

Cholamandalam Investment and Finance Company Limited

CIN-L65993TN1978PLC007576

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**TRANSCRIPT OF THE PROCEEDINGS OF THE 45th ANNUAL GENERAL MEETING OF COMPANY
HELD AT 4 P.M. ON TUESDAY, 1st AUGUST, 2023
THROUGH VIDEO CONFERENCE**

Participants:

1. Mr. Vellayan Subbiah - Non-Executive Chairman
2. Mr. N Ramesh Rajan - Independent Director
3. Mr. Anand Kumar - Independent Director
4. Mr. M A M Arunachalam - Independent Director
5. Ms. Bhama Krishnamurthy - Independent Director
6. Mr. Rohan Verma - Independent Director

7. Mr. Ravindra Kumar Kundu - Executive Director
8. Mr. D Arul Selvan - Chief Financial Officer
9. Ms. P Sujatha - Company Secretary
10. Shareholders

Welcome Address by Mr. Vellayan Subbiah, Non-Executive Chairman.

Good afternoon ladies and gentlemen, it gives me great pleasure to welcome you all to the 45th Annual General meeting of your company through a video conference, I hope you, and all of your family members are safe, and in good health.

As you are aware that the Ministry of Corporate Affairs, have continued to permit companies to hold the AGM through video conferencing or other audio visual means and send the notice of the AGM along with annual report to shareholders electronically for the financial year ended 2023, accordingly, considering the opportunity and access to our shareholders from across the country to participate in the meeting of the 45th AGM of the company is being conducted through video conference.

The company had issued an advertisement informing shareholders, to register their email addresses to enable the company to send these documents electronically to them. The notice for the AGM, and the annual report for 2023 have been sent electronically to all shareholders whose email addresses are registered with the Share transfer agent and or Depository participants further, the company has sent a physical copy of the annual report to those shareholders who have requested for the same.

The requisite quorum for the meeting is present and I'll call the meeting to order.

May I now introduce the board members and the senior management personnel attending the meeting, Mr. Ramesh Rajan, Chairman of the Audit Committee, Mr. Anand Kumar, Chairman of the Nomination

and Remuneration Committee, Mr. M. A. M. Arunachalam, Chairman of the Stakeholders Relationship Committee, Ms. Bhama Krishnamurthy, Chairperson of the Risk Management Committee, Mr. Rohan Verma, Chairman of the IT Strategy Committee, Mr. Ravindra Kundu Executive Director, Mr. D. Arulsevan, Chief Financial officer and Ms P Sujatha, Company Secretary. Mr. A. J Shaikh, Partner representing M/s. Price Waterhouse LLP, Ms. Usha representing M/s. Sundaram & Srinivasan, Joint Statutory Auditors and Mr. Sridharan, Secretarial Auditor and Scrutinizer for the purpose of remote e-voting and voting process at the AGM have also joined the meeting through video conference at the AGM.

The AGM notice and the annual report for the financial year 2023 have already been circulated to all shareholders with all with their permission. I wish to take the notice convening the meeting as read. Members seeking to inspect the Register of Directors, Key Managerial Personnel and their Shareholding, Register of Contracts or Arrangements in which the Directors are interested and the other documents mentioned in the notice may contact the Company Secretary or send an email to investors@cholamandalam.com.

The joint statutory auditor's report on the financial statements of the Company for the year ended 31st March, 2023 does not have any qualifications or observations or comments or other remarks on financial transactions or matters having any adverse effect on the functioning of the Company. The secretarial auditors report for the financial year ended 31st March, 2023 also does not contain any qualifications, observations, comments, or other remarks. Accordingly, the joint statutory auditor's report and the secretarial auditor's report are not required to be read out at the meeting, and my message to shareholders has already been circulated as part of the annual report. I will briefly touch upon important points from my message.

Ladies and gentlemen, despite macro-economic challenges, such as the pandemic-induced contraction, international geopolitical conflicts, and monetary tightening and inflationary pressures the Indian economy has shown signs of a broad-based recovery across various sectors. The resilience of our economy along with the strong fundamentals has placed it in a favorable position compared to other emerging market economies.

In this recovering economy, I am delighted to bring to you an update that we achieved our best-ever disbursements, collections, and profitability. We are making progress towards our long-term vision of building an ecosystem model, with our new businesses starting to make significant contributions. During FY 23, we have successfully implemented multiple initiatives across employee productivity, branch expansion, IT enablement, and customer engagement to drive growth and enhance customer experience.

I would like to highlight a few key initiatives that we implemented during the year:

Enhancement to the digital assets across our businesses, CSEL, SBPL, & SME

First time introduction of our 'Direct-to-Customer' (D2C) journey – a cutting-edge initiative to cater directly to our customers, providing a best-in-class customer experience. D2C enables application within a few

minutes, same-day disbursement, paving the way for scaling up to a wider customer base and reinforcing our commitment to innovation and customer satisfaction.

Launched new-age customer mobile app, Chola ONE, which provides an exceptional digital journey for our customers and serves as a one-stop shop for all their financial needs.

Adoption of Design Thinking and LEAN principles to improve productivity, reduce turnaround time, and deliver an optimal user experience through our efficient digital platform.

In line with our focus on the vehicle ecosystem, we continued to enhance and promote our GaadiBazaar offering. The Gaadi Bazaar platform provides a range of services and products related to vehicles, serving both retail customers and vehicle brokers and dealers.

Industry Review:

Improvement in economic activity, revival of construction / mining activities and semiconductor supplies were positives for the industry. Sale of commercial vehicles, passenger vehicles and two-wheelers registered double digit growth in FY 23. Rate increase during the year impacted the NBFCs. The progressive reforms introduced by the government for SME sector have been fruitful which is reflected in the business activity and improved credit uptake by enterprises across all the segments.

We remain committed to driving growth, leveraging digital innovation, and delivering exceptional customer experiences. Our strong performance in the face of challenges reflects the resilience and adaptability of our business model.

Company Review

Your company delivered the best-ever disbursements, collections, and profitability in Q4 FY 23 by gaining market share across product segments in Vehicle Finance and other business units. The AUM grew to Rs.112,782 crore (Up by 36% YoY). FY 23 disbursements were at Rs.66,532 crore as against Rs.35,490 crore in the previous year (Up by 87% YoY). Consolidated Profit Before Tax (PBT) for FY 23 was at Rs.3,615 crore as against Rs.2,902 crore in the previous year (Up by 25% YoY).

Your company has been identified as an Upper Layer NBFC (NBFC-UL) by the Reserve Bank of India under the Scale Based Regulatory Framework for NBFCs. We kept ALM in focus, closely tracked RBI's commentaries, observed the market dynamics, and engaged in continuous dialogue with lenders to ensure a healthy ALM amidst the rising interest rate regime. Your company managed the mix of borrowings from different sources to optimise the cost of funds. We also monitored liquidity closely to ensure availability of funds at best rates to enable the growth.

During the year, we continued to emphasise on sustainable governance and growth in all aspects of its business. Our Environmental, Social, and Governance (ESG) framework will help to reinforce principles of ESG in all aspects of business, and focus our efforts on responsible products, improving efficiency, people power and environmental consciousness.

Our strong focus on CSR continued during the year, with all the programs approved by the board effectively implemented as we fully utilised our budget.

Our employees are the greatest strength of Chola. As always, they have worked with extraordinary commitment during the last year, and I thank each one of them and their families for the contribution. I would also like to thank the board for their constant guidance and support. Further, I would specially like to thank RBI, bankers, and business partners for their continued support for our company over the years.

On behalf of the company and board of directors, I specifically thank the independent directors Mr. Ashok Kumar Barat who retired from the board upon completion of his tenure and Mr. Bharath Vasudevan who stepped down from the board for their guidance and support.

I express my deepest gratitude to all of you for your continued trust, support & patronage as we strive to transform Chola to be one of the most relevant NBFC in India.

Thank you

END OF CHAIRMAN'S SPEECH

I now wish to call upon Mr. Ravindra Kumar Kundu, Executive Director to share performance highlights of the company during the financial year 2023, and for the quarter ended 30th June, 2023, as approved by the Board at its meeting held earlier today.

Ravindra Kumar Kundu, Executive Director

Thank you very much Chairman. Good afternoon ladies and gentlemen. My name is Ravindra Kumar Kundu, I'm the Executive Director of the Company. Welcome to the 45th Annual General Meeting of Cholamandalam Investment and Finance Company Limited. I will present the financial results of the financial year ended 31st March, 2023 and the financial results for the quarter ended 30th June, 2023. The Company is having 1,191 branches across the Country and the Union Territories. Vehicle Finance division is operating from 1,133 branches, Loan Against property division is operating from 587 branches, Home loan division is operating from 499 branches, Consumer and small enterprises loan division is operating from 352 branches, Secured business and personal loans division is operating from 171 branches and Small and medium enterprises loan division is operating from 54 branches. All these business lines are mostly collocated in addition to these branches, we have head office and 6 locations for functions and operations and 80% of the branches are in tier 3 tier 4,5,6 towns therefore, this is one of the best things we are doing in terms of financial inclusion in the country.

We are an asset finance company and non-deposit accepting NBFC. We have 6 business lines, namely vehicle finance, loan against property, affordable home loans, small and medium enterprises loan, consumer & small enterprises loan and secured business and personal loans.

Now, I will take you through the highlights of the company for the FY 23. So, last year was very good year as mentioned earlier. We have achieved highest disbursement of Rs.65,000 crores with the growth across all major product segment. Our asset under management grew by 1 lakh crores in FY 23 with the growth of over 39%. The Company has been consistent in delivering a profit after tax growth over 20% in the last 10 years. In FY 23 PAT growth was at 24%.

We are consistently delivering return on equity of over 15% in the last 10 years. For FY 23 the ROE was at 20.6%. We launched the maiden public issue of NCDs of Rs.5,000 crores in FY 23 and we have achieved a huge success when raising the 1st tranche in April, 2023. Our strong collection resulted in improved asset quality with Gross Stage 3 improving from 3% in FY 23 as compared to 4.4% in the FY 22. We have increased our customer base to 25 lakhs in FY 23 from 18 lakhs in FY 22. Our capital adequacy stood at 17.13% with tier 1 capital at 14.78% in March 23. We propose to raise capital by way of QIP over the next few months to further strengthen our capital position in line with our growth plans.

I will take you through the standalone financials in detail, in terms of each parameter. Disbursement went up to Rs.66,532 crores in FY 23 as against the Rs.35,490 crores in FY 22 and therefore, the company achieved 87% growth. Income went up by 28% to Rs.12,978 crores in FY 23 as against the Rs.10,139, in FY 22 and finance costs went up by 34% to Rs.5,749 crores as against the Rs.4,299 crores of FY 22, our operating expenses went up by 34% to Rs.2,780 crores for FY 23 as against the Rs.2,069 crores incurred for FY 22 and our loan losses was Rs.850 crores as against Rs.880 crores and therefore we have reduced our losses by 3%, Taxes went up by 25% and we achieved Profit before tax of Rs.3,600 crores in FY, 23 as against Rs.2,891 crores in FY 22. our profit after tax has improved by 24% to Rs.2,666 crores over previous year of PAT of Rs.2,147 crores. Moving to the balance sheet of the Company. The total asset of the balance sheet is actually gone up by 38% to Rs.1,13,516 crore as against the Rs.82,363 crores in FY 22. Our net worth has gone up by 22% to Rs.14,296 crores as against the Rs.11,708 crores in FY 22. Borrowings have also gone up for 41% to Rs.97,356 crores as against the Rs.69,174 crores in FY 22.

I will take you through the financial result of first quarter of FY 24, in Q1 of FY 24, we continued our growth journey as similar to the previous year. We have achieved 50% disbursement growth over the previous year Q1 of FY 23 of Rs.13,329 crores as against Rs.20,015 crores in Q1 of FY 24, the assets under management has gone up to Rs.1,22,755 crores during the first quarter of FY 24 by 42% over Rs.86,703 crores in first quarter of FY 23 and therefore, profit after tax has gone up by 28% in this quarter to Rs.726 crores as against Rs.566 crores in first quarter of FY 22, earnings per share has gone up by 29% to Rs.36/- as against Rs.28/- for first quarter FY 23, and we have achieved a growth of 22% in book value per share, as it has also gone up from Rs.150/- to Rs.183/- . Our gross stage 3 assets have significantly improved in this quarter from 4.2% to 3.1%, and therefore we have to reduced our stage 3 assets by 1.1%.

Thank you very much.

Thank you, Chairman for the opportunity and over to you.

Chairman: Thank you, Ravi.

We now take up the resolutions as set forth in the notice of the meeting. Item numbers 1 to 4 set out as ordinary business and the notice of the meeting are as under:

Ordinary Resolution:

Item No.1: Adoption of standalone financial statements together with the board's report and the independent auditor's report thereon for the financial year ended 31st March, 2023.

Item No.2: Adoption of consolidated financial statements together with the independent auditor's report thereon for the financial year ended 31st March, 2023.

Item No.3: To confirm the interim dividend paid on equity shares for the year ended 31st March, 2023 and declaration of final dividend on the outstanding equity shares of the company for the year ended 31st March, 2023.

Item No.4: Re-appointment of Mr. M. A. M. Arunachalam, director retiring by rotation.

Special resolution:

Item numbers 5 to 7 set out a special business in the notice of the meeting are as under.

Item No.5: Increase in borrowing powers under Section 180(1)(c) of the Companies Act, 2013 up to a sum not exceeding Rs.2,00,000 crores.

Item No.6: Approval for commission payable to Mr. Vellayan Subbiah, non-executive chairman for financial year ended 31st March, 2023.

Item No.7: Re-appointment of Mr. N Ramesh Rajan as an independent director for a second term of 5 consecutive years.

Item No.8: Re-appointment of Mr. Rohan Verma as an independent director for a second term of 5 consecutive years.

Item No.9: Approval for amendment of articles of association of the company for substituting the existing clause 17.8. to include the terms for appointment of nominee director, as required under the SEBI (Debenture Trustees) Regulations, 1993.

The Company has engaged the services of National Securities Depository Limited ("NSDL") to provide the facility of remote e-voting to all of its members to cast their vote on all businesses contained in the notice. Voting right is available to the members who hold shares in the company as of the cut-off date, i.e., July 25, 2023. The electronic voting window was kept open from 9 a.m. on Friday, July 28, 2023 till 5 p.m. on Monday, July 31, 2023. Thereafter, the remote e-voting facility was disabled by NSDL.

Members who have not cast their vote through remote voting may cast their vote through the voting facility provided at the meeting. The e-voting window will now be activated for allowing the members to cast their vote. Members are requested to refer to page 8 to 12 of the AGM notice for instructions on E-voting during the meeting. We now move to the question and answer session. The annual report for the year ended 31st March, 2023 has been with you for some time now. The company had provided an opportunity to shareholders to post their queries and also to register themselves as speakers if they wish to speak at the meeting. 5 speakers have registered to speak at the meeting. None of the shareholders have posted their queries or questions through the NSDL platform.

May I now request the moderator to facilitate the registered speakers to speak or raise clarifications regarding the accounts and operations of the Company during the year 2022-23. Members are requested to keep their questions and comments brief and specific and not to repeat the questions already raised. I suggest that members confine their questions on the company's operations and the annual accounts. After all the questions are tabulated, I shall be pleased to answer the same or have them answered to the extent that the same is not prejudicial to the interests of the Company.

QUESTION AND ANSWER SESSION

Names of the Shareholders have been called out by the Moderator in seriatim:

1. Mr. Bhupendrakumar R Parikh – Not available
2. Mr. Suresh Jain - Not available
3. Mr. Prabhjot Singh Sahni - Not available
4. Ms. Kirti Shah - Not available
5. Mr. Aspi Bamanshaw Bhesania

I am Aspi from Bombay. Thanks for giving me an opportunity to talk. Sir, next year, when the physical meeting starts, please continue with the hybrid meeting. The Chairman looks very simple today. However, his picture the annual report is with the suit. So, does he prefer a suit or a plane shirt and pants? Didn't hear it. Okay. Good. So, our revenues have increased on Q-on-Q and year-on-year. However, profit is reduced quarter on quarter. So, what are the reasons. So, during the year, our income increased by 28%, whereas expenses has increased, by 34%. So, normally the finance cost should reduce less than the income increase. Sir, in chairman speech I heard you are going for QIP, instead I suggest you go for Rights issue. If the promoters do not have money, you give the rights to the non-promoter shareholders. This will amount to a small mini bonus.

The shareholders have not got anything for the last so many years. No bonus, No Right's issue nothing. So, please give a good rights issue, which is a monster mini bonus issue and so this is the 45th meeting. So, how do you propose to celebrate the 50th meeting, which will come after 5 years? I would request you to not, restraint dividend and you a give very good bonus in the coming year. So, we should go from

our own money. I would prefer you to use the quarter bank model. Where do you less dividend and give a more liberal bonus once in a while.

Thank you.

Chairman answered all the questions raised by the shareholder.

END OF QUESTION AND ANSWER SESSION

The members who have not cast their vote may now cast their vote. The e-voting system will continue to be active until 15 minutes from the closure of this meeting. Mr. R Sridharan, scrutinizer will submit a report to the company after consolidating remote e-voting and voting at the AGM. I request to scrutinizer for an orderly conduct of the voting. The result will shall be declared along with the scrutinizers report and shall be placed in the website of the company www.cholamandalam.com and on the website of NSDL before 5 p.m. on 2nd August, 2023, and communicated to the stock exchanges, which will be available on their websites.

As there is no other business to be transacted, I declare the meeting as closed. I thank you for the cooperation and ensuring a smooth conduct of the meeting.

Stay safe and see you next year. I also thank NSDL for moderating the meeting. Thank you.
