

August 17, 2020

**The Secretary
National Stock Exchange of India Limited
Capital Market – Listing
Exchange Plaza, 5th Floor,
Plot No. C/1, G Block, Bandra-Kurla Complex,
Bandra (E), Mumbai 400 051
SCIP CODE: CHOLAFIN**

**The Secretary
BSE Ltd.
25th Floor, Phiroze Jeejeebhoy Towers
Dalal Street, Fort
Mumbai 400 001
SCIP CODE: 511243**

Sub: Intimation under regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 - COVID 19 update

We refer to our letters dated March 23, 2020 and April 17, 2020 where the Company had provided updates on disruption/subsequent resumption of our company activities across pan-India, its business impact, financial position and status of operations owing to nationwide lock down in light of the COVID 19 pandemic. Further to the same, we enclose a disclosure on the impact of COVID-19 pandemic on the Company pursuant to SEBI circular no. SEBI/HO/CFD/CMD1/CIR/P/2020/84 dated May 20, 2020.

Kindly take the above on record.

Thanking you

Yours faithfully,
For Cholamandalam Investment and Finance Company Limited

PANGURAYIRATH
ATH SUJATHA
Date: 2020.08.17
18:14:54 +05'30'

P Sujatha
Company Secretary

Encl.: As above

Disclosure on Impact of COVID-19 on the Company

1. Impact of COVID-19 pandemic on the business

Due to the Covid-19 pandemic, the nation-wide lock down began in late March and subsequently extended till May 15th. Stringent restrictions halted most economic activities in the country. The COVID-19 situation has significantly impacted businesses across industries. Disbursements were in the normal trends until the lock down was announced. Since the Dealerships/registration offices were closed, there had been very minimal disbursements during the lock-down period (March 25th to May 15th).

Pursuant to the moratorium announced by RBI on EMI repayments, the company has granted moratorium to its customers for installments falling due between March and August, as per the Company's Board approved policy. Nearly 74% of customers have availed moratorium considering the uncertainty over the period of lockdown. Hence, due to COVID-19 pandemic, the subsequent nation-wide lock-down, and the moratorium resulted in lower collections than normal.

2. Ability to maintain operations including the factories/units/office spaces functioning and closed down:

Most of the branches were shut during the period of total lock down. The Company had instituted a robust business continuity plan for the short term as a response to COVID.

1. Deployed a Crisis Management Team at Head Office

- Assessed business impact
- Evolved strategies for response in the short term
- Streamlined expenses and cashflows for the immediate term
- Launched cash conservation initiatives

2. Identified key personnel across functions

- Launched cross-country remote coordination through dedicated communication channels
- De-risked critical functions by identifying backup resources

3. Developed a comprehensive employee communication plan

- Communication across various levels of the organization
- Focus on awareness creation and panic avoidance amongst employees

4. Activated remote working for all employees

- Provisioned desktops at home / laptops / tablets for 95% plus employees
- Launched digital engagement campaigns through remote connectivity tools
- Digital disbursements and Digital collections promoted across all regions
- Enhanced cybersecurity drive to protect assets and data from potential cyberthreats

5. Re-negotiated support requirements with key vendors

- Identified and created remote support capabilities for all key vendors

3. Schedule, if any, for restarting the operations and steps taken to smooth functioning of offices;

In Ensuring Business Continuity at Branches & Employee Safety:

- Over 90 percent of the branches are operational.
- Adherence to government guidelines and ensuring permissible headcount at the branches.
- Educating employees - clear protocols on handling various scenarios – handling customers visiting office, visiting customer place, sanitization guidelines, handling employees reporting sick at work etc
- Guidelines on receiving & sanitizing documents
- IR thermometers at branches
- Every-day tracking of branch functioning through video calls, calls with branch managers
- Ensuring social distancing at work
- Employee Health & Safety – wearing of masks, tracking of employees on self-isolation, Employees from containment zone
- Educating employees periodically about the prevention techniques.
- Central help desk to support on hospital admission and Claims processing support @ Zones
- COVID scenario handling awareness Communication to employees
- Enabling work from home option for employees.
- Empowering employees to self-assess their COVID risk profile
- Ensuring safe working environment by tracking employee's COVID risk profile
- Financial support for COVID +Ve employees
- Personal coverage to instill courage in employee who are affected by COVID.

In Ensuring Business Continuity – IT enablement for remote Operations:

- **Network Support:**
 - Additional connectivity hardware and service support for all employees across the organization
- **Server & Middleware Support:**
 - Remote vendor support in place for managing and administrating servers & middleware
 - Application deployment and database administration is being carried out remotely
- **Hardware Support:**
 - Additional hardware provisioned / rented for employees to work remotely
 - Remote helpdesks setup to support queries and complaints
- **Application Support:**
 - Application specific remote support teams established
 - Application performance management tools in place for remote monitoring and support for business applications.
- **Communication Support:**
 - Adoption drive for digital communication tools across organization – Microsoft Teams and Zippi Messenger

4. Estimation of future impact of COVID on its operations:

Post opening after May 15th, operations have gradually resumed and there has been an improved demand and the Company has been able to disburse Rs 3,589 Cr for the Q1 of FY 21. The Company's tech initiatives and customer's increased acceptance on digital lending amidst this Covid-19 pandemic are encouraging signs to look for in the near term. Disbursements is expected to improve considering the diversified product portfolio and Pan India presence. Over 80% of the branches are in rural areas and the Company expects faster recovery in the rural economy. The company had proactively reached out to the senior leadership of several automobile OEMs to assess their strategies and accordingly re-plan the product-wise and geography-wise disbursements. The credit policies have been revamped to ensure improved sourcing quality.

Although 74% of customers availed moratorium, post relaxations of lock down after May 15th, the Company witnessed traction with respect to collections from such moratorium availed customers, who have started paying their EMIs in advance. Around 50% of the moratorium customers started repaying partial or full installments. During the month of June, the Company also made lot of awareness calls/SMS to customers, explaining to them the impact of the moratorium availed by them. A targeted collection strategy has been built to identify low/medium/high risk customer segments and manage repayments post the moratorium period.

5. Details of impact of CoVID-19 on listed entity's

a. Capital and Financial resources:

- Raised Rs.1200 Cr by way of Equity infusion in Q4 FY 20 to strengthen its Capital Adequacy ratio. Of which Rs.900 Cr was placed through a Qualified Institutional Placement (QIP) process, which was oversubscribed by nearly 4 times by marquee investors, both Domestic and overseas. The balance Rs.300 Cr was subscribed by Promoters.
- The Capital Adequacy Ratio (CAR) of the company as on 30th June 2020, was comfortable at 20.42% (As per Ind AS) as against the regulatory requirement of 15%.

b. Profitability:

The COVID-19 pandemic and lockdown have had an impact on the regular operations of the Company, including lending and collection activities. In respect of the Company's loan book, Management has made one-time additional impairment provisions of Rs.534 Cr in March 20. However, the full extent of impact of the COVID-19 pandemic on the Company's operations, and financial metrics (including impact on impairment provisions on loans) will further depend on government and regulatory guidelines and future developments which are uncertain and incapable of estimation at this time.

c. Liquidity Position:

The Company offered moratorium to customers as per Board approved policy and have not availed moratorium on borrowing repayments. The Company holds strong liquidity position with Rs. 7,169 Cr as cash balance as of Jun'20, with a total liquidity position of Rs.11,677 Cr (including undrawn sanctioned lines). The ALM is comfortable with no negative cumulative mismatches across all time buckets.

d. Ability to service debt and other financing arrangements

Even after extending the moratorium to customers, for the second phase, the cash position is adequate to meet all maturities and fixed obligations till Dec 2020.

e. Assets

In terms of the COVID-19 Regulatory Package of the RBI, the Company has granted to all eligible borrowers, at their request, moratorium on the payment of loan instalments falling due between March 1, 2020 and August 31, 2020, in accordance with the Scheme approved by the Board. The Company has also made impairment provisions on the assets as required under INDAS considering the impact of COVID-19.

Estimates and associated assumptions applied in preparing the financial results, especially in respect of expected credit loss on loans (assets), in addition to historical experience, include other emerging/forward looking factors in estimation of potential stress on probability of defaults and loss given defaults on account of the COVID-19 pandemic. However, considering the inherent uncertainty regarding the severity and duration of the pandemic and the resultant economic impact and other variables, the Company's actual impairment loss could be different from these estimates.

f. Internal financial reporting and control;

There is no impact with respect Internal control and Financial reporting due to COVID-19.

g. Demand for Products and Services

With respect to Vehicle Finance, the Company intends to maintain a strong focus on financing of tractors given the positive industry trends. Demand for Light Commercial Vehicles is expected to be significantly lower than expectation during Q2 FY21 due to lower private consumption, reduced freight demand and lower disposable income among transporters and it is expected that the demand is likely to bounce back from Q3 of FY 21. Two-wheeler segment will have a larger role in elevating the automobile sector in this year by providing affordable personal mobility options. The expectation is from the fact that many users will migrate from public transportation for daily commute. The demand is expected to rebound in the second half of this year. Used commercial vehicle transactions are likely to be least impacted in FY21 considering lower market prices, BS VI transitioning and extended time gap in regularization of the new vehicles supply chain.

With respect to Loan against Property (LAP) customers, assets with lower ticket sizes and loans against Self-Occupied Residential Properties (SORP) are expected to have lesser stress on the portfolio. This constitutes 78% of LAP portfolio. Cashflows of LAP customers, is likely to remain impacted even after the lockdown eases, due to supply

chain disruptions and counterparty debtor risk across the value chain. However, the initiatives taken by Government and RBI towards allowing for moratorium on payment of instalments, priority sector lending, credit guarantee scheme and clearance of past payable dues to MSMEs are expected to help the sector recover.

With respect to home loans, the national mission of 'Housing for All by 2022' continues to be at the forefront of the Government's initiatives. The subsidy offered to customers through the PMAY (Pradhan Mantri Awas Yojana) - CLSS (Credit Linked Subsidy Scheme) has helped in affordable housing growth. Further, RERA (Real Estate (Regulations and Development) Act, 2016) brought in transparency in housing transactions as well as allayed customer fears of investing in under-construction projects thus further boosting demand. Given this environment, the demand for affordable housing continues to remain intact and may emerge as a favored asset class for investors.

6. Existing contracts/agreements where non-fulfilment of the obligations by any party will have significant impact on the listed entity's business;

The entire loan book is of Retail in nature and hence there is no concentration risk of any large loans going bad impacting the financials. The individual exposures are very granular in nature.

7. Other Updates:

The impact of COVID-19 on companies is evolving rapidly not only in India but all over the world. The Company will continue to assess the impact of COVID to business on a periodic basis and if there are any material impact, will update the same to Stock exchanges whenever applicable.
