

November 1, 2010

Dear Shareholders,

**Unaudited financial results for the half-year ended 30<sup>th</sup> September 2010**

I have pleasure in sharing with you the performance of the Company during the half-year ended 30<sup>th</sup> September 2010.

The Company has turned around its operations significantly after a difficult two year period and is poised to concentrate and grow its asset financing vertical in the coming months.

During the half-year, Vehicle Finance disbursed Rs.1984 Cr. (as against Rs.1183 Cr. in the same period 2009-10) a growth of 68% and Home Equity disbursed Rs.593 Cr. (as against Rs.392 Cr. in the same period 2009-10) a growth of 51%. The Business finance float grew to Rs.592 Cr. (as against Rs.392 Cr. in the same period 2009-10) a growth of 51%.

The Profit before tax for the half-year ended 30<sup>th</sup> September 2010 was Rs.63.62 Cr. as against a profit of Rs.10.43 Cr. (before absorbing Rs.43 Cr. of one time loss on account of sale of Asset Management business).

The Company continued its efforts rigorously to follow up and collect the outstanding personal loan book and as a result the aggregate receivables net of Provisions in the Personal Loan portfolio has come down to Rs.153 Cr. as on 30<sup>th</sup> September 2010 from Rs.669 Cr. as on 30<sup>th</sup> September 2009.

On 12<sup>th</sup> October 2010, the Company made a preferential issue and allotment of 93,75,000 equity shares of Rs.10/- each at a premium of Rs.150/- per share to 6 institutional investors including International Finance Corporation, Washington, mobilizing a total equity capital of Rs.150 Cr. in October 2010. Post capital infusion, the paid up capital of the Company is Rs.119.28 Cr. and the net worth of the Company is Rs.1066.03 Cr.

Further, the Company also arranged for issuance of perpetual debt of Rs.150 Cr. during the month of October 2010.

With the above infusions, the Capital Adequacy Ratio (CAR) of the Company has improved to 20.18% as against a regulatory requirement of 12%.

Consolidated income from operations for the half year ended 30<sup>th</sup> September 2010 is at Rs.552 Cr. as against Rs.462 Cr. for the same period last year. Consolidated profit before tax for the half-year was at Rs.62.64 Cr. as against a gain of Rs.0.26 Cr. during the same period last year.

I wish to take this opportunity to thank all of you and other stakeholders for the confidence reposed in the management and operations of the Company.

Warm Regards,

**S VELLAYAN**  
Managing Director

P.S.: Please see the unaudited financial results for the half year ended 30<sup>th</sup> September 2010 as published under clause 41 of the listing agreement given in the annexure.

# CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED

Registered Office: "DARE HOUSE", No. 2, N.S.C. Bose Road, Parrys, Chennai - 600 001.

## Unaudited Financial Results (Provisional) for the quarter and six months ended September 30, 2010

(Rupees in lakhs)

Particulars	Standalone				Consolidated			
	Unaudited		Audited		Unaudited		Audited	
	Three months ended	Six months ended	30.09.2009	31.03.2010	Three months ended	Six months ended	Previous Year ended	
	30.09.2010	30.09.2010	30.09.2009	31.03.2010	30.09.2010	30.09.2010	31.03.2010	
1. a) Income from operations	27,663	51,829	40,327	85,873	28,169	52,791	88,262	
b) Other operating income	1,028	2,307	4,545	7,077	1,061	2,380	7,264	
2. Expenditure								
a) Interest (Financing Charges)	13,715	27,194	25,724	50,359	13,881	27,540	50,385	
b) Employees cost	2,323	4,585	3,951	7,653	2,511	4,929	9,324	
c) Business origination outsourcing	2,076	4,168	2,235	5,745	2,118	4,242	5,931	
d) Other operating expenses	1,675	2,988	2,800	5,105	1,770	3,176	5,770	
e) Depreciation	175	369	698	1,528	211	533	796	
f) Provisions, loan losses and other charges	4,704	3,798	8,430	19,137	4,792	9,617	20,002	
g) Total	24,668	20,451	43,838	89,527	25,283	50,037	93,127	
3. Profit from Operations before Other Income & Exceptional Items (1-2)	4,023	533	1,034	3,423	3,947	5,134	2,399	
4. Other income	-	3	9	-	4	1,130	120	
5. Profit before Exceptional Items (3+4)	4,023	536	1,043	3,423	3,947	6,264	2,519	
6. Exceptional items								
- Provision for diminution in value of investment in Mutual Fund subsidiary	-	(4,300)	(4,300)	-	-	-	-	
- Others (Note 6 below)	-	-	-	(290)	3,947	6,264	4,463	
7. Profit / (Loss) from Ordinary Activities before Tax (5+6)	4,023	6,362	(3,257)	3,133	3,947	6,264	6,982	
8. Tax expense (net of deferred tax)	1,398	2,159	(779)	1,592	1,397	2,168	1,705	
9. Net Profit / (Loss) from Ordinary Activities after Tax (7 - 8)	2,625	4,203	(2,478)	1,541	2,550	4,096	5,277	
10. Extraordinary items (net of tax expense)								
11. Net Profit / (Loss) for the Period (9 - 10)	2,625	4,203	(2,478)	1,541	2,550	4,096	5,277	
12. Paid-up equity share capital (Rs.10/- per share) (Refer Note 3 & 4 below)	10,997	10,997	6,647	6,647	10,997	10,997	6,647	
13. Reserves excluding revaluation reserves				41,853			38,612	
14. Earnings per Share (EPS) - not annualised- before and after extraordinary items (in Rs.)								
a) Basic	2.39	4.20	(4.00)	1.79	2.32	4.09	7.42	
b) Diluted	2.39	4.20	(4.00)	1.79	2.32	4.09	7.42	
15. Public shareholding								
- Number of shares	27,523,230	27,523,230	16,629,378	16,629,378	27,523,230	27,523,230	16,629,378	
- Percentage of shareholding	25.04	25.04	25.04	25.04	25.04	25.04	25.04	
16. Promoters and Promoter group shareholding								
a) Pledged / encumbered								
- Number of shares	29,600	29,600	29,600	29,600	29,600	29,600	29,600	
- Percentage of shares	0.06%	0.06%	0.06%	0.06%	0.06%	0.06%	0.06%	
as a% of the total shareholding of the promoter / promoter group	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%	
as a% of the total share capital of the company								
b) Non encumbered								
- Number of shares	82,385,651	82,385,651	49,747,356	49,776,956	82,385,651	49,747,356	49,776,956	
- Percentage of shares	100.00%	100.00%	99.94%	100.00%	100.00%	99.94%	100.00%	
as a% of the total shareholding of the promoter / promoter group	74.96%	74.96%	74.91%	74.96%	74.96%	74.91%	74.96%	
as a% of the total share capital of the company								

1. Statement of Assets and Liabilities as on September 30, 2010 is given below.

(Rs.in lakhs)

Particulars	Standalone		Consolidated	
	As at 30.09.2010 Unaudited	As at 30.09.2009 Unaudited	As at 30.09.2010 Unaudited	As at 30.09.2009 Unaudited
<b>SOURCES OF FUNDS</b>				
Share Capital (Refer Note 3 below)	10,997	36,647	10,997	36,647
Reserves & Surplus (Refer Note 3 below)	81,544	38,976	78,196	35,394
Loan Funds	635,593	490,223	641,143	490,223
<b>Total</b>	<b>728,134</b>	<b>565,846</b>	<b>730,336</b>	<b>562,264</b>
<b>APPLICATION OF FUNDS</b>				
Fixed Assets (Net)	2,767	2,901	3,272	3,821
Goodwill on Consolidation	-	-	59	-
Investments	24,426	36,859	17,576	31,192
Deferred Tax Asset (Net)	14,292	15,804	14,587	16,113
<b>Current Assets, Loans and Advances</b>				
Receivables under Financing Activity	670,208	487,720	678,362	487,720
Stock in Trade	-	-	-	-
Sundry Debtors	-	-	891	1,060
Cash and Bank Balances	50,602	69,916	51,645	71,174
Other Current Assets	13,454	14,721	13,512	14,785
Other Loans and Advances	26,521	11,833	27,362	13,113
<b>Less: Current Liabilities and Provisions</b>				
Current Liabilities	(31,405)	(26,531)	(33,162)	(29,211)
Provisions	(42,731)	(47,377)	(43,768)	(47,503)
<b>Total</b>	<b>728,134</b>	<b>565,846</b>	<b>730,336</b>	<b>562,264</b>

2. The above statement of Unaudited Financial Results (Provisional) for the quarter and six months ended September 30, 2010 was reviewed by the Audit Committee and approved by the Board of Directors at their respective meetings held on October 27, 2010. The same has also been subjected to a limited review by the Statutory Auditors. The limited review of the financial results of two subsidiaries for the quarter and six months ended September 30, 2010, has been carried out by the statutory auditors of the respective companies.
3. Share Capital of the Company as at Sep 30, 2009 included Rs.300 crores of fully convertible cumulative preference shares of Rs.100/- each which has been converted into 32,608,695 equity shares of Rs.10/- each (Rs.32.61 crores) at a premium of Rs.82/- per share (Rs.267.39 crores) on May 17, 2010. The Company also allotted 10,893,852 equity shares of Rs.10/- each (Rs.10.89 crores) at a premium of Rs.82/- per share (Rs.89.33 crores) to International Finance Corporation (IFC, Washington) on preferential basis on May 17, 2010
4. Pursuant to the approval of the shareholders at an extraordinary general meeting held on 6<sup>th</sup> October 2010, the Company on 12<sup>th</sup> October 2010 allotted 93,75,000 equity shares of Rs.10/- each at Rs.160/- per share aggregating to Rs.150 crores to 6 investors including International Finance Corporation (IFC Washington) on a preferential basis.
5. During the quarter ended September 30, 2010, the Company made an additional equity investment of Rs.1,500 lakhs in M/s Cholamandalam Factoring Limited to meet the requirements relating to Net Owned Funds.
6. a) Exceptional Item (Others) for the year ended March 31, 2010 for standalone results is net of Loss on sale of investment in subsidiaries - Rs.4,722 lakhs, Reversal of Provision for diminution in value of investment in subsidiary-Rs.2,353 lakhs and Profit on Sale of Land and Building-Rs.2,079 lakhs.
- b) Exceptional Item (Others) for the year ended March 31, 2010 for consolidated results is net of Profit on sale of investment in subsidiaries-Rs.3,078 lakhs, Profit on sale of land and building - Rs.2,079 lakhs and Loss on account of securities under AMC Operations - Rs.694 lakhs.
- c) Exceptional item (Others) for the period ended September 30, 2009 for consolidated results relate to loss on account of securities under AMC Operations.
7. No employee stock option was granted during the quarter ended September 30, 2010. The total outstanding employee stock options (net of cancellation / lapses) as at September 30, 2010 is 527,498.
8. Segmental Reporting: The Company is primarily engaged in the business of financing. All the activities of the Company revolve around the main business in India. As such there are no separate reportable segments as per Accounting Standard (AS) 17 "Segment Reporting" in respect of the Company. The Segmental Reporting in respect of the Consolidated Accounts is given in Appendix 1.
9. During the quarter ended September 30, 2010, no investor complaint was received and resolved. There were no unresolved investor complaints pending either at the beginning or end of the quarter.
10. Prior period figures have been regrouped wherever necessary to conform to the current period presentation.

## Segment wise Revenue, Results and Capital Employed for consolidated results under clause 41 of the listing agreement

(Rupees in lakhs)

Particulars	Consolidated				
	Unaudited		Unaudited		Audited
	Three months ended		Six months ended		Previous Year Ended
	30.09.2010	30.09.2009	30.09.2010	30.09.2009	31.03.2010
<b>1. Segment Revenue</b>					
Financing	28,693	20,984	54,137	44,872	92,950
Distribution	311	276	585	458	1,100
Asset Management	-	75	-	160	268
Stock Broking	255	364	503	738	1,298
Others	-	2	-	3	4
<b>Total</b>	<b>29,259</b>	<b>21,701</b>	<b>55,225</b>	<b>46,231</b>	<b>95,620</b>
Less: Inter-Segment revenue	(29)	(10)	(54)	(45)	(94)
<b>Net Revenue</b>	<b>29,230</b>	<b>21,691</b>	<b>55,171</b>	<b>46,186</b>	<b>95,526</b>
<b>2. Segment Results (Profit / (Loss) before tax)</b>					
Financing	3,748	534	5,876	1,034	4,641
Distribution	193	174	363	234	689
Asset Management	-	(129)	-	(661)	(1,774)
Stock Broking	6	85	25	178	348
Others	-	-	-	-	-
<b>Total</b>	<b>3,947</b>	<b>664</b>	<b>6,264</b>	<b>785</b>	<b>3,904</b>
<b>Add: Other unallocable income net of unallocable expenditure</b>	<b>-</b>	<b>(801)</b>	<b>-</b>	<b>(759)</b>	<b>3,078</b>
<b>Net Profit / (Loss) before Tax</b>	<b>3,947</b>	<b>(137)</b>	<b>6,264</b>	<b>26</b>	<b>6,982</b>
<b>3. Capital Employed (Segment Assets - Segment Liabilities)</b>					
Financing			67,813	50,815	54,907
Distribution			2,032	317	1,743
Asset Management			-	1,489	-
Stock Broking			1,246	1,050	1,228
Others			-	3	-
Other Unallocable assets net of unallocable liabilities			18,102	18,367	17,381
<b>Total</b>			<b>89,193</b>	<b>72,041</b>	<b>75,259</b>

Note: Management of the Company has identified the above reportable segments. Segment data for the previous periods has been restated, wherever necessary, to conform to the current quarter presentation.

On behalf of the Board

Place : Chennai  
Date : October 27, 2010

Vellayan Subbiah  
Managing Director

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