

Sundaram Finance Limited
Chairman's Speech
72nd Annual General Meeting – 23rd July 2025

Ladies and Gentlemen,

It gives me great pleasure to welcome you all to the seventy second Annual General Meeting of your Company. The Company's annual report and audited accounts for the year ended 31st March 2025 have been with you for some time now. With your permission, I shall take them as read.

GLOBAL ECONOMY

During the financial year 2024–25, the global economy demonstrated modest growth amid ongoing geopolitical tensions, persistent inflationary pressures, and monetary policy adjustments. Advanced economies like the U.S. and the Eurozone experienced slower growth due to high interest rates and weakened consumer spending. Emerging markets, particularly in Asia, maintained better economic momentum, largely driven by domestic demand. Inflationary pressures eased in most economies through the course of the year.

In response to the fluidity and complexity unleashed by the global trade and tariff related uncertainty, and increased geopolitical complications, the World Economic Outlook released in April 2025 by International Monetary Fund replaced its usual baseline forecast with a “reference forecast”, which projects a sharp downgrade in global economic activity. World GDP growth is expected to fall to 2.8 per cent in calendar year 2025 and modestly improve to 3.0 per cent in calendar year 2026. This is expected to be considerably lower than the historical average of 3.7 per cent recorded between calendar year 2000 and calendar year 2019.

The global economic outlook is fraught with downside risks. The continuation or escalation of geopolitical tensions, combined with the elevated uncertainty around trade and economic policies, could suppress growth further and undermine investor confidence. Additional risks stem from the erosion of policy buffers, which limits the capacity of governments to respond effectively to future shocks. Despite these headwinds, there are potential upside opportunities. A de-escalation of tariffs and greater clarity on trade policies could restore investor confidence and lift global growth above the current projections. Structural reforms will play a pivotal role in reinvigorating growth and reducing cross-country disparities.

INDIAN ECONOMY

Despite the global uncertainties, the Indian economy registered a healthy growth in financial year 2024-25 relative to the global economy.

According to the Second Advance Estimates by the National Statistics Office, real Gross Domestic Product is estimated to have grown at 6.5% in financial year 2024-25, on top of a 9.2% growth in financial year 2023-24. Agriculture and allied activities witnessed an improvement to register a growth of 4.6 per cent, and services grew by 7.5 per cent, even as industrial growth was low at 4.3 per cent.

On the inflation front, there has been significant recovery, thanks to the Government's efforts to curtail retail inflation through reduction in duties and restriction of exports in select commodities and products, combined with decisive and timely monetary policy actions of the Reserve Bank of India. CPI headline inflation declined from 5.2% in December 2024 to 3.6% in February 2025. This was driven largely by a stable monsoon, steep seasonal correction in vegetable prices and a general easing in food inflation, which dropped to a 21-month low of 3.8%. Core inflation remained stable, inching up marginally to 4.1% due to a spike in gold prices. CPI headline inflation continued its declining trajectory in March and April, with headline CPI inflation moderating to a nearly six-year low of 3.2 per cent (year-on-year) in April 2025 and continuing further down to 2.8% in May.

Due, in large part, to the significant improvement in inflation, the Monetary Policy Committee of the Reserve Bank of India has reduced the Policy Repo Rate during February and April 2025 by 25 basis points each and delivered a further reduction of 50-basis points in the Policy Repo Rate to 5.5% in its June 2025 meeting. The June meeting also announced a liquidity boosting, staggered Cash Reserve Ratio reduction of 100 basis points. These measures are expected to bolster private consumption and support a revival in private corporate investment activity.

Fiscal deficit moderated further from 5.5% in 2023-24 to 4.7% in 2024-25. It has been estimated to improve further to 4.4% of GDP in financial year 2025-26, thanks to prudent fiscal management by the Government and supported by appreciable increase in revenue collection over the last few years.

During financial year 2024-25, the Indian Rupee remained steady within the range of ₹83-88 per US\$, positioning it as one of the least volatile major currencies among both emerging markets and a few advanced economies.

AUTOMOTIVE SECTOR

The performance of the Indian automobile industry in financial year 2024–25 was satisfactory. According to the Society of Indian Automobile Manufacturers, wholesale despatches by the industry grew by 7.3% in domestic sales and exports grew by 19.2%.

The first quarter of the year witnessed general elections and a particularly hot summer. Government spending on infrastructure was lower than expected and demand for commercial and passenger vehicles was weak. While the second half witnessed some improvement in sentiment, global events and geopolitical tensions had an overhang on overall demand.

The passenger vehicle segment posted its highest ever domestic sales in financial year 2024-25 of 4.3 million units, albeit with a moderate growth of 2% as compared to financial year 2023-24. Utility vehicles continued to drive growth, contributing 65% of total passenger vehicle sales, as compared to about 60% in financial year 2023-24. The growth was supported primarily by attractive discounts and promotional offers.

Electric Vehicle adoption saw relatively strong growth in financial year 2024–25 with a 17% increase supported by growth across Electric Passenger Vehicles, e-Two-Wheeler and e-Three-Wheeler segments.

The commercial vehicle segment witnessed a decline of 1.2% in financial year 2024-25, compared to the previous year. However, the segment posted a growth of 1.5% in the last quarter of financial year 2024-25.

The performance of this segment has been supported effectively by the expanding highways and expressway network, which is playing a crucial role in reducing logistics costs and enhancing regional connectivity. Equally, the infrastructure development has helped this segment in driving sales of buses for inter-city travels and increasing focus on mass-mobility in intra-city routes.

The Tractor & Farm Equipment segment rebounded with a year-on-year growth of 8.4% in financial year 2024-25 despite adverse erratic rainfall and an unusually hot summer in the first half of the year. The segment experienced a recovery in the latter part of the year, aided by favourable monsoon conditions, robust procurement along with increased minimum support prices and higher rural income.

WORKING RESULTS

I am happy to inform you that your Company's disbursements at ₹28,405 crores have registered a moderate growth of 8.6% during the year under review, amidst the uncertainties in external demand. While your Company has recorded growth across all geographies, growth has been muted in some asset classes. Gross receivables managed by your Company as of 31st March 2025, stood at ₹60,290 crores recording a growth of 17.3% over the previous year. During the year, margins continued to be under pressure. Your Company's ability to price risk well, its 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 1.44% and Net Stage III assets closed at 0.75% as at 31st March, 2025.

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 ₹1,543 crores compared to ₹1,454 crores in the previous year, a growth of 6%. Your Company's net worth stood at ₹11,139 crores, as on 31st March 2025. Capital adequacy at 20.42% was comfortably higher than the statutory requirement of 15%.

DIVIDEND

Your Directors are pleased to recommend a final dividend of ₹21/- per share. The interim dividend of ₹14/- per share was paid during February 2025. In aggregate, the total dividend adds up to ₹35/- per share for the financial year ended 31st March 2025 on the paid-up capital of ₹111.10 crores. The final dividend, if approved by the shareholders, will be recognised as a liability in financial year 2025-26.

PROSPECTS

India is well-positioned to remain one of the fast-growing major economies in the world in financial year 2025–26. While global headwinds persist, India's domestic fundamentals and focus on infrastructure provide a good foundation for sustained economic momentum. India's economic outlook for the fiscal year 2025-26 presents a cautiously optimistic picture, underpinned by robust domestic drivers, improving inflationary trends, an accommodative monetary policy stance, and focused fiscal consolidation efforts.

The Government's continued investment in infrastructure is expected to provide support to economic activity. Inflation outlook has turned positive with substantial moderation in food

prices. The outlook for India's agriculture sector in financial year 2025-26 appears promising, supported by healthy reservoir levels and strong crop yields. Manufacturing activity is showing signs of recovery, underpinned by positive business sentiment, while the services sector continues to display resilience.

Both rural and urban consumption demand are poised for take-off. Rural sentiments are expected to improve on account of normal monsoons predicted and the prospects of robust procurement. On the urban front, due to the resumption in government spending on infrastructure and the introduction of personal income tax benefits announced in the Union Budget, there is an expectation of an increase in demand.

However, persistent global uncertainties, including the recent escalation in trade protectionism, pose downside risks resulting from global growth slowdown, elevated volatility in the financial markets, and low customer and investor confidence. While India could be in a better position to manage and mitigate such risks, the global disturbances can have some impact on the domestic economy.

Given these uncertainties, the RBI Monetary Policy Committee has revised its financial year 2025-26 GDP growth estimates downwards to 6.5% and has projected the CPI inflation for financial year 2025-26 at 4%.

The prospects of the automotive sector will largely mirror the balanced set of risks that the broader macro economy is faced with. Financial year 2025-26 is expected to reflect the cautious optimism for the automotive sector that India's economy is faced with.

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 ensure a healthy and sustainable momentum,
- ii) Ensuring that the asset quality remains best-in-class,
- iii) Maintaining traditional levels of net interest margin and operating expense ratio, and,
- iv) Expanding your Company's geographic footprint in its regions of operations and accelerating growth in its new areas of focus.

REGULATORY LANDSCAPE

The Reserve Bank of India has been continuously emphasising the importance 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 cyber security framework. With a view to achieving this end, the regulator has been taking a number of initiatives to strengthen the regulatory framework applicable to banks and NBFCs. 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: On a consolidated basis, the assets under management for financial year 2024-25 were ₹76,008 crores as against ₹64,072 crores for the previous year. The total revenues amounted to ₹515.31 crores against ₹456.85 crores for the previous year. Profit after tax was ₹153.53 crores as against ₹111.91 crores in the previous year.

Sundaram Home Finance Limited reported 30% growth in disbursements to ₹6,534 crores and a profit after tax of ₹244.66 crores in the year under review. The loan portfolio stood at ₹17,408 crores as at 31st March 2025 as against ₹13,812 crores in the previous year, a growth of 26.03%. Stage 3 assets, gross and net of Expected Credit Loss provisions, stood at 1.02% and 0.53% respectively, as at 31st March 2025. The company paid a total dividend of ₹6.04 per share (60.42%) for the year.

Royal Sundaram General Insurance Co. Limited, the joint venture with Ageas Insurance, reported a Gross Written Premium of ₹4,065 crores in financial year 2025. The company reported a profit after tax as per IND AS of ₹133 crores for the current year as against ₹169 crores in the previous year. The current year's profit as per IND AS was lower than the previous year mainly due to mark to market loss. The company paid an interim dividend of ₹0.60/- per share and has recommended a final dividend of ₹0.30/- per share for the year ended 31st March 2025.

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.