

CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED (CIFCL)
UNAUDITED FINANCIAL RESULTS FOR THE QUARTER ENDED 30th JUNE 2021

Key Financial results (Q1 FY22):

- **Disbursements at 3635 crs was marginally higher than Q1 FY 21.**
- **Total AUM at ₹ 75,763 Cr (Up 7% YoY)**
- **Net Income Margin at ₹ 1,363 Cr (Up 39% YoY) for Q1 FY22**
- **Pre-Provision Operating Profit (PPOP) at 993 crs registering a growth of 56%**
- **PAT at ₹ 327 Cr in Q1 FY22 as against ₹ 431 Cr in Q1 FY 21**

Chennai, July 30, 2021: The Board of Directors of CIFCL today announced the unaudited financial results for the quarter ended 30th June 2021.

Highlights:

Pursuant to the second wave of the COVID pandemic, localized lockdowns were imposed by various states starting mid-April 2021 which extended in most states till mid-June 2021 and in some states partial lockdowns are still in force. Many of the borrowers and the staff of CIFCL were impacted by the pandemic in the 2nd wave, whereby the priority shifted from business to protecting the wellbeing of the affected persons. This resulted in a setback in performance in Q1 on the disbursements and collections front. Disbursements were up by 1% as compared to Q1 of FY 21, as purchase of vehicles were predominantly deferred. Collections also suffered, resulting in increase in Stage 3 assets from 3.96% to 6.79%. The restructuring option with asset classification benefit extended by RBI under "Restructuring 2.0" was used to the extent of 3.86% of the book as of Jun21. Total restructuring (including the restructuring done under "Restructuring 1.0") stood at 5.44% of the book. These loans are classified as Stage 2 assets as a matter of prudence.

CIFCL held management overlay provisions of ₹ 750 Cr as on Dec'20 and created additional overlay provisions in Mar'21 to the tune of ₹ 350 Cr to support possible uncertainties that could arise due to the second wave, taking the total management overlay to Rs 1100 cr. Of this, management overlay of ₹ 400 Cr was reversed during the quarter ended June 2021. This release was towards

- a. additional provisions which were made in Stage 1 in Mar'21 and where the customer continued to be in Stage 1 in Jun'21, without downgrade to subsequent stage.
- b. additional provisions held in Mar'21 which were in Stage 1 and 2 in Mar'21 and moved into Stage 3 in Jun'21, on which higher provisions as per regular Stage 3 norms had been created.

Post this reversal of ₹ 400 crs, CIFCL still maintains a management overlay of ₹700 Cr in Stage 2 and Stage 3 to manage any future contingencies.

Chola has witnessed a recovery in disbursements and collections during the latter part of June 2021, post relaxation of state wise lockdowns. We expect a gradual revival in subsequent quarters in FY 22 with normalization and rollbacks of accounts which moved to higher buckets.

Performance Highlights:

| Particulars | Rs in Cr | | |
|---|---------------|---------------|----------------|
| | Q1 FY-21 | Q1 FY-22 | Growth (Y-o-Y) |
| Disbursements | 3,589 | 3,635 | 1% |
| AUM | 70,826 | 75,763 | 7% |
| Total Income | 2,114 | 2,467 | 17% |
| Finance Cost | -1,131 | -1,104 | -2% |
| Net Income Margin | 983 | 1,363 | 39% |
| Total Expenses | -346 | -371 | 7% |
| PROP(Pre Provision Operating Profit) | 637 | 993 | 56% |
| Loan Losses | -56 | -552 | 883% |
| Profit Before Tax | 581 | 441 | -24% |
| Profit After Tax | 431 | 327 | -24% |

Note: Though Q1 of FY 21 was also impacted by Covid first wave, based on RBI guidelines and Board approved policy, moratorium was offered to more than 75% of our customers. The DPD positions of these customers hence remained static during the moratorium period and Loan Losses were thus minimal in Q1 of last year. In Q1 FY 22, due to second wave and localized lockdowns, there had been roll-forwards to higher buckets and hence a higher NCL, and considering the reasons specified, the quarters are not comparable. This position in Q1 FY 22 is temporary, and we expect the loan losses to get to normal levels in subsequent quarters, as it happened in Q3 and Q4 of FY 21 where the customers started paying up once the lockdown was lifted, and normalcy returned.

- Aggregate disbursements in Q1 FY 22 were at ₹ 3,635 Cr as against ₹ 3,589 in Q1 FY 21, growth of 1%, localized lockdown imposition in various states had hampered the growth in Q1 FY 22.
- Vehicle Finance (VF) business disbursed of ₹ 2,846 Cr in Q1 FY 22 as against ₹ 3,231 in Q1 FY21, registering a decline of 12%.
- Loan Against Property (LAP) business disbursed ₹ 386 Cr in Q1 FY 22, as against ₹ 119 Cr in Q1 FY 21, with a good growth rate of 225%. Previous year Q1 quarter LAP Disbursements was heavily disrupted due to Covid first lock-down.
- Home Loan (HL) business disbursed ₹ 199 Cr in Q1 FY 22, as against ₹ 190 Cr in Q1 FY 21 registering a growth rate of 5%.
- Assets under management as at end of June 2021, grew by 7% at ₹ 75,763 Cr as compared to ₹ 70,826 Cr as at end of June 2020.
- Profits after Tax (PAT) for Q1 FY 22 were at ₹ 327 Cr compared to ₹ 431 Cr in Q1 FY 21, registering a decline of 24%.
- PBT-ROA for Q1 FY 22 was at 2.5% as against 3.5% in previous year quarter Q1 FY 21.
- ROE for the quarter ended June 21 was at 13.5% as against 20.6% in previous year.

- The Company continues to hold strong liquidity position with ₹ 7,917 Cr as cash balance as at end of June 21 (including Rs 1500 Cr invested in Gsec shown under investments), with a total liquidity position of ₹16,417 Cr (including undrawn sanctioned lines). The ALM is comfortable with no negative cumulative mismatches across all time buckets.

Asset Quality

CIFCL asset quality as at end of June 2021, represented by Gross Stage 3 assets stood at 6.79% with a provision coverage of 35.51%, as against 3.34% as at end of June 2020 with a provision coverage of 41.62%. The total provisions currently carried against the overall book is 4.37% as against the normal overall provision levels of 1.75% carried prior to the Covid-19 pandemic.

| | Rs in Cr | | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | Dec-19 | Mar-20 | Jun-20 | Sep-20 | Dec-20 | Mar-21 | Jun-21 |
| Gross Assets - Stage 3 | 2,024 | 2,163 | 1,996 | 1,904 | 2,486 | 2,705 | 4,545 |
| Stage 3 Assets to Total Gross Assets | 3.54% | 3.80% | 3.34% | 2.98% | 3.75% | 3.96% | 6.79% |
| ECL Provisions - Stage 3 | 667 | 898 | 831 | 818 | 1,082 | 1,197 | 1,614 |
| Coverage ratio (%) - Stage 3 | 32.95% | 41.52% | 41.62% | 42.93% | 43.52% | 44.27% | 35.51% |
| Gross Assets - Stage 1&2 | 55,072 | 54,762 | 57,777 | 62,041 | 63,755 | 65,579 | 62,348 |
| ECL Provisions - Stage 1 &2 | 391 | 625 | 607 | 871 | 963 | 1,247 | 1,313 |
| Coverage ratio (%) - Stage 1&2 | 0.71% | 1.14% | 1.05% | 1.40% | 1.51% | 1.90% | 2.11% |
| Total ECL Provision | 1,058 | 1,523 | 1,437 | 1,688 | 2,045 | 2,444 | 2,926 |
| Overall Provision Coverage | 1.85% | 2.68% | 2.40% | 2.64% | 3.09% | 3.58% | 4.37% |

Note: Sep-20 and Dec-20 numbers are before considering Supreme Court Interim orders, which had directed the accounts which were not declared NPA till 31-Aug-2020 shall not be declared as NPA till further orders. This is done to facilitate comparative numbers. The interim order granted stands vacated on March 23 and hence company has continued with the asset classification as per ECL model under INDAS for the quarter and year ended 31st March 2021.

Considering the Supreme Court Interim orders directions Stage 3 % for Sep-20 and Dec-20 works out to 2.75% and 2.57% respectively.

Capital Adequacy:

The Capital Adequacy Ratio (CAR) of the company as on 30th June 2021, was at 19.08% as against the regulatory requirement of 15%. Tier-I Capital was at 16.60%.