



Cholamandalam Investment and Finance Company Limited

Update on current impact of Demonetization

25th November 2016



Management Assessment of Impact on Collections

Product	Portfolio Contribution	Cash / Non-Cash	Current method of Collection from Customers	Proposed Method - Short Term	Proposed Method - Long Term	Assessment of Impact on Collections
VEHICLE FINANCE						
HCV	11%	40:60	Cash Collection - Customer Walk-ins - CFE visits to the customers	- Assist customers to deposit cash in their accounts and then take RTGS / DD - Help customers deposit into Chola account directly with authorisation letter. - Continue cash collection in new denomination - Progressively wean customers to ECS / PDC	- Train customers in IMPS / UPI modes of payments - Provide POS machines at branches for swipe-in of debit cards - Modify cash deposit machines to accept swipe-in for debit cards	- Short term spike in delinquencies expected (Q3 / Q4) - Once cash circulation improves situation to become normal (FY 18) - Adaptation of non-cash mode of payment to gain popularity over the next few quarters
LCV	16%	50:50				
CAR & MUV	12%	50:50				
3WHRL & SCV	4%	60:40				
REFINANCE	10%	50:50				
OLDER VEHICLES	10%	60:40				
TRACTOR	6%	80:20				
CE	1%	30:70				
	68%	50:50	Non- Cash Collection - PDC/ECS Clearances - Representation of bounced instruments monthly - Collection of cheques / DD by CFEs	Continue the existing process		
HOME EQUITY / HOME LOANS / MSME	32%	02:98	100% ECS / PDC - Overdues occasionally collected by cash	- Continue collections through ECS/PDC - Cash collections, if any, to be done in new currency or direct deposition mode	- Increase representation frequency - Insist on DD / IMPS / UPI payment mode for overdues also. Restrict cash to the max extent possible	- Short term spike in delinquencies expected - Q3 / Q4 - Normalcy to return in FY 18. - With average LTVs at sub 55% no major impact on security valuation foreseen.

Management Assessment of Impact on Disbursements

Sr. No	Business Segment	Mix	Assessment of Impact on Disbursements - Short term	Assessment of Impact on Disbursements - Long Term
1	Vehicle Finance			
	1. HCV	11%	1. Availability of cash to the borrower remains low and can impact in funding the margin money.	1. With the Digitisation in financing and free circulation of new and available currency, the impact on Margin money funding will be stabilised
	2. LCV	15%		
	3. CAR & MUV	11%		
	4. 3WHRL & SCV	4%		
	5. REFINANCE	10%		
	6. OLDER VEHICLES	9%		
	7. TRACTOR	6%		
	8. CE	2%		
Total	68%			
2	Home Equity and Home Loans			
	1. Loan Against Property	30%	1. The impact will be short term for the next quarter	1. With the free availability of new currency, the impact will stabilize in long term
	2. Home Loans	1%	2. Expect to witness a drop in the home sales in short term and hence a negative impact on home loan disbursements.	2. Home sales is likely to pick up over the medium term with interest rates dropping
	3. Business Loans	1%	3. In short term, any economic slowdown can impact the need for working capital loans.	3. In long term, the impact is expected to be neutral and business would explore the new opportunities to lend that are arising due to impact on cash based lending
	Total	32%		

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