CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED (CIFCL)

AUDITED FINANCIAL RESULTS FOR THE QUARTER AND YEAR ENDED 31st MARCH 2020

One-time provision of Rs.504 Cr towards COVID-19 and Macro Provisions, results in Quarterly Profit after Tax (PAT) dropping to Rs.43 Cr. PAT before this provision is at Rs.418 Cr, which is up by 43% for the quarter over previous year

Key highlights (Q4 & FY 19-20):

- **Covid-19 shutdown impacts disbursements in March 20 – Disbursements down by 36% in Q4 due to shut down and pulls down FY disbursement growth to -4%**
- **Moratorium is extended for 76% of customers – expected to be leveraged by them for second stage (Jun-Aug) also.**
- **Moratorium not availed from banks or other lenders – cashflow position strong and adequate to cover upto Sep 2020.**
- **One-time provision of Rs 504 crs created in FY 20, to cover probable credit losses that can happen due to moratorium as well as slow down in economic activities.**
- **PAT before considering the one-time provision grew by 43% for the quarter and 17% for FY 20**
- **PAT after considering the one-time provision declined to 43 crs for the quarter and 1052 crs for the FY.**
- **Over 90% of Branches have become operational till date.**

Chennai, June 03, 2020: The Board of Directors of CIFCL today approved the audited financial results for the quarter and year ended 31st March 2020.

Highlights:

Due to the wide-spread Covid-19 pandemic, government had announced a lock-down of all businesses and all activities effective 24th March 2020 which severely impacted disbursements of Q4. Disbursements which were already registering a slow growth till Dec 19 (9% growth YTD Dec) suffered resulting in a drop of 4% for the year over FY 19.

Pursuant to the moratorium announced by RBI on EMI repayments (initially till May 20 and further extended to Aug 20), the company has framed a Board approved policy, and accordingly offered moratorium to its customers. Nearly 76% of our customers have availed moratorium considering the uncertainty over the period of lockdown (which has been further extended) as well as the revival of economic growth post release of lockdown.

The Company has created a one-time contingency provision of Rs 284 crs towards probable losses against loans for which moratorium was extended. Over and above this, the company has also created a Macro provision of Rs 250 crs to meet contingencies that may arise post moratorium due to the global recession and economic slow-down. In total, the company has set aside an additional provision of Rs.534 crs (including Rs.30 Cr of Macro provision created in FY 19) to meet any contingencies that may arise in future due to the Covid-19 shut down.

The Company has not availed moratorium so far on its borrowings, and it does not intend to avail any moratorium benefit. The Company had closed March with a cash balance of Rs 6446 crs and also had sanctioned lines of Rs. 4462 Crs. Currently, the Company has cash in hand and sanctioned lines of around 10000 crores as of 31st May 2020. This adequately covers the needs of the ALM process with no negative cumulative mismatches across all time buckets. Even after extending the moratorium to its customers, for the second phase, the cash position of the Company is adequate to meet all its maturities and fixed obligations till Sep 2020.

Financial snapshot:

Rs in Cr

Particulars	FY19 YTD Dec	FY19 Q4	FY19 Full Year	FY20 YTD Dec	FY20 Q4	FY20 Full Year	Growth YTD Dec	Growth Q4	Growth Full Year
Disbursements	21,558	8,893	30,451	23,429	5,663	29,091	9%	-36%	-4%
Business AUM	50,430	54,279	54,279	60,778	60,549	60,549	21%	12%	12%
Total AUM	52,591	57,560	57,560	65,992	66,943	66,943	25%	16%	16%
Total Income	5,107	1,885	6,993	6,501	2,151	8,653	27%	14%	24%
Finance Cost	(2,602)	(986)	(3,589)	(3,456)	(1,136)	(4,592)	33%	15%	28%
Net Margin	**2,505**	**899**	**3,404**	**3,045**	**1,016**	**4,061**	**22%**	**13%**	**19%**
Operating Expenses	(888)	(382)	(1,270)	(1,176)	(402)	(1,578)	33%	5%	24%
Provisions & Losses	(256)	(56)	(311)	(341)	(557)	(897)	33%	902%	188%
Profit Before Tax	**1,362**	**461**	**1,823**	**1,528**	**57**	**1,586**	**12%**	**-88%**	**-13%**
Current & Deferred Tax	(468)	(169)	(637)	(519)	(15)	(533)	11%	-91%	-16%
Profit After Tax	**894**	**292**	**1,186**	**1,010**	**43**	**1,052**	**13%**	**-85%**	**-11%**
ROTA - PBT	3.8%	3.5%	3.7%	3.4%	0.4%	2.7%			
ROTA - PAT	2.5%	2.2%	2.4%	2.3%	0.3%	1.8%			
ROE	21.4%	19.5%	20.9%	19.4%	2.3%	15.2%			

Note:Q4 FY 20 and correspondingly full year is impacted by COVID-19 and the numbers are after considering one-time COVID-19 and macro provisions.

Q4 Performance (COVID-19 Impacted):

- Aggregate disbursements for the quarter ended March 20 were at ₹ 5,663 Cr as against ₹ 8,893 Cr in the previous year registering a decline of 36%.
- Vehicle Finance (VF) business has clocked a volume of ₹ 4,703 Cr for the quarter ended March 2020 as against ₹ 7,383 Cr in the previous year, reporting a decline of 36% Y-o-Y.
- Home Equity (HE) business disbursed ₹ 589 Cr as against ₹ 1,034 Cr for the quarter ended FY19, decline of 43% YoY.
- Home Loan (HL) business disbursed ₹ 271 Cr as against ₹ 392 for the quarter ended FY19, a decline of 31% YoY
- Assets under management grew by 16% at ₹ 66,943 Cr as compared to ₹ 57,560 Cr in FY19.
- Profits after Tax (PAT) for the quarter ended March 2020 were at ₹ 43 Cr after creation of one-time provision of ₹ 504 Cr to cover contingencies due to COVID-19 and Macro economic downturn
- On a comparable basis, Profits after Tax (PAT) for the quarter ended March 2020 were at ₹ 418 Cr before one-time provision of ₹ 504 Cr to cover contingencies due to COVID-19 and Macro, as against ₹ 292 Cr last year, registering a growth of 43%.
- Comparable PBT-ROTA for the quarter before adjusting one-time COVID-19 and Macro provisions was at 3.7% for the quarter as against 3.5% in the same quarter in FY19.

Full Year Performance:

- Aggregate disbursements for the year ended March 20 were at ₹ 29,091 Cr as against ₹ 30,450 Cr in the previous year registering a decline of 4%.

- Vehicle Finance (VF) business has clocked a volume of ₹ 23,387 Cr for the year ended March 2020 as against ₹ 24,983 Cr in the previous year, registering a decline of 6% Y-o-Y. There was severe de-growth in the auto Industry across product segments, including HCV, LCV, MLCV, Car/MUV and Two wheelers. With higher disbursements from Used, 3-wheeler and 2-wheeler products we were able to offset drop in other segments. This enabled us to restrict the de-growth in overall disbursement to 6%.

- Home Equity (HE) business disbursed ₹ 3662 Cr as against ₹ 3,836 Cr for the year ended FY19, registering a decline of 5% YoY.

- Home Loan (HL) business disbursed ₹ 1,505 Cr as against ₹ 1,157 for the year ended FY19, registering a growth of 30% YoY

- Assets under management grew by 16% at ₹ 66,943 Cr as compared to ₹ 57,560 Cr in FY19.

- Profits after Tax (PAT) for the year ended March 2020 were at ₹ 1,052 Cr after creation of one-time provision of ₹ 504 Cr to cover contingencies due to COVID-19 and Macro economic factors.

- On a comparable basis, Profits after Tax (PAT) for the year ended March 2020 were at ₹ 1,387 Cr before one-time provision of ₹ 504 Cr to cover contingencies due to COVID-19 and Macro, as against ₹ 1,186 Cr last year, registering a growth of 17%.

- Comparable PBT-ROTA for FY20 before adjusting one-time COVID-19 and Macro provisions was at 3.5% for the year as against 3.7% in the in FY19.

- Return on Equity was at 15.2% including - one-time provisions towards COVID-19 and Macro factors. Return on Equity before one-time provisions was at 20% for FY 20 against 20.9% in FY 19.

- The Company has started operations in 1016 branches out of 1105 branches in a phased manner.

Asset Quality

CIFCL Asset quality as on Mar'20 Stage 3 Assets had stood at 3.8% with adequate provision coverage 41.5% ECL provision, as against 2.7% of last FY with provision coverage of 38.0%

Rs in Cr

	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
Gross Assets - Stage 3	1,439	1,671	1,803	2,024	2,163
Stage 3 Assets to Total Gross Assets	2.7%	3.0%	3.2%	3.5%	3.8%
ECL Provisions - Stage 3	546	604	621	667	898
Covergae ratio (%) - Stage 3	**38.0%**	**36.2%**	**34.4%**	**33.0%**	**41.5%**
Gross Assets - Stage 1&2	52,102	54,597	54,907	55,072	54,762
ECL Provisions - Stage 1 &2	384	379	389	391	625
Covergae ratio (%) - Stage 1&2	**0.7%**	**0.7%**	**0.7%**	**0.7%**	**1.1%**
Total ECL Provision	**931**	**983**	**1,010**	**1,058**	**1,523**

Out of the Rs 534 crs additional provision created in Q4, Rs 225 crs is towards Stage 3 assets and the balance Rs 309 crs is towards Stage 1 and Stage 2 assets.

Capital Adequacy:

The Capital Adequacy Ratio (CAR) of the company as on 31st March 2020, was at 20.68% (As per Ind AS) as against the regulatory requirement of 15%.

During Q4, the company raised Rs 900 crs of equity capital by issuing 2,81,25,000 no of shares (FV-Rs 2/-) at a price of Rs 320 per share, through a QIP process, which was oversubscribed by nearly 4 times by marque investors both domestic and international. This was followed through by a preferential issue of 93,45,794 no of shares at Rs.321 per share to the promoters, resulting in further addition of Rs 300 crs to the networth. Thus, the total networth increase on account of the capital issue was Rs 1200 crs during the quarter.

The Board of directors have not recommended any final dividend for FY 20. Board declared a second interim dividend of Re.0.70 per equity share (35% of face value of Rs.2 per share), in its meeting on 26th February 2020. Together, with the first interim dividend of Re.1 per share (50% of FV of Rs.2 per share), declared on 12th December 2019, the total dividend will be Rs.1.70 per share (85% of FV of Rs.2 per share) for the year FY 20. (Previous year declared 65% Rs.1.30 per share - FV at Rs.2 per share)

Appointment of Mr. Shaji Varghese as President – Housing Finance of the Company:

Mr.Shaji Varghese has Joined as President – Housing Finance. He has over 25 years of experience in BFSI. He has worked in ICICI Bank, ABN Amro and IndusInd Bank under various capacities. Prior to joining us, he was working with PNB Housing as Executive Director and Business Head. He was also the Chairman of PHFL Home Loans and Services Ltd, a Subsidiary of PNB Housing and Director of Pehel Foundation, CSR Foundation of PNB Housing.

Managing Director's Comments:

Commenting on the results, Arun Alagappan, Managing Director, stated "Given the uncertainties in the market, the company was conservative with respect to creating contingency provisions towards COVID-19 and maintaining more than adequate cash reserves. As of Mar'20, while many in the industry were affected by the liquidity crunch due to Covid-19, Chola was strongly placed with sufficient liquidity to pass on the moratorium benefits to its customers, without having to avail any.

During this period, the company has fast-tracked implementation of key digital initiatives, which shall help us serve customers better in a post Covid-19 world. Some of the initiatives towards this endeavor include - End to end digital integration with auto OEMs, enhancing digital integration with channel partners, setting up alternate digital collection modes, evaluating options for remote investigation of field assets using video PD, instituting digital KYC process, etc., We strongly believe the company shall leverage these capabilities to the fullest in the coming quarters and emerge stronger.