

August 14, 2013

NSE/ BSE

WDM/ NSDL/CDSL

Dear Sir,

Sub.:Annual General Meeting Proceedings and the Chairman's message

We enclose herewith a copy of the proceedings of the 35th Annual General Meeting held on 31st July 2013 and the Chairman's message, distributed at the venue of the meeting.

We request you to kindly take the above on record and acknowledge receipt.

Thanking you,

Yours faithfully,
For Cholamandalam Investment and Finance Company Limited

P Sujatha
Company Secretary

Encl. : As above

PROCEEDINGS OF THE THIRTY FIFTH ANNUAL GENERAL MEETING OF CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED HELD AT 4 P.M. ON WEDNESDAY, THE 31st JULY 2013 AT THE MUSIC ACADEMY, NEW NO.168 (OLD NO.306), T.T.K ROAD, ROYAPETTAH, CHENNAI 600 014.

1. Mr. M B N Rao took the Chair and declared that the necessary quorum for the meeting was present with 2,570 members registering their attendance.
2. The Chairman welcomed the members and introduced the other directors, secretary and senior management on the dais.
3. The Chairman announced that the Register of Directors' shareholdings maintained under Section 307 of the Companies Act, 1956 was on the table and that it was available for inspection by the members at any time during the meeting.
4. The Chairman further announced that the certificate received from the Statutory auditors of the Company, M/s Deloitte Haskins & Sells, certifying that the Employee Stock Option Scheme - 2007 of the Company had been implemented in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock purchase Scheme) Guidelines, 1999 and the resolutions passed by the members in this regard on 30th July 2007, was available for inspection by the members at any time during the meeting.
5. The Chairman informed that 102 proxies had been received for 100,672,191 shares.
6. With the permission of the members present, the notice convening the meeting was taken as read.
7. The Chairman called upon the Company Secretary to read the auditors' report for the year ended 31st March 2013.
8. The Company Secretary read the auditors' report.
9. The Chairman informed the shareholders that printed copies of his speech had been distributed at the venue of the meeting and those shareholders who had not collected could obtain a copy, if interested.
10. The Chairman called upon Mr. Vellayan Subbiah, Managing Director to make a brief presentation on the developments in the Company during the financial year (FY) 2012-13 and the performance during the quarter ended 30th June 2013.
11. Mr. Vellayan Subbiah made a presentation to the members highlighting the executive summary of FY13 vs. FY12, key initiatives undertaken in FY 2012-13, the geographical presence and an update on human resources, key focus areas for FY 2013-14, financial highlights of FY 2012-13, business lines, key highlights - shareholders / businesses, consolidated financials and the financial results for the first quarter of FY 2013-14.



12. The Chairman proposed the following as an ordinary resolution:

RESOLVED THAT the directors' report, the statement of profit and loss for the year ended 31st March, 2013 and the balance sheet as at that date together with the independent auditors' report thereon be and are hereby considered, approved and adopted.

Mr. N Kalyanam seconded the motion.

Before presenting the motion to the meeting, the Chairman invited queries on the accounts and operations of the Company.

After the queries and comments were made by the members on the performance and operations of the Company and the related issues, the Chairman answered them.

The Chairman then put the motion to the meeting and the same was passed by majority.

13. The Chairman stated that the second item of the notice related to declaration of dividend and proposed the following as an ordinary resolution:

RESOLVED THAT the interim dividend of 25% declared by the Board of Directors on 18th January 2013 on the equity share capital of the Company and paid to those equity shareholders whose name appeared in the Register of Members as on 31st January, 2013 being the record date fixed for this purpose be and is hereby approved for the year ended 31st March 2013.

RESOLVED FURTHER THAT a final dividend of 10% as recommended by the Board of Directors be and is hereby declared on the equity shares of Rs.10/- each of the Company for the year ended March 31, 2013 and paid to those shareholders, in case of shares held in physical form, whose names appear in the register of members as on 31st July 2013 and in case of shares held in dematerialised form, as per the details furnished by the depositories for this purpose.

Mr. M A Kattiresan seconded the motion.

The Chairman then put the motion to the meeting and the same was passed by majority.

14. As the third item of the notice related to his own appointment as a director, as a good convention and practice, the Chairman requested Mr. N Srinivasan, Vice Chairman to preside over the meeting for that item.

Mr. Srinivasan occupied the Chair. The pro-term Chairman introduced Mr. Rao to the shareholders. Mr. Rao is a graduate in agriculture, an associate of the Chartered Institute of Bankers, London and a fellow of the Indian Institute of Banking and Finance. Mr. Rao was the former Chairman and Managing Director of Canara Bank and Indian Bank and is currently serving the board of companies including EID Parry (India) Limited, Neyveli Lignite Corporation Limited and Madras Cements Limited. He has been on the Board of the Company since July 2010. Mr. Rao is the Chairman of the Business Committee, Risk

Management Committee and a member of the Audit Committee and Compensation & Nomination Committee of the Company. After the introduction, the following was proposed as an ordinary resolution:

RESOLVED THAT Mr. M.B.N Rao, who retires by rotation and being eligible for re-appointment, be and is hereby re-appointed as a Director of the Company.

Mr. V Srinivasan seconded the motion.

The pro-term Chairman then put the motion to the meeting and the same was passed by majority. Mr. Srinivasan requested Mr. Rao to take the Chair. Mr. Rao thanked Mr. Srinivasan and resumed the Chair.

15. The Chairman stated that fourth item of the notice related to re-appointment of Mr. R V Kanoria, director retiring by rotation at the meeting. The Chairman stated that Mr. Kanoria had expressed his intention not to seek re-appointment. Mr. Kanoria had been a director on the Board since 1995. On behalf of the Board and shareholders, the Chairman placed on record his sincere appreciation for the contributions made by Mr. Kanoria to the Company during his long association as a director and as the Chairman of the Compensation and Nomination Committee. He further mentioned that the Company has not received any proposal pursuant to Section 257 of the Companies Act, 1956 to appoint a director in the place of Mr. Kanoria and hence the vacancy caused by his retirement was not proposed to be filled up at the meeting.

The Chairman proposed the following as an ordinary resolution:

RESOLVED THAT the vacancy caused by the retirement of Mr. R V Kanoria, Director, who retires by rotation at this Annual General Meeting and who has not offered himself for re-appointment be not filled up.

Mr. Mahesh Waikar seconded the motion.

The Chairman then put the motion to the meeting and the same was passed by majority.

16. The Chairman stated that fifth item of the notice related to re-appointment of auditors of the Company and proposed the following as an ordinary resolution:

RESOLVED THAT M/s. Deloitte Haskins & Sells, Chartered Accountants, Chennai bearing registration no.008072S be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of the thirty fifth Annual General Meeting till the conclusion of the thirty sixth Annual General Meeting at a remuneration of Rs.21.60 lakhs in addition to service tax as applicable and reimbursement of actual travelling and out-of-pocket expenses to be incurred by them in connection with the audit.

Mr. S. Suresh Kumar seconded the motion.

The Chairman then put the motion to the meeting and the same was passed by majority.

17. The Chairman stated that the sixth item of the notice related to increasing the borrowing powers of the Company from Rs.17,500 crores to Rs.40,000 crores. Chairman further stated that this was required in view of the increased volume of operations of the Company planned for the next few years and proposed the following as an ordinary resolution:

RESOLVED THAT in supersession of the resolutions passed earlier, sanction be and is hereby accorded under section 293(1)(d) of the Companies Act, 1956 to the board of directors of the Company to borrow from time to time such sum or sums of money as they may deem fit notwithstanding however, that the total borrowings exceed the aggregate of paid-up capital and free reserves of the Company, provided however that the aggregate of amounts so borrowed and outstanding at any one time (apart from temporary loans obtained from the company's bankers in the ordinary course of business) shall not exceed an amount of Rs.40,000 crores.

Mr. K Arun seconded the motion.

The Chairman then put the motion to the meeting and the same was passed by majority.

Mr. K.P. Krishnakumar proposed a vote of thanks.

As there was no other business to be transacted, the Chairman declared the meeting as closed.



Cholamandalam Investment and Finance Company Limited

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CHAIRMAN'S SPEECH

**Address by Mr. M. B. N. Rao, Chairman
at the 35th Annual General Meeting of the Company held on 31 July, 2013**

LADIES AND GENTLEMEN

On behalf of the board of directors, I have great pleasure in welcoming you to your company's 35th annual general meeting. The company's annual report including the audited accounts for the year ended 31 March, 2013 has been with you for some time now and with your permission I shall take them as read.

ECONOMIC SCENARIO

The world economy continued to struggle with post-crisis adjustments for most part of FY 2012-13. The deep recession in Eurozone, snail's pace growth in US, sharp slowdown in China and in most emerging market economies has weakened the global growth in 2012 to almost 3%. Most of the economies, particularly those in Europe, have suffered due to high unemployment, weak aggregate demand, high public debt burdens, heightened sovereign risks and financial sector fragility. Consequent to the worsening external environment and a weakening internal demand, growth in emerging and developing economies slowed down during the period.

During 2012-13, the Indian economy too remained sluggish with slowdown turning visibly pervasive across most sectors. The GDP growth slowed to 4.8% in January - March 2013 quarter and fell to a decade's low of 5% for entire 2012-13. Dismal investments, rainfall deficiency, consumption de-growth, slackness in external demand and domestic policy uncertainties had adversely impacted the growth. The aggregate demand remained sluggish with inflation hovering at 7.4% in FY 2012-13, although moderation witnessed in the last few months of the FY 2012-13. On the external front, the growing trade deficit resulted in current account deficit reaching an all-time high of 6.7% of GDP in Q3 before it moderated to 3.6% in Q4 of FY 2012-13. However, the moderation in CAD is attributed to non-oil and non-gold imports falling due to slowing economic growth.

Weakened investment sentiment across sectors and slowdown in industrial growth had a significant adverse impact on commercial vehicle demand. The medium and heavy commercial vehicle segment bore the brunt of slowing industrial activity and registered a negative growth of 23% for FY 2012-13. The sharpest contraction in demand was visible for the higher tonnage category of trucks. However, light commercial vehicle segment continued to sustain its growth momentum with an increase of 14.04% in FY 2012-13 over the previous year.

COMPANY PERFORMANCE

Against the above back drop, your company has recorded a robust all-round growth as a result of excellent performance of the businesses, vehicle finance and home equity during FY 2012-13. The company achieved several new milestones in business volumes and profits during the year.

The company disbursed aggregate loans of ₹ 12,118 crores as against ₹ 8,889 crores in the previous year registering a growth of 36%. The net managed assets grew to a record high of ₹ 18,999 crores as against

₹ 13,470 crores in the previous year - a growth of 41% over the previous year. The profit before tax for the year was ₹ 451 crores as against ₹ 290 crores in the previous year. Profit after tax was at ₹ 307 crores for the year as against ₹ 173 crores in the previous year.

Vehicle Finance - (VF)

While the long term prospects of the commercial vehicle industry looks positive and the industry is poised to grow at a compound annual growth rate (CAGR) of 12-14% till 2017-18 (source: CRISIL Research), FY 2012-13 witnessed a sharp correction in demand with a steep decline in the sales of heavy commercial vehicles and a moderation in growth rates of light and small commercial vehicles. Against this backdrop, the company's disbursements in commercial vehicle (CV) business grew by 35% over the previous year to ₹ 9,882 crores. This performance was led by VF's continued focus in the light CV and small CV product categories. VF continues to account for the largest share of the company's asset portfolio with an asset deployment of ₹ 14,369 crores, constituting 76% of net managed assets. The company also entered into Memorandum of Understanding with the Original Equipment Manufacturers (OEMs) for strategic alliances and was accredited with "Preferred Financier" status with India's leading automobile manufacturers.

Home Equity - (HE)

The home equity business remained intensely competitive in 2012-13 with more banks and NBFCs entering the space and existing players strengthening their presence. During the year, the HE business reached a new milestone by crossing the ₹ 100 crores profit before tax mark. The business recorded a disbursement of ₹ 2,161 crores as against ₹ 1,528 crores in the previous year recording a growth of 41% and closed the year with an asset portfolio of ₹ 4,337 crores, constituting 23% of the net managed assets.

Other Businesses

The company realigned its corporate finance business and reduced its finance against shares portfolio in line with its revised focus and strategy in this business. The corporate finance business ended the year with an asset float (net) of ₹ 258 crores which constituted less than 1% of the net managed assets.

The company started offering loans against gold from fiscal 2012 as a pilot project. Considering the turbulence and the several regulatory changes witnessed in the gold loan business, your company decided to withdraw this offering. As on 31 March, 2013, the gold loans disbursed and outstanding stood at ₹ 19 crores which constituted less than 1% of the net managed assets.

New Product offerings

During the year, the company added three new product lines namely home loans, rural financing syndication and micro, small and medium enterprise (MSME) loans on a pilot basis. While home loan business will focus on new home loans for the self employed segment, rural financing business will focus on arranging loans to the farmer community leveraging the relationships of the agri based businesses of the Murugappa Group. MSME business will offer bill discounting, working capital demand loans, bridge loans, pre-shipment credit and term loans to MSMEs.

OTHER SIGNIFICANT EVENTS

The company raised equity share capital of ₹ 300 crores through a qualified institutional placement (QIP) to eligible investors. The company also raised ₹ 698 crores in the form of perpetual debt and subordinated debt instruments to meet the capital adequacy requirements to meet the increased business volumes.

During the year, the wholly owned subsidiary, Cholamandalam Factoring Limited was merged with your company pursuant to sanctioning of the Scheme of Amalgamation by the Hon'ble High Court of Madras by order dated 26 April, 2013, with effect from the appointed date i.e. 1 April, 2012. The company continues to retain its status as an Asset Finance Company by RBI. The capital adequacy ratio was at 19.04% as on 31 March, 2013 as against the minimum capital adequacy ratio prescribed by RBI of 15%.

During the year, the company expanded its branch network significantly. The company increased its presence in 143 new locations in Tier II, Tier III cities and rural towns and increased the total pan-India branches to 518 across India towards growing its vehicle finance and other businesses.

In June 2013, CARE upgraded its rating on subordinated instruments from CARE AA- to CARE AA and on perpetual debt instruments from CARE A+ to CARE AA- and re-affirmed the existing CARE AA rating for long-term non-convertible debentures. The rating denotes a high degree of safety regarding timely servicing of financial obligations. The credit rating of various debt instruments were reaffirmed by the other rating agencies, ICRA, CRISIL and India Ratings during the year 2012-13.

SUBSIDIARIES PERFORMANCE

The securities and distribution business made an aggregate profit before tax of ₹ 1.04 crores as against a loss of ₹ 2.95 crores in the previous year.

Cholamandalam Distribution Services Limited, the wholly owned subsidiary focused on making the retail channel profitable. The company conducted pilot projects in multi-product sales and home loan distribution, as possible future growth engines. In wealth management business, the focus was on containing redemptions and assets under management (AUM) decline in growth with focus on net sales, instead of gross sales mobilisation. The company worked on a strategy on which AMC's to partner with to maximise the franchise value and in getting the maximum business support from other partners like Cholamandalam MS General Insurance Company Limited, HDFC Limited and Tata AIA Life Insurance Company Limited.

For Cholamandalam Securities Limited, another wholly owned subsidiary, the FY 2012 - 13 continued to be a very challenging year with cash volumes in the cash segment having dropped by 4%. However, the company showed improvement in volumes and broking income with the productivity strategy functional across all its branches. The company reduced its costs considerably. The company continued its focus on new client acquisition and activation, new product income and maintaining its yields have helped show improvement over the previous year.

Capital markets are expected to be under stress till such time there is improvement in the overall political scenario and business sentiments.

Both the subsidiaries will take a focused approach to profitable growth, improved productivity and continuously look for high growth opportunities.

REGULATORY DEVELOPMENTS

The draft guidelines of RBI based on the report of the Working Group, headed by Smt. Usha Thorat, former Deputy Governor, RBI was released in December 2012. The draft guidelines contemplate bringing significant changes to be implemented in a phased manner in the areas of corporate governance, disclosures and prudential norms. The changes to prudential regulations include amendments to asset financing company

classification, capital adequacy requirements, standard assets provisioning as well as NPA classification norms. Your company is gearing itself up to meet these regulatory changes.

The year saw further changes to guidelines on securitisation, classification and reporting on frauds, know your customer policy, fair practice code etc.

The board reviews the regulatory changes on a quarterly basis including the potential impact of these guidelines on the company operations and financials with the senior management.

OUTLOOK

The Indian economy continues to be held back by weak investment, particularly in the private sector. However, modest consumption led growth is expected on the back of normal monsoon which could lead to a shallow recovery of 5.6%-5.9% of GDP for FY 2013-14. Although the inflation has moderated and remained within the central bank's tolerance zone in the first three months of the fiscal, weak rupee will intensify the inflationary pressures in India and offset the gains from low global commodity and crude prices. This will pose additional constraints on the monetary policy response to current growth slowdown. Looking at the external imbalances, the current account deficit was high in April 2013 and May 2013 led by record high gold imports. However, gold imports have started to ease substantially and this coupled with lower oil prices augurs well for the trade deficit in the coming months. The trade deficit together with no respite from the capital inflows has pressurised the currency since May 2013. Apprehensions of trimming of Fed Stimulus Package have triggered major reversals in FII debt investment and other interest sensitive instruments. In the absence of domestic policies that need to be attuned to help attract greater capital inflows, the rupee is expected to remain under pressure.

As the underlying demand indicators continue to post a subdued picture, M&HCV segment continue to remain the most impacted. Growth in LCV segment too tapered off since the beginning of FY 2013-14. Marginal recovery is anticipated in the second half of FY 2013-14 on account of normal monsoon and festival season demand. During the current fiscal, medium and heavy commercial vehicle is expected to grow at 3-4% and light commercial vehicle at 8-10%. However, potential pick up in capex cycle and infrastructure development would be critical to sustain the demand for CVs over the medium term.

ACKNOWLEDGEMENT

To conclude, I, on behalf of the company and the board of directors, express my sincere thanks to our customers, stakeholders, bankers, financial institutions, rating agencies, vehicle manufacturers, vehicle dealers, service providers and all other constituents for their valuable support and unstinted co-operation.

To my colleagues on the board, I owe a great deal of gratitude for their prudent counsel and continued guidance. My special thanks and appreciation goes to the employees of the company at all levels for their hard work, dedication and continued commitment. I also take this opportunity to thank all the shareholders for the unstinted support in all our endeavours.

Thank you,

MBN Rao
Chairman