

HSIE Results Daily

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Results Reviews

- Cholamandalam Investment and Finance Company:** Chola's Q4FY24 earnings were ahead of our estimates on account of strong AUM growth (+37% YoY), NIM reflation (7.8%) and lower credit costs (55bps) but were partially offset by higher opex intensity. While the pace of disbursal growth moderated to 18% YoY in Q4 due to the vehicle finance segment, management remains upbeat about AUM growth of ~25-30%, driven primarily by increasing penetration of other loan products in existing branches. With steady NIMs and credit costs, Chola's profitability is likely to reflate with improvement in operating efficiency, particularly in new businesses. We tweak our earnings estimates to build in higher AUM growth and fee income, partially offset by higher opex intensity; maintain ADD with a revised RI-based TP of INR1,490 (implying 4.5x Mar-26 ABVPS, ~10% discount to BAF's implied multiple).
- Godrej Properties:** Godrej Properties Ltd (GPL) reported yet another record quarterly presales worth INR 95.1bn (+193/+89% YoY/QoQ), with a booking area of 8.2msf (84.8/55.9% YoY/QoQ). On the back of the strong presales, GPL has surpassed its presales guidance of INR 140bn by 61% and has provided strong guidance of INR 270bn against a backdrop of healthy launches for FY25; GPL added 12 new projects with a gross development value (GDV) of INR 212bn in FY24, surpassing its annual guidance by 61%. GPL expects to achieve INR 200bn of GDV addition in FY25. However, given a strong launch pipeline of ~22msf with an expected launch value of INR 300bn for FY25 and growth visibility of 2-3 years, GPL will be adding projects on a replacement basis in most of the existing markets. Moreover, on the much-awaited Family Settlement Agreement, GPL will continue its association for land development in Vikhroli where the developer has 10% of revenue share. We have increased SOTP valuation to INR 2,554/sh (assumed 5-10% higher realisation). Given the punchy valuation, we reiterate ADD.
- Federal Bank:** Federal Bank (FB) Q4FY24 earnings missed estimates, on account of a one-off opex provision of INR1.6 bn for wage revision, partly offset by reversal of credit cost provisions and healthy loan growth (+20% YoY). Deposit growth (18% YoY) was healthy but came in at the cost of a softer CASA ratio at 29.4% (-125 bps QoQ). With the recent embargo on co-branded credit cards, FB needs to revisit its operating strategy with its fintech partners. The bank continues its foray into enhancing its market share in relatively high-yield segments to drive further business productivity on both sides of the balance sheet. Better yields, higher productivity, and fee traction are key for the bank to sustain current RoA levels over FY25-26. With the impending turn in the rate cycle by the end of FY25, we believe that a higher mix of floating-rate loans could potentially lead to margin pressure. We tweak our forecasts to factor in margin pressures and higher provisions, offset by higher loan growth and better operating efficiency; maintain BUY, with a TP of INR195 (1.3x Mar-26 ABVPS).

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Cholamandalam Investment and Finance Company

Delivering on most metrics

Chola's Q4FY24 earnings were ahead of our estimates on account of strong AUM growth (+37% YoY), NIM reflation (7.8%) and lower credit costs (55bps) but were partially offset by higher opex intensity. While the pace of disbursal growth moderated to 18% YoY in Q4 due to the vehicle finance segment, management remains upbeat about AUM growth of ~25-30%, driven primarily by increasing penetration of other loan products in existing branches. With steady NIMs and credit costs, Chola's profitability is likely to reflate with improvement in operating efficiency, particularly in new businesses. We tweak our earnings estimates to build in higher AUM growth and fee income, partially offset by higher opex intensity; maintain ADD with a revised RI-based TP of INR1,490 (implying 4.5x Mar-26 ABVPS, ~10% discount to BAF's implied multiple).

- Strong all-around operating performance barring opex intensity:** Chola's NIM reflat by 40bps sequentially to 7.8%, driven by yield reflation across segments and steady cost of funds. Other income grew by 89% YoY, led largely by insurance commission income. Chola's investments in distribution (employees, branches, etc.) across segments are reflected in higher opex intensity (~3.7% of AUM – annualised; C/I ratio at 44%). Management has indicated incremental focus towards sweating these investments to drive reflation in profitability metrics.
- Asset quality improves further; provisions tad below guidance:** GS-III/NS-III improved sequentially to 2.5%/1.4% (Q3FY24: 2.8%/1.6%) with GS-II at 2.2% (Q3FY24: 3.1%). Credit costs moderated sequentially to ~55bps (annualised), driven by the vehicle finance segment and were at ~104bps for FY24 (a tad below management guidance). Credit costs and delinquencies in new businesses were steady during the quarter.
- Diversified portfolio with levers for growth and cost optimisation:** Chola's incremental growth is likely to be driven by non-vehicle finance segments (~42% of AUM) as the vehicle finance outlook remains relatively muted. Investments in distribution in the last two years as well as room for improving branch penetration for non-vehicle loan products are likely to drive loan growth over FY25-FY26E. Further, new businesses are approaching an inflexion point with room for operating efficiency, having achieved fair profitability in a relatively short time.

Financial summary

(INR bn)	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)	FY23	FY24	FY25E	FY26E
NII	23.5	17.6	33.4	21.7	8.5	63.3	83.8	108.1	135.2
PPOP	16.3	12.7	27.9	15.2	7.4	44.5	59.0	77.7	97.9
PAT	10.6	8.5	24.1	8.8	20.8	26.7	34.2	45.9	58.8
EPS (INR)	12.6	10.4	21.3	10.5	20.3	32.4	40.7	54.6	68.7
ROAE (%)						20.5	20.2	21.1	21.2
ROAA (%)						2.7	2.5	2.6	2.7
ABVPS (INR)						133.9	209.7	257.0	331.5
P/ABV (x)						9.8	6.3	5.1	4.0
P/E (x)						40.4	32.2	24.0	19.1

Change in estimates

INR bn	FY25E			FY26E		
	Old	New	Chg	Old	New	Chg
AUM	1,726	1,815	5.2%	2,099	2,231	6.3%
NIM (%)	6.2	6.2	-5 bps	6.3	6.2	-10 bps
NII	106.1	108.1	1.9%	131.4	135.2	2.9%
PPOP	74.7	77.7	4.0%	95.7	97.9	2.4%
PAT	43.7	45.9	4.9%	56.9	58.8	3.3%
ABVPS (INR)	244	257	5.2%	317	332	4.6%

Source: Company, HSIE Research

ADD

CMP (as on 3 May 2024)	INR 1,310
Target Price	INR 1,490
NIFTY	22,476

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 1,285	INR 1,490
EPS %	FY25E 4.8%	FY26E 3.2%

KEY STOCK DATA

Bloomberg code	CIFC IN
No. of Shares (mn)	840
MCap (INR bn) / (\$ mn)	1,100/13,186
6m avg traded value (INR mn)	2,113
52 Week high / low	INR 1,353/871

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	12.8	15.5	47.7
Relative (%)	10.3	0.7	27.0

SHAREHOLDING PATTERN (%)

	Dec-23	Mar-24
Promoters	50.4	50.4
FIs & Local MFs	18.4	17.0
FPIs	24.7	26.0
Public & Others	6.5	6.6

Pledged Shares 0.0

Source: BSE

Pledged shares as % of total shares

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Godrej Properties

Guidance beat

Godrej Properties Ltd (GPL) reported yet another record quarterly presales worth INR 95.1bn (+193/+89% YoY/QoQ), with a booking area of 8.2msf (84.8/55.9% YoY/QoQ). On the back of the strong presales, GPL has surpassed its presales guidance of INR 140bn by 61% and has provided strong guidance of INR 270bn against a backdrop of healthy launches for FY25; GPL added 12 new projects with a gross development value (GDV) of INR 212bn in FY24, surpassing its annual guidance by 61%. GPL expects to achieve INR 200bn of GDV addition in FY25. However, given a strong launch pipeline of ~22msf with an expected launch value of INR 300bn for FY25 and growth visibility of 2-3 years, GPL will be adding projects on a replacement basis in most of the existing markets. Moreover, on the much-awaited Family Settlement Agreement, GPL will continue its association for land development in Vikhroli where the developer has 10% of revenue share. We have increased SOTP valuation to INR 2,554/sh (assumed 5-10% higher realisation). Given the punchy valuation, we reiterate ADD.

- Q4FY24 financial highlights:** Revenue came in at INR 14.2bn (-13%/333% YoY/QoQ, a 10% miss). During the quarter, GPL delivered 6msf, which pushed its revenue. EBITDA: INR 1228mn (vs INR 3460mn/(416)mn Q4FY23/Q3FY24) against an estimate of INR 3692mn. APAT: INR 4780mn (+5%/662% YoY/QoQ, a 23% beat). GPL is targeting 15msf of deliveries for FY25.
- Record quarterly presales; surpassing its annual guidance:** Presales for Q4FY24 were the highest-ever quarterly at INR 95.1bn (+193/+89% YoY/QoQ), with a booking area of 8.2msf (84/55.9% YoY/QoQ). The overall average price realisation was INR 11,651psf (+58%/+21%, YoY/QoQ). For FY25, GPL expects to achieve presales worth INR 270bn. Collections in Q4FY24 were strong and stood at INR 46.9bn (+22/+94% YoY/QoQ), resulting in a net operating cash flow of INR 26bn. Net debt, however, declined to INR 61bn (INR 69bn in Dec'23) with net D/E at 0.62x, aided by record quarterly collections.
- Long-awaited Family Settlement:** The Family Agreement represents a pivotal step towards harmonising the interests of the Godrej family. Under this agreement, the ongoing Vikhroli land MoU will persist, ensuring the seamless continuation of projects on the Vikhroli land parcel, i.e., the developer would follow the DM model and shall have 10% of the revenue share.

Consolidated financial summary (INR mn)

YE March (INR mn)	4QFY24	4QFY23	YoY (%)	3QFY24	QoQ (%)	FY23	FY24E	FY25E	FY26E
Net Sales	14,261	16,463	(13)	3,304	332	22,523	30,356	34,910	40,146
EBITDA	1,228	3,460	(65)	(416)	(395)	2,476	-1,297	-834	-264
APAT	4,780	4,539	5	627	662	5,714	7,689	6,568	6,855
Diluted EPS (INR)	17.2	16.3	5.3	2.3	662.5	20.6	27.7	23.6	24.7
P/E (x)						111.9	83.2	97.4	93.3
EV / EBITDA (x)						260.5	(496.8)	135.7	107.9
RoE (%)						6.4	8.6	5.8	5.0

Source: Company, HSIE Research

Change in Estimates

INR mn	FY25E			FY26E		
	New	Old	% chg.	New	Old	% chg.
Revenues	37,945	29,786	27	45,534	34,254	33
EBIDTA	44	4,767	(99)	1,163	6,025	(81)
EBIDTA Margins (%)	0.1	16.0	NA	2.6	17.6	NA
APAT	7,536	6,630	13.7	8,343	7,370	13.2

Source: Company, HSIE Research

ADD

CMP (as on 3 May 2024)	INR 2,570
Target Price	INR 2,554
NIFTY	22,476

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 2,374	INR 2,554
EPS Change %	FY25E 13.7	FY26E 13.2

KEY STOCK DATA

Bloomberg code	GPL IN
No. of Shares (mn)	278
MCap (INR bn) / (\$ mn)	714/8,564
6m avg traded value (INR mn)	1,846
52 Week high / low	INR 2,792/1,277

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	8.2	44.0	93.4
Relative (%)	5.7	29.2	72.7

SHAREHOLDING PATTERN (%)

	Dec-23	Mar-24
Promoters	58.48	58.48
FIs & Local MFs	4.69	5.56
FPIs	29.73	29.67
Public & Others	7.10	6.31
Pledged Shares	-	-

Source: BSE

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Federal Bank

Need to capitalise on superior deposit franchise

Federal Bank (FB) Q4FY24 earnings missed estimates, on account of a one-off opex provision of INR1.6 bn for wage revision, partly offset by reversal of credit cost provisions and healthy loan growth (+20% YoY). Deposit growth (18% YoY) was healthy but came in at the cost of a softer CASA ratio at 29.4% (-125 bps QoQ). With the recent embargo on co-branded credit cards, FB needs to revisit its operating strategy with its fintech partners. The bank continues its foray into enhancing its market share in relatively high-yield segments to drive further business productivity on both sides of the balance sheet. Better yields, higher productivity, and fee traction are key for the bank to sustain current RoA levels over FY25-26. With the impending turn in the rate cycle by the end of FY25, we believe that a higher mix of floating-rate loans could potentially lead to margin pressure. We tweak our forecasts to factor in margin pressures and higher provisions, offset by higher loan growth and better operating efficiency; maintain BUY, with a TP of INR195 (1.3x Mar-26 ABVPS).

- **Steady growth with stable margins:** FB reported healthy NII growth (+15% YoY) and stable NIMs (3.2%) as the incremental cost of funds (+17bps QoQ) was offset by higher yields and marginal benefit from higher recoveries and upgrades. Loan growth (+20% YoY) was healthy with growth coming in high-yielding segments - PL, CC, CV/CE, and MFI - now contributing 24.6% of the total loans (FY23: 21.8%). These categories, organically and by way of fintech partnerships, are likely to begin incrementally contributing to a meaningful share of revenue and loan book by FY25/26.
- **Benign asset quality:** GNPA (2.1%) improved significantly from lower slippages and a strong pickup in recoveries and upgrades. We believe credit cost would normalise upwards going forward to 35-40bps by FY25/26.
- **Partnerships key for better operating efficiencies:** Continued investments in technology, distribution and people are likely to keep medium-term opex elevated. Incremental deposit re-pricing over the next few quarters, coupled with the eventual impact of rate cuts starting in H2FY25, is expected to exert margin pressures. We argue that FB needs to sustain its efforts to monetise its fintech partnerships for better operating efficiencies to reflate RoAs.

Financial summary

(INR bn)	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)	FY24	FY25E	FY26E
NII	22.0	19.1	15.0%	21.2	3.4%	82.9	98.3	113.5
PPOP	11.1	13.3	-16.8%	14.4	-22.8%	51.7	66.8	80.0
PAT	9.1	9.0	0.4%	10.1	-10.0%	37.2	42.6	49.4
EPS (INR)	3.7	4.2	-12.6%	4.2	-11.5%	15.3	17.5	20.3
ROAE (%)						14.7	13.7	14.0
ROAA (%)						1.3	1.3	1.3
ABVPS (INR)						114.3	129.9	148.5
P/ABV (x)						1.5	1.3	1.1
P/E (x)						10.9	9.5	8.2

Change in estimates

(INR bn)	FY25E			FY26E		
	Old	New	Δ	Old	New	Δ
Net advances	2,342	2,467	5.3%	2,706	2,907	7.4%
NIM (%)	3.5	3.3	-19 bps	3.5	3.3	-24 bps
NII	99.5	98.3	-1.2%	114.7	113.5	-1.0%
PPOP	65.6	66.8	1.8%	76.5	80.0	4.5%
PAT	44.1	42.6	-3.5%	50.7	49.4	-2.5%
Adj. BVPS (INR)	126.5	129.9	2.7%	143.4	148.5	3.5%

Source: Company, HSIE Research

BUY

CMP (as on 3 May 2024) INR 166

Target Price INR 195

NIFTY 22,476

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR190	INR195
	FY25E	FY26E
EPS %	-3.5%	-2.5%

KEY STOCK DATA

Bloomberg code	FB IN
No. of Shares (mn)	2,435
MCap (INR bn) / (\$ mn)	404/4,844
6m avg traded value (INR mn)	2,351
52 Week high / low	INR 170/121

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	13.8	15.6	20.5
Relative (%)	11.3	0.9	(0.2)

SHAREHOLDING PATTERN (%)

	Dec-23	Mar-24
Promoters	0	0
FIs & Local MFs	44.7	45.4
FPIs	29.4	28.6
Public & Others	25.9	26.0
Pledged Shares	0	0

Source : BSE

Pledged shares as % of total shares

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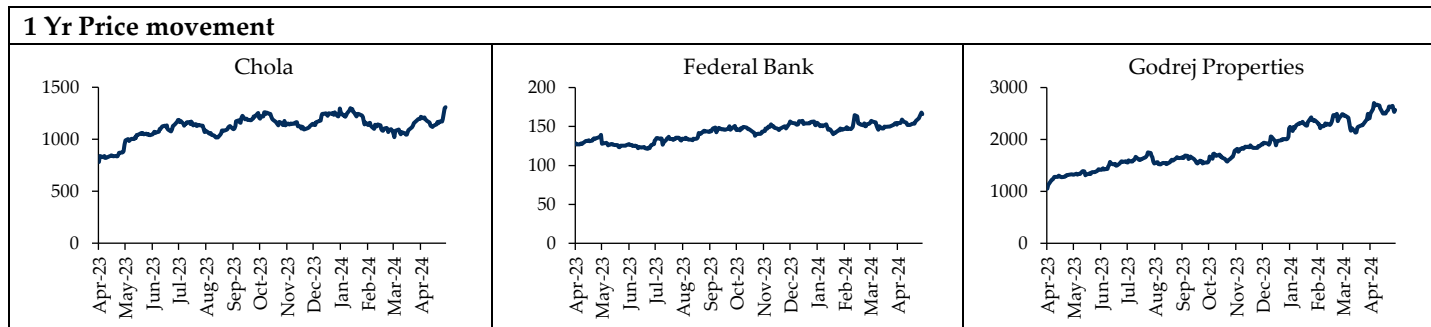
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Rating Criteria

- BUY: >+15% return potential
- ADD: +5% to +15% return potential
- REDUCE: -10% to +5% return potential
- SELL: > 10% Downside return potential

Disclosure:

Analyst	Company Covered	Qualification	Any holding in the stock
Krishnan ASV	Cholamandalam Investment and Finance Company, Federal Bank	PGDM	NO
Deepak Shinde	Cholamandalam Investment and Finance Company	PGDM	YES
Akshay Badlani	Cholamandalam Investment and Finance Company	CA	YES
Deepak Shinde	Federal Bank	PGDM	NO
Akshay Badlani	Federal Bank	CA	NO
Parikshit Kandpal	Godrej Properties	CFA	NO
Jay Shah	Godrej Properties	CA	NO



Disclosure:

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