

**Cholamandalam Financial Holdings Limited**

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**Transcript of the proceedings of the 73<sup>rd</sup> Annual General Meeting of the Company held at 3.30 pm on Wednesday, August 10, 2022 through Video Conferencing**

**Welcome Address by Mr. M M Murugappan, Non-Executive Chairman**

**Mr. M M Murugappan:** Good afternoon, ladies and gentlemen. It gives me great pleasure to welcome you all to the 73<sup>rd</sup> Annual General Meeting of Cholamandalam Financial Holdings Limited. This meeting is held through video conference. First, I hope all of you and your families are safe and in good health. As you are aware, in view of the continuing COVID concerns this year too, the Ministry of Corporate Affairs and the Securities and Exchange Board of India, had allowed companies to hold the AGM through video conferencing or other audio-visual means, and also to send the notice of the AGM along with the annual report to shareholders electronically for the financial year 2021-22. Accordingly, considering the health and safety of all members, the 73<sup>rd</sup> Annual General Meeting of the company is being conducted through this videoconference. The company has issued an advertisement informing shareholders to register their email addresses to enable the company to send the documents electronically to them. The notice for the AGM and the annual report for the financial year 21-22 have been sent through electronic mode to all those shareholders whose email addresses are registered with the registrar and transfer agents or depository participants. Further, as per the SEBI mandate, the company has sent a physical copy of the annual report to those shareholders who have requested it to be sent. As mentioned in the notice, since this meeting is being held electronically, proxy-related procedures have been dispensed with and this is in line with regulatory requirements. The quorum for the meeting being present, I now call the meeting to order.

First, may I introduce the members of our board who are all present here at the Registered Office of the company. I will start from my right which may appear to the left of your screen. Mr. K Balasubramanian, Mrs. Vasudha Sundararaman, she is the chairperson of our nomination and remuneration committee, Mr. Vellayan Subbiah, Mr. Sridharan Rangarajan and Mr. B Ramaratnam who is the chairman of our audit committee. I would also like to introduce to you Ms. E Krithika, our Company Secretary, Mr. Ganesh, our Manager and Chief Financial Officer and we also have Mr. Venugopalan Srinivasan, the CFO of our subsidiary company Cholamandalam MS Insurance. Mr. Tirtharaj Khot, Mr. Mandar Ghanekar, Mr. Viswanathan and Mr. Santhanaraman representing M/s. Sharp & Tannan Associates, Chartered Accountants, our statutory auditors, and Mrs. Srinidhi Sridharan, our Secretarial auditor and Mr. R Sridharan, our scrutineer for the purpose of the remote e-voting and voting process and have also joined in this meeting through video conference. As the AGM notice and the annual report for the financial year 21-22 have been already circulated to all shareholders, with your permission, may I take the notice convening the meeting as read. A register of directors', key managerial personnel and their shareholding, the registrar of contracts or arrangements in which the directors are interested and other documents mentioned in the notice are available for inspection. Members seeking to inspect such documents may contact the company secretary in this regard or email to [investorservices@cfhl.murugappa.com](mailto:investorservices@cfhl.murugappa.com).

The statutory auditors' report on the financial statements of the company for the year ended March 31 2022 does not have any qualifications, observations or other remarks on financial transactions or

matters having any adverse effect on the functioning of the company. The secretarial auditor's report for the year ended March 31 2022 also does not contain any qualifications or observations or comments on any other remarks. Accordingly, the statutory auditors report and the secretarial auditors report are not required to be read at the meeting.

May I now, make a few comments about the performance of the company during the year 21-22.

### Chairman's Speech

After the impact of the pandemic, economic activities gathered momentum, and the Indian economy posted a decent recovery during the fiscal year 2022. On the back of pent-up demand and relaxation of COVID-19 related restrictions, proactive measures were taken by the government and regulators across various sectors and this went a long way in minimising disruptions caused by the second and third COVID waves. On the local front, the economy briefly revived until growth was hampered by geopolitical conditions in Europe and elsewhere in the world. Despite the volatile economic scenario, our business embraced changes, developed strategies and demonstrated resilience through the year. I am pleased to share with you the company's performance highlights during the financial year 2022. The company together with its group entities continued to deliver a consistent performance during the year. Consolidated income grew around 6% to 14,735 crores and the profits after tax grew by 27% to 2239 crores. At standalone levels, the company's total income was 84 crores and profit after tax was 56 crores. I am glad to inform you that the board of directors have recommended the dividend of 55% for your approval.

Over the years, financial services industry has undergone rapid expansion, more specifically, the NBFC sector in which our business operates witnessed a roller coaster trend in the past few years. Though the sector saw a setback in the first quarter owing to the COVID lockdowns, it posted a broad revival from the second quarter onwards, of the fiscal year 21-22 as the economic activities revived. The Reserve Bank of India in its continued endeavour to strengthen regulatory supervision on NBFC's introduced a host of scale-based norms during the year. We welcome these changes and our businesses have been receptive to these new requirements.

The fiscal year 2022 turned out to be an eventful year for our NBFC subsidiary Cholamandalam Investment and Finance Company Limited. The company delivered a stellar performance during the year with highest disbursements in its history, clocked at 35,490 crores, business assets under management of 76,907 crores and profits after tax grew by 42% to 2147 crores. Amongst its business segments vehicle finance disbursements had a growth of 26%, loan against property grew by 62% and the Home Loans business grew marginally by 2%. On provisioning norms, the company took a conservative stance and maintained an optimum level of liquid assets to ensure a comfortable ALM position.

Chola acquired a new subsidiary, Payswiff Technologies Private Limited at an investment of 450 crores and also forged, a new business partnership with Paytail Commerce Private Limited with investment of 9.75 crores during the year and this is to participate in the rapidly emerging and growing FinTech space. Launch of new products, consumers and small enterprise loans, and secured business and personal loans, along with the expansion of small and medium enterprise loans was another milestone in the year 21-22.

Turning to the insurance sector, the general insurance industry excluding standalone health insurers grew by 8.3%. Growth in premiums in the non-life insurance industry was largely driven by the health insurance segment, which has become the dominant line of business. Amongst its various segments

property and health segments had growth. Motor segment experienced a stunted growth and the crop segment had a negative growth.

Our insurance subsidiary Cholamandalam MS General Insurance Company Limited achieved a gross return period of 5194 crores and held its market share. During the year 21-22, the company added new channel partners, progressed on its strategic intent of de-risking and diversification, stepped up its efforts on digitization and grew its investment corpus to over 12,500 crores. Post the directive from the regulator Chola MS absorbed all sourcing costs relating to long term policies on incurrence which impacted the financial results for the year, but has left the balance sheet stronger in terms of the embedded value. The company also had to absorb COVID-related health claims to the tune of 277 crores during the year.

Cholamandalam MS Risk Services, our joint venture company offering risk management solutions strengthen its order book by bagging few long-term contracts during the year. The business entered into an agency agreement as part of its strategy in expanding to the UAE region besides the launch of the digital division to explore and supplement, its existing core services. Chola Risk reported its best ever top line with an income of 60 crores and profits after tax of 5 crores during financial year 21-22.

We look forward to an optimal environment to continue in the current year driven by private consumption and greater public spending, notwithstanding downside risks in the form of high inflation, supply chain disruptions and the occurrence of yet another wave of the pandemic. With robust processes and systems in place and strong management teams. We are poised to accomplish sustained performance across our business portfolios.

My colleagues on the board continue to be a great source of encouragement and support to the company's management and to me personally. I thank each member of the Board for their commitment, involvement and counsel on behalf of the company. I am glad to welcome Mr. K Balasubramanian to our board and confident that the company will greatly benefit out of Mr. Balasubramanian's expertise and vast experience as a finance professional. Mr. Ashok Kumar Barat stepped down from the board during the year. I would like to thank him for his support and guidance during his association with the company.

I take this opportunity to thank all of you, our shareholders, and thank our customers, regulators, business partners, inventors, for their continued support and patronage by appreciation and best wishes to the leadership teams for their commitment and efforts. I would like to thank all employees of Chola Finance, Chola insurance and Chola Risk and also our company for their dedication and valuable contribution in driving the company to greater success.

Ladies and gentleman, earlier today, we reviewed the first quarter results of the company, I am pleased to share that the first quarter results for the year 2022-23 is as follows. The company's income for the quarter ended June 30 2022 is 2.10 crores as against 2.12 crores in the corresponding quarter of the previous year. There was a loss for the quarter of 0.26 crores as against 0.93 crores loss in the corresponding quarter as of the previous year. This reduction in loss is mainly on account of decrease in finance costs. The Consolidated total income however, for the quarter was 3963 crores as against 3603 crores in the corresponding quarter registering a growth of 10%. The consolidated profits after tax were at 582 crores for the quarter as against 357 crores in the corresponding quarter of the previous year.

Moving on to the results of our subsidiary companies and associate companies, Chola Finance delivered its best-ever first quarter dispersals, collections and profitability with domestic auto sales surging 55% in the current quarter, although on a remote base and sustained its growth momentum in residential unit sales. Aggregate disbursements grew by 267% to 13,329 crores as against 3635 crores during quarter one of the previous year. The first quarter of the previous year as you know was impacted by the COVID second wave, resulting in lower disbursements and hence profitability. Assets under management as of 30th June 2022, stood at 86,703 crores as compared with 75,763 crores as of 30th June 2021. Profits after tax for quarter one of financial year 23 were at 566 crores compared with 327 crores in quarter one of financial year 2022. Chola Insurance registered a gross written premium of 1384 crores during the quarter ended June 30th 2022 as against 997 crores in the corresponding quarter of the previous year. An increase of 39% profits after tax for the quarter ended June 30th 2022 was 20 Crores as against 29 crores in the corresponding quarter of the previous year. The reduction in profit after tax is primarily on account of increasing fair value loss in debt and equity instruments of 9.4 crores compared to quarter one of the financial year 22 and the reversal of premium deficiency reserve loss of rupees nine crores in the previous year.

Chola Risk achieved a total income of 15.09 crores for the quarter ended June 30th, 2022, as against 10.97 crores in the corresponding quarter previous year, thus registering a growth of 38%. Profits after tax also were at 1.12 crores against 0.4 crores during the corresponding quarter of the previous year. As you can see the year has started quite well for our associate and subsidiary companies and we hope to keep this momentum barring unforeseen circumstances. So, thank you very much for your support and we greatly appreciate it.

Thank you, Ladies and Gentlemen.

We will now take up the resolutions as set forth in the notice of the meeting. We have four resolutions before this Annual General Meeting and for your information briefly, they are the adoption of the audited standalone financial statements together with the board's report, the auditor's report thereon for the financial year ended 31st March 2022, the adoption of the audited consolidated financial statements, together with the auditor's report thereon for the financial year ended 31st March 2022, the declaration of dividend for the year ended 31st March 2022 and the reappointment of Mr. Sridharan Rangarajan as a director who is retiring by rotation. The company has engaged KFin Technologies to provide the facility of remote e-voting to all its members to cast their vote on all businesses contained in the notice. Voting is available to members and beneficial owners who hold shares in the company as on the cut-off date, which is August 3<sup>rd</sup>, 2022. The electronic voting window was kept open from 9 am on Saturday, August 6<sup>th</sup>, 2022 till 5 pm on Tuesday, August 9<sup>th</sup> 2022. Thereafter, the remote e-voting facility was disabled by KFin. Members who have not cast their vote through remote e-voting may cast their vote through e-voting facility provided during this meeting session. The e-voting window will be activated, allowing the members to cast their vote, the members are requested to refer the AGM notice for instructions on e-voting during the meeting. Mr. R Sridharan of M/S R Sridharan and Associates, practising company secretary has been appointed by the board as the scrutineer for conducting the electronic voting process in a transparent manner.

Ladies and Gentleman, the annual report for the year ended 31st March 2002 has been with you for some time now. The company has provided an opportunity for shareholders to post their queries and also to register themselves as speakers if they wish to speak at the meeting. Some members have registered to speak at this meeting and nobody has posted any queries through the KFin 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 2021- 22. Members are

requested to keep the questions and comments specific and not to repeat questions if already placed. Please confine your questions to the company's operations and the annual accounts and make remarks and seek clarifications which are pertinent to the performance and refrain from any personal remarks. In case your queries are pertaining to the subsidiary operations, may I also request the members to mention the document they are referring to so that we can address your queries better. In the interest of time and with the view to give everyone an adequate opportunity, I request members to be judicious in time and take a few minutes for members to express their views and also put forward their questions relevant to the business of the meeting. After all, the questions are tabulated, my colleagues and I will be pleased to answer them as long as they are not prejudicial to the interests of the company.

Moderator Sir, may I now call upon you to activate the registered speakers in the sequence of registration, so that they may seek clarifications or ask questions regarding the performance of the company?

**Moderator:** Thank you, Chairman sir. I am moderator here. I will bring the pre-registered speakers who are currently available one by one. The first registered speaker is Mr. Abhishek J from Chennai. I would request Mr. Abhishek J to unmute your audio and switch on your camera and proceed with your question. Thank you.

**Mr. Abhishek:** Can you hear me, sir? Am I Audible?

**Moderator:** Yes, Abhishek, you are audible. You can proceed.

**Mr. Abhishek:** Sir, my name is Abhishek, a shareholder of the company. My DP ID IN 301637 and client ID is 41359155. So, first of all, I congratulate the management on the eve of Annual General Body Meeting. Sir, trust all is well with you and your family in this challenging situation. Our company deserves much more respect than the current market cap after completing more than a decade of successful operations, profitability, dividend history and becoming one of the strongest brands in our respective segments. Sir, I would like to know, how our business has been impacted in these past three years of this COVID time, the Coronavirus and the subsequent lockdowns have left virtually no industry untouched after the COVID. So, whether any employees have been sacked, hired, salary cut in personnel. I would like to know from you, sir. And I would request our management to kindly take part in con calls, quarterly presentations and meeting with global investors on a regular regular basis, and nothing much to ask sir. Sir, Myself and my team running a legal firm in the name and style of Seven wells and Associates, Chennai. I request you to kindly enrol our form in the empowerment of the company and we will be glad to extend our services, sir. Nothing much to ask sir, I wish the company and the Board of Director's a great success and prosperity in the coming future and thank you for giving the opportunity. Hope to see you in the physical AGM next year, sir, thank you sir.

**Mr. M M Murugappan:** Thank you Mr. Jain. Appreciate it.

**Moderator:** Thank you, sir. We will move to the next registered speaker. The next registered speaker is Mr. Ramesh Shankar Gula from Hyderabad. At this moment, Mr. Ramesh Shankar has not joined, we will move the third registered speaker. The registered speaker is Mr. Devansh V Nikotia from Mumbai, I would request the speaker Mr. Devansh to unmute your audio and switch on your camera and proceed with your query. Thank you.

**Mr. Devansh:** Yeah, I have some issues with the camera. So, I will just proceed with the questions. So, thanks a lot for giving the opportunity. Just had couple of questions. Sir, one is, in case of I mean, it's been a repetitive question for us, but when we look at our operating expenses, as a percentage of net return premium, it is very elevated even when we compare it to our competitors, who are you know, have whoever motor insurance heavy book. So, for us that range is abnormally high, 40~41% whereas we compare it with let's say, ICICI Lombard that is 33%. For Bajaj Allianz that is 28%. For Royal Sundaram, that is 25%. So, if you can just help us understand why even when the businesses mix are not exactly same, but directionally similar. There is such a big difference. Is it due to some of our claim expenses? We are classifying in operating expenses, or is it because of something else? So, if you could just share a perspective here. If you look at our quarterly run rate of advertisement and sales promotion expenses, which we share in the public disclosure that run rate used to be around 60 to 80 crores per quarter, that has increased by almost 60 crores to 130 crores in December quarter, and was at 183 crores in March quarter. So, this abnormally high jump in advertisement cost. Can you just help us understand where are we making these investments? And even when we look at the breakup that is majorly in the motor insurance business, so can you just share a perspective of how are we even benefiting with these higher advertisement and promotional costs? What is the channel mix of this advertisement cost? If you can just share a breakup between advertisement and marketing? And what is our overall ad budget? Let's say for next one or two years is it going to be elevated at these levels or where it will be as a percentage of sales? What is our total budget for each cost? The next question is to Vellayan sir, sir, you have joined the board in November 20 and normally, when we have seen your participation at board level at different Murugappa companies has seen significant value unlocking happening. So, if you can just share a perspective of for Chola financial holding, how are we looking at you know, unlocking value because when we look at the holding company discount to CIF, it is abnormally high. So, what are we doing to for shareholder wealth creation? In quarterly numbers, we shared a realised loss of 9.4 crores and in our debt book, while when we look at our quarterly interest income on our website that is around 202 crores so I am not able to understand that 202 crores of interest income for Q1 is after deducting those nine and a half crores or it is not after deducting that so if you can just help us understand that as well. What is the reversal of premium deficiency reserve of nine crores? I am not able to understand where is this number coming from? And if you look at historically first, you know, we had an issue with our investment book and we had a lot of write-offs, which happened there. So that amount was also pretty high I think, during IL FS crisis, upwards of I think 250 crores sum total to 250-300 crores, then there were issues with our, I think accounting where almost 350 crores of expenses, we are monetized in one year itself. So, there are just some or the other, one-offs, which you know, keep happening in the general insurance business. So, and even when we look at this quarter, the PAT that we have reported is around 20 crores but adjusting for those one offs in prepaid expenses, we should have done at least 70~ 80 crores of quarterly PAT So, I am not able to understand if you can just share a perspective, what is the direction of our profitability, and you know, when can we actually start reporting normalised numbers?

**Moderator:** I would request the speaker to wrap up your question. Thank you.

**Mr. Devansh:** Probably, these were my few questions. Thanks a lot.

**Mr. M M Murugappan:** Thank you. We will respond to you.

**Moderator:** Thank you, sir. We will move to the next registered Speaker. The next registered speaker is Mr. Dinesh Amritlal Kotecha from Vasai is not available at this moment. With this, we have

completed q&a session with the pre-registered speakers who are available during the term. Now we are handing over the stage back to you chairman sir. Thank you.

**Mr. M M Murugappan:** Thank you for your interest in our company and let me take up the matters one by one and then some of my colleagues, both on the board and in the company will also respond to you. Mr. Abhishek Jain, thank you for your appreciation of the work done by our constituent companies. During these three years of COVID, the company did take a lot of care of all the employees and I can ensure you that was no one was asked to leave, there were some regular attrition issues. And as also there was regular recruitment. So, there was no one who was asked to leave the company, took a lot of care in terms of taking care of its employees. Yes, of course, we have lost some of our colleagues. And sadly, in COVID, we also ensured that their families have also been suitably taken care of. Mr. Nikotia, thank you very much for detailed queries on many aspects, I will pick these up as matters related to insurance and Vellayan is here with me here so that you had asked relative to unlocking value. And I am sure he will also share my views, in the sense that yes, there is naturally a core discount relative to our associate, and also our subsidiary companies, but I can assure you that the health of these companies is very strong and therefore it's up to you to decide as to what you believe the value of this entire holding company is at the moment. I will ask Vellayan as you specifically asked him and I will ask him to respond on the rest are predominantly on the insurance side and my colleagues and I will respond to it.

**Mr. Vellayan:** Mr. Devansh, I think, like, Mr. Murugappan said, the challenge with a lot of these companies, the holding companies is that you have a holding company discount associated with them. And also, you know, the role of the holding company board therefore kind of becomes more focused on you know, actually kind of managing the overall operations. It doesn't actually get into as much traditionally, it's a bit more difficult for holding companies to get into the actual operations with the underlying companies themselves, like Mr. Murugappan said we are quite focused on overall value creation and that will continue to be the focus of Chola Financial holdings and we will continue to look at opportunities through which we can unlock value for shareholders in the company through both kind of you know, investor communication, but also through mechanisms we have to improve performance in the underlying companies. So, hope that answers you.

**Mr. M M Murugappan:** Mr. Nikotia, thank you for your interest in the company. At the insurance side, if you look at the operating expenses higher than the competition, well it also depends on our portfolio mix and a portfolio mix, if you consider the fact that we don't do government business, and we don't do company insurance, and if you then look at our portfolio mix, it compares reasonably well with that of our competitors. Also, we have a large number of long-term policies, as you know, the quarter policies both in 2-wheeler and four-wheeler are long term policies and therefore, we have this large number in motor policies and therefore, you do find this particularly in a particular competitive market, this is what we have at the moment saddled with, we are working towards getting the whole portfolio much more balanced and you will see this progressively in the next couple of years. Yes, you are absolutely right in terms of you know, he had an issue with the investment book and you will be happy to note two things. One is over the last two years, we have written down all these investments, made provisions for all these malinvestments. Clearly going forward, we will not have this on so, we have become much more prudent in the investment philosophy and we have teams of people ensuring that we are much more cautious. So, hopefully, this will not happen and as you know, our investment work is predominantly on safe investments and you will see that as we go forward, we will be very cautious and judicious about our future investments. But the one of you what you mentioned has all been written up. You talked about the reversal of premium deficiency; premium deficiency reserve is created in 2021 during high COVID losses because of high COVID losses in the health segment. And

then with the reduction in the COVID losses of this was reversed as per an actuarial requirement. These were the broad areas that you have talked about, I must tell you that it is a very competitive market although they say that you know, insurance is under-penetrated and therefore, there is lot more that has to be done which is true and but it is an extremely competitive market. In that way, we are doing our very best to ensure that we are competitive particularly on the motor side with our dealers, channel partners, customers to ensure that we are an insurer of choice and hopefully going forward we will not only be more efficient in what we do and how we deal with our customers but at the same time, try and see what value we can bring to them. That's why we do have a high advertising expense and these will come good in the future. The reason at times for the higher expenses that we have, we are targeting tier two, tier three cities etc. So, it does take a lot of effort in order to work with customers and through channels in those markets. So hopefully this will give you a perspective on the major questions that you have asked. Please feel free to write to us if you have any queries and we will be happy to answer them.

Okay here, we have a question here from Mr. Mukesh Ajmera which has been sent to us, and it's been sent said that he has not received an email as a speaker. Our apologies if you have not received any link. But in any case, let me ensure that this next one query which you have sent us is suitably addressed, this is a query about the transmission, share transmission kept pending due to non-submission of documents. I think this was informed to you on many occasions and I understand that you have filed a complaint with SEBI as well and the company has also filed a response to SEBI and SEBI after review of our response has disposed the complaint. So, if you have the requisite documents for the company to effect this transmission, please send it to the company and the company will scrutinise them and if found correct, they will take next steps. Thank you very much.

Finally, I come to the end of the meeting, wherein may I also remind 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. Sridharan, the scrutineer will submit a report to the company after consolidating the remote e-voting and voting during the AGM session. I request the scrutineer for the orderly conduct of such voting. The voting results shall be declared along with the scrutineer's report, and will be based on the website of the company [www.cholafhl.com](http://www.cholafhl.com) and on the website of KFin Technologies, on or before August 12th 2022 and also will be communicated to the stock exchanges. There being no other business to be transacted, I declare the meeting closed and I thank you all for the smooth conduct of this meeting and also thank KFin for moderating this meeting. Stay safe.

Thank you.