

# **Cholamandalam Investment and Finance Company Limited**

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

## **Investor Presentation**

**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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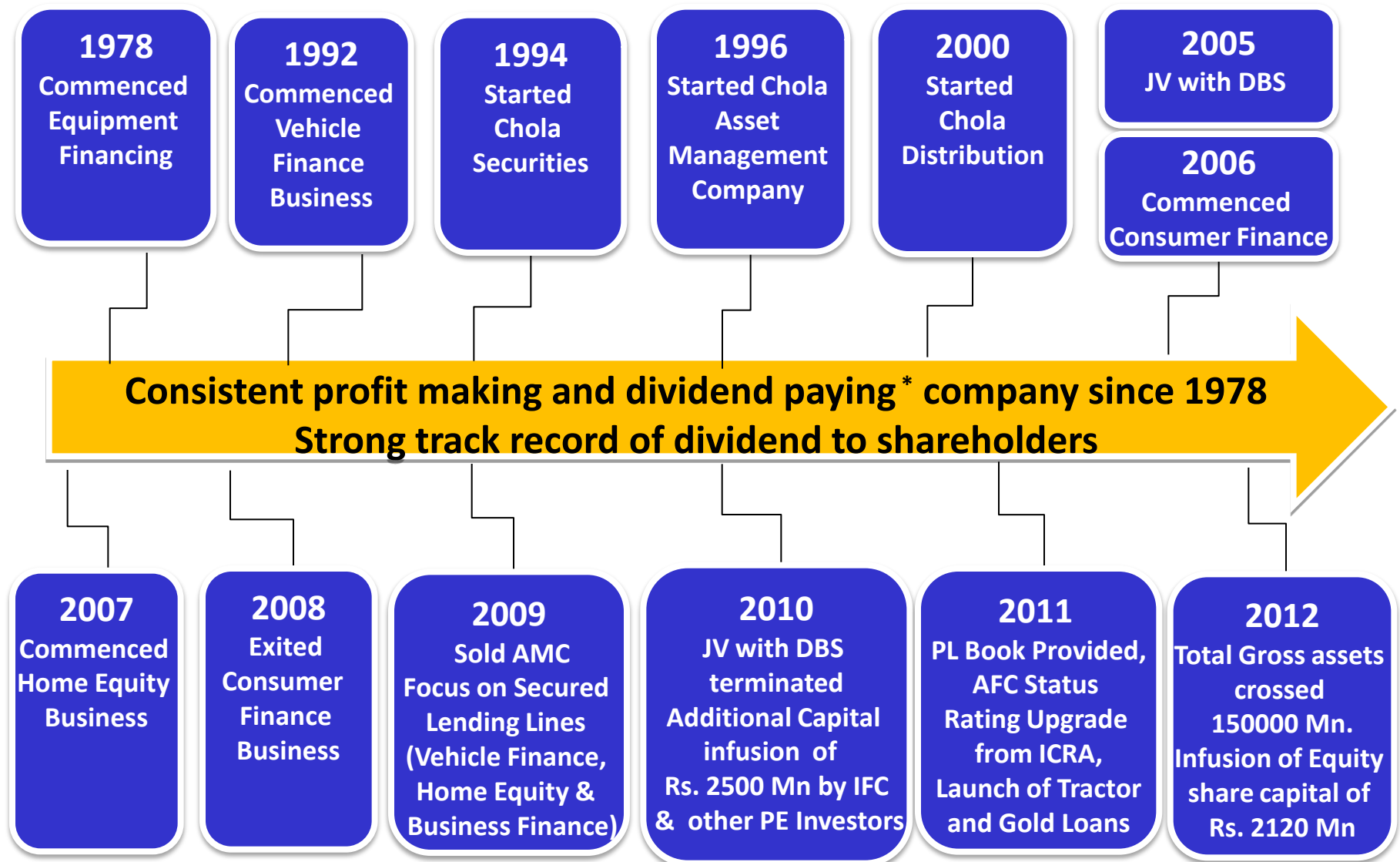
**Subsidiaries – Wealth Management**



## Corporate Overview



# Journey so far ...

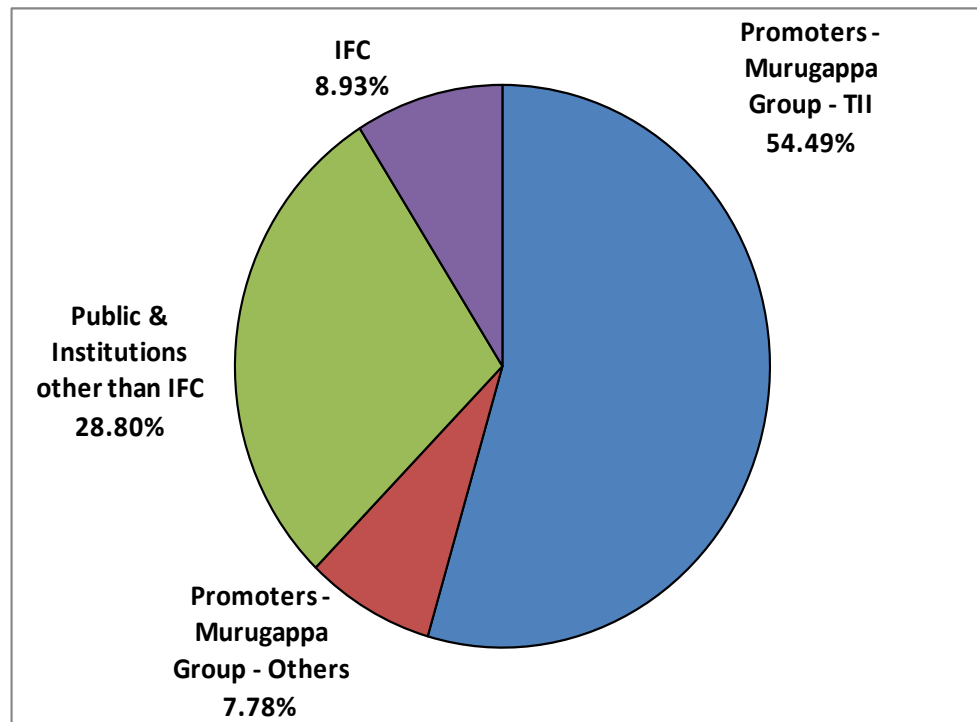


Note: All years are Calendar years

\* Except 2009, average dividend payout for the last 10 years is 33% on capital

# Shareholding Pattern

As at June 2012



- Promoters share holding of 62.27% indicates strong promoter commitment.
- Public holding includes shares held by International Finance Corporation (8.93%), other institutional (22.11%) and Individuals investors (6.69%).

# 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. 73004 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. 30668 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. 28598 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. 26976 Mn.**



Cholamandaram

Cholamandaram Invst Finance

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

**Market Cap - Rs. 22680 Mn.**



Cholamandaram MS  
General Insurance

Cholamandaram 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.



# Management – Board Level



## **MBN Rao – Chairman**

- Over 39 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, Vice Chairman and Mentor Director**

- He has over 27 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



## **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 – Operating Team



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

- Kaushik has been in Asset Finance business for close to 23 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. Vice President & Business Head-Home Equity**

- Rohit has 21 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 & Chief Financial Officer**

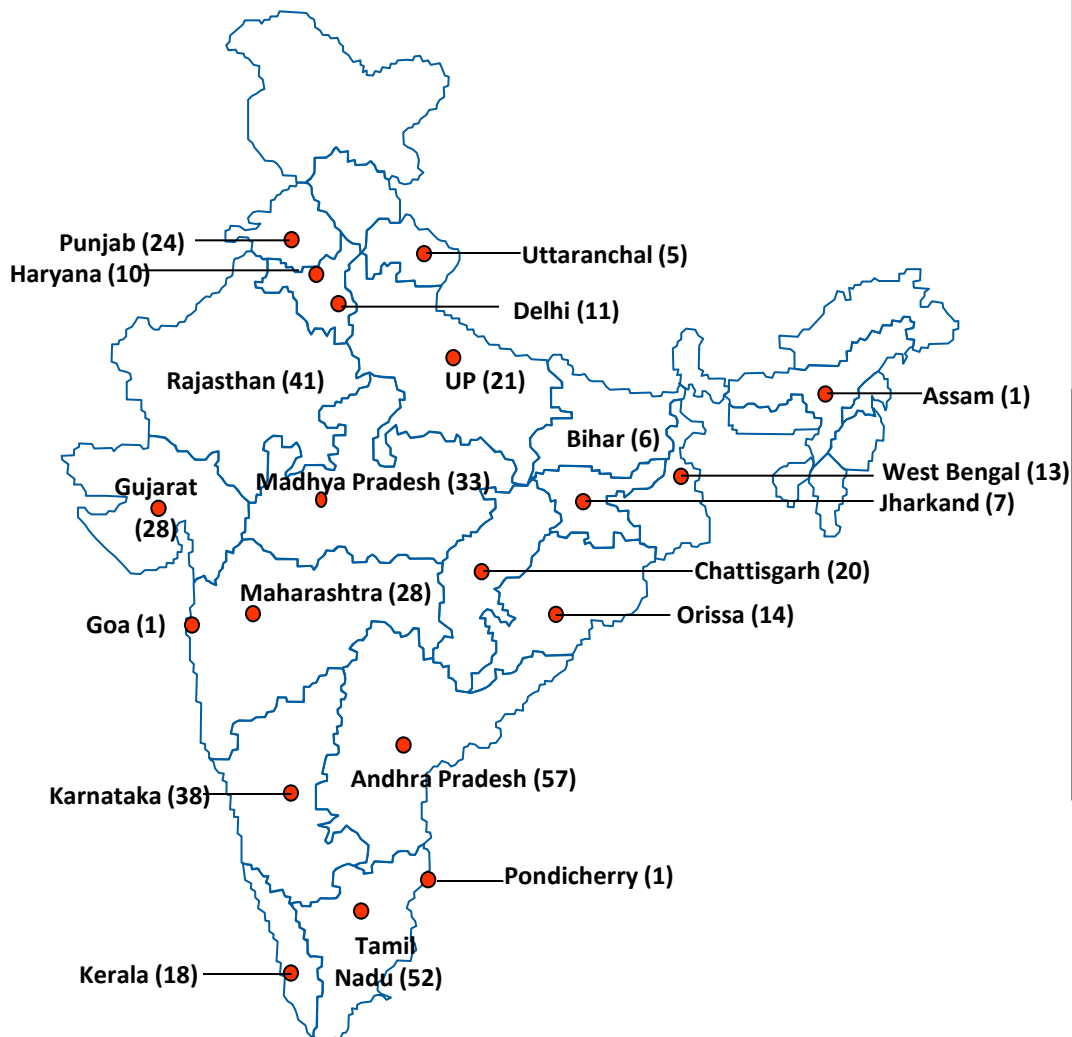
- Chartered Accountant from the Institute of Chartered Accountants of India & MBA from Open University (UK)
- With over 20 years of experience in Finance and Accounts, Arul heads the Finance function of CIFCL as the CFO.
- Arul has spent 19 years with the Murugappa Group, with stints in Tube Investments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



## **Mr. Pravin Salian, Vice President & Business Head – Gold Loans**

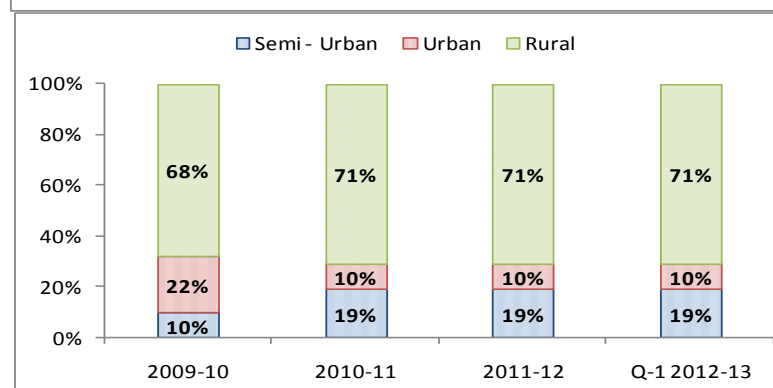
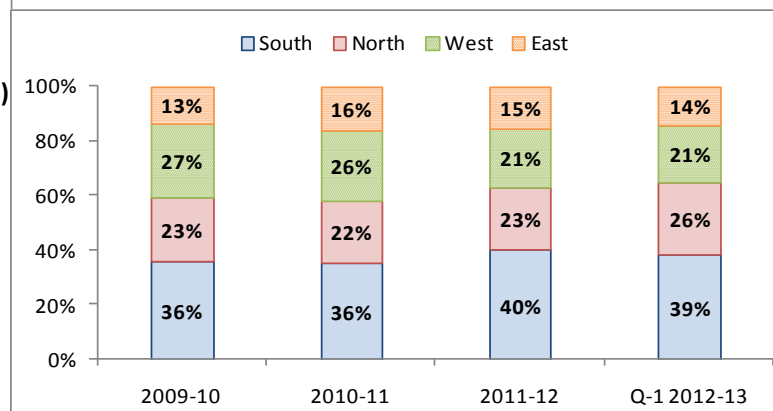
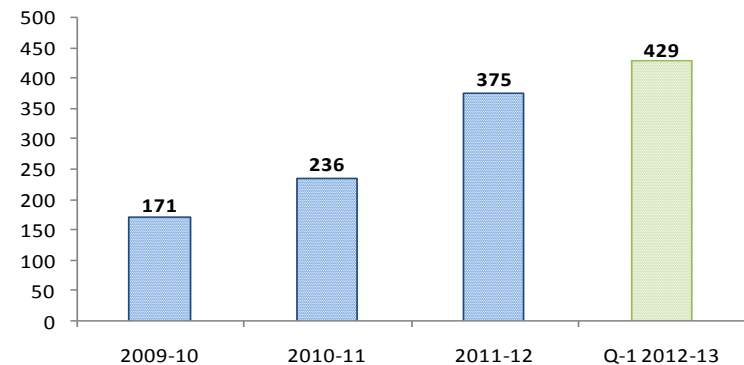
- Pravin has 16 yrs of diverse experience in all levels of management.
- He started his career with DSA Citibank and has worked in various capacities in companies including Karvy Investor Services and Birla Sun Life Insurance.
- His last assignment was with Muthoot Fincorp Ltd as Business Head & Executive Vice President.
- Pravin joined CIFCL in April 2011 & has successfully established the Gold Loan business inaugurating 45 branches in South India in a very short span.

# Geographical Presence – Branches



Note: Figures in brackets represents no. of branches as on 30th Jun 2012

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

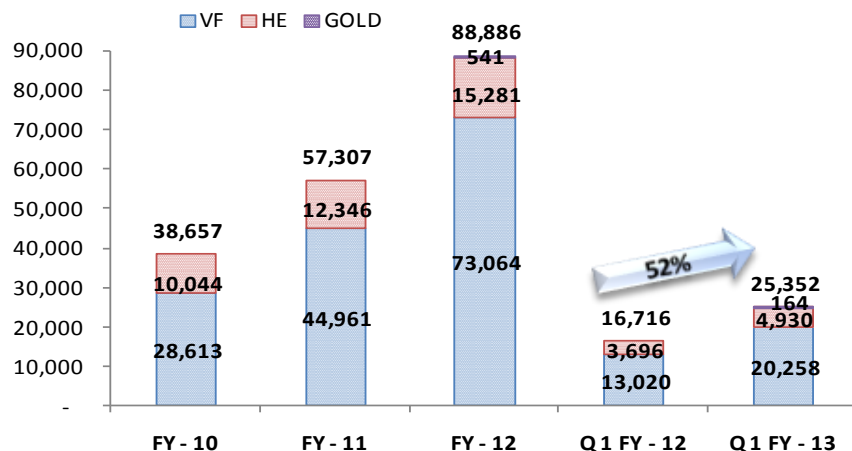


All HE branches are co-located to VF branches

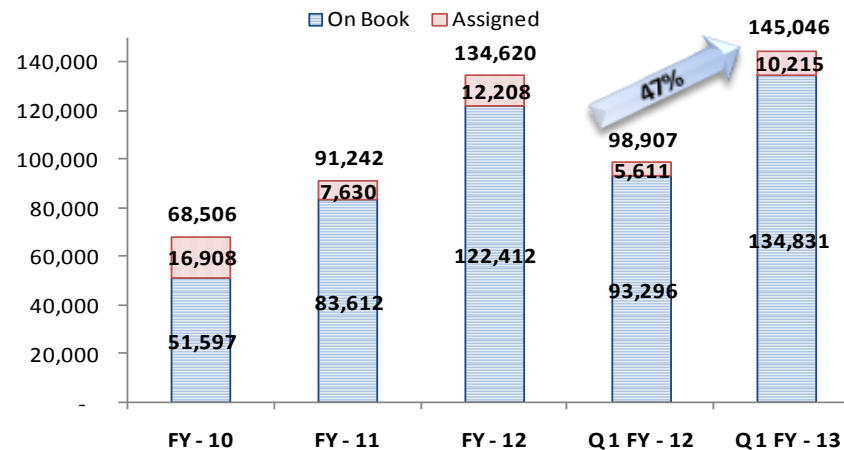
# Summary Financials

Rs. In M

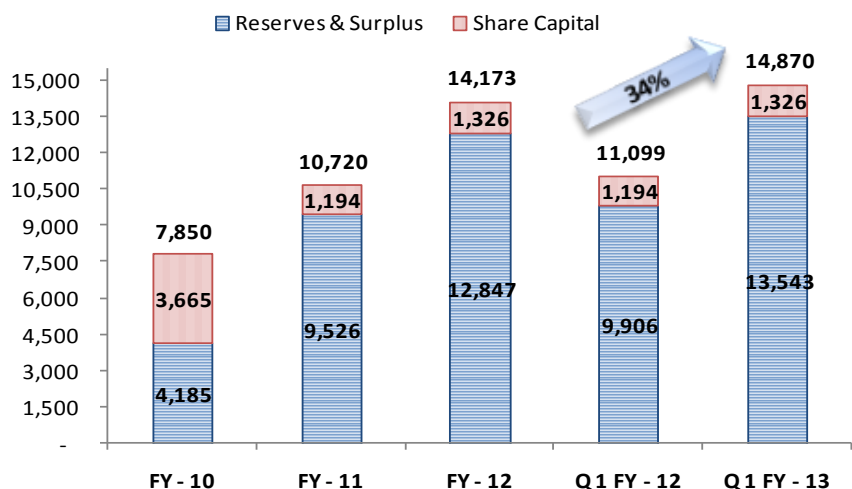
## Disbursements



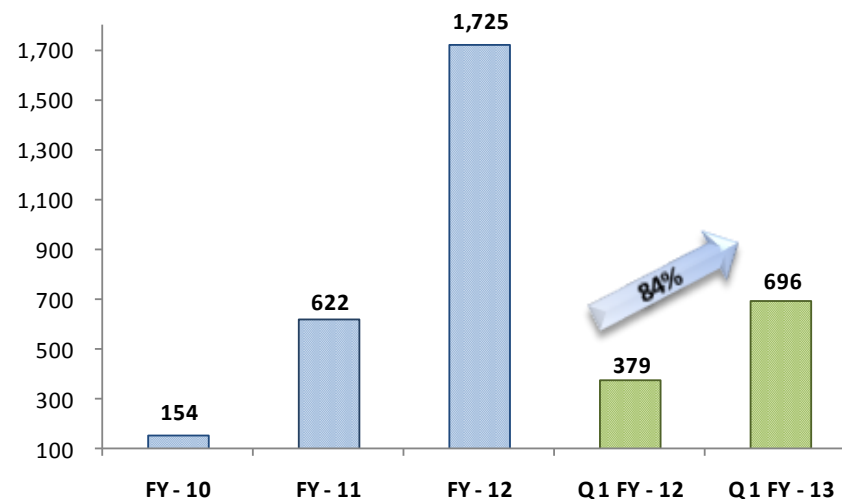
## AUM



## Networth

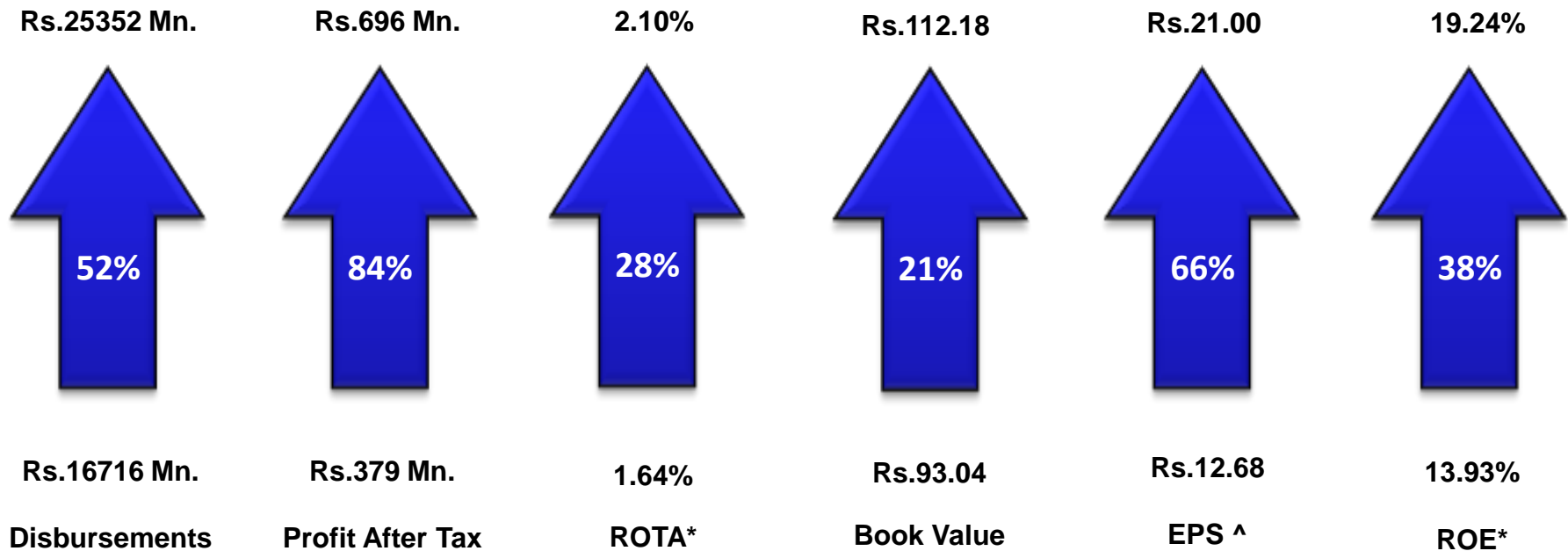


## PAT



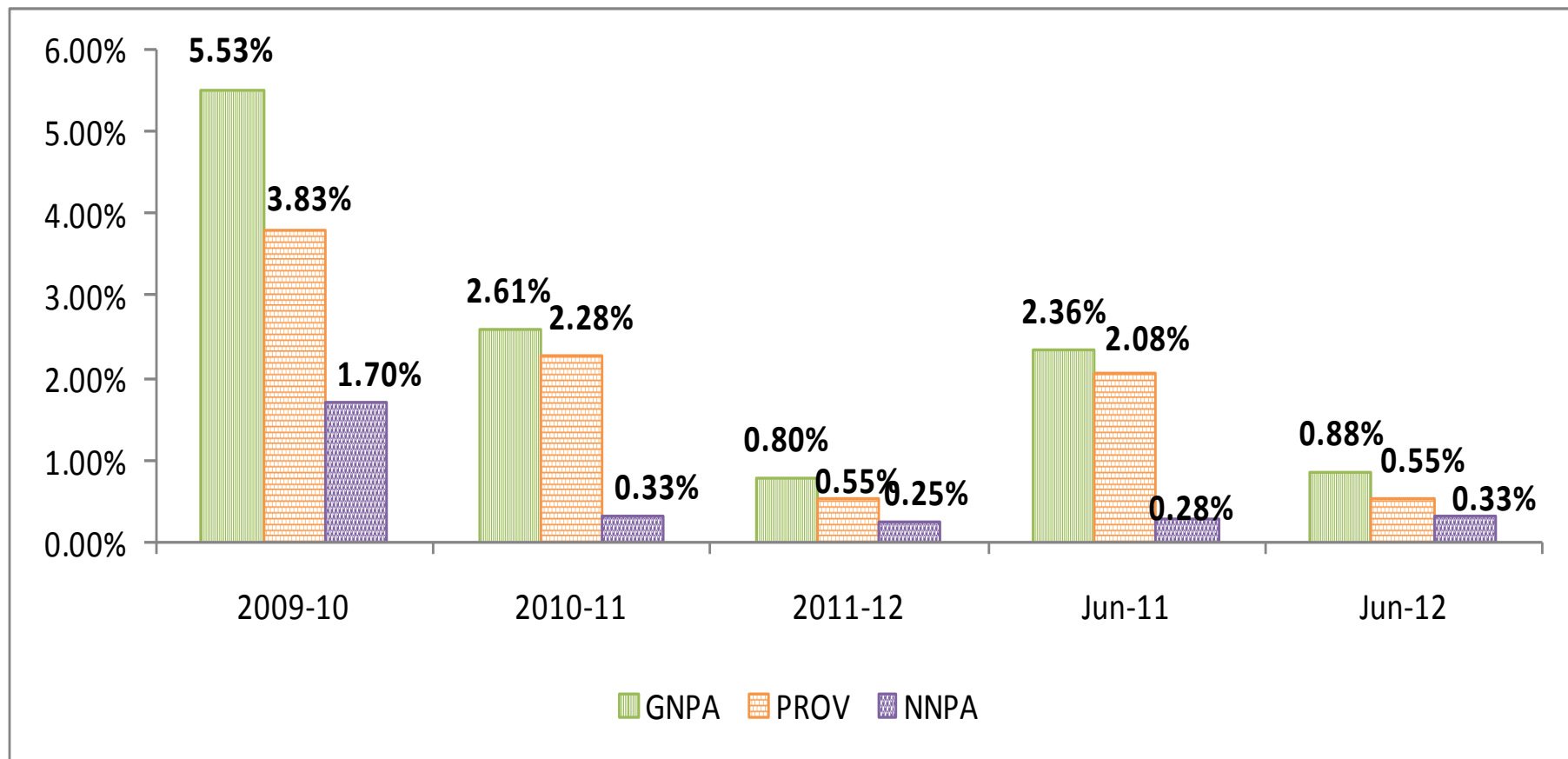
# Q1 - FY 13 - Update

## Performance Highlights of Q – 1 FY – 12 Vs Q - 1 FY - 13



\*ROTA and ROE calculated in Profit after Tax ^ EPS is annualized

# Portfolio Performance



Company applies provisioning rates which are higher than RBI stipulated rates. As on 30<sup>th</sup> June 2012 .if RBI rates are applied the provision % would reduce from 0.55% to 0.42%

# Updates – Q 1 – 2012-13

<b>AFC Status</b>	AFC Status retained
<b>Rating</b>	ICRA, CRISIL, FITCH & CARE has retained their existing ratings
<b>PAT</b>	PAT has increased by 84% compared to Q1 of PY
<b>Assets Size</b>	Vehicle Finance Portfolio has crossed Rs.100 Bn Total Assets Under Management has crossed Rs.150 Bn
<b>Disbursements</b>	Disbursements have grown by 56% for Vehicle Finance and 33% for Home Equity in Q 1 – FY 12-13
<b>Branch Expansion</b>	Expanded the presence to 429 branches from 375 in Mar 12
<b>ROE</b>	Return on Equity increased from 13.93% to 19.24%



## Business Overview





# Business Segments Overview

Asset Class		Description	Assets* as at 30 Jun '12	
			Managed # Rs Mn	Own
<b>Vehicle Finance</b>		→ Provides vehicle financing for NEW and USED HCVs, LCVs, SCVs, MLCVs, MUVs , Tractors and Cars	107054 (73.81%)	98958 (73.40%)
<b>Home Equity</b>		→ Provides loans against residential property to self employed individuals	33584 (23.15%)	31465 (23.34%)
<b>Business Finance</b>		→ Provides loans against collateral of equity shares, commercial/ residential property and combination of current assets and shares	3957 (2.73%)	3957 (2.93%)
<b>Gold Loans</b>		→ Provides loans against Gold Jewels	431 (0.30%)	431 (0.32%)
<b>Personal Loans</b>		→ Disbursements discontinued since October 2008 and currently only collection activities are continued.	21 (0.01%)	21 (0.01%)
<b>Total</b>			<b>145046</b>	<b>134831</b>

\*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.

# Business Segments Overview (Cont'd)

Asset Class	LTV	Tenure in Months	Ticket Size in Millions	Weighted IRR	Asset quality As on 30 <sup>th</sup> Jun'12 (GNPA/NNPA)
Vehicle Finance	75% - 80%	35 – 40	0.40 – 0.50	15% - 16%	0.73%/0.31%
Home Equity	50% - 55%	120	4.00 – 5.00	13% - 14%	1.03%/0.55%
Business Finance	50.00%	24	60 - 70	13% - 14%	1.43%/0.00%
Gold Loans	50% - 60%	12	0.10 – 0.15	18% - 24%	Nil

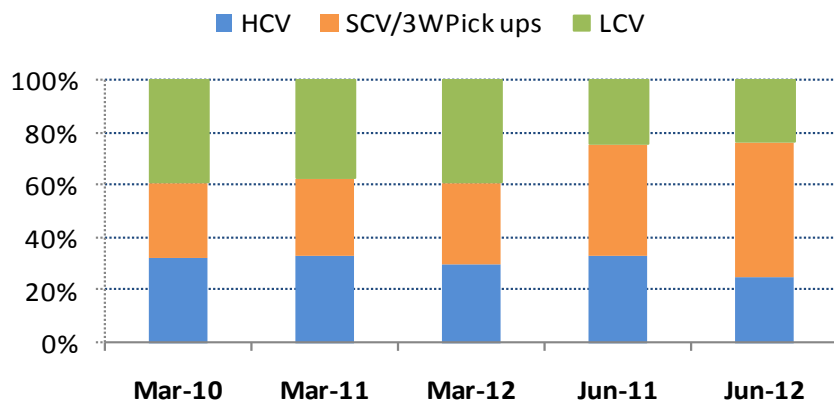


## Vehicle Finance

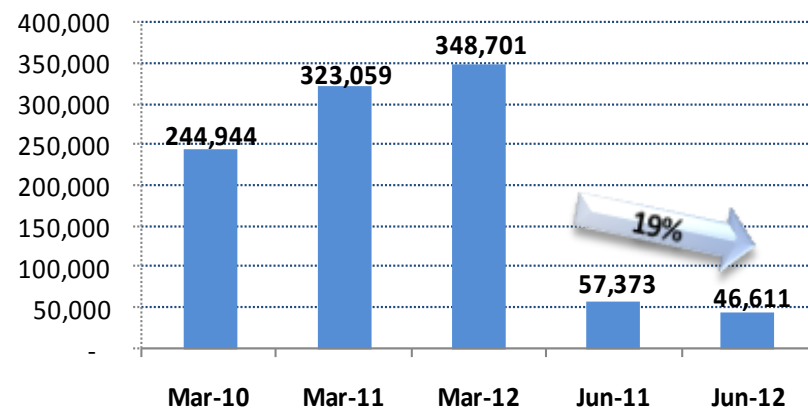


# Vehicle Finance – Industry

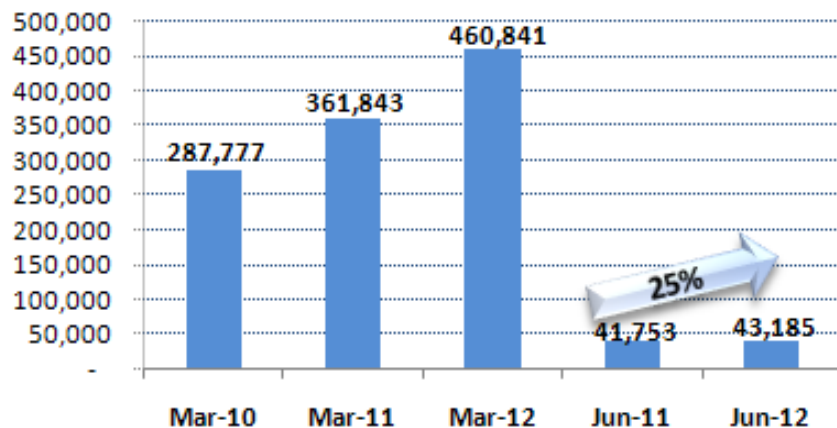
## SCV's + 3 W Pick ups continue to drive growth Trend in Domestic M & HCV Sales



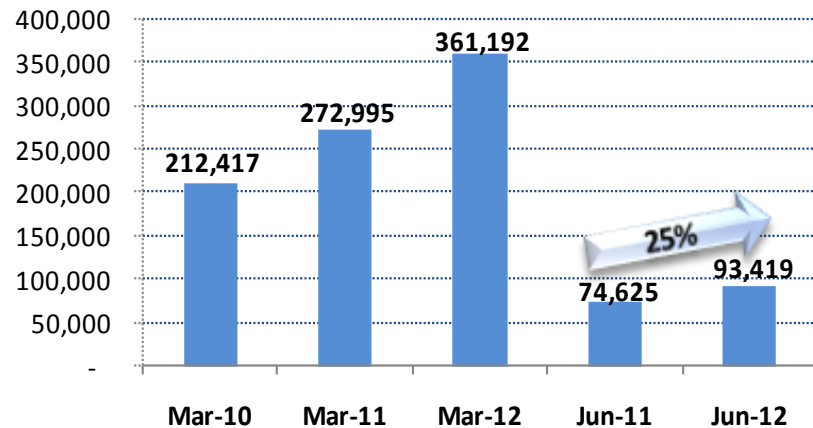
## Trend in Domestic M & HCV Sales



## Trend in Domestic LCV Sales



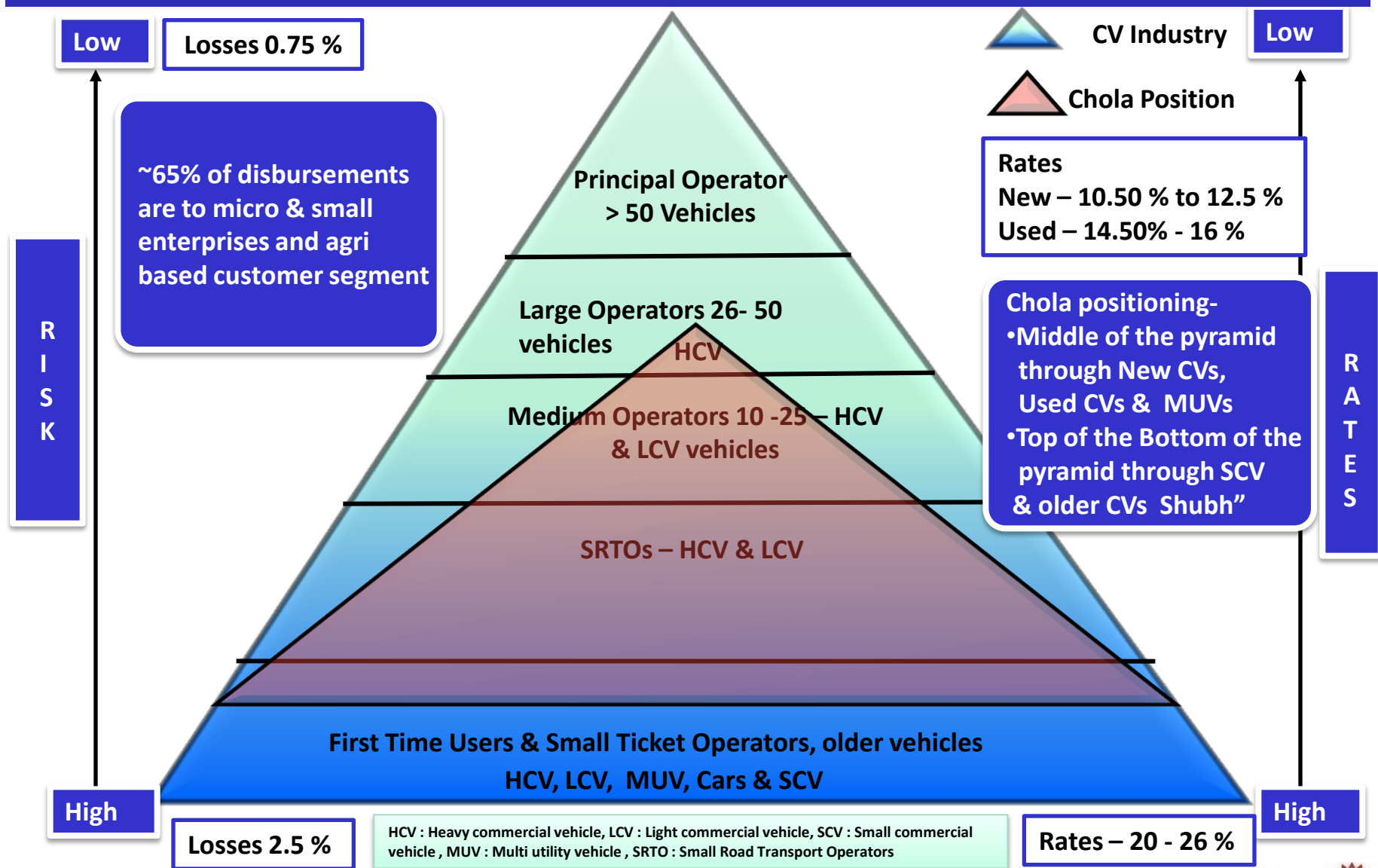
## Share of SCV's (<3.5t) vehicles has been steadily expanding



Chola's target segment being LCV and SCV – Growth Rates are higher

# Vehicle Finance | Overview

## Business Model & Positioning



# Vehicle Finance | Key Differentiators

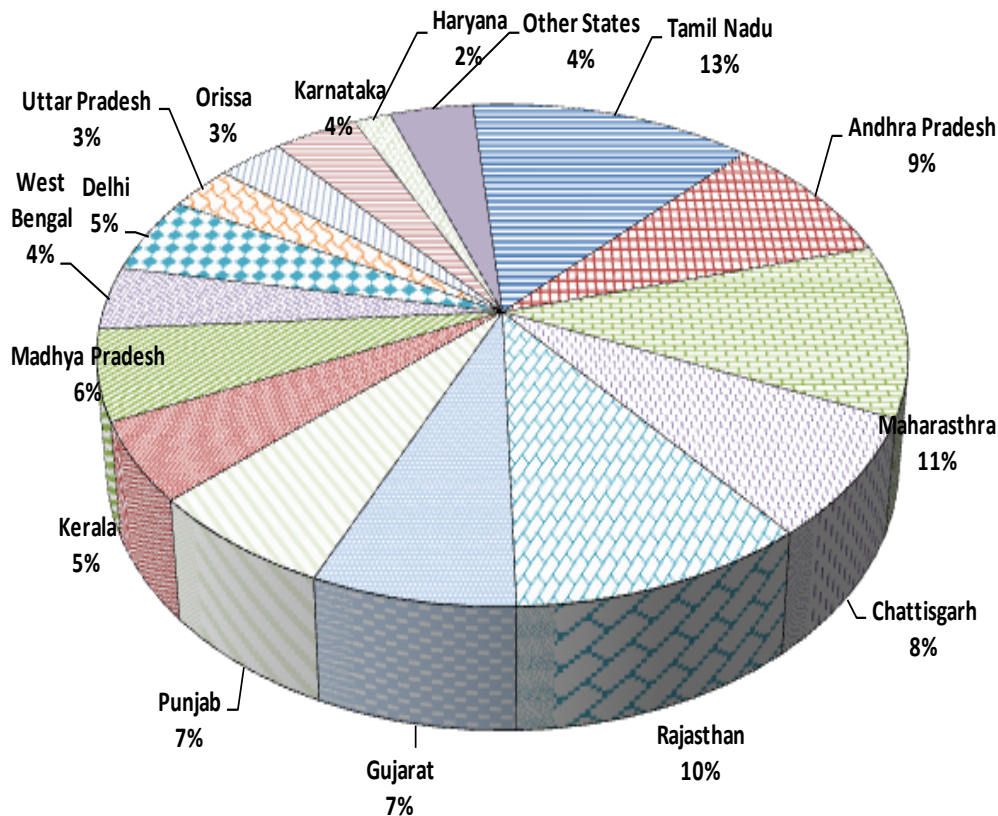
## USP 's for Vehicle Finance

1. Quicker Turn Around Time – (TAT)
2. Reputation as a long term and stable player in the market
3. Strong dealer and manufacturer relationship
4. Good penetration in Tier II and Tier III towns
5. In house sales and collection team which is highly experienced and stable.
6. Low employee turnover
7. Good internal control processes
8. Customised products offered for our target customers
9. Strong collection management

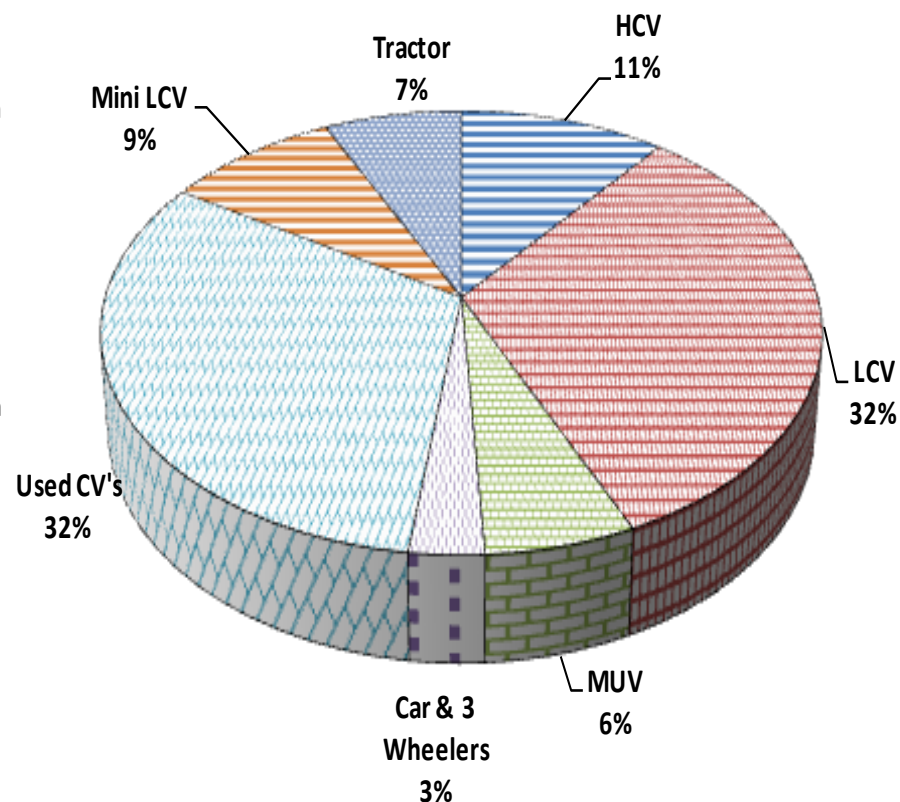


# Vehicle Finance | Disbursement Mix

**Geographical Mix\***



**Product Mix\***



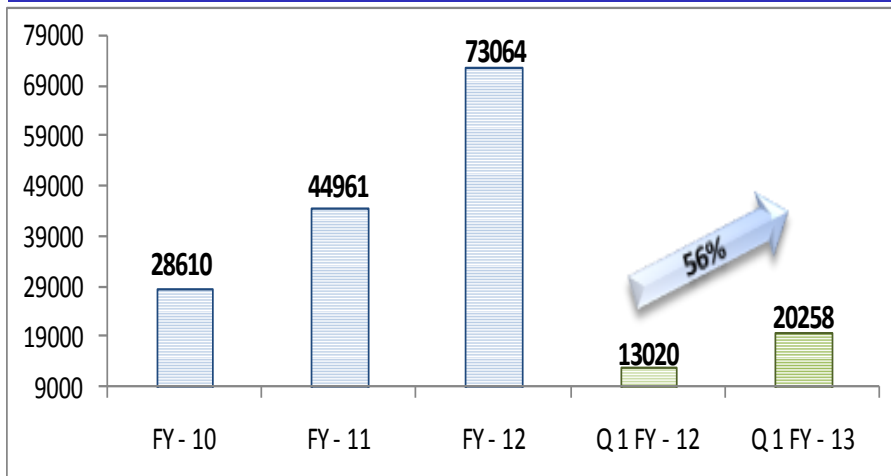
*\*for the Qtr I - 2013*

**During Q 1 - FY-13 , ~30% of Disbursements were from South India and balance were from other zones**

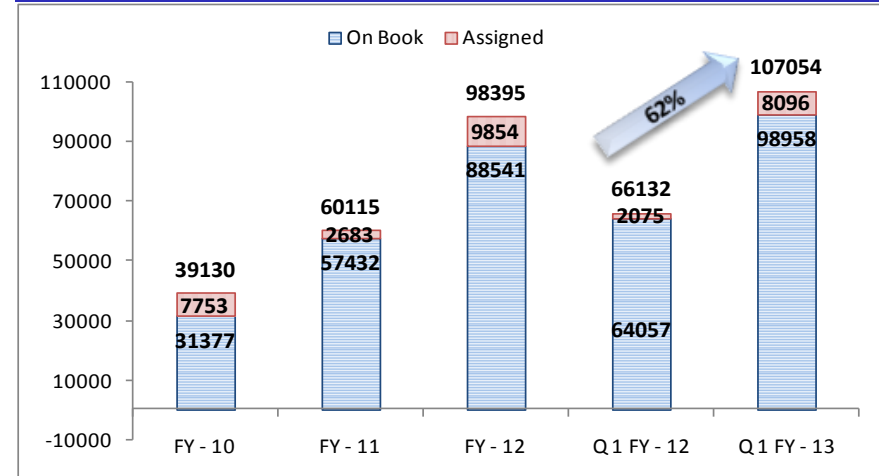
**Well diversified portfolio across geography & product segments**

# Vehicle Finance | Financial Summary

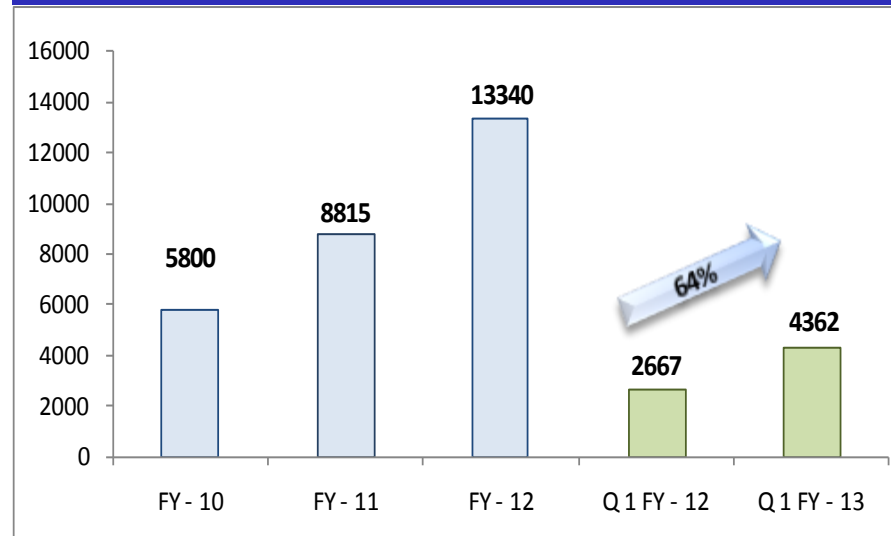
## Disbursements



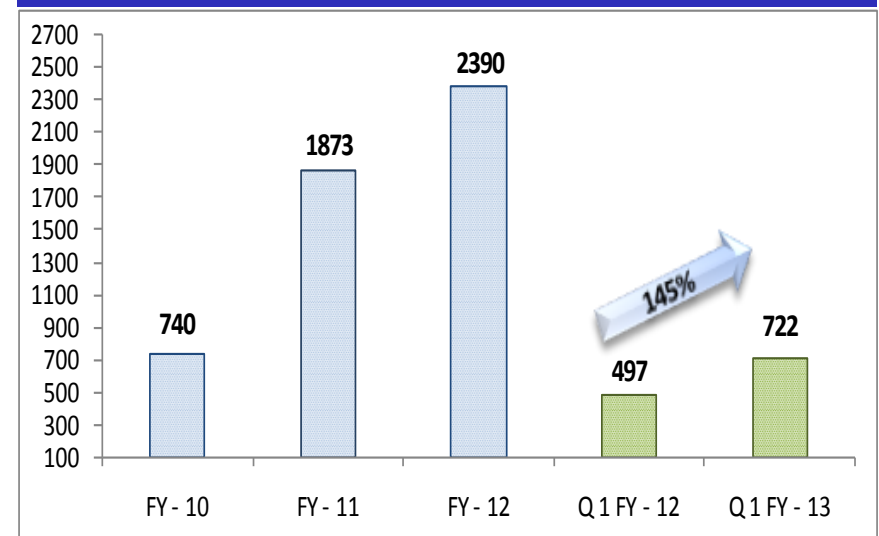
## AUM



## Income



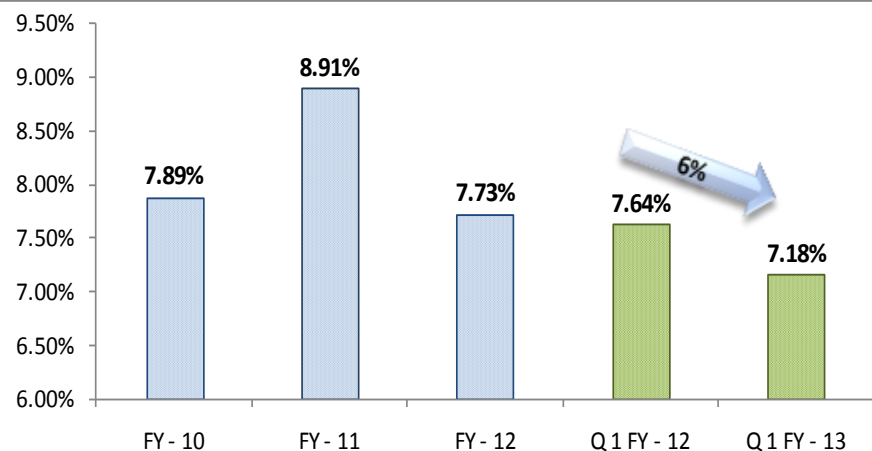
## Profit Before Tax



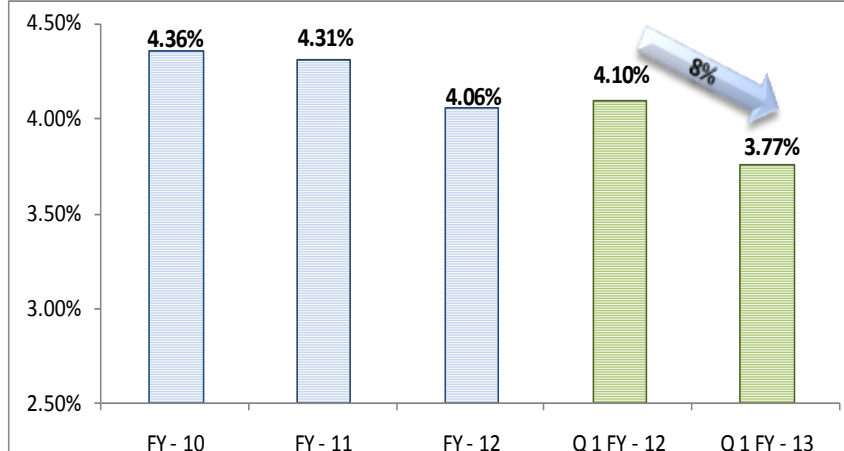


# Vehicle Finance | Financial Summary (Cont'd)

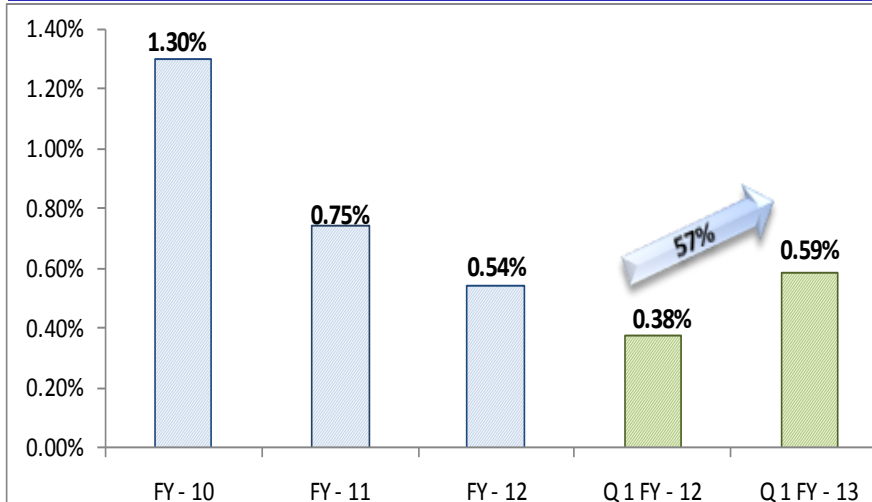
## Net Income Margin



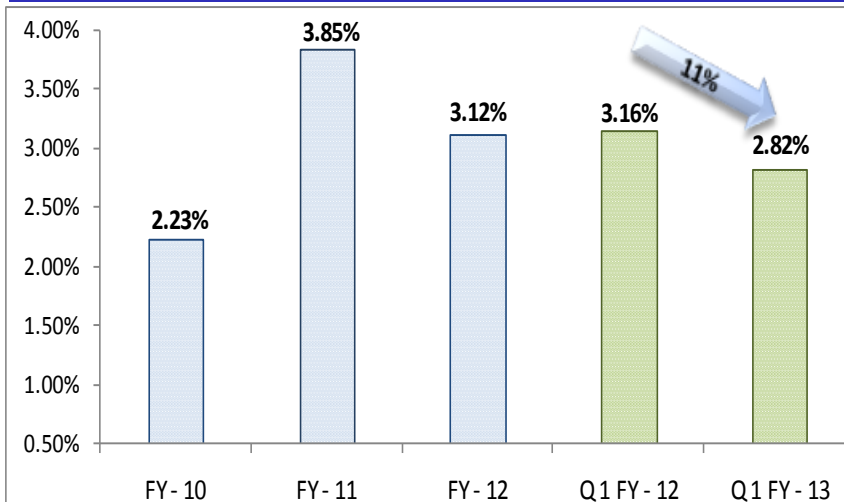
## Exp Ratio



## NCL & Std Asset Prov



## ROTA (PBT)



Ratios are calculated as a % of Average Assets, NIM refers to Operating Income – Financial charges / Average AUM



# Home Equity



# Home Equity | Overview

## Asset Class



**Self Occupied Residential Property**

**Long tenure Loans**

**PAN India 47 locations**

## Customer Profile



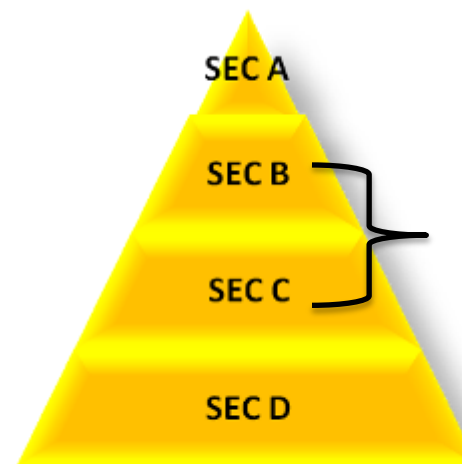
**Self Employed Individuals**

## 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

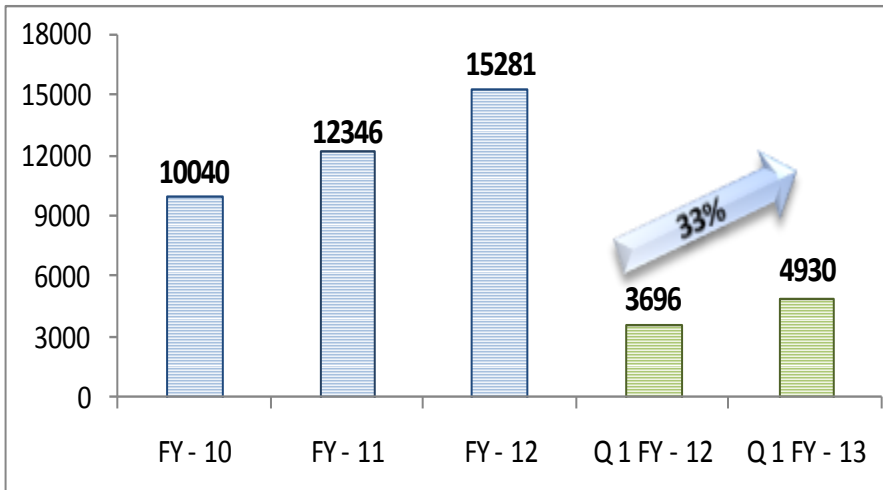
## Structure

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

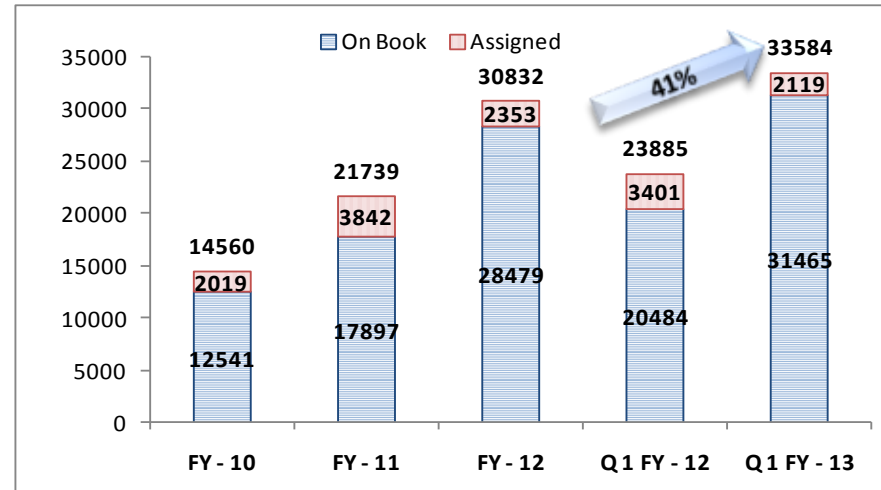
# Home Equity | Financial Summary

Rs. In M

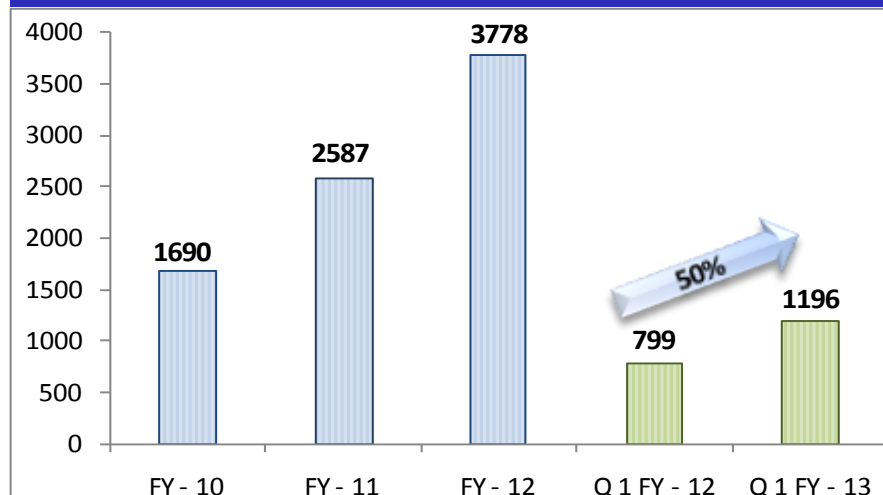
## Disbursements



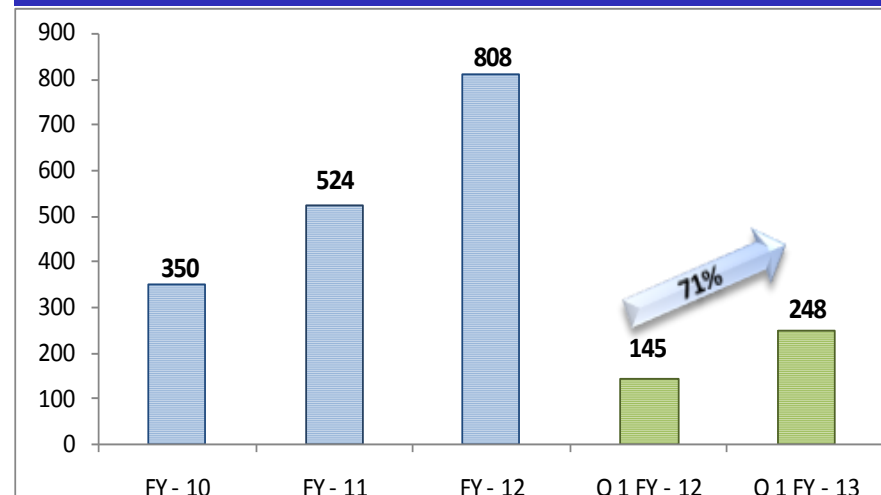
## AUM



## Income

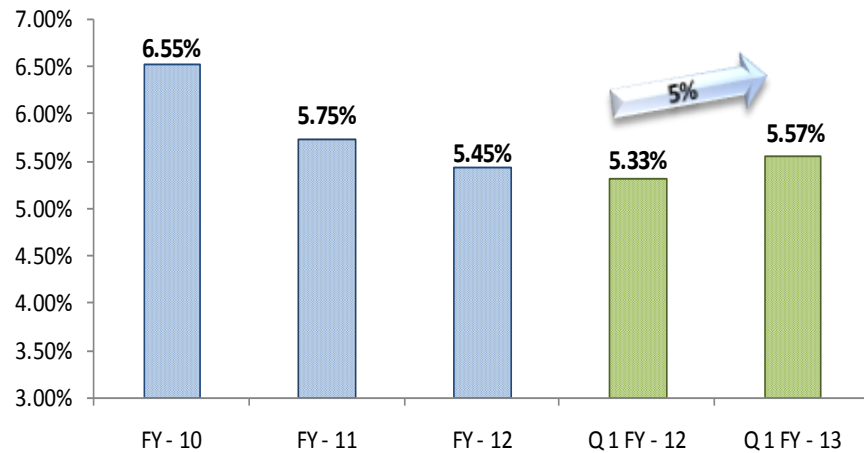


## Profit Before Tax

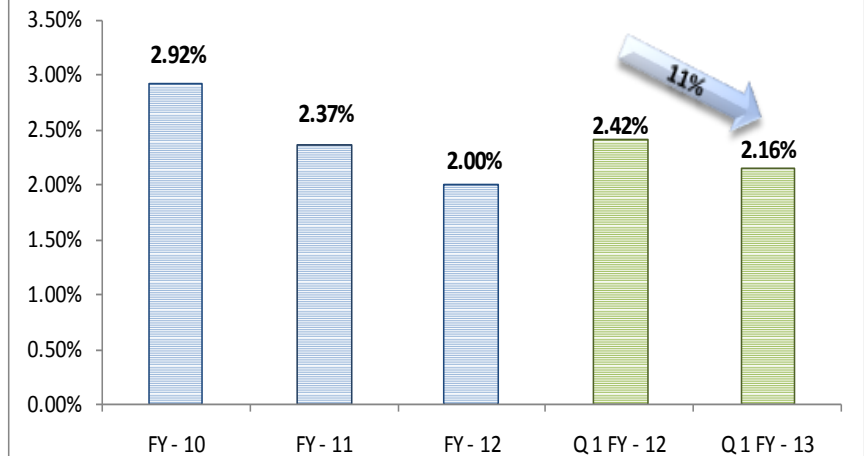


# Home Equity | Financial Summary (Cont'd)

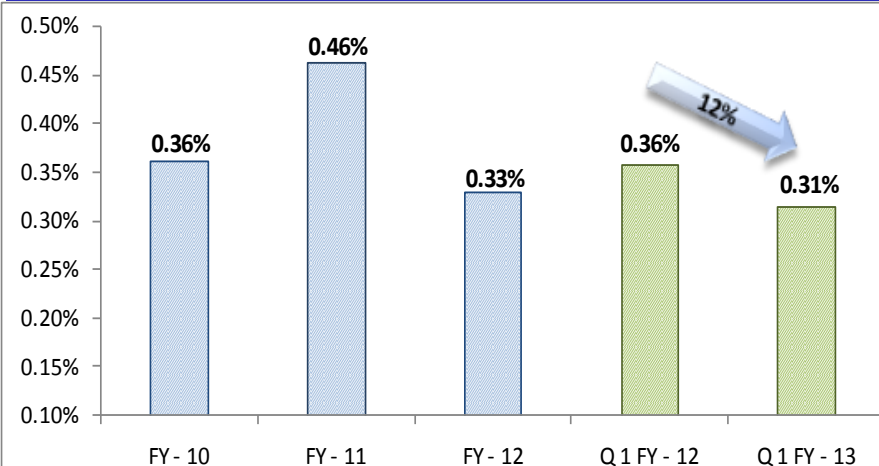
## Net Income Margin



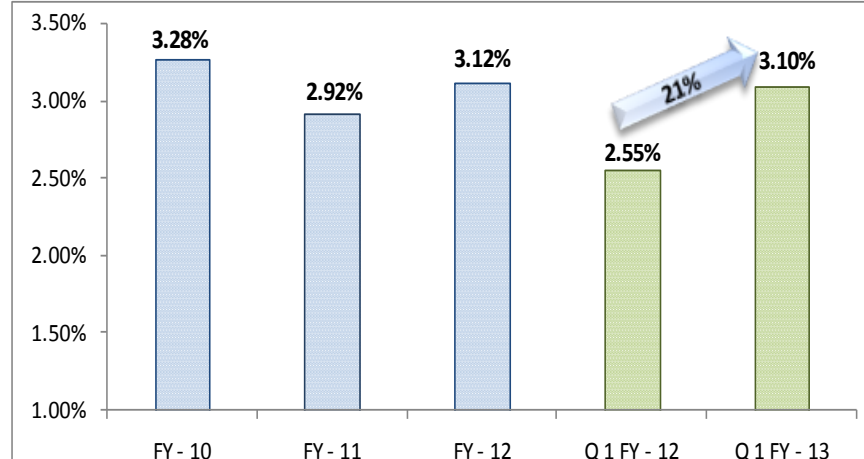
## Exp Ratio



## NCL & Std Assets Prov



## ROTA (PBT)



Ratios are calculated as a % of Average Assets, NIM refers to Operating Income – Financial Charges / Average AUM



# Business Finance





# Business Finance | Overview

## Asset Class

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

## Customer Profile

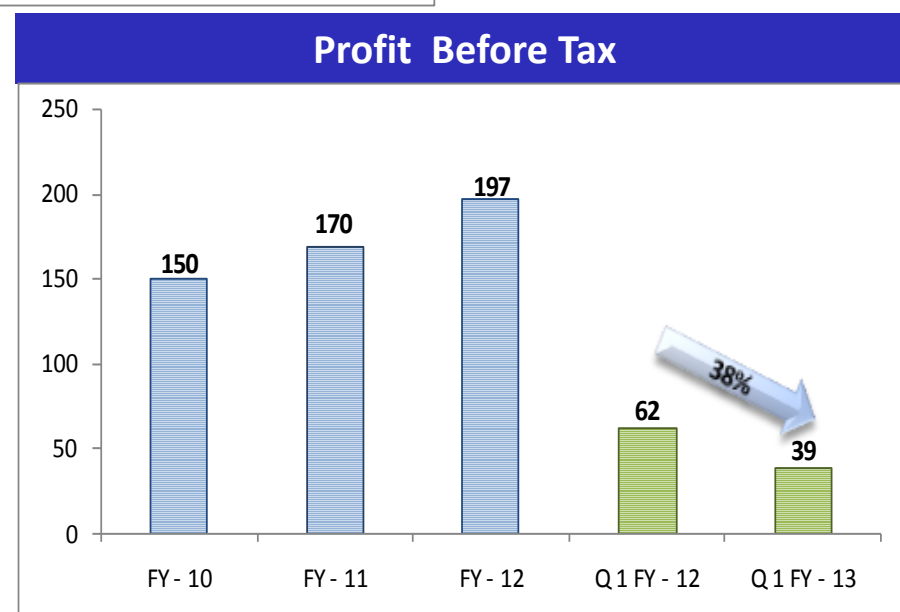
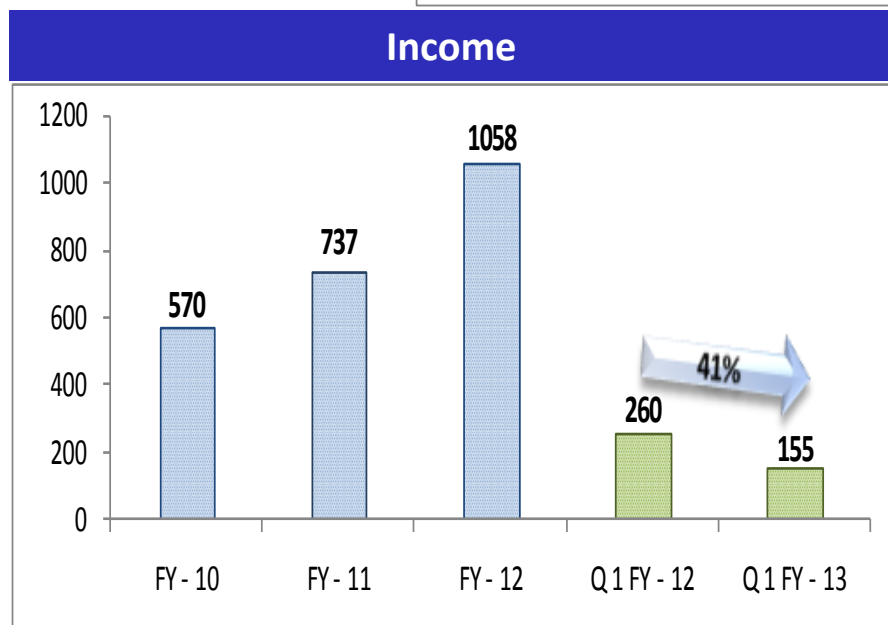
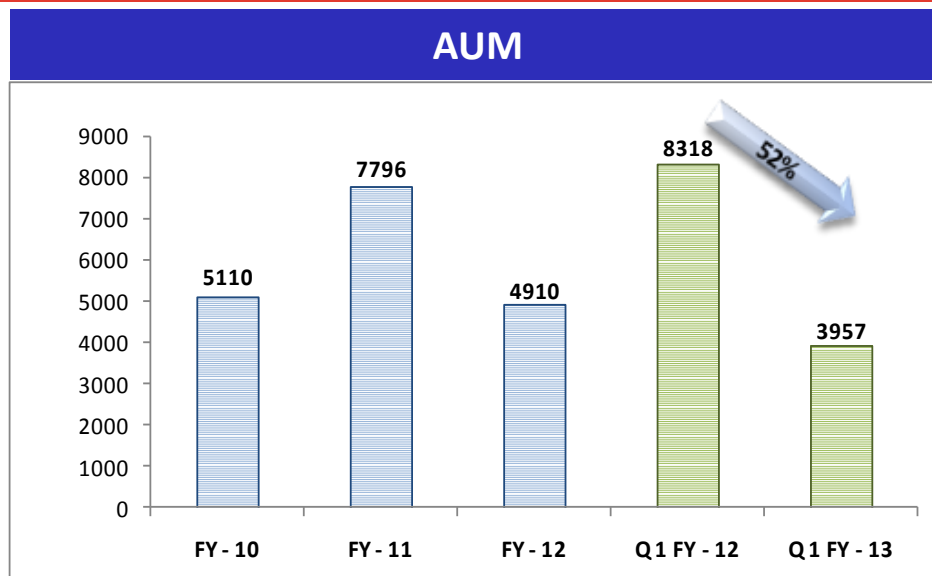
- Promoters of large listed entities, High Net worth Individuals, Retail broking clients

## Divisions

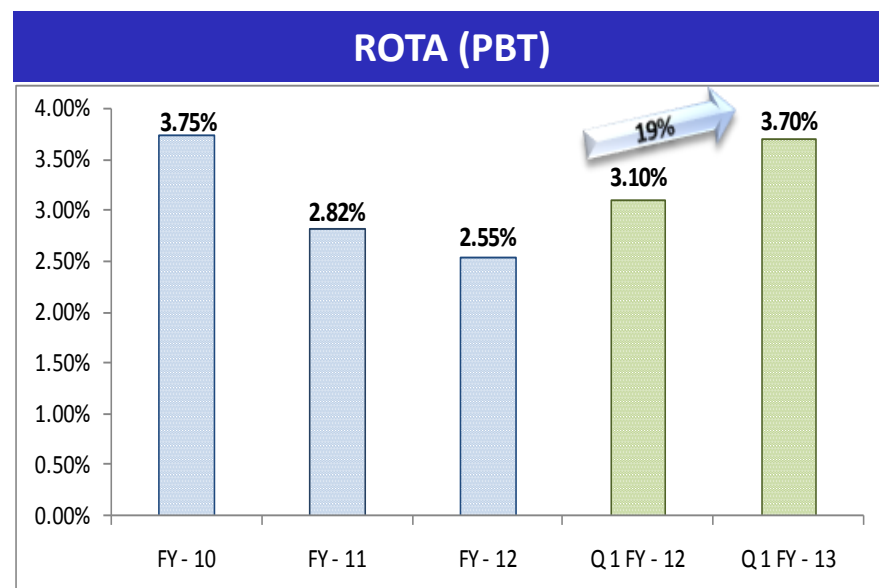
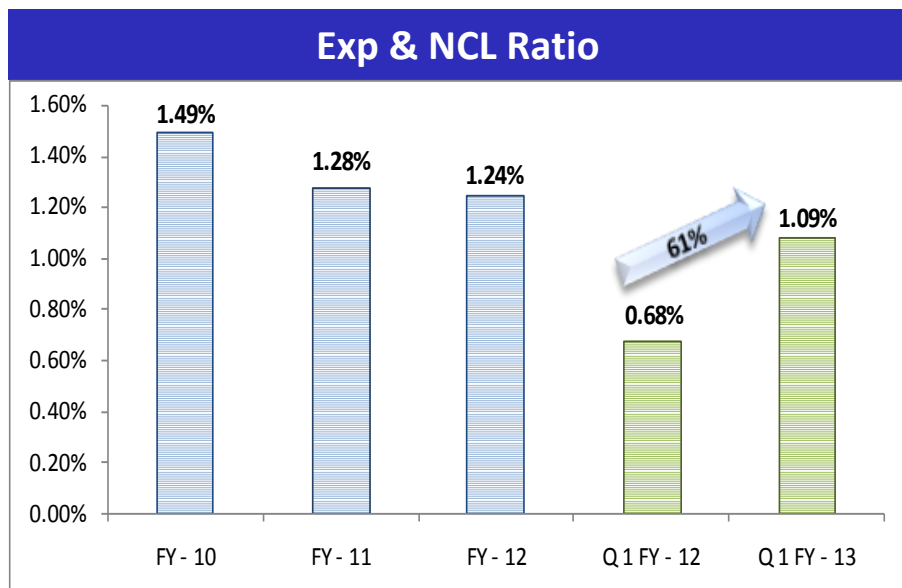
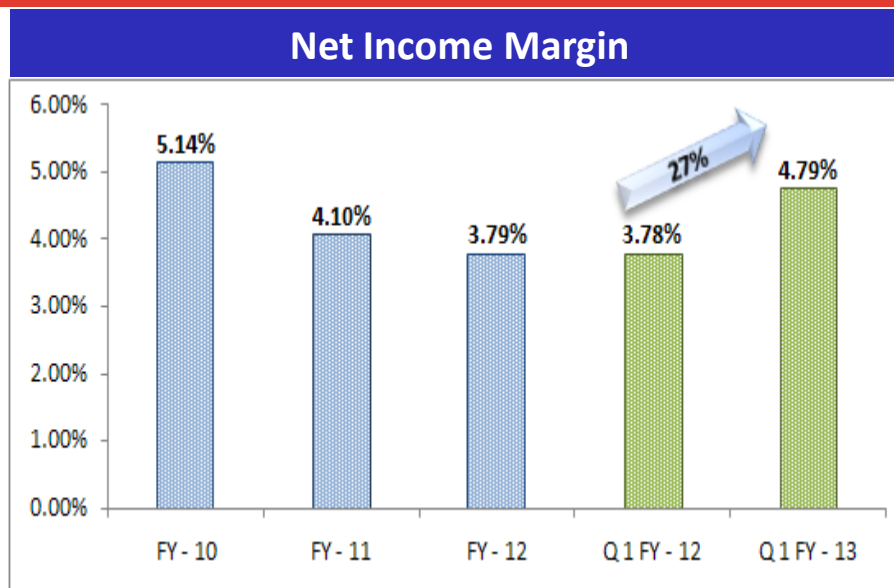
- Wholesale segment:
  - ▶ Product offerings - Finance Against Shares / Loan Against Property /Corporate Finance
  - ▶ Target Segment - Promoters, Corporates , HNIs
- Retail segment:
  - ▶ Product offerings - ESOP Funding and Margin Funding
  - ▶ Target Segment – Retail clients



# Business Finance | Financial Summary



# Business Finance | Financial Summary (Cont'd)

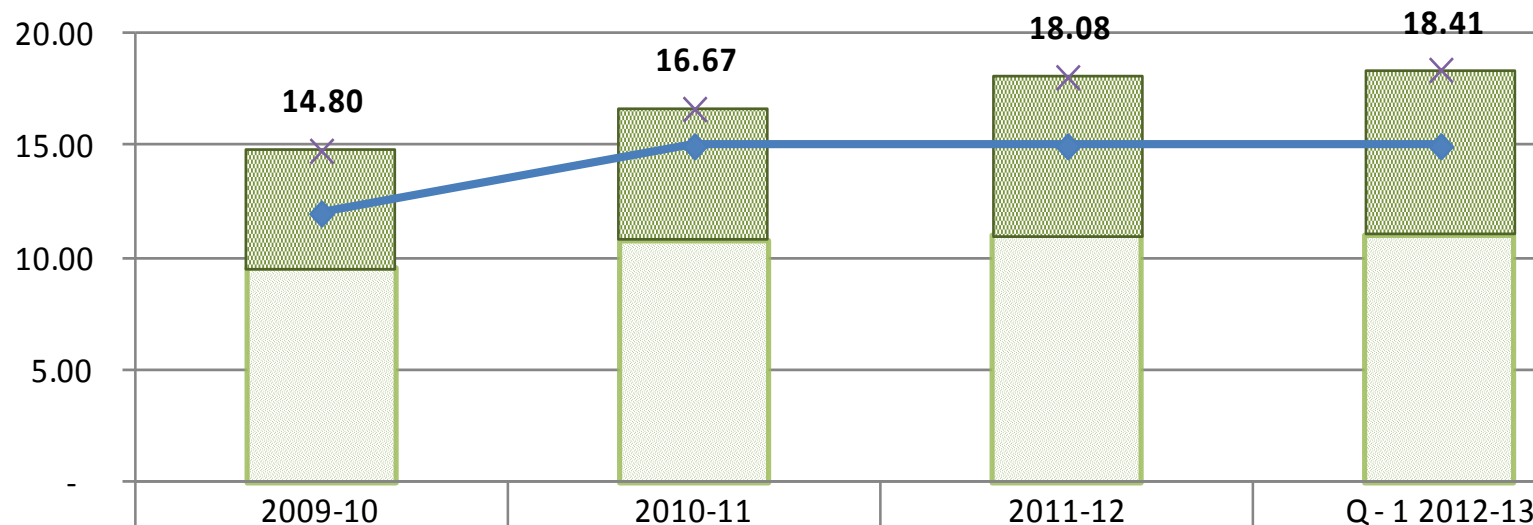






Ratios are calculated as a % of Average Assets. NIM refers to Operating Income – Financial Charges / Average AUM

# Funding Profile



# CAR & Credit Rating



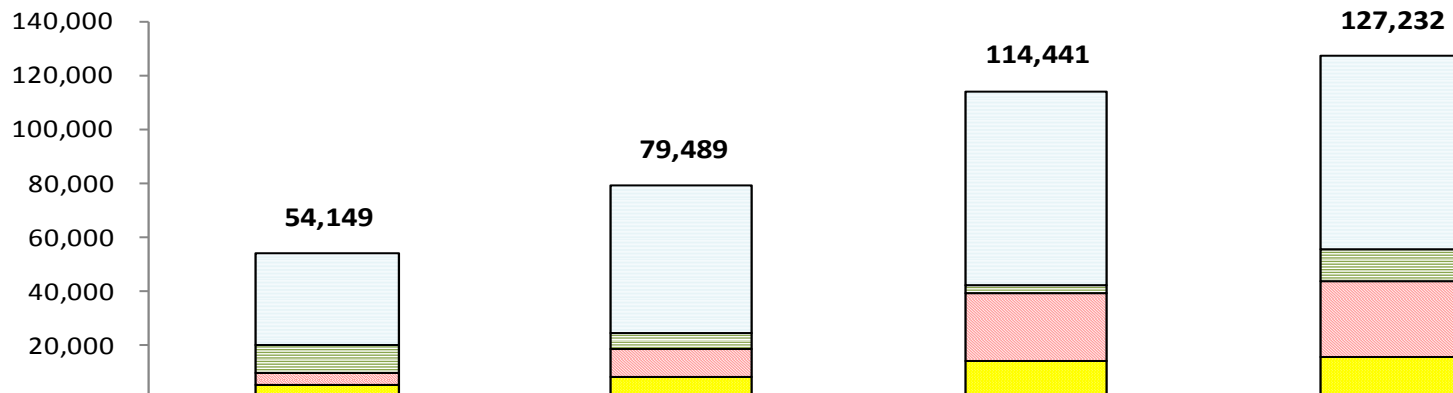
	2009-10	2010-11	2011-12	Q - 1 2012-13
 Tier II	5.26	5.88	7.08	7.34
 Tier I	9.54	10.78	11.00	11.07
 Total	14.80	16.67	18.08	18.41
 Minimum	12.00	15.00	15.00	15.00

## CREDIT RATINGS:

- The Company carries a credit rating of [ICRA ] A1 + and CRISIL A1 + for Short Term Instruments
- For long term instruments – (NCD's) rated with [ICRA] AA / Stable and CARE AA
- For Subordinated debt, the Company is rated with [ICRA] AA / Stable and Fitch AA – (ind)/ Stable
- For Perpetual Debt, the Company is rated with [ICRA] AA - / Stable and CARE A+

# Borrowings

Rs in Mn.



Particulars	Mar 10	Mar 11	Mar 12	Jun12
Bank Loans	63%	69%	63%	57%
Commercial Papers	18%	7%	2%	9%
Debentures	9%	13%	22%	22%
Subordinated Debt &PDI	10%	11%	13%	12%

- 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 2012

Rs in Mn

Time Buckets	As on 30th June 2012			
	Outflows	Inflows	Mismatch	Cum Mismatch
1-14 days	4,574	7,551	2,977	2,977
15-30/31 days	1,274	5,647	4,373	7,350
Over 1 to 2 months	7,439	7,235	(204)	7,146
Over 2 to 3 months	7,961	7,837	(124)	7,022
Over 3 to 6 months	8,986	10,181	1,196	8,218
Over 6 mths to 1 year	27,757	23,437	(4,321)	3,897
Over 1 to 3 years	63,591	55,286	(8,305)	(4,407)
Over 3 to 5 years	530	6,519	5,988	1,581
Over 5 years	26,539	24,958	(1,581)	0
<b>Total</b>	<b>148,651</b>	<b>148,651</b>	<b>-</b>	<b>-</b>

Cumulative Mismatch is significantly lower than the RBI stipulated levels of 15% and positive in all buckets upto 1 year.

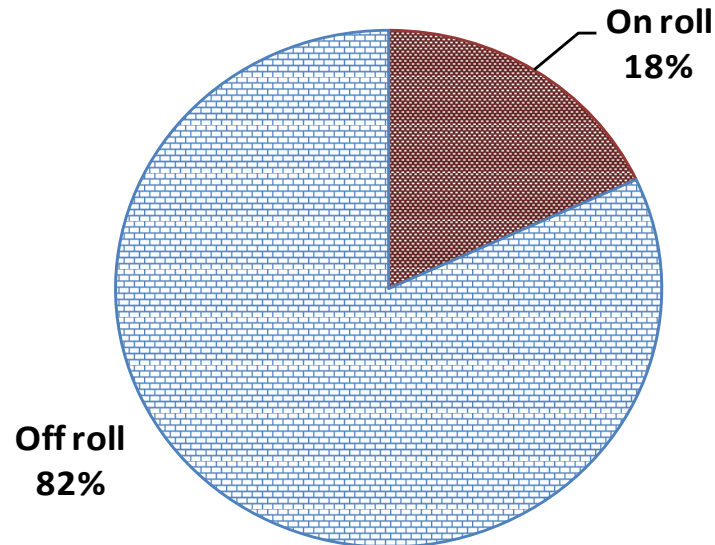


## Business Enablers



## Employee Strength of Chola

as on 30<sup>th</sup> June 2012 - (8437) \*



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

- ➔ On roll employees includes 137 professionals (CA,CS, ICWA, Lawyers and engineers) and 359 MBAs

Access to 8437 + trained manpower directly and indirectly



# Technology

## Overview :

- I. The company deploys a hybrid resource model that optimizes use of vendor platforms and resources and at the same time allows us to retain control over Technology function.
- II. Robust Disaster Recovery setup implemented for all our business critical applications.

## Applications :

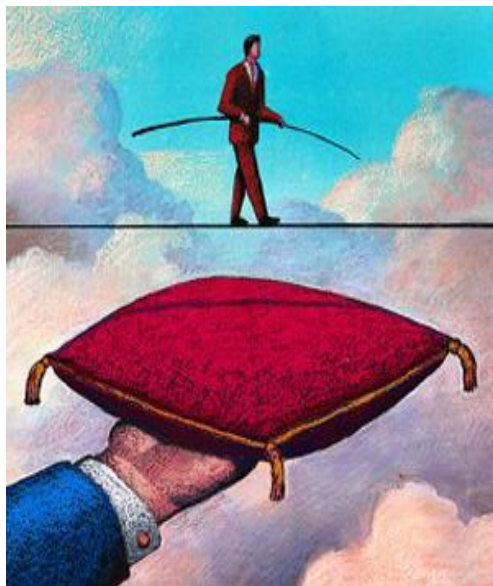
- I. Enterprise-wide business applications used across the company (Finnone, NLADS, My Fin, Oracle Financials – Central GL system interfaced to all the subsystems). Business applications are supported by Ideal Finance and other sub-systems.
- II. Solution for Cross sell business/Lead Management initiatives through TeleSmart.
- III. Solution for Gold Loans implemented through Myfin.
- IV. CRM solution towards better Customer Service and Lead Management capability.

## Technology Optimization Initiatives :

- I. Implementation of mobile application based solutions for improving productivity of Sales and Collections team.
- II. Budget and Planning with MIS reports using Oracle Hyperion.



# Risk Management



## Risk Management Committee (RMC) :

- The Chairman, Vice Chairman and Managing Director along with heads of various businesses and support functions of the Company constitute the RMC.
- RMC oversees the overall risk management frame work of the Company including the approval of ERM policy and implementation of various risk management practices, systems, policies and procedures and reviews the top risks in each business / functions and the changes in risk perceptions on a regular basis.
- RMC Minutes and Risk Management processes are shared with the Board on periodic basis.
- ALCO meets every month to discuss treasury operations related risk exposures within the financial risk management framework of the Company.

## Internal Control Systems :

- DOAs and SOPs for all business and functions are in place.
- Comprehensive risk registers have been prepared for businesses / functions identifying the risks with mitigants, controls and KRI triggers.
- In-house and independent internal audit teams carry out comprehensive audits with a preapproved plan and audit schedule of the Head Office and branches.
- An independent fraud control unit ensures robust mechanism of fraud control, fraud detection and prevention supported by a disciplinary committee which in turn reports on the proceedings to Audit Committee and Board.
- Key operational processes (finance & operations) are centralized at HO for better control.
- Strong IT security system and audit to ensure information security.



## Financial Performance



# Profit & Loss Account

Rs in M

Particulars	2009-10	2010-11	2011-12	Q -1 2011-12	Q -1 2012-13
<b>Disbursements</b>	<b>38,656</b>	<b>57,307</b>	<b>88,886</b>	<b>16,716</b>	<b>25,352</b>
Operating Income	8,632	11,483	17,666	3,814	5,581
Gain on Sec	663	535	-	-	-
Finance Charges	4,949	5,683	9,882	1,970	3,137
<b>Net Income Margin</b>	<b>4,346</b>	<b>6,336</b>	<b>7,784</b>	<b>1,844</b>	<b>2,443</b>
Expenses	2,735	3,340	4,368	877	1,272
Loan Losses & Std Assets Prov	1,269	1,755	181	120	143
Exceptional Items	29	240	335	220	-
<b>Profit Before Tax</b>	<b>313</b>	<b>1,001</b>	<b>2,901</b>	<b>627</b>	<b>1,029</b>
Rates & Taxes	159	379	1,176	248	332
<b>Profit After Tax</b>	<b>154</b>	<b>622</b>	<b>1,725</b>	<b>379</b>	<b>696</b>

## Key Ratios

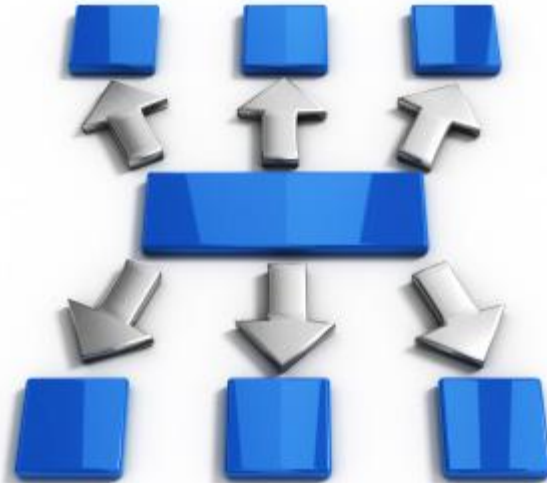
Over all NIM	7.04%	8.76%	7.23%	7.99%	7.36%
NIM (Excluding Gain on sec)	5.96%	8.02%	7.23%	7.99%	7.36%
Optg Exp to Income	31.69%	29.08%	24.73%	22.99%	22.78%
<b>ROTA - PBT</b>	<b>0.51%</b>	<b>1.38%</b>	<b>2.69%</b>	<b>2.72%</b>	<b>3.10%</b>
<b>ROTA - PAT</b>	<b>0.25%</b>	<b>0.86%</b>	<b>1.60%</b>	<b>1.64%</b>	<b>2.10%</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. Exceptional Items for 2010 -11 is on account of impairment provision created on investments made in Chola Mandalam Factoring Limited, Exceptional Items for 2011 -12 is on account of impairment provision created on investments made in Chola Mandalam Factoring Limited, and Chola Mandalam Securities Limited.

# Balance Sheet

Rs in Mn

Particulars	As at 30.06.2011	As at 31.03.2012	As at 30.06.2012
<b>EQUITY AND LIABILITIES</b>	<b>Actuals</b>		
Shareholders' funds	11,099	14,173	14,870
Non-current liabilities	48,923	72,269	72,587
Current liabilities	45,664	47,784	60,761
<b>TOTAL</b>	<b>105,687</b>	<b>134,226</b>	<b>148,218</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets	330	532	544
Non-current investments	742	577	577
Deferred tax asset (net)	1,186	511	373
Receivable under Financing activity	61,497	83,429	91,524
Other non-current assets & loans and advances	3,701	4,096	4,329
	<b>67,457</b>	<b>89,145</b>	<b>97,346</b>
<b>Current assets</b>			
Current investments	40	40	-
Cash and bank balances	1,471	2,584	3,739
Receivable under Financing activity	34,150	39,790	44,179
Other current assets & loans and advances	2,568	2,667	2,952
	<b>38,230</b>	<b>45,081</b>	<b>50,871</b>
<b>TOTAL</b>	<b>105,687</b>	<b>134,226</b>	<b>148,218</b>
De recognised assets	<b>5,611</b>	<b>12,208</b>	<b>10,215</b>
<b>Total Assets Under Management</b>	<b>111,298</b>	<b>146,434</b>	<b>158,433</b>



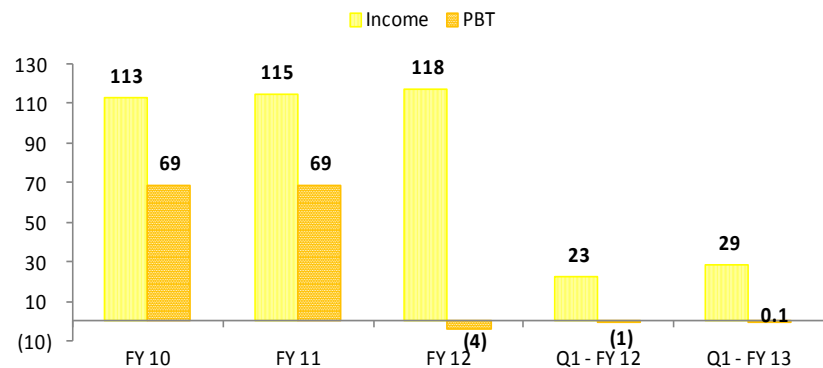
# Wealth Management



# Wealth Management

## Cholamandalam Distribution Services

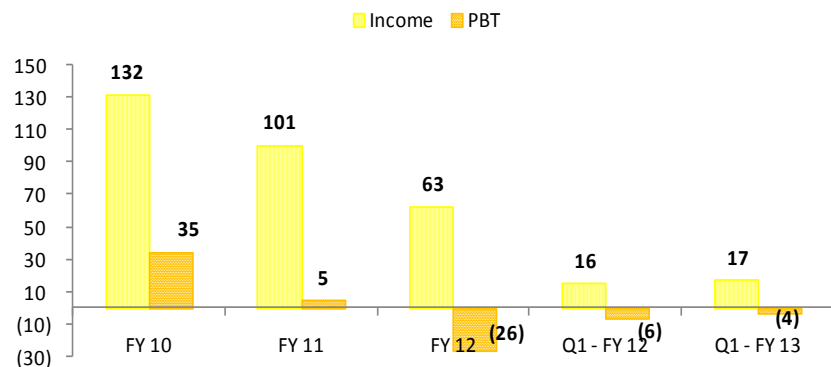
### Income and PBT – Rs. In Mn.



- Financial Planning based Customer Proposition for Mass Affluent & Affluent customer segments.
- Multi Product Delivery – Mutual Funds, Bonds, FD, Corporate Debt, Structured Products, Life & General Insurance and Mortgages.
- Has national presence, with 9 offices across the country.

## Cholamandalam Securities

### Income and PBT – Rs. In Mn.



- Broking services to HNIs and Institutional Investors
- Presence across 11 metro's and mini metro's
- Q I volumes steadily showing improvement over previous quarters despite continuous fall in market volumes

THANK YOU