



“Cholamandalam Financial Holdings Limited
Q3 FY26 Earnings Conference Call”

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MANAGEMENT: **MR. SRIDHARAN RANGARAJAN – NON-EXECUTIVE
DIRECTOR – CHOLAMANDALAM FINANCIAL
HOLDINGS LIMITED
MR. N. GANESH – MANAGER AND CHIEF FINANCIAL
OFFICER – CHOLAMANDALAM FINANCIAL HOLDINGS
LIMITED
MR. V. SURYANARAYANAN – MANAGING DIRECTOR –
CHOLAMANDALAM MS GENERAL INSURANCE
MR. SANTOSH PANDEY – CHIEF FINANCIAL OFFICER –
CHOLAMANDALAM MS GENERAL INSURANCE.**

MODERATOR: **MR. PARTH JARIWALA – DAM CAPITAL ADVISORS
LIMITED**

Moderator:

Ladies and gentlemen, good day, and welcome to Q3 FY '26 Cholamandalam Financial Holdings Earnings Conference Call hosted by DAM Capital Advisors Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Parth Jariwala from DAM Capital Advisors Limited. Thank you, and over to you, sir.

Parth Jariwala:

Thank you. Good afternoon, everyone. Welcome to Cholamandalam Financial Holdings Limited Q3 FY '26 earnings call. From the management, we have Mr. Sridharan Rangarajan, Non-Executive Director, Cholamandalam Financial Holdings; Mr. N. Ganesh, Manager and CFO, Cholamandalam Financial Holdings; Mr. V. Suryanarayanan, Managing Director, Cholamandalam MS General Insurance; Mr. Santosh Pandey, CFO, Cholamandalam MS General Insurance.

I'll now hand over the call to the management for their opening remarks, post which we can open the floor for Q&A. Over to you, sir. Thank you.

V. Suryanarayanan:

Thanks. Good afternoon to all of you who have joined the earnings conference call. I welcome Santosh Pandey to the call, who has joined us as the Chief Financial Officer. He's taken over from Mr. Venugopalan, who retired as of 30th November 2025. Santosh joined us in the month of August 2025 and comes with the prior experience with the Aditya Birla Group.

I shall now proceed with the overview of the performance of Chola MS for the quarter and 9 months ended December 2025. In line with the 1/n method of accounting and reporting of GDPI with respect to long-term non-motor business, Chola MS recorded a GDPI of INR2,067 crores for Q3 and INR5,714 crores for the 9 months period.

Chola MS has suffered the loss of crop insurance business consequent to the retender, which impacted the quarter's GDPI by about INR84 crores and cumulatively by INR467 crores for the 9 months. With the base effect of 1/n reporting coming to an end as at the end of Q2, the growth in non-crop business is visible from Q3.

The premium received in advance on long-term non-motor products was INR103 crores for quarter 3 and INR306 crores for the 9 months period. Together with the reinsurance inward business, the GWP for Q3 was INR2,338 crores and INR6,555 crores for the 9 months period. In motor, the principal line of business, the market share stood at 5.25%. Within motor, the company had a composition of 1% in cars, 38% in CVs and 11% in 2-wheelers.

The company secured about 25% of its total motor premium from new vehicles in quarter 3. The company has adopted a cautious stance with respect to growing the 2-wheeler book, particularly new vehicles in the context of the absence of motor third-party premium increases over the last 4 years. The EOM for Chola MS for Q3 stood at 30.63%, which measured without 1/n works

out to 29.27% and is lower than the glide path plan approved by the Board and presented to the regulator.

The EOM for the corresponding quarter of previous year was 33.76%. The claims ratio for the quarter and year-to-date were at 80.5% and 81.1%, which is higher than the levels in the corresponding periods of previous year. Motor OD claims ratio has been higher and also reflects the competitive intensity in the industry.

Chola MS continues to be prudent and conservative in its provisioning for motor TP losses with the level of provisioning a good 12% higher than many of its peers. Recognizing the rising severity in motor third-party claims and the continued absence of increase in motor third-party premium for the last 3 to 4 years, Chola MS stepped up its motor third-party reserving in the year. This has rendered the overall claims ratio higher than the corresponding period by about 3.05%.

Consequently, the combined ratio for 9 months was at 116.2%, which is 113% without the 1/n effect. The combined ratio of 113% includes the impact of motor third-party reserving, which is 3.05%. The investment corpus as at December was over INR18,700 crores, and the company had mark-to-market gains of INR162 crores in debt and INR294 crores in the equity portfolio.

The profit before tax for the 9 months period was at INR346 crores after absorbing the labour code-related gratuity provisioning impact, which was about INR7 crores. The ROE for the 9 months was at 7.9%, not annualized. Solvency was at 2.04x as of December. We'll now be happy to take any questions that you may have.

Moderator:

The first question is from the line of Rachna from SCIL Ventures.

Rachna:

Sir, we had discussed earlier our ambition to sustain ROEs in the 16% to 18% range. Given the current non-annualized ROE at 8%, along with some pressures on loss ratios as well as competitive environment, specifically in motor OD and TP business. Could you please share your thoughts on factors that led to decline in ROE and our plans to improve returns and move back towards the guided 16% to 18% range over the medium, long term?

V. Suryanarayanan:

See, clearly, the motor OD loss ratios is one aspect, which has been going north for the industry. And of course, the numbers of some of the listed entities and others are already available in public domain. One can notice that the -- over a period to period, 9 months to 9 months or even if one were to compare the corresponding -- with the corresponding quarter, we can see that numbers have gone up by 6% to 7% in the motor OD loss ratios for almost all players.

For us, it's been a tad higher. When it is 6% to 7% for others, we have had an 8% to 9% increase in ours. So that is something which we are working at restoring back efficiencies across the operating paradigm. But this is the overhang in which the industry is operating at this point in time.

While that is on the OD loss side with respect to the motor third party, our provisioning, as I had mentioned even in the initial remarks, is clearly about even 14% higher than what

competition has been providing. And that differential is what is reflected in the overall combined ratio as well as the -- ultimately, even the return on equity. So this is broadly the situation.

And of course, in motor third party, these are provisions at this point in time. And these are not actual cash outflows or an actual incurred loss, but what we have been providing based on the actuarial estimates and the view of our appointed actuary on this subject.

Rachna: So sir, our plans to improve ROEs, if you could elaborate on the efforts we are taking?

V. Suryanarayanan: See, this has also been a year where we have been converging to the expense of management glide path. You would notice that even from the initial remarks as well as the data that is put out in Page 46, you will find that the EOM is now at about 30.6%, even at a very extended method of reckoning. And on a full premium basis, which is how we used to measure previously, it has come down to about 29.3%.

So now therefore, with the passing of this year, we should be able to get back to our normal growth path. Plus this year, we were also impacted by the loss of crop business, which was operating at a combined ratio of about 95%. So the loss of that business, which is, as I mentioned, about INR470 crores up to the 9 months, is also impacted. But now next year, we will have a new season tender, which will be across the country.

And for a 3-year tender, the company will be participating and hopes to be back in the crop business units framework next year, which should bring back the profitability related there too and bring the combined ratio under control with obvious improvements in the ROE as well.

Rachna: Okay. One more question. This is a data-related question. If I look at the profit before tax numbers for Chola MS, it is for Q3 FY '26, it's around INR79 crores, if I refer to the report of Chola MS. But the [Inaudible 00:11:47]...

V. Suryanarayanan: Sorry, we missed you. We're missing you...

Rachna: Hello, this is Rachna.

V. Suryanarayanan: Yes, we're missing you.

Moderator: As there is no response from the participant, we'll move to the next. The next question is from the line of Sanketh Godha from Avendus Spark.

Sanketh Godha: Sir, honestly, it's the same question probably on the combined ratio. If I look at your numbers 9 months to 9 months, even if I assume that your motor TP, you have been conservative, there is a possibility of a reversal going ahead. Then the 2 segments which gave the most pain is OD and health and PA on delta change compared to last year to current year. So motor, you already told in the call that you took a corrective action with respect to not chasing 2-wheelers.

Despite not chasing 2-wheelers or taking corrective actions, still our OD loss ratios are higher. So is it fair to say that if the competitive intensity remains the way it is, then are we seeing any respite to happen because one leg of corrective action you have already taken. That's the way I

wanted to understand whether there is any room left over further to take any corrective actions. And honestly, maybe I asked this question last time also.

On health, maybe the loss ratio being 14% is higher compared to the last year. Any way to improve it? Maybe in EOM compliance, we probably do a little more group health. we probably ended up with more combined rather than improving the combined. Any thoughts you have how to change it or -- I mean, honestly, if these 3 products are fixed, I think combines might come back. So I just wanted to understand this part a little better.

V. Suryanarayanan:

Yes. So I think I would draw your attention more to Page 55 first and then come back to Page 53. So Page 55 -- no, the waterfall chart, please. 51, sorry. Yes, 51. See, this waterfall chart highlights as to how the profits have moved from last year to current year. Obviously, the green ones are self-explanatory. So what we have achieved in terms of EOM reduction or what has come by way of investment income, they was not there.

The effect of the TP-linked provisioning vis-a-vis last year is about INR150 crores. And that essentially is the difference between the ultimate numbers for this year and last year. So if we are at INR346 crores plus INR150 crores is INR596 crores, so which should have got -- kept it there. And then if you have to look at increase in LR, which is the non-motor TP LR, which is largely impacted by the motor OD component there, which is where we do expect improvements to come in because of the corrective steps taken.

The decrease in RA commission for the full year is at INR60 crores because the effect of 1/n means that we are not ceding future premiums, and therefore, the commission will come, but it will come in the subsequent years and not get upfronted in the current period income. That is where the position is. And the impact of our inward arrangements, which is has incidentally brought our EOM structure down, but it has had its effect on cost and which is what is reflecting.

So I also mentioned about the loss of crop business, which is running at a 95% COR, which also -- the impact of that is also included in that INR76 crores of increase in LR non-motor TP. So currently, it's a combination of 2, 3 things. But the single large effect is what we have been providing is the increase in TP-linked provisioning, which is INR150 crores for the 9 months.

And as we see the improvements actually pan out, on the operational side, the company has been as efficient as ever in terms of its compromise settlement proportion and the actual severity jumps that we have seen in the 9 months as compared to earlier periods. So at the appropriate time in future, we should be able to make a calculated call on what is actually required and they can then flow back into the P&L in due course.

And now I will go back to the OD loss ratio slide, which is Page 53. Now you will notice that this is the effect that is causing on the motor TP from 71.3% of last year to 78.9%. This is our loss ratio for motor TP. And if you were to compare with the published numbers of motor TP of competition, even making allowances for geography mix that we may have and others may have.

We certainly see that what we are carrying is a reserve conservative stance that we have taken at this point in time. We will wait to see as to how this actually pans out. And when it comes to the motor OD, I certainly see a reduction of at least 3% to 5% over the next 2 quarters.

Sanketh Godha:

Understood. But sir, within the motor part, given you scaled down the 2-wheeler business, the pain is more in CV segment or car segment, which is leading to this little elevated numbers. From...

V. Suryanarayanan:

2-wheeler -- actually to clarify, Sanketh, the 2-wheeler perspective is more from a TP perspective rather than a OD perspective because the OD is invariably only 1 plus 5. It is only 1 year's OD. And technically, the OD loss ratios in 2-wheeler is much, much lower. But the call is that if you are writing for 4, 5 years for the future now and at the price that you are collecting today, the accident may happen next year and in each of those 4 years, it can happen.

And based on the accident year, there will be year-on-year increase in severity plus the view that comes out in the minimum wages already the central government is talking of a revision in central minimum wages to INR25,000, then the compensation levels will certainly go up. So unless there is a fundamental shift in the motor TP pricing that one makes for 2-wheelers, our call is that it may land and it may flex the future if you have to write that business now.

We could have written it. We would have had a good accretion in the investment corpus. We would have had an investment income, but the liability that you will have to provide in the respective 4 years of the future would certainly have gone up. And that is the call that we have taken with respect to pruning or slowing down on the 2-wheeler book now. It is not so much on the OD side, but with a view to protecting the TP of the future is where we have taken this call.

Sanketh Godha:

Understood. But sir, in OD, then the pain is more predominantly sitting into cars or vehicles?

V. Suryanarayanan:

The pressure is more in cars. The pressure actually is more in cars. And that is where -- in fact, as we even talk to competitors, and we ourselves are fairly large in that space. And even when we talk to peers and players bigger than us, and that's where the pain is seen. And these are reflected even in the published numbers of competition as you see.

Sanketh Godha:

But sir, given you said OD will improve back in a couple of quarters' time, then if the competitive intensity is largely there, then any measures like geographic or vehicle models? I don't know. They're just asking you which can led to that improvement in 3, 4 percentage points, what you just told you -- told on OD side.

V. Suryanarayanan:

It is actually some calls with respect to the particular make models that we are playing and to an extent in geography. So that is where the corrections are happening. And we are seeing those changes in the sourcing. It is not reflected for you in the LRs now, but we have the confidence that it will show up in the ODLRs because the sourcing mix and pattern is changing.

Sanketh Godha:

Understood, sir. And maybe on the health and PA part, again, that was also a pain point in my view, given you and other segments actually may not be that much pain...

- V. Suryanarayanan:** This is to do with also -- I did show you in Page 51 on account of the impact by way of some RI arrangements, which is included -- and that is what is impacting this LR. And which is what even in this Page 53, we have indicated that includes effect of reinsurance in transactions.
- Sanketh Godha:** Understood, sir. And then sir, given now we are largely EOM compliant even on one-by-in basis, is it fair to say that you will probably revisit your decision to do a little more long-term health or PA in general, which probably I think in the current year slowed down a bit from an EOM perspective?
- V. Suryanarayanan:** Yes, we should be looking at such opportunities again now that we are closer to the regulatory requirement of the EOM levels. We should be looking at it.
- Sanketh Godha:** Understood, sir. And given our current experience in RI inward has been not as great, given we reported a loss or it was a drag on the profitability. Will we continue to do that business, say, next year or we will revisit in the strategy, which we adopted in the current year to do RI inward business?
- V. Suryanarayanan:** So we will be more careful on the choices of business lines where we do it. That change will happen. So that change will happen. And then fundamentally, see, as I said, we've lost about -- overall about INR590 crores of crop business this year. INR467 crores is already digested in the 9 months and INR124 crores will -- we will take that reduction in Q4.
- So when -- so there has to be some rear guard action, which we had to take. And hopefully, when the new tender cycle opens, we can probably get more crop business under the scheme, which can help bring back a whole lot of reasonableness to the entire number. So it's actually a heavy mix of 3, 4 different factors all operating together.
- One is the crop business loss. Second is the stance that the provisioning that we have done for motor third party, which is significantly higher than what many others have opted to do. Three is the motor OD effect, which has happened in the industry. So I think these 3 have combined together to have leave us with this impact.
- Sanketh Godha:** Sir, then suppose next year, you win crop and you end up with that same 95% combined in crop incrementally and your motor OD, I mean to say, improves by 4, 5 percentage next year compared to what you're reporting today.
- Then is it fair to say that even if you continue to provide the TP at 78%, 79% kind of a number, still a 4%, 5% delta improvement in the loss ratio compared to 81% what you are reporting can happen next year, sir?
- V. Suryanarayanan:** No. See, the proportion, you will have the OD proportion to the total. For us, because of motor heavy focus, the TP component weight will be there. But you can expect that a good portion to come back into the overall loss ratio. Certainly, I think no reason why from an 81.1%, it can't go back to, say, 77%, 77.5% at least. That is very much certainly possible.
- Sanketh Godha:** Understood, sir. And sir...

- V. Suryanarayanan:** Without even considering -- just a minute, Sanketh. So without even considering the possible effect of the surplus provisioning that we may be making at this point in time. When we have a good measure of that, I'm sure it will again come back into the P&L.
- Sanketh Godha:** Yes. Understood, sir. Understood. And sir, maybe it's a million-dollar question. On likelihood of PP price hike, I'm not sure whether you'll be in a position to answer it or...
- V. Suryanarayanan:** We have been guessing and then talking of this, the industry itself has been talking of this for now almost 3 to 4 years. But the only -- I don't know, the positive element that we see is that in the proposed motor vehicle amendment bill, the government is thinking of giving the power back to the regulator for making the pricing correction. So it is there in the draft amendment bill. Hopefully, if that comes through, then probably the regulator may take a sympathetic look on this.
- Sanketh Godha:** Understood. Sir, again, maybe because TP has been a pain, if tomorrow, hypothetically there is no price hike, given we are seeing too many complaints regarding the expenses what insurance companies do to procure the business and regulator probably ask you to cut the commissions and better save there rather than increasing -- asking for a price hike, then is it fair to say that your TP loss ratios will remain at the current level or it can further increase?
- V. Suryanarayanan:** See, at least because we have taken the provisioning, which is higher now. So we are probably -- I would tend to think that we will be in a better position. So because we would have then advanced that absorption. So we would probably be in a better position there. That's how I would tend to look at it.
- Moderator:** The next question is from the line of Rachna from SCIL Ventures.
- V. Suryanarayanan:** She was the one who had earlier asked.
- Rachna:** Yes. Just a data-related question. Why there is a difference in profit before tax for Chola MS General Insurance. See, if the PBT reported in Chola MS report is for Q3 FY '26 is around INR79 crores. And the PBT reported for the insurance business in our parent company, Chola Holdings is INR123 crores. So just wanted to understand the reason between the -- difference between these 2 numbers. If you could please help me understand?
- V. Suryanarayanan:** Santosh, can answer this?
- Santosh Pandey:** Thanks Suri, Rachana, for general insurance companies, the stand-alone books are prepared basis the iGAAP norms. Insurance company have not yet moved to IFRS. However, the holding company is on the IFRS being a CIC. So their profit is computed as per the IndAS accounting standard. That's the reason you are seeing a difference in terms of the profitability shown in Chola statutory book versus the holding company financials.
- Under IndAS, most of the mark-to-market of investment value, everything goes to the P&L, especially relating to the equity. That's the reason there's a higher profit. So there's a different

accounting regime for IndAS versus iGAAP. That's the reason profit is different for Holding company consolidated financials as compared to standalone financials .

Moderator: The next question is from the line of Manish Beria from Sasvat Vridhi LLP.

Manish Beria: So I just wanted to check in case there is a price hike in the third party and since you have done more provisioning right now, so is it fair like a lot of this provisioning will come back, it will be reversed? This is the first question. The second question is on the equity proportion of the investment book, probably we are like single digit. So is there a chance like in the medium term, can we increase it to, let's say, 15% or something like that?

V. Suryanarayanan: Yes. So the first question first, yes, the TP provisioning can go down in the future based on the way our portfolio actually behaves. So while today, it is more precautionary provisioning, so -- and of course, if the price goes up, certainly, I think it will come back. So that's the first part. Second, today, we are equity at about 7%, 6.7% of the portfolio.

Our first half would be to take it up to 10% of the portfolio. And then we'll have to see as to where it can go from there. But you will notice that over the last -- in fact, less than 2 years, it's doubled from 3.5% to about -- close to about 7%, so which is where we have come.

Manish Beria: Okay. And the third one is probably just trying to think that many companies are trying to -- insurance companies are trying to list now. I mean, so obviously, we are not that profitable right now, but let's say, in 2, 3 years, probably become more profitable. So then is there a chance that we want to list this company, general insurance company.

Sridharan: I think we have been taking this call and our view is Board of CFHL will take an appropriate call closer to the time. We have not considered anything at this point in time.

Moderator: The next question is from the line of Ravi Purohit from Securities Investments Management.

Ravi Purohit: Most of my questions have been answered. Just one bookkeeping question to understand the numbers better, right? One of the previous participants had asked about this reported numbers difference between what Chola MS reports and what we report under the holding company, right?

So when we report in the presentation, the ROEs of our business, which is a more representative number that we should be or you also are kind of -- when you kind of evaluate business performance on a day-to-day basis, which numbers does the team there follow? A lot of general insurance companies have started reporting 2 sets of numbers, IFRS, non-IFRS.

So they want everyone to get anchored to IFRS numbers because of allowance of costs spread out over a long period of time, et cetera, et cetera. So if you could kind of help us and guide us to saying which number should we focus on? What is really the true ROE of our business? And what's our long-term view on that?

V. Suryanarayanan: See, the governing framework for insurance company today is only iGAAP. And IFRS, while there is the transition that is going to happen, it is not yet mandated. So we are only doing

[Inaudible 00:33:31] for an IFRS translation. And where will the big changes in IFRS come through broadly in 3 areas when it comes to discounting of liabilities. And given our motor TP provisioning that we are doing, these are all at the full ULRs.

The positive impact that can come for us from a discounting of such liability, which is time indexed can be quite large for Chola MS part. Second is that we are absorbing all costs upfront today, including those that we pay for long-term policies. So where the business or risk is not even commenced.

So when that again is going to be a positive as and when it comes through. To an extent that, yes, the RA commissions could also get deferred. But then there also, we have adopted only a conservative stance of -- with the 1/n, so you are not even seeding anything that is pertaining to the future, even though costs are being incurred upfront. So these are 2 large positives.

Third is on the investment side, where we are not recognizing any mark-to-market benefit and seeing volatility in it. So whichever way you see the numbers, what the company is reporting under iGAAP is conservative -- most conservative is what we would see.

But then we would like the regulations to actually come through before we start talking about the IFRS numbers, which has been our stance. Of course, for the purpose of holding company consolidation, summary workings have been done, which Santosh can explain to you.

Santosh Pandey:

See currently players who are disclosing IFRS numbers as not 100% IND AS converged numbers but yes they are presenting partially converted numbers. Meaning, they have factored only investment mark-to-market, deferment of acquisition cost to offset impact of 1/n premium accounting, aligning deferral of acquisition cost along with premium.

To disclosed IFRS compliant numbers, we need to consider the change in the valuation of liability and others norms. Coming back to our numbers, Chola MS General published all its numbers as per the IGAAP accounting norms, which is prescribed by IRDAI and ICAI for the general insurance company. IndAS adoption has not yet been done for the insurance company in India.

However, holding company is already with the IndAS and all the numbers reported for the holding company are as per IndAS. So we have computed for the Chola MS as per the iGAAP and as per IndAS -- for the holding company. That's the reason you are seeing the number difference.

Answering to your question, which number is better. At this point of time, we believe all General insurance companies are reporting their statutory financial as the IGAAP norms, so correct number to consider is IGAAP because that's as per the regulatory requirement and the statute book. So standalone number shall be considered.

Ravi Purohit:

Yes. So thanks a lot for the clarification. What I really wanted to know is how do you assess internally, right, in the sense whether -- let's say, I think we have long back repeatedly said that we would like to be around the 17%, 18% ROE mark or 16% to 18% ROE mark. So now when

we see ROEs, we see 2 ROEs between the 2 companies, right? So one is, let's say, what the holding company report based on those numbers and one is what Chola MS reports, right?

So which is a true economic ROE, so to speak, right? Whether regulation allows you to report certain things or not. But from your point of view, if you have to analyze your business and you're saying that this is my economic ROE, which number would that be? And if you could kind of just throw some light on that, it would be great.

Santosh Pandey: So for us, if you ask for economic purpose, we always consider the regulatory book numbers are final number, because until the final regulation on IFRS issued by the IRDA, IFRS numbers cannot be considered as appropriate number. But for the holding company consolidated financials, we must consider the IndAS number because they have adopted IND AS.

Ravi Purohit: Okay. So let me ask this differently. When we have mentioned in the previous calls that we would like to be in the 16% to 18% ROE, are we talking about 16% to 18% ROE as per IRDA calculated numbers?

V. Suryanarayanan: Exactly. Yes, which is where we were even last year, we were at 18.3%. It was only under the same framework. Even now, I said 9 months, we were at 8.2% at this point in time, not annualized.

Ravi Purohit: Okay. So is it fair to assume that once the transition happens, the true economic ROE of the business is probably closer to 19%, 20% if those positives that you alluded to earlier get added back to the profit numbers?

V. Suryanarayanan: Definitely, it should be higher only. It can be only higher.

Moderator: As there are no further questions, I will hand the conference over to the management for the closing comments.

V. Suryanarayanan: Thanks once again to each one of you who have participated in the earnings conference call. Certainly, this has been a difficult year so far for the company, but the management is fairly confident that changes will happen, which will put numbers much better in the ensuing quarters. Thank you.

Moderator: Thank you. On behalf of DAM Capital Advisors Limited, that concludes this conference. Thank you for joining us. And you may now disconnect your lines. Thank you.