Early Warning System

IFC-40278

DCM Chola Masala

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Quick Facts

Countries	India
Financial Institutions	International Finance Corporation (IFC)
Status	Approved
Bank Risk Rating	B
Voting Date	2018-01-12
Borrower	Cholamandalam Investment and Finance Company Limited
Sectors	Finance
Ring Fence	Small & Medium Enterprises
Investment Type(s)	Loan
Investment Amount (USD)	$ 75.00 million
Project Cost (USD)	$ 75.00 million

Project Description

IFC proposes to invest up to INR4.8bn (approx. US$75mn equiv.) in Cholamandalam Investment and Finance Company Limited's ("CIFCL" or the "Company") first rupee denominated offshore bond ("Masala Bond"). IFC would play a catalytic anchor role in the proposed US$125 to US$200mn bond placement by the Company. CIFCL is a leading non-banking finance company headquartered in Chennai, Tamil Nadu and is primarily focused in the rural and semi-urban space in India with approximately 90% of its INR375bn (US$6bn equiv.) portfolio being present across Tier III and Tier IV towns, emphasizing its strong reach and presence in the underserved and frontier markets of India. CIFCL has branch presence largely in to all low-income states ("LIS") of India. The core business segments include vehicle finance, home equity loans, corporate finance, stock broking and distribution of financial products. The shares are listed in the Bombay (BSE) and National (NSE) Stock Exchanges.The proceeds of this investment will be used to extend loans to small road transport operators, most of whom are first time borrowers or driver-turned-owners and to small and medium enterprises in LIS.

People Affected By This Project

Additional Reach: The Company is expected to increase its customer base by 500,000 customers over the next 5 years; as a result, it is estimated that 1 million jobs would be created in this period.Capital Market Development: IFC's support would enable CIFCL to launch its first off-shore local currency bond to international investors and open the platform for further such solid, highly reputable but below international investment grade issuers to access the market. Growth in low income states (LIS): Currently, Chola has ~ 50% of its pan-India footprint in low income states. It is expected that more than 60% of CIFCL's portfolio will be in low income states going forward.

Investment Description

- International Finance Corporation (IFC)

Financial Intermediary

Financial Intermediary: A commercial bank or financial institution that receives funds from a development bank. A financial intermediary then lends these funds to their clients (private actors) in the form of loans, bonds, guarantees and equity shares. Financial intermediaries include insurance, pension and equity funds. The direct financial relationship is between the development bank and the financial intermediary.

- Cholamandalam Investment and Finance Company Limited (Financial Intermediary)
- Cholamandalam Investment and Finance Company Limited (Financial Intermediary) **is owned by** Murugappa Group (Parent Company)

Private Actor Relationship

There is often limited information publicly available about what development banks are funding through financial intermediaries. In 2021, the Early Warning System partnered with Oxfam International to incorporate information on high-risk projects being funded by financial intermediaries receiving funding from the International Finance Corporation (IFC) and the Dutch Development Bank (FMO).

The information listed below describes the relationship between the different private actors linked to high-risk sectors and subprojects of IFC and FMO's financial intermediary investments and/or the financial intermediary's parent companies made from 2017 through 2020, including any associated ring fences.

The database, however, does not explicitly or implicitly imply that IFC or FMO have material exposure to or are contractually or legally accountable to the sub-projects financed by their financial intermediaries or the financial intermediary's parent companies. It only shows a seemingly financial relationship among the different private actors, the financial intermediaries, and IFC or FMO.

Private Actors Description

CIFCL is a leading non-banking finance company headquartered in Chennai, Tamil Nadu and is primarily focused in the rural and semi-urban space in India with approximately 90% of its INR375bn portfolio being present across Tier III and Tier IV towns, emphasizing its strong reach and presence in the underserved and frontier markets of India.

It was incorporated and promoted as the financial services arm of the Murugappa Group (the “Group”). Founded in 1900, the Group is a prominent business conglomerate with 28 businesses including 11 listed companies and workforce of 40,000 employees.

Private Actor 1	Private Actor 1 Role	Private Actor 1 Sector	Relation	Private Actor 2	Private Actor 2 Role	Private Actor 2 Sector
-	-	-	-	Murugappa Group	Parent Company	-

Contact Information

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ACCOUNTABILITY MECHANISM OF IFC

The Compliance Advisor Ombudsman (CAO) is the independent complaint mechanism and fact-finding body for people who believe they are likely to be, or have been, adversely affected by an IFC or MIGA- financed project. If you submit a complaint to the CAO, they may assist you in resolving a dispute with the company and/or investigate to assess whether the IFC is following its own policies and procedures for preventing harm to people or the environment. If you want to submit a complaint electronically, you can email the CAO at CAO@worldbankgroup.org. You can learn more about the CAO and how to file a complaint at http://www.cao-ombudsman.org/