

# **Cholamandalam Investment and Finance Company Limited**

**“Financing your Assets...since 1978”**

## **Investor Presentation**

# Disclaimer

**Certain statements included in this presentation may be forward looking statements made based on management's current expectations and beliefs concerning future developments and their potential effects upon Cholamandalam Investment and Finance Company Ltd and its subsidiaries. There can be no assurance that future developments affecting Cholamandalam Investment and Finance Company Ltd and its subsidiaries will be those anticipated by management. These forward-looking statements are not a guarantee of future performance and involve risks and uncertainties, and there are important factors that could cause actual results to differ, possibly materially, from expectations reflected in such forward-looking statements. Cholamandalam Investment and Finance Company Ltd does not intend and is under no obligation, to update any particular forward-looking statement included in this presentation.**

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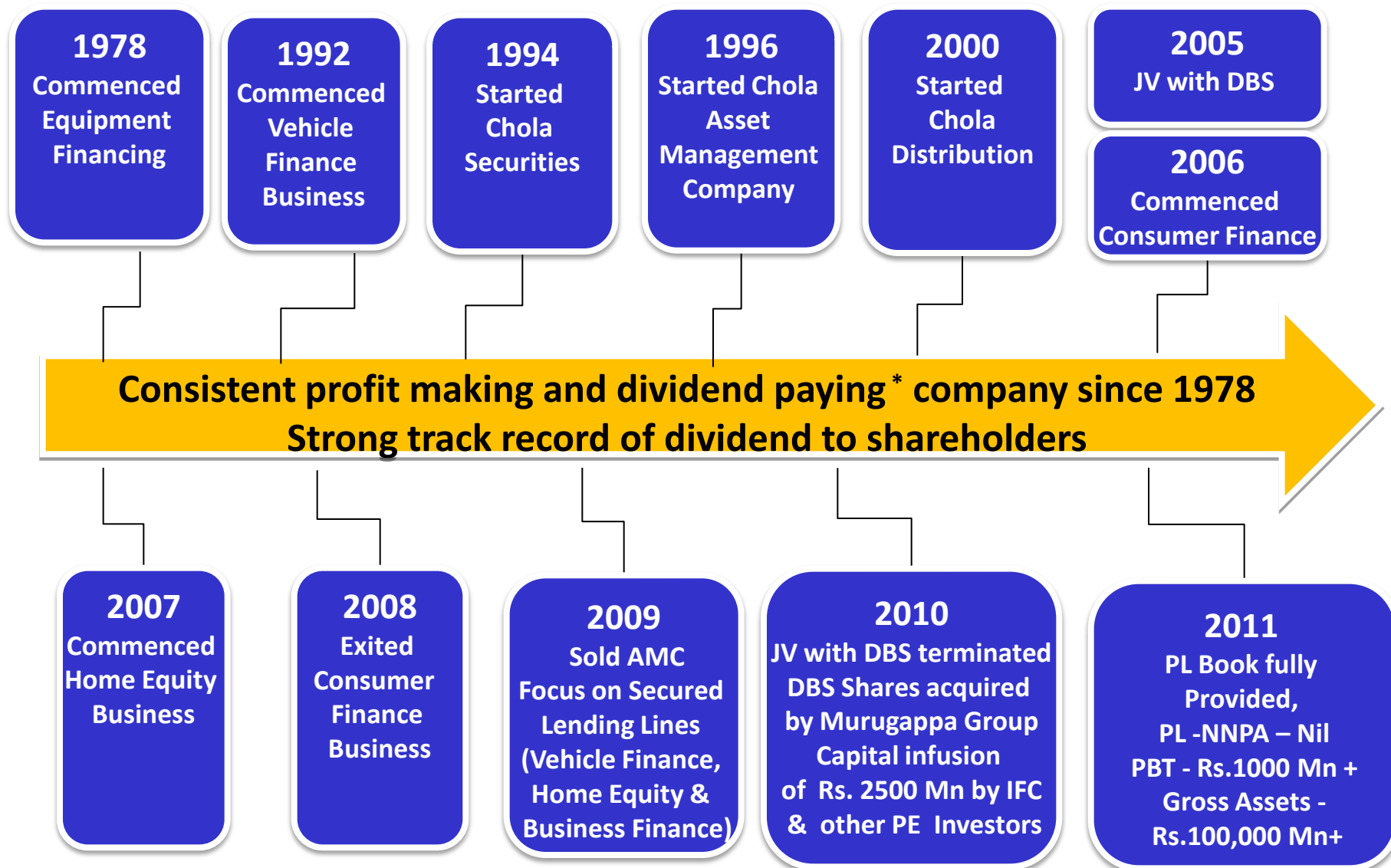
**Business Overview**

**Financial Performance**

**Others**

# Corporate Overview

# Journey so far ...

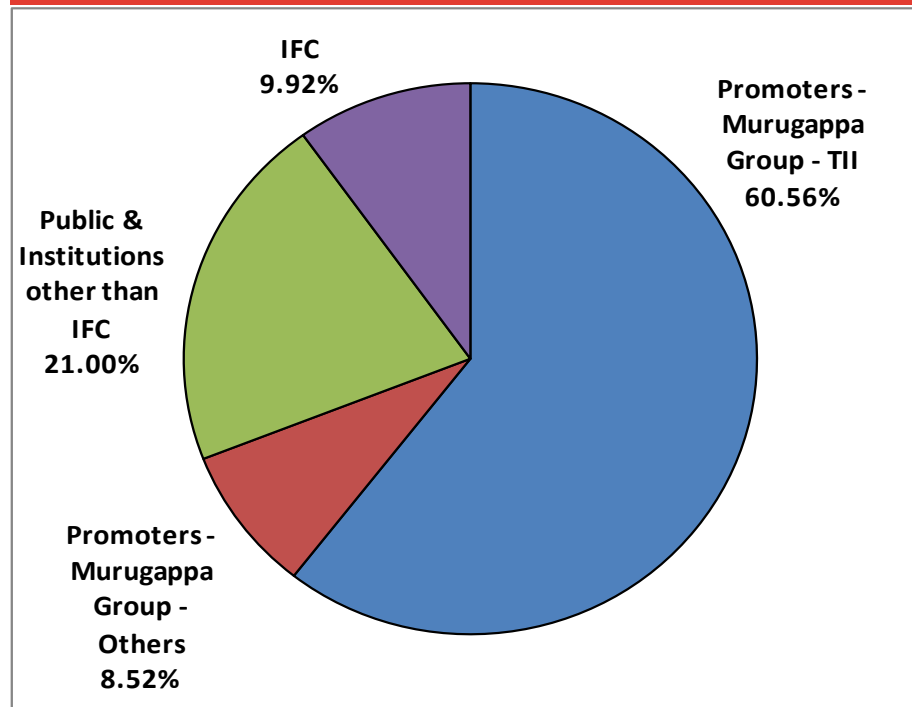


Note: All years are Calendar years

\* Except 2009, average dividend payout for the last 10 years is 35.5% on capital

# Shareholding pattern

As at June 2011



- Promoters share holding of 69.08% post DBS exit indicates strong promoter commitment.
- Public holding includes shares held by International Finance Corporation (9.92%) and other institutional investors (6.15%).

# Major Companies - Murugappa Group

 Coromandel

Coromandel International Ltd

In Business since 1964, 2.9 million tonnes of phosphatic fertilisers , 2<sup>nd</sup> largest phosphatic fertiliser company in India

**Market Cap - Rs. 99066 Mn.**

 PARRYS

EID Parry India Ltd

Part of the Group since 1981 with wide range of products sugar, microalgal health supplements and bio products

**Market Cap – Rs. 43575 Mn.**

 CUMI

Carborundum Universal Ltd

In business since 1954 , Pioneered in coated and bonded abrasives, super refractories, electro minerals and industrial ceramics

**Market Cap - Rs. 26877 Mn.**

 INDIA

Tube Investments of India Ltd

In business since 1949, Wide range of product - engineering, metal formed products, e-scooters, fitness equipments and cycles.

**Market Cap – Rs. 25422 Mn.**

 Cholamandalam

Cholamandalam Invnt Finance

In business since 1978, financial provider for vehicle finance, business finance, home equity loans, stock broking & distribution of financial products

**Market Cap - Rs. 19181 Mn.**

 Cholamandalam MS  
General Insurance

Cholamandalam MS General Insurance

In business since 2003, JV with Mitsui Sumitomo Insurance Group of Japan, (5<sup>th</sup> largest insurer across the globe). Offers wide range of general insurance products that include fire, marine, motor, property, accident cover, engineering, health, liability, travel and rural insurance . **Market Cap is not applicable since it is not listed.**

# Strong Corporate Governance

## The Spirit of the Murugappa Group



### INTEGRITY

We value professional and personal integrity above all else. We achieve our goals by being honest and straightforward with all our stakeholders. We earn trust with every action, every minute of every day.

### PASSION

We play to win. We have a healthy desire to stretch, to achieve personal goals and accelerate business growth. We strive constantly to improve and be energetic in everything that we do.

### QUALITY

We take ownership of our work. We unfailingly meet high standards of quality in both what we do and the way we do it. We take pride in excellence.

### RESPECT

We respect the dignity of every individual. We are open and transparent with each other. We inspire and enable people to achieve high standards and challenging goals. We provide everyone equal opportunities to progress and grow.

### RESPONSIBILITY

We are responsible corporate citizens. We believe we can help make a difference to our environment and change lives for the better. We will do this in a manner that befits our size and also reflects our humility.





## **MBN Rao – Chairman**

- Over 38 years of varied experience in the entire gamut of Banking and Finance, Economics, Foreign Exchange, Money and Capital Markets, and Administration
- Former Chairman and Managing Director of Canara Bank and Indian Bank.
- He was also the Chairman Indian Banks' Association, Indo Hong Kong Finance Limited, Vice Chairman of Commercial Bank of India, Russia and is a Director on the Boards of various reputed Companies
- He also served as a Member of various Committees constituted by the RBI, Ministry of Finance - Government of India, SEBI and National Institute of Bank Management



## **Mr. N Srinivasan, Mentor Director**

- He has over 26 years of experience in the areas of Corporate Finance, Legal, Projects and General Management
- He is a Director on the Boards of Tube Investments of India Ltd., Cholamandalam MS General Insurance Company Ltd. and certain other Murugappa Group companies
- He is a member of the Institute of Chartered Accountants of India and the Institute of Company Secretaries of India

## **CEO AND MANAGEMENT TEAM**



## **Vellayan Subbiah, Managing Director**

- He was the Managing Director of Laserwords, a leading provider of pre-press services to global publishers since 2005
- His professional experience includes 6 years at McKinsey and Company, Chicago and associations with 24/7 Customer Inc. Las Gatos and The Carlyle Group, San Francisco
- He holds a degree of Bachelor of Technology in Civil Engineering from the IIT Madras. He also holds a Masters in Business Administration from the University of Michigan, Ann Arbor

# Management Team contd....



## **Kaushik Banerjee – President Asset Finance**

- Kaushik has been in Asset Finance business for close to 22 years. He began his career in financial services with ITC Classic Finance Ltd (a subsidiary of ITC Limited),
- He headed the West & East operations of Esanda Finanz Ltd (a subsidiary of ANZ Grindlays Bank) with whom he spent 7 years.
- He joined CIFCL in 2001 and took over as Senior Vice President of the Vehicle Finance vertical in 2006.
- The division enjoys a strong reputation as one of the largest financiers of commercial vehicles in the country with a robust portfolio quality. He currently heads the Asset Finance divisions of Vehicle Finance and Corporate & Mortgage Finance.



## **Mr. Rohit Phadke, Sr. VP & Business Head-Home Equity**

- Rohit has 20 years of rich experience in Asset Financing. His last assignment was with Apple Finance Ltd as Regional Manager.
- Rohit has been with the company for over eight years and had led the West Zone of the Vehicle Finance Business with distinction.
- Rohit established the Home Equity business in 2006, and has successfully built up a significant franchisee in the mortgage space recording both profits and growth from commencement of business.



## **Mr. Arul Selvan, Sr. Vice President & CFO**

- Chartered Accountant from the Institute of Chartered Accountants of India & MBA from Open University (UK)
- With over 20 years of experience in Finance and Accounts, Arul heads the Finance function of CIFCL as the CFO.
- Arul has spent 19 years with the Murugappa Group, with stints in Tube Investments of India, Corporate Strategic Planning Division of Murugappa Group, Cholamandalam Mitsui Sumitomo General Insurance, and Group Corporate Finance of Murugappa Group.

# Business Overview

# Business Lines

Asset Class		Description	Assets* as at 30 Jun '11	
			<u>Managed #</u> Rs Mn	<u>Own</u>
<b>Vehicle Finance</b>		→ Provides vehicle financing for NEW and USED HCVs, LCVs, SCVs, MLCVs, MUVs and Cars	66203 (67%)	64098 (68.6%)
<b>Home Equity</b>		→ Provides loans against residential property to self employed individuals	23885 (24%)	20484 (22%)
<b>Business Finance</b>		→ Provides loans against collateral of equity shares, commercial/ residential property and combination of current assets and shares	8361 (8%)	8361 (9%)
<b>Personal Loans</b>		→ Disbursements discontinued since October 2008 and currently only collection activities are continued. Portfolio expected to run off by Q -2 of 2011 - 12	496 (0.5%)	392 (0.4%)

\* Assets are net of Provisions

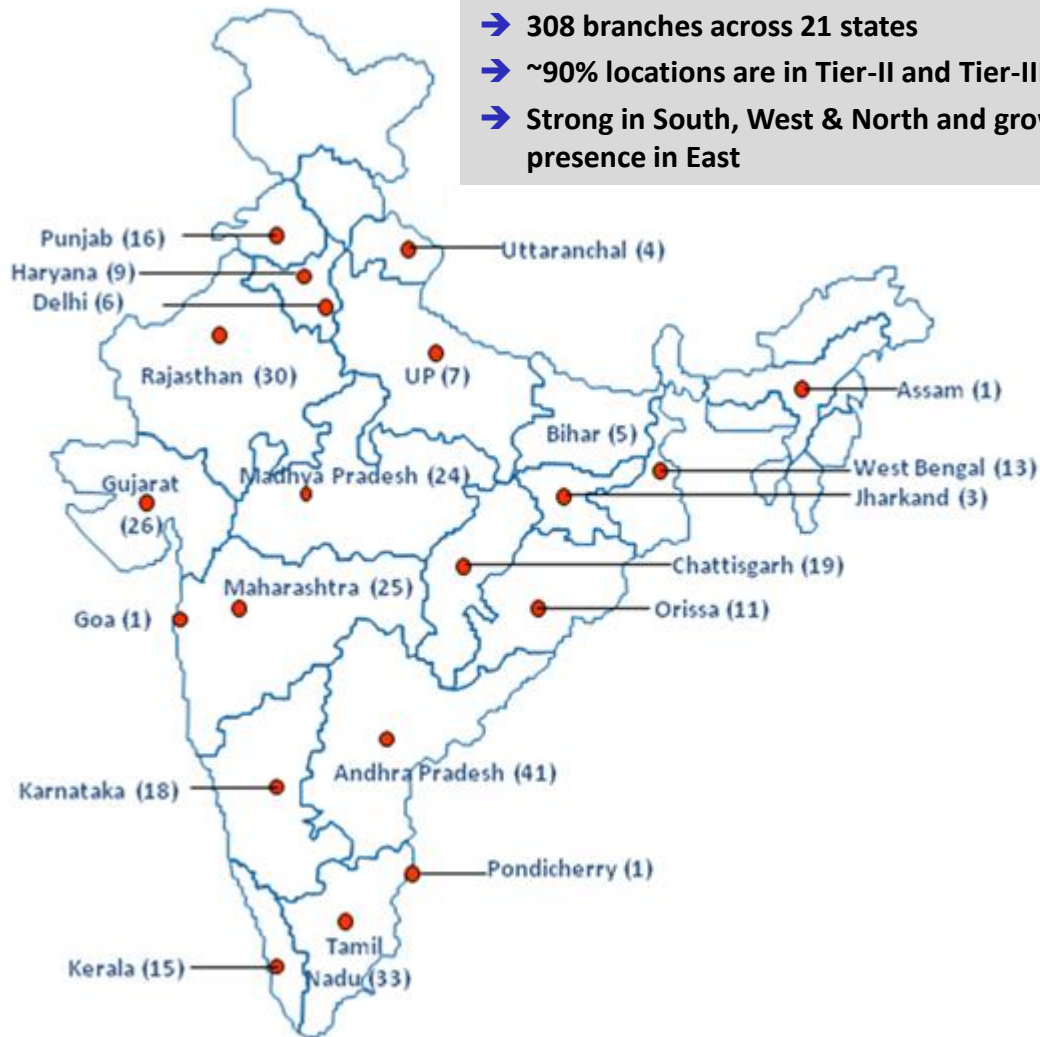
#Managed assets refers to Own assets + off balance sheet items which have been securitized / sold on a bilateral assignment basis.

Total	98946	93336
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# Vehicle Finance

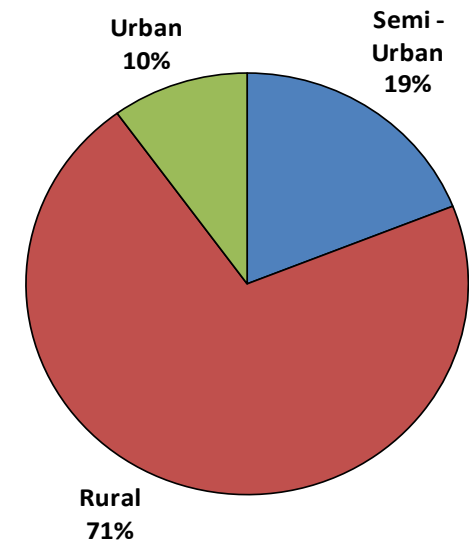
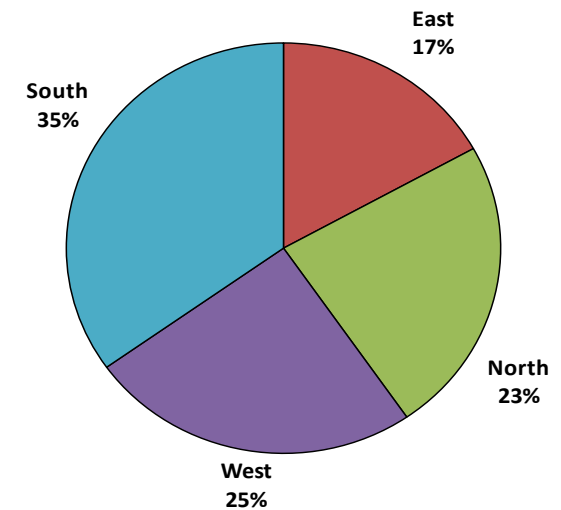
# Geographical Presence

- 308 branches across 21 states
- ~90% locations are in Tier-II and Tier-III cities
- Strong in South, West & North and growing presence in East



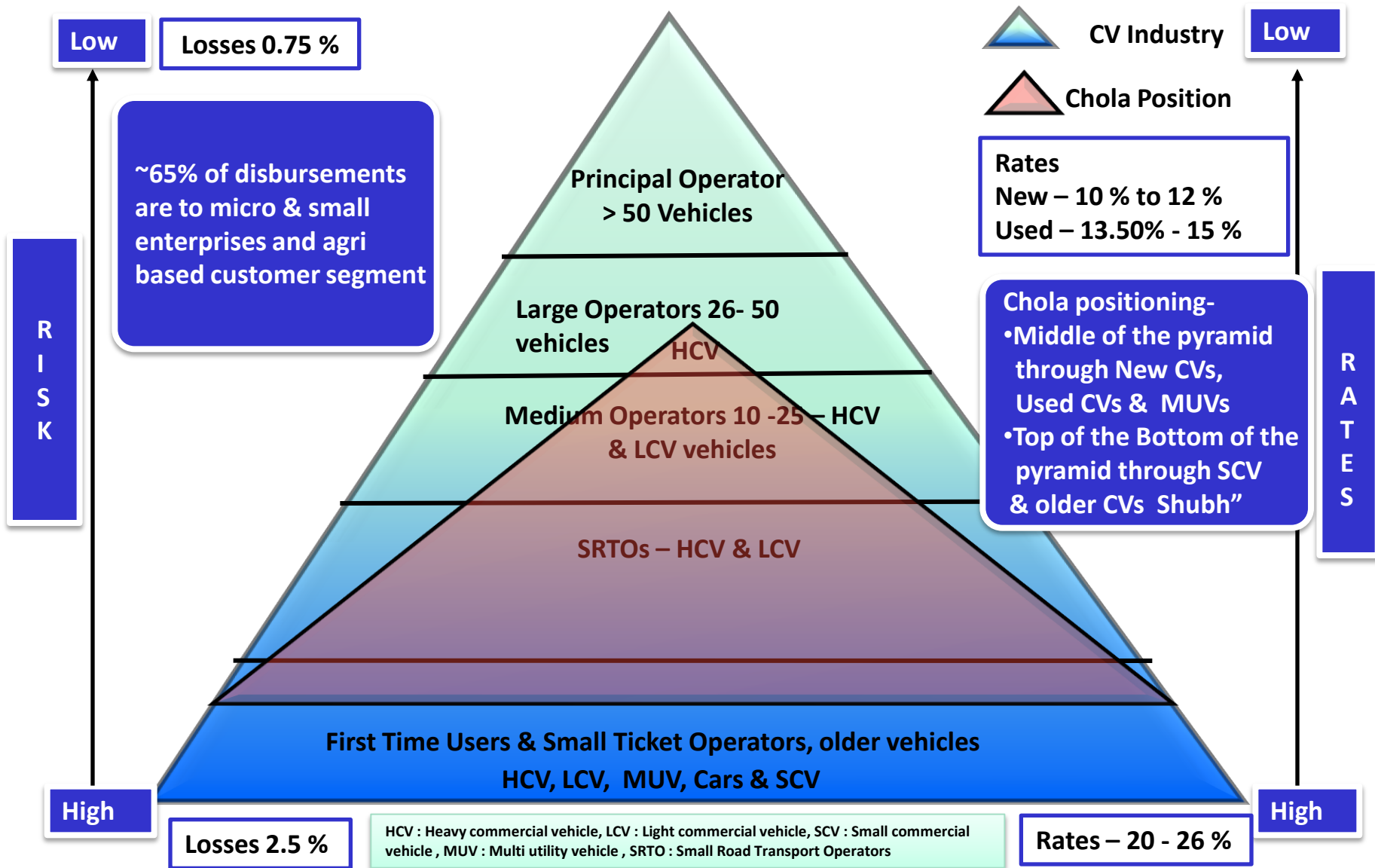
Note: Figures in brackets represents no. of branches as on 30<sup>th</sup> June 2011

## Geographical Mix - Locations



Note: Figures as on 30th June 2011

# Vehicle Finance - Business Model & Positioning



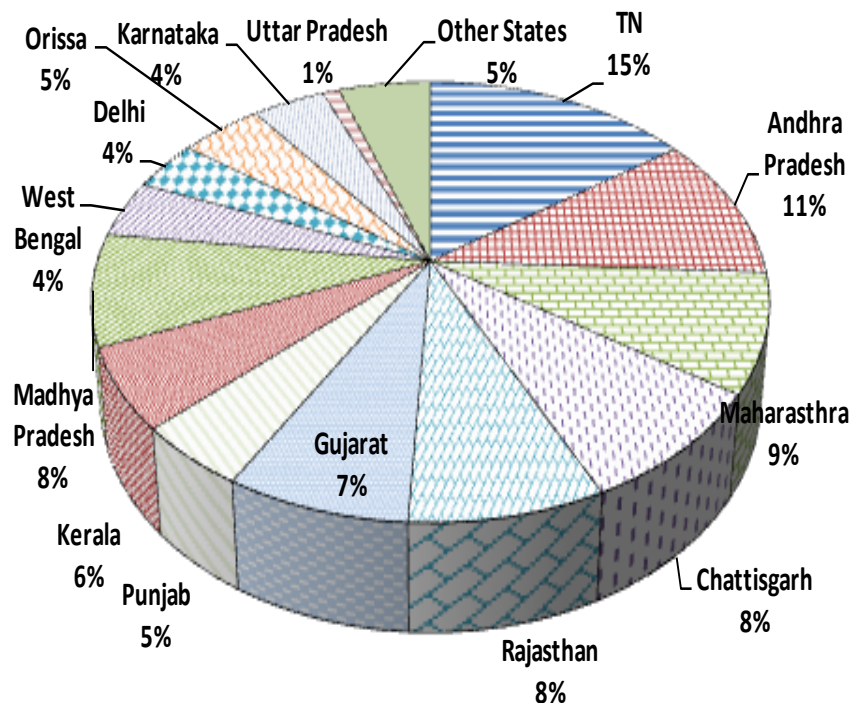
# USP 's for Vehicle Finance

- 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

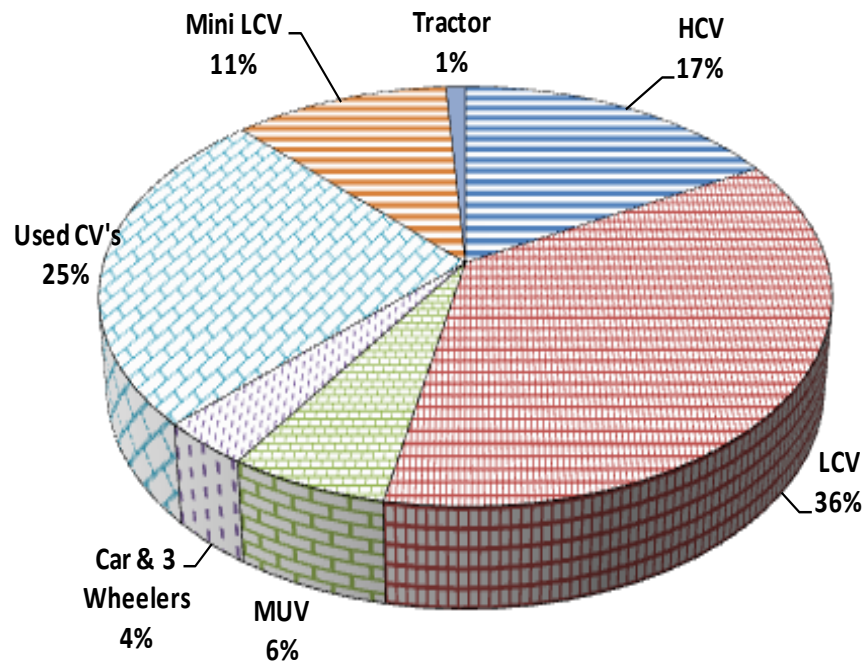


# Geographical & Distribution Mix (Q1-FY - 12)

## Geographical Mix



## Disbursement Mix



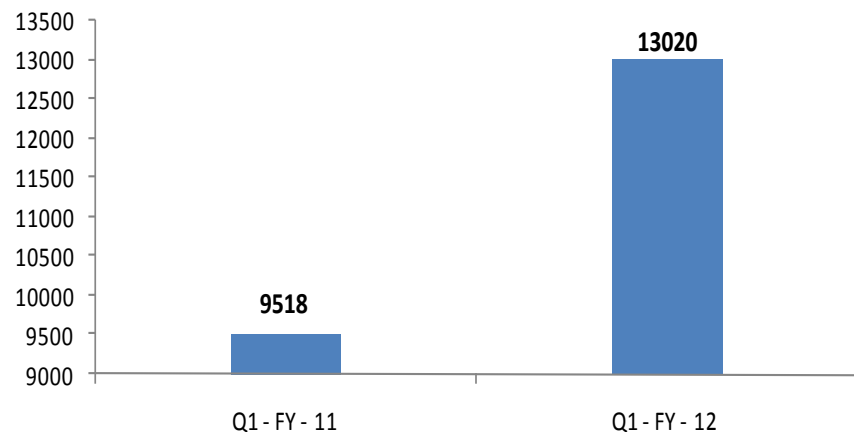
During Q- 1 – FY-12 , ~36% of Disbursements were from South India and balance were from other zones

Well diversified portfolio

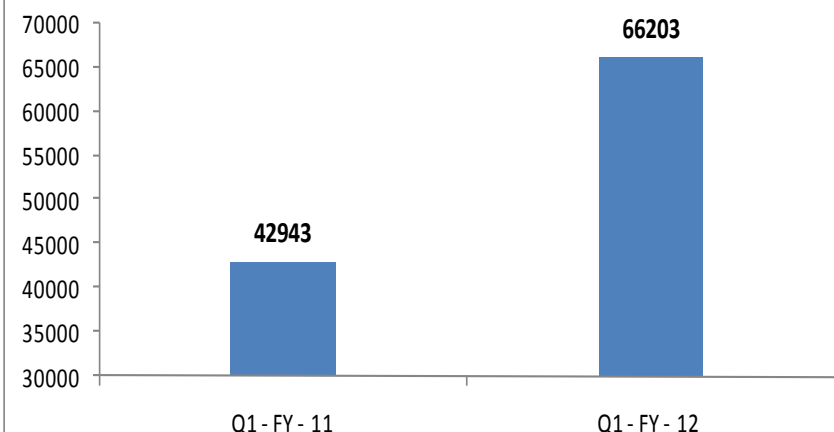
# Financials – Vehicle Finance

Rs. In M

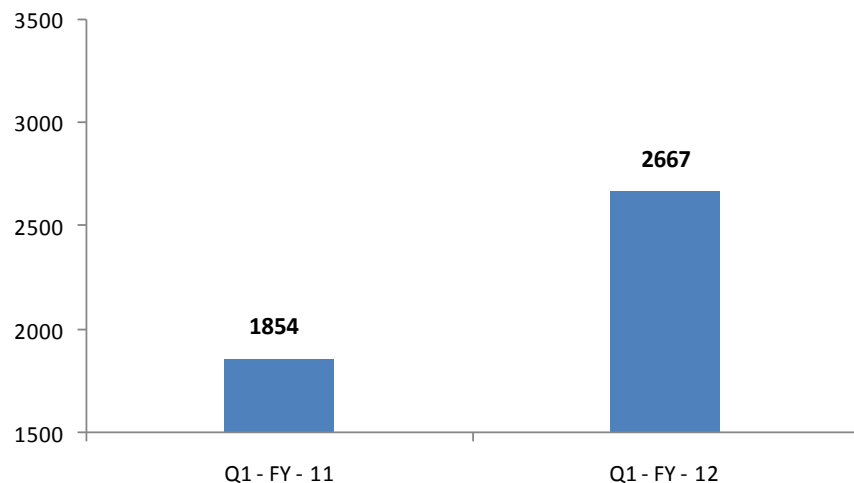
## Disbursements



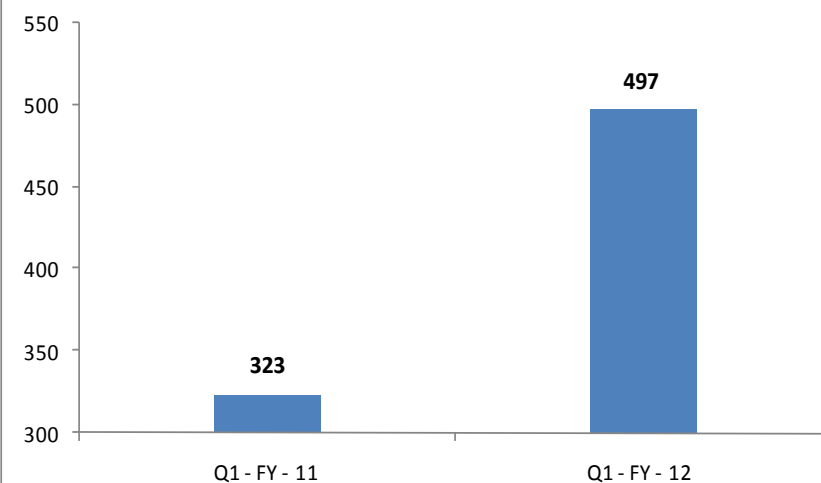
## Closing Managed Assets



## Income

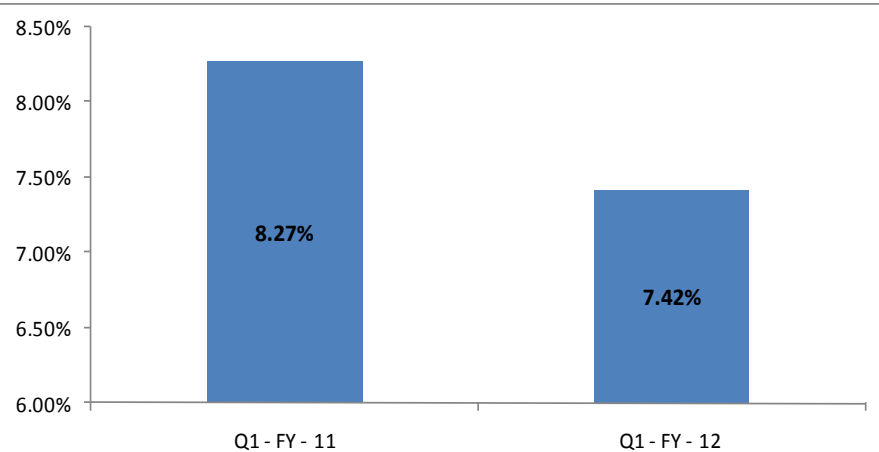


## Profit Before Tax

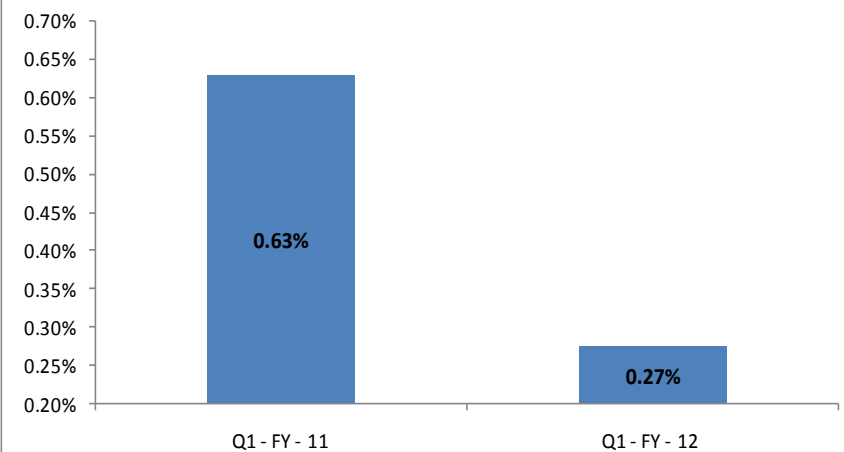


# Financials – Vehicle Finance

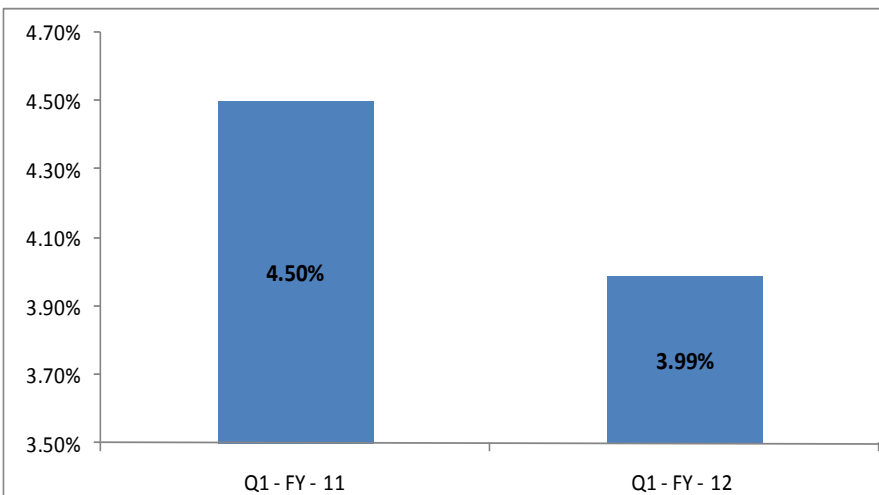
## Net Income Margin



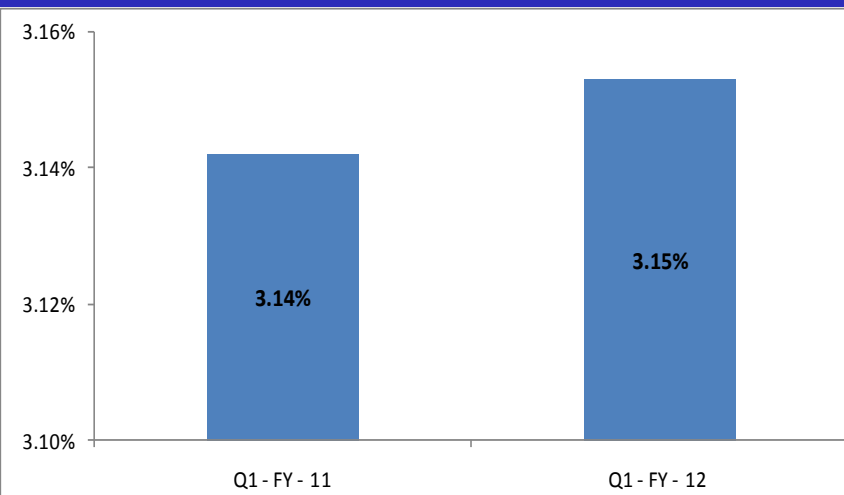
## Net Credit Losses



## Exp Ratio



## Return on Total Assets



Ratios are calculated as a % of Average Assets

# Home Equity

# Home Equity – Business Model

## Asset Class



**Self Occupied Residential Property**

**Long tenor loans**

**PAN India 39 locations**

## Customer Profile



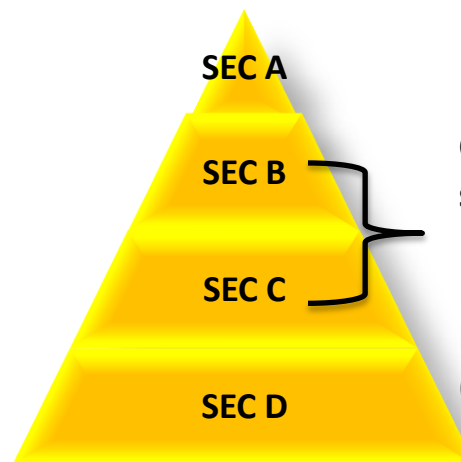
**Self Employed Individuals**

## Major Players



**PSU Banks**

## Customer Segment



**Clear focus on the middle socio economic class of B & C**

**Focus further refined to Self Employed Non Professional (SENP) in the SEC's B & C**

# Home Equity – Key Differentiators

## Process Differentiator



- Turn around time one of the best in the industry
- Provide personalized service to customers through direct interaction with each customer

## Pricing



- Pricing to maintain net interest margin (NIM)
- Recover business origination & credit cost from upfront Fee Income
- Generate surplus fee income
- Effective cost management

## Underwriting Strategy



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

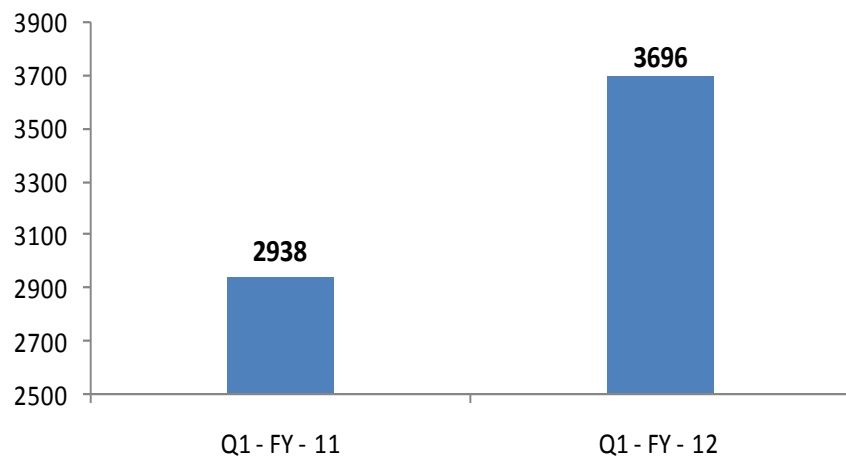
## Structure

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

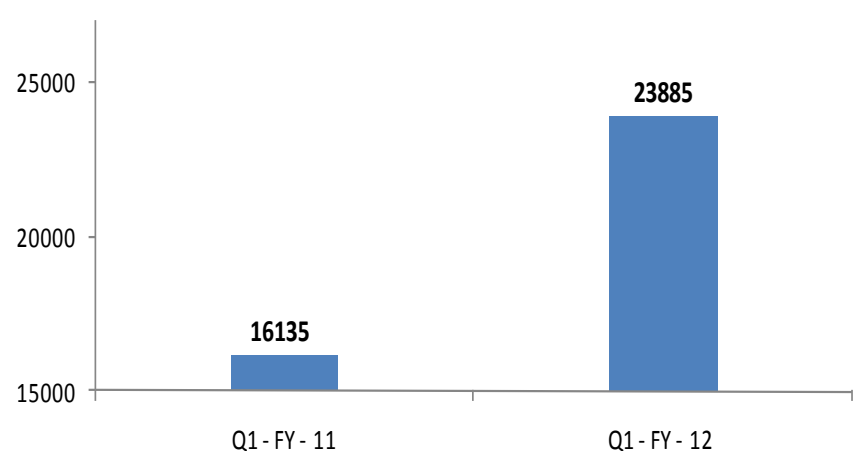
# Financials – Home Equity

Rs. In M

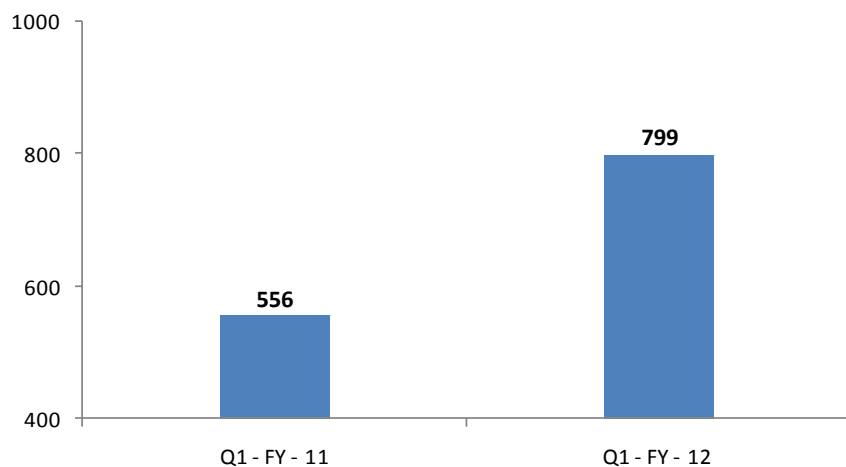
## Disbursements



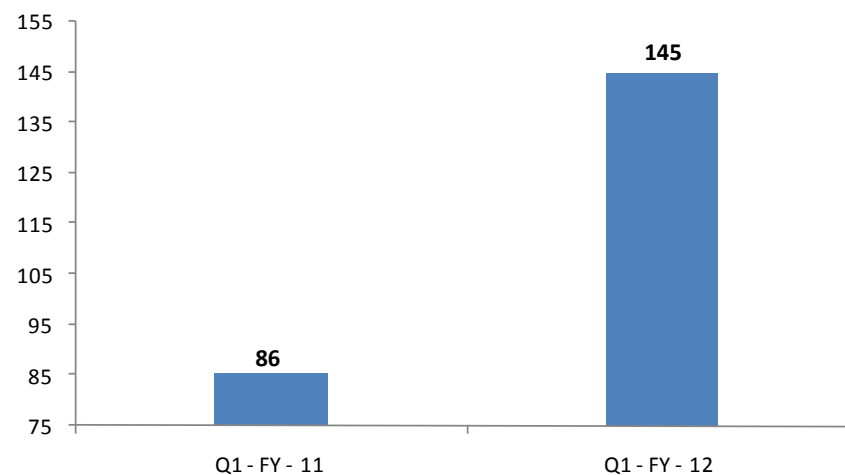
## Closing Managed Assets



## Income

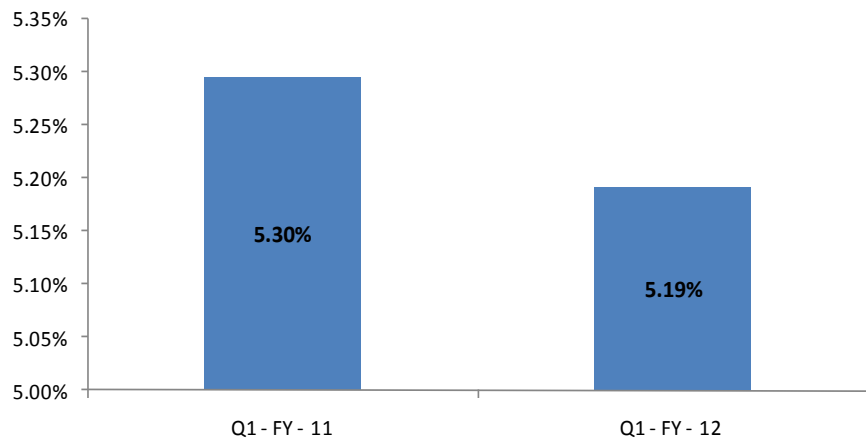


## Profit Before Tax

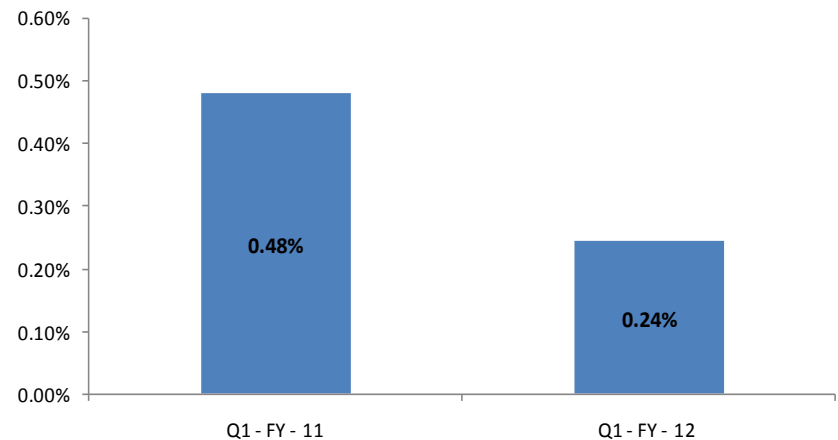


# Financials – Home Equity

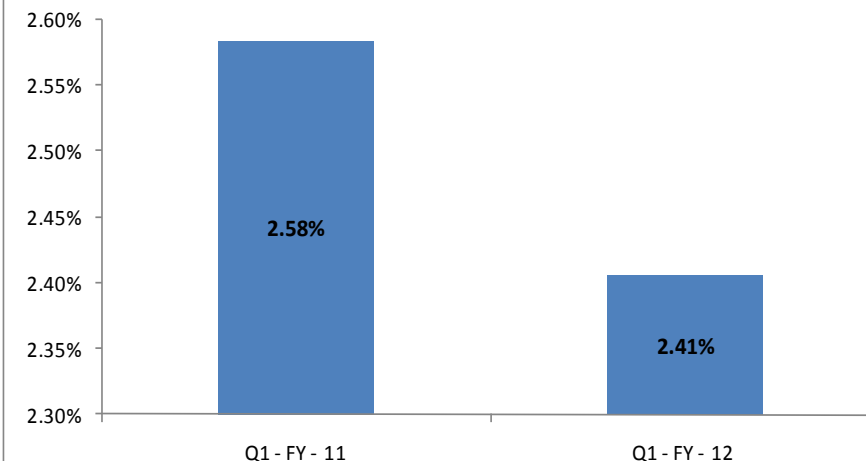
## Net Income Margin



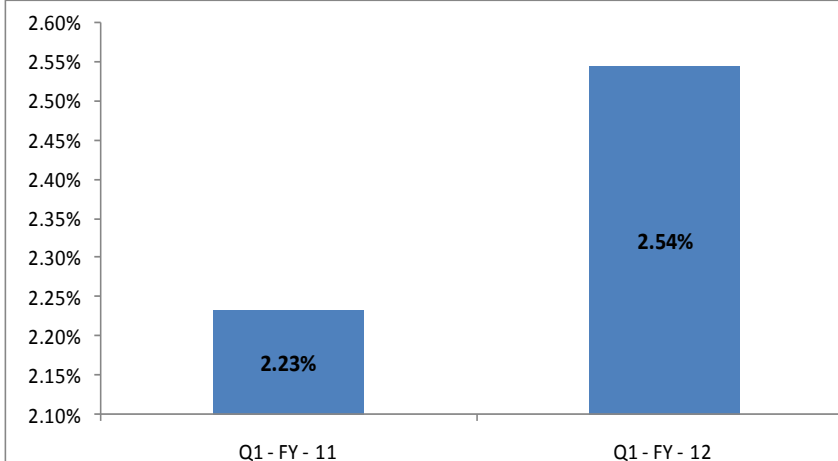
## Net Credit Losses



## Exp Ratio



## Return on Total Assets



Ratios are calculated as a % of Average Assets



# Business Finance

## Asset Class

- Liquid Shares, Commercial Property, Residential Property, Current Assets

## Customer Profile

- Promoters of large listed entities, High Net worth Individuals, Retail broking clients

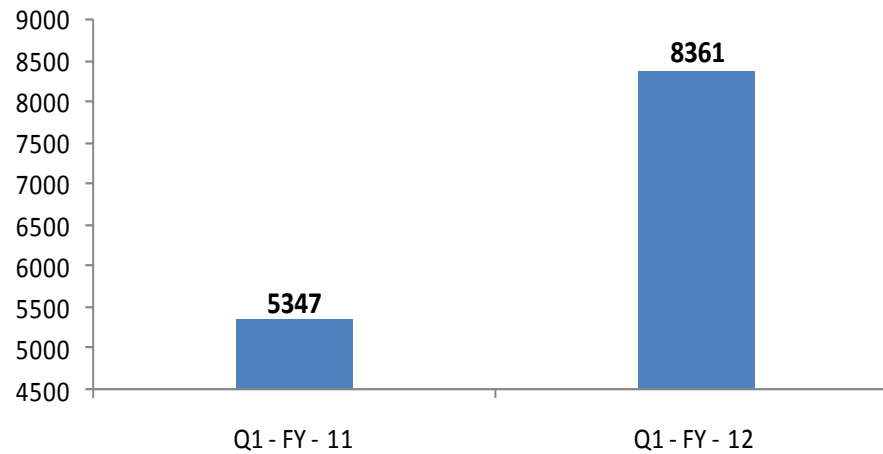
## Divisions

- Wholesale segment:
  - ▶ Product offerings - Finance Against Shares / Loan Against Property /Corporate Finance
  - ▶ Target Segment - Promoters, Corporates , HNIs
- Retail segment:
  - ▶ Product offerings - ESOP Funding and Margin Funding
  - ▶ Target Segment – Retail clients

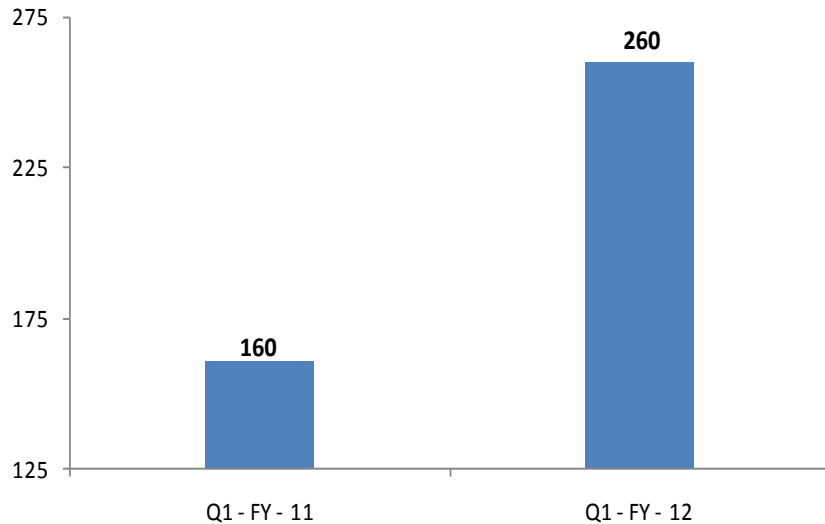
# Financials – Business Finance

Closing Managed Assets

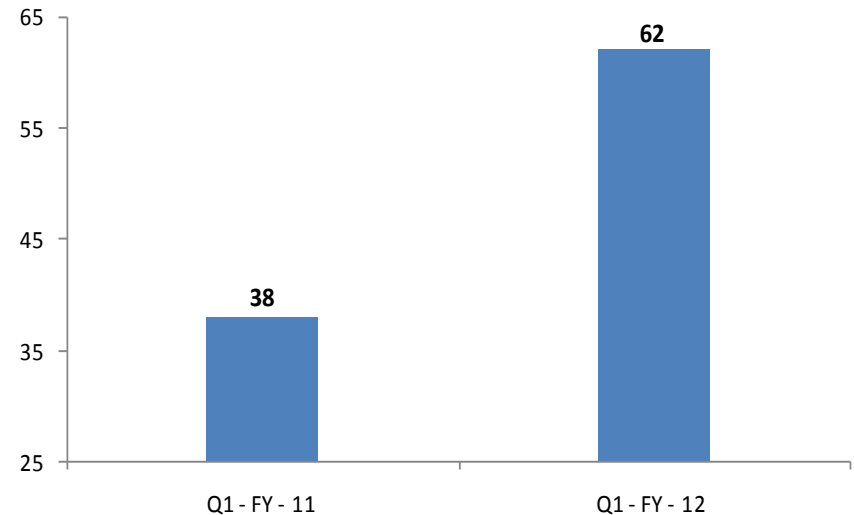
Rs. In M



Total Income

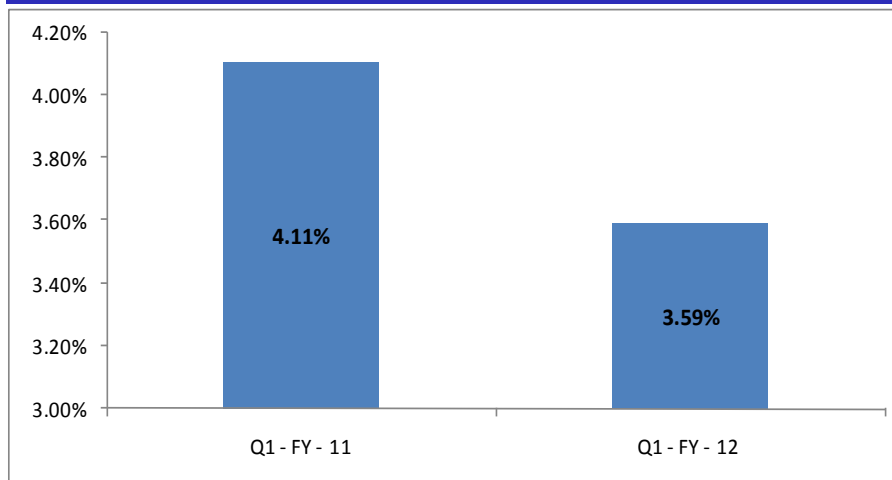


Profit Before Tax

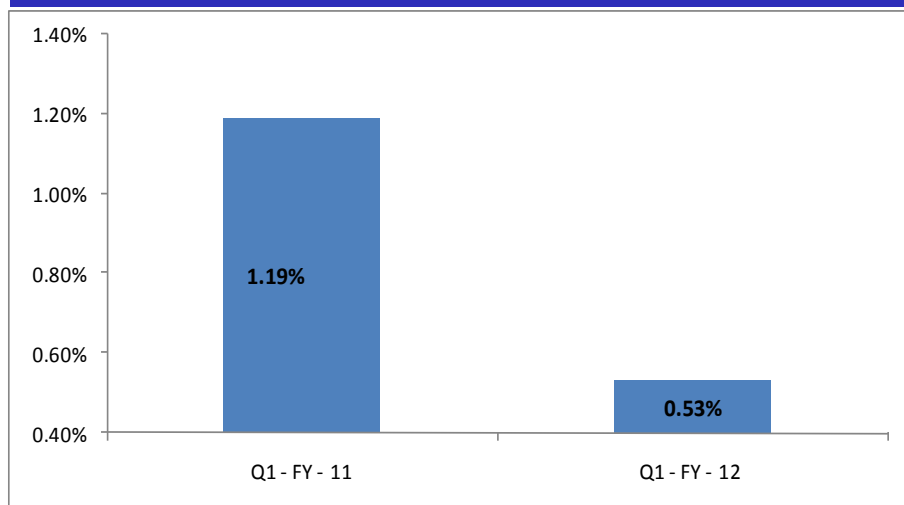


# Financials – Business Finance

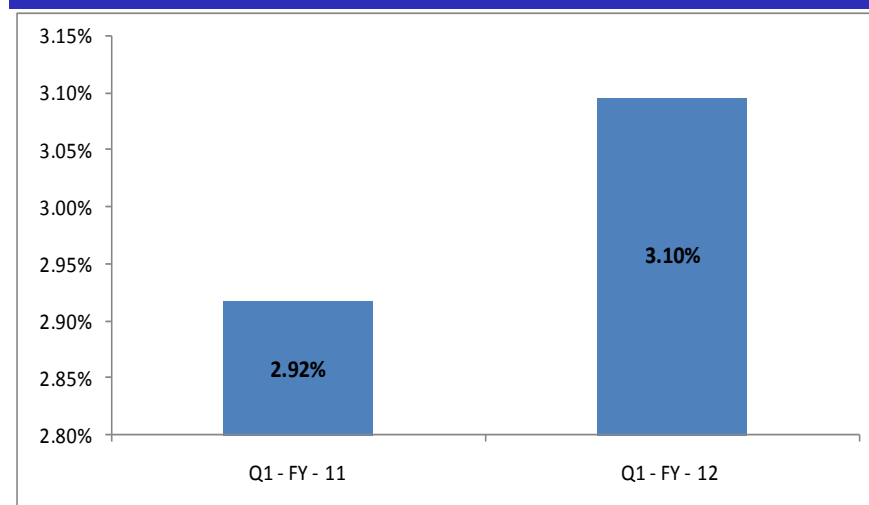
## Net Income Margin



## Exp Ratio



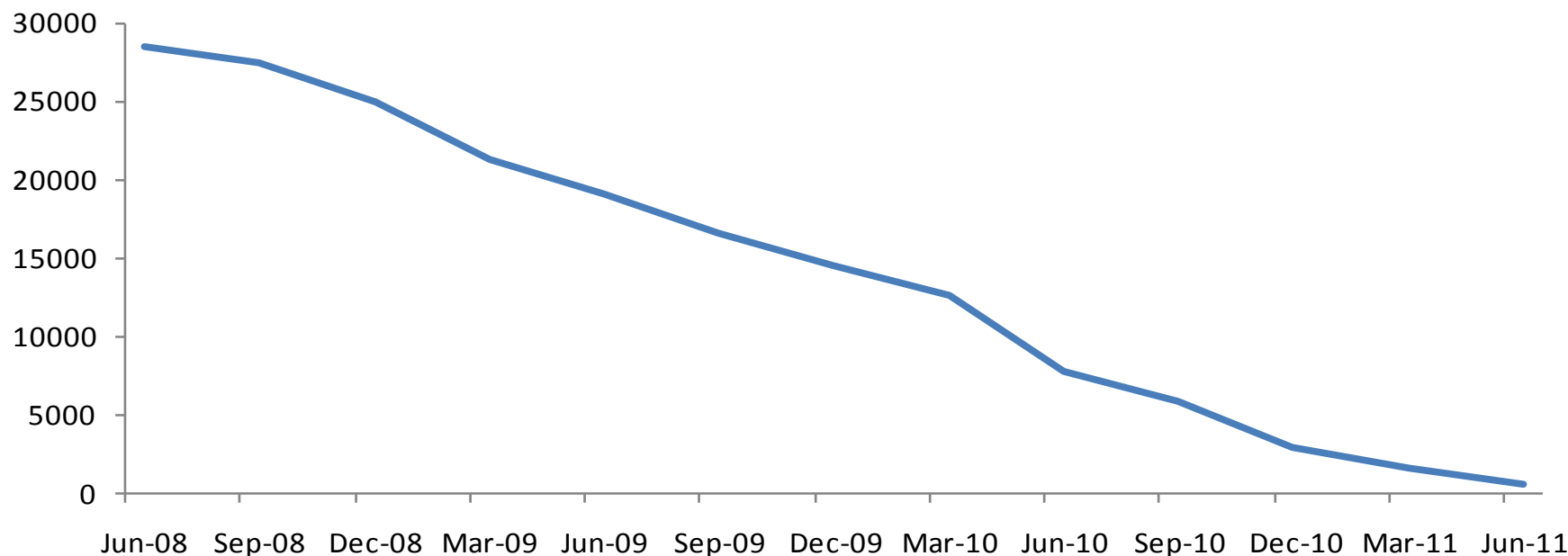
## Return on Total Assets



Ratios are calculated as a % of Average Assets

# Personal Loans

# Movement in Personal loan Portfolio



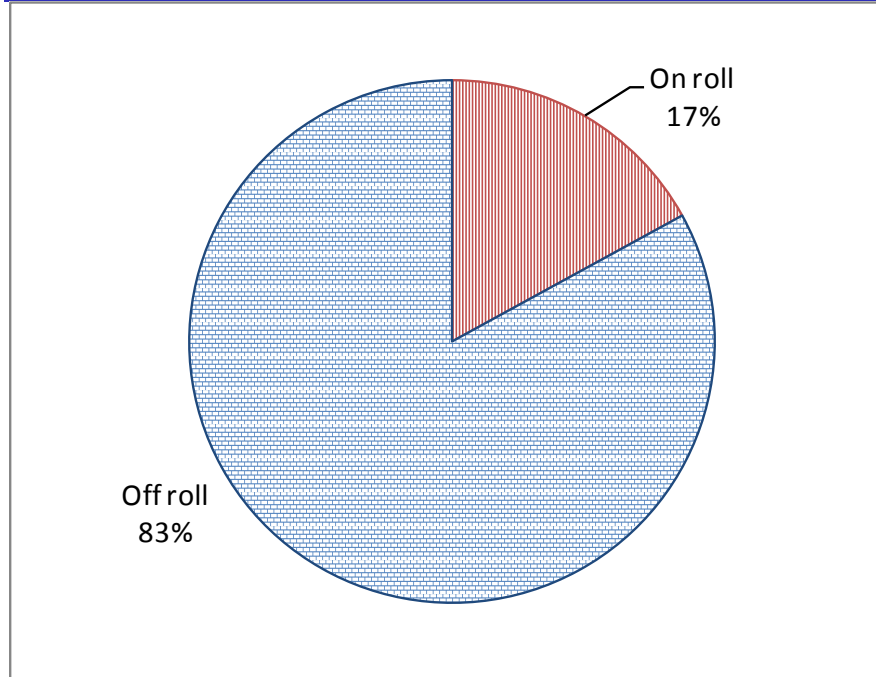
	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11
Rs in Mn	28440	27360	24910	21180	18970	16470	14530	12520	7772	5850	2911	1566	496

- The portfolio shown above is on managed assets net of provisions. Off balance sheet assets comprise of Rs 100 Mn
- Out of Rs.496 Mn, loans aggregating to Rs.387 Mn are in Zero bucket with nil delinquencies.
- This segment comprises 0.4% of the Own assets (net of provisions) as on 30<sup>th</sup> June 2011.

# Key Competencies

## Employee Strength of Chola

as on 30 June 2011 - (6056) \*



\* The off roll employees belong to Cholamandalam Business Services Limited

- ➔ On roll employees includes 88 professionals (CA, ICWA, Lawyers and engineers) and 360 MBAs as at 30 June 2011

Access to 6056 + trained manpower directly and indirectly



# Risk Management Frame work

## Risk Management Committee :

- ➔ Risk management committee reviews the implementation of various risk management techniques, analytics, systems, policies and procedures.
- ➔ The Chairman, Managing Director and one other non-executive director along with heads of various businesses and support functions of the Company constitute the risk management committee.
- ➔ The Committee reviews the top risks in each business and functions and the changes in risk perceptions on a regular basis.
- ➔ The Board reviews risk management processes on a periodical basis.

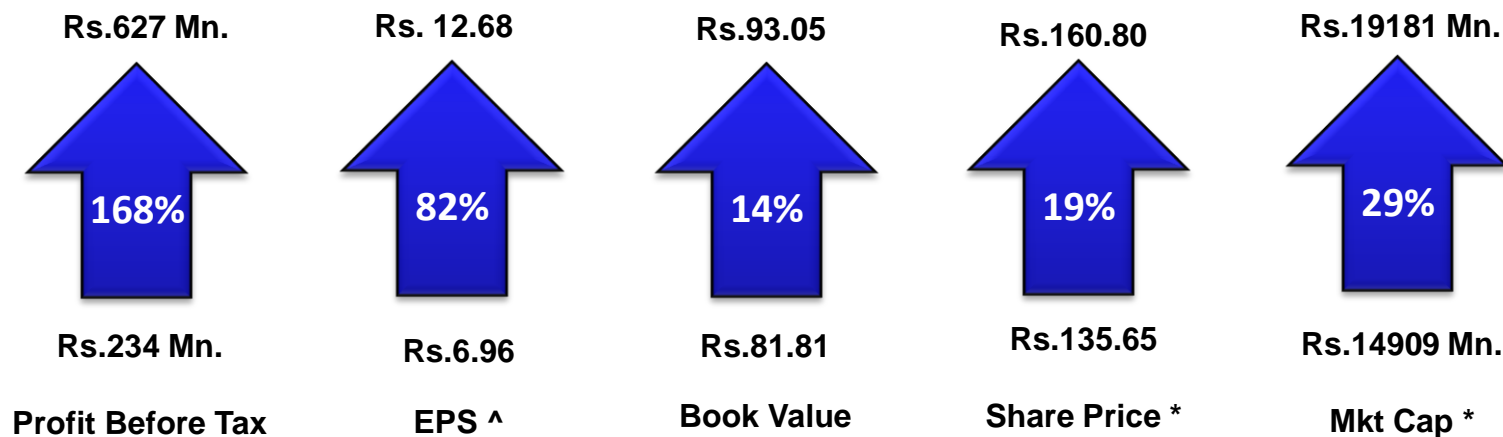
## Internal Control Systems :

- ➔ SOPs for all business parts are in place
- ➔ Comprehensive risk registers are prepared for businesses and various functions
- ➔ In-house and independent internal audit teams
- ➔ Robust mechanism of fraud control, fraud detection and prevention – disciplinary committee comprising of senior management members
- ➔ Key operational processes (finance & operations) are centralized at Head office for better control
- ➔ Strong IT security system and audit to ensure information security

# Financial Performance

# Key Highlights

## Performance Highlights of Q – 1 FY – 11 Vs Q - 1 FY - 12



\* Price considered is as per last trading session of the Qtr, ^ EPS is annualised

# Profit & Loss Account

Rs. In Mn

Particulars	2007-08	2008-09	2009-10	2010-11	Q I-2010-11	Q I-2011-12
<b>Disbursements - Non PL</b>	<b>28,434</b>	<b>20,027</b>	<b>38,656</b>	<b>57,307</b>	<b>12,457</b>	<b>16,716</b>
<b>Disbursements - PL</b>	<b>21,260</b>	<b>8,408</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Income</b>	<b>8,917</b>	<b>11,206</b>	<b>9,295</b>	<b>12,018</b>	<b>2,724</b>	<b>3,598</b>
<b>Expenditure</b>						
Financing Charges	3,783	5,941	5,036	5,857	1,348	2,012
Business Origination Outsourcing	1,305	833	575	868	209	233
Operating and Other Expenses	1,636	1,881	1,429	1,598	386	457
Provisions & Loan Losses	1,284	3,381	3,614	2,245	547	25
Std Assets Provision	-	(1,000)	(1,700)	210	-	25
<b>Total Expenditure</b>	<b>8,008</b>	<b>11,035</b>	<b>8,953</b>	<b>10,777</b>	<b>2,491</b>	<b>2,751</b>
<b>Profit before Exceptional Items</b>	<b>909</b>	<b>171</b>	<b>342</b>	<b>1,241</b>	<b>234</b>	<b>847</b>
<b>Exceptional items</b>	<b>-</b>	<b>-</b>	<b>(29)</b>	<b>(240)</b>	<b>-</b>	<b>(220)</b>
<b>Profit Before Taxation</b>	<b>909</b>	<b>171</b>	<b>313</b>	<b>1,001</b>	<b>234</b>	<b>627</b>
<b>Provision for Taxation</b>	<b>316</b>	<b>(257)</b>	<b>159</b>	<b>379</b>	<b>76</b>	<b>248</b>
<b>Profit After Taxation</b>	<b>594</b>	<b>427</b>	<b>154</b>	<b>622</b>	<b>158</b>	<b>379</b>

Note : The Company had created an one time standard assets provision (SAP) of Rs.3000 M in March 2009 to meet the losses of personal loan business. Out of this Rs.1000 M was utilized in FY – 09, Rs 1700 M was utilized in FY – 10 and the balance Rs.300 M is utilised during FY – 12. During FY 2010-11, the Company has created a first time SAP of RS.210 M towards non PL standard assets as per RBI directive. Exceptional Items for 2010 -11 & Q1-11-12 is on account of impairment provision created on investments made in Cholamandalam Factoring Limited, net of provisions.

# Exceptional Items

- Cholamandalam Factoring Ltd (CFAC) is a 99.99% subsidiary of the Company
- Chola has transferred certain stressed personal loans in 2009-10 and 2010-11 to CFAC for effective monitoring.
- During the quarter, CFAC has to provide Rs 550 M towards these stressed assets as per prudential norms of RBI, which resulted in drop in networth of CFAC.
- CIFCL has infused Rs.550 Mn. of share capital into CFAC to strengthen its networth and has provided for impairment loss for the entire investment.
- Impairment provision of Rs.550 Mn. is shown as exceptional item in the financials after adjusting provision reversal of Rs.330 Mn. which were created in the previous financial years.
- No further provisioning for PL assets is required either in Chola or in its subsidiaries.

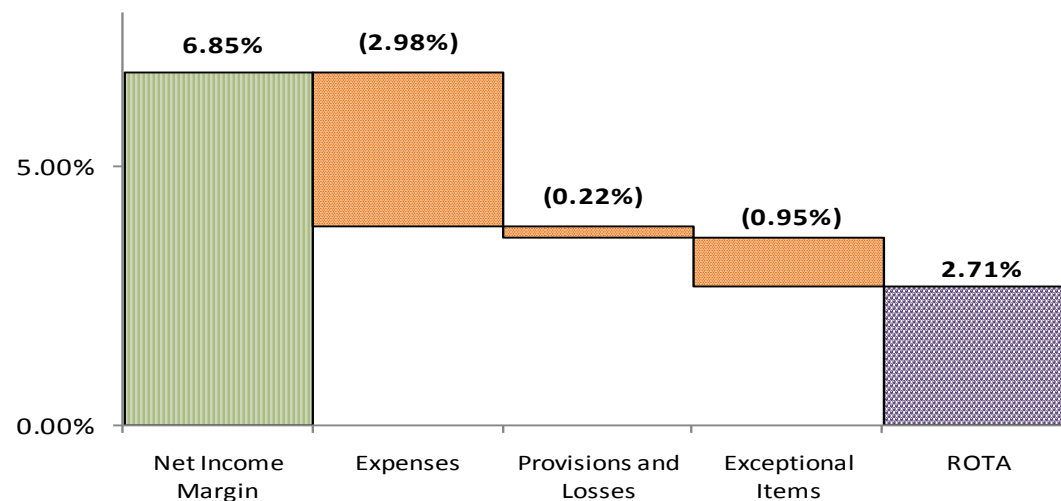
# Balance Sheet

Rs. In Mn

Sources of Funds	Actuals					
	2007-2008	2008-2009	2009-10	2010-11	Q 1 FY 2011	Q 1 FY 2012
Networth	5,586	7,810	7,850	10,720	8,992	11,099
Loan Funds	53,976	53,910	53,936	79,453	60,488	88,862
<b>Total Sources of Funds</b>	<b>59,562</b>	<b>61,720</b>	<b>61,786</b>	<b>90,173</b>	<b>69,480</b>	<b>99,962</b>
<b>Application of Funds</b>						
Fixed Assets	490	338	138	350	98	356
Investments	1,739	4,052	2,193	683	3,235	783
Deferred Tax Assets	214	1,501	1,549	1,306	1,576	1,186
Business Assets	53,582	43,568	51,597	83,703	57,278	93,336
Other Current Assets (net)	3,537	12,260	6,308	4,131	7,294	4,301
<b>Total Application of Funds</b>	<b>59,562</b>	<b>61,720</b>	<b>61,786</b>	<b>90,173</b>	<b>69,480</b>	<b>99,962</b>
Derecognised Assets	17,128	16,760	16,908	9,020	14,919	5,611
<b>Total Fund Base</b>	<b>76,690</b>	<b>78,480</b>	<b>78,694</b>	<b>99,193</b>	<b>84,398</b>	<b>105,573</b>

# Financials-Chola Standalone

## Q – 1 FY 2011 - 12



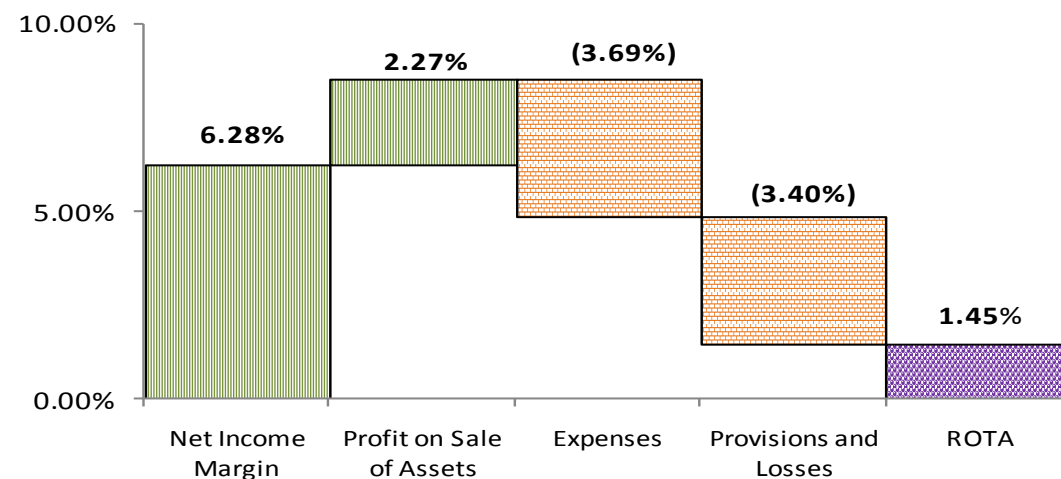
Upfront gain on sale pertaining to sale of business assets and fixed assets-2.26% improved profitability in 2010-11.

During Q1 of FY 12 no bilateral sale of assets were done.

Lower expenses and lower provisioning resulted in better profitability.

Exceptional items in Q1-2011-12 is for Provision for impairment of investment in CFACT.

## Q – 1 FY 2010 - 11

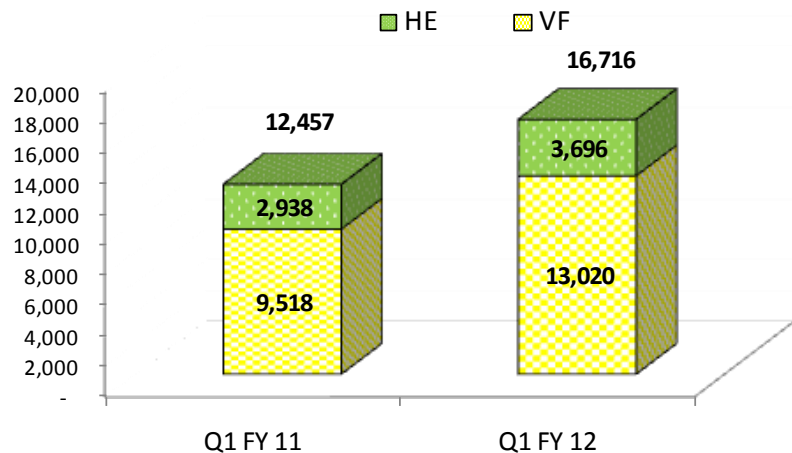


ROTA has improved by 126 bps.

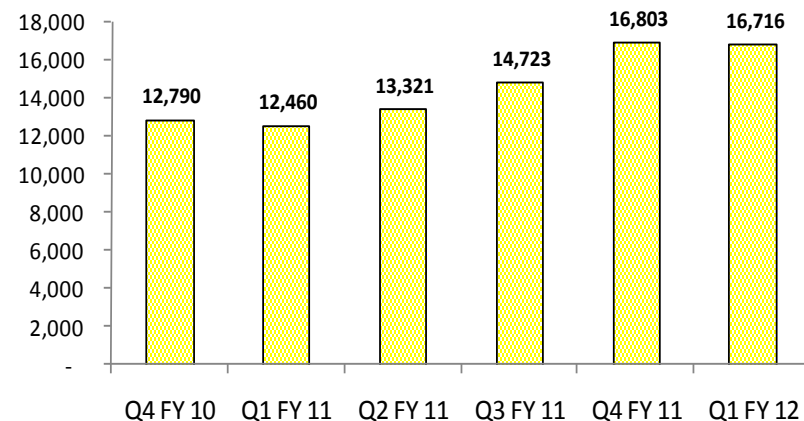
Ratios are calculated as a % of Average Assets

# Strong Business Momentum

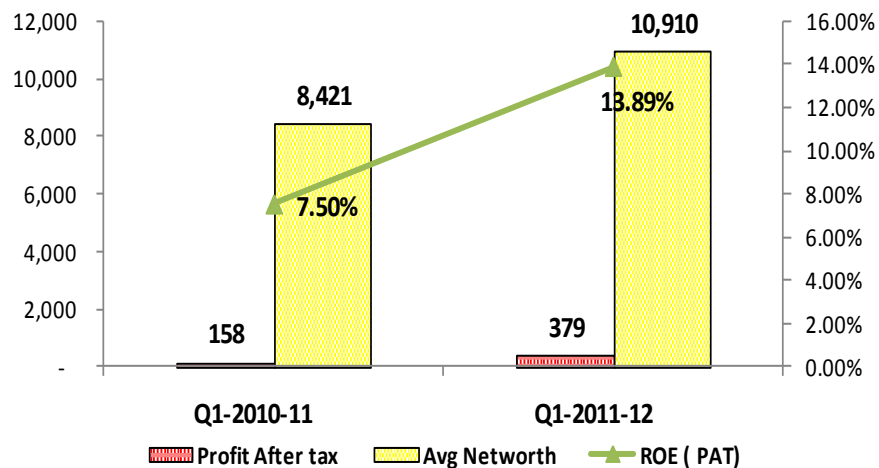
## Disbursements



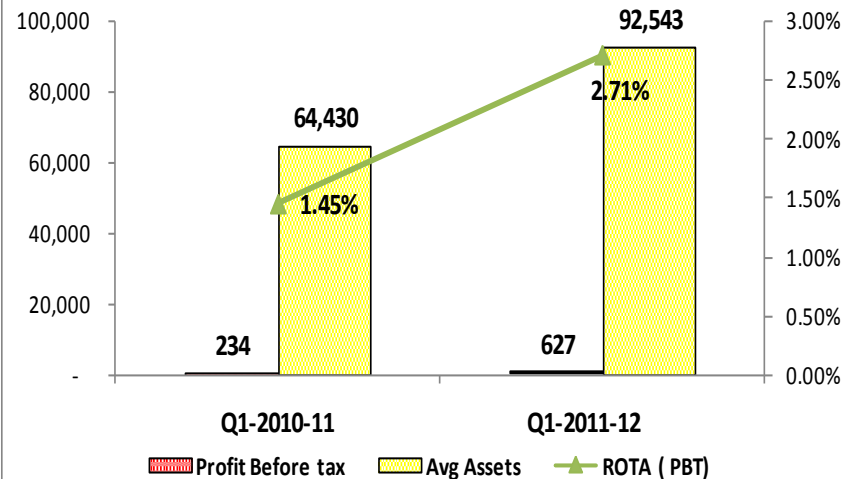
## Disbursement QoQ



## Return on Equity

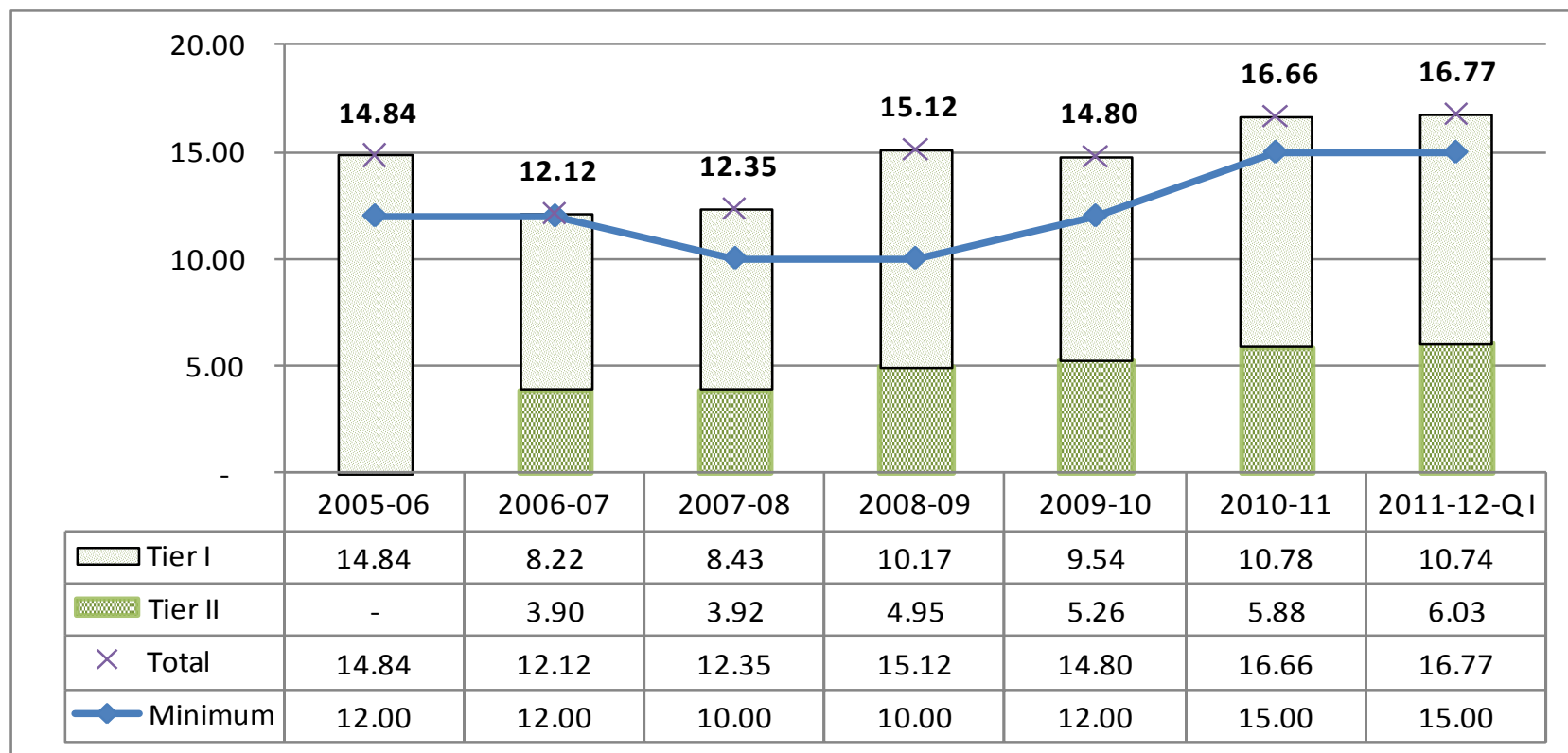


## Return on Assets





# CAR & Credit Rating

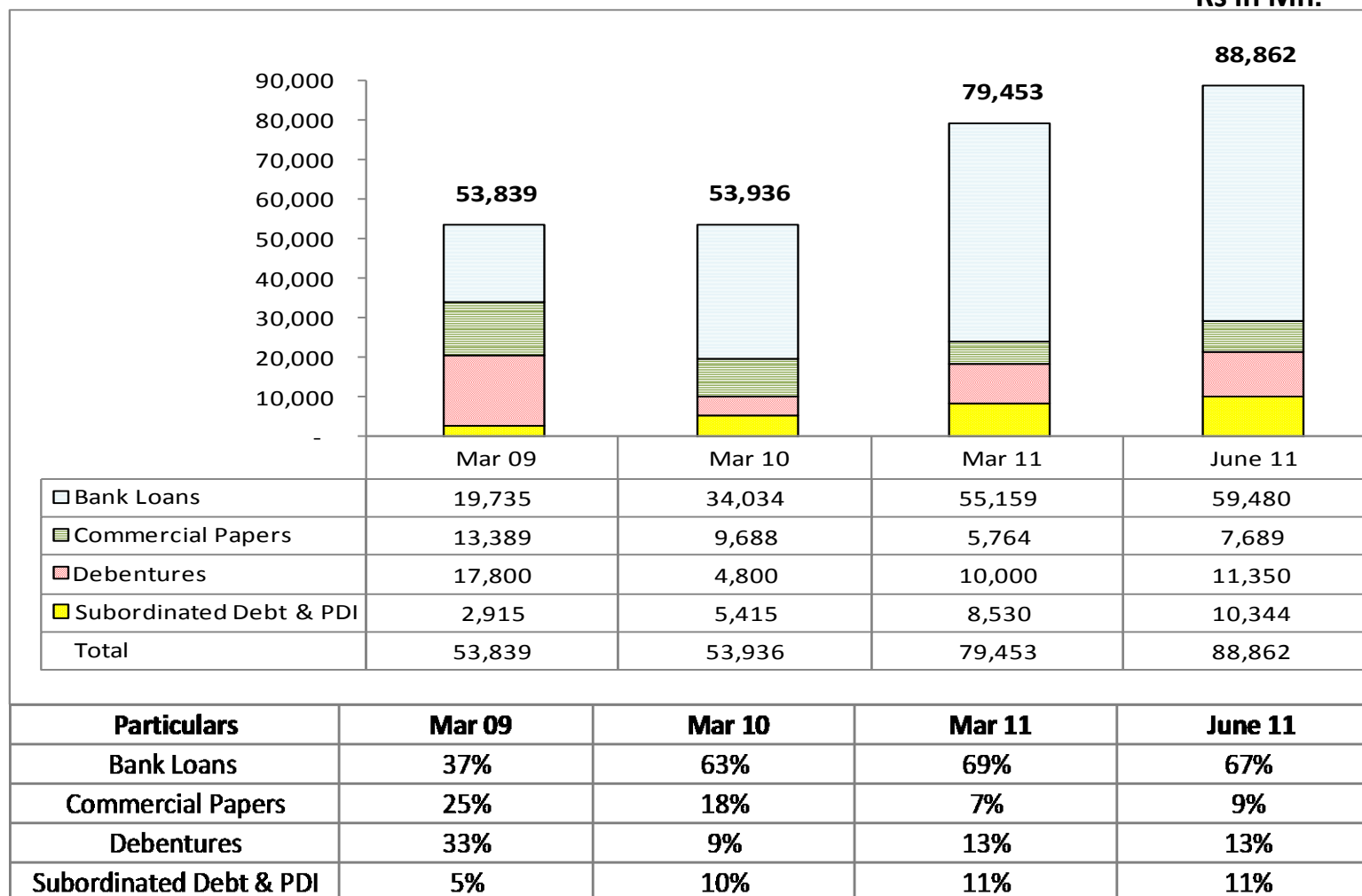


## CREDIT RATINGS:

- The Company carries a credit rating of ICRA (A1 +) and CRISIL (P1+) for Short Term Instruments
- For long term instruments the Company is rated with CARE (AA), ICRA (LAA - / Positive) Fitch (FAA - / Stable) and CRISIL (AA - / Stable)
- For Perpetual Debt, the Company is rated with CARE (A+) and ICRA (A+)

# Borrowing Profile

Rs in Mn.



- Consistent investment grade rating of debt instruments since inception
- Long term relationships with banks ensured continued lending
- A consortium of 16 banks with approved limits of ~ Rs.18700 Mn.

# ALM Statement as of June 2011

**Rs in Mn**

Time Buckets	As on 30th June 2011			
	Outflows	Inflows	Mismatch	Cum Mismatch
1-14 days	1,113	10,819	9,706	9,706
15-30/31 days	1,976	2,876	901	10,607
Over 1 to 2 months	3,260	1,982	(1,279)	9,328
Over 2 to 3 months	5,499	1,821	(3,678)	5,650
Over 3 to 6 months	10,880	6,481	(4,400)	1,250
Over 6 mths to 1 year	20,142	18,940	(1,202)	48
Over 1 to 3 years	39,149	38,435	(714)	(666)
Over 3 to 5 years	3,878	6,277	2,399	1,733
Over 5 years to 20 years	9,345	17,934	8,589	10,322
Over 20 years	10,964	642	(10,322)	-
<b>Total</b>	<b>106,207</b>	<b>106,207</b>	<b>-</b>	<b>-</b>

Cumulative Mismatch is significantly lower than the RBI stipulated levels of 15%

Others

- The Company got reclassified as Asset Financing Company (AFC) as per RBI regulations.
- The Company has expanded its presence to 324 branches as on 30th June 2011. Most of the new branches opened during the quarter are in Tier II and Tier III locations across India.
- The Company raised Tier II capital of Rs. 1810 Mn. during the quarter in the form of perpetual debt instrument and subordinated debt.

# New Product Initiatives

**a) Pilot Launch of Loan against Gold – FY 2011-12**

**b) Tractor Financing – Launched**

**New line of business being evaluated are:**

- 1) Asset backed Agri financing
- 2) Construction equipment
- 3) SME Loans

**Line extensions being evaluated are:**

- 1) Utility Vehicles
- 2) Housing Loans

THANK YOU

# Financial of Last 10 Years

Rs in MN

Financial Year ended	2002	2003	2004	2005	2006	2007	2008	2009*	2010	2011
	12 Months									
Profit & Loss Account										
Income										
Total Income	20 69	23 57	22 76	21 50	22 15	40 91	89 17	1 12 06	92 95	1 20 18
Expenditure										
Finance Charges	8 94	9 74	8 36	8 45	9 94	18 89	37 83	59 41	50 36	58 57
Salary cost	73	1 04	1 29	1 46	1 81	3 81	7 52	8 38	7 65	8 92
Other Operating Exp	7 51	6 57	6 05	4 18	3 70	9 91	21 89	18 75	12 38	15 74
Provisions & Loan Losses	79	1 66	2 46	2 25	2 08	3 58	12 84	23 81	19 14	24 55
Exceptional items			- 15						29	2 40
Profit Before Tax	2 72	4 55	4 76	5 16	4 60	4 73	9 09	1 71	3 13	10 01
Taxes	85	1 74	1 55	1 75	1 08	1 63	3 16	- 2 57	1 59	3 79
Profit After Tax	1 88	2 81	3 21	3 41	3 52	3 10	5 94	4 28	1 54	6 22
Dividend Payout (In Rs.)	5.00	5.00	5.00	5.00	5.00	4.00	4.00	-	1.00	1.50
Average Dividend payout of last 10 Years (In Rs.)										3.55
As a % on Face Value										35.50%

\*No Dividend was paid during the year 2009.