

Cholamandalam Investment and Finance Company Limited

Regd office: "Dare House", No.2, N.S.C. Bose Road, Parrys, Chennai – 600 001

Tel: 044-30007172; Fax: 044-25346464

Website: www.cholafinance.com; Email: investors@chola.murugappa.com

NOTICE OF POSTAL BALLOT**(Pursuant to section 192A of the Companies Act, 1956)**

To

The Members of Cholamandalam Investment and Finance Company Limited

NOTICE is hereby given pursuant to section 192A of the Companies Act, 1956, read with the Companies (Passing of the Resolution by Postal Ballot) Rules 2011, that the enclosed resolutions are proposed to be passed by way of Postal Ballot for the following purposes:

Item 1 – As an Ordinary Resolution

For seeking the approval of the shareholders of the Company under section 94 of the Companies Act, 1956 to increase the Authorised Share Capital of the Company from Rs.420 crores to Rs.450 crores.

Item 2 – As a Special Resolution

For seeking the approval of the shareholders of the Company under section 16 of the Companies Act, 1956 for amending the Capital Clause V of the Memorandum of Association of the Company to reflect the increase in the Authorised Share Capital.

Item 3 – As a Special Resolution

For seeking the approval of the shareholders of the Company under section 31 of the Companies Act, 1956 for amending Article 5(a) of the Articles of Association of the Company to reflect the increase in the Authorised Share Capital.

Item 4 – As a Special Resolution

For seeking the approval of the shareholders of the Company under sections 81 and 81(1A) of the Companies Act, 1956 to offer, issue and allot equity shares aggregating to about Rs.212 crores to certain investors on a preferential basis.

In accordance with section 192A of the Companies Act, 1956, the consent of the members is sought by way of postal ballot for the aforesaid purposes. The draft Resolutions and the Explanatory Statement setting out all the material facts and reasons for the proposals appended hereto are being sent to you along with the Postal Ballot Form for casting your votes. Members may please note that the voting on the resolutions as contained in this notice will be made through postal ballot only and the Company has not appointed any agency for electronic voting in this regard.

The Board of Directors have appointed Mr. R Sridharan of M/s. R Sridharan & Associates, Company Secretaries, as Scrutiniser for conducting the Postal Ballot voting process in a fair and transparent manner.

You are requested to read the instructions printed on the Postal Ballot Form carefully and return the Form duly completed and signed in the attached self-addressed, Business Reply envelope, so as to reach the Scrutiniser before the close of working hours (18:00 hrs) on Monday, 5 March, 2012. Please note that any Postal Ballot Form(s) received after the closing hours of the said date will be treated as not having been received. No other form or photocopy thereof is permitted. The Scrutiniser will submit his report to the Chairman of the Company after completion of the scrutiny of the Postal Ballots. The result of the Postal Ballot will be announced by the Chairman or any other Director of the Company on Tuesday, 6 March, 2012 at 10.30 a.m. at the registered office of the Company at "Dare House", No.2, N.S.C. Bose Road, Parrys, Chennai – 600 001. The results of the Postal ballot will also be displayed at the Registered Office and posted on the Company's website - www.cholafinance.com besides communication to the Stock Exchanges where the company's shares are listed.

The date of declaration of the results will be treated as the date of passing of the said resolutions. The Item No.1 being an Ordinary Resolution will be declared passed if the votes cast in favour is more in number than the votes cast against the resolution by simple majority and the remaining Item Nos. 2 to 4 being Special Resolutions, will be declared as passed if votes cast in favour of the resolutions are three times more in number than the votes cast against the resolutions.

By Order of the Board
For Cholamandalam Investment and Finance Company Limited

Chennai
3 February, 2012

P Sujatha
Company Secretary

RESOLUTIONS FOR POSTAL BALLOT

(Pursuant to section 192A of the Companies Act, 1956)

1. To consider and if deemed fit, to pass with or without modification, the following as an Ordinary Resolution:

RESOLVED THAT pursuant to section 94 and all other applicable provisions of the Companies Act, 1956 and such other approvals as may be required, the Authorised Share Capital of the Company be and is hereby increased from Rs.420,00,00,000/- (Rupees four hundred and twenty crores only) to Rs.450,00,00,000/- (Rupees four hundred and fifty crores only) divided into 15,00,00,000 (fifteen crores) equity shares of Rs.10/- (Rupees ten only) each and 300,00,000 (three crores) redeemable preference shares of Rs.100/- (Rupees one hundred only) each.

2. To consider and if deemed fit, to pass with or without modification, the following as a Special Resolution:

RESOLVED THAT pursuant to section 16 and all other applicable provisions of the Companies Act, 1956, the existing Clause V of the Memorandum of Association of the Company be and is hereby substituted with the following:

The Authorised Share Capital of the Company is Rs.450,00,00,000/- (Rupees four hundred and fifty crores only) divided into 15,00,00,000 (fifteen crores) equity shares of Rs.10/- (Rupees ten only) each and 300,00,000 (three crores) redeemable preference shares of Rs.100/- (Rupees one hundred only) each. The Company shall have power to increase the said capital and to issue any part of its capital, original or increased, with or without any preferential rights, privileges, conditions or advantages over or as compared with any shares previously issued or to be thereafter issued, whether in respect of dividend or repayment of capital or both and whether with any special rights of voting or without any right of voting and generally on such terms as the Company may from time to time determine, nevertheless that in the event of the capital of the Company (including the original capital) being or becoming divided into shares of different classes, the rights or privileges attached to any class, may be affected, altered, modified or dealt with only in accordance with the provisions in that behalf contained in the Articles of Association of the Company for the time being subject to the provisions of the Companies Act, 1956.

The Company shall have power from time to time to increase or reduce its capital. The shares forming part of the capital (original, increased or reduced) of the Company may be sub-divided, consolidated or divided into such classes, with any preferential, deferred, qualified, special or other rights, privileges or conditions attached thereto and be held upon such terms as may be determined by the Articles of Association and Regulations of the Company for the time being or otherwise.

3. To consider and if deemed fit, to pass with or without modification, the following as a Special Resolution:

RESOLVED THAT pursuant to section 31 and all other applicable provisions of the Companies Act, 1956, the existing Article 5(a) of the Articles of Association of the Company be and is hereby substituted with the following:

The Authorised Share Capital of the Company is Rs.450,00,00,000/- (Rupees four hundred and fifty crores only) divided into 15,00,00,000 (fifteen crores) equity shares of Rs.10/- (Rupees ten only) each and 300,00,000 (three crores) redeemable preference shares of Rs.100/- (Rupees one hundred only) each. The Company shall have powers to increase, consolidate, subdivide, reduce or otherwise alter its share capital subject to the provisions of the Companies Act, 1956.

Further, the preference shares issued by the Company may be convertible or non-convertible, cumulative or non-cumulative, participating or non-participating as may be decided by the Board of Directors of the Company from time to time for each issue.

4. To consider and if deemed fit, to pass with or without modification, the following as a Special Resolution:

RESOLVED THAT in accordance with the provisions of section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 (including any amendment hereto or re-enactment thereof for the time being in force), the relevant provisions of the Memorandum and Articles of Association of the Company and the Listing Agreements entered into by the Company with the stock exchanges where the shares of the Company are listed and subject to all necessary statutory or regulatory approvals, consents, permissions and/ or sanctions as may be deemed necessary including without limitation approvals from the Government of India, Foreign Investment Promotion Board (FIPB), Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI) and all other appropriate authorities, Institutions or Bodies and all other applicable laws, issued from time to time and subject to such conditions and modifications as may be prescribed by any of them while granting such approvals, permissions, consents and sanctions and which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the "Board", which term shall include any

committee thereof) consent, authority and approval of the members of the Company be and is hereby accorded to the Board to create, offer, issue and allot at its sole discretion 1,32,55,454 equity shares of Rs.10/- each, in one or more tranches, to the following investors, by way of preferential allotment in accordance with the Chapter VII of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended ("SEBI ICDR Regulations") on the terms and conditions as may be determined by the Board in its absolute discretion, at Rs.160/- per equity share aggregating to Rs.212.09 crores being the price determined in accordance with the SEBI ICDR Regulations.

The Relevant Date for this purpose shall be 3 February, 2012.

Name of the Investor	No. of equity shares	Amount of Investment in Rs.
Creador 1 LLC and/or its wholly owned subsidiary Neobalano Carpus Ltd	6,627,727	1,060,436,320
Multiples Private Equity FII I	4,813,718	770,194,880
Multiples Private Equity Fund	1,814,009	290,241,440
Total	1,32,55,454	2,120,872,640

RESOLVED FURTHER THAT Mr. N Srinivasan, Vice Chairman and Mr. Vellayan Subbiah, Managing Director, be and are hereby severally authorised to take such steps and do all such acts, deeds and things as is considered necessary, expedient, usual, proper or incidental in relation to the said matter and take such actions and give such directions as they may consider as necessary or desirable and to obtain any approvals, permissions, sanctions, consents from SEBI, Stock Exchanges, FIPB, RBI and such other authorities which may be necessary or desirable and to settle all questions, difficulties or doubts that may arise in relation to the issue of equity shares on preferential basis to give effect to this resolution.

RESOLVED FURTHER THAT

- the equity shares issued on preferential basis as above shall rank *pari passu* in all respects with the existing equity shares of the Company;
- the Board be and is hereby authorised to decide and approve the other terms and conditions of the issue subject to agreement with the proposed allottees and also shall be entitled to vary, modify or alter any of the terms and conditions, as it may deem expedient, subject however to the compliance with the applicable guidelines, notification, rules and regulations;
- the Board be and is hereby authorised to accept any amendments, modifications, variations and alterations as the Government of India / RBI / SEBI or any other regulatory authority may stipulate in that behalf;
- the Board be and is hereby authorized to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary or desirable for the above purpose, including without limitation execution of any documents / agreements / applications in this regard and
- the Board be and is hereby authorised to delegate all or any of its powers to a Committee of Directors or one or more Directors or Executives (as it may consider appropriate) to give effect to the aforesaid resolutions including to execute any documents on behalf of the Company with the investor/s or before any governmental authority(ies) / Depositories / Stock exchanges or any other regulatory body and to appoint any professional advisers / consultants / lawyers in that regard.

By Order of the Board
For Cholamandalam Investment and Finance Company Limited

Chennai
3 February, 2012

P Sujatha
Company Secretary

ANNEXURE TO NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTIONS 173(2) AND 192A OF THE COMPANIES ACT, 1956

Item Nos. 1 to 4:

The Board of Directors at their meeting held on 31 January, 2012 had considered the capital raising proposal of the Company in view of the projected growth in loan disbursements and to augment the capital adequacy ratio (CAR) of the Company.

Accordingly, the Board considered an issue of 13,255,454 equity shares of Rs.10/- each at a premium of Rs.150/- per share aggregating to Rs.2,120,872,640 on a preferential basis to the investors listed in the resolution.

As per section 81(1A) of the Companies Act, 1956, approval of the members is required for allotment of equity shares on preferential basis. Accordingly, the consent of the shareholders is being sought, pursuant to the applicable provisions of the Companies Act, 1956 and SEBI ICDR Regulations and in terms of the provisions of the Listing Agreements to issue and allot equity shares on preferential basis as stated in the resolution. The proposed Preferential Issue is subject to the approval of the members of the Company and such other statutory approvals, as may be required.

Further, considering the proposed preferential issue of equity shares, as the existing authorised equity share capital of the Company is Rs.120 crores as against a paid up equity share capital of Rs.119 crores it is proposed to increase the authorized share capital from Rs.120 crores to Rs.150 crores. Accordingly, it is proposed to increase the Authorised Share Capital of the Company from Rs.420 crores to Rs.450 crores comprising Rs.150 crores of equity share capital and Rs.300 crores of preference share capital. Consequently, the increased Authorised Share Capital will have to be reflected in the Memorandum and Articles of Association of the Company. Accordingly, the approval of the shareholders is being sought through Postal Ballot for increase in the Authorised Share Capital and for the consequential amendments to the Memorandum and Articles of Association of the Company.

As your Company is a listed company, the proposed equity issue is in terms of the provisions of SEBI ICDR Regulations and other applicable regulations. In terms of the provisions of the Companies Act, 1956 and the aforesaid SEBI ICDR Regulations, the relevant disclosures/details are given below:

Object of the issue through preferential offer:

The objective of the Preferential Offer is to meet the growth requirements and augment CAR.

Type of security offered and the number of security offered:

The Company proposes to offer, issue and allot 1,32,55,454 Equity shares Rs.10/- each at a premium of Rs.150 per share aggregating to Rs.212.09 crores to the investors listed in the resolution on the terms and conditions determined by the Board.

Relevant Date & Price:

As per Chapter VII of the SEBI ICDR Regulations, issue of equity shares on a preferential basis to an investor, shall be made at a price not less than higher of the following:

- a. The average of the weekly high and low of the closing prices of the equity shares quoted on the stock exchange during the twenty six weeks preceding the relevant date or
- b. The average of the weekly high and low of the closing prices of the equity shares quoted on the stock exchange during the two weeks preceding the relevant date.

The "Relevant Date" for determining the issue price of the preferential issue of equity shares shall be 3 February, 2012 since 5 February, 2012, the date which is 30 days prior to the date of declaration of the results i.e. 6 March, 2012 falls on a Sunday, the preceding working day i.e. 3 February, 2012 has been reckoned as the Relevant Date.

The Stock Exchange means National Stock Exchange of India Ltd. being the exchange recording the highest trading volume in respect of the shares of the Company during the preceding twenty six weeks prior to the Relevant Date.

The price at which the preferential issue is being made is at Rs.160 per share and the same complies with the above SEBI pricing.

Intention of promoters / directors / key management personnel to subscribe to the offer:

None of the promoters, directors or key management persons intend to subscribe to the equity shares issue.

Pre-issue & Post-issue Shareholding Pattern of the Company:

Shareholder category	% of shareholding before the proposed preferential allotment		% of shareholding after the proposed preferential allotment*	
	No. of shares	%	No. of shares	%
A. Promoters	82510704	69.16	82510704	62.25
B. Public shareholding				
Banks	10100	0.01	10100	0.01
Mutual Funds	2157742	1.81	2157742	1.63
Financial Institutions	50	0.00	50	0.00
Foreign Institutional Investors	7980084	6.69	12793802	9.65
Private Corporate Bodies	2749938	2.30	2749938	2.07
NRIs / OCBs	216137	0.18	216137	0.16
Foreign Corporate Bodies	2656250	2.23	9283977	7.00
Resident Individuals/ others	9186738	7.70	9186738	6.93
Venture Capital Fund	0	0	1814009	1.37
International Finance Corporation	11831352	9.92	11831352	8.93
Total	119299095	100.00	132554549	100.00

* The aforesaid percentages are based on capital as on 31 January, 2012 without taking into consideration any potential dilutions by way of issuance of shares under the ESOP scheme.

Proposed time within which the allotment shall be complete:

As required under the SEBI ICDR Regulations, the allotment of equity shares will be completed within 15 days from the date of the passing of this resolution. Provided that where the allotment is pending on account of pendency of any application for approval or permission by any regulatory authority or Central Government, if applicable, the allotment would be completed within 15 days from the date of such approval.

Identity of the proposed allottees and % of post preferential issue capital that may be held by them and change in control, if any, consequent to the preferential issue:

Name of the proposed allottee	Pre-issue shareholding		Post issue shareholding	
	No. of shares	%	No. of shares	% after the proposed preferential allotment
Creditor 1 LLC and/or its wholly owned subsidiary Neobalano Carpus Ltd.	Nil	Nil	6,627,727	5.00
Multiples Private Equity FII I	Nil	Nil	4,813,718	3.63
Multiples Private Equity Fund	Nil	Nil	1,814,009	1.37

Creditor 1 LLC is a limited liability company incorporated under the laws of Mauritius and is inter alia; engaged in making equity and equity related investments in India. The investment is proposed to be made either directly by Creditor and/or its wholly owned subsidiary Neobalano Carpus Ltd. being incorporated in Mauritius.

Multiples Private Equity FII I is a limited liability company incorporated in Mauritius and registered as a Sub-account of a Foreign Institutional Investor under the SEBI (Foreign Institutional Investors) Regulations, 1995.

Both Creador I LLC and Multiples Private Equity FII I propose to make this investment as foreign direct investments.

Multiples Private Equity Fund is a Domestic Fund registered with SEBI as a venture capital fund and is a Trust registered under Indian Trust Act, 1882.

There will be no change in control of the Company consequent to the preferential issue.

Lock in:

The equity shares being allotted on preferential basis shall be locked in for a period of one year from the date of allotment.

Auditor's Certificate:

It is proposed to obtain a certificate from M/s. Deloitte Haskins & Sells, Statutory Auditors of the Company, certifying that the issue of equity shares is being made in accordance with requirements of SEBI ICDR Regulations. This certificate will be made available for inspection on any working day between 11.00 a.m. and 1.00 p.m. up to 5 March, 2012.

The Board of Directors of the Company believe that the proposed preferential issue is in the best interest of the Company and its members. The Board of Directors, therefore, commends the resolutions through postal ballot for your approval.

Interest of Directors:

None of the Directors of the Company is interested or concerned in the proposed resolutions, except as holders of shares in general or that of the companies, firms, and/or institutions of which they are directors, partners or members and who may hold shares in the Company.

The existing Memorandum and Articles of Association of the Company will be open for inspection at the Registered office of the Company during business hours on all working days between 11.00 a.m. and 1.00 p.m. up to 5 March, 2012.

By Order of the Board
For Cholamandalam Investment and Finance Company Limited

Chennai
3 February, 2012

P Sujatha
Company Secretary