

**Cholamandalam Investment and Finance Company Limited**

CIN-L65993TN1978PLC007576

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**TRANSCRIPT OF THE PROCEEDINGS OF THE 43<sup>rd</sup> ANNUAL GENERAL MEETING OF COMPANY  
HELD AT 3.30 P.M. ON FRIDAY, 30<sup>th</sup> JULY, 2021  
THROUGH VIDEO CONFERENCE**

**Participants:**

1. Mr. Vellayan Subbiah - Chairman
2. Mr. N Ramesh Rajan - Independent Director
3. Mr. Anand Kumar - Independent Director
4. Mr. Ashok Kumar Barat - Independent Director
5. Mr. M A M Arunachalam - Independent Director
6. Mrs. Bhama Krishnamurthy - Independent Director
7. Mr. Bharath Vasudevan - Independent Director
8. Mr. Rohan Verma - Independent Director
9. Mr. Ravindra Kumar Kundu - Executive Director
10. Mr. D Arul Selvan - Executive Vice President & Chief Financial Officer
11. Ms. P Sujatha - Company Secretary
12. Senior Management and
13. Shareholders

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

Good evening. It gives me great pleasure to welcome all of you to the 43<sup>rd</sup> Annual General Meeting of your Company through video conference. I hope you and your family members are safe and in good health. As you are aware this year also due to continuing Covid 19 pandemic, the Ministry of Corporate affairs, and the Securities and Exchange Board of India have allowed companies to hold the AGM through video conference and send the notice of the AGM along with annual report to shareholders electronically for the financial year 2021. The Company had also issued an advertisement informing shareholders to register their email IDs to enable the Company to send these documents electronically to them.

Accordingly, the notice and the annual report for FY 2021 have been sent only through electronic mode to all those shareholders whose email addresses are registered with the registrar and transfer agents or depository participants. The requisite quorum for the meeting is present and I now call the meeting to order.

May I now introduce the directors attending the meeting through video conference from their respective locations? Mr. Ramesh Rajan, the Chairman of the audit Committee, Mr. Anand Kumar, the Chairman of the Nomination and Remuneration Committee, Mr. Ashok Barat, Chairman of the Risk Management Committee, Mr. M.A.M Arunachalam, Chairman of the Stakeholder Relationship Committee, Ms. Bhama Krishnamurthy, Mr. Bharath Vasudevan and Mr. Rohan Varma.

May I now introduce the Executive Director, chief financial officer, Company Secretary, and present at the meeting with me at the registered office of the Company. Mr. Ravindra Kundu, Executive Director, Mr. D Arul Selvan, Chief Financial Officer, and Ms. P. Sujatha, Company Secretary.

Mr. Aravind Krishnan, Partner representing M/S. S.R. Batliboi and Associates, Chartered Accountants, Statutory Auditors, and Mr. R. 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.

Dear shareholders, as the AGM notice and the annual report for the financial year 2021 have already been circulated by email to all shareholders, with your permission, I wish to take the notice convening the meeting as read. Members seeking to inspect the register of directors and key managerial personnel, register of contracts or arrangements in which the directors are interested, may contact the Company Secretary, or send an email to investors@chola.murugappa.com. The statutory auditors report on the financial statements of the Company for the year ended 31<sup>st</sup> March, 2021 does not have any qualifications or observations or comments or other remarks on financial transactions of matters as having any adverse effect on the functioning of the Company.

The secretarial auditor report for the year ended 31<sup>st</sup> March, 2021 also does not contain any qualifications or observations or comments or other remarks. Accordingly, the statutory auditor's report and the secretarial auditor's report are not required to be read out of this meeting.

#### **CHAIRMAN'S SPEECH**

Ladies and gentlemen, the Covid 19 pandemic has cost the world millions of lives and jobs. Compelled people all over the world to make changes in their way of working and living. During the year gone by the safety and health of our employees has been of paramount importance for the Company.

We have been continuously educating them on the importance of self-discipline and adherence to all safety directions and guidelines issued by the government and extending support to them and their families in every possible way. The pandemic continues to be an unprecedented challenge that the country and the world is facing. However, such times of crisis also lead to points of inflection. And I'm happy to say that your Company continues to be a strong platform with a solid foundation.

The inherent strengths that your Company has built over the past four decades, coupled with a strong community focus and enormous trust among stakeholders have enabled it to sail through this year of adversity. In terms of the industry over the last year, FYI 21 was one of the challenging years for the auto industry and the auto industry reported de-growth in every of sales in every segment as the economy reeled under the impact of Covid 19. The domestic commercial vehicle industry closed FYI 21 with a 21% de-growth after recording a 29% negative growth in FY 20 which is predominantly an account of the disruption in sales and supply chain, negative customer sentiments, and economic slowdown. Medium and heavy commercial vehicles recorded a 22% de-growth, light commercial vehicles and 18% de-growth, and small commercial vehicles a 25% de-growth.

Domestic car and utility vehicle also aware vehicle industry also witnessed three years of negative growth, which is the first time in a decade, and this was majorly attributed to muted consumer sentiments and a higher cost of ownership. The tractor industry was the only area of growth in this environment and had a growth of 27% in FY 21 due to healthy farm cash flows on the back of a normal monsoon and minimal impact of Covid 19 in rural areas. The two-wheeler industry had a de-growth of 13% in FY 21 due to higher inflation levels and reduced discretionary spending. The loan against property segment was also impacted during the first half of FY 21.

Most of the players in lap were cautious in terms of disbursements and FY 21 Initiatives by the Government of India and RBI through the emergency credit line guarantee scheme ECLGS, moratorium,

and restructuring helped the industry to rebound in the second half of FY 21 and it is expected to continue providing momentum in FY 22. In the home loan segment, the repayments were significantly impacted, especially in marginal communities and self-employed semi-formal segments. The demand and home loan segment were subdued through FY 21 and green shoots began to emerge in Q3 of FY 21. The housing sector is expected to grow by 6 to 10 percent in FY 22 and affordable housing is expected to grow at 12 to 15 percent in the same period. Further, lowering the threshold for NBFC's to avail debt recovery under SARFAESI from 50 lakhs to 20 lakhs will aid recoveries of NPS and in both the lab and our home loan segments.

In terms of company performance, despite the extreme adversity is faced during the year, Chola delivered another year of strong performance. The Company achieved a growth of 16% in assets under management for FY 21 and the PBT registered a growth of 29% as compared to FY 20 after considering one-time provisions of Rs.566 crores. Disbursements for FY 21 were at Rs.26,000 crores as against Rs.29,000 crores for the previous year, registering a decline prematurely due to lower disbursements in Q1 and Q2 as an impact of the lockdown. In line with RBI guidelines, your company is offered moratorium to its customers based on their eligibility for EMIs falling due between 1<sup>st</sup> March, 2020 and 31<sup>st</sup> August, 2020.

Further, your Company had offered resolution plans to its customers pursuant to RBI's guideline on resolution framework for Covid 19-related stress. Keeping asset liability management in focus, your Company monitored the liquidity closely, observed RBS commentaries, market dynamics, and engage in continuous dialogue with lenders to ensure a healthy ALM, resulting in availability of funds at the best rates throughout the year. The Company's focus on CSR activities continues during the year, as in other years, we would be able to fully utilize our budget. All the programs approved by the board were implemented effectively and we also participated in the efforts of the government in providing support to the community in the pandemic.

While our long-term outlook continues to remain bullish forecast for the forecast for FY 22 remains uncertain due to the impact of the second wave of Covid 19. Apart from agriculture and related activities, most other sectors of the economy have been adversely impacted by the pandemic and are expected to show de-growth. RBI continues to favor prudent liquidity enabling environment that will foster growth and also support economic recovery. We also use a year to review all systems of working and become more efficient and competitive. Your Company will strive to consolidate its position as a leading player in the NBFC space on account of these favorable developments. We are cautiously optimistic our robust collection mechanism aided with a strong credit risk assessment framework and investment in digital platforms will support your Company and steer it through the strong currents of Covid 19 in FY 22 as well.

On behalf of the Company and the Board of Directors, I would like to welcome on Board our new directors, Mr. M.A.M Arunachalam, Mr. Anand Kumar and Mr. Bharath Vasudevan. I would also use this opportunity to thank Mr. M. M. Murugappan for his guidance, approachability, and leadership as a Director and Chairman of the Board and Company. I would like to also thank Mr. Arun Alagappan for his excellent leadership during the last three years in driving the Company to its current levels. RBI and other regulators have been very supportive during this difficult phase. Our employees continue to be our greatest strength. They have worked with extraordinary commitment during this year. And I express my gratitude to all of our employees and their families for their sustained contribution and support during these tough times. I thank the Board for their guidance and the support all through.

I would also like to thank our shareholders, banking partners, rating agencies, and business partners for their continued trust and patronage. On behalf of the Board of Directors of Chola, I wish to thank you all for your continued trust, confidence, and support. Now is the time to step back and think about our long-term direction. We have currently embarked on a journey in finding out what we would want Chola to look like in 15 to 20 years. This calls for building on our current business model and scaling up. It requires to add sets of skills and analytics, technology, and digital. The thinking is also to move on to more of an ecosystem model and to understand how Chola can present itself in such a model. The natural logical ecosystem for Chola will be the vehicle finance ecosystem and the vehicle ecosystem.

However, this alone may not be adequate for the required growth over the next 15-20 year timeframe. Therefore, we have embarked on a process of identifying other ecosystems and evaluating how to compete effectively in each of these ecosystems. When this plan becomes clearer, we will share the details with you. I look forward to your continued support as always as we enter this long-term transformation in leading Chola to be one of the largest NBFCs in the country.

Thank you!

#### **END OF CHAIRMAN'S SPEECH**

I now wish to call upon Mr. Ravindra Kumar Kundu, our Executive Director to share the performance of the Company during the financial year 2021 and the quarter ended 30<sup>th</sup> June, 2021 as approved by the board earlier at its meeting today.

#### **Ravindra Kumar Kundu, Executive Director**

Good evening ladies and gentlemen. I will take you through the performance of the Company. The business AUM was at Rs.69,996 crores as against Rs.60,549 crores of the previous year. The total income was up to Rs.9,520 crores for the year, which is 10% growth over the previous year. The profit after tax was up by Rs.1,515 crores for the year, which is higher by 44% over the previous year. The return on total equity was 16.9% against the 15.2% in FY 20. The asset quality stage 3, the Company managed to control it at 3.9% with adequate provision coverage of 44.3% and we have also expanded 46 branches during the financial year. Our total branches have gone up to 1,137 in last financial year.

The disbursement were down by 10% over the previous year, we have done Rs.26,043 crores in FY 21 as against the Rs.29,091 crores. The income has gone up by 10%. We have done Rs.9,520 crores as against the Rs.8,653 crores. Our finance cost has been at Rs.4,576 crores as against the Rs.4,592 crores. It is flat over the previous year and we have got benefited on account of the financial cost. Operating expenses also has been maintained at the same level and we have benefited at operating expenses as well. The loan losses have gone up to Rs.756 crore as against the Rs.393 crore of the previous year. We have created a one-time provision due to the Covid and macro provision for Rs.566 crores in FY 21 against the previous year of Rs.504 crores.

The total profit before tax has been Rs.2,038 crores last year as against the previous year of Rs.1,586 crores and we have achieved the growth of 29%. At the same time, profit after tax has been Rs.1,515 crores in FY 21 and we achieved 44% growth over the previous year. On the balance sheet, the business assets grew by 19%, other assets grew by 1%, total net worth has gone up by 17% over Rs.8,172 crores of the previous year. We have achieved our net worth Rs.9,560 crores. The borrowings also have gone up by 16% and other liabilities have gone up by 52%.

Now I will take you through the five years trend of the various key parameters. One important parameter is a disbursement parameter. From 2017 to 2020, we have been growing at the rate of 16% CAGR, but the last year was a drop by 10% due to the Covid impact.

The business asset growth has been at 21% CAGR, but last year it has been 16% over the previous year.

The profit after tax from 2017 to 2020, we have been growing at the rate of 25% CAGR. Last year, it has gone up by 44% from FY 20 to FY 21. Networth we have been growing at the rate of CAGR 24% from 2017 to 2020. Last year, it went up by 17%.

Return on equity from FY 17 to FY 20 it has come down to 15.2% but last year we have improved it to 16.9%. Earnings per share has been 9.2% in the FY17 which has gone up to 13.4% in FY 20 and last year, we have gone up to 18.5% significant improvement in the last year.

P/E ratio in FY 17 was at 21% which had come down to 11.4% in FY 20 and went up to 30.2% in FY 21 because of the best performance in the market. The price to book value ratio has gone up from 1.5% to 4.8% in the last financial year as compared to previous financial year.

The current financial year as everybody knows, we have encountered wave two of the COVID in the beginning of the year quarter and gross stage3 has gone up. The disbursement has been flat over the Q1 to Q1 this year. AUM has been 7% higher than the last year, profit after taxes come down because of the higher net credit costs. And it has come down by 24% over Rs.431 crores to Rs.327 crores. Earnings per share has come down from 21% to 16%. So there is a drop of 24% and book value per share has gone up from Rs.105/- to Rs.121/-, which has gone up by 15%. As I mentioned in the beginning itself stage3 has gone up from 3.3% to 6.8%, which is higher by 103% and that's the presentation from my side on the Company performance.

Thank you very much.

**Chairman:-** Thank you so much Ravi.

We will now take up the resolutions as set forth in the notice of the meeting. Items one to six are as set out as ordinary business in the notice of the meeting and as our under.

Ordinary Resolution:

Item no.1 - Adoption of Standalone financial statements together with the board's report and auditors' report thereon for the financial year ended 31 March, 2021.

Item no.2 - Adoption of Consolidated financial statements including the auditors' report thereon for the financial year ended 31 March, 2021.

Item no.3 - To confirm the interim dividend paid on equity shares and to approve the final dividend for the year ended 31 March, 2021.

Item no.4 - Re-appointment of Mr. Ravindra Kumar Kundu as a director retiring by rotation.

Item no.5 - Appointment of M/s. Price Waterhouse LLP as the joint statutory auditors of the company for a period of 3 years.

Item no.6 - Appointment of M/s. Sundaram & Srinivasan, Chartered Accountants as the joint statutory auditors of the company for a period of 3 years.

Item nos.7 to 11 are set out as special business in the notice of the meeting and as our under.

Item no.7 - My appointment as a director of the company liable to retire by rotation.

Item no.8 - Appointment of Mr. M.A.M. Arunachalam as a director of the Company liable to retire by rotation.

Item no.9 - Appointment of Mr. Anand Kumar as an independent director of the Company for a term of 5 consecutive years.

Item no.10 - Appointment of Mr. Bharath Vasudevan as an independent director of the Company for a term of 5 consecutive years. Brief profile of directors and other details are provided in the annual report and AGM Notice.

Special resolution

Item no.11 - Issue of securities on a private placement basis under section 42 of the Companies Act, 2013 up to Rs.30,000 crores by way of NCDs.

The Company is engaged the services of KFin Technologies Private Limited to provide the facility of remote e-voting to all its members to cast their vote on all businesses contained in the notice. Members who have not cast their vote through remote e-voting may cast their vote through e-voting facility provided at the meeting. The e-voting window will now be activated for allowing the members to cast their vote. Members are required to refer to page 9 of the AGM notice for instructions and e-voting during the meeting. The annual report for the year ended 31<sup>st</sup> March, 2021 has been with you for some time now. The Company has provided an opportunity to shareholders to post their queries and to register themselves as speakers if they wish to speak at the meeting. Five speakers have registered to speak at the meeting. None of the shareholders have posted their queries questions to the KFin platform.

May I now request the moderator to facilitate registered speakers to speak or to raise clarifications regarding the accounts and operations of the Company during the year 2021. 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 to the Company's operations and the annual accounts and make only such remarks as are pertinent to the performance and refrain from making any personal remarks. In the interest of time and with a view to give adequate opportunity to all, I request members to be judicious in time and take up to three minutes per member to express their views and put forth questions that are only relevant to the business of the meeting. Members may also note that the Company reserves the right to limit the number of members asking questions depending on the availability of time. 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. Moderator may we now can listen to the first speaker.

#### **QUESTION AND ANSWER SESSION**

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

1. Mr. Kirti Shah:- (spoke in regional language)

- Congratulate the management for the good performance during these bad situation.
- Why the Company has very less Promoter holding of 51.61% when SEBI has given the limits up to 75%. You could have gone for a right issue or convertible debentures.
- Book value is very low at Rs.4.45 only for a 43 year old Company.
- PE is very less at 28%. Since the rural area market is 80% management can optimised the opportunity rightly. Management can look into this.

2. Mr. Aspi Bamanshaw Bhesania
- Congratulate the entire management for very good results in spite of impairment provision of Rs.1,322 crore from Rs.897 crore.
  - Q4 Rs.281 crore is much on the higher side. The Q3 of last year and Q1 of current year again is lower than Rs.150 crore. So, why this provision was so high? In Q1, the segment reporting unallocated profit is shown as Rs.104 crores. What is that? In Q4, it was only Rs.63 crores. In June quarter last year it was only Rs.72 crores. Because of that, our profit overall profit has gone up.
  - Where do you see growth coming from vehicle finance, loan against property, or home loan?
  - Dividend you increase from Rs.1.7/- to Rs.2/-, I would prefer you to withdraw the final dividend of Re.0.70. When there is so much pessimism about the economy, although government is optimistic, please inform reasons for increasing the dividend. I would like you to follow Kupang model where dividend is less than a rupee rather than following different model of high dividend in QIP every year. And everyone knows what happened. I would like to know your comments on this why you increased the dividend so much?
3. Mr. Mani Sunadram - Not available.
4. Mr. Rakesh Kumar Singh – Not available
5. Mr. Abhishek Jain
- Company deserves much more respect than the current market cap after completing more than a decade of successful operations, profitability, and dividend history and becoming one of the strongest brand in our respective industry segments.
  - What is the real impact of Covid 19 and how our business has been affected? And what will be the growth because in the first half, and second half. The coronavirus and subsequent lockdowns have left virtually no industry unfence after the Covid. Any employee have been terminated or hired or salary cut in percentage, if any, what is the cost cutting initiatives done by the management?
  - What is the view of the management going forward, sustainability of the profit earning growth which will remain challenging in the coming quarters? And what are the management efforts to improve the working capital, sales ratio, ROE, EBIDTA, and interest coverage ratio.
  - Arrange for concalls, quarterly presentations, and meeting global investors on a regular basis. What are the management efforts to reduce the other expenses, legal professional charges, and the audit fees? What is your policy related to dividend and our companies are as most of our senior citizens are only dependent on that. Regarding CSR accommodating a very good amount of CSR, we do appreciate that sir.

Chairman answered all the questions raised by the shareholders.

END OF QUESTION AND ANSWER SESSION

Thank you so much to the shareholders for your questions again. And we appreciate and continue to appreciate the support that we get from all of you.

With that, I will come to the conclusion of the meeting.

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 the remote e-voting and voting at the AGM. I request the scrutinizer for an orderly conduct of the voting. The results shall be declared along with the scrutinizers report and should be placed on the website of the Company [www.cholamandalam.com](http://www.cholamandalam.com) and on the website of KFin before 3.30 p.m. on 31<sup>st</sup> July, 2021 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 KFin Tech for moderating the meeting. Thank you.

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