



## CHAIRMAN'S MESSAGE



*Dear Shareholders,*

Financial Year 2019-20 (FY 20) has been a challenging year for the domestic economy. India started witnessing economic slow-down in the latter part of FY 19, with three of the four growth engines-private consumption, private investment and exports slowing down significantly, accentuated by liquidity constraints in the financial services sector. This continued into FY 20 and for the first time in several years, India's GDP grew below 6% in all the four quarters of the year and adding to pressures on an already slowing economy, came COVID-19 in March 2020.

Amidst these difficult environment, your Company recorded a consolidated income of ₹13,135 Crore and achieved a profit of ₹1,165 Crore. Earlier your Company had applied to the Reserve Bank of India (RBI) for registration as a Core Investment Company (CIC). It gives me immense pleasure to inform you that Cholamandalam Financial Holdings (CFHL) has now been licensed as a NBFC-CIC-ND-SI (Non-Banking Financial Company – Core Investment Company – Non-Deposit taking – Systematically Important). During the year under review, your Company infused an additional capital of ₹300 Crore to augment capital adequacy requirement of its NBFC segment, Cholamandalam Investment and Finance Company (CIFCL).

I shall now give you a brief insight into the performance of CFHL's major investee companies during the FY 20.

NBFCs and its allied sectors witnessed a tight liquidity situation which, to some extent has been alleviated through measures taken by the RBI by way of announcement of LTRO, moratorium for payment of dues etc. Despite these external factors, CIFCL has displayed commendable tenacity in the face of adversity. CIFCL's profit after tax grew by 17% in FY 20 before considering one time provision for COVID-19 related contingencies. To further strengthen its capital adequacy, the Company raised ₹1,200 Crore capital through a Qualified Institutional Placement for ₹900 Crore and a preferential allotment for ₹300 Crore. The Company also raised funds for the first time through an issue of 'Masala bonds' of ₹400 Crore. CIFCL's liquidity position as at end March 2020 was stable, sufficient enough to meet its near term commitments. On the business front, disbursements in Vehicle Finance division was impacted predominantly due to

significant decline in the automotive sales across all product categories. However, the business to a large extent was able to offset year on year de-growth in traditional segments through higher disbursements in Passenger Vehicles and Two-Wheeler segments. While the affordable Home Loans business continued to increase its disbursements over the previous year, the Home Equity business witnessed a muted growth in line with the industry trends.

General insurance industry reported gross written premium (GWP) of ₹1,604 billion in FY 20, a growth of 9.5% over the previous year. Cholamandalam MS General Insurance (Chola MS) retains its market share of 3.1% after adjustment for crop insurance premium, which the Company did not participate and achieved a GWP of ₹4,824 Crore (under IND-AS) during the year in line with the industry growth trajectory. The Company continued to expand its network with bancassurance partners and OEMs and secured new linkages with leading PSUs during the FY 20. Despite a general slow down in the last quarter of the year, Chola MS continued to make an underwriting surplus in most lines of its businesses except Motor Third Party, Travel and weather insurance. In the context of investment portfolio, Chola MS adopted prudent strategies and deployed funds largely in Government securities and pared down exposures to corporate bonds.

Cholamandalam MS Risk Services, offering risk management solutions, strengthened its Order book during the year by bagging few long term contracts in domestic as well as in overseas. A host of new services such as contractor incubation centre, studies on soil & ground water contamination and remediation plant were introduced during the year. The business also partnered with digital developers to introduce EHS digital products and explore introducing AI integrated studies into the market.

Off late, digital transformation has become part of a successful business strategy rather than just technology. Adapting and adopting to digital is the need of the hour in the present environment. Staying in sync with the current trend, the financial services companies, CIFCL and Chola MS, have implemented various IT and digital initiatives to offer financial solutions in a more accessible way to customers and enhance internal business processes.

Mrs. Shubhalakshmi Panse, Independent Director resigned from the Board in November 2019. The Board is thankful to Mrs. Panse for her contribution as a Board member, a Chairperson of the Audit Committee and a member of the Nomination & Remuneration Committee. On behalf of the Board, I welcome Mrs. Vasudha Sundararaman inducted on the Board as an independent director in February 2020.

While the immediate term may look a little stressed, I am confident that economic activities will pick up from the second half of FY 21 as the nation-wide lockdown is gradually eased. However, a lot will depend on containing the spread of COVID-19 at the earliest. In alignment with the Group's values, CFHL through its investee companies shall continue to deliver quality services with high responsibility to its respected customers with utmost passion and integrity.

I thank all employees of the Company and its subsidiary / associate / JV companies for their sincere efforts and contribution during a rather challenging year. I also take this opportunity to express my gratitude to all the stakeholders, customers, business partners and vendors for their trust, unconditional faith and support reposed on us.

Best Wishes  
M M Murugappan