

BOX I: HOW THE MURUGAPPAS EXERCISE CONTROL THROUGH AMBADI INVESTMENTS LTD

In this section, we analyze how Chola Business Services Limited (CBSL) and CIFCL are related parties in the light of the Indian Accounting Standards-110 (IndAS-110). In addition, it will be in order to bring to light how the Murugappa Group promoters hold control over the decision-making processes of these companies through Ambadi Investments Limited.

Here is two-step analysis deconstructing the interrelationship between CBSL, CIFCL, Ambadi Investments Limited, Cholamandalam Financial Holdings Limited (CFHL).

(a) Ambadi Investments and Chola Financial Holding Limited and CIFCL

How IndAS-110 defines related parties:

Control, power over the investee, The investor's voting rights, related parties of the investor,

The relationship has been explained below in two stages:

- a) Ambadi Investments Limited and Chola Financial Holding Limited and CIFCL.
- b) Amnadi Investments Limited and CIFCL

A. Analysis of relationship between Ambadi Investments Limited and Cholamandalam Financial Holdings Limited with reference to De facto control Defined in IndAS-110

1. Shareholding pattern of Cholamandalam Financial Holdings Limited from March 2017 to September 2025

Particulars	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25	Sep-25
Promoter Group										
Murugappa Holdings Ltd.	34.96									
Ambadi Investments Limited	3.08	38.22	37.91	37.70	37.70	37.70	37.69	37.69	37.69	37.69
Other promoters	11.86	11.70	11.61	11.10	11.10	10.92	10.70	9.68	8.76	8.73
Promoters +	49.90	49.92	49.52	48.80	48.80	48.62	48.39	47.37	46.45	46.42
Fils +	13.24	11.99	10.58	10.30	10.78	11.66	11.99	13.78	17.68	17.39
Dils +	14.70	17.11	19.26	25.69	27.01	25.64	26.56	25.24	21.80	22.52
Government +	-	-	-	-	-	-	0.46	0.46	0.46	0.46
Public +	21.78	20.59	20.26	15.22	13.42	14.09	12.59	13.15	13.62	13.21
Others +	0.38	0.38	0.38	-	-	-	-	-	-	-
Total	100.00	99.99	100.00	100.01	100.01	100.01	99.99	100.00	100.01	100.00
Total No. of Shareholders	22,941	22,499	20,651	20,168	20,697	21,279	21,678	32,532	46,380	47,995
Highest % of single Share holders other than promoter	6.79	6.94	6.62	7.62	7.19	7.71	7.05	6.22	5.51	4.61

2. The relevant extract of Ind AS-110 is as under:

Control

7. Thus, an investor controls an investee if and only if the investor has all the following:

a) *power over the investee (see paragraphs 10–14);*

b) exposure, or rights, to variable returns from its involvement with the investee (see paragraphs 15 and 16); and

c) the ability to use its power over the investee to affect the amount of the investor's returns (see paragraphs 17 and 18).

The investor's voting rights

B41 An investor with less than a majority of the voting rights has rights that are sufficient to give it power when the investor has the practical ability to direct the relevant activities unilaterally.

B42 When assessing whether an investor's voting rights are sufficient to give it power, an investor considers all facts and circumstances, including:

(a) the size of the investor's holding of voting rights relative to the size and dispersion of holdings of the other vote holders, noting that:

- i. the more voting rights an investor holds, the more likely the investor is to have existing rights that give it the current ability to direct the relevant activities;*
- ii. the more voting rights an investor holds relative to other vote holders, the more likely the investor is to have existing rights that give it the current ability to direct the relevant activities;*
- iii. the more parties that would need to act together to outvote the investor, the more likely the investor is to have existing rights that give it the current ability to direct the relevant activities;*

(b) potential voting rights held by the investor, other vote holders or other parties (see paragraphs B47– B50);

(c) rights arising from other contractual arrangements (see paragraph B40); and

(d) any additional facts and circumstances that indicate the investor has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

B45 However, the factors listed in paragraph B42 (a)–(c) alone may not be conclusive. If an investor, having considered those factors, is unclear whether it has power, it shall consider additional facts and circumstances, such as whether other shareholders are passive in nature as demonstrated by voting patterns at previous shareholders' meetings. This includes the assessment of the factors set out in paragraph B18 and the indicators in paragraphs B19 and B20. The fewer voting rights the investor holds, and the fewer parties that would need to act together to outvote the investor, the more reliance would be placed on the additional facts and circumstances to assess whether the investor's rights are sufficient to give it power. When the facts and circumstances in paragraphs B18–B20 are considered together with the investor's rights, greater weight shall be given to the evidence of power in paragraph B18 than to the indicators of power in paragraphs B19 and B20.

B18 In some circumstances it may be difficult to determine whether an investor's rights are sufficient to give it power over an investee. In such cases, to enable the assessment of power to be made, the investor shall consider evidence of whether it has the practical ability to direct the relevant activities unilaterally. Consideration is given, but is not limited, to the following, which, when considered together with its rights and the indicators in paragraphs B19 and B20, may provide evidence that the investor's rights are sufficient to give it power over the investee:

The investor can, without having the contractual right to do so, appoint or approve the investee's key management personnel who have the ability to direct the relevant activities.

(b) The investor can, without having the contractual right to do so, direct the investee to enter into, or can veto any changes to, significant transactions for the benefit of the investor.

(c) The investor can dominate either the nominations process for electing members of the investee's governing body or the obtaining of proxies from other holders of voting rights.

(d) The investee's key management personnel are related parties of the investor (for example, the chief executive officer of the investee and the chief executive officer of the investor are the same person).

(e) The majority of the members of the investee's governing body are related parties of the investor.

B19 Sometimes there will be indications that the investor has a special relationship with the investee, which suggests that the investor has more than a passive interest in the investee. The existence of any individual indicator, or a particular combination of indicators, does not necessarily mean that the power criterion is met. However, having more than a passive interest in the investee may indicate that the investor has other related rights sufficient to give it power or provide evidence of existing power over an investee. For example, the following suggests that the investor has more than a passive interest in the investee and, in combination with other rights, may indicate power:

(a) The investee's key management personnel who have the ability to direct the relevant activities are current or previous employees of the investor.

(b) The investee's operations are dependent on the investor, such as in the following situations:

- i. The investee depends on the investor to fund a significant portion of its operations.*
- ii. The investor guarantees a significant portion of the investee's obligations.*
- iii. The investee depends on the investor for critical services, technology, supplies or raw materials.*
- iv. The investor controls assets such as licences or trademarks that are critical to the investee's operations.*

- v. *The investee depends on the investor for key management personnel, such as when the investor's personnel have specialised knowledge of the investee's operations.*

(c) A significant portion of the investee's activities either involve or are conducted on behalf of the investor.

(d) The investor's exposure, or rights, to returns from its involvement with the investee is disproportionately greater than its voting or other similar rights. For example, there may be a situation in which an investor is entitled, or exposed, to more than half of the returns of the investee but holds less than half of the voting rights of the investee.

B20 The greater an investor's exposure, or rights, to variability of returns from its involvement with an investee, the greater is the incentive for the investor to obtain rights sufficient to give it power. Therefore, having a large exposure to variability of returns is an indicator that the investor may have power. However, the extent of the investor's exposure does not, in itself, determine whether an investor has power over the investee.

B21 When the factors set out in paragraph B18 and the indicators set out in paragraphs B19 and B20 are considered together with an investor's rights, greater weight shall be given to the evidence of power described in paragraph B18.

3. **Analysis**

Shareholding structure Analysis

In accordance with Ind AS 110, paragraph B42(a), AI Limited has remained the single largest shareholder of CFHL throughout 2018–2025 with a consistent holding of approximately 38%, alongside other promoter holdings ranging between 11.86% and 8.73%. As no other individual shareholder holds more than 10% of CFHL, the remaining shareholding is highly dispersed. Based on the relative size of AI Limited's voting rights compared to other shareholders, this dispersion provides AI Limited with the practical and current ability to direct the relevant and core operating activities of CFHL.

AGM Voting results analysis for adoption of financial statements of CFHL.

Particulars	For the year ended on 31st March					
	2018	2019	2020	2022	2023	2025
Total No. Shares	18,76,36,826	18,77,09,004	18,77,16,030	18,77,47,892	18,77,77,462	18,77,77,462
Total No of vote casted	12,97,99,512	13,92,33,438	14,79,21,024	15,24,46,476	15,14,46,866	15,30,83,400
Total No of vote casted in favour	12,97,99,408	13,92,33,256	14,79,18,514	15,23,31,366	15,14,46,816	15,30,70,440
Casted by promoter in favour	9,08,21,880	9,08,21,880	9,01,31,279	8,90,60,782	8,88,05,382	8,66,66,462
% of promoter	69.97%	65.23%	60.93%	58.42%	58.64%	56.61%
AI limited from Promoter	7,00,66,595	7,00,66,595	7,07,66,595	7,07,66,595	7,07,66,595	7,07,66,595
% of AI Limited	53.98%	50.32%	47.84%	46.42%	46.73%	46.23%

As required under **Ind AS 110, paragraph B42(d)**, the AGM voting results for adoption of the financial statements demonstrate that no other shareholder or group of shareholders possesses substantive rights or the practical ability to prevent AI Limited from exercising its voting power over CFHL. Across all years reviewed, AI Limited and the promoter

group together have consistently secured more than 56%–70% of the votes actually cast at the AGM. AI Limited alone has exercised between 46% and 55% of the total votes cast, whereas no other individual shareholder holds even 10%, and the remaining votes are dispersed among a large number of institutional and public shareholders with individually insignificant holdings. There is no indication of any coordinated voting patterns, shareholder alliances, or rights that could counter or restrict AI Limited's decisions. Accordingly, the AGM outcomes confirm that other shareholders do not have substantive rights or the practical ability to block AI Limited from directing the relevant activities of CFHL.

Para B18 – Practical Ability to Direct Relevant Activities

Para B18 requires the entity to assess whether it has the practical ability to direct relevant activities, even without explicit contractual rights. Applying these factors:

(A) Ability to influence appointment of key management

AI Limited, as the dominant promoter (contributing ~78–82% of promoter votes), has the practical ability to influence or approve appointment of directors and key managerial personnel. AGM voting patterns indicate that resolutions requiring shareholder approval are passed primarily because of AI Limited's voting block.

CFHL has following directors other than independent directors-

- (i) Mr. M. M. Murugappan (Chairman)- Also director of AI limited
- (ii) Mr. Sridharan Rangarajan- Also director of AI limited
- (iii) Mr. B Ramaratnam
- (iv) Ms. Vasudha Sundararaman- Also director of AI limited
- (v) Mr. Vellayan Subbiah- Also director of AI limited
- (vi) Mr. K. Balasubramanian – Also director of AI limited

All directors of CFHL, other than the independent directors, also serve as directors of AI Limited. This demonstrates that AI Limited has the practical ability to influence or approve the appointment of directors and key managerial personnel of CFHL, consistent with the indicators of power described in paragraph B18 of Ind AS 110

4. Conclusions

Based on the evaluation performed under Ind AS 110, including detailed analysis of Paras B18, B19 and B42(a)–(d), it is concluded that AI Limited exercises de facto control over CFHL. AI Limited holds ~38% equity and is the single largest shareholder, while all other shareholders individually hold less than 10%, with the balance widely dispersed across public and institutional investors. AGM voting data (2018–2025) demonstrates that AI Limited consistently casts 46%–55% of total votes, effectively dominating meeting outcomes, with the promoter group collectively accounting for 56%–70% of votes cast.

There are no contractual arrangements, blocking rights, coordinated shareholder groups or substantive rights held by other parties that limit or prevent AI Limited from directing CFHL’s relevant activities. The relative size of AI Limited’s voting rights, the historical voting patterns, and the absence of countervailing shareholder power confirm that AI Limited possesses the current ability to direct the relevant and core operating activities of CFHL.

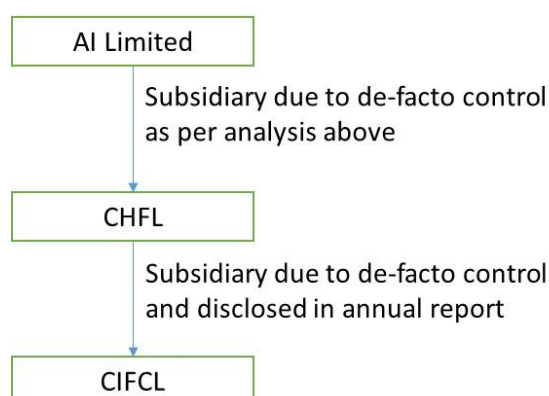
Accordingly, CFHL meets the definition of a “Subsidiary” of AI Limited under Ind AS 110 and related party definition as per SEBI LODR as it is related party under applicable Accounting standard i.e. Ind AS

5. Self Admission

Further the group in its self had declared De facto control in case of CFHL and CIFCL

Extract of Annual report of CFHL (Refer page 36 and 42 of ABS for FY 2024-25 of CFHL)

“The Company holds 44.34% in the paid –up equity share capital of CIFCL as on Mar 31, 2025 and has de-facto control as per the principles of Ind AS 110. Accordingly, CIFCL is treated as a subsidiary for the purpose of consolidation of financial statement...”



B. Analysis of relationship between CIFCL and CBSL

1. As per the analysis above, AI Limited is the holding company and CIFCL is the subsidiary company through CHFL. In a similar principle, Chola Business Services Limited (CBSL) is also the subsidiary company of AI Limited. A brief explanation around the same is explained below.

2. The shareholding pattern of CBSL is as under:

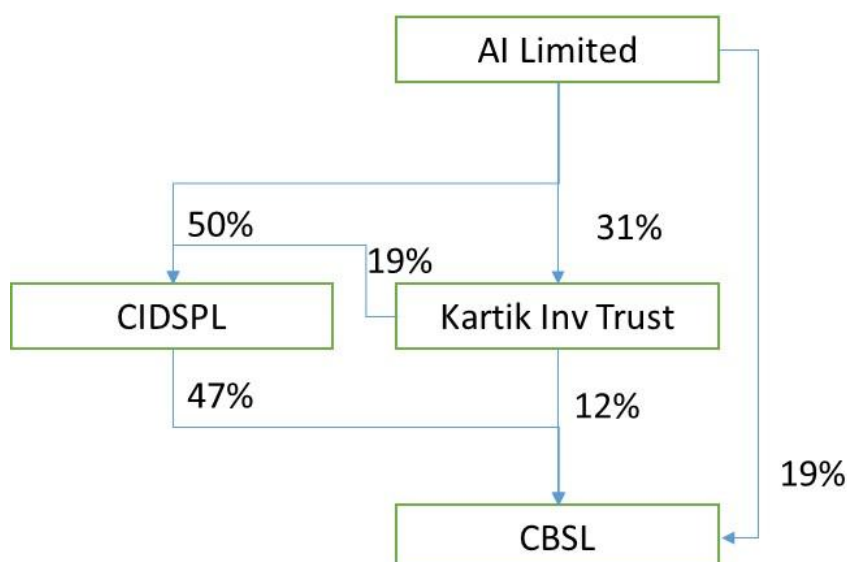
S. No.	Name	% holding
1.	Chola Insurance Distribution Services Pvt. Ltd.	47

	(CIDSPL)	
2.	Kartik Investments Trust Limited	19
3.	Ambadi Investments Limited	19
4.	Ambadi Enterprises Ltd	14

The shareholding pattern of CIDSPL is as under:

S. No.	Shareholders	No. of Shares	Percentage Shareholding
1.	CIFCL	19,133	19
2.	Kartik Investments Trust	12,084	12
3.	Chola Business Services Ltd.	19,133	19
4.	Ambadi Investments Ltd.	50,350	50
Total		1,00,700	100

3. AI Limited is holding majority in CBSL directly/indirectly as per diagram under:



4. The effective shareholding of CBSL with respect to AI Limited works out as under:

S. No.	Particulars	% shareholding
1.	Directly by Ambadi Investments Ltd	19.00
2.	Ambadi Investments Ltd through CIDSPL (50%*47%)	23.50
3.	Ambadi Investments Ltd through Kartik Investment Trust (50%*47%)	3.72
4.	Ambadi Investments Ltd through Kartik Investment Trust and CIDSPL (19%*50%*47%)	4.46
Total		50.68

5. The aforesaid table suggests that CBSL is the subsidiary of AI Limited by virtue of it controlling more than 50% voting right of CBSL. Further, as explained above, CIFCL is

the subsidiary of AI Limited. On combined reading it is clearly evident that both CIFCL and CBSL are fellow subsidiaries in terms of Ind AS 110.

6. Ind AS 110 is applicable to CIFCL before FY 2022-23 and both CIFCL and CBSL are fellow subsidiaries. The transaction between CIFCL and CBSL was required to be disclosed as related party transaction in the annual report of both the company. The transaction were not reported prior to FY 2022-23 and were concealed. It was SEBI in FY 2022-23 which obligated all promoter group entities to report related party transactions irrespective of any holding/control.