

Chairman's Message



Dear Shareholders,

FY 18 was a good year for the economies across the world, including India. The world economy grew by 3.8% in 2017, highest since 2011. This growth was supported by marked improvements across Europe, Asia and US markets, as per the April edition of World Economic Outlook (WEO) of International Monetary Fund (IMF). The constraining impact of demonetization and GST rollout got reflected in the modest 6.7% growth in Indian GDP, as per the provisional estimates of Central Statistics Office. A strong 7.7% growth in the last quarter indicates that the impact of these two mega structural reforms has been considerably absorbed. IMF's growth estimates of 7.4% for FY 19 and 7.8% for FY 20 has the same view.

Steady economic growth coupled with widespread digitization and financial literacy augurs well for the financial services sector including insurance. The Insolvency and Bankruptcy Code (Amendment) Act, 2018, recapitalization of PSU banks, securities trading on International Financial Service Centres (IFSC), relaxation in NPA provisioning norms on MSME loans, introduction of IRDA guidelines on Motor Insurance Service Provider (MISP), enhanced input credit on spares & goods under GST, etc. are all aimed at further strengthening the financial services sector.

As a holding company, your company operates as an investment company primarily in the following financial service segments:

- Cholamandalam Investment and Finance Company Limited, a listed NBFC (an associate) and
- Cholamandalam MS General Insurance Company Limited, a general insurance company (a subsidiary);

Besides, it has invested in Cholamandalam MS Risk Services Limited, a Company (joint venture) engaged in risk management and environmental solutions.

Your Company's earnings consist of dividend from investments in these companies and royalty income from brand usage rights.

FY 18 is the first full year of operations of your company. Being focused towards financial services businesses, the Company provides a unique opportunity of equity participation in lending as well as insurance in India.

For FY 18, your Company delivered a net profit of ₹ 59.36 Cr. I am glad to inform you that the Board recommended a final dividend of ₹ 0.65 per equity share, subject to shareholders' approval at the forthcoming AGM, in addition to an interim dividend which was paid at the rate of ₹ 0.60 per share. At the consolidated level, total revenue from operations was ₹ 3344.77 Cr. and the net profit was ₹ 599.02 Cr.

All the three companies have performed well in their respective segments. Another major development during the year is the incorporation of a new Health Insurance entity, namely Cholamandalam Health Insurance Limited (a subsidiary). This Company is in the process of obtaining regulatory approvals from the Insurance Regulatory and Development Authority of India (IRDA).

With improved growth prospects, more Government initiatives likely in FY 19, we are confident that your company will continue building on its core strengths thereby enhancing shareholders value.

On behalf of the Board, I thank all our stakeholders - our customers, employees, business partners and vendors for their trust, support and encouragement towards the Company's development and progress. I would also like to express my gratitude to you - our shareholders, for your unconditional faith and support.

Yours sincerely,

M M Murugappan