



INDOSTAR CAPITAL FINANCE LIMITED

18 June 2020

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Note : The figures for the previous period have been adjusted, wherever considered necessary to conform with the financial reporting requirements.

Our Recent Past

- ✓ Build up of retail infra & team across multiple segments – CV, SME and Housing
- ✓ Steady reduction in the wholesale book

Present Situation

- ✓ Strong position on capital and liquidity
- ✓ Normalizing Covid impact
- ✓ Prudent cost management
- ✓ Favorable industry dynamics

Future : Next 2 years

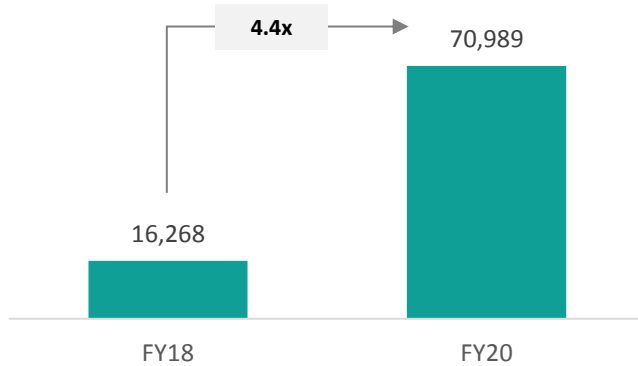
- ✓ Sector outlook; Calibrated organic growth across retail segments
- ✓ Opportunistic tuck in M&A
- ✓ Alignment for long term value creation

Our Recent Past : Last 3 years

- ❖ **Build up of retail infra & team across multiple segments – CV, SME and Housing**
- ❖ Steady reduction in wholesale book

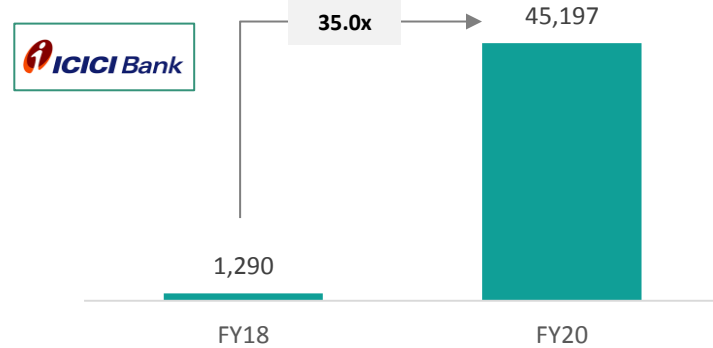
Significant growth in Retail AUMs across segments

4x+ growth in Retail AUM

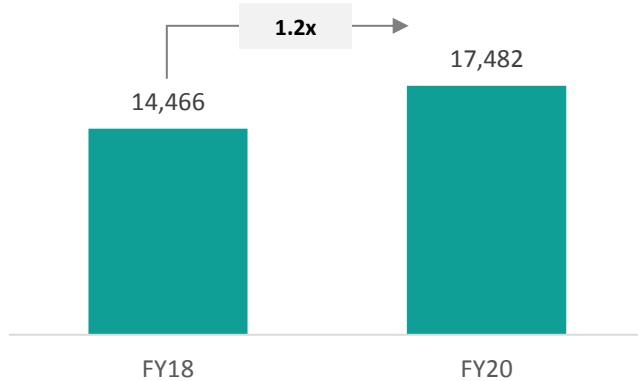


35x growth in Vehicle Finance AUM

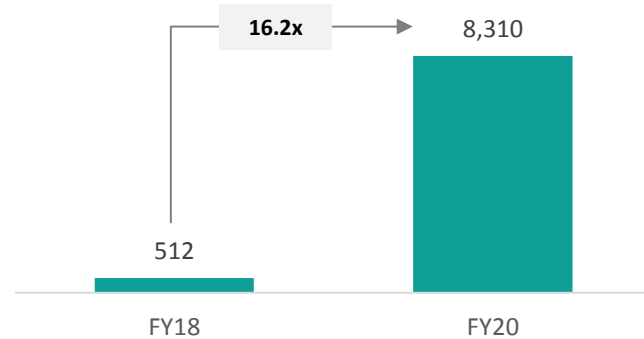
★ Scaled up ICICI Bank Partnership to AUM of INR 7,504 million



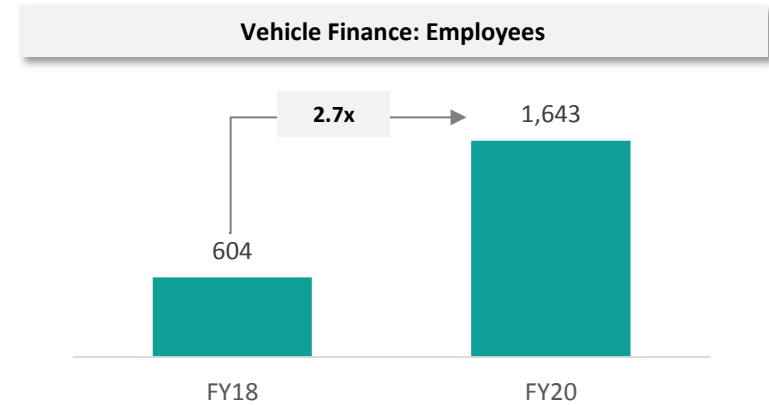
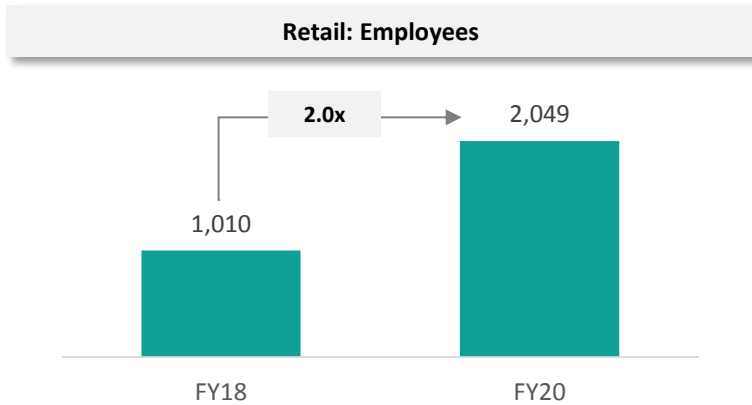
1x+ growth in SME Finance AUM



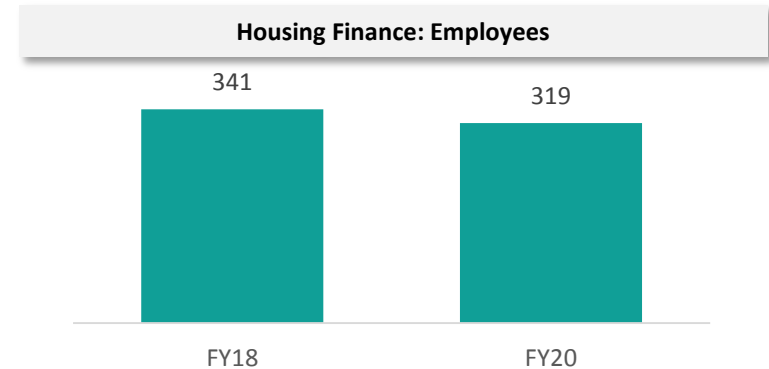
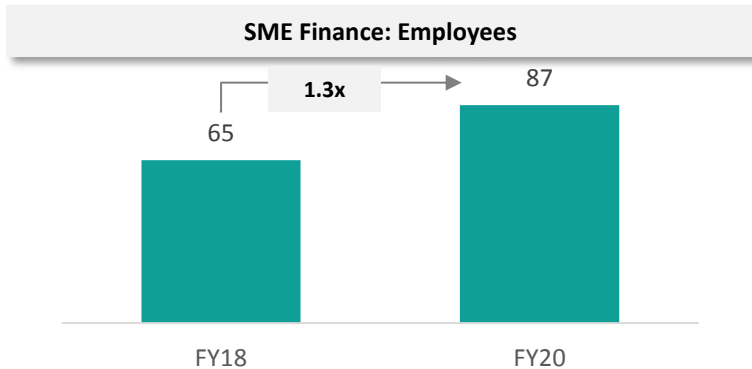
16x growth in Housing Finance AUM



Built infrastructure to significantly grow Retail businesses



High potential to grow Housing & SME lending by increasing penetration amongst existing branches



Our Recent Past : Last 3 years

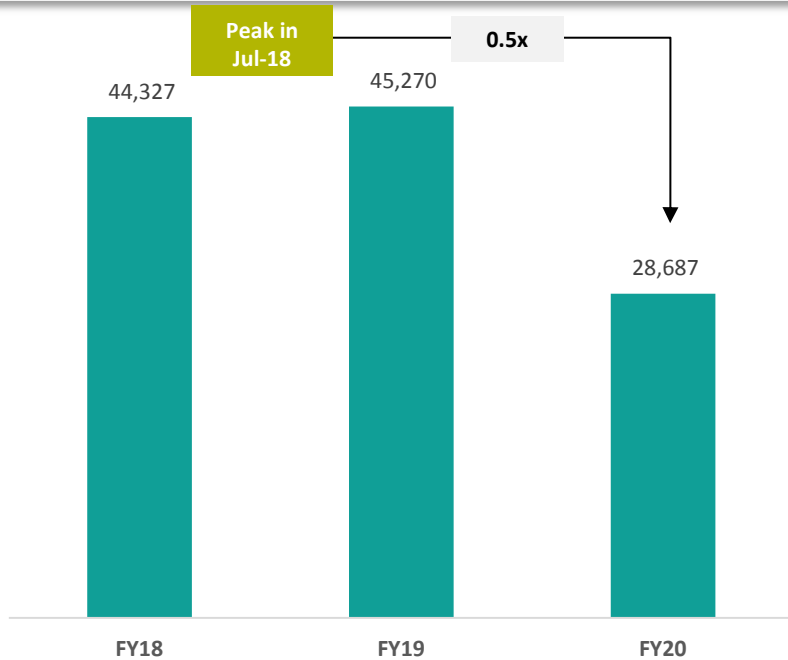
- ❖ Build up of retail infra & team across multiple segments – CV, SME and Housing
- ❖ **Steady reduction in wholesale book**

Steady reduction in the wholesale book

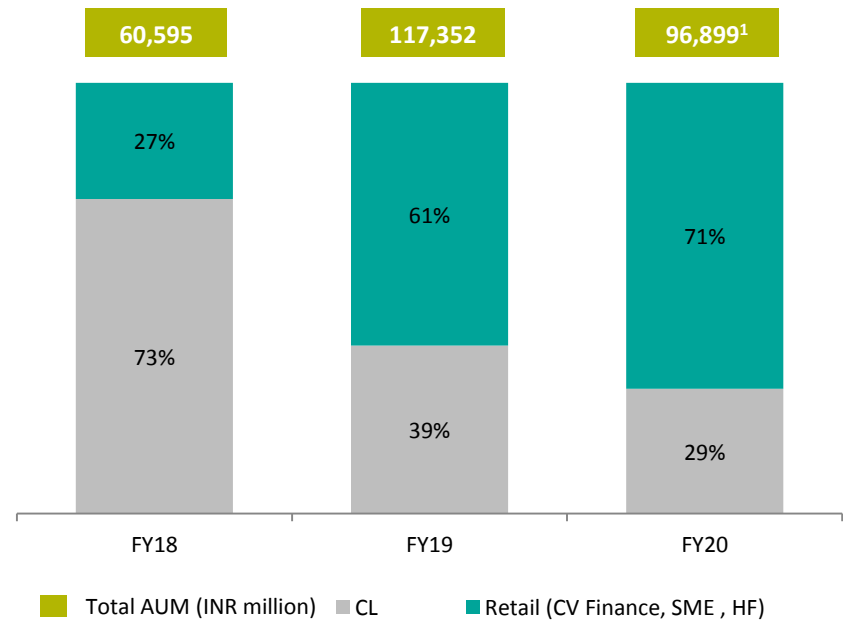
Reduced wholesale book to ~50% within last 2 years

Working to further reduce wholesale exposure, significantly

Wholesale Book (INR million)



AUM: Wholesale vs Retail (%)



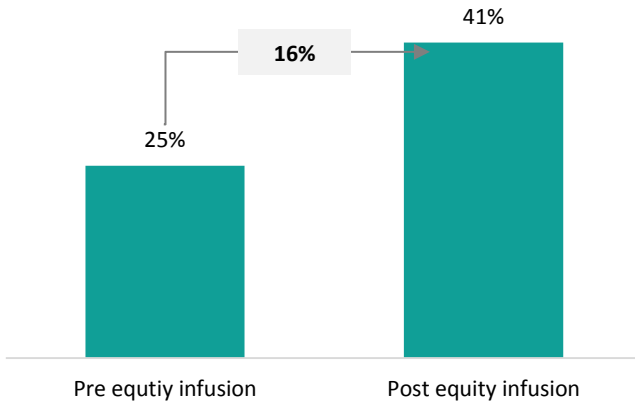
Present Situation

- ❖ **Strong position on capital and liquidity**
- ❖ Normalizing Covid impact
- ❖ Prudent cost management
- ❖ Favourable industry dynamics

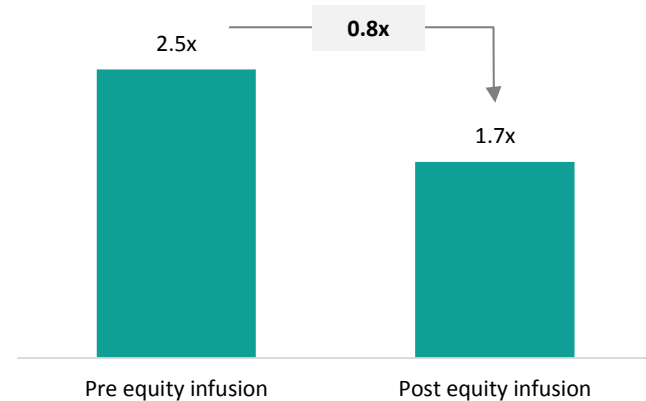
Strong position on capital and liquidity

- IndoStar has highest capital adequacy ratio amongst all the listed NBFCs
- Since lockdown, IndoStar has been able to raise additional liquidity of over INR 4,520 million
- Current Liquidity of INR 20,135 million vs. total borrowings of INR 66,798 million
- Capital infusion from Brookfield will be a catalyst for incremental bank borrowings

Capital Adequacy Ratio



Debt / Equity



Comfortable ALM position till March 2021

Particulars (₹ mn)	Jun-20	Q2FY21	Q3FY21	Q4FY21
Opening Cash & Equivalents*	20,135	16,760	13,984	14,720
Loan repayment inflows [Principal]	163	1,000	4,426	5,310
Total Inflow	20,298	17,760	18,410	20,030
Liability Repayment [Principal]				
NCDs	250	-	250	3,576
Term Loans & Others	3,288	3,777	3,440	4,175
ICDs	-	-	-	-
Total Outflow	3,538	3,777	3,690	7,751
Closing Cash and equivalents	16,760	13,984	14,720	12,279

Particulars (₹ mn)	May-20
Cash and bank Balance	612
Liquid Investment	
MFs	14,400
Term Deposits	1,141
Undrawn Banks Lines	3,984
Total Cash & Equivalents *	20,135

- ✓ Incremental funds raised ₹ 4,520 since lockdown
- ✓ Positive ALM across all buckets through to FY21

Present Situation

- ❖ Strong position on capital and liquidity
- ❖ **Normalizing Covid impact**
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- ❖ Favourable industry dynamics

Normalizing Covid impact

2/3rd of portfolio AUM in most affected states

% of AUM	Wholesale	Commercial Vehicle Finance	SME Finance	Affordable Housing Finance	Total
Maharashtra	76%	11%	29%	23%	36%
Gujarat	3%	7%	16%	6%	7%
Delhi	6%	19%	6%	35%	14%
Tamil Nadu	1%	8%	9%	9%	6%
Madhya Pradesh	0%	7%	3%	0%	3%
Total	86%	52%	63%	73%	66%

~90% of customers in value opted for Moratorium 1.0

Segment	% customers opting for moratorium (Nos)	% customers opting for moratorium (Value) *	% collections in April & May from non-moratorium customers
Wholesale	84%	90%	100%
Commercial Vehicle Finance	75%	88%	100%
SME Finance	92%	92%	100%
Affordable Housing Finance	87%	85%	100%

* 89% on overall value

■ Key features of moratorium 1.0 policy :

- All non-NPA customers received moratorium till May 2020
- Customers had the option to opt out of moratorium
- March 2020 EMI payments to be adjusted against June 2020 billing

■ Key features of moratorium 2.0 policy :

- Those customers who cannot pay due to Covid related business disruption receive moratorium
- Flexibility to grant moratorium from 1-3 months

Portfolio quality improvement with focus on overdue collections during lockdown

Days Past Due	Commercial Vehicle		SME		Affordable Housing	
	Mar 2020	May 2020	Mar 2020	May 2020	Mar 2020	May 2020
All in % *	Mar 2020	May 2020	Mar 2020	May 2020	Mar 2020	May 2020
Current	56%	61%	85%	87%	98.1%	98.3%
0-30	16%	14%	7%	6%	0.7%	0.5%
31-60	13%	11%	5%	4%	0.2%	0.2%
61-90	6%	5%	2%	2%	0.2%	0.2%

* All % at AUM level

Present Situation

- ❖ Strong position on capital and liquidity
- ❖ Normalizing Covid impact
- ❖ **Prudent cost management**
- ❖ Favourable industry dynamics

Enhanced focus on cost control. Expect 15% reduction in Opex from INR 3,104 million in FY20

■ People cost

- Deferral of FY20 performance-linked incentives / bonus
- Deferred increments for FY21

■ Branches and Branch Opex

- Post IIFL CV book acquisition, rationalized and merged over 100 branches till date
- Plan to rationalize further branches in FY21
- Ongoing rationalization of manpower across sales, credit and collection
- Ongoing renegotiation for reduction in rentals with landlords

Present Situation

- ❖ Strong position on capital and liquidity
- ❖ Normalizing Covid impact
- ❖ Prudent cost management
- ❖ **Favourable industry dynamics**

Well poised to capitalize on the large near-term opportunity to increase market share

■ **Industry**

- Significant & accelerated consolidation in NBFC's driven by continued pressure on liabilities
- Likely bipolar world – some players will have access to liabilities and some will not
- Most NBFCs to focus on ALM & collections with high degree of freeze in near term disbursements

■ **Interest rates & Spreads**

- Interest rates likely to further reduce
- Interest rate reduction particularly beneficial for fixed rate lending books such as CV Finance

Future : Next 2 years

❖ Sector outlook

- ❖ Calibrated organic growth across retail segments
- ❖ Alignment for long term value creation

Industry

■ Challenges

- Significant contraction expected in demand for new commercial vehicles - HCVs as well as LCVs
- Industrial goods, fleet operators impacted significantly
- Steady improvement underway as vehicles have started plying from May/June

■ Silver Linings

- Used Vehicle finance expected to remain steady, given significant slump in new CVs
- Agri sector likely to prosper given limited Covid spread, good monsoons and a likely bumper Rabi crop
- Government credit guarantee scheme likely to assist part of our customer base

IndoStar

- Our exposure primarily to Used Vehicle finance, with ~3/4th of customers in rural areas
- Used CV financing is ~50% of IndoStar's CV AUM. Exposure to fleet operators is in single digits

Opportunity

- Government scrappage policy could create a INR 1 trillion lending market opportunity
- Attractive opportunity to give short term working capital loans to existing customers
- Well positioned to tap the rural boom given large rural footprint and experienced work force

Industry

■ Challenges

- Significant cash flow impact on cash salaried and self employed borrowers in “non essential” small businesses
- Subdued construction activity and weak home loan disbursements for next few quarters

■ Silver Linings

- Continued policy support for affordable housing from the Govt. - CLSS, PMAY & more

IndoStar

- LTV at origination is at 60% providing strong cushion against unfavorable property price movements

Opportunity

- We expect Affordable housing to rebound the fastest in H2FY21, particularly in case of property price correction
- IndoStar is well poised to step up on the growth given large focus on relatively unaffected Tier II & III markets

Industry

■ Challenges

- Significant impact due to supply chain disruptions coupled with demand moderation
- Higher ticket size loans particularly with Lease Rental Discounting (LRD) to face pressure

■ Silver Linings

- Significant push from the Govt. to revive the SME sector through the USD 40 billion credit guarantee package and multiple other announcements

IndoStar

- Significantly diversified loan book across 180+ sectors. Top 10 sub-sectors contribute <20% of SME book
 - Based on customer surveys, we believe ~2/3rd of sub sectors we lend to, are beneficiaries of recent Govt. schemes
- Almost 65% of AUM is securitized and over 90% is under SARFASEI coverage

Opportunity

- Opportunity to extend risk-free credit to existing SME customers under the Govt. credit guarantee scheme

Future : Next 2 years

- ❖ Sector outlook
- ❖ **Calibrated organic growth across retail segments**
- ❖ Alignment for long term value creation

Calibrated organic growth across retail segments



- Large market opportunity to lend to both existing and new customers across all 3 retail segments
- Our growth rates likely to be higher than pre Covid business plans and past growth in retail
- At our small base, marginal market share gains lead to high growth
- Over the last 2 years, our AUM has grown by
 - 35x in CV Finance
 - 16x in Housing Finance

Future : Next 2 years

- ❖ Sector outlook
- ❖ Calibrated organic growth across retail segments
- ❖ **Alignment for long term value creation**

Shareholders

- Everstone

- Started IndoStar 9 years back in 2011
- Additional investment of INR 3,575 million through new fund at INR 421/share in CY2018/19
- No secondary sale by Everstone in current transaction

- Brookfield

- 1st private equity investment in India
- 1st joint control investment

Management

- CEO has invested INR 100 million at INR 315/share in 2017
 - CEO has 2.4 million ESOPs (1.7% stake) issued partly at INR 315/share & INR 428/share
- Senior management team has 3.6 million ESOPs (2.5% stake)

- ✓ Continue to reduce wholesale exposure, further
- ✓ Strong position on capital & liquidity – over capitalized and under leveraged
- ✓ Well poised to capitalize on favorable industry dynamics and grow profitably
 - ✓ Retail growth over next 2 years to be higher, and more profitable, than pre Covid plans
 - ✓ At our small base, +ve impact of lower competition is higher than expected slower industry growth
- ✓ All stakeholders supportive of inorganic growth. Multiple attractive opportunities in play
- ✓ Strong alignment across various stakeholders

For Further Queries



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