

**Sundaram Finance Limited**  
**Chairman's Speech**  
**71<sup>st</sup> Annual General Meeting – 14<sup>th</sup> August 2024**

Ladies and Gentlemen,

It gives me great pleasure to welcome you all to the seventy first Annual General Meeting of your Company. The Company's annual report and audited accounts for the year ended 31<sup>st</sup> March 2024 have been with you for some time now. With your permission, I shall take them as read.

**GLOBAL ECONOMY**

The global economy has recovered well from the aftermath of a host of factors like the pandemic, inflationary pressures, challenging financial conditions and turmoil in the banking systems in some advanced economies. It has displayed commendable resilience in 2023-24 and achieved greater stability across sectors. According to the International Monetary Fund, the global GDP grew at an estimated rate of 3.2% in 2023.

Inflation has been an area of prominent concern during 2023-24, prompting the central banks in advanced economies to continuously assess their monetary policies and tighten measures to curb the inflationary pressures. Many of them have hinted at a lowering of the interest rates., but there has been reluctance primarily due to persistent inflationary pressure. A growing majority of economists expect the U.S. Federal Reserve to cut interest rates during September and December 2024 according to a recent Reuters poll.

The resurgence across major economies reflects broad-based growth and improvement in the confidence levels across governments and businesses. Emerging-market economies have also generally continued to grow at a solid pace. The benefits of improved macroeconomic policy frameworks, strong investment in infrastructure and steady employment gains are showing results. The conflict in West Asia during the second half of 2023 raised some geo-political concerns as well as market concerns around asset allocation. The pressure on global supply chains has eased, thereby reducing logistical challenges. Despite these positive trends, the global economy faced persistent challenges, including income inequality, rising debt levels, and geopolitical uncertainties.

According to IMF, global growth is projected to continue at the same pace in 2024 and 2025 as the 3.2% growth estimated in 2023. Despite the healthy resilience exhibited by many economies, the IMF remains cautious in its outlook on the global economy. High borrowing costs, withdrawal of fiscal support, impact of the conflicts in Europe and West Asia, geo-political uncertainties and extreme weather conditions caused by global warming seem to be the primary reasons for the caution.

## **INDIAN ECONOMY**

Amidst the global uncertainties and challenges, the Indian economy presented a picture of confidence, positivity and optimism, with strong momentum. The Government's focus on maintaining macro-economic stability ensured that the external challenges had minimal impact on the country's economy. The National Statistical Office had initially estimated the country's GDP growth for 2023-24 at 7.6%. This was subsequently revised to an impressive 8.2%, thanks to a robust 8.4% growth in Q3 of 2023-24 and 7.8% growth in Q4 of 2023-24.

Inflation, which was at 6.7% in 2022-23, moderated to 5.4% in 2023-24, within the upper tolerance level of the RBI's inflation-targeting framework. The Government undertook a set of policy measures such as reduction in customs and excise duties, and restricting exports in select commodities and products. These measures, coupled with timely monetary policy actions of the Reserve Bank of India, have played a crucial role in ensuring the improvement in inflation. Headline inflation has subsequently moderated marginally to 4.8% in April 2024 but continues to be a cause of concern primarily due to the impact of unpredictable weather conditions on agriculture and food prices.

Fiscal deficit moderated to 5.8% in 2023-24 from 6.4% in 2022-23. It has been projected to improve further to 5.1% in 2024-25, thanks to prudent fiscal management and a significant increase in revenue collection over the last few years.

The Indian Rupee remained steady within the range of ₹82 to ₹83.5 per US dollar during 2023-24. It is today one of the least volatile major currencies among both emerging markets and a few advanced economies. The relative stability of the rupee reflects the robustness of India's strong macroeconomic fundamentals, financial stability and improvements in its external position.

## **AUTOMOTIVE SECTOR**

The automotive sector posted a satisfactory performance in 2023-24, with the domestic industry growing by 7-8%, on top of a robust growth of 20% in 2022-23.

The first half of the financial year was uncharacteristically buoyant on economic activity and automotive sector growth. The second half, by contrast, was relatively more tepid with demand slowing down soon after the festival season. Overall, industry sales came in well below expectations and inventory levels at dealerships continue to remain relatively high across nearly all asset classes.

The growth in the domestic automobile industry was led primarily by the passenger vehicle segment, which registered a growth of 8.4%. According to the Society of Indian Automobile Manufacturers, the growth in this segment was driven by strong demand for utility vehicles

which witnessed a significant growth of 25.8% primarily due to a shift in customer preferences and a slew of new model launches.

The commercial vehicle segment grew by a modest 2-3% in 2023-24. Medium & Heavy Commercial Vehicle sales grew by 3-4%. Light and Small Commercial Vehicles grew by a more modest 1-2%. Haulage segment capacity utilisation remained relatively flat at 75-80%. A combination of better infrastructure, increased tonnage & axle load norms and relatively limited improvement in transporter viability suppressed demand for capacity expansion.

The Tractor & Farm Equipment segment witnessed a decline of 11% in 2023-24, although from a high base established in 2022-23 on the back of a 12% growth. The spatial and temporal variations in the near-normal monsoon were unusual. This impacted agricultural yield, rural economic activity as well as rural sentiments.

The Material Handling & Construction Equipment industry had a record-setting year with 26% increase in unit sales. This is primarily attributable to the Government's investments in infrastructure development and to pre-election impetus to projects.

The automotive industry demonstrated its commitment to sustainability by producing vehicles compliant with 20% ethanol and achieving significant growth in electric two-wheelers. OEMs are expected to continue to invest significantly in developing EV and other environment friendly platforms. However, customer acceptance will be the most important determining factor that will influence the pace of adoption of environment friendly vehicles.

Exports continued to remain under stress and witnessed an overall decline of 5.5% during the financial year. There was a decline across all segments except passenger vehicles, which grew marginally by 1.4%.

## **WORKING RESULTS**

I am happy to inform you that your Company's disbursements at ₹26,163 cr. have registered a significant growth of 25% during the year under review, reflecting the focused efforts of the Company. Disbursements across all asset classes have been consistent and registered strong growth. Gross receivables managed by your Company as of 31<sup>st</sup> March 2024, stood at ₹51,385 cr. recording a growth of 28.6% over the previous year. During the year, overall margins continued to be under pressure due to the increase in interest rates. Your Company's "AAA" credit rating and the treasury team's ability to raise resources at competitive rates enabled it to maintain its margins at a reasonably healthy level.

Your Company's superior credit standards, strong customer relationships and systematic collection efforts have ensured best-in-class performance on asset quality. Gross Stage III assets stood at 1.26% and Net Stage III assets closed at 0.63% as at 31<sup>st</sup> March, 2024.

Your Company has been maintaining comfortable liquidity in the form of liquid investments and undrawn bank limits, to meet its maturing liabilities.

Your Company registered a net profit of ₹1,454 cr. compared to ₹1,088 cr. in the previous year, a growth of 33.6%. Excluding a one-time gain through sale of shares in Sundaram Finance Holdings Ltd., net profit closed at ₹1,334 cr., a growth of 22.6% over the previous year. Your Company's net worth stood at ₹9,472 cr., as on 31<sup>st</sup> March 2024. Capital adequacy at 20.50% was comfortably higher than the statutory requirement of 15%.

## **DIVIDEND**

Your Directors are pleased to recommend a final dividend of ₹16/- per share. The interim dividend of ₹14/- per share was paid during March 2024. In aggregate, the total dividend adds up to ₹30/- per share for the financial year ended 31<sup>st</sup> March 2024 on the paid-up capital of ₹111.10 cr. The final dividend, if approved by the shareholders, will be recognised as a liability in financial year 2024-25.

## **PROSPECTS**

The Indian economy is expected to be amongst the fastest growing major economies in 2024-25, backed by strong domestic drivers and macroeconomic fundamentals. The Government demonstrated its strong commitment to infrastructure development by allocating a substantial Rs. 11.11 lakh crores for infrastructure and construction activities. Weak external demand, prolonged geopolitical tensions and unpredictable climate challenges continue to pose risks to the outlook. India's real GDP growth for financial year 2024-25 has been projected at 7.2% by the RBI. Inflation has been showing signs of moderation and has remained within tolerance levels. For financial year 2024-25, inflation has been projected at 4.5%, indicating nominal GDP growth of 11.5-12%. According to the Monetary Policy Committee of the RBI, the disinflation towards the target rate of 4% is likely to be gradual and protracted. Interest rates are expected to remain around the current levels for some time. In its meeting held in early June 2024, the Monetary Policy Committee decided to keep the policy repo rate unchanged at 6.50%.

The Indian Meteorological Department has predicted an above normal south-west monsoon with El Nino effects waning. This is expected to boost agricultural activity and revive rural demand.

The general election results were unexpected. Instead of a comfortable majority predicted by the exit polls, the citizens voted in a coalition government at the centre. The union budget presented by the finance minister in July focuses on fiscal prudence, continued investment in infrastructure and a thrust on skill development and job creation. The trajectory of the

country's economic growth will be driven by how well the coalition government is able to continue the implementation of its policy agenda.

Demand in the automotive industry in the near term is expected to remain steady. Two-wheeler, passenger vehicle, and three-wheeler segment volumes are projected to continue trending upward supported by demand drivers. The commercial vehicle industry is expected to see flat volumes compared to last year due to a healthy base and muted demand.

Under these circumstances, your Company continues to rely on its time-tested Growth with Quality and Profitability or GQP philosophy. Key priorities include:

- i) Delivering growth across all asset classes and geographies to sustain the momentum established in 2023-24,
- ii) Ensuring that the asset quality remains best-in-class,
- iii) Maintaining traditional levels of net interest margin, and,
- iv) Expanding your Company's geographic footprint in the regions of operations and accelerating growth in its new areas of focus.

## **REGULATORY LANDSCAPE**

During the last 3 years, the Reserve Bank of India has been taking various initiatives to strengthen the financial landscape in the country by harmonizing the regulatory framework applicable to banks and NBFCs. Accordingly, under the Master Directions for Scale Based Regulations issued by the RBI on 19th October 2023, your Company is now categorised as a Middle Layer Deposit Taking Non-Banking Finance Company. The focus of the regulator has been primarily on the prevalence of sound business practices, efficient customer grievance redressal mechanisms, effective procedures for prevention of money laundering & terrorism financing and robustness of the information security and cybersecurity framework. I am happy to inform you that your Company is adequately geared up to manage and mitigate various types of risks that are likely to emanate from various quarters. The Management has taken appropriate steps to ensure that the operations, treasury, compliance, risk management, internal audit and information technology teams are well prepared to comply with the regulatory requirements both in letter and spirit.

## **SUBSIDIARIES AND JOINT VENTURES**

Your Company's main subsidiaries have reported satisfactory results for the year under review.

**Sundaram Asset Management Company Limited** is present in the Asset Management business through four entities: Sundaram Asset Management Company Limited, Sundaram Asset Management Singapore Private Limited, Sundaram Trustee Company Limited and

Sundaram Alternate Assets Limited. On a consolidated basis, the assets under management for financial year 2023-24 were ₹72,013 cr. as against ₹55,648 cr. for the previous year. The total revenues amounted to ₹307.63 cr. against ₹270.16 cr. for the previous year. Profit after tax was ₹91.72 cr. as against ₹81.19 cr. in the previous year.

**Sundaram Home Finance Limited** reported 29% growth in disbursements to ₹5,029 cr. and a profit after tax of ₹235.83 cr. in the year under review. The loan portfolio stood at ₹13,812 cr. as at 31<sup>st</sup> March 2024 as against ₹11,181 cr. in the previous year, a growth of 23.5%. Stage 3 assets, gross and net of ECL provisions, stood at 1.16% and 0.50% respectively, as at 31<sup>st</sup> March 2024. The company paid a total dividend of ₹5.823 per share (58.23%) for the year.

**Sundaram Fund Services Limited** earned an income of ₹1.28 cr. during the year as against ₹1.00 cr. in the previous year and reported a profit after tax at ₹0.28 cr., as against loss 0.19 cr. in the previous year.

**Royal Sundaram General Insurance Co. Limited**, the joint venture with Ageas Insurance, reported a Gross Written Premium of ₹3,825 cr. in financial year 2024. This represents a growth of 9% over the previous year. The Company reported a profit after tax as per IND AS of ₹169 cr. for the current year as against ₹44 cr. in the previous year. The current year's profit as per IND AS was higher than the previous year mainly due to "mark to market gain" on equity investments. The Company recommended a dividend of ₹0.70/- per share for the year ended 31<sup>st</sup> March 2024.

## **ACKNOWLEDGEMENTS**

On behalf of the Board and on my own behalf, I place on record my appreciation and gratitude to our customers, depositors, shareholders, bankers, mutual funds and insurance companies, for their continued support and the confidence they have reposed in the Company. I record my special appreciation to Team Sundaram for their dedication and commitment in delivering the highest quality of service to every one of our valued customers.

I thank you for your attention.

---

Note: This does not purport to be a record of the proceedings of the Annual General Meeting of the Company.