careedge.in

About us:
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