

# Cholamandalam Finance sees strong loan growth, robust NIMs

Managing Director Vellayan Subbiah says loan disbursement will be strong this year

DEEPANSHU BHANDARI

Financials are back in favour. The rally in sovereign bonds has resulted in treasury gains for banks and falling cost of funds for NBFCs. Speaking to *BTVi*, Vellayan Subbiah, Managing Director, Cholamandalam Investment and

Finance Company Limited, says he expects Net

Interest Margins (NIMs) to remain strong in FY17. The loan disbursement will also be strong this year, he said. Edited excerpts:

**What's the combined impact of fall in bond yields, cost of funds and the rating upgrade on Cholamandalam Finance.**

On the cost of funds side, we are definitely beginning to see improvements as we are trying to move our books more towards debentures because we are seeing a drop in pricing in that segment.

In terms of yields, we are not seeing any significant drop in vehicle finance.

In case of home equity and loan, there is a drop on the yield side. But the vehicle-finance book tends to be a fixed book for three years. And so we are not seeing too much of a drop in near term there.

**You had a high loan disbursement growth in Q1.**

**Disbursement wise, the second half always tends to be much bigger in commercial vehicles side than the first half**

**VELLAYAN SUBBIAH**  
Managing Director, Cholamandalam Investment and Finance Company Limited

**How is the disbursement looking like in this quarter and what's the outlook for FY17?**

Disbursement wise, the second half always tends to be much bigger in commercial vehicles side than the first half. That trend will play out this year as well. We can't give any specific information on quarterly data.

But, we do see a strong second half, especially in October, as everyone anticipates it to be a big month because of the festival season. So we definitely see a strong year on the disbursement front.

**What's the outlook on NIMs?**

NIMs will benefit from lower cost of funds. We also think that credit losses will be lower than the previous year.

On the vehicle-finance book, we have not seen too much of a decline in yields. So all of these will favour on the NIM side. So in general, we expect NIMs to continue to remain strong.

**Do you have any concerns about asset quality?**

The asset quality of commercial vehicles is doing better than it was last year. I do think it will continue to improve.

Over the next few quarters, we will see improvement in asset quality in CVs and across the vehicle segments. We do continue to see a couple of areas where asset quality has not been strong.

We continue to be conscious on that segment and I think that level of caution will continue for this year.

