

# Cholamandalam Investment looks at improving asset quality

## Company focusses on digital innovation

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Cholamandalam Investment & Finance Company (CIFCL), part of the Murugappa Group, seeks an edge in the non-banking finance company (NBFC) space with its two-pronged digital focus.

With its digital initiatives, the company is looking at improving its asset quality (with better underwriting models and lower loan losses), and delivering better growth with higher staff productivity.

“Our digital innovation is reflected in our NPAs being significantly lower than

many others in the industry. We have been progressively improving our underwriting model and we will see further improvements on the NPA numbers in the days to come,” D Arul Selvan, Executive Vice-President & Chief Financial Officer, Cholamandalam, told *BusinessLine*.

In the September quarter this fiscal, its gross NPA (GNPA) came down significantly to 2.8 per cent, from 4.5 per cent in the September 2017 quarter. Net NPA fell to 1.6 per cent (2.9 per cent).

Cholamandalam has been focussing on digital innovation for the past few years and had come out with many versions of its digital initiatives. “We are right now doing



D Arul Selvan, Executive V-P & Chief Financial Officer

one more version change — we are moving from Gen 3 to Gen 4 version for improving the underwriting model much more significantly,” he added.

### Underwriting processes

Since pricing is going up in the industry, Cholaman-

dalam is also looking at increasing the cost of lending. Along with this, the company seeks to tighten the underwriting processes through digital innovation for better yield levels.

The second key focus area is improving the productivity of staff. By enabling employees with digital technology, Cholamandalam aims to make sure that loans or collections per person are improved.

“This will make sure that our opex (operational expenditure) is progressively brought down,” he said.

Over the past two years, the company has invested in the range of ₹40-50 crore in digital innovation and it will

stay invested in this area though the incremental sum may not be higher.

Commenting on the liquidity issues in the NBFC sector, Selvan said Cholamandalam didn't face any issues and the company was not slowing down its disbursements.

He felt that for well-managed companies like Chola, funding would be available, but, of course, it would come at a slightly higher cost.

While growth is expected to moderate in the second half of this fiscal on a high base, the company is confident of recording better-than-industry growth in vehicle disbursements during this period.