



GOING PHYGITAL

AUGMENTING PHYSICAL PRESENCE WITH DIGITAL LEADERSHIP

CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED

COVID 19: Business Impact and Response – APRIL 2020

Executive summary

- Chola has instituted a robust Business Continuity Plan for the short term as a response to Covid - financial planning, business strategy realignment, employee productivity re-focus, IT enablement and renewed customer engagement.
- Chola's Q4 FY20 disbursements have decreased 35% over Q4 FY19, majorly due to Covid impact. However, the Assets Under Management (AUM) have increased by 12% for the same period.
- Chola has offered moratorium to its customers as per Board approved policy and have not availed moratorium on its borrowing repayments. In spite of this, we have a comfortable ALM position with no cumulative mis-matches across future time buckets.
- Chola continues to exercise significant advantage owing to a strong positive cash balance and high liquidity - as on date, not accounting for fresh availments in the upcoming months, Chola has Rs. 10,908 Cr positive cash balance (including sanctioned and undrawn lines) as of Mar'20.
- Chola's underwriting strategy has ensured that the assets portfolio across Vehicle Finance, Home Equity and Home Loans businesses will have relatively lesser impact due to Covid.
- Enhanced support for digital connectivity and focus on productivity while working remotely, along with a host of cybersecurity initiatives have been implemented to ensure uninterrupted operations during Covid lockdown.

Chola's response to Covid

1. Deployed a Crisis Management Team at Head Office

- Assessed business impact
- Evolve strategies for response in the short term
- Streamlined expenses and cashflows for the immediate term
- Launched cash conservation initiatives

2. Identified key personnel across functions

- Launched cross-country remote coordination through dedicated communication channels
- De-risked critical functions by identifying backup resources

3. Developed a comprehensive employee communication plan

- Communication across various levels of the organization
- Focus on awareness creation and panic avoidance amongst employees

4. Activated remote working for all employees

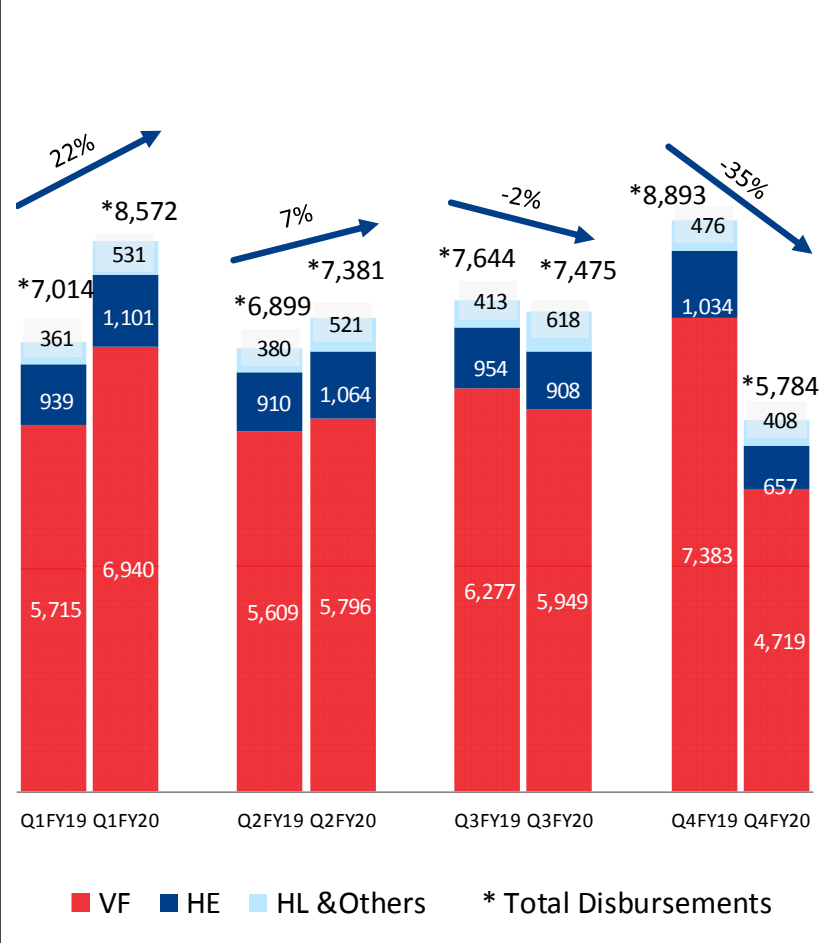
- Provisioned desktops at home / laptops / tablets for 95% plus employees
- Launched digital engagement campaigns through remote connectivity tools
- Digital disbursements and Digital collections promoted across all regions
- Enhanced cybersecurity drive to protect assets and data from potential cyberthreats

5. Re-negotiated support requirements with key vendors

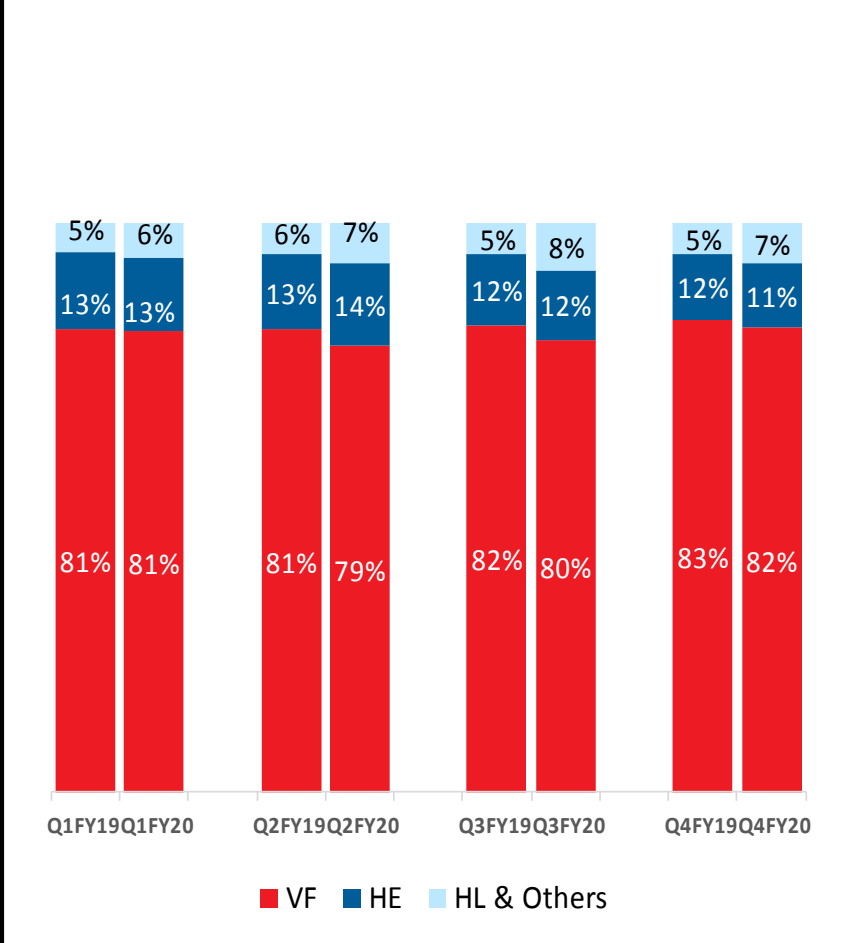
- Identified and created remote support capabilities for all key vendors

DISBURSEMENTS – Q-o-Q

Disbursements (₹Cr)

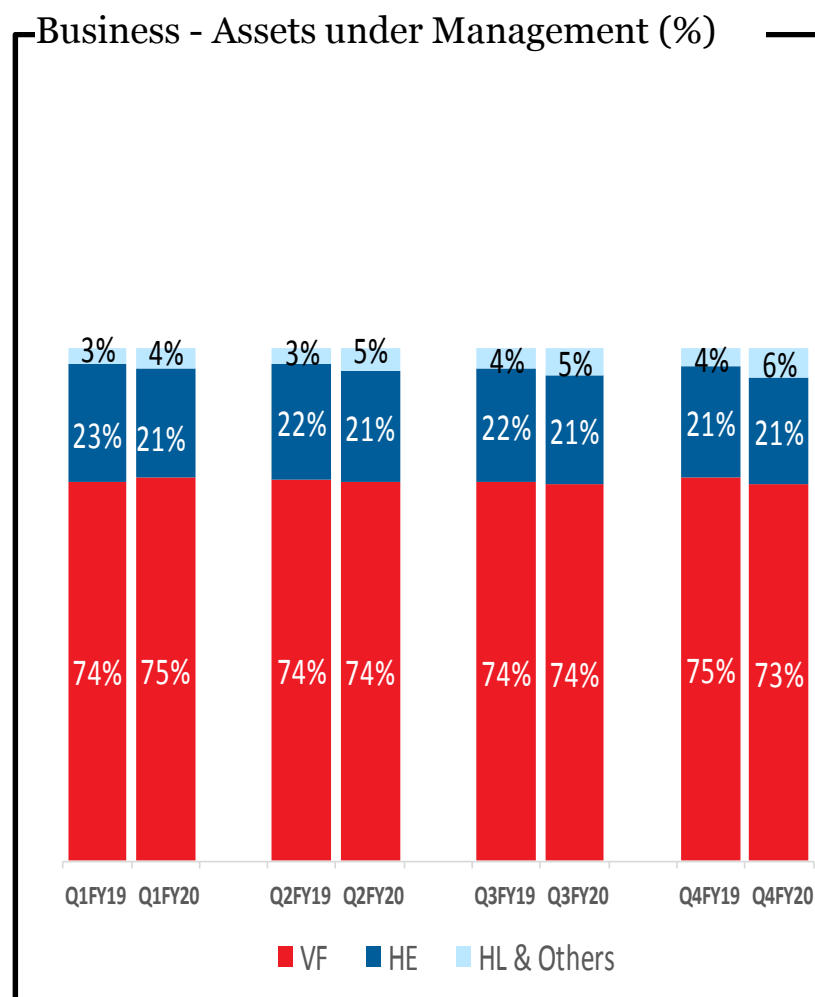
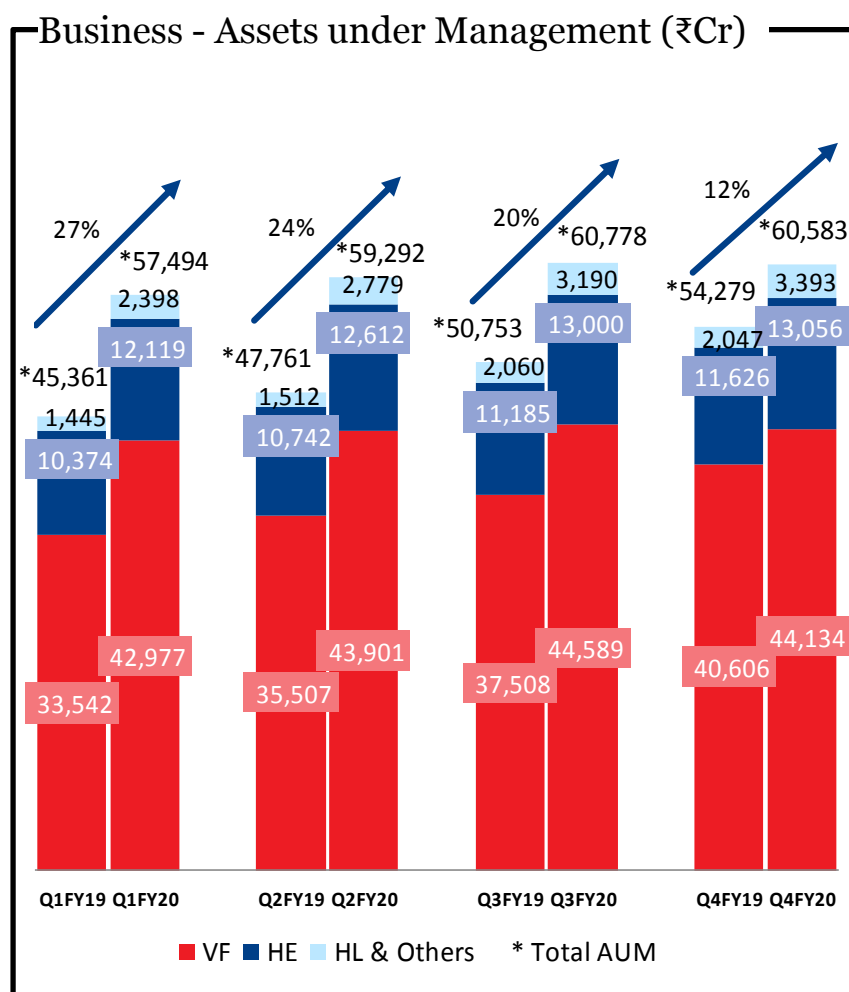


Disbursements (%)



Provisional numbers - Subject to audit and finalisation of accounts

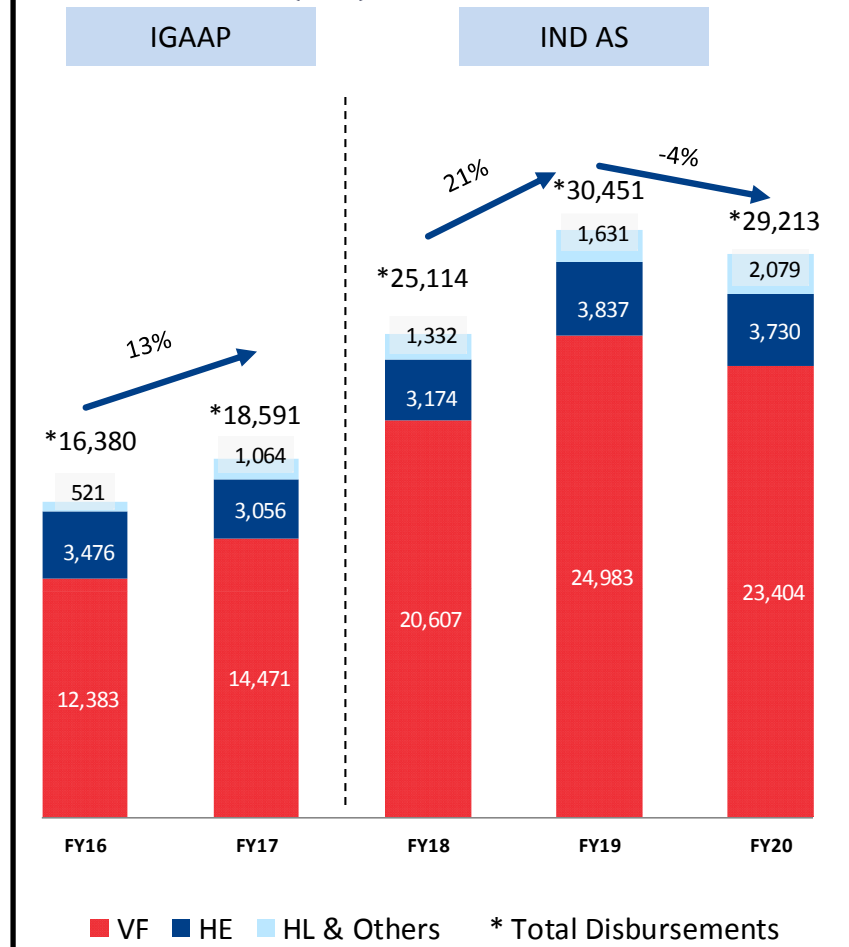
AUM – Q-o-Q



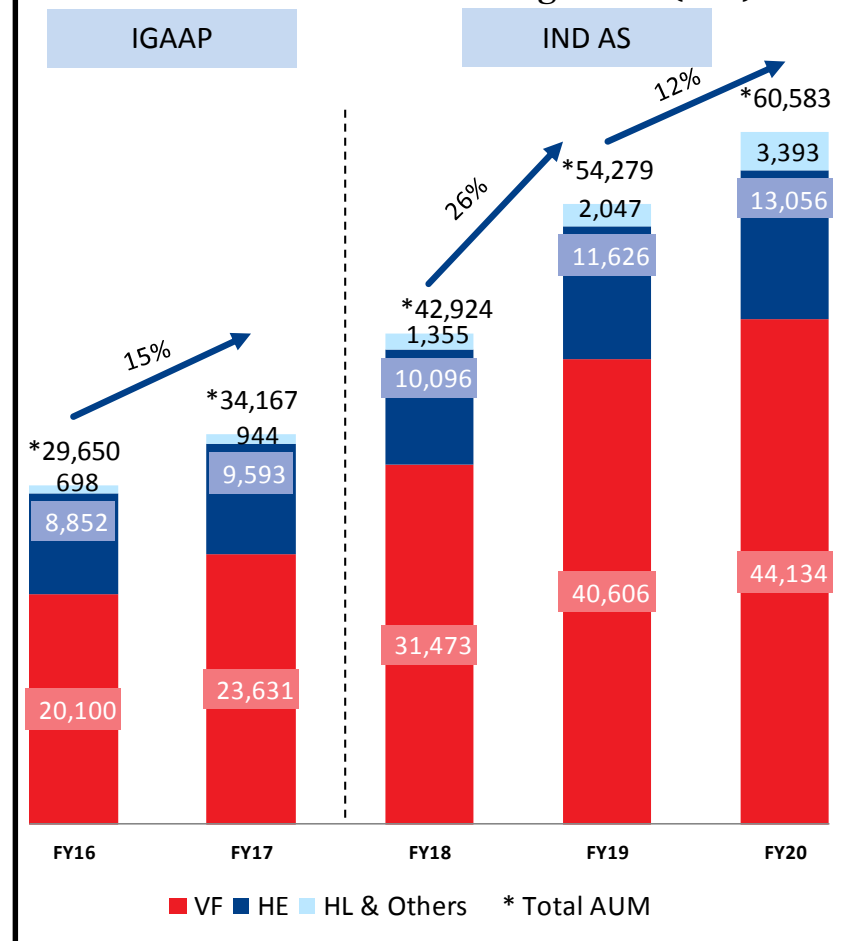
Provisional numbers - Subject to audit and finalisation of accounts

DISBURSEMENTS & AUM – Y-o-Y

Disbursements (₹Cr)



Business - Assets under Management (₹Cr)



Provisional numbers - Subject to audit and finalisation of accounts

ALM Snapshot as on 31st Mar 2020

Rs in Cr.

Particulars	1 m	>1 to 2m	>2 to 3m	>3 to 6m	>6m to 1 yr	>1 to 3 yr	>3 to 5 yr	>5 yr	Total
Cash & Bank Balances (Lien free)	2,185.66	570.00	710.06	2,980.00	-	-	-	-	6,445.72
Advances	560.56	533.42	1,391.40	3,857.49	8,227.59	22,591.52	6,050.45	6,963.33	50,175.76
Trade Receivable & Others	54.10	80.92	18.04	63.06	172.45	787.40	502.48	1,065.25	2,743.70
Total Inflows (A)	2,800.32	1,184.34	2,119.50	6,900.55	8,400.04	23,378.92	6,552.93	8,028.58	59,365.18
Cumulative Total Inflows (B)	2,800.32	3,984.66	6,104.16	13,004.71	21,404.75	44,783.67	51,336.60	59,365.18	
Borrowing Repayment-Bank & Others	381.57	120.00	239.29	2,387.37	7,028.25	21,481.18	6,888.87	34.69	38,561.22
Borrowing Repayment- Market	329.00	696.50	1,084.71	50.00	1,987.94	3,863.51	1,172.30	1,983.39	11,167.35
Capital Reserves and Surplus	-	-	-	-	-	-	-	8,123.91	8,123.91
Other Outflows	557.20	166.65	79.41	243.88	138.89	246.92	-	79.76	1,512.71
Total Outflows (C)	1,267.77	983.15	1,403.41	2,681.25	9,155.09	25,591.61	8,061.17	10,221.75	59,365.18
Cumulative Total Outflows (D)	1,267.77	2,250.92	3,654.33	6,335.57	15,490.66	41,082.27	49,143.43	59,365.18	
E. GAP (A - C)	1,532.55	201.19	716.09	4,219.30	-755.05	-2,212.69	-1,508.24	-2,193.17	
F.Cumulative GAP (B - D)	1,532.55	1,733.74	2,449.83	6,669.14	5,914.09	3,701.40	2,193.17	-	
Cumulative GAP as % (F/D)	120.89%	77.02%	67.04%	105.26%	38.18%	9.01%	4.46%	0.00%	

Note:

Chola has offered moratorium to its customers, as per Board approved policy. Inflows/Outflows above are adjusted for moratorium availed by customers till 16th April 2020. In spite of customers availing moratorium, there are no cumulative mismatches across future time buckets.

Cash Flow Statement

		<i>Rs in Cr.</i>						
Particulars		Mar-20 (Actual)	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20
		(Projections)						
Opening Cash Balances	A	4,205	6,446	5,659	4,363	4,177	3,420	2,853
Inflows								
Collections		2,098	413	395	1,064	1,407	1,627	1,908
Fresh Borrowings		8,013	-	-	1,500	-	-	-
Total Inflows	B	10,111	413	395	2,564	1,407	1,627	1,908
Outflows								
Maturities:								
Banks-repayments		2,110	360	120	233	131	30	2,215
Money market- repayments		3,150	329	697	1,293	43	-	-
Interest payment and Expenses		715	510	491	569	525	421	634
Disbursements		1,896	-	385	654	1,466	1,744	1,888
Total Outflows	C	7,870	1,199	1,692	2,750	2,164	2,195	4,737
Closing Cash Balances (D= A+B -C)	D	6,446	5,659	4,363	4,177	3,420	2,853	23
Undrawn sanctioned lines	E	4,462	4,732	4,732	3,232	3,232	3,232	3,232
Total Liquidity including undrawn sanctioned lines - (F = D + E)	F	10,908	10,391	9,094	7,409	6,652	6,084	3,255
Sanctioned and undrawn loans in hand:			Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20
Opening			4,462	4,732	4,732	3,232	3,232	3,232
Add: Repaid (Consortium WCL)			270	-	-	-	-	-
Less: Aailed			-	-	1,500	-	-	-
Closing			4,732	4,732	3,232	3,232	3,232	3,232

Note:

- 1) Chola has offered moratorium to its customers basis Board approved policy. The cash flows shown above are based on moratorium availed by customers till 16th April 2020. Inspite of customers availing moratorium, there is sufficient liquidity and Chola has not availed moratorium in respect of its bank borrowings
- 2) Money market repayments include the cash outflow on account of DRR of Rs 198 Cr in Jun '20.
- 3) Money market availments leveraging TL-TRO, etc will be commenced from May '20 (not considered above) and the surplus cash balance to the extent of two months maturities will be retained

Sector outlook – Vehicle Finance business (1/2)

Sector Outlook

- A faster recovery of the Rural sector and a good Rabi harvest expected to support tractor demand immediately post easing of lockdown. Clearing supply chain bottlenecks and availability of labor for OEMs key to ensure supply.
- Demand for Light Commercial Vehicles expected to be significantly lower than expectation during Q1 FY21 due to lower private consumption, reduced freight demand and lower disposable income among transporters; likely to bounce back from Q2
- Used commercial vehicle transactions likely to be least impacted in FY21 considering lower market prices, BS VI transitioning and extended time gap in regularization of the new vehicles supply chain.
- Three wheeler and Small commercial vehicle demand to be least impacted due to its nature of deployment in last mile transportation

Chola's Position

- More than 80% of our branches are present in the rural areas, towns and semi urban areas which gives us a clear advantage to capitalise the rebound in rural demand.
- Any uptick in the demand of Light commercial vehicle will help us in garnering greater market share due to our presence in rural areas
- We are one of the largest player in the used vehicle financing business with a disbursement mix of almost 30% in this segment which will enable us to cater to this segment effectively and generate disbursement volumes during the challenging times ahead.
- We are one of the leading players in this segment. Any uptick in the demand of Three wheeler and Small commercial vehicle will help us in garnering greater market share due to our presence in rural areas.

Sector outlook – Vehicle Finance business (2/2)

Sector Outlook

- Recovery of Heavy Commercial Vehicles and Construction Equipment segments expected to be slow – considering the drop in overall GDP for FY21, the expected drop in infra spends by the government and the expected drop in capex expenses by private sector.
- Passenger vehicles, including Car & MUV might see significant drop in H1 FY21 considering reduced discretionary purchases. However, repulsion to public transportation expected to drive some demand in the PV space immediately post ease of lockdown.
- Two wheeler demand is expected to come down and any sales will be predominantly from rural sector. The demand is expected to rebound in the second half of this year.

Chola's Position

- Our exposure to this segment has come down over the last 2 years and is below 14% at a portfolio level, our customers pertaining to Heavy commercial vehicles, both new and used segments are mostly operating their vehicles within the state. We have contacted all M&HCV and ICV customers during the lockdown to check whether their vehicles have come back and found that 95% vehicles have reached back to their location. This safeguards our asset on risk.
- Our ticket sizes in this segment is lower and our focus is predominantly on retail customers and our exposure to tour operators is minimal. We will continue to focus on this segment as and when the market recovers.
- We are confident of increasing our market share in this segment considering our reach in rural areas.

Sector outlook – Home Equity business

Sector Outlook

- MSME sector is expected to be directly impacted due to lockdown and the uncertain economic situation
- Cashflow impact likely to remain in the short term even after lockdown eases, due to supply chain disruptions and counterparty debtor risk across the value chain
- Recovery is expected to be slow owing to subdued GDP growth and sluggish demand. However, measures from RBI and Government are likely to expedite the recovery process
- Asset quality concerns are expected to pose challenge over the next one year

Chola's Position

- Chola shall continue to focus on retail ticket size loans to reduce concentration risk
- Chola's portfolio LTV at origination is low at ~50% - provides adequate security cover
- Revision of SARFAESI limit to 50 lakhs will positively impact Chola
- Chola's focus on tier 2,3 cities and retail/trader segment will help bounce back
- Chola has very low exposure to commercial properties

Sector outlook – Home Loans business

Sector Outlook

Immediate term:

- Project completion may get delayed and prospective buyers in turn may delay purchase decision, especially in large cities
- Construction activities may take some time to regain momentum and in turn affect repayment
- Overall Housing demand expected to be subdued

Medium term

- Retail segment, especially ready, self-construction housing demand likely to pick up – lower prices post lockdown and NRIs interest may support demand especially in tier 1, 2 cities
- Residents from large cities may want to own houses in hometown – demand in tier 2,3,4 towns may have a positive impact

Chola's Position

- Chola does not have Construction Finance exposure
- Chola does not have material under construction exposure to developer supplied houses
- Chola's LTV at a portfolio level is 60% at origination – shall ensure adequate security cover
- ~90% of assets are in tier 2,3,4 cities – expected to have lesser impact due to Covid crisis
- Average ticket size of ~15 lacs – predominantly in tier 2,3,4 cities indicates quality and marketability of portfolio assets
- End use driven funding

Chola's immediate future outlook:

- With economic activities likely to take a while to regain momentum fresh demand may be subdued in the immediate term

Employee wellness initiatives

1. **No Salary Cuts**
No Job Loss
2. **Employee Assistance program** – on call counselling support to all 26000+ employees to deal with anxiety and personal issues
3. **Wide insurance coverage**, including COVID
Central help desk to support on hospital admission
Claims processing support @ Zones
4. **Multiple touch points** with Employees
Tracking all employees at Branch level from March 2020
Reaching out to **500+ employees / day- one on one calls** by HR teams
AI chat bot for handling employee queries. Advisory, FAQs about COVID on Chat bot now. **19000 queries in March 2020**
Safety & Prevention tips as reminder through **Zippi Messenger** on mobiles – **7 Messages / day**
5. **Focus on upskilling** through E-learning
COVID scenario handling awareness Communication to employees
Refreshing **Product & Process** skills
6. **Retention** of resigned high performing employees
7. **Encouraging Community Support**

Enabled

Energized

Engaged

Comprehensive employee communication plan

Communication agenda	Mode of reach	Frequency
General communication on state of affairs	Mailers / Messenger	Weekly
Health and wellness drive	Mailers / Messenger	Weekly
Guidelines - Roles and responsibilities mapping during lockdown for the field teams	Mailers / Phone calls with Area Heads	One time
Guidelines - Roles and responsibilities mapping during lockdown for the managers	Mailers / Phone calls with Zonal & Regional Heads	One time
Insurance / medical support	Mailers / Phone calls with Regional HR team	Fortnightly
Dedicated Covid Helpdesk launch for employees with toll-free call facility	Mailers / Phone calls	Daily support

IT enablement for remote operations

Network Support:

- Additional connectivity hardware and service support for all employees across the organization

Server & Middleware Support:

- Remote vendor support in place for managing and administrating servers & middleware
- Application deployment and database administration is being carried out remotely

Hardware Support:

- Additional hardware provisioned / rented for employees to work remotely
- Remote helpdesks setup to support queries and complaints

Application Support:

- Application specific remote support teams established
- Application performance management tools in place for remote monitoring and support for business applications.

Communication Support:

- Adoption drive for digital communication tools across organization – Microsoft Teams and Zippi Messenger

Enhanced network security against cyberthreats

DC & NETWORK

- SIEM (Security Information and Event Management) Monitoring with frequent reviews of security alerts and issue resolution
- Profile based access for remote users when connecting via VPN, including VPN & SIEM integration
- Log monitoring for threats flagged by CERT-IN in relation to COVID-19

ENDPOINTS

- Increased review of the endpoint update for Anti-Virus & OS critical updates
- Remote flagging and removal of unauthorized software via asset management tool

PEOPLE

- Continuous communication on cyber precautions while working remotely
- Review of data access and sharing information sharing on collaboration platform

Contact us

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