



Cholamandalam Investment and Finance Company Limited

Corporate Presentation – June 2018



Table of Contents

Corporate Overview

Financial Performance

Business Overview

Funding Profile

Business Enablers

Subsidiaries

ECL Methodology



Chola
Enter a better life



CORPORATE OVERVIEW



murugappa

Company Highlights

1

Positioning

- Established in 1978, one of India's leading NBFC's, focused in the rural and semi-urban sector with a market capitalisation of ₹ 237 bn¹

2

Exceptional Lineage

- A part of the ₹ 329 bn Murugappa Group – founded in 1900, one of India's leading business conglomerates with 28 businesses including 9 listed companies and workforce of 40,000 employees

3

Robust Sector Growth

- Presence across vehicle finance, business finance, home equity loans, stock broking and distribution of financial products

6

Management

- Highly experienced management team with unrivaled industry expertise
- Significant synergies with the Murugappa group, deriving operational and financial benefits



5

Robust Operating Profile

- Total AUM of ₹ 451 bn as of Jun 2018 with Net NPA of *1.71% and a healthy RoA of 4.0 %
- Operating income CAGR of 14% over FY14 to FY18

4

Diversified Footprint

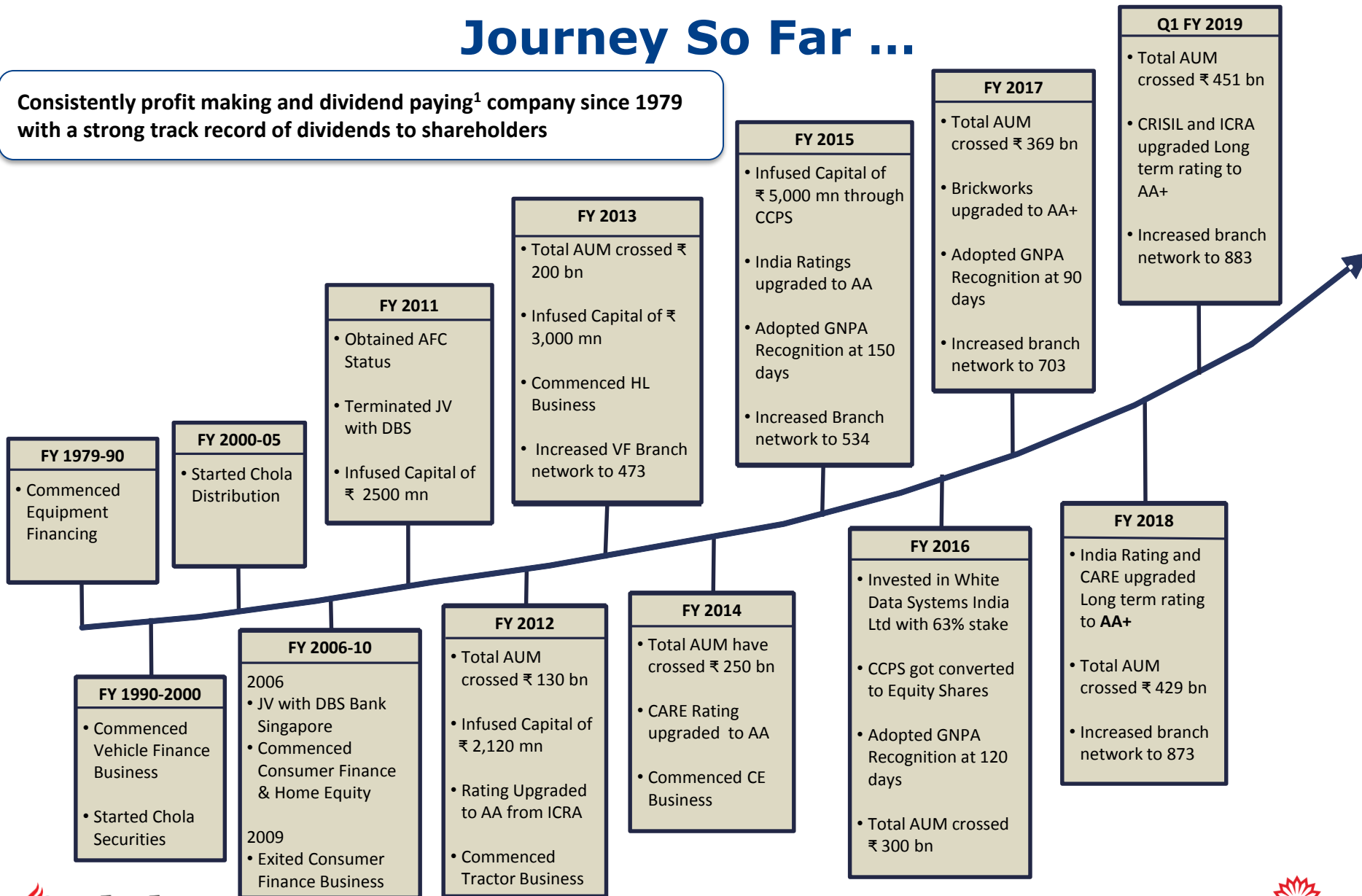
- Operates from 883 branches across 27 states and 79% presence across Tier III, IV, V, and VI towns
- One of the leading NBFCs in Asset Financing Business

1. Market data as on 29th Jun 2018. Source: BSE

* At 3 months overdue

Journey So Far ...

Consistently profit making and dividend paying¹ company since 1979 with a strong track record of dividends to shareholders



Major Companies – Murugappa Group

Company Name	Market Capitalisation	Description
 Chola <i>Enter a better life</i>	<ul style="list-style-type: none"> • ₹ 2,36,509 mn (US\$ 3,449 mn) 	<ul style="list-style-type: none"> • Cholamandalam Investment and Finance Company Limited is a Non Banking Finance Company and one of the leading financial provider for vehicle finance, business finance, home equity loans, home loans, stock broking & distribution of financial products
 Coromandel	<ul style="list-style-type: none"> • ₹ 1,14,741 mn (US\$ 1,673mn) 	<ul style="list-style-type: none"> • Coromandel International Limited is the leading phosphatic fertilizer company in India, with a production capacity 3.2 mn tonnes of phosphatic fertilizer.
 CUMI	<ul style="list-style-type: none"> • ₹ 59,616 mn (US\$ 869 mn) 	<ul style="list-style-type: none"> • Carborundum Universal Limited is a pioneer in coated and bonded abrasives, super refractories, electro minerals and industrial ceramics. The Company currently has presence in Australia, South Africa, Russia, Canada and Middle East.
 PARRYS	<ul style="list-style-type: none"> • ₹ 42,346 mn (US\$ 618 mn) 	<ul style="list-style-type: none"> • EID Parry (India) Limited offers wide range of agro products such as sugar, microalgal health supplements and bio products, with a capacity to crush 34,750 tones of cane per day (TCD)
 INDIA	<ul style="list-style-type: none"> • ₹ 42,974 mn (US\$ 627 mn) 	<ul style="list-style-type: none"> • Tube Investments of India Limited offers wide range of engineering products such as Steel tubes, chains, car door frames, etc. apart from e-scooters, fitness equipment and cycles
 Chola MS GENERAL INSURANCE	<ul style="list-style-type: none"> • Unlisted 	<ul style="list-style-type: none"> • Cholamandalam MS General Insurance Company Limited is a JV of Murugappa Group with Mitsui Sumitomo Insurance Group of Japan, (5th largest insurance group across the globe)

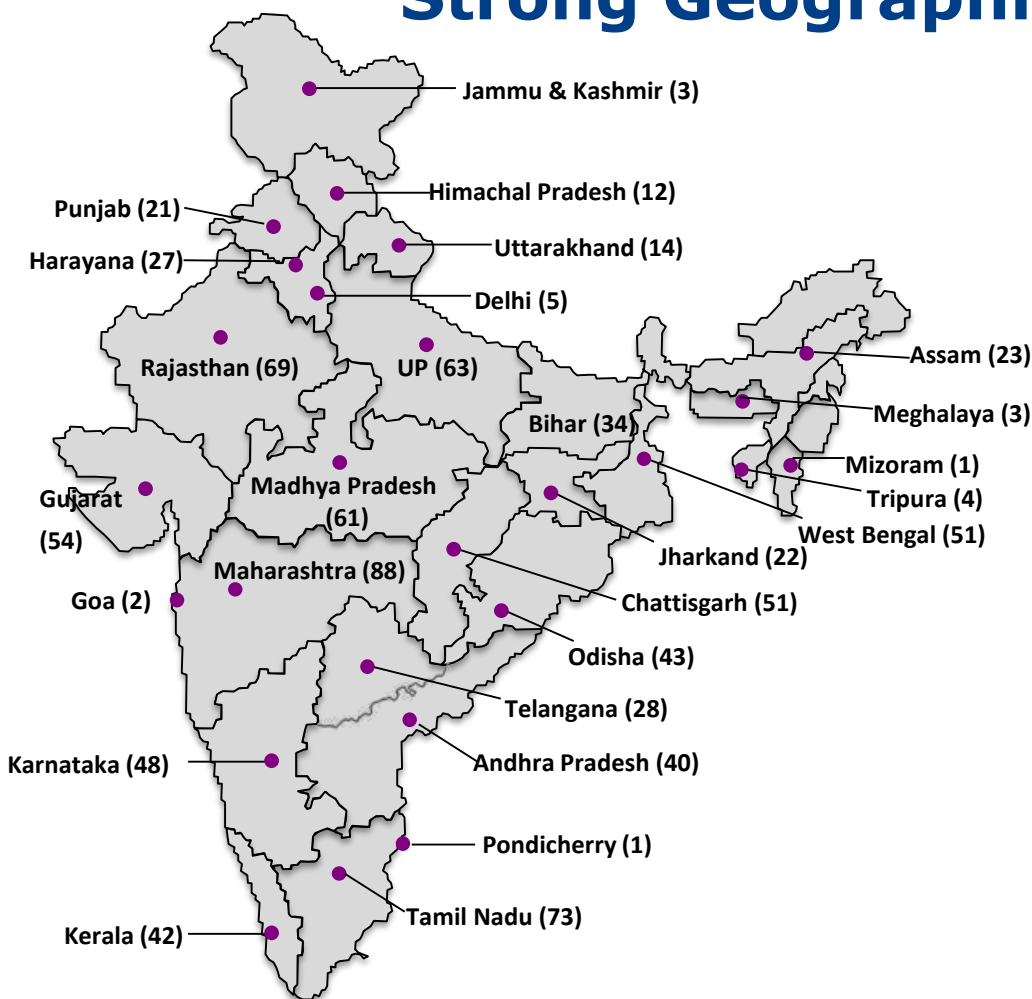
Note: Market data as on 29th Jun 2018. Source: BSE and Conversion Rate of 1USD = Rs.68.5753 as on 29th Jun 2018 Source: RBI

SPIRIT OF CHOLA



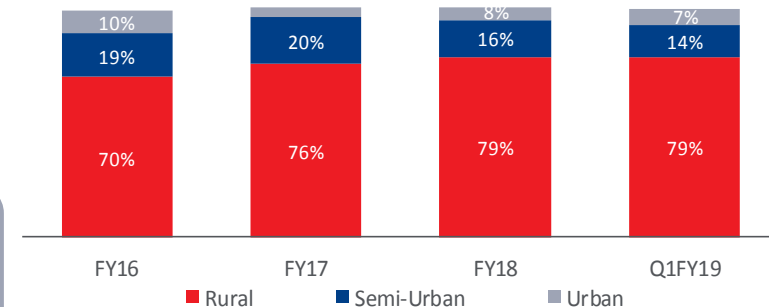
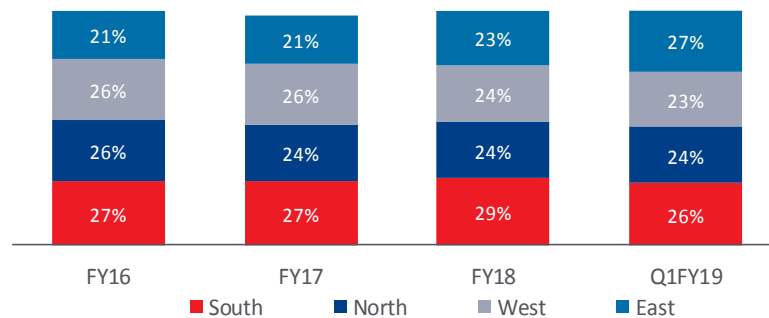
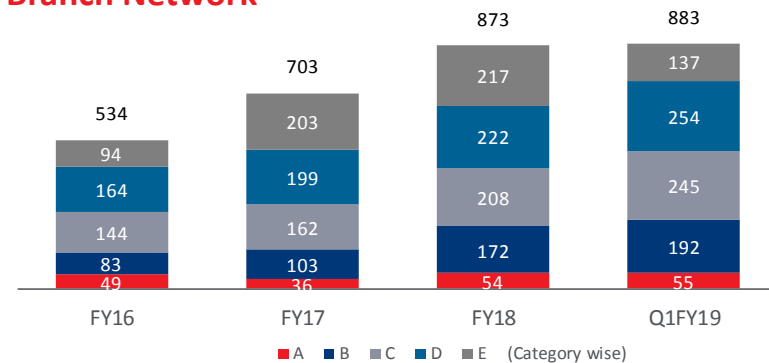
"The fundamental principle of economic activity is that no man you transact with will lose, then you shall not."

Strong Geographical Presence



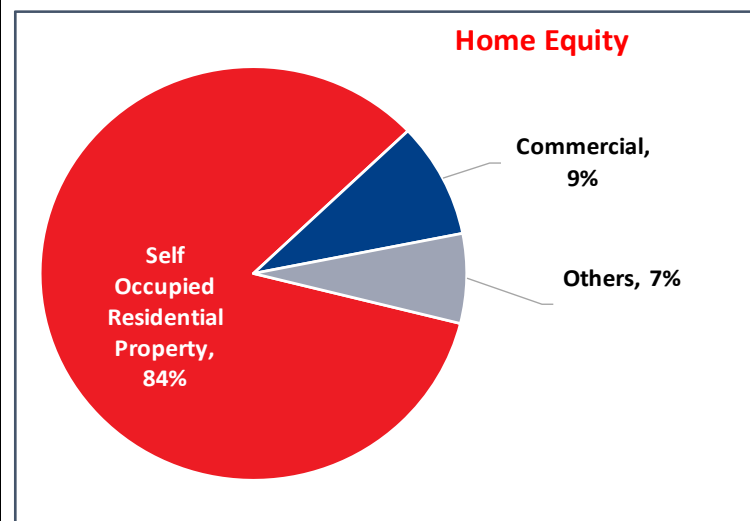
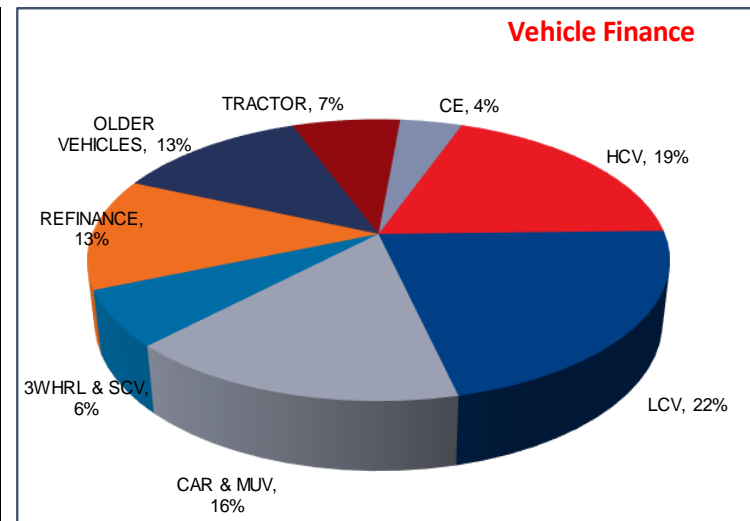
- 883 branches across 27 states/Union territories: 878 VF, 169 HE (164 co-located with VF) and 133 HL (co-located with VF).
- 79% locations are in Tier-III, Tier-IV, Tier V and Tier-VI towns
- Strong Pan India presence

Branch Network



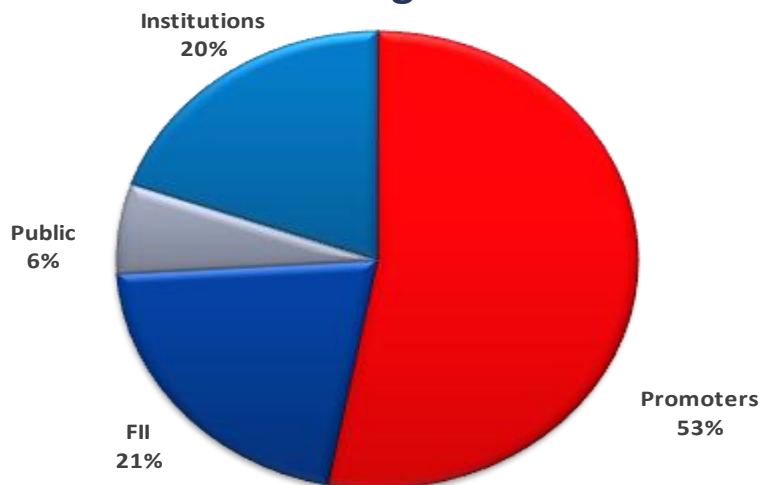
Company Performance – Portfolio Breakup

AUM * (₹ mn)	FY16	FY17	FY18	Q1FY18	Q1FY19	Growth
	IGAAP			IND AS		
Vehicle Finance						
On Book	1,79,144	2,02,709	2,81,505	2,05,909	3,05,443	48%
Securitised	21,859	33,597	33,550	36,480	28,098	-23%
Managed Assets	2,01,003	2,36,306	3,15,054	2,42,389	3,33,541	38%
% of Total	68%	69%	73%	70%	74%	
Home Equity						
On Book	68,734	66,891	71,179	65,715	72,023	10%
Securitised	5,190	18,741	22,077	20,642	20,321	-2%
Assigned	14,594	10,295	6,709	9,161	10,427	14%
Managed Assets	88,518	95,927	99,966	95,518	1,02,771	8%
% of Total	30%	28%	24%	27%	23%	
Others						
On Book	6,983	9,437	13,771	9,947	14,662	47%
% of Total	2%	3%	3%	3%	3%	
Total						
On Book	2,54,861	2,79,036	3,66,455	2,81,571	3,92,128	39%
Securitised	27,050	52,338	55,627	57,122	48,419	
Assigned	14,594	10,295	6,709	9,161	10,427	14%
Managed Assets	2,96,505	3,41,670	4,28,791	3,47,854	4,50,974	30%



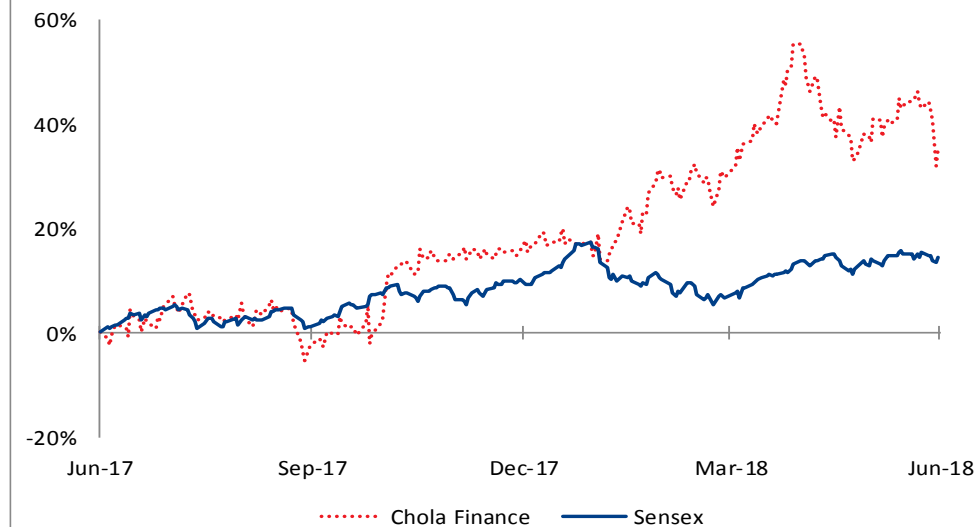
Shareholding

Shareholding Pattern



- Promoters share holding of 53.07% includes
 - TI Financial Holdings Limited – 46.21%,
 - Ambadi Investments Private Ltd – 4.62%
 - Others - 2.24%

Chola Finance - Share Price Growth



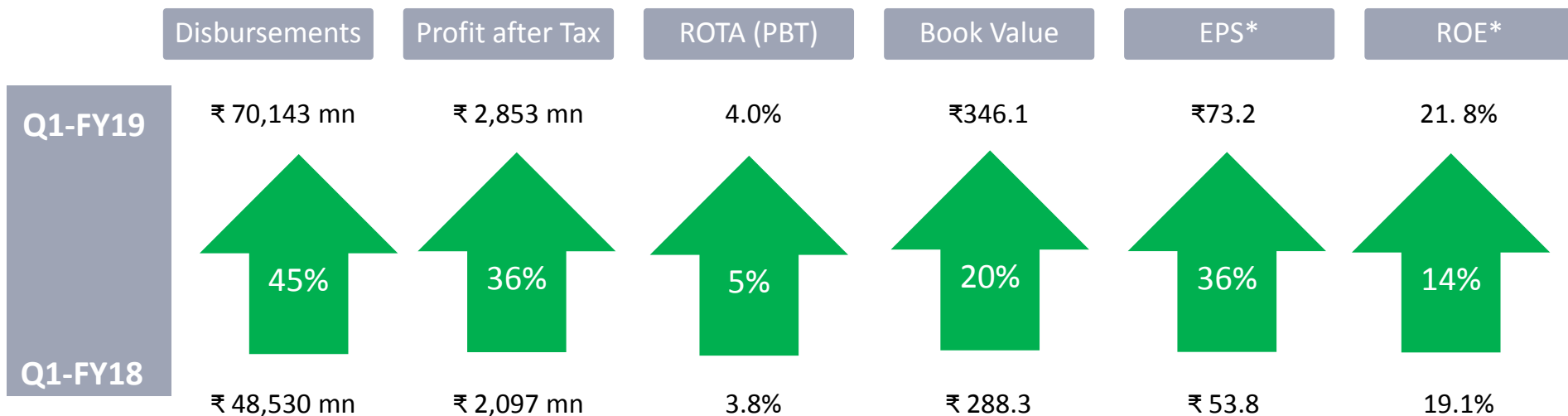
	Jun 17	Sep 17	Dec 17	Apr 18	Jun 18
Chola Finance (₹ / share)	1,119	1,092	1,294	1,740	1,513
BSE Sensex	30,922	31,284	34,057	35,160	35,423



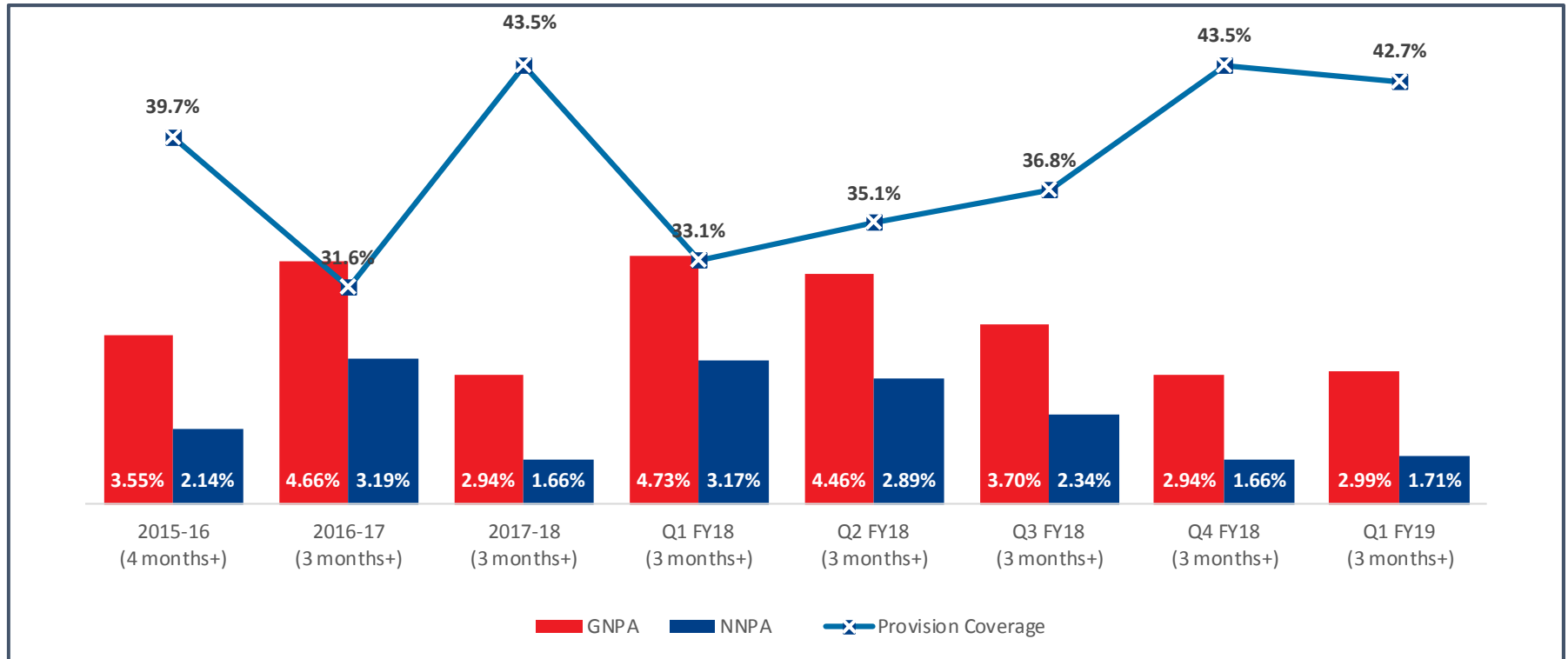
Financial Performance



Performance Highlights – Q1FY19 & Q1FY18 (As per Ind AS)



ASSET QUALITY



Note: Provision coverage and NNPA% is as per Ind AS for June 2018

Ind AS Transition – Impact in Financials

Items	IGAAP	Ind AS	Impact
Fee Income on Origination	Recognised Upfront on the agreement Sourcing Date <u>Effect: Income from Operations</u>	Amortised Using EIR and recognised across the agreement tenor <u>Effect: Income from Operations</u>	High
Variable Sourcing Cost on Origination	Recognised Upfront on incurred basis <u>Effect: Expenses</u>	Amortised Using EIR and recognised across the agreement tenor <u>Effect: Income from Operations</u>	High
Loan Losses	Incurred Loss approach (NPA Provision & its Income reversal and Std Asset Provision)	Expected Credit Loss approach (Stage I, Stage II and Stage III)	High
Securitisation (Credit enhancement > ECL of the Pool at the time of Sale)	Eligible for de recognition if it meets the True sale criteria of RBI guidelines	Does not qualify for derecognition. Sale amount treated as Secured borrowings	High
Excess Interest Spread on Assignment (qualified for derecognition)	Amortised over the tenor of underlying Asset	Recognised upfront on the date of the transaction	High
Employee Stock Option	Fair Value disclosures to be made	Stock based compensation cost to be determined under Fair Value method and to be accounted accordingly	Medium

Profit and Loss Statement

₹ mn

Particulars	FY16	FY17	FY18	Q1FY18	Q1FY19	Growth % Y-o-Y
	IGAAP		IND AS	IND AS		
Disbursements	1,63,803	1,85,913	2,51,135	48,530	70,143	45%
Closing Assets (Managed)	3,03,624	3,51,097	4,35,812	3,58,691	4,66,628	30%
Closing Assets (Balance Sheet)	2,61,980	2,88,464	4,29,103	3,49,530	4,56,201	31%
Operating Income	41,937	46,603	55,549	12,963	15,972	23%
Finance Charges	20,508	22,308	26,842	6,326	8,018	27%
Net Income	21,429	24,295	28,707	6,637	7,954	20%
Expenses	8,449	10,133	11,157	2,315	2,584	12%
Loan Losses and Std Assets Prov	4,272	3,106	3,549	1,080	983	-9%
Profit Before Tax	8,708	11,056	14,001	3,242	4,388	35%
Taxes	3,023	3,868	4,833	1,145	1,535	34%
Profit After Tax	5,685	7,187	9,168	2,097	2,853	36%
Income Ratios						
NIM to Income	51.1%	52.1%	51.7%	51.2%	49.8%	
Optg Exp to Income	20.1%	21.7%	20.1%	17.9%	16.2%	
Optg Exp to Net Income Margin	39.4%	41.7%	38.9%	34.9%	32.5%	
Asset Ratios						
Net Income Margin	8.7%	8.6%	7.5%	7.7%	7.2%	
Expense	3.4%	3.6%	2.9%	2.7%	2.3%	
Losses & Provisions	1.7%	1.1%	0.9%	1.3%	0.9%	
ROTA-PBT	3.6%	3.9%	3.6%	3.8%	4.0%	
ROTA-PAT	2.3%	2.6%	2.4%	2.4%	2.6%	

Note: PAT is after considering additional provisions as follows:

	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>
• Provision for Loan Loss -	4 months+	3 months	3 months
• Standard Asset Provision -	0.35%	0.40%	0.40%

Profit and Loss Statement – Vehicle Finance

₹ mn

Particulars	FY16	FY17	FY18	Q1FY18	Q1FY19	Growth % Y-o-Y
	IGAAP		IND AS	IND AS		
Disbursements	1,23,830	1,44,710	2,05,400	38,190	56,652	48%
Closing Assets (Managed)	2,01,003	2,36,306	3,12,985	2,42,639	3,33,541	37%
Operating Income	31,591	36,094	41,889	9,611	11,983	25%
Finance Charges	15,995	18,025	20,454	4,750	6,395	35%
Net Income	15,596	18,070	21,435	4,861	5,588	15%
Expenses	6,929	8,257	9,477	1,969	2,084	6%
Loan Losses and Std Assets Prov	3,117	2,994	1,999	665	752	13%
Profit Before Tax	5,550	6,819	9,959	2,228	2,752	24%
Income Ratios						
NIM to Income	49.4%	50.1%	51.2%	50.6%	46.6%	
Optg Exp to Income	21.9%	22.9%	22.6%	20.5%	17.4%	
Optg Exp to Net Income Margin	44.4%	45.7%	44.2%	40.5%	37.3%	
Asset Ratios						
Net Income Margin	8.5%	8.4%	7.8%	8.2%	6.9%	
Expense	3.8%	3.8%	3.5%	3.3%	2.6%	
Losses & Provisions	1.7%	1.4%	0.7%	1.1%	0.9%	
ROTA-PBT	3.0%	3.2%	3.6%	3.7%	3.4%	

Note: PBT is after considering additional provisions as follows:

	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>
• Provision for Loan Loss -	4 months+	3 months	3 months
• Standard Asset Provision -	0.35%	0.40%	0.40%

Profit and Loss Statement – Home Equity

₹ mn

Particulars	FY16	FY17	FY18	Q1FY18	Q1FY19	Growth % Y-o-Y
	IGAAP		IND AS	IND AS		
Disbursements	34,764	30,559	31,740	7,397	9,385	27%
Closing Assets (Managed)	88,518	95,927	99,781	95,268	1,02,771	8%
Operating Income	11,242	12,166	12,054	3,097	3,006	-3%
Finance Charges	7,121	8,069	7,816	1,984	1,955	-1%
Net Income	4,121	4,098	4,238	1,113	1,051	-6%
Expenses	941	1,097	1,025	248	264	7%
Loan Losses and Std Assets Prov	571	936	1,004	319	203	-36%
Profit Before Tax	2,609	2,065	2,210	547	583	7%
Income Ratios						
NIM to Income	36.7%	33.7%	35.2%	35.9%	35.0%	
Optg Exp to Income	8.4%	9.0%	8.5%	8.0%	8.8%	
Optg Exp to Net Income Margin	22.8%	26.8%	24.2%	22.3%	25.2%	
Asset Ratios						
Net Income Margin	5.1%	4.4%	4.3%	4.7%	4.2%	
Expense	1.2%	1.2%	1.0%	1.0%	1.0%	
Losses & Provisions	0.7%	1.0%	1.0%	1.3%	0.8%	
ROTA–PBT	3.2%	2.2%	2.3%	2.3%	2.3%	

Note: PBT is after considering additional provisions as follows:

	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>
• Provision for Loan Loss -	4 months+	3 months	3 months
• Standard Asset Provision -	0.35%	0.40%	0.40%

Ind AS Reconciliation

Rs in Mn.

Particulars	Q1	Q1	Full Year
	FY19	FY18	FY18
Profit before tax as per IGAAP	4,024.73	3,181.32	14,833.09
<u>Adjustments as per IND AS - (charge) / Benefit</u>			
Adoption of Effective Interest Rate (EIR) for amortisation of income and expenses - financial assets at amortised cost	(186.31)	(12.80)	(177.18)
Adoption of EIR for amortisation of expenses - financial liabilities at amortised cost	(1.09)	(0.04)	(2.75)
Profit (net) on De-recognition of financial assets	360.89	(80.30)	(562.80)
Expected Credit Loss (ECL) and related adjustments under Ind AS 109	201.23	171.83	286.48
Impact of application of Ind AS 115 on revenue from certain customer contracts	15.25	-	(284.67)
Fair valuation of stock options as per Ind AS 102	(16.26)	(24.90)	(84.69)
Re-measurement gain/loss on defined benefit obligation plan recognised in 'Other Comprehensive Income' as per Ind AS 19	(10.62)	6.90	(6.60)
Total Adjustment - (Charge) / benefit	363.10	60.69	(832.21)
Profit before tax as per Ind AS	4,387.83	3,242.00	14,000.88
Tax Expenses (including Current and deferred tax)	(1,535.33)	(1,145.19)	(4,833.20)
Profit after tax as per Ind AS	2,852.50	2,096.82	9,167.68

Transition Reserve Impact

Rs in mn.

Reported Reserve as on March 31st, 2017	41,284.00
Adjustments- Benefit/(Charge)	
Adoption of Effective Interest Rate (EIR) for amortisation of-	
Upfront Fee Income	(3,354.40)
Upfront Variable Sourcing Cost	1,739.80
Adoption of EIR for amortisation of expenses - financial liabilities at amortised cost	50.00
Upfront gains on De-recognition of financial assets and subsequent fair value adjustments	973.53
Write back of Income reversal for NPAs and provision for overdues of securitised Assets	2,755.40
Expected Credit Loss (ECL)	(2,167.60)
Tax adjustments on above items	1.11
Net effect of Transition Adjustments	(2.16)
Reserve as on March 31st, 2017 as per IND AS	41,281.84

Balance Sheet

Rs in Mn

Particulars	As at 31.03.2016	As at 31.03.2017	As at 31.03.2018	As at 30.06.2017	As at 30.06.2018
	IGAAP		IND AS		
EQUITY AND LIABILITIES					
Shareholders' funds	36,574	42,849	51,060	45,053	54,104
Current liabilities	1,27,214	1,04,229	1,27,834	1,14,928	1,73,095
Non-current liabilities	1,15,095	1,58,870	2,72,275	2,09,700	2,52,609
TOTAL	2,78,883	3,05,948	4,51,169	3,69,681	4,79,808
ASSETS					
Non-current assets					
Fixed assets	1,113	1,400	1,608	1,381	1,548
Non-current investments	647	1,925	2,383	2,194	2,181
Deferred tax asset (net)	2,815	3,152	3,696	3,295	3,732
Receivable under Financing activity	1,81,877	1,99,354	3,13,730	2,58,409	3,14,034
Other non-current assets & loans and advances	5,157	6,472	7,522	7,153	7,931
	1,91,608	2,12,303	3,28,938	2,72,431	3,29,427
Current assets					
Current investments	19	461	807	611	722
Cash and bank balances	4,905	4,706	3,925	5,035	11,215
Receivable under Financing activity	77,225	84,790	1,13,527	87,952	1,34,586
Other current assets & loans and advances	5,126	3,687	3,973	3,653	3,858
	87,275	93,645	1,22,232	97,251	1,50,381
TOTAL	2,78,883	3,05,948	4,51,169	3,69,681	4,79,808
De recognised assets	41,643	62,633	6,709	9,161	10,427
Total Assets Under Management	3,20,526	3,68,581	4,57,878	3,78,842	4,90,235



BUSINESS OVERVIEW





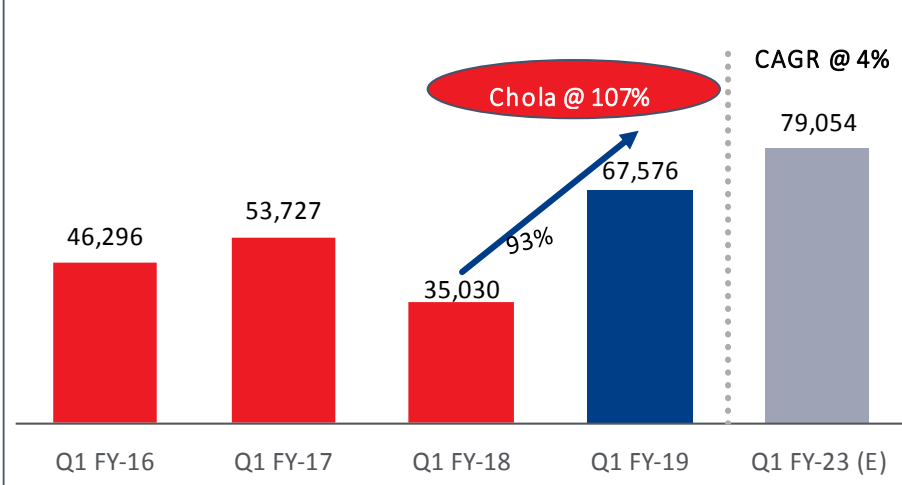
Vehicle Finance



Vehicle Finance - Industry

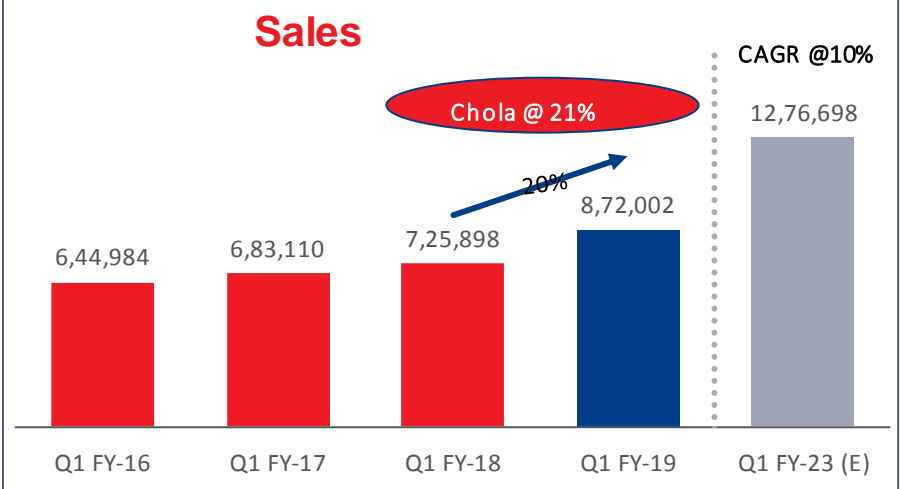
Trend in Domestic M & HCV Sales

(in Units)



Trend in Domestic Car & MUV Sales

(in Units)

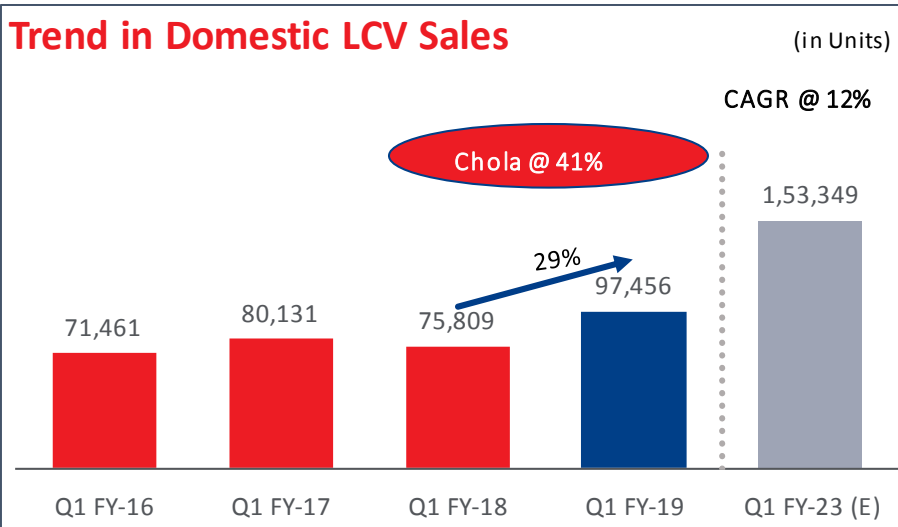


- Government's increased thrust on infrastructure and rural sectors in the recent budget will aid growth.
- Pent up demand post GST and pick up in construction and mining activities would continue to drive demand.

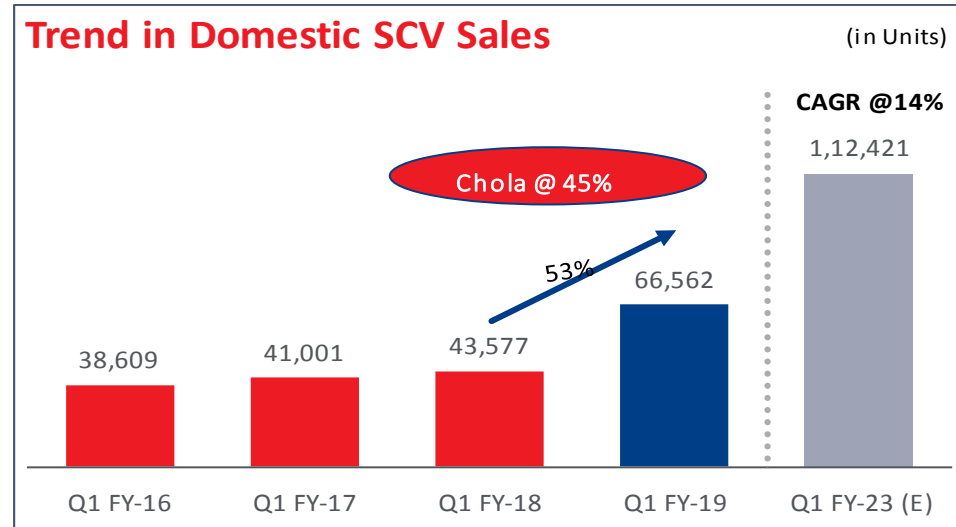
- Higher Income, lower penetration and lower cost of capital to boost long term demand
- Vehicle penetration is expected to rise from the current estimated 21 vehicles per 1,000 to 25-27 vehicles per 1,000 people in the next five years

Vehicle Finance - Industry

Trend in Domestic LCV Sales

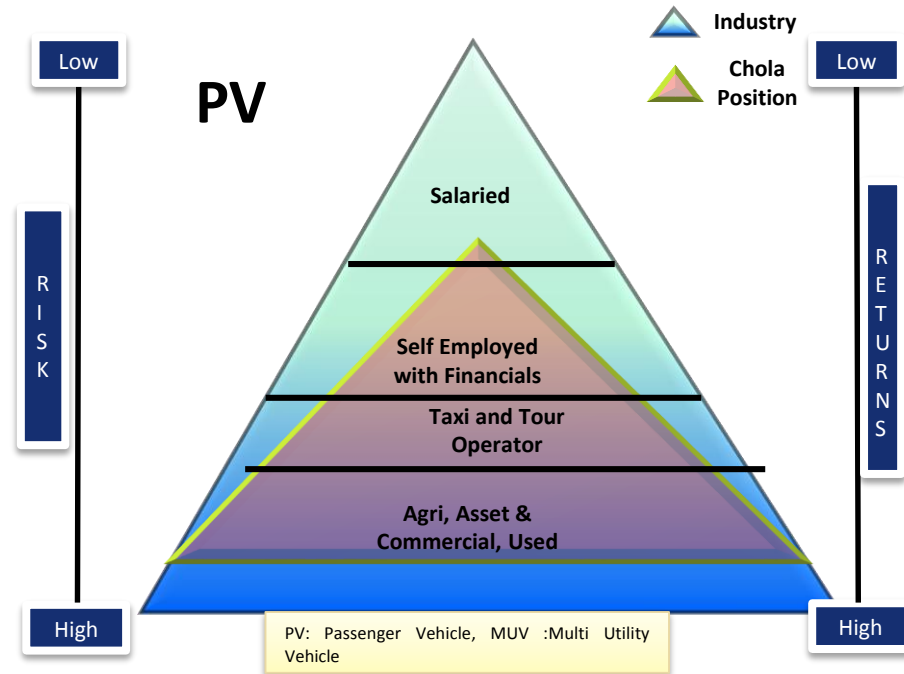
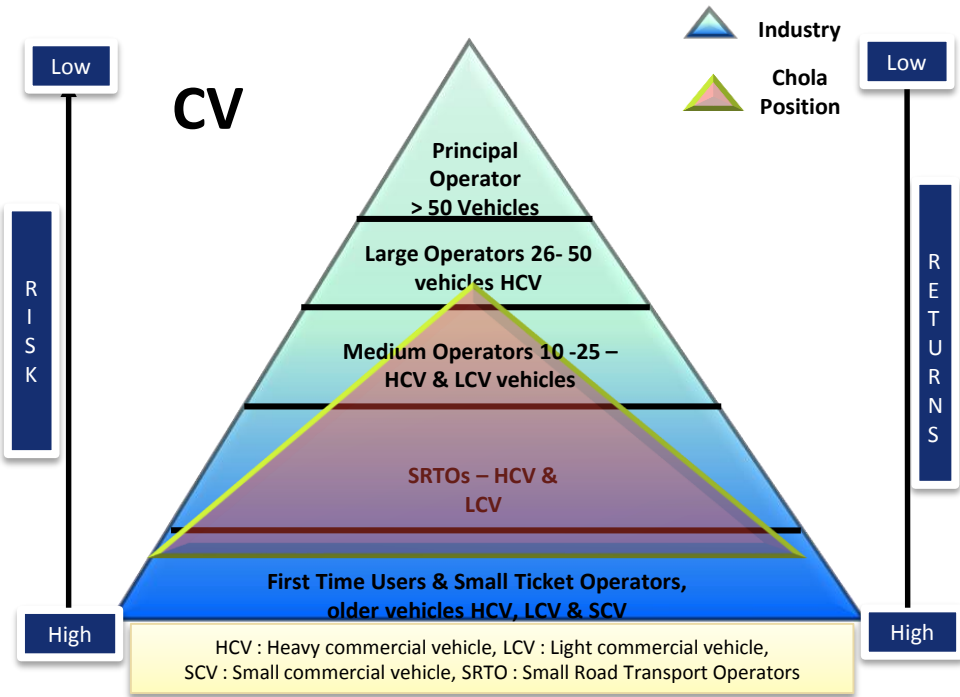


Trend in Domestic SCV Sales



- Stronger demand from Consumption-driven sectors and E-commerce focused logistic companies will drive for growth
- GST roll out and its impact on logistic sector is expected to aid growth in the medium term
- Changes in warehousing pattern post GST, through increasing adoption of hub and spoke model, is driving the need for faster and efficient trucks.
- Substitution of three-wheelers to SCVs, which enables higher carrying capacity and lower TAT and make it more cost efficient.
- Bus Sales to be supported by growing urban population, demand from schools and corporates and increased inter-city travel.

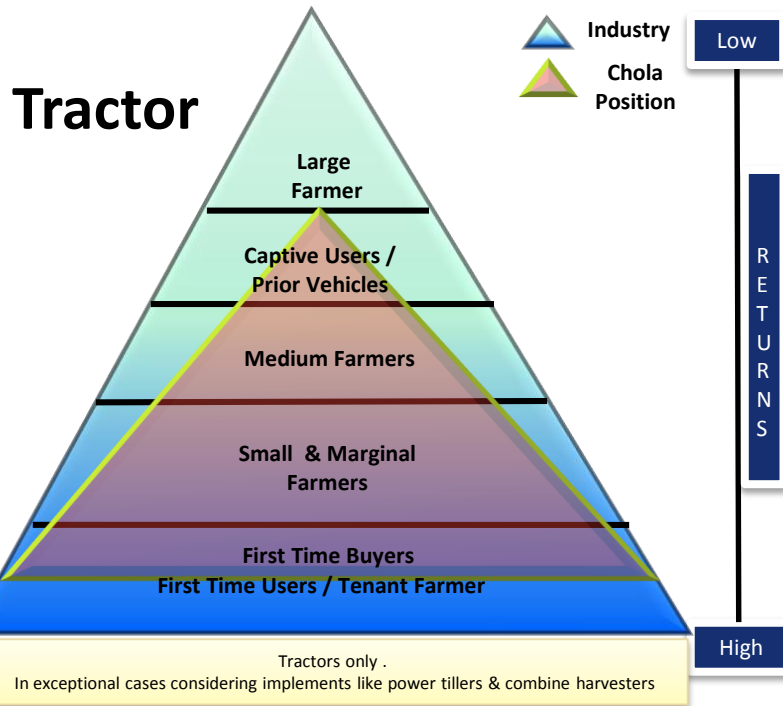
Vehicle Finance – Business Model & Positioning



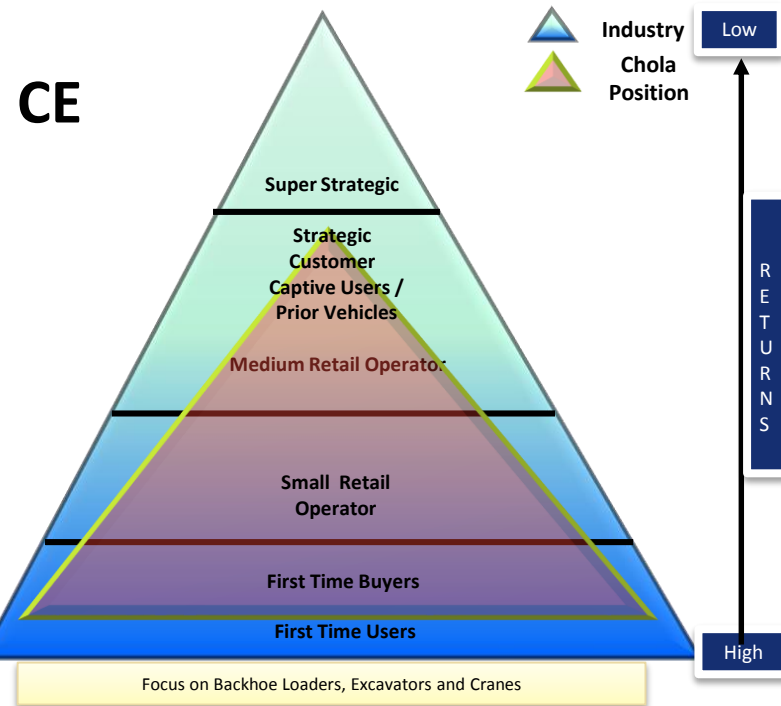
- ~65% of disbursements are to micro & small enterprises and agri -based customer segment
- Chola positioning-
 - Middle of the pyramid through New CVs, Used CVs
 - Top of the Bottom of the pyramid through SCV & older CVs Shubh

- ~ 66% of disbursements are to Chola Existing, Agri & Commercial usage customers
- ~ 34% disbursements are to Self Employed with financials
- Chola positioning-
 - Middle of the pyramid is into Agri, Asset & Commercial.

Vehicle Finance – Business Model & Positioning

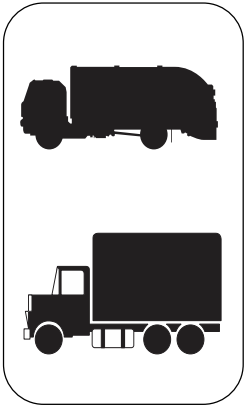


- ~65% of disbursements are to agri -based customer segment
- Application -
 - Agri usage
 - Commercial usage
 - Agri and Commercial usage
- New & Used



- ~ 69% of disbursements are to retail customer segment
- Application –
 - Captive
 - Hiring
- New & Used

Vehicle Finance - Key Differentiators



Quicker Turn Around Time – (TAT)

Reputation as a long term and stable player in the market

Strong dealer and manufacturer relationship

Good penetration in Tier II and Tier III towns

In house sales and collection team which is highly experienced and stable

Low employee turnover

Good internal control processes

Customised products offered for our target customers

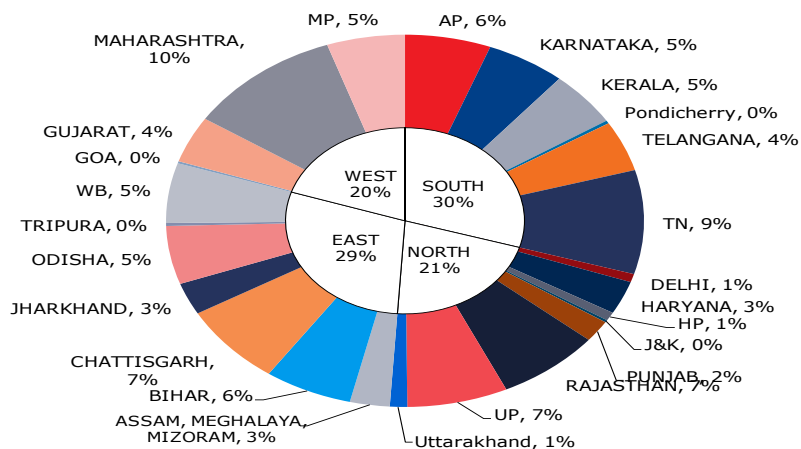
Strong collection management



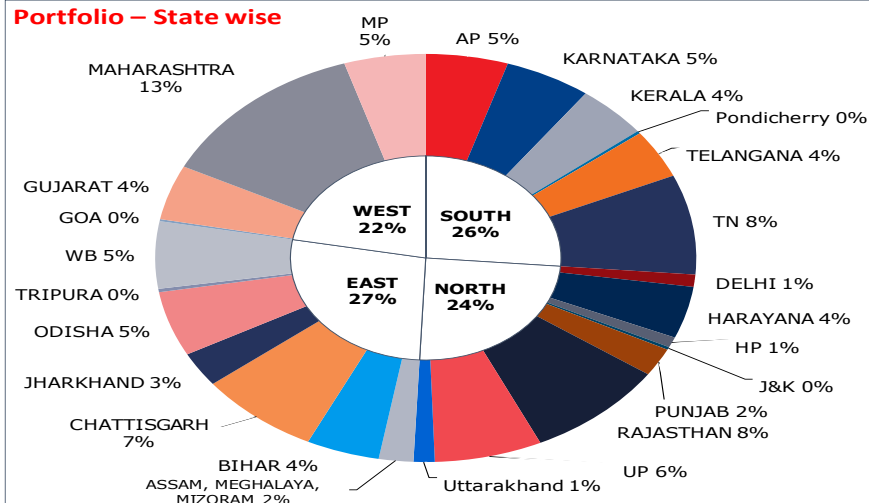
Vehicle Finance - Disbursement / Portfolio Mix – Q1FY19

Well diversified across geography & product segments

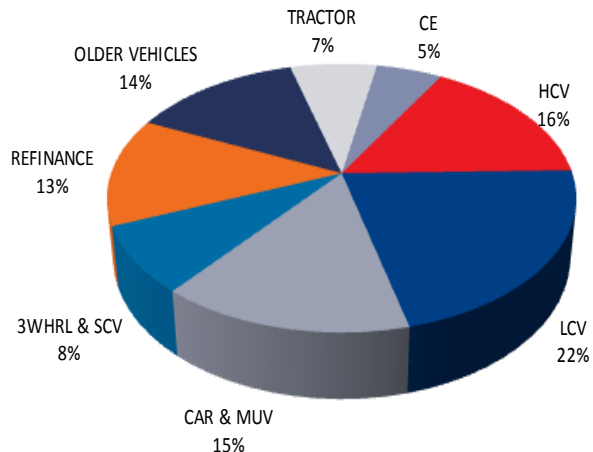
Disbursements - State wise



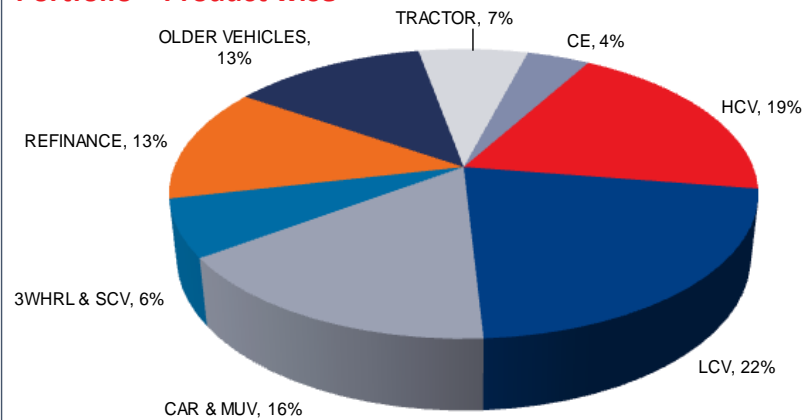
Portfolio – State wise



Disbursements - Product wise



Portfolio – Product wise





Home Equity



Home Equity - Industry outlook



- NBFCs' Loan against property book likely to grow at 12-15% in FY19
- Pricing related pressure is expected to be higher in the second half of FY 19 due to narrowing funding avenues and higher systemic rates
- As per ICRA, revival was witnessed as the impact of GST implementation and the effects of demonetization were diminished.



- ICRA expects the weighted average cost of funds for NBFCs to increase to about 9.3-9.5% in fiscal 2019 compared to 8.4%-8.5% in fiscal 2018
- The larger NBFCs have moderated their ticket sizes, in view of the asset quality concerns and increased competitive pressure.



- ICRA notes that twin effects of increased borrowing rates and expected shrinkage in funding sources could impact growth to an extent.

Home Equity - Key Differentiators



Process Differentiator

- One of the best turnaround times in the industry
- Personalised service to customers through direct interaction with each customer



Pricing

- Fee Income adequate to cover origination & credit cost
- Leverage cross sell opportunities for additional income
- Effective cost management



Underwriting Strategy

- Personal visit by credit manager on every case
- Assess both collateral and repayment capacity to ensure credit quality

Structure

- Separate verticals for sales, credit & collections to drive focus
- Convergence of verticals at very senior levels
- Each vertical has independent targets vis-à-vis their functions





Funding Profile



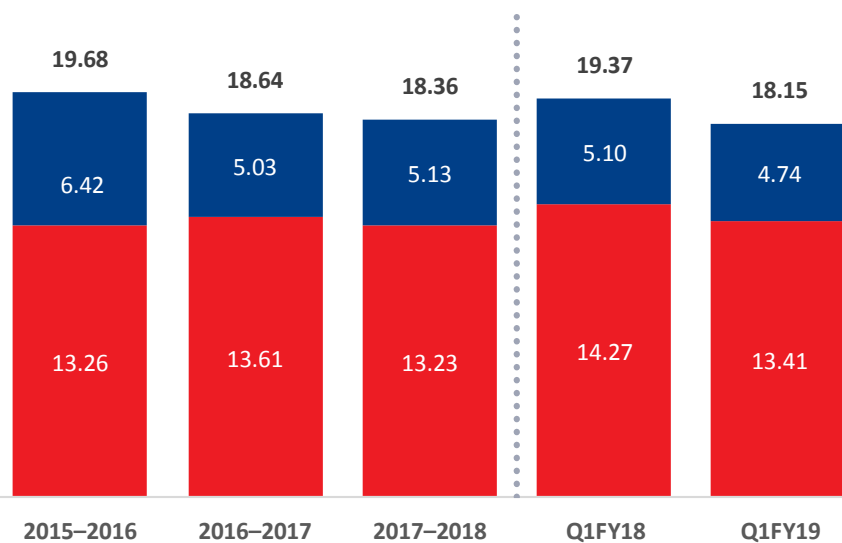
CAR, Credit Rating and ALM Statement

ALM Statement as on Jun 2018

₹ mn

Capital Adequacy Ratio (CAR)

■ Tier I ■ Tier II



Minimum CAR Stipulated by RBI is 15%

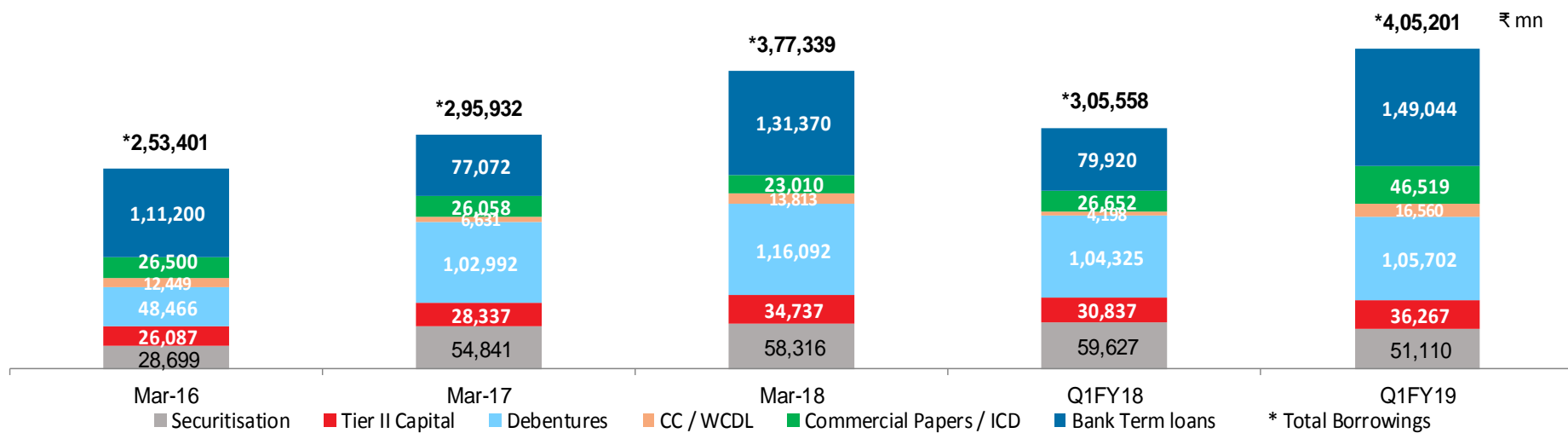
Time Buckets	Outflows	Inflows	Mismatch	Cum Mismatch
1-14 Days	10,608	19,588	8,980	8,980
15-30/31 Days	7,187	7,296	109	9,089
Over 1-2 Months	21,695	21,733	38	9,126
Over 2-3 Months	29,431	29,482	52	9,178
Over 3-6 Months	25,035	25,059	24	9,202
Over 6 Months to 1 Year	46,481	60,066	13,586	22,788
Over 1-3 Years	1,77,681	1,82,033	4,352	27,140
Over 3-5 Years	32,720	35,441	2,721	29,861
Over 5 Years	19,839	43,154	23,315	53,176
Over 20 Years	54,385	1,209	(53,176)	-
Total	4,25,061	4,25,061	-	-
Positive cumulative mismatch in all buckets				

Loan Type	INDIA RATINGS	CARE	ICRA	CRISIL
ST CP/WCDL	-	CARE A1+^	[ICRA]A1+	[CRISIL] A1+
LT NCD/CC	IND AA + (ind) Stable*	CARE AA+*	[ICRA]AA+ Positive	[CRISIL] AA+
Tier II SD	IND AA + (ind) Stable	CARE AA+	[ICRA]AA+ Stable	[CRISIL]AA+/Stable
Tier I PDI	IND AA (ind)	CARE AA	[ICRA]AA Stable	-

^ CP Rating

* NCD Rating

Diversified Borrowings Profile (As per Ind AS)



Particulars	Mar-16	Mar-17	Mar-18	Q1FY18	Q1FY19
Bank Term Loans	44%	26%	35%	26%	37%
Commercial papers/ ICD	10%	9%	6%	9%	11%
CC/WCDL	5%	2%	4%	1%	4%
Debentures	19%	35%	31%	34%	26%
Tier II Capital	11%	10%	9%	10%	9%
Securitisation	11%	18%	15%	20%	13%

- Debt instruments rating has improved by one notch
- Long term relationships with banks ensured continued lending
- A consortium of 15 banks with tied-up limits of ₹ 28,250 mn



Business Enablers



Technology Updates

Technology Infrastructure

Delivering resilient & scalable environment

- Network infrastructure upgraded to support higher bandwidth, improve resilience and be future ready
- Enhanced the asset management software to improve the tracking mechanisms and service supports.
- Broadened the DR scope to include the newly deployed business applications
- Refreshed compute and storage infrastructure to support higher volumes on core lending platforms

Systems of Record

Stable foundation for core products & services

- Design and launch MIS for usage by business and functional stakeholders
- Centralized GST solution and enhancements for IND-AS including subsystem changes are rolled out
- Streamlined process and improved automation for Suspicious Transaction Report regulatory submission
- Environment tuning and automation to improve financial closing and reporting

Systems of Engagement

Digitally connect employees, partners, & customers

- Deployed Gen3 enhanced credit scoring model for wider set of VF products
- Customer Mobile Apps – Simplified the registration process to improve the customer experience and application performance; new iOS version for improved customer engagement
- Field Sales/Collection Mobility solutions – Real time operational dashboards delivered
- Gaadi Bazaar – System improvement to enhance the sale of repo vehicles and functionalities for conducting auctions

Compliance, Innovation & People

Balance innovation & technology risk

- Carried out activities at process and people level, to comply with RBI master directions
- Completed the competency mapping for the different job functions and roles
- SIEM - Deliver Improved Security with infrastructure monitoring and management
- Weekly round-table for knowledge sharing & employee engagement
- Implemented Risk based Data and Application protection for enterprise digital risk management and fraud control

Risk Management

Risk Management Committee (RMC):

- RMC comprises Chairman, three Independent Directors and the Managing Director besides the senior management as members.
- Meets at least 4 times in a year and oversees the overall risk management framework, the annual charter and implementation of various risk management initiatives.
- RMC minutes and risk management processes are shared with the Board on periodic basis

Risk Management (contd..)

- Post sanction monitoring helps to identify portfolio trends and implement necessary policy changes
 - Operational risk is managed through comprehensive internal control and systems.
- Robust Disaster Recovery Plan in place and is periodically tested.
- Implemented a Business Continuity Framework to ensure the maintenance on recovery of operations when confronted with adverse events

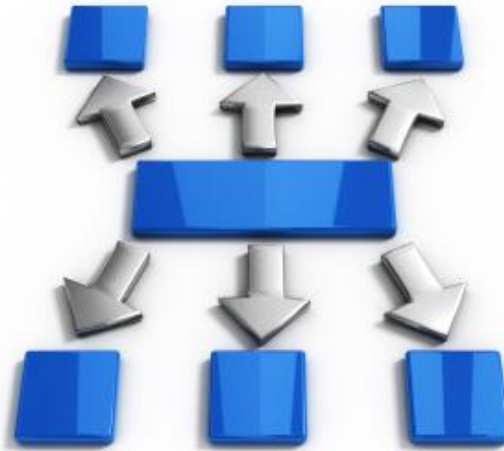
Risk Management:

- Established Risk Management Framework
- Comprehensive Risk registers have been prepared for all units identifying risks with mitigants and KRI triggers
- Institutionalized formal Risk Reporting framework – Chola Composite Risk index highlights the top risks which is reviewed by RMC (quarterly) and Sr. Management (monthly) to understand the level of risk and act upon suitably.
- Robust automated credit underwriting process includes detailed risk assessment of the borrowers.



Internal Control Systems

- SOPs for all business and functions are in place, Strong IT security system and Audit to ensure Information security
- In-house and independent internal audit team carry out comprehensive audit of HO & branches with a pre-approved plan and audit schedule to evaluate the extent of SOP compliance to locate gaps
- Independent fraud control unit ensures robust mechanism of fraud control & detection supported by a disciplinary committee reporting to Audit Committee and Board
- Monthly ALCO meeting to discuss treasury related risk exposures within the financial risk management framework of the Company



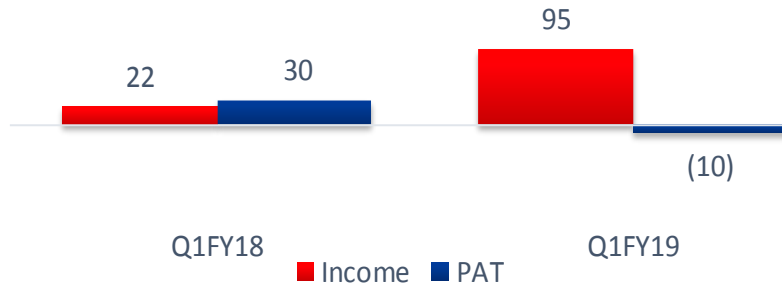
Subsidiaries



Subsidiaries

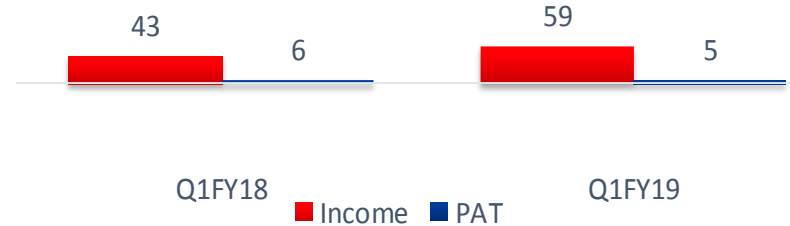
Cholamandalam Housing Finance Ltd

₹ mn



Cholamandalam Securities Ltd

₹ mn

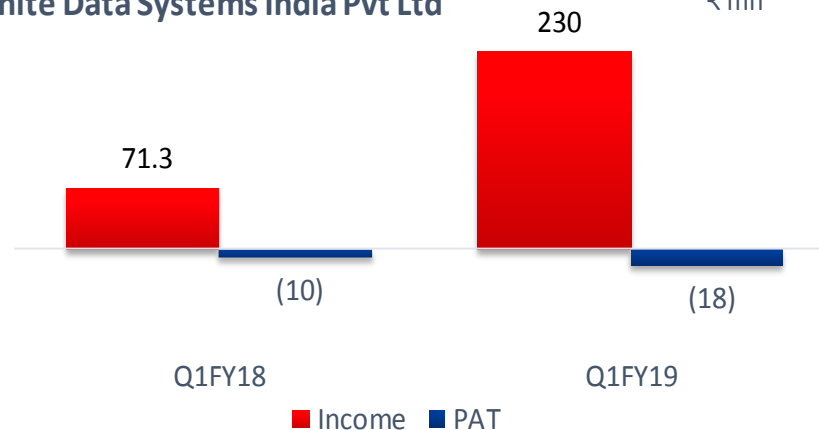


- Wealth management services for mass affluent and affluent customer segments.
- Retail Distribution of a wide range of financial products – Investments, Life Insurance, General Insurance, Home loan & mortgage products.

- Broking services to HNIs and Institutional Investors
- Presence across 15 metros and mini metros

White Data Systems India Pvt Ltd

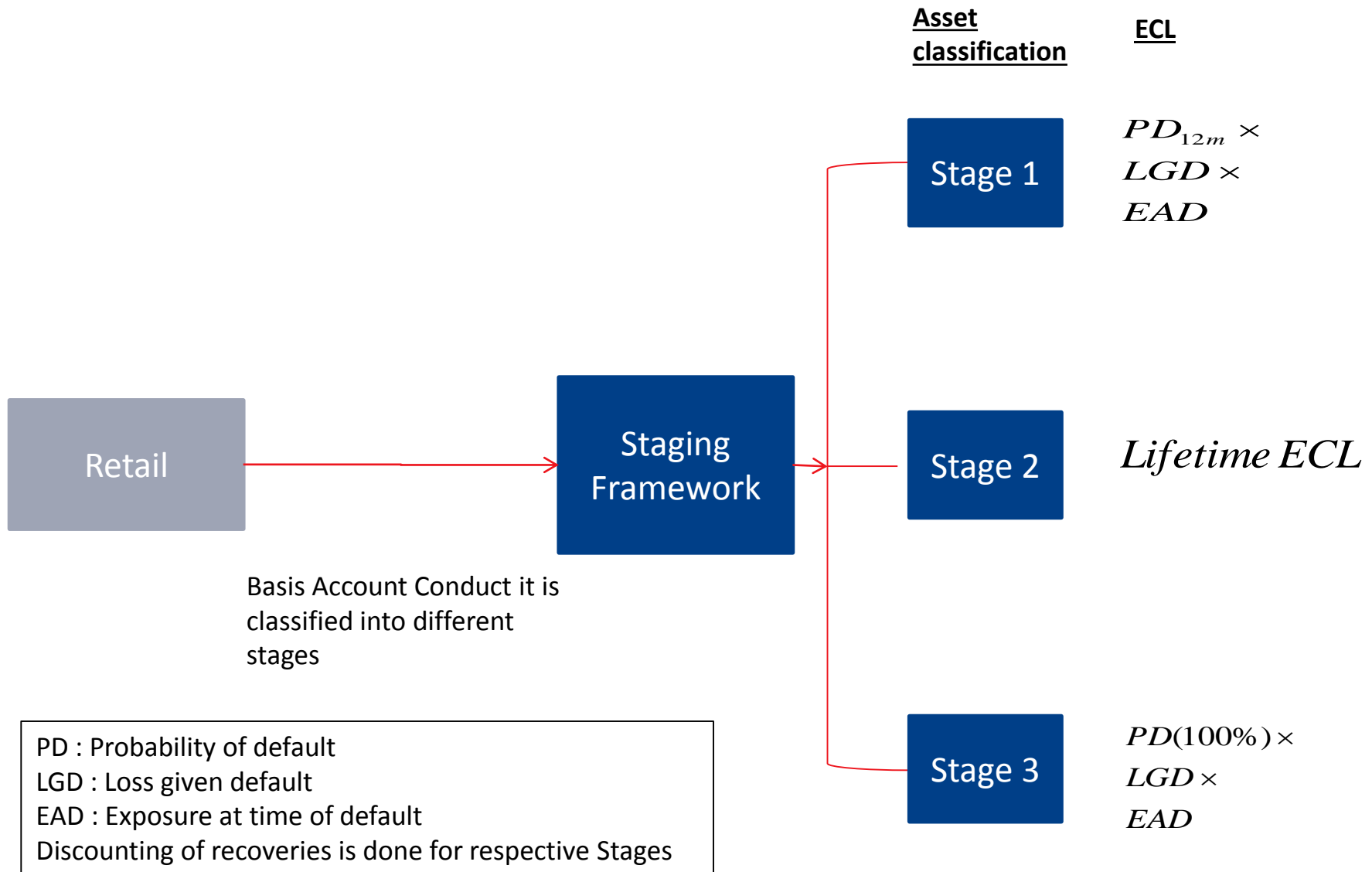
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- Freight aggregating business

ECL Methodology

Measurement Framework



Measurement Framework

Asset classification

ECL

Description

Stage 1

$$PD_{12m} \times LGD \times EAD$$

- Assets with low risk (0-30 DPD) on reporting date
- Loss estimate based on a 1 year forward estimate

Stage 2

Lifetime ECL

- Assets with Significant Increase in Credit Risk (SICR) since initial recognition
- Assets with > 30 DPD and < 90 DPD are considered as Stage 2
- Lifetime expected loss is computed

Stage 3

$$PD(100\%) \times LGD \times EAD$$

- Assets where default event has already happened as on reporting date
- Assets which have DPD > 90 days as on reporting date are classified into stage 3
- Chola has adopted a cool off period for stage 3 and hence classified all assets which have touched 90+ one year prior to reporting date as stage 3

Retail Pooling

Cholamandalam Investments
and Finance Co. Ltd.



Portfolios are segmented based on the below categories. PD term structure and LGDs are computed for each segment separately.

Vehicle Finance

HCV New

LCV/CAR/MUV
New

MLCV/2W/3W
New

HCV Used

LCV/CAR/MUV
Used

MLCV/2W/3W
Used

SHUBH

Tractor

CE

VF portfolio is split basis the product category

Home Equity

HE Delhi

HE Tamil Nadu

HE Punjab /
Haryana /
Chandigarh

HE Rajasthan

HE Gujarat

HE Others

Home Equity portfolio is split
basis geography

Home Loan

Others

Home Loans and other smaller
portfolios are not segmented

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Chola

Enter a better life



Thank You



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