

Cholamandalam posts 264% growth in disbursements and maintains a gross income of Rs.223 crs. during the 4th Quarter

Q4 Performance highlights:

The continued economic recovery and the surge in Commercial vehicle sales helped the company to aggressively grow in Quarter 4. Vehicle finance disbursed Rs 924 Crs (as against Rs 345 Crs in Q4 of 2008-09) and Home Equity disbursed Rs 355 Crs (as against Rs 139 Crs in Q4 of 2008-09)- The aggregate disbursements of Rs 1279 Crs effected in the quarter represents a growth of 264% over the disbursements of Rs 484 Crs in Q4 of 2008-09.

Gross income from operations for the Quarter was marginally lower at Rs 223 Crs as against Rs 233 Crs of the corresponding quarter of last year. The income for this quarter has to be seen in the backdrop of a decreasing Personal Loan receivable book and a lower income from the Personal Loan book declining to Rs 34 crores as against Rs 97 Crores.

The asset financing verticals – represented by Vehicle finance, Home Equity and Business finance continue to deliver Profitable performance – this segment delivering a PBT of Rs 57.95 Crs for the quarter (Rs 22.59 Crs in Q4 of 2008-09).

Exceptional items, during the Quarter, include gain of Rs.13.94 Cr. towards sale of a property in Mumbai.

Profit before tax, after providing for Losses in the Personal loan segment and other adjustments, was Rs 54.03 Crs as against Rs 65.40 Crs in Q4 of 2008-09. (The PBT in Q4 of 2008-09 was after considering a onetime adjustment /set off of Rs 100 Crs towards Personal Loan losses under the Capital reduction Scheme sanctioned by the Court.)

Subsidiaries Performance:

Both the Subsidiaries – DBS Cholamandalam Securities Ltd. and DBS Cholamandalam Distribution Ltd reported a PBT of Rs 1.13 Crs and Rs.2.65 Crs respectively against a loss of Rs (0.52) Crs and Rs.(4.27) Crs reported in Q4 of 2008-09.

Consolidated Performance:

Consolidated income from operations for the quarter ended 31st March 2010 is at Rs. 228 crs. as against Rs.236 crs. for the same period last year and Consolidated profit before tax for the quarter was at Rs.61 crs as against Rs.52 crs during the same period last year.

Performance for the FY 2009-10

The disbursements in the overall asset finance businesses (Vehicle Finance, Home Equity and Corporate & Mortgage Finance), grew by 93% over the previous year from Rs. 2002 crores to Rs.3866 crores and close to 72,000 fresh loans were disbursed during the year. The aggregate disbursements of Rs 3866 Crs are the highest ever done in vehicle finance and home equity verticals by the company since inception.

The asset finance book (managed assets) grew by 41% over the previous year from Rs.4208 crores to Rs.5948 crores. The net credit losses of the asset finance business as a % to average assets declined from 1.49% to 1.02%, and PBT for the asset finance businesses grew by 72% to Rs. 124 crores over the previous year (2008-09 PBT Rs 72 Crs.)

The fee income increased by 195% over the previous year and revenues from insurance cross sell increased by 120% during the same period.

Total Operating expenditure was lower by 28% as compared to the previous year on account of various cost reduction initiatives undertaken.

Gross income from operations for the year is lower at Rs 859 Crs as against Rs 1038 Crs of last year. The income for the year has to be seen in the backdrop of a decreasing Personal Loan receivable book and a lower interest income from the Personal Loan book declining to Rs 236 Crores during the financial year as against Rs 527 Crs last year.

The soft interest regime, rationalization of costs and higher volume of business and profits turned by the Asset financing verticals helped to offset the substantial loan losses in the personal loan segment.

Through a combination of sell down of assets, and an aggressive collection strategy, the loan receivables outstanding were brought down – net of provisions to Rs 234 Crs as on 31-3-2010, from Rs 1371 Crs outstanding in the beginning of the financial year. Focused efforts will continue till the

rundown of the entire receivables, which is expected to happen during the current financial year

Profit before tax for the year ended 31st March 2010, after providing for Losses in the Personal loan segment and other adjustments, was at Rs 31.33 Crs as against Rs 17.08 Crs for the year ended 31st March 2009.

In order to strengthen Capital Adequacy Ratio, during the financial year Rs.250 Cr was raised as subordinated debt which helped the company to maintain a healthy CAR of 14.69% during 2009-10.

Rating:

During the year ICRA, changed the AA (-) "negative outlook" rating to AA (-) "stable" but however, has put the aforementioned ratings under watch, in view of the change in the Joint venture status of the company

Subsidiaries Performance:

Several steps taken to rationalize the operations of the Securities and the Distribution / Wealth management business led to a turnaround in the operations of the said businesses. Both the subsidiaries, DBS Cholamandalam Securities Ltd. and DBS Cholamandalam Distribution Ltd posted a Profit before tax of Rs. 3.48 Crs and Rs.6.89 Crs respectively as against a loss of Rs.(9.01) Crs and Rs (18.25) Crs respectively recorded during the previous year.

Consolidated Performance:

Consolidated income from operations for the year ended 31st March 2010 is at Rs. 883 crs. as against Rs.1060 crs. for the year ended 31st March 2009 and consolidated profit before tax for the year ended 31st March 2010 was at Rs.70 crs. as against a loss of Rs.(48) crs. for the year ended 31st March 2009. The consolidated net profit after tax for the year ended 31st March 2010 was at Rs. 53 crs. as against a loss of Rs.(19) crs. for the year ended 31st March 2009.

Interim Dividend:

The board has declared an interim dividend of 10% (Rs.1 per share) on the equity and has also declared an interim dividend of 1% on the fully convertible preference shares (FCCPS) for the period 13th March 2009 to 31st March 2010.

About Cholamandalam

Cholamandalam Investment & Finance Company Limited (CIFCL) was incorporated in 1978 as the financial services arm of the Murugappa Group. In 2005, post the joint venture partnership between the Murugappa Group and DBS Bank Limited, Singapore, the Company was renamed as Cholamandalam DBS Finance Limited (CDFL). The Company is reverting to its original name after the termination of the Joint venture with DBS. The Company that commenced business as an equipment financing company has now emerged as a comprehensive financial services solution provider that offers vehicle finance, business finance, home equity loans, stock broking and distribution of financial products to its customers. The Company operates from over 170 branches across India with an asset under management of about Rs.8546 Crores. The subsidiaries of Cholamandalam DBS includes DBS Cholamandalam Securities Limited (DCsec), DBS Cholamandalam Distribution Limited (DCDL) and Cholamandalam Factoring Limited.

About Murugappa Group: Headquartered in Chennai, the Rs. 15,907 crores (USD 3.14 billion) Murugappa Group is one of India's leading business conglomerates. Market leaders in diverse areas of business including Engineering, Abrasives, Finance, General Insurance, Cycles, Sugar, Farm Inputs, Fertilizers, Plantations, Bio-products and Nutraceuticals, its 29 companies have manufacturing facilities spread across 13 states in India. The organization fosters an environment of professionalism and has a workforce of over 32,000 employees. The Group has forged strong joint venture alliances with leading international companies like DBS Bank, Mitsui Sumitomo, Foskor, Cargill and Groupe Chimique Tunisien has consolidated its status as one of the fastest growing diversified business houses in India.

For more information, contact:

Ms D Vijayalakshmi
General Manager - Group Corporate
Communications, Murugappa Group
Email: vijayalakshmid@corp.murugappa.com
Mobile: (91) 9500029527

Senthamil / Neha / Ritu
Hanmer MS&L
Email: Senthamil@hanmermsl.com, neha@hanmermsl.com, ritu@hanmermsl.com
Mobile: 9940499456/ 9840246513/ 9884173290