



# **Cholamandalam Investment and Finance Company Limited**

**Update on current impact of Demonetization**

**25<sup>th</sup> 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
<b>VEHICLE FINANCE</b>						
HCV	11%	40:60	<b>Cash Collection</b> - 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				
	<b>68%</b>	<b>50:50</b>	<b>Non- Cash Collection</b> - PDC/ECS Clearances - Representation of bounced instruments monthly - Collection of cheques / DD by CFEs	Continue the existing process		
<b>HOME EQUITY / HOME LOANS / MSME</b>	<b>32%</b>	<b>02:98</b>	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	<b>Vehicle Finance</b> 1. HCV 2. LCV 3. CAR & MUV 4. 3WHRL & SCV 5. REFINANCE 6. OLDER VEHICLES 7. TRACTOR 8. CE <b>Total</b>	11% 15% 11% 4% 10% 9% 6% 2% <b>68%</b>	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	<b>Home Equity and Home Loans</b> 1. Loan Against Property  2. Home Loans  3. Business Loans  <b>Total</b>	30%  1%  1%  <b>32%</b>	1. The impact will be short term for the next quarter  2. Expect to witness a drop in the home sales in short term and hence a negative impact on home loan disbursements.  3. In short term, any economic slowdown can impact the need for working capital loans.	1. With the free availability of new currency, the impact will stabilize in long term  2. Home sales is likely to pick up over the medium term with interest rates dropping  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

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**Thank You**



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