



“Cholamandalam Financial Holdings Limited  
Q4 FY26 Earnings Conference Call”

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

**Moderator:** Ladies and gentlemen, good day, and welcome to the Cholamandalam Financial Holdings Q4 FY '26 Earnings Conference Call. 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 this conference call, please signal an operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Parth Jariwala from DAM Capital. Please go ahead.

**Parth Jariwala:** Thank you. Good afternoon, everyone. Welcome to the Q4 FY '26 Earnings Call of Cholamandalam Financial Holdings Limited. 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. Rajive Kumaraswami, Managing Director Designate, Cholamandalam MS General Insurance; and Mr. Santosh Pandey, CFO, Cholamandalam MS General Insurance.

I'll 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.

**Sridharan Rangarajan:** So good afternoon to all of you, and welcome to our earnings call. We have our colleagues. I'm happy to introduce Rajive Kumaraswami, who is well known in the industry, who would take over from Suryanarayanan, who has done an exemplary job bringing Chola General Insurance to a creditable level, and he is also kind enough to address today's earnings call. And since you have got already covered very well Chola Finance side, this call will largely focus on the Chola General Insurance performance side. And then there will be an opening remark by Suri, and then later on, we'll open up for Q&A. Thank you.

**V. Suryanarayanan:** Good afternoon. This is Suryanarayanan. Welcome to the earnings conference call. I'll now proceed with the overview of the performance of Chola MS for the quarter and year ended March '26. 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 INR2,048 crores for Q4 and INR7,762 crores for the year ended March. As you are all aware, Chola MS suffered the loss of crop insurance business consequent to the re-tender, which impacted the quarter 4 GDPI by INR124 crores and over INR590 crores for the year.

With the base effect of 1/n reporting coming to an end as at the end of H1, the growth in non-crop business is visible from H2. Together with reinsurance inward business, the GWP for quarter 4 was INR2,349 crores and INR8,904 crores for the year. The premium received in advance on long-term non-motor products for the year was INR410 crores with a market share of 3.3%.

In motor, the principal line of business, the market share stood at 5.25%. Within motor, the company for the year had a composition of 49% plus in cars, 40% plus in CVs and about 10.5% in 2-wheelers. The company for the year secured about 24% of its total motor premium from new vehicles, which proportion was higher in cars, moderate in CVs and the lowest in 2-wheelers.

The company has adopted a cautious stance with respect to growing the 2-wheeler book, particularly new vehicles in the context of absence of motor third-party premium increase over the last 4 years. The EOM for Chola MS for the full year stood at 30.46%, which measured without 1/n works out to 29.12%. As you are aware, FY '26 was the last year of the glide path. The company complied with the requirements on 1/n basis.

The company is amongst the top 3 players in terms of the operating expenses component of the EOM. The claims ratio for Q4 and the year were at 81.3%, which is higher than the levels in the corresponding periods of the previous year. The motor OD claims ratio has risen for many players in the industry and has been rendered higher for Chola MS, reflecting 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 -- booked 10% higher than many of its peers.

Recognizing the rising severity in court awards and third-party claims and the continued absence of increase in motor third-party premium, Chola stepped up its motor third-party reserving in the year. This has rendered the overall company claims ratio higher than the previous year by about 2.71%. Operationally, our proportion of compromise settlements in motor third-party claims continues to be robust.

Consequently, the combined ratio for the year was at 115.2% and 112.2% without the 1/n effect. The combined ratio of 112% includes the impact of the motor third-party reserving augmentation. The investment corpus as at end of the year was about INR19,050 crores without the fair value change. The company had a mark-to-market gains of INR137 crores in equity and a deficit of INR112 crores in the debt portfolio as at the end of the year.

As you're aware, the mark-to-market gains position in equity was rendered lower due to the market meltdown from the geopolitical uncertainty. The position has reverted to a level of about INR302 crores as of yesterday. The PBT for the year was INR454 crores after absorbing labor code-related gratuity provisioning and a small mark-to-market impairment provisioning on equity investments.

The return on equity for the year on average net worth was at 10.4% and the 3-year average ROE peaked at about 14.4%. The solvency ratio was at 1.96x. The Board of the company, after a careful evaluation, has decided that the company will seek forbearance for transitioning statutory accounting to Ind AS from April 1, 2027. This is to ensure a calibrated transition. It is fairly clear that there would be a significant drop in combined ratio in the year of adoption, but would level out over the years.

As was mentioned by Mr. Sridharan, I'm happy to welcome Rajive, an industry veteran, who will be taking over from me effective June 1 in steering the company forward. My heartfelt thanks to all the analysts for their incisive queries and comments, which has kept us on our toes in all our interactions.

We'll now be happy to take any questions that you may have.

**Moderator:** Thank you very much. Your first question comes from the line of Sanketh Godha from Avendus Spark. Please go ahead.

**Sanketh Godha:** Sir, my first question is more on growth. So the GDPI -- actually, the direct premium has declined in the current year. GWP growth is predominantly because of the reinsurance acceptance. Now given we are EOM compliant, will the approach to the business going ahead will be a little different? Whether the focus will be more on direct business? And if that is the case, which lines you will try to recover back a kind of market share to deliver growth in the next year? So that's my first question, sir.

**V. Suryanarayanan:** Yes. So thanks, Sanketh. As I mentioned in the call, we were impacted by the loss of crop of about INR598 crores for the year. And that was the last year of the tender. And as we are all aware, Government of India's guidelines are expected any time and the next cycle of tender across the country will open up.

Chola MS will be participating in the crop business across the states. And therefore, what was lost will definitely we certainly hope to get it back in the crop side. And since we've had a good experience over the years on the direct side of crop business, we should be looking at even growing that piece of business.

**Sanketh Godha:** And any other line of segment, like maybe you chose to slow down even motor segment a bit, especially the OD part. So any revisit to that business given naturally we are -- I mean honestly, that was the reason why I said EOM compliant, whether we'll be -- if crop come back and whether we will do the lines which were traditionally very strong in a way which we used to be in the past.

**V. Suryanarayanan:** Clearly, see, the other aspect of the top line drop is also the conscious reduction in 2-wheeler. You would have seen the percentage drop over a period from 19.6%, we have just come down to about 10.6%. And the quantum of 2-wheeler volume reduction was at least over INR225 crores last year. Look, while that part of the 2-wheeler portion may moderate to an extent further, but you are not going to see the similar level of drop. And you will see that we have been growing in the car side steadily, continuously. And the commercial vehicle book is now is fairly stable at about 40% to 42% of the overall motor composition.

So I think there, we will continue to grow. Our market share, it's not that we have lost in the motor, it's still at about 5.25% despite the drop and conscious drop in 2-wheelers. So that will continue to grow. And as a strategy, we -- our market share, if you have to look at the two segments of OD and TP, our market share in the OD has been growing up and TP has been moderated. In fact, we lost about 0.5% market share in TP and grew the motor OD market share to about 5.89%. So this is the tweak that is happening in the motor side.

And we also have plans to grow the commercial space. We have secured a good level of reinsurance capacity during the year with favorable terms. Of course, the underlying pricing component in the commercial side is not something that we would have liked. But from our position, from our smaller market share position, there is certainly scope to grow and diversify our book on that front.

**Sanketh Godha:** Understood, sir. And sir, the second question is from ROE perspective. See, when we chose to slow down our TP -- sorry, 2-wheeler business, our kind of a leverage, which used to be 6 plus -- 6.2% say, last year, it has dropped to 5.5%. On top of it, our combined also deteriorate, maybe there is a bit of conservatism there with respect to motor TP, but still it is higher compared to the last year.

So if we -- I'm just asking, if we choose not to do 2-wheelers or not to scale up the 2-wheeler business, leverage remaining lower, then heavy lifting of improvement in the ROE will be driven more by combined ratio improvement. So just wanted to understand from that perspective, if leverage remains at 5.5%, honestly, your combined on the IGAAP basis should go to closer to maybe 108%, 109% to deliver 16%, 17%. So just want to understand that part of it where the lever will come from in improvement in the core.

**V. Suryanarayanan:** See, actually, if you look at it, the current year in terms of the claims ratio, I should admit has been bad for us. More in the OD side. See, TP is something what we are doing prudently there and that reserving. It's not that there is a loss in cash flow. It is still -- the cash is still with us. It's only an accounting provision that we have made. But the OD is where -- while it has risen, as I mentioned in the opening remarks for everyone, ranging between 5% to 7%, for us the delta has been about 10%. So -- and that is an area of correction for us, which we have already commenced the necessary activities to bring down the loss ratio.

Over a period of last 2 to 3 months, we have seen about 7% to 8% improvement in the price realization for us, which gives us the confidence that over the next 6 months, we should start seeing the reduction in the motor OD loss ratio. So that, given the proportion, I also talked about an increase in market share with respect to the OD side, that should help us in bringing the combined ratio back to a controllable level and to look at an ROE which is towards the 15%.

**Sanketh Godha:** Okay. Understood, sir. And lastly, on the long-term plans, just want to understand your strategy there incrementally, whether it will be a function of how EOM will change, maybe you've spoken about how the new regulations will come. Just want to understand a bit of there given we were very typically strong player in the long-term plans.

**V. Suryanarayanan:** See, in the long-term side, we continue to do the level of business that we were always doing, which is why you find that in the information deck that the premium received in advance position that we carry in the balance sheet in the non-motor side has only gone up. So I think as at March, we have something like about INR570 crores or so is what we are carrying, which has moved up from INR250 crores as at the previous March '25. So there, we continue to stay focused, notwithstanding the fact that we absorbed the costs upfront. And we do not cede the long term on reinsurance. So there is some value that is getting built into the balance sheet, which is real.

**Sanketh Godha:** Understood, sir. And lastly, last one point is though we have taken forbearance, if we officially -- in FY '28 when you'll adopt officially IFRS, every player will do so. So whether there will be some -- a different approach to the reinsurance business or reinsurance ceding of the -- especially the retail line of businesses or long-term line of businesses so that the benefit what typically

every insurance company gets on reinsurance commissions inward with respect to the long-term plans might change in DAC accounting.

So just wanted to understand whether it will meaningfully change the reinsurance strategy, especially on the retail lines. I understand that wholesale lines, it's more of our risk management. But from retail lines point of view, I just wanted to understand that piece.

**V. Suryanarayanan:** See, you should -- from the numbers, you will understand that intrinsically, Chola MS is a company where retention levels are high. So our retail retention on a weighted basis would be somewhere at about 78 plus. Even the overall, including the blended commercial and retail is at about 72. So it is at about 78 plus. And even when IFRS comes with DAC coming in on both the commission and the reinsurance commission side, my belief is that it will only benefit. The net position will only be a benefit.

**Moderator:** The next question comes from the line of Bunty Chawla from ASK.

**Bunty Chawla:** Thank you for giving me the opportunity. I have...

**Moderator:** Dear sir, we are not able to hear you clearly.

**Bunty Chawla:** One question. As you rightly said, next year, we will be moving towards IFRS. So if I take the current number of FY '26 on claims ratio as 81.2%. While going towards the IFRS, similar number -- what will be the similar number in IFRS accounting per se?

**V. Suryanarayanan:** Yes, I can only broadly give you an overview. So you will find that as a motor dominant business, the provisioning that we have on the motor TP side is fairly large. And motor TP will have a discounting element as you move into IFRS. That will bring in a significant amount of benefit back into the P&L. Santosh, if you want to explain more, you can.

**Santosh Pandey:** While transitioning on the day 1, so entire liability, the present value will get calculated. On the day 1, there will be a big change in terms of the actual liability versus the future liability. So to that extent, it will be first opening will go to the net worth of the company. And later on, whatever the new liability gets added, there the difference of the future value versus the present value will come to the P&L. So to that extent, the benefit to the P&L will come.

**Bunty Chawla:** If you can -- so you have guided for the ROE of around 15%, right? Our target is to achieve that. So can we say that next year, it is possible to achieve that ROE of 15% being beneficial, which we are getting from IFRS point of view?

**V. Suryanarayanan:** Yes. Just to clarify, we will be transitioning to IFRS from April '27. So '25, '26, yes, so we are not migrating to IFRS. I thought I made that clear.

**Bunty Chawla:** Okay. So it's in FY '28, right?

**V. Suryanarayanan:** Yes.

**Bunty Chawla:** Okay. That was very helpful. I have a confusion. And sir, on the expense ratio, what is -- as you rightly said, we have achieved the target in this -- how one should see this ratio going forward? It will remain stable or we should see a decline in this? How one should see this pointer?

**V. Suryanarayanan:** I think the way one should look at it is even for a moment, assuming that the regulator doesn't bring in any change in the regulations from now, the 30% would be the norm, and there is no further glide path. The glide path came to an end with '25-'26. Therefore, all players will have to necessarily will have to comply to this level certainly.

What this thing has helped us over the last 3 years is to do significant belt tightening, which has helped us reduce our opex proportion quite significantly. So I did say earlier in the opening remarks that we are amongst the top 3 in terms of the percentage at that level. I don't see any reason why that advantage will get frittered away in the next year or in the coming years. So that part of the efficiency that has been brought in is for real and for the future as well.

Of course, on the balance portion, which is the larger portion is certainly on the commission that we pay out to the intermediation. There, we would certainly look forward to what the regulator is going to bring about in the expected change. And we can only say that any reduction that the regulator mandates can only benefit us from hereon.

**Bunty Chawla:** Okay. It will be positive for us if any regulation comes to the picture? Okay, sir.

**Moderator:** Your next question comes from the line of Rachna Kukreja from SIMPL.

**Rachna Kukreja:** I had one question on the solvency ratios. This year, it's on 1.96x earlier versus the historical levels of around -- in the range of 2x to 2.15x. So how should we read this? And what would be -- how should we read this? And how will we improve levels going forward?

**V. Suryanarayanan:** The solvency computation is a function of the premium growth as well as the claims growth. So this year, you would have seen that the claims growth is higher, some in terms of a claims ratio. Therefore, it has pulled in more capital. We're bringing the solvency level down from 2.18x to 1.96x as we discussed earlier.

So with the improvement in the claims ratio, it should again move back. Still, the company is profitable and it is adding. Shareholders have been considered not to take a dividend. So the money is getting flowed back into the business to support growth and solvency level. So it is -- it can only move up from that level.

**Rachna Kukreja:** And if you could provide more color on the motor business with respect to the renewal and fresh business and how it performed in FY '26? And what is our strategy for the upcoming year?

**V. Suryanarayanan:** I move to, yes, the Page 53 which is the motor piece. So the big picture, if you look at the motor is that we continue to have that -- we've been fairly steady in terms of the market share and being amongst the top 5 private sector players in the motor business. And you will find that the cars is something that -- which has been going up from 35%, 39%, 42% and 49%. So that's the kind of proportion mix which is being there. We will continue to stay focused on cars.

And over the years, we have also seen the growth in agency coming up. So now that a good base has been built up in the agency, the focus will now be on pushing up the renewal rate. More importantly, we are also -- as a key strategic initiative, very soon, we should be launching Chola Xceed an operating app for our sales personnel and channel partners. This app will help us build a very structured partner engagement and also do good performance management of not just our staff, but also the productivity levels across agents, and simplifying the transaction.

We feel that this app will put us on par with the new age companies in terms of the digital offerings that we can give to our channel partners. So I think that should also give a fillip to our renewal ratios. We know that efficiency in operations and operating digitally certainly gives a leg up in terms of renewals. We certainly hope to encash on that as well.

**Rachna Kukreja:**

More on the motor underwriting business -- underwriting part, any strategy way ahead to reduce underwriting losses?

**V. Suryanarayanan:**

See, it's obvious that the industry has seen the motor combined ratio levels inch up. It's a combination of the competitive intensity, the kind of pressures that are there in the motor OD side and the absence of any TP price revision coming into the market for almost 4 to 5 years, even though the inflation level, both in terms of minimum wages as well as the medical inflation is being there and is real.

We are seeing a minimum wage increase, which is there. And we are also likely to see a central minimum wage prescription by the government in the near future. So these can have an inflationary effect on the motor TP loss levels for the industry as such.

And while the industry has been clamoring for a two-way correction in the motor third-party pricing. One, rationalization reduction where required and increase where required. We've not been getting it, though I think multiple representations at company level, at industry level has happened both to the regulator as well as the ministry.

I think that is something which we honestly look forward. And we are prudent in terms of our reserving, recognizing this. And as I mentioned in the opening remarks, operationally, we continue to be efficient in terms of our own compromise settlements or in tracking and monitoring, pegging the severity inflation levels fairly to lower levels.

**Rachna Kukreja:**

Do you think the motor portfolio requires a pricing restructure to improve our underwriting performance?

**V. Suryanarayanan:**

Yes. Again, as I mentioned in the last 2 to 3 months on the motor OD side, we have affected a pricing correction, whereby we are seeing somewhere about 7% to 8% improved pricing on the OD side, which should help us going forward in bringing down the motor OD loss ratios. TP, of course, it's a government decision. We would only wait and continue to persevere with both the regulator and the government in trying to achieve this.

**Moderator:**

Your next question comes from the line of Ritika Dua from Bandhan.

- Ritika Dua:** Yes. Sir, just one question. Guidance on combined ratio would help? Thank you.
- Rajive Kumaraswami:** Ritika, sorry, this is Rajive Kumaraswami here. So I think as Suri had mentioned, we are on the commercial side of the business, seeing some amount of pricing pressure. So while it is more about managing line sizes at this point in time on the commercial business and increasing spread. I think from an overall group perspective, we typically don't give guidance from a forward-looking perspective. But as I think the team has mentioned that the intent would be from a medium- to long-term perspective, maintain the 15% plus ROE guidance.
- So whatever it takes, whether it is managing float income or combined ratio, we will work towards getting to that objective. And things will need to evolve once we get a little more clarity on what the regulator does on EOM because if there is a reduction on the intermediation costs, what could potentially happen is that premiums may come down and which may reduce the float. So we'll have to navigate things. So I would not want to venture into giving any guidance on what we would do on combined. But yes, we will endeavor to remain at the 15% plus ROE levels.
- Moderator:** As there are no further questions from the participants, I now hand the conference over to the management for closing comments.
- Rajive Kumaraswami:** Yes. Thank you all. And I'd like to wholeheartedly thank Suri for handing over a very solidly built foundation, and I endeavour to not only protect but to build further on that franchise and look forward to interacting with many of you in person and looking forward to more incisive questions and your guidance on how we can make our disclosures better. Thank you once again.
- V. Suryanarayanan:** Thank you.
- Moderator:** Thank you. On behalf of Cholamandalam Financial Holdings, that concludes this conference call. Thank you, everyone, for joining us, and you may now disconnect your lines.