

Report on Corporate Governance

Corporate governance is about commitment to values and ethical business conduct. It is also about how an organisation is managed viz., its corporate and business structure, its culture, policies and the manner in which it deals with various stakeholders. Timely and accurate disclosure of information regarding the financial position of the company, its performance and ownership forms part of the corporate governance.

CORPORATE GOVERNANCE PHILOSOPHY

The company is committed to the highest standards of corporate governance in all its activities and processes.

The company has always believed in and practices the highest standards of corporate governance. The board recognises that governance expectations are constantly evolving and is committed to keeping standards of transparency and dissemination of information under continuous review to meet both letter and spirit of the law and its own demanding levels of business ethics.

The company believes that sound corporate governance practices are crucial to the smooth and efficient operation of a company and its ability to attract investment, protect the rights of its stakeholders and provide shareholder value. Everything the company does is defined and conditioned by the high standards of governance, which serve its values. The company firmly believes in and follows the below principle:

"The fundamental principle of economic activity is that no man you transact with will lose; then you shall not."

The corporate governance philosophy of the company is driven by the following fundamental principles:

- Adhere to corporate governance standards beyond the letter of law;
- Maintain transparency and high degree of disclosure levels;
- Maintain a clear distinction between the personal interest and the corporate interest;

- Have a transparent corporate structure driven by business needs; and
- Ensure compliance with applicable laws.

BOARD OF DIRECTORS

The corporate governance practices of the company ensure that the board of directors (the board) remains informed, independent and involved in the company and that there are ongoing efforts towards better governance to mitigate "non-business" risks.

The board is fully aware of its fiduciary responsibilities and recognises its responsibilities to shareholders and other stakeholders to uphold the highest standards in all matters concerning the company and has empowered responsible persons to implement its broad policies and guidelines and has set up adequate review processes.

The board is committed to representing the long-term interests of the stakeholders and in providing effective governance over the company's affairs and exercise reasonable business judgment on the affairs of the company.

The company's day to day affairs are managed by the managing director and CEO, assisted by a competent management team, under the overall supervision of the board. The company has in place an appropriate risk management system covering various risks that the company is exposed to, including fraud risks, which are discussed and reviewed by the audit committee and the board every quarter.

The company's commitment to ethical and lawful business conduct is a fundamental shared value of the board, the senior management and all employees of the company. Consistent with its values and beliefs, the company has formulated a Code of Conduct applicable to the board and senior management. Further, the company has also adopted a Code of Conduct to regulate, monitor and report trading by insiders in the securities of the company and a whistle blower policy for reporting any concerns or grievances by directors / employees / customers and vendors in their dealings with the company. In order to ensure that the whistle blower mechanism is effective and as prescribed, direct access to the chairman of the audit committee is provided to the complainant.

Composition

The board has been constituted in a manner as per regulation 17 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations) and the Companies Act, 2013 (the Act). The board has a mix of executive / non-executive and independent directors, including a woman independent director to ensure proper governance and management. The board members have collective experience in diverse fields like banking, audit, finance, compliance and technology. The directors are elected based on their qualification and experience in varied fields. None of the directors are inter-se related.

Familiarisation programme for directors

The company's independent directors are eminent professionals with several decades of experience in banking and financial services industry and management areas and are fully conversant and familiar with the business of the company. The company has an ongoing familiarisation programme for all directors with regard to their roles, duties, rights, responsibilities in the company, nature of the industry in which the company operates, the business model of the company, etc. The programme is embedded in the regular meeting agenda where alongside the review of operations information on the industry, competition and company strategy are presented on a quarterly basis. The details of the familiarisation programme attended by directors are available on the website of the company (web link: <http://www.cholamandalam.com/files/media/Familiarisation-programmeimparted-to-Independent-Directors.pdf>).

At the time of induction of a director on the board of the company, a formal invitation to join the board of the company is sent out

along with a brief introduction about the company. A copy of the company's latest annual report and the schedule of the upcoming board / committee meetings for the calendar year are forwarded to the director. The director is explained in detail the compliances required of him / her under the Act, the Listing Regulations and other relevant regulations and his / her affirmation is taken with respect to the same. By way of an introduction to the company, a directors' handbook comprising a compendium of the role, powers and duties to be performed by a director as well as the internal guidelines is given to every new director. The handbook is updated periodically for regulatory and other policy changes and updated copies of the handbooks are provided to all the directors. Additionally, the company's code of conduct which inter alia explains the values and beliefs of the company, functions, duties and responsibilities as a director of the company, including the duties of independent directors in terms of the Act is given to the director at the time of joining and on an annual basis. Further, there is a detailed quarterly discussion and presentation on review of operations of the company and the regulatory updates impacting the business which helps the director familiarise himself / herself with the company, its business and the regulatory framework in which the company operates.

The details of directors as at 31 March, 2018, including the details of their other board directorship and committee membership reckoned in line with regulation 26 of the Listing Regulations and the Act as well as their shareholdings, are given below:

Name of the directors	Executive / Non-executive / Independent / Promoter	No. of directorship including CIFCL* (Out of which as chairman)	No. of shares held in the company	No. of board committee membership including CIFCL** (Out of which as chairman)
Mr. M.B.N. Rao	Non-executive / Independent director / Chairman	13(3)	500	11(5)
Mr. N. Srinivasan	Executive Vice Chairman & / Managing Director	6(1)	25,000	4
Mr. V. Srinivasa Rangan	Non-executive / Independent director	12	10,000	9(1)
Ms. Bharati Rao	Non-executive / Independent director	10	NIL	8(1)
Mr. Ashok Kumar Barat	Non-executive / Independent director	5	NIL	1
Mr. Arun Alagappan	Executive / Promoter director	7	190,000	1

* for the purpose of directorship / committee membership, all private companies and section 8 companies have been considered.

** only chairmanship / membership of audit committee and stakeholders' relationship committee have been considered.

The independent directors of the company provide an annual certificate of independence in accordance with section 149(7) of the Act, to the company which is taken on record by the board.

All the board members, including independent directors, have opportunity and access to interact with the management.

Separate meeting of independent directors

During the year under review, in line with the requirement under section 149(8) and schedule IV of the Act, the independent directors had a separate meeting on 27 March, 2018 without the presence of the non-independent directors and management team.

Board Meetings

The board meets at regular intervals with an annual calendar and a formal schedule of matters specifically reserved for its attention to ensure that it exercises full control over significant strategic, financial, operational and compliance matters. The board is regularly briefed and updated on the key activities of the business and is provided with briefings and presentations on operations, quarterly financial statements and other matters concerning the company. Besides, information about statutory compliance, minutes of all the subsidiary companies and committees of the board and information as required under the Listing Regulations are also provided to the directors on a quarterly basis. The board at every meeting also reviews the important regulatory changes and correspondence between two meetings.

The dates of the board meetings are fixed in advance for the full calendar year to enable maximum attendance from directors. During the year, the board met 7 times on 28 April, 2017, 14 June, 2017, 27 July, 2017, 31 October, 2017, 20 December, 2017, 30 January, 2018 and 27 March, 2018. The Act, read with the relevant rules made there under, facilitates the participation of a director in board / committee meetings through video conferencing or other audio visual means. Accordingly, the company also provides the option to participate in the meeting through video conferencing to enable the directors' participation at the meetings.

The board periodically reviews the matters required to be placed before it and inter alia reviews and approves the quarterly financial statements, corporate strategies, business plan, annual budgets and capital expenditures. It monitors the overall performance and reviews other matters which require the board's attention.

The board also takes on record the declarations and confirmations made by the managing director, chief financial officer and company secretary, regarding compliances of all laws on a quarterly basis.

COMMITTEES OF THE BOARD

The board has constituted various committees to support the board in discharging its responsibilities.

There are seven committees constituted by the board - audit committee, stakeholders' relationship committee, corporate social responsibility committee, nomination and remuneration committee, risk management committee, IT strategy committee and business committee.

The board at the time of constitution of each committee fixes the terms of reference and also delegates powers from time to time. Various recommendations of the committees are submitted to the board for approval. The minutes of the meetings of all the committees are circulated to the board for its information.

AUDIT COMMITTEE

Terms of Reference

The committee acts as a link between the board, the statutory auditors and the internal auditors. The role of the audit committee includes overseeing the financial reporting process and disclosure of financial information, review of financial statements, adequacy of internal financial controls and risk management systems, findings of internal audits/ investigations, whistle blower policy, monitoring the usage of funds from issue proceeds, to grant approvals for related party transactions which are in the ordinary course of business and on an arm's length basis, scrutiny of inter-corporate loans and investments, besides recommending the appointment/ removal of the statutory auditors, the internal auditors and fixing their remuneration and review of the effectiveness of audit process.

Composition & Meetings

The committee comprises three non-executive directors. All members of this committee are independent directors. As at 31 March, 2018, the committee comprised Mr. V. Srinivasa Rangan, independent director as the chairman, Mr. M.B.N. Rao and Ms. Bharati Rao as its members and Mr. N. Srinivasan, executive vice chairman & managing director (EVC & MD) and Mr. Arun Alagappan, executive director (ED) as invitees. The company secretary acts as the secretary to the committee. During the year, the committee met eight times. All members of audit committee have knowledge of financial management, audit and accounts. The statutory auditors, the internal auditors and senior management are invited to attend all the meetings of the committee. The company has in place a system for an independent meeting of the committee with the statutory and internal auditors without the presence of the non-independent directors and management team on a half-yearly basis.

NOMINATION AND REMUNERATION COMMITTEE

Terms of Reference

The role of the committee is to determine the company's policy on remuneration to executive directors, including periodic increments in salary. The committee is also empowered to determine the annual commission / incentives of the executive directors and the minimum remuneration of the executive directors in the event of inadequacy of profits besides implementing, remuneration including commission payable to non-executive directors, administering and monitoring the employee stock option plan / schemes of the company. The terms of reference inter alia includes the role of the committee to further consider and recommend persons who are qualified for board positions, evaluate directors performance prior to recommendation for re-appointments, persons who are qualified to be in senior management, formulate the criteria for determining qualifications, positive attributes and independence of a director and devising a policy on board diversity. Decisions for selecting a director is based on the merit, qualification, competency and the company's business needs. Such candidates shall be free of conflict of interest that would interfere

with their ability to discharge their duties. The recommendations of the committee are placed before the board for its approval.

Composition & Meetings

As at 31 March, 2018, the committee comprised Mr. V. Srinivasa Rangan, independent director as the chairman, Ms. Bharati Rao and Mr. Ashok Kumar Barat as its members. All members of this committee are independent directors. The committee had five meetings during the year ended 31 March, 2018.

REMUNERATION OF DIRECTORS

Remuneration Policy

The success of any organisation in achieving good performance and governance depends on its ability to attract quality individuals on the board.

The company has in place a remuneration policy which is guided by the principles and objectives as enumerated in section 178 of the Act.

Currently, Mr. N. Srinivasan EVC & MD and Mr. Arun Alagappan ED are the only executive directors on the board. The compensation to the EVC & MD and ED is within the scale approved by the shareholders. The elements of compensation comprise a fixed component and a performance incentive. The compensation is determined based on the level of responsibility and scales prevailing in the industry. EVC & MD and ED are not paid sitting fees for any board / committee meetings attended by them.

The compensation to the non-executive directors takes the form of commission on profits. Though the shareholders have approved payment of commission up to one per cent of the net profits of the company for each year calculated as per the provisions of section 198 of the Act, the actual commission paid to the directors is restricted to a fixed sum within the above limit annually on the basis of their tenor in office during the financial year. The sum is reviewed periodically taking into consideration various factors such as performance of the company, time devoted by the directors in attending to the affairs and business of the company and the extent of responsibilities cast on the directors under various laws and other relevant factors. Depending on the time and efforts put in by the directors towards the affairs of the company, the directors are also paid a differential remuneration.

Remuneration of managing director/executive director:

Details of the remuneration of the EVC & MD and executive director for the year ended 31 March, 2018 are as follows:

					₹ in lakhs
Name of the Director	Salary	Allowance	Incentive*	Perquisites & Contributions	Total
1. Mr. Vellayan Subbiah (upto 18-Aug-2017)	43.80	55.17	46.67	25.56	171.20
2. Mr. N. Srinivasan (from 19-Aug-2017)	170.65	68.26	14.22	85.32	338.45

The non-executive directors are also paid sitting fees subject to the statutory ceiling for all board and committee meetings attended by them.

Criteria for Board Nomination

The nomination and remuneration committee is responsible for identifying persons for initial nomination as directors and evaluating incumbent directors for their continued service. The committee has formulated a charter in terms of the provisions of the Act, regulation 19(4) of the Listing Regulations and RBI Regulations applicable for non-banking finance companies, which inter alia, deals with the personal traits, competencies, experience, background and other fit and proper criteria. These attributes shall be considered for nominating candidates for board positions / re-appointment of directors.

Criteria for appointment in senior management

The nomination and remuneration committee is responsible for identifying persons who are qualified to be appointed in senior management. The committee has formulated the charter in terms of the provisions of the Act and the Listing Regulations, which inter alia, deals with the criteria for identifying persons who are qualified to be appointed in senior management. These attributes shall be considered for nominating candidates for senior management position.

Performance Evaluation

In terms of the provisions of the Act and the Listing Regulations, the board carries out an annual performance evaluation of its own performance, the directors individually including the EVC & MD and ED carries out a self as well as a peer evaluation and the individual committees carries out an evaluation of the working of the committees. The performance evaluation of the independent directors is carried out by the entire board. The performance of the chairman and the non-independent directors are carried out by the independent directors. Chairman anchors the sessions on self, peer, committee and board effectiveness evaluations. Chairman of the nomination and remuneration committee anchors the session on chairman evaluation.

Policy on Board diversity

The nomination and remuneration committee has devised a policy on board diversity which sets out the approach to diversity on the board of the company. The policy provides for having a truly diverse board comprising of appropriately qualified people with a broad range of experience relevant to the business of the company.

Remuneration of managing director/executive director: (Contd.)

₹ in lakhs

Name of the Director	Salary	Allowance	Incentive*	Perquisites & Contributions	Total
Mr. Arun Alagappan (from 19-Aug-2017)	49.83	75.62	49.67	22.18	197.30

* Provisional and subject to determination by the nomination and remuneration committee and the same will be paid after adoption of accounts by the shareholders at the annual general meeting.

Mr. N. Srinivasan and Mr. Arun Alagappan are not eligible for any severance fee. Service contract and the notice period are as per the terms of agreement entered into by them with the company.

Remuneration of Non-executive directors

Directors of the company were paid a sitting fee of ₹ 25,000/- for every meeting of board, audit committee and business committee and ₹ 15,000/- for every meeting of stakeholders' relationship committee, nomination and remuneration committee, risk

management committee and corporate social responsibility committee during FY 18. The details of commission provided / sitting fees paid to non-executive directors for the year ended 31 March, 2018 are as follows:

₹ in lakhs

Name of the directors	Commission	Sitting Fees paid	Total
Mr. M.B.N. Rao	15.00	4.65	19.65
Mr. N. Srinivasan*	2.88	1.40	4.28
Mr. V. Srinivasa Rangan	7.50	4.45	11.95
Ms. Bharati Rao	7.50	4.10	11.60
Mr. Ashok Kumar Barat	3.12	1.15	4.27
Mr. Nalin Mansukhlal Shah	2.42	1.50	3.92
Mr. M. M. Murugappan	4.40	2.15	6.55
TOTAL	42.82	19.40	62.22

Notes:

Commission is provided based on the tenure the directors have served on the board and will be paid subject to deduction of tax as applicable, after the adoption of accounts by the shareholders at the annual general meeting.

* - Pertains to the period from 1 April, 2017 - 18 August, 2017, when he served as a non executive director.

STAKEHOLDERS' RELATIONSHIP COMMITTEE**Terms of Reference**

The role of the committee includes formulation of shareholders' servicing plans and policies, consideration of valid share transfer requests with folios beyond 5000 shares, share transmissions, issue of duplicate share certificates, issue of share certificates for split, rematerialisation, consolidation of shares, etc. The committee also monitors and reviews the mechanism of share transfers, dematerialisation of shares and payment of dividends. It further looks into the redressing of shareholders' grievances like non-receipt of balance sheet, non-receipt of declared dividends and determining, monitoring and reviewing the standards for resolution of shareholders' grievances.

During the year, the company had received two complaints from the shareholders and one complaint which was pending as at 31 March, 2018 had since been resolved.

Composition & Meetings

As at 31 March, 2018, the committee comprised Ms. Bharati Rao as the chairperson and Mr. N. Srinivasan and Mr. Arun Alagappan as its members. Ms. P. Sujatha, company secretary is the compliance officer. During the year, the committee held two meetings.

RISK MANAGEMENT COMMITTEE**Terms of Reference**

The role of the committee includes review of the risk management policy developed by the management, review of the annual risk management framework document and implementation of

the actions planned in and periodical review of the process for systematic identification and assessment of the business risks. Besides, the committee periodically monitors the critical risk exposures by specialised analysis and quality reviews and reports to the board the details of any significant developments, identify and make recommendations to the board, to the extent necessary on resources and staffing required for effective risk management and the action taken to manage the exposures and carry out any other function as may be necessary to ensure that an effective risk management system is in place.

Composition & Meetings

As at 31 March, 2018, the committee comprised Mr. V. Srinivasa Rangan as the chairman, Mr. M.B.N. Rao, Mr. N. Srinivasan, Mr. Arun Alagappan as its members and the various business and functional heads of the company as invitees. The committee held three meetings during the year ended 31 March, 2018.

IT STRATEGY COMMITTEE**Terms of Reference**

The role of committee includes approving IT strategy and policy documents and ensuring that the management has put an effective strategic planning process in place and ascertaining implementation processes and practices that ensure that the IT delivers value to the business. Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable and monitoring the method that management uses to determine the IT resources needed to achieve strategic goals and provide high-level direction for sourcing and use of IT resources, ensuring

proper balance of IT investments for sustaining Company's growth and becoming aware about exposure towards IT risks and controls.

Composition & Meetings

As at 31 March, 2018, the committee comprised Mr. Ashok Kumar Barat, Mr. N. Srinivasan and Mr. Arun Alagappan as its members. The Committee was constituted by the Board at its meeting held on 27 March, 2018 and hence no meetings were held during the year.

BUSINESS COMMITTEE

Terms of Reference

The role of the committee includes review of the business of the company, including approval and review of business proposals beyond certain financial limits, review and recommend new product note to the board for approval, approve borrowings within the limits prescribed by the board, approve assignment of receivables and oversee the asset liability management system of the company.

Composition & Meetings

As at 31 March, 2018, the business committee comprised Mr. M.B.N. Rao as the chairman and Mr. N. Srinivasan, and

Mr. Arun Alagappan as its members. The senior management is invited to attend the meetings of the committee. The committee held three meetings during the year.

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Terms of Reference

The role of the committee includes formulation and recommendation of a corporate social responsibility (CSR) policy for the company, recommend the amount of expenditure to be incurred on the CSR activities, monitor the CSR policy of the company from time to time and institute a transparent monitoring mechanism for implementing the CSR activities and carry out any other function or activity as may be required to ensure that the CSR objectives are met.

Composition & Meetings

As at 31 March, 2018, the committee comprised Ms. Bharati Rao as the chairperson, Mr. N. Srinivasan and Mr. Arun Alagappan as its members. The committee held three meetings during the year ended 31 March, 2018.

ATTENDANCE AT BOARD, COMMITTEE AND GENERAL MEETINGS

Name of the directors	Board	Audit committee	Stakeholders relationship committee	Nomination & remuneration committee	Business committee	Risk management committee	Corporate social responsibility committee	Attendance at last AGM
Mr. M.B.N. Rao	7	8	NA	NA	3	1	NA	Yes
Mr. N. Srinivasan*	7	2	2	NA	3	3	2	Yes
Mr. V. Srinivasa Rangan	6	7	NA	5	NA	3	NA	Yes
Ms. Bharati Rao	5	6	1	5	NA	NA	3	Yes
Mr. Ashok Kumar Barat\$	4	NA	NA	1	NA	NA	NA	NA
Mr. Arun Alagappan^	4	NA	1	NA	2	2	1	NA
Mr. Nalin Mansukhlal Shah@	3	3	NA	NA	NA	NA	NA	Yes
Mr. M. M. Murugappan#	4	NA	NA	4	1	NA	2	Yes
Mr. Vellayan Subbiah~	3	NA	1	NA	1	NA	1	Yes

* - Appointed as EVC & MD effective 19 August, 2017

\$ - Appointed as an additional director effective 31 October, 2017

^ - Appointed as ED effective 19 August, 2017

@ - Retired at the close of 39th annual general meeting held on 27 July, 2017

- Resigned as director at the close of business hours of 31 October, 2017

~ - The term of office of Mr. Vellayan Subbiah as managing director expired at the close of business hours of 18 August, 2017

GENERAL BODY MEETINGS

Particulars of venue, date and time of the previous three annual general meetings are given below:

Year	Date and Time	Venue
2015	31 July, 2015 at 4.00 p.m.	The Music Academy, New No.168 (Old No.306), T.T.K Road, Royapettah, Chennai - 600 014
2016	29 July, 2016 at 4.00 p.m.	-do-
2017	27 July, 2017 at 4.00 p.m.	-do-

DETAILS OF SPECIAL RESOLUTIONS PASSED

Particulars of special resolutions passed in the previous three annual general meetings are given below:

Date of AGM	Details
31 July, 2015	Issue of securities on private placement basis under section 42 of the Act
29 July, 2016	-do-
27 July, 2017	-do-

POSTAL BALLOT

No Postal Ballot was conducted during the FY 18.

Proposed resolutions through postal ballot:

As of now, there is no proposal for passing any resolution through postal ballot.

COMPLIANCE REPORT

A detailed compliance report is placed before the board every quarter and highlights of the report is circulated to the board along with the agenda every quarter. The company secretary submits a compliance certificate to the board on a quarterly basis. The board reviews the compliance of all applicable laws every quarter and gives appropriate directions, wherever necessary.

SECRETARIAL AUDIT

The company annually conducts a secretarial audit by an independent practicing company secretary. For the year ended 31 March, 2018, M/s. R. Sridharan & Associates, company secretaries, have conducted the secretarial audit and the certificate was placed before the board and attached to this report.

RECONCILIATION OF SHARE CAPITAL AUDIT

As required by the Securities and Exchange Board of India (SEBI), quarterly audit of the company's share capital is being carried out by an independent external auditor with a view to reconcile the total share capital admitted with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and held in physical form, with the issued and listed capital. The certificate issued by an independent practicing company secretary is submitted to the stock exchanges and is also placed before the board of directors.

CODE OF CONDUCT

The board has laid down a "Code of Conduct" for all the board members and the senior management of the company and the Code of Conduct has been posted on the website of the company. Annual declaration confirming compliance of the code is obtained from every person covered by the code of conduct. A declaration to this effect signed by Mr. N. Srinivasan, EVC & MD is attached to this report.

PREVENTION OF INSIDER TRADING CODE

The board has adopted a code to regulate, monitor and report trading by insiders in securities of the company. The code inter alia

requires pre-clearance for dealing in the securities of the company and prohibits the purchase or sale of securities of the company while in possession of unpublished price sensitive information in relation to the company and during the period when the trading window is closed. The board has further approved the code for practices and procedures for fair disclosure of unpublished price sensitive information. The code has also been hosted on the website of the company.

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

The auditors' certificate on compliance of corporate governance norms is annexed to the report.

CEO/CFO CERTIFICATION

Managing director and chief financial officer have given a certificate to the board with regard to financial statements, compliance and internal control systems as contemplated under regulation 17(8) of the Listing Regulations.

Subsidiary companies

A policy on material subsidiaries has been formulated and the same is posted on the company's website (weblink: <http://www.cholamandalam.com/company-policies.aspx>). The financial statements of subsidiary companies are tabled at the audit committee and board meetings every quarter. The company does not have any material subsidiary whose net worth exceeds 20% of the consolidated net worth of the holding company during the previous financial year or has generated 20% of the consolidated income of the holding company during the previous financial year.

DISCLOSURES

Related party transactions

All related party transactions that were entered into during the financial year were in the ordinary course of business and were on an arm's length basis. There were no material transactions with related parties i.e., transactions of the company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives, etc., that may have potential conflict with the interest of company at large.

Suitable disclosures as required in compliance with accounting standards with related parties are disclosed in note 31 of the financial statements in the annual report.

The board has put in place a policy on related party transactions and the same has been uploaded on the company's website (weblink: <http://www.cholamandalam.com/company-policies.aspx>).

Penalties

There were no penalties, strictures imposed on the company by stock exchange(s) or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

COMMODITY PRICE RISK OR FOREIGN EXCHANGE RISK AND HEDGING ACTIVITIES

The company is in financial services business and has no exposure to commodity price risk and commodity hedging activities. In respect of certain computer related purchases involving payment in foreign currency wherein the payment is made basis the rate prevailing on date of payment and as per the terms mentioned in contract. To this extent, if the currency movement is adverse, the payment would be impacted by such currency exposure.

Whistle blower mechanism

The company has established a whistle blower mechanism to provide an avenue to raise concerns. The mechanism provides for adequate safeguards against victimisation of directors / employees / customers who avail of the mechanism and also for appointment of an ombudsperson who will deal with the complaints received. The policy also lays down the process to be followed for dealing with complaints and in exceptional cases, also provides for direct access to the chairperson of the audit committee. During the year, no personnel have been denied access to the audit committee.

COMPLIANCE WITH CORPORATE GOVERNANCE NORMS

The company has complied with all mandatory requirements of corporate governance norms as enumerated in chapter IV of the Listing Regulations. The requirements of regulation 17 of regulation 27 of the Listing Regulations and clauses (b) to (i) of the sub-regulation (2) of regulation 46 to the extent applicable to the company have been complied with as disclosed in this report.

The company has also adopted the following discretionary requirements specified in Part E of Schedule II in terms of regulation 27(1) of the Listing Regulations:

- i. Modified opinion(s) in Audit Report: Company's financial statements have unmodified audit opinions.
- ii. Separate posts of chairman and CEO: The positions of the chairman and EVC & MD are separate.
- iii. Reporting of internal auditor: The internal auditors of the company directly report to the audit committee.

MEANS OF COMMUNICATION

The audited financial results, quarterly results and other major announcements like notices of board meetings, book closures were published in Business Line and Dinamani and are also available on the company's website www.cholamandalam.com. Press releases are given in the leading newspapers and also posted on the company's website. The investors' presentations and call transcripts are also posted on the company's website. The company has posted a shareholder's satisfaction survey on its website to ascertain the level of the shareholders satisfaction. Further, the shareholding pattern and presentations made to analysts and investors from time to time are also displayed on the website of the company.

MANAGEMENT DISCUSSION & ANALYSIS

A management discussion & analysis forms part of the annual report.

GENERAL SHAREHOLDER INFORMATION

A separate section on the above has been included in the annual report.

On behalf of the board

Place : Chennai
Date : April 23, 2018

M.B.N. Rao
Chairman

Declaration on Code of Conduct

This is to confirm that the board has laid down a Code of Conduct for all board members and senior management of the Company. The Code of Conduct has also been posted on the website of the Company. It is further confirmed that all directors and senior management personnel of the Company have affirmed compliance with the Code of Conduct of the Company for the year ended 31 March, 2018, as envisaged in Schedule V under regulation 34 (3) of the Listing Regulations.

Place : Chennai
Date : April 23, 2018

N. Srinivasan
Executive Vice Chairman & Managing Director

Independent Auditor's Report on compliance with the conditions of Corporate Governance as per provisions of Chapter IV of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

The Members of Cholamandalam Investment and Finance Company Limited No. 2, N.S.C Bose Road, Parrys, Chennai - 600 001

1. The accompanying Corporate Governance Report prepared by Cholamandalam Investment and Finance Company Limited (hereinafter the "Company"), contains details as required by the provisions of Chapter IV of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("the Listing Regulations") with respect to Corporate Governance for the year ended March 31, 2018. This report is required by the Company for annual submission to the Stock exchange and to be sent to the Shareholders of the Company.

Management's Responsibility

2. The preparation of the Corporate Governance Report is the responsibility of the Management of the Company including the preparation and maintenance of all relevant supporting records and documents. This responsibility also includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the Corporate Governance Report.
3. The Management along with the Board of Directors are also responsible for ensuring that the Company complies with the conditions of Corporate Governance as stipulated in the Listing Regulations, issued by the Securities and Exchange Board of India.

Auditor's Responsibility

4. Pursuant to the requirements of the Listing Regulations, our responsibility is to express a reasonable assurance in the form of an opinion whether the Company has complied with the specific requirements of the Listing Regulations referred to in paragraph 3 above.
5. We conducted our examination of the Corporate Governance Report in accordance with the Guidance Note on Reports or Certificates for Special Purposes and the Guidance Note on Certification of Corporate Governance, both issued by the Institute of Chartered Accountants of India ("ICAI"). The Guidance Note on Reports or Certificates for Special Purposes requires that we comply with the ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of India.
6. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.
7. The procedures selected depend on the auditor's judgement, including the assessment of the risks associated in compliance of the Corporate Governance Report with the applicable criteria. Summary of key procedures performed include:
 - i. Reading and understanding of the information prepared by the Company and included in its Corporate Governance Report;
 - ii. Obtained and verified that the composition of the Board of Directors w.r.t executive and non-executive directors has been met throughout the reporting period;
 - iii. Obtained and read the Directors Register as on March 31, 2018 and verified that atleast one women director was on the Board during the year;
 - iv. Obtained and read the minutes of the following committee meetings held April 1, 2017 to March 31, 2018:
 - (a) Board of Directors meeting;
 - (b) Audit committee;
 - (c) Nomination and remuneration committee;
 - (d) Stakeholders Relationship Committee;
 - (e) Risk management committee; and
 - (f) Annual General meeting;
 - v. Obtained necessary representations and declarations from directors of the Company including the independent directors ; and

vi. Performed necessary inquiries with the management and also obtained necessary specific representations from management.

The above-mentioned procedures include examining evidence supporting the particulars in the Corporate Governance Report on a test basis. Further, our scope of work under this report did not involve us performing audit tests for the purposes of expressing an opinion on the fairness or accuracy of any of the financial information or the financial statements of the Company taken as a whole.

Opinion

8. Based on the procedures performed by us as referred in paragraph 7 above, and according to the information and explanations given to us, we are of the opinion that the Company has complied with the conditions of Corporate Governance as stipulated in the Listing Regulations, as applicable for the year ended March 31, 2018, referred to in paragraph 2 above.

Other matters and Restriction on Use

9. This report is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.
10. This report is addressed to and provided to the members of the Company solely for the purpose of enabling it to comply with its obligations under the Listing Regulations with reference to compliance with the relevant regulations of Corporate Governance and should not be used by any other person or for any other purpose. Accordingly, we do not accept or assume any liability or any duty of care or for any other purpose or to any other party to whom it is shown or into whose hands it may come without our prior consent in writing. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

For **S.R. BATLIBOI & ASSOCIATES LLP**

Chartered Accountants

ICAI Firm Registration Number: **101049W/E300004**

per Subramanian Suresh

Partner

Membership Number: 083673

Place : Chennai

Date : April 23, 2018

General Shareholders Information

REGISTERED OFFICE

"Dare House", No.2, N.S.C. Bose Road, Parrys, Chennai - 600 001.

CORPORATE IDENTITY NUMBER (CIN) L65993TN1978PLC007576

ANNUAL GENERAL MEETING

Date	Time	Venue
26 July, 2018	4 p.m.	The Music Academy, New No.168 (Old No.306), T.T.K. Road, Royapettah, Chennai - 600 014

FINANCIAL YEAR

1 April to 31 March.

DATES OF BOOK CLOSURE

Friday, the 20 July, 2018 to Thursday, the 26 July, 2018 (both days inclusive).

DIVIDEND PAYMENT DATE

The Board at its meeting held on 30 January, 2018 had approved payment of an interim dividend on the equity shares for the financial year ending 31 March, 2018 at the rate of 45% (₹ 4.50 per equity share of ₹ 10/- each) and fixed a record date of 12 February, 2018. The dividend was paid to all the shareholders by 22 February, 2018.

The Board at its meeting held on 23 April, 2018 has further recommended payment of a final dividend of 20% (₹ 2 per equity share of ₹ 10/- each), for the year ended 31 March, 2018. The same will be paid within 7 days upon declaration by the shareholders at the ensuing annual general meeting

LISTING ON STOCK EXCHANGES

Equity Shares:

BSE Limited Floor 25, Phiroze Jeejeebhoy Towers Dalal Street, Fort Mumbai - 400 001. Stock Code: 511243	National Stock Exchange of India Limited Exchange Plaza, Plot No.C-1, G Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051 Stock Code: CHOLAFIN EQ
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Debt Securities:

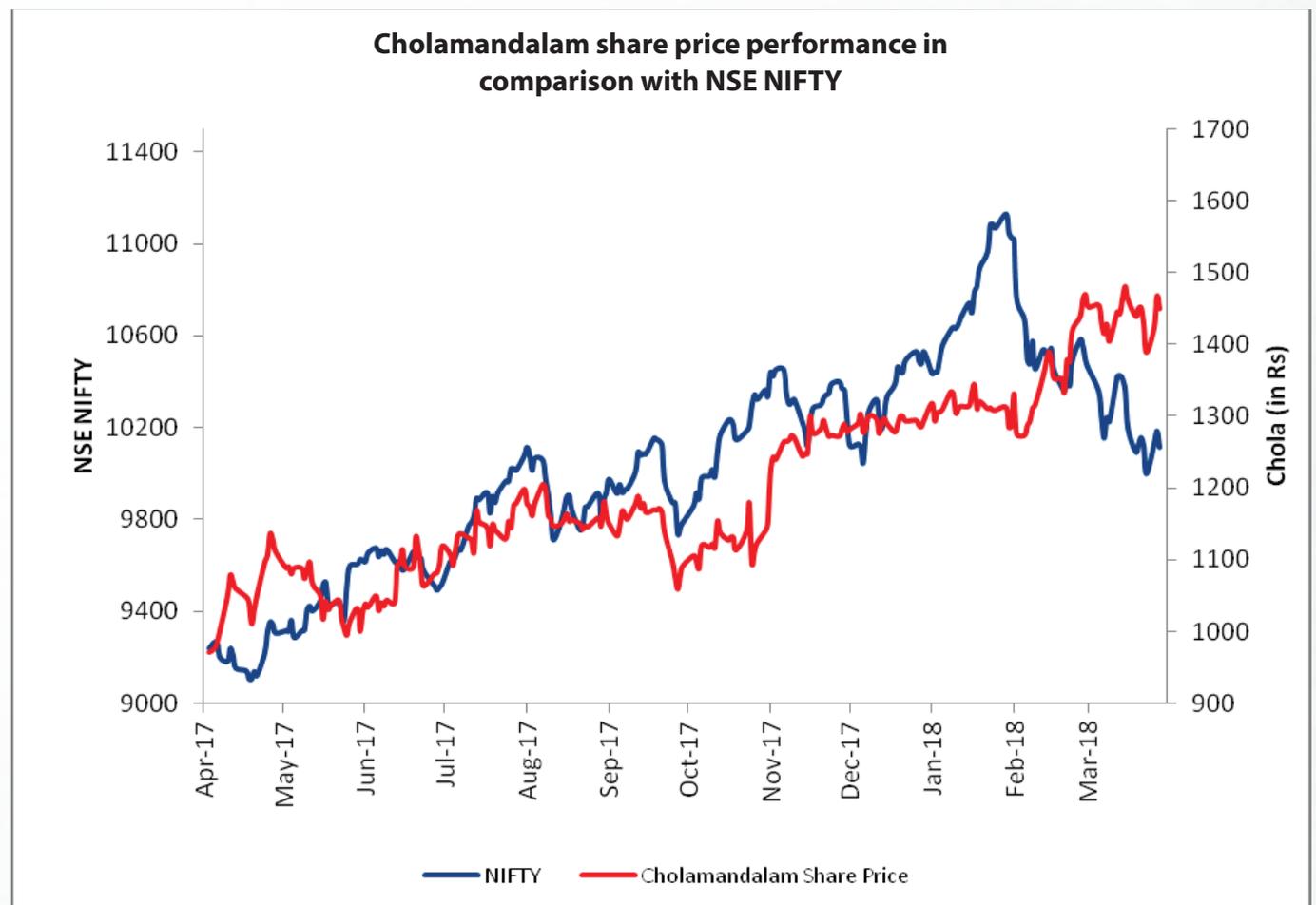
The Wholesale Debt Market (WDM) Segment of NSE and F - Class Segment of BSE Limited.

The listing fees for both equity shares and debt securities for FY 18 were paid to the above stock exchanges.

SHARE PRICE DATA

in ₹

Month	BSE			NSE		
	High	Low	Vol.	High	Low	Vol.
April, 2017	1,136.05	970.90	11,00,664	1,137.70	973.10	59,42,894
May, 2017	1,096.00	994.60	13,33,127	1,094.40	992.40	59,67,608
June, 2017	1,131.65	1,028.95	5,05,766	1,131.60	1,029.40	53,56,184
July, 2017	1,198.15	1,091.75	3,88,428	1,198.20	1,092.20	62,83,749
August, 2017	1,205.05	1,142.10	1,74,101	1,206.20	1,141.95	33,62,182
September, 2017	1,188.40	1,058.85	2,83,888	1,188.80	1,064.25	44,96,558
October, 2017	1,178.75	1,087.40	13,37,566	1,177.10	1,092.65	57,13,340
November, 2017	1,299.75	1,221.95	16,10,922	1,299.45	1,224.90	68,56,186
December, 2017	1,302.75	1,275.70	3,29,496	1,305.55	1,275.45	44,95,525
January, 2018	1,343.65	1,284.25	4,91,549	1,344.90	1,286.05	47,15,704
February, 2018	1,469.35	1,273.00	4,36,531	1,469.95	1,273.60	63,37,544
March, 2018	1,480.35	1,388.55	11,16,566	1,479.20	1,389.00	49,62,041



REGISTRAR AND SHARE TRANSFER AGENT

Karvy Computershare Pvt. Ltd., Hyderabad is the Registrar and Share Transfer Agent (RTA) for handling the physical and electronic registry work. The shareholders are requested to address their share related requests / queries to the RTA.

The contact details of the RTA are as follows:**M/s. Karvy Computershare Private Limited**

(Unit: Cholamandalam Investment and Finance Company Limited)

Karvy Selenium Tower B, Plot 31-32, Gachibowli, Financial District
Nanakramguda, Hyderabad - 500 032, A.P.

Phone: 040-67161514; Fax: 040-23420814

E-mail: einward.ris@karvy.com;

Website: www.karvycomputershare.com

Contact person: Mrs. Varalakshmi P - Asst. General Manager-RIS

TRUSTEES FOR THE DEBENTURE HOLDERS

The company has appointed IDBI Trusteeship Services Limited and Catalyst Trusteeship Limited (Formerly GDA Trusteeship Limited) as debenture trustees registered with SEBI, as the trustees on behalf of the debenture holders.

The contact details of the Trustees are as follows:**1. IDBI Trusteeship Services Limited**

Asian Building, Ground Floor,

17, R. Kamani Marg, Ballard Estate, Mumbai – 400 001

Phone : 022-40807035

Website : www.idbitrustee.co.in

Contact person : Ms. Anjalee Athalye, Asst. Vice President
(Operations)

2. Catalyst Trusteeship Limited

(Formerly GDA Trusteeship Limited)

GDA House, Plot No. 85, Bhusari Colony (Right),

Paud Road, Pune - 411 038

Phone : 020-2528 0081

Website : www.catalysttrustee.com

E-mail : dt@ctltrustee.com

Contact person : Ms. Madhura Gokhale - Senior Manager

Share Transfer System

For speedy processing of share transfers, the board has delegated powers to approve share transfers to the managing director up to certain limits and beyond that to the stakeholders' relationship committee. Depending on the number of requests received, share transfers are processed every week.

Dematerialisation of shares and liquidity

The company has signed agreements with both depositories in the country, namely, National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). The company's shares are in the list of compulsory demat settlement. As of 31 March, 2018, 99.77% of the company's shares were held in dematerialised form. The company's shares are regularly traded on National Stock Exchange of India Limited and BSE Limited, in electronic form under the ISIN. INE121A01016.

However, there are still 3,397 shareholders holding 0.23% of the company's shares in physical form. Those shareholders whose shares are held in physical mode may consider moving to dematerialised mode as it is a safer and easier way to hold and to transact in shares.

Nomination facility

The company is accepting nomination forms from shareholders in the prescribed form. All those who are desirous of making a nomination are requested to contact the RTA. The shareholders holding shares in dematerialised form are requested to forward their nomination instructions to the concerned depository participants. Nomination is optional and can be cancelled or varied by a shareholder at any time.

Payment of dividend through NACH

The company uses National Automated Clearing House (NACH) facility for payment of dividends directly to the bank accounts of shareholders. The shareholders may use the facility by providing the bank account number to the depository participant / RTA, as may be relevant, to enable the Company to effect the dividend payment through the ECS / NACH mode.

Green initiative in corporate governance

The Companies Act, 2013 and the underlying rules permit companies to send various documents including the financial statements through electronic mode to the shareholders. To support the green initiative and to receive all documents, notices, including annual reports and other communications of the company, shareholders are requested to register their e-mail ID with the depository participant, if the holding is in electronic mode. If shares are held in physical mode, the shareholders may give a positive consent in writing to RTA for receiving by electronic mode.

Details of complaints received and redressed

During the year, two investor service complaints relating to non-receipt of dividend and new share certificate were received. One investor service complaint was pending as at 31 March, 2018 and the same has since been resolved.

Contact details of the designated official for assisting and handling investor grievances

In terms of regulation 46(2)(k) of the Listing Regulations, the contact details of the designated official for assisting and handling investor grievances are as below:

Ms. P. Sujatha, Company Secretary

"Dare House", No.2, N.S.C. Bose Road, Parrys, Chennai-600 001

Phone: 044 30007172 (bd.) 30007055 (d). Fax: 044 25346464

E-mail: sujathap@chola.murugappa.com;

investors@chola.murugappa.com

Payment of unclaimed / unpaid dividend

In respect of unclaimed dividends, the company sends periodical reminders to the shareholders before transferring the unclaimed dividends to the investor education and protection fund (IEPF) established by the central government. The dividends that are lying unclaimed / unpaid for a period of seven consecutive years are transferred from time to time to IEPF. The company has remitted ₹ 2,20,193/- to IEPF during the year.

Year wise details of the dividends to be transferred to IEPF are given below:

FY to which the dividend relates	Date of declaration	Due date for transfer to IEPF
2011 - Final	28 July, 2011	01 September, 2018
2012 - Interim	31 January, 2012	07 March, 2019
- Final	30 July, 2012	04 September, 2019
2013 - Interim	18 January, 2013	23 February, 2020
- Final	31 July, 2013	04 September, 2020
2014 - Interim	29 January, 2014	05 March, 2021
- Final	31 July, 2014	04 September, 2021
2015 - Interim	27 January, 2015	03 March, 2022
- Final	31 July, 2015	04 September, 2022
2016 - Interim	29 January, 2016	05 March, 2023
- Final	29 July, 2016	03 September, 2023
2017 - Interim	25 January, 2017	01 March, 2024
- Final	27 July, 2017	31 August, 2024
2018 - Interim	30 January, 2018	06 March, 2025

Transfer of Equity Shares to IEPF

In accordance with the provisions of section 124 and 125 of the Act, read with Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 (IEPF), shares of all dividends which remain unpaid/unclaimed for a period of seven consecutive years be transferred to Investor Education and Protection Fund (IEPF). As required under the said Rules, the company had published a notice in the newspapers inviting the shareholders attention to the aforesaid Rules. The company had also sent out individual communication to the concerned shareholders whose shares are liable to be transferred to IEPF Account, pursuant to the said Rules and also displayed the details of such shareholders and shares due for transfer on the website of the company at www.cholamandalam.com in line with the requirements, the company had transferred 53,173 shares pertaining to 870 shareholders to the Demat account maintained by IEPF authority. Shareholders may note that both the unclaimed dividend and corresponding shares transferred to IEPF including all benefits accruing on such shares, if any, can be claimed back from IEPF authority, as per the procedure prescribed in the Rules. No claim shall lie in respect thereof with the company.

Unclaimed Suspense Account

In terms of regulation 34(3) of the Listing Regulations, all the shares issued in physical form pursuant to a public issue or any other issue, which remain unclaimed had been transferred into one folio in the name of unclaimed suspense account and dematerialised. The voting rights of these shares shall remain frozen till the rightful owner of such shares claims the shares. During the year, the company transferred 570 shares to the IEPF authority for which the dividend remained unpaid/unclaimed during the seven consecutive years in the unclaimed suspense account. The details regarding the shares which are in the unclaimed suspense account are given below:

S. No.	Description	Total No. of cases	Total shares
1	No. of shareholders and outstanding shares lying in the unclaimed suspense account at the beginning of the year	11	761
2	No. of shareholders who approached for transfer of shares from unclaimed suspense account during the year	-	-
3	No. of shareholders to whom shares were transferred from the unclaimed suspense account during the year	-	-
4	No. of shares transferred to IEPF authority	8	570
5	No. of shareholders and outstanding shares lying in the unclaimed suspense account at the end of the year	3	191

Distribution of Shareholding as on 31 March, 2018

No. of shares held	No. of shareholders	No. of shares	(%) of shareholding
1 - 5000	33,760	35,26,218	2.26
5001 - 10000	1,722	12,48,808	0.8
10001 - 20000	819	11,65,725	0.75
20001 - 30000	287	7,16,436	0.46
30001 - 40000	130	4,54,180	0.29
40001 - 50000	100	4,55,594	0.29
50001 - 100000	164	11,64,563	0.74
100001 and above	258	14,75,99,847	94.41
TOTAL	37,240	15,63,31,371	100.00

SHAREHOLDING PATTERN

Category	As on 31 March, 2018 No. of shares	% of shareholding
Promoter and promoter group	8,29,46,520	53.06
Foreign Institutional / Portfolio Investors	3,16,52,050	20.25
Alternative Investment Fund	10,38,127	0.66
Private Corporate Bodies / NBFCs	52,78,959	3.38
Mutual Funds / Trust / Banks	2,50,91,422	16.05
Resident Individuals and others	1,03,24,293	6.60
TOTAL	15,63,31,371	100.00

OUTSTANDING GDRs/ADRs ETC.

The company has not issued any GDR / ADR or any convertible instruments that is likely to impact the equity share capital of the company.

COMMODITY PRICE RISK / FOREIGN EXCHANGE RISK AND COMMODITY HEDGING ACTIVITIES

The company is in financial services business and has no exposure to commodity price risk and commodity hedging activities. In respect of certain computer related purchases involving payment in foreign currency wherein the payment is made basis the rate prevailing on the date of payment and as per the terms mentioned in contract. To this extent, if the currency movement is adverse, the payment would be impacted by such currency exposure.

LOCATION

The company's head office is in Chennai and it operates out of 870 branches across the country.

On behalf of the board

Place : Chennai
Date : April 23, 2018

M.B.N. Rao
Chairman