



INDOSTAR CAPITAL FINANCE LIMITED

Q2 FY19 Results Update

31st October 2018

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Discussion Summary

- ❖ **Quarterly Results**
 - ❖ Business Strategy & Performance
 - ❖ Company Overview
 - ❖ Shareholding Structure
- 

Q2 FY19: Key Highlights



Retailisation strategy on track

- Retail AUM: ₹ 29,000 Mn [+203% YoY, +31% QoQ]
- Retail asset book 37% of total AUM
- SME business already profitable; VF & HF seeing good revenue traction



Well-capitalised, Low Leverage – headroom for growth

- Strong Tier 1 CRAR of 30.6%
- Debt : Equity ratio of 2.0x



Phase 1 of investments in Retail Business completed

- 136 VF branches, 46 HF branches, 10 SME branches operational
- Cost-to-Income ratio for Retail Finance trending lower; down 650 bps QoQ



Profitability Parameters improving

- PAT: ₹ 640 Mn up 103% QoQ
- Strong asset quality with low NPAs; GNPA 0.9%; NNPA 0.6%



Comfortable Liquidity position

- Cash & Equivalent of ₹ 12,673* Mn; 22% of borrowings
- Positive ALM in all buckets, month on month, for next 18 months
- Funding sanctions of ₹ 6,510 Mn in hand

SME: SME Finance, VF: Vehicle Finance, HF: Housing Finance

* Excluding FDs of ₹ 265 Mn, on which lien is marked

Q2 FY19: Business Outlook



- Tight liquidity for NBFCs and HFCs driving increase in yield on assets and in funding cost



- Strong demand for Retail finance products
 - Vehicle scrapping policy for Commercial Vehicles expected to increase demand for Vehicle Financing
 - Mass Housing to sustain demand in Affordable Housing segment



- Corporate Lending
 - Continued strong demand in Real Estate lending
 - Good pipeline in Structured Corporate Lending segment

Q2 FY19: Consolidated Profit & Loss Statement



Particulars (₹ Mn)	Q2 FY19	Q1 FY19	QoQ %	Q2 FY18	YoY %	H1 FY19	H1 FY18	YoY%
Revenue from Operations	3,245	2,343	38%	1,995	63%	5,588	3,830	46%
Interest Expenses	1,404	1,119	25%	740	90%	2,523	1,507	67%
Net Interest Income	1,841	1,224	50%	1,255	47%	3,065	2,324	32%
Salary	456	323	41%	240	90%	779	484	61%
Operating Expenses	235	218	8%	67	252%	453	121	274%
Profit before Credit Cost	1,149	683	68%	948	21%	1,833	1,718	7%
Credit Cost	111	77	44%	-119	-193%	187	-136	-238%
One off Cost	47	92	-49%	-	-	139	-	-
Profit before Tax	992	514	93%	1,067	-7%	1,506	1,854	-19%
Tax	352	200	76%	373	-6%	551	650	-15%
Net Profit	640	315	103%	694	-8%	955	1,204	-21%

Key Metrics	Q2 FY19	Q1 FY19	Q2 FY18	H1 FY19	H1 FY18
Yield	15.1%	12.2%	15.4%	14.3%	15.2%
Cost of Borrowings	9.7%	9.0%	9.0%	9.4%	9.3%
Spread	5.4%	3.2%	6.3%	4.9%	5.9%
NIM	8.6%	6.4%	9.7%	7.8%	8.9%
Cost : Income Ratio*	37.6%	44.1%	24.4%	40.2%	26.0%

* Excluding credit costs and one off costs

H1 FY19: Financial Performance



- Phase 1 of Retail Lending business rollout completed
 - 155 branches operational
 - 1,545 employees on board in retail businesses
- Significant investment made in people & infrastructure; Opex increased 61% to ₹ 779 Mn
- Monthly retail disbursements increased from ₹ 1,111 Mn in Sept 2017 to ₹ 2,992 Mn in Sept 2018
 - Retail AUM has increased 3x from ₹ 9,575 Mn in Sept 2017 to ₹ 29,000 Mn in Sept 2018
 - Retail AUM up from 22% to 37% of total AUM
- Profit Before Tax (excluding credit costs & one offs) increased 7% from ₹ 1,718 Mn to ₹ 1,833 Mn; even after significant investment in people & infrastructure
 - AUM increased 76% from ₹ 44,140 Mn in Sept 2017 to ₹ 77,665 Mn in Sept 2018
 - NII increased 32% from ₹ 2,324 Mn to ₹ 3,065 Mn

Q2 FY19: Consolidated Balance Sheet



Particulars (₹ Mn)	Q2 FY19	Q1 FY19	QoQ%	Q2 FY18	YoY%
Equity	29,099	28,684	1%	20,279	43%
Borrowings	58,032	54,370	7%	31,934	82%
Others	592	2,163	-73%	-	-
Total Liabilities	87,723	85,217	-64%	52,213	125%
Loan Assets	77,665	74,701	4%	44,140	76%
Treasury Assets	9,330	9,692	-4%	7,659	22%
Others	727	824	-12%	414	76%
Total Assets	87,723	85,217	-11%	52,213	173%

Key Ratios	Q2 FY19	Q1 FY19	Q2 FY18
ROAA*	3.0%	1.6%	5.3%
Leverage	3.0x	3.1x	2.6x
ROAE*	8.9%	5.1%	13.9%

* Annualised

Q2 FY19: Business Segment Performance



Particulars (₹ Mn)	Corporate Lending	SME Finance	Vehicle Finance	Housing Finance	Consolidated [^]
Revenue from Operations	2,206	539	231	75	3,245
Interest Expenses	836	284	89	41	1,404
Net Interest Income	1,370	255	141	33	1,841
Salary	67	56	119	93	456
Operating Expenses	0	21	108	30	235
Credit Cost	10	73	24	4	111
One off Cost	-	-	-	-	47
Profit Before Tax	1,293	104	-109	-93	992
Equity *	16,143	6,166	2,355	1,098	29,099
Borrowings	32,194	12,297	4,697	2,190	58,032
Others	328	125	48	22	592
Total Liabilities	48,665	18,589	7,100	3,311	87,723
Loan Assets	48,665	18,589	7,100	3,311	77,665
Treasury Assets	-	-	-	-	9,330
Others	-	-	-	-	727
Total Assets	48,665	18,589	7,100	3,311	87,723

Credit costs refer to expected loss provisions mandated under IndAS.

* Allocated

[^] Total of Segmental numbers does not tally with consolidated figures as costs of common functions are not shown under lending segments

H1 FY19: Business Segment Performance



Particulars (₹ Mn)	Corporate Lending	SME Finance	Vehicle Finance	Housing Finance	Consolidated^
Revenue from Operations	3,820	965	331	106	5,588
Interest Expenses	1,559	514	127	57	2,523
Net Interest Income	2,262	451	204	49	3,065
Salary	110	110	214	154	779
Operating Expenses	1	42	215	43	453
Credit Cost	27	117	36	7	187
One off Costs	-	-	-	-	139
Profit Before Tax	2,124	182	-261	-156	1,506
Equity*	16,143	6,166	2,355	1,098	29,099
Borrowings	32,194	12,297	4,697	2,190	58,032
Others	328	125	48	22	592
Total Liabilities	48,665	18,589	7,100	3,311	87,723
Loan Assets	48,665	18,589	7,100	3,311	77,665
Treasury Assets	-	-	-	-	9,330
Others	-	-	-	-	727
Total Assets	48,665	18,589	7,100	3,311	87,723

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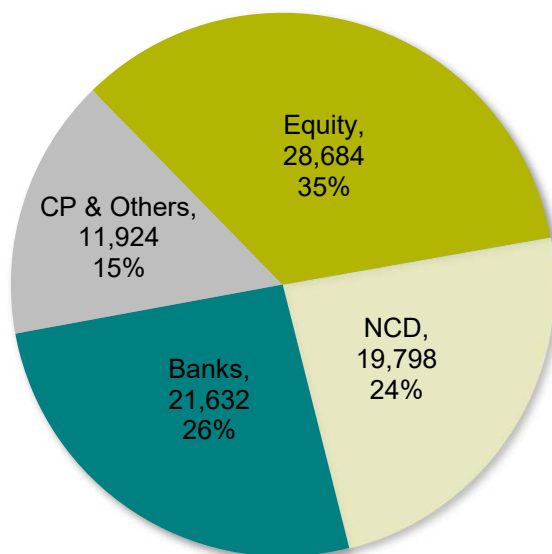
* Allocated

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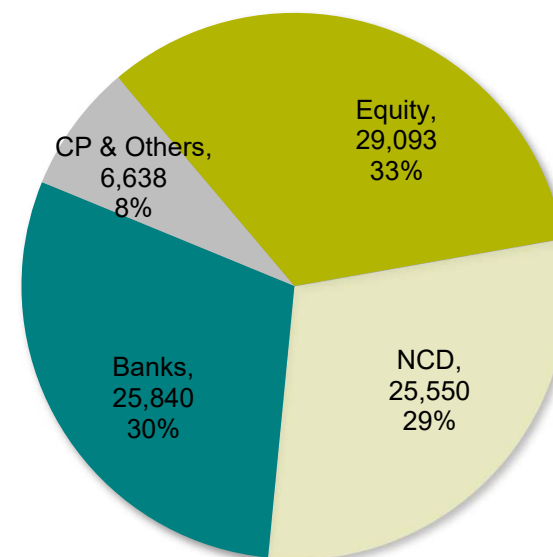
Q2 FY19: Diversified Funding Profile



Funding Mix % - June 2018 (₹ Mn)



Funding Mix % - September 2018 (₹ Mn)

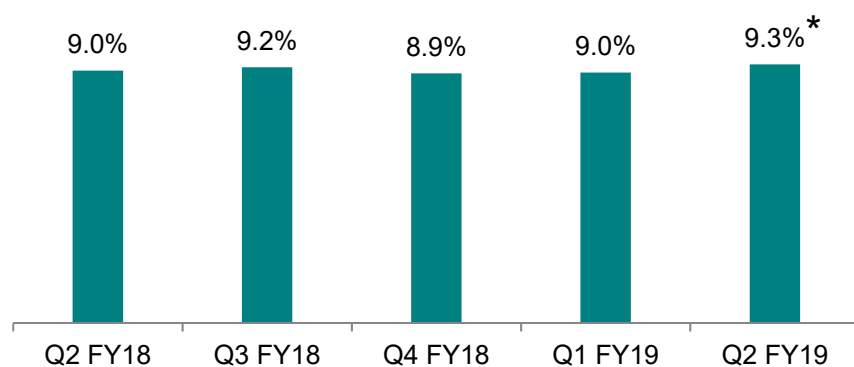


Proportion of Commercial Paper and Short Term Funding reduced substantially

Q2 FY19: Diversified Liability Profile



Overall Cost of Borrowing (COB %)



Strong Credit Ratings

Borrowing Type	Rating Firm	FY18 - Ratings
Term Loans	INDIA RATINGS / CARE	AA (-)
Redeemable NCDs	INDIA RATINGS / CARE	AA (-)
CPs	CRISIL / CARE / ICRA	A1 (+)

* Borrowing cost computed as per financials will be ~9.7%; because of EIR impact

Q2 FY19: Comfortable Liquidity Position



Positive ALM month on month, in FY 19 and FY 20

Particulars (₹ Mn)	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	FY20
Opening Cash & Cash Equivalents *	12,673	10,622	9,497	8,927	9,125	9,199	8,095
Loan Repayment Inflows (Principal)	460	1,090	1,210	660	670	1,390	19,979
Total Inflows	13,133	11,712	10,707	9,587	9,795	10,589	28,074
Liability Repayment (Principal)							
Commercial Papers	1,250	1,000	850	-	-	1,250	1,150
NCDs	25	-	-	-	100	250	11,050
Term Loans & Others	1,236	1,215	930	462	264	994	7,099
Others	-	-	-	-	232	-	705
Total Outflows	2,511	2,215	1,780	462	596	2,494	20,003
Closing Cash & Cash Equivalents	10,622	9,497	8,927	9,125	9,199	8,095	8,071

* Details of Opening Cash & Equivalents	(₹ Mn)
Cash & Bank Balance	4,459
Cash Equivalents	
Liquid Debt MFs	3,190
Term Deposits with Banks	*367
Undrawn Funding Lines	3,608
Treasury Assets	1,049
Total	12,673

✓ **Additional funding lines sanctioned ₹ 6,510 Mn**

✓ **Retail Asset securitization strategy**

✓ AUM ₹ 29,000 Mn as on 30th Sep 2018

✓ Monthly disbursement ~ ₹ 3,000 Mn

✓ ~ 40% qualify as priority sector assets

* Excluding FDs of ₹ 265 Mn, which are lien marked 12

Discussion Summary

❖ Quarterly Results

❖ **Business Strategy & Performance**

❖ Company Overview

❖ Shareholding Structure

Our Strategic Priority: Build A Well-Balanced & Diversified Lending Institution



- ✓ Continue to grow profitable corporate lending business
- ✓ Diversify asset book by building high-quality retail lending business
- ✓ Retail assets estimated to be over 50% of AUM within 3 years from present 37%
- ✓ Focus on secured lending to Middle India, having strong growth potential - vehicle finance, affordable housing finance and SME finance
- ✓ Judicious capital allocation

- ✓ Be a catalyst in our customers' "LIFE KA TAKE-OFF"
- ✓ Become the partner of choice to fulfil growing aspirations of mid-market companies
- ✓ Increase market share in the niche used-vehicle finance business
- ✓ Penetrate deeper and become a preferred financier for small businesses
- ✓ Provide affordable home financing solutions to self employed & salaried customers

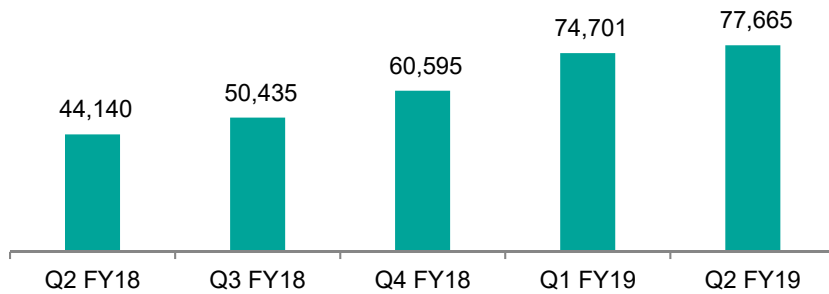
- ✓ Achieve calibrated growth while maintaining strong balance sheet
- ✓ Robust risk management - no compromise on credit quality in the pursuit of growth
- ✓ Achieve consistently improving profitability even while increasing diversity and granularity of our loan book
- ✓ Aim to consistently deliver mid-high teens ROE as the business achieves scale & operating leverage

Q2 FY19: Encouraging Quarterly Performance Trend (1/2)

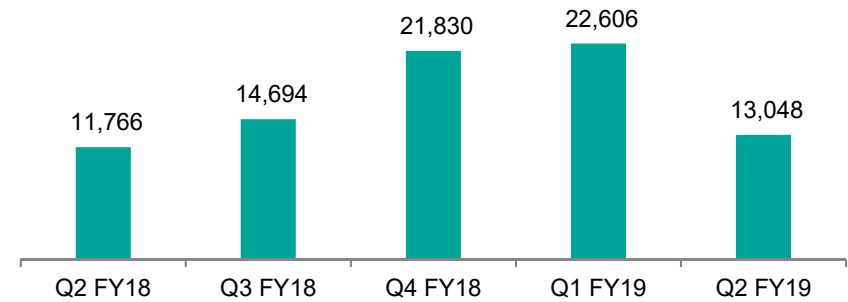


Consolidated Financials

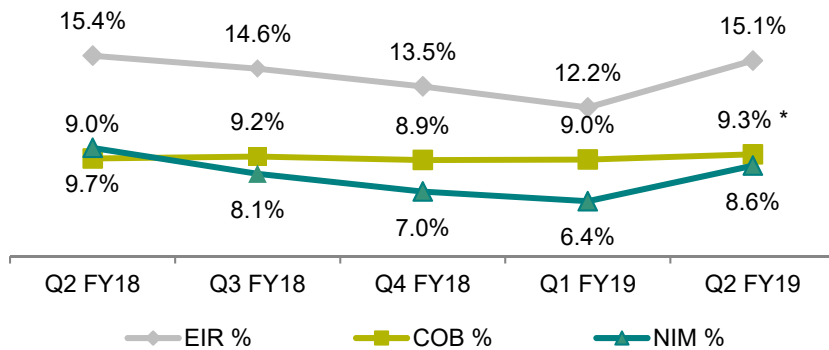
AUM (₹ Mn)



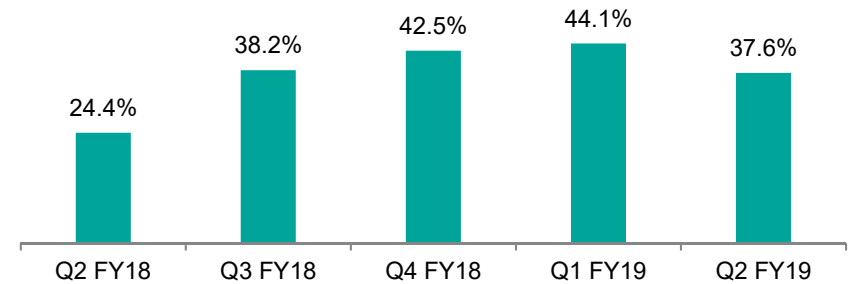
Loan Disbursements (₹ Mn)



Spread Analysis (%)



Cost to Income Ratio (%) *



* Borrowing cost computed as per financials will be ~9.7%; because of EIR impact

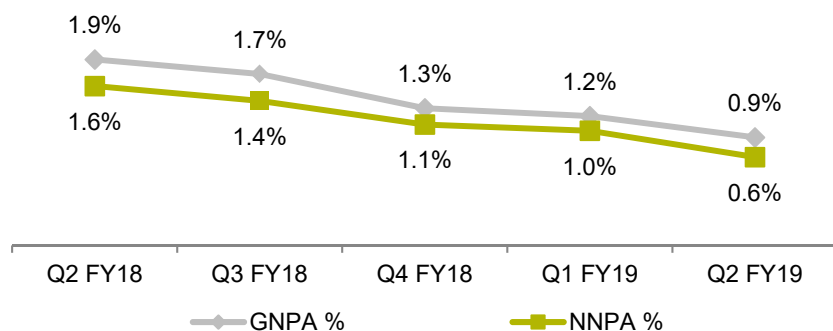
* Excluding credit costs and one off costs

Q2 FY19: Encouraging Quarterly Performance Trend (2/2)

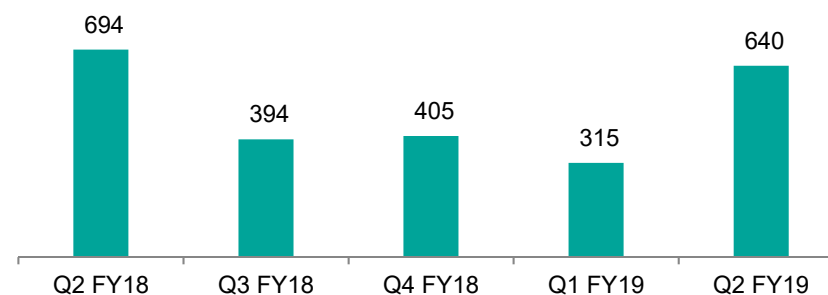


Consolidated Financials

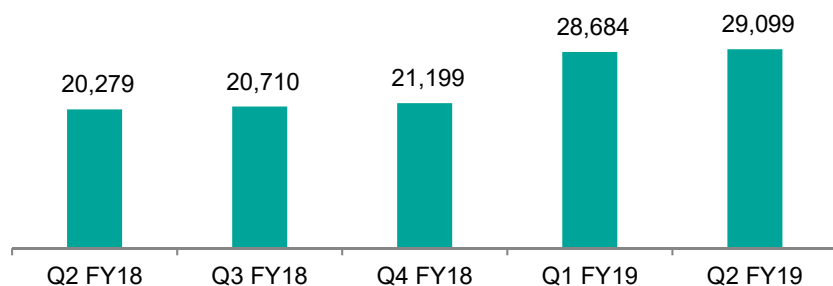
NPA (%)*



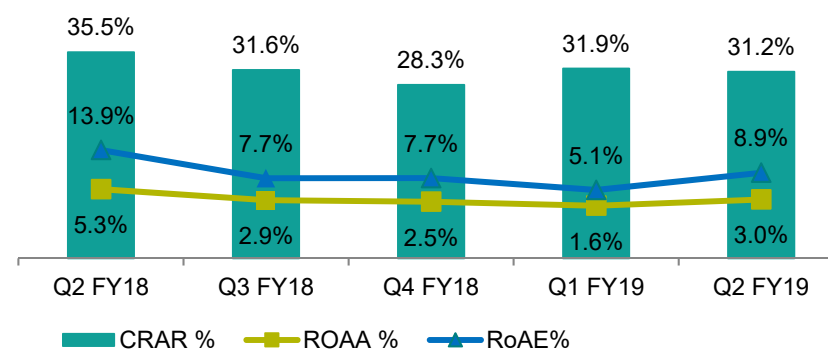
PAT (₹ Mn)



Net worth (₹ Mn)



Return Ratios^ & Capital Adequacy (%)



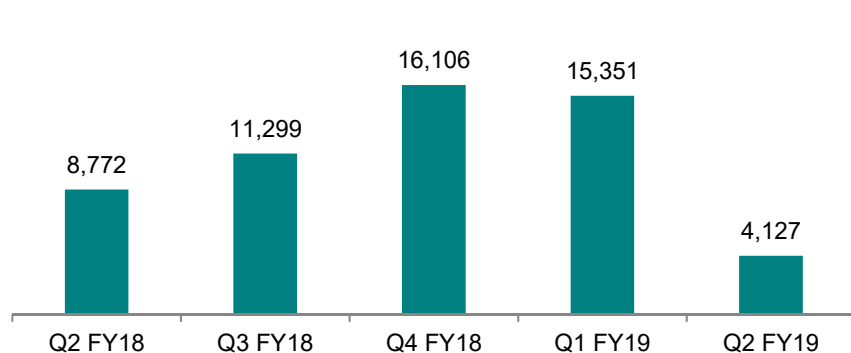
* GNPA & NNPA represents Stage 3 Assets

^ Annualized basis

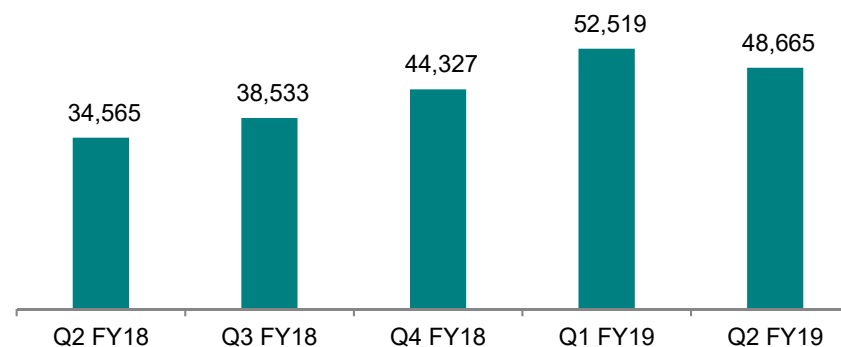
Corporate Lending (1/3)



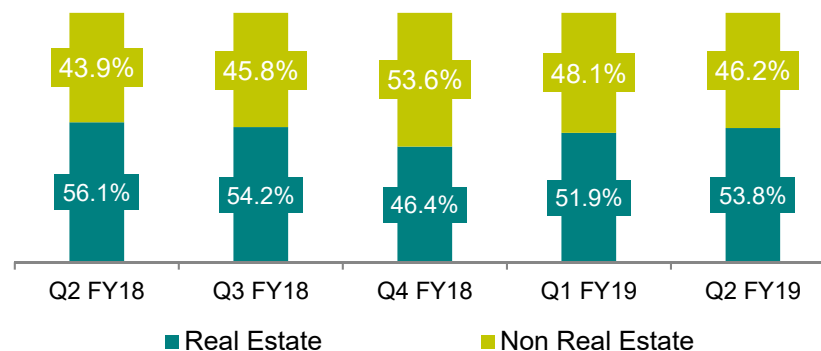
Gross Disbursements (₹ Mn)



Corporate Lending AUM (₹ Mn)



AUM Breakup: RE vs. Non-RE



Corporate Lending : Strong profitability (2/3)



Particulars (₹ Mn)	Q2 FY18	Q3 FY18	Q4 FY18	Q1 FY19	Q2 FY19
Interest Income	1,589	1,461	1,577	1,614	2,206
Interest Expenses	536	522	627	722	836
Net Interest Income	1,053	939	950	892	1,370
Salary	69	65	53	44	67
Operating Expenses	5	5	1	1	-
Profit before Credit Cost	979	870	897	847	1,303
Credit Cost *	-181	72	-42	17	10
Profit Before Tax	1,160	798	939	831	1,293
Loan Assets	34,565	38,533	44,327	52,519	48,665
Equity ^	13,255	14,047	13,693	17,678	16,143

* Credit cost refers to expected loss provisions

^ Allocated

Corporate Lending : Key ratios (3/3)



	Q2 FY18	Q3 FY18	Q4 FY18	Q1 FY19	Q2 FY19
Interest Income *	16.1%	15.2%	14.4%	13.2%	14.4%
Net Interest Income*	11.1%	9.9%	8.9%	7.4%	10.4%
Operating Expenses*	0.8%	0.7%	0.5%	0.4%	0.5%
Profit before Credit Cost*	10.3%	9.2%	8.4%	7.0%	9.9%
Credit Cost*	-1.9%	0.8%	-0.4%	0.1%	0.1%
GNPA	1.7%	1.5%	1.1%	0.8%	0.4%
NNPA	1.4%	1.1%	0.9%	0.7%	0.2%
ROAA^	8.0%	5.9%	5.4%	4.5%	6.6%
Leverage	2.7x	2.7x	3.0x	3.1x	3.1x
ROAE^	21.8%	15.9%	16.2%	13.9%	20.7%

* On daily average basis

^ Annualized basis

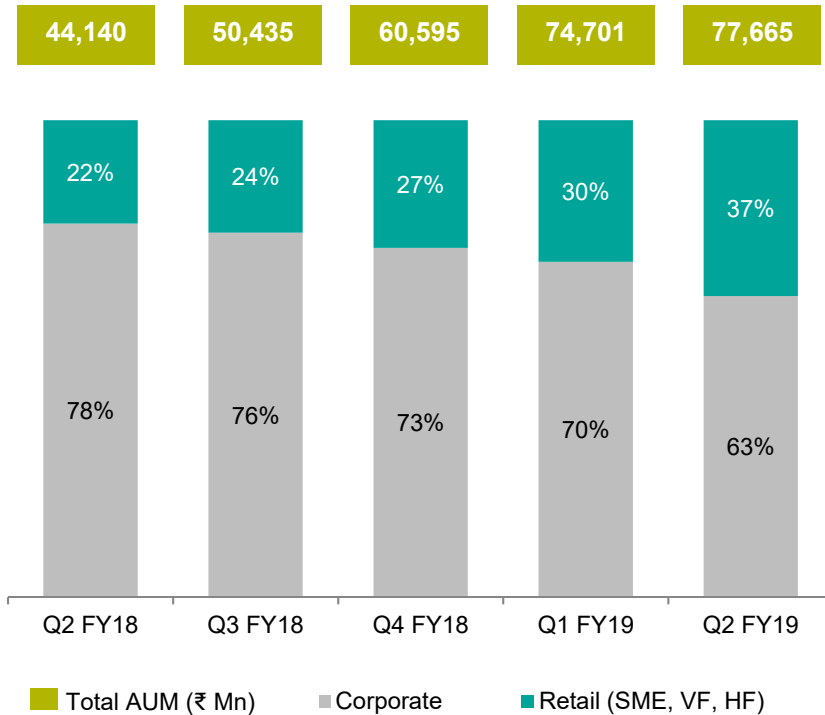
- ✓ Consistent growth and profitability
- ✓ Strong Asset Quality – zero credit losses till date
- ✓ Motivated team, low attrition in top management team
- ✓ Poised for strong growth with increasing lending opportunities

Retailisation Strategy Continues with Strong Momentum

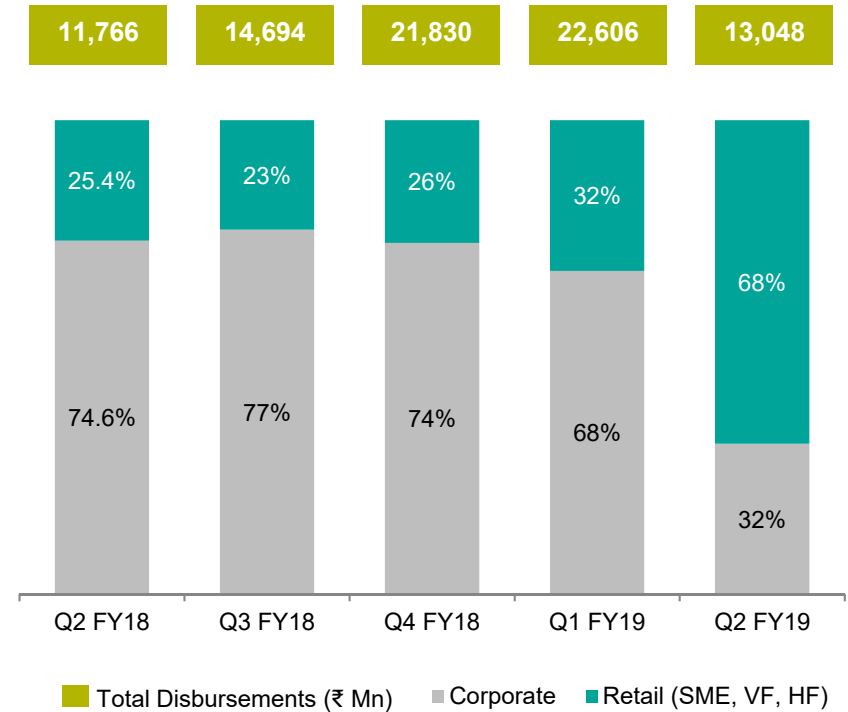


Rising Proportion of Retail Lending in the Overall AUM and Disbursements

AUM: CL vs Retail (%)



Disbursements: CL vs Retail (%)

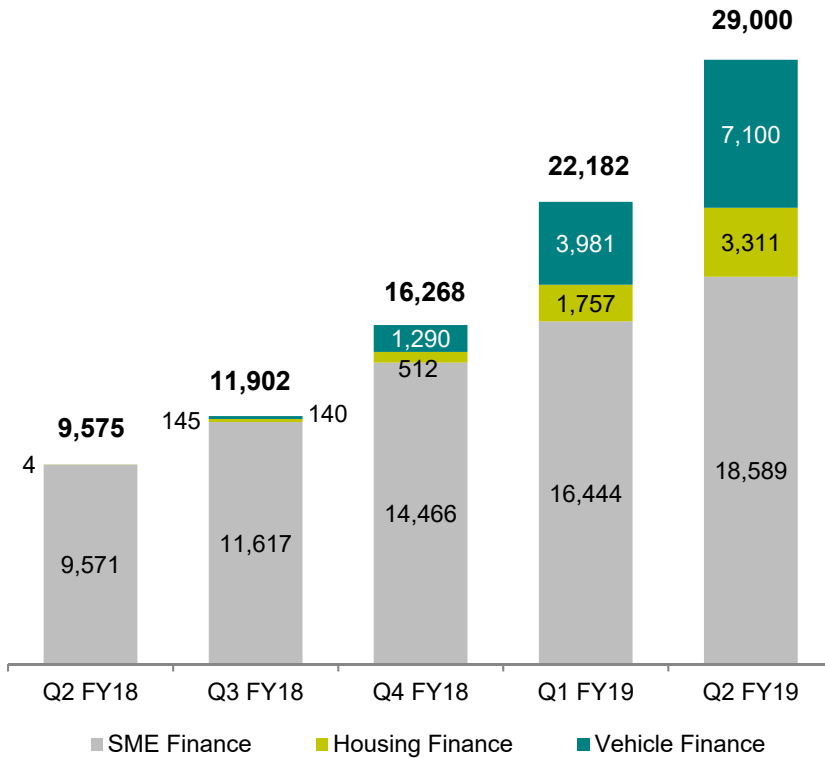


CL:, Corporate Lending, SME: SME Finance, VF: Vehicle Finance, HF: Housing Finance`

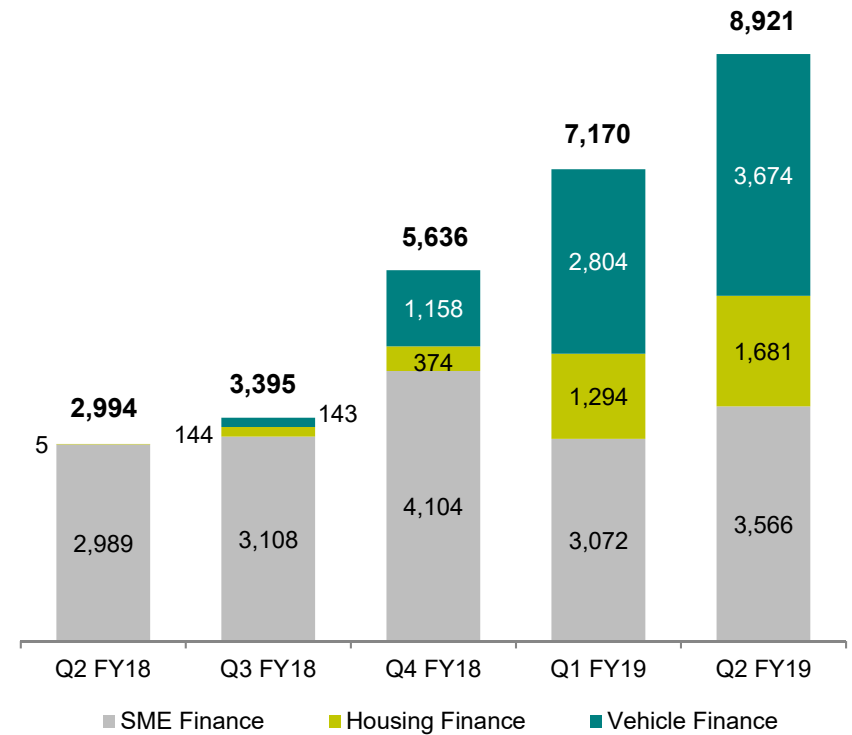
Strong Traction Witnessed Across All Retail Segments



Retail AUM (₹ Mn)



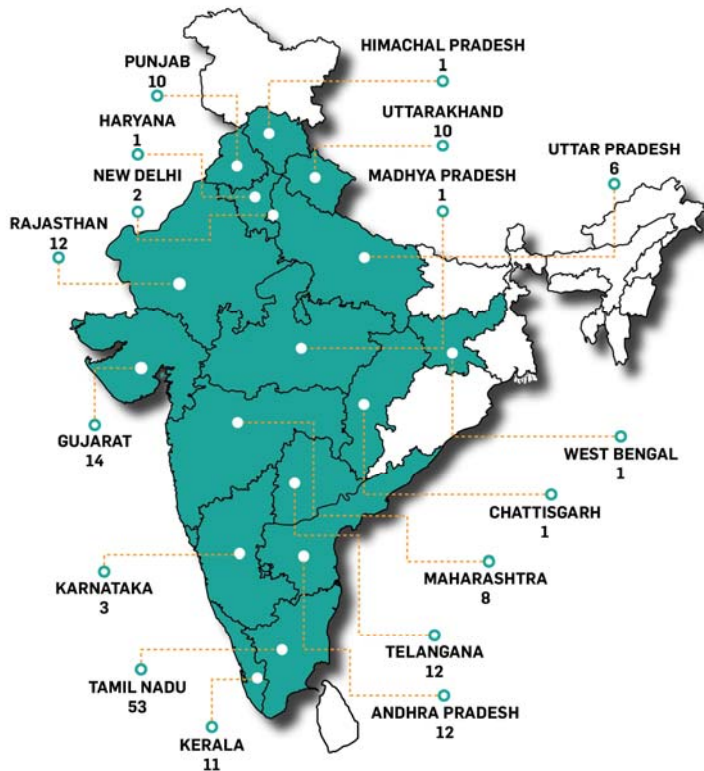
Retail Disbursements (₹ Mn)



Rapid Rollout of Retail Branch Network



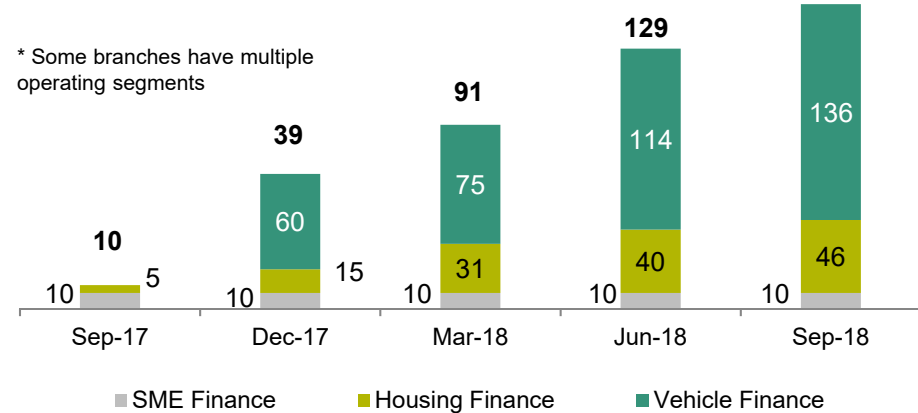
155 Branches Across 17 States



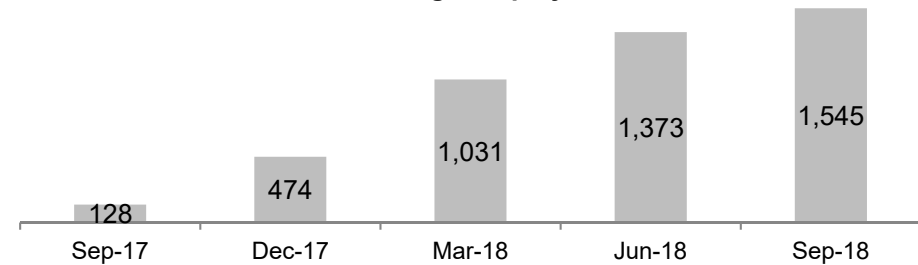
- ✓ Phase 1 of Retail Business roll-out completed
- ✓ Significant investments in people & infrastructure

Early Identification and Rapid Branch Expansion 155

* Some branches have multiple operating segments



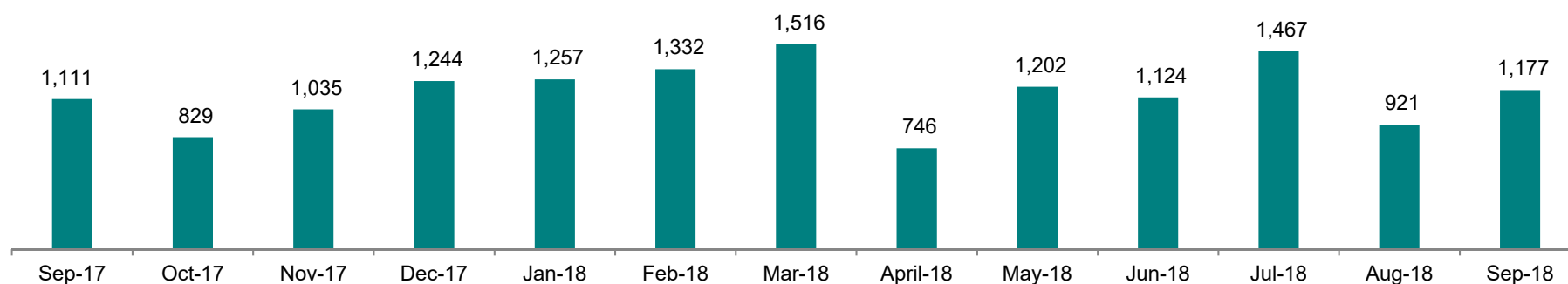
Retail Lending - Employee Base



SME Business is Profitable (1/3)



SME Finance – Monthly Disbursement Trend (₹ Mn)



- ✓ SME Business is already profitable; Achieved profitability in FY18
- ✓ SME Finance being operated out of 10 branches in 8 states
- ✓ No further branch addition and investments planned
- ✓ Consistent monthly growth in AUM
- ✓ AUM growth and business scale leading to positive operating leverage and improving profitability

SME Business is Profitable (2/3)



Particulars (₹ Mn)	Q2 FY18	Q3 FY18	Q4 FY18	Q1 FY19	Q2 FY19
Revenue from Operations	277	311	346	425	539
Interest Expenses	124	150	193	230	284
Net Interest Income	153	161	152	196	255
Salary	59	57	39	53	56
Operating Expenses	13	23	21	20	21
Profit before Credit Cost	81	81	92	122	177
Credit Cost *	62	44	15	44	73
Profit Before Tax	20	37	78	78	104
Loan Assets	9,571	11,617	14,466	16,444	18,589
Equity^	3,670	4,235	4,469	5,535	6,166

* Credit cost refers to expected loss provisions

^ Allocated

SME Business : Key ratios (3/3)

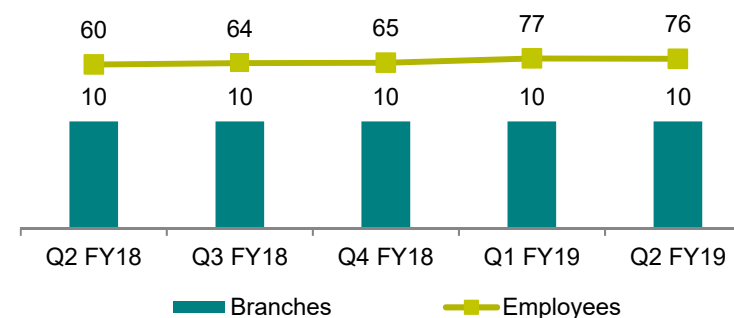


ROAA Tree (%)	Q2 FY18	Q3 FY18	Q4 FY18	Q1 FY19	Q2 FY19
Interest Income*	12.4%	11.8%	10.8%	11.2%	12.3%
Net Interest Income*	7.1%	6.0%	4.5%	5.0%	5.7%
Operating Expenses*	3.3%	3.0%	1.9%	1.9%	1.8%
Profit before Credit Cost*	3.8%	3.1%	2.9%	3.2%	4.1%
Cost / Income	47.0%	49.6%	39.4%	37.5%	30.4%
Credit Cost*	2.9%	1.7%	0.5%	1.2%	1.7%
GNPA	2.5%	2.5%	2.1%	2.6%	2.4%
NNPA	2.3%	2.2%	1.8%	2.3%	1.9%
ROAA^	0.6%	1.0%	1.5%	1.3%	1.6%
Leverage	2.7x	2.7x	3.0x	3.1x	3.0x
ROAE^	1.6%	2.6%	4.5%	4.2%	4.8%

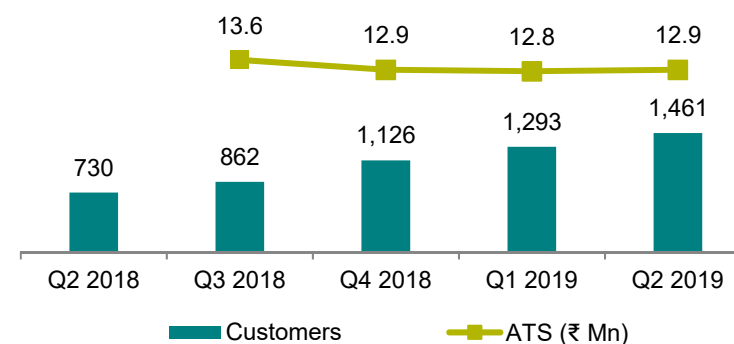
* On daily average basis

^ Annualized basis

Branches & Employees



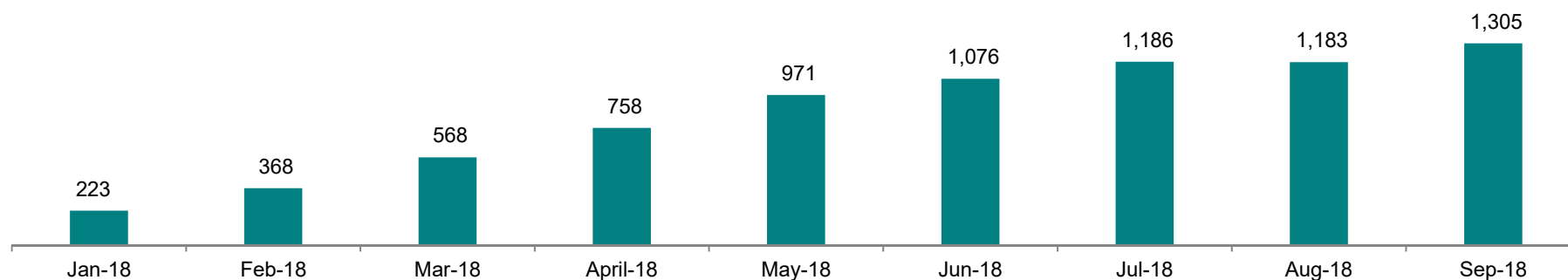
Customers & Avg. Ticket Size



Vehicle Finance Is Scaling Up (1/4)



Vehicle Finance – Monthly Disbursement Trend (₹ Mn)



- ✓ Commenced VF disbursements in December 2017
- ✓ Consistent monthly growth in AUM and disbursements
- ✓ Phase 1 of branch expansion completed
- ✓ Significant improvement in branch level profitability led by increasing business scale
- ✓ Branch-level break-even estimated at branch AUM of ₹ 120 Mn, to be attained within 12-15 months

Vehicle Finance Is Scaling Up (2/4)



Particulars (₹ Mn)	Q2 FY18	Q3 FY18	Q4 FY18	Q1 FY19	Q2 FY19
Revenue from Operations	-	-	25	101	231
Interest Expenses	-	1	9	38	89
Net Interest Income	-	-	16	63	141
Salary	10	32	77	95	119
Operating Expenses	-	11	49	107	108
Profit before Credit Cost	-10	-43	-110	-139	-86
Credit Cost *	-	1	4	13	24
Profit Before Tax	-10	-43	-114	-152	-109
Loan Assets	-	140	1,290	3,981	7,100
Equity^	-	51	398	1,340	2,355

* Credit cost refers to expected loss provisions. There are no NPAs in the vehicle finance business

^ Allocated

Vehicle Finance : Key ratios (3/4)

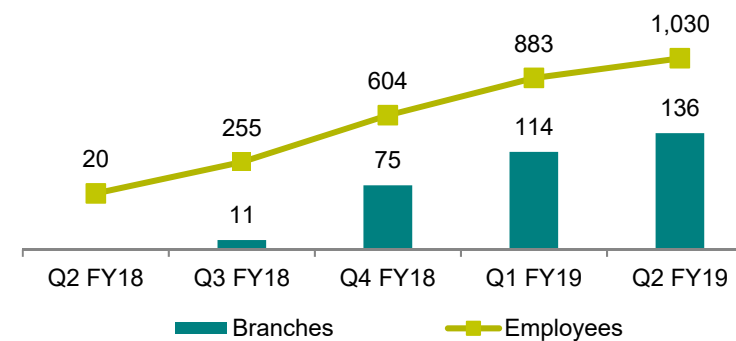


ROAA Tree(%)	Q2 FY18	Q3 FY18	Q4 FY18	Q1 FY19	Q2 FY19
Interest Income*	n.a.	n.a.	16.8%	15.8%	17.2%
Net Interest Income*	n.a.	n.a.	10.5%	9.9%	10.6%
Operating Expenses*	n.a.	n.a.	84.7%	31.7%	16.9%
Profit before Credit Cost*	n.a.	n.a.	-74.2%	-21.8%	-6.4%
Cost / Income	n.a.	n.a.	807.5%	320.9%	160.6%
Credit Cost*	n.a.	n.a.	3.0%	2.0%	1.8%
GNPA	0.0%	0.0%	0.0%	0.0%	0.0%
NNPA	0.0%	0.0%	0.0%	0.0%	0.0%
ROAA^	n.a.	n.a.	-47.7%	-15.6%	-5.5%
Leverage	n.a.	n.a.	3.2x	3.0x	3.0x
ROAE^	n.a.	n.a.	-151.7%	-47.2%	-16.6%

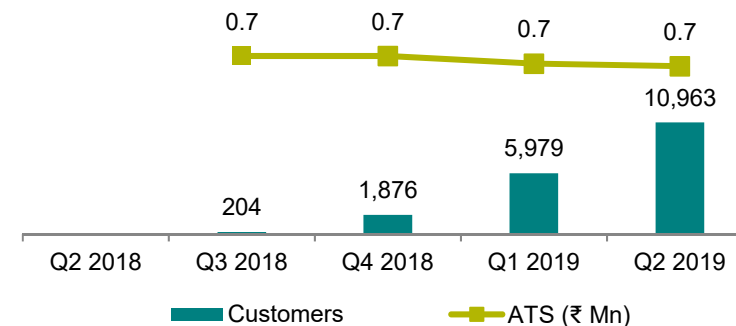
* On daily average basis

^ Annualized basis

Branches & Employees



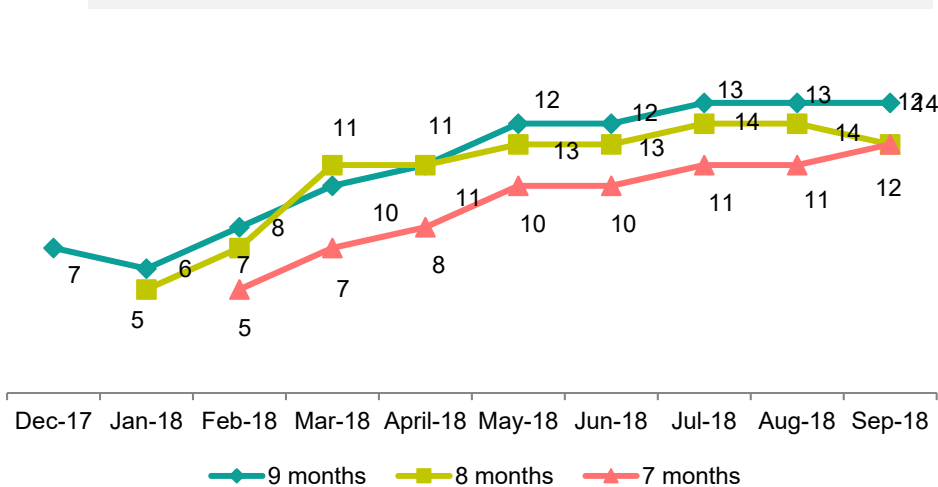
Customers & Avg. Ticket Size



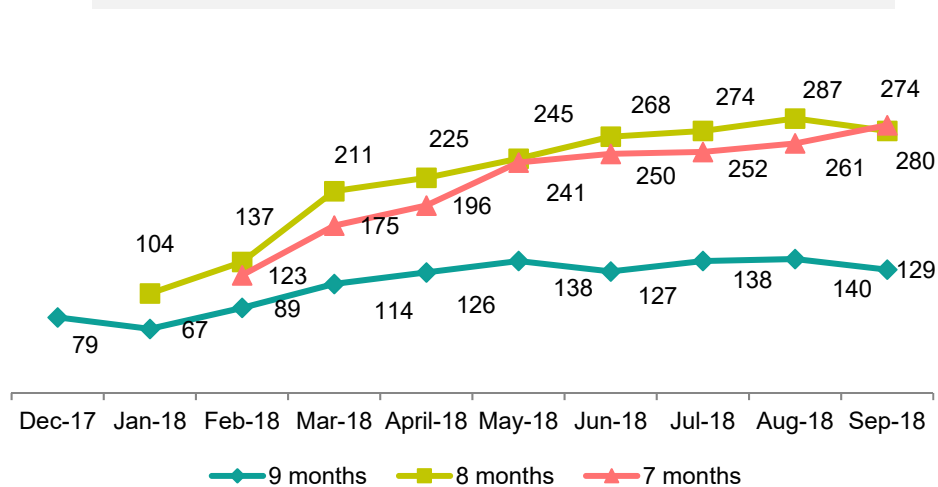
Vehicle Finance : Encouraging Operational Metrics (4/4)



Average Monthly Disbursement by Branch Vintage (₹ Mn)



Gross Monthly Disbursement by Branch Vintage (₹ Mn)



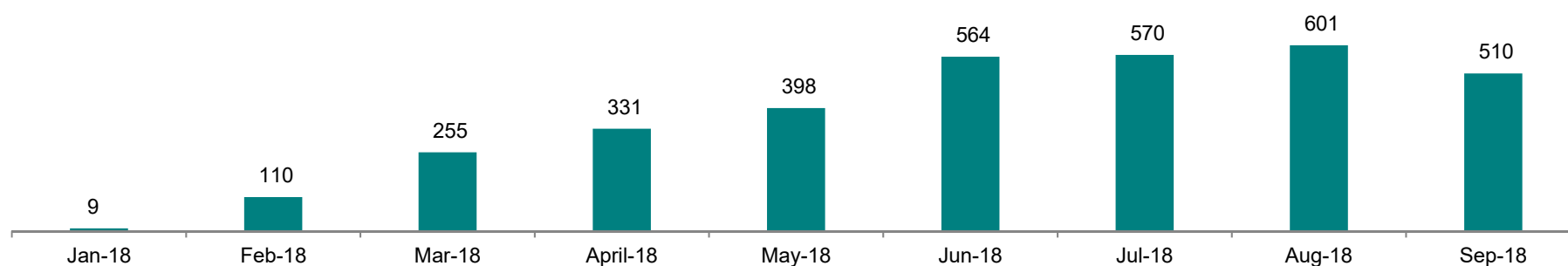
Branch opened in	No of branches	Months in operations	Branches with positive contribution – Sep 2018
December 2017	11	9	8 (73%)
January 2018	20	8	17 (85%)
February 2018	24	7	9 (38%)

- For 9 month vintage branches
 - Average monthly disbursal ₹ 12 Mn per branch
 - 73% of branches giving positive contribution

Housing Finance Business Volumes are Trending Well (1/3)



Housing Finance – Monthly Disbursement Trend (₹ Mn)



- ✓ Consistent month-over-month growth in AUM and disbursements
- ✓ Phase 1 of branch expansion completed
- ✓ Significant improvement in branch level profitability led by increasing business scale
- ✓ Branch-level break-even estimated at branch AUM of ₹ 150 Mn
- ✓ Zero NPAs

Housing Finance Business Volumes are Trending Well (2/3)



Particulars (₹ Mn)	Q2 FY18	Q3 FY18	Q4 FY18	Q1 FY19	Q2 FY19
Revenue from Operations	-	1	9	31	75
Interest Expenses	-	1	4	16	41
Net Interest Income	-	-	5	15	33
Salary	15	27	47	62	93
Operating Expenses	2	4	12	13	30
Profit before Credit Cost	-18	-31	-55	-59	-90
Credit Cost *	0	1	3	3	4
Profit Before Tax	-18	-32	-58	-63	-93
Loan Assets	4	145	512	1,757	3,311
Equity^	2	53	158	591	1,098

* Credit cost refers to expected loss provisions. There are no NPAs in the housing finance business

^ Allocated

Housing Finance : Key ratios (3/3)

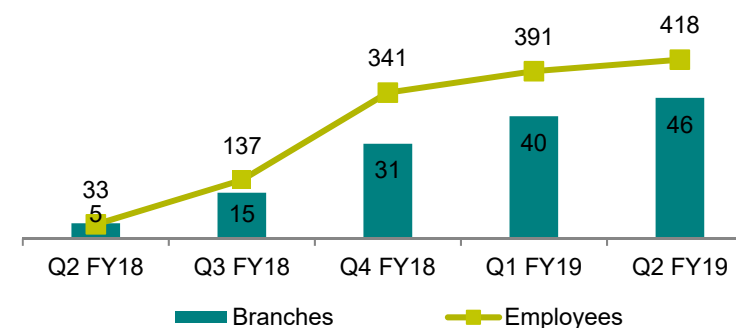


ROAA Tree(%)	Q2 FY18	Q3 FY18	Q4 FY18	Q1 FY19	Q2 FY19
Interest Income*	n.a.	15.4%	15.0%	12.5%	12.4%
Net Interest Income*	n.a.	5.5%	8.4%	6.1%	5.5%
Operating Expenses*	n.a.	406.7%	100.8%	30.1%	20.4%
Profit before Credit Cost*	n.a.	-397.8%	-92.4%	-24.0%	-14.8%
Cost / Income	n.a.	4580.8%	1199.8%	492.0%	368.3%
Credit Cost*	n.a.	19.3%	5.4%	1.3%	0.6%
GNPA	0.0%	0.0%	0.0%	0.0%	0.0%
NNPA	0.0%	0.0%	0.0%	0.0%	0.0%
ROAA^	n.a.	-417.1%	-97.7%	-25.3%	-15.5%
Leverage	n.a.	2.7x	3.1x	3.0x	3.0x
ROAE^	n.a.	-1142.5%	-304%	-76.6%	-46.4%

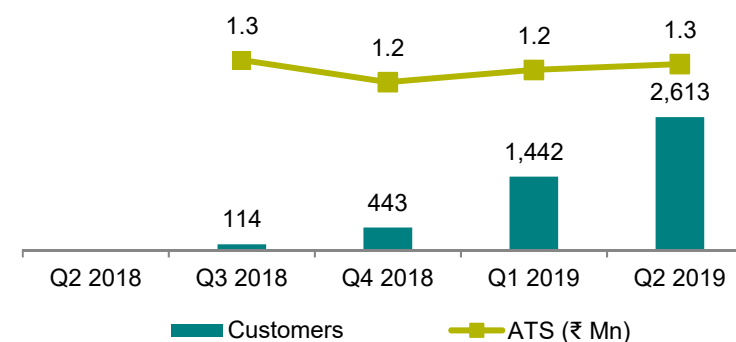
* On daily average basis

^ Annualized basis


Branches & Employees



Customers & Avg. Ticket Size



Discussion Summary

- ❖ Quarterly Results
 - ❖ Business Strategy & Performance
 - ❖ **Company Overview**
 - ❖ Shareholding Structure
- 

Quick Snapshot



1. First Indian NBFC promoted by Global PE Investors

- Incorporated in 2011, sponsored by Everstone Capital and other marquee investors
- Listed on NSE & BSE in May-18

2. Strong Performance Track Record

- FY14-18 CAGR: AUM 24%, PAT 19%
- High Asset Quality, Healthy Profitability
- CRAR: 31.3%, sufficient capital available for rapid growth

3. Established Corporate Lending Platform

- Q2 FY19 Corporate AUM: ₹ 48,665 Mn (63% of total AUM)
- Differentiated lending with high asset quality, low opex., high NIMs, high ROAA
- Completed multiple credit cycles – Cumulative disbursement of Rs 2,44,557 Mn; of which 79.5% fully repaid

6. Robust Risk Management & Scalable Technology Platform

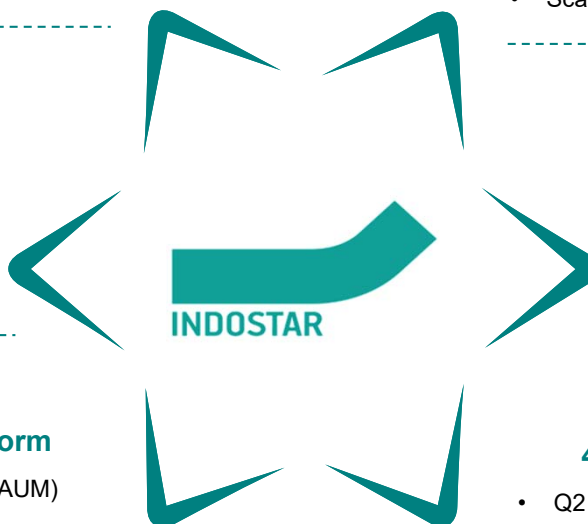
- Strong credit underwriting processes
- Active Board oversight
- Scalable technology platform to support growth

5. Entrepreneurial Leadership with Strong Sponsor Backing

- In-depth understanding of specific industry and geographic regions
- Separate business / credit heads for each vertical
- ESOP program (8.8% of fully diluted shares), interest aligned with business growth

4. Aggressive Growth in Retail Loan Book

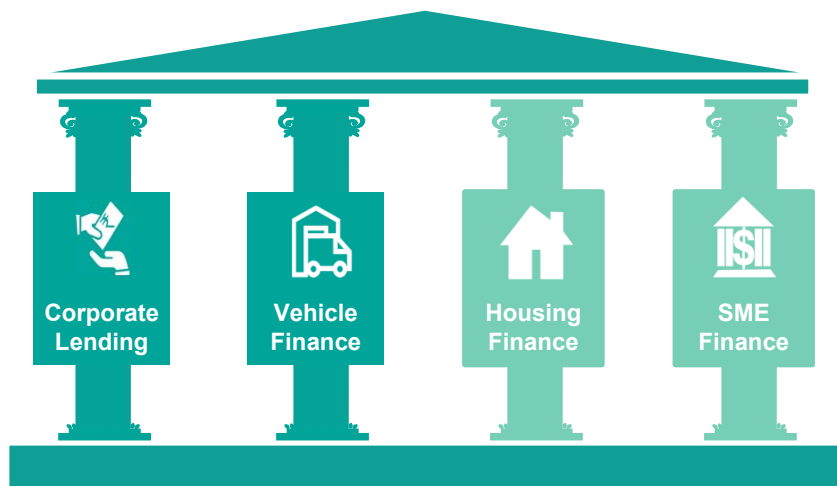
- Q2 FY19 Retail AUM: ₹ 29,000 Mn (37% of total AUM)
- Pan-India presence - 17 States, 155 Branches, 1,545 Employees, 15,037 Customers
- SME already profitable, VF & HF on track to achieve break even



Unique Combination of NBFC + HFC for 'Middle India'



NBFC + HFC Combination



Middle India

60% population

42% self employed



63% population age less than 35yrs



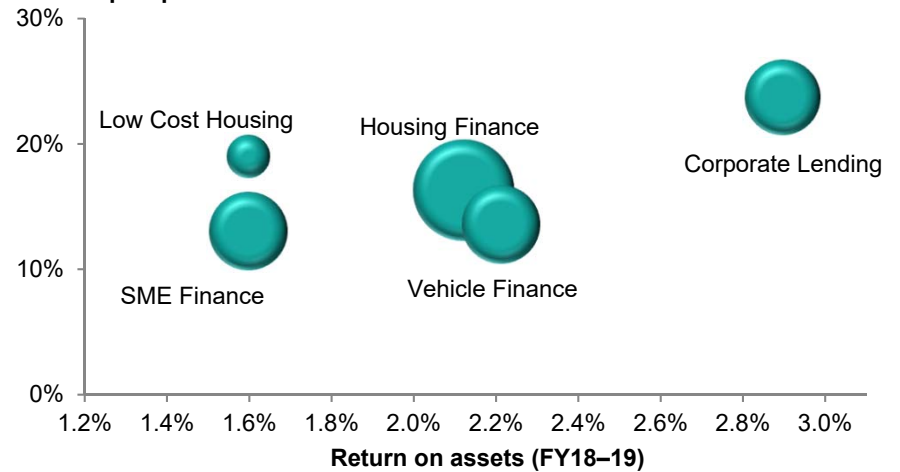
Established Corporate Lending Platform Provides IndoStar a Solid Foundation To Build the Retail Loan Book

Presence in Segments With Strong Growth Potential

Focus on Profitable Growth and ROE Enhancement

- Corporate Lending – High ROA
- Vehicle finance – High ROA & Leverage
- SME Finance – Moderate Leverage
- Housing finance – High Leverage

Growth prospects



- High growth prospects in the targeted segment over next two years
- ROA accretive businesses

Source: CRISIL Report – Nov 2017

Retail Lending: Focus on High Growth Segments



Commenced Retail Lending in 2015 with Focus on High Growth Segments

Vehicle Finance To Be The Primary Growth Engine, While Housing Finance And SME Finance To Offer Strategic Leverage

SME Finance

- **Commenced in FY 2016**
- **Focus area:** Traders, Manufacturers and Services. Turnover upto ₹ 250 Mn
- **Differentiating strategy:**
 - ~ 40% of SME loans qualify for PSL
 - Collateral - Self-occupied residential property
 - Customized solutions, short processing turn-around-time
 - 100% loans are secured, floating, monthly interest servicing
 - Sourcing : DSA driven
- **Q2 FY19 Branches: 10 ***
- **Q2 FY19 AUM: ₹ 18,589 Mn**
- **Avg. Yield: 11.5%, ATS: ₹ 13 Mn, Avg. Tenor: 15 years**

Housing Finance

- **Commenced in FY 2018**
- **Focus area:** Affordable HF, Self-employed individuals in outskirts of urban markets, Tier II cities
- **Differentiating strategy:**
 - Hired experienced personnel
 - Leverage VF branch network
 - Sourcing : Self, DSA, Connectors
- **Q2 FY19 Branches: 46 ***
- **Q2 FY19 AUM: ₹ 3,311 Mn**
- **Avg. Yield: 13.3%**
- **ATS: ₹ 1.3 Mn**
- **Avg. Tenor: 20 years**

Vehicle Finance








- **Commenced in FY 2018**
- **Focus area:** Used CV (5 – 12 years)
- **Differentiating strategy:**
 - Sourcing through field officers
 - Leverage team's relationships with SFOs, MFOs and LCV & MCV owners, dealerships
 - Headquartered in Chennai
 - Increase local on-ground presence to 17 key states
 - Sourcing : Self driven
- **Q2 FY19 Branches: 136 [inc.15 Rural Centres] ***
- **Q2 FY19 AUM: ₹ 7,100 Mn**
- **Avg. Yield: 16.6%, ATS: ₹ 0.7 Mn, Avg. Tenor: 3 years**

* Some branches have multiple operating segments, ATS: Avg. Ticket Size

Entrepreneurial Leadership Team with Strong Sponsor Backing



- ✓ Several years of experience and in-depth understanding of the specific industry and geographic regions
- ✓ Separate business & credit heads for each vertical
- ✓ Strong alignment through large ESOP program (8.8% of diluted shares)

 <p>R. Sridhar Executive VC & CEO</p> <ul style="list-style-type: none"> 30+ years of experience in financial services industry Previously associated with various entities forming part of the Shriram group Served as the MD of Shriram Transport Finance Company 	 <p>Shailesh Shirali MD, Head – Corporate Lending and Markets</p> <ul style="list-style-type: none"> 20+ years of experience in the financial services sector Previously worked at Future Capital Holdings 	 <p>Prashant Joshi Chief Operating & Risk Officer</p> <ul style="list-style-type: none"> 20+ years of experience across SME, Retail & Corporate banking Previously worked with Deutsche Bank, Standard Chartered Bank, IDBI Bank, ICICI 	 <p>Pankaj Thapar CFO</p> <ul style="list-style-type: none"> 30+ years of experience in corporate finance Previously worked with Everstone Capital Advisors, Dentsu, ICICI, Coca-Cola India, ANZ, Grindlays Bank, Citibank
 <p>A. Gowthaman Business Head Vehicle Finance</p> <ul style="list-style-type: none"> 20+ years of experience in financial institutions Previously worked with Cholamandalam Investment & Finance Company, Shriram Transport Finance Company, Shriram Investments and others 	 <p>Hansraj Thakur Business Head SME Finance</p> <ul style="list-style-type: none"> Several years of experience in SME, commercial banking, and sales and relationship management Previously worked at IDFC Bank and Standard Chartered Bank 	 <p>Shreejit Menon Business Head Affordable HF</p> <ul style="list-style-type: none"> Several years of experience with financial Institutions Previously worked with Religare Housing Development Finance Corporation, HSBC and Muthoot Housing Finance Company 	

Entrepreneurial Leadership Team with Strong Sponsor Backing



Siva S.
National Credit
Head – Vehicle Finance

- 24 years of experience with financial Institutions
- Previously worked with Fullerton India, Citigroup, Equitas Small Finance Bank. Also worked in Ashok Leyland Limited



Uday Narayan
National Credit
Head - SME

- 20 years of experience with banks & financial Institutions
- Previously worked with Reliance Capital, Bajaj Finance, ICICI Bank, Axis Bank and L & T Finance



Shripad Desai
National Credit
Head – Housing Finance

- 21 years of experience with banks & financial Institutions
- Previously worked with IDBI Bank, Reliance Capital, ICICI Bank, Deutsche Bank and others



Benaifer Palsetia
Chief Human Resources
Officer

- More than 19 years of experience with banks and financial institutions
- Previously worked with IDFC Bank, Citibank and Credit Suisse



Pradeep Kumar
Chief Technology
Officer

- More than 20 years of IT experience with financial Institutions and IT Companies
- Previously worked with PNB Housing Finance Limited, BirlaSoft Limited, WNS, Tata Infotech



N. Ramesh
Group
Head Operations

- 31 years of experience with banks & financial Institutions
- Previously worked with GE Countrywide, Cholamandalam Investment & Finance Co. Ltd., Shriram City Union Limited, Equitas Small Finance Bank.

Strong & Distinguished Board



- ✓ 13 committees composed of independent and non-independent directors and also employees¹
- ✓ Distinct and delineated responsibilities to ensure good corporate governance
- ✓ Strong capital sponsorship also providing access to best industry practices and international corporate governance standards

Name	Designation	Description
 Dhanpal Jhaveri	Chairman & Non-Executive Director	<ul style="list-style-type: none"> Director since 2010; Partner at Everstone Capital Experience in investing, corporate strategy, mergers and acquisitions and investment banking Previously worked with Vedanta Group, ICICI Securities, KPMG India
 R.Sridhar	Executive Vice Chairman & CEO	<ul style="list-style-type: none"> 30+ years of experience in financial services industry Previously associated with various entities forming part of the Shriram group
 Sameer Sain	Non-Executive Director	<ul style="list-style-type: none"> Director since 2011 Several years of experience in investment management, institutional wealth management and special investments
 Alok Oberoi	Non-Executive Director	<ul style="list-style-type: none"> Director since 2011 Experience in Investment and structuring international joint ventures and transactions Founder of ACPI investments, previously worked with Goldman Sachs
 Hemant Kaul	Non-Executive Independent Director	<ul style="list-style-type: none"> Several years of experience in the fields of banking and insurance Previously worked with Axis Bank and Bajaj Allianz General Insurance
 Dinesh Kumar Mehrotra	Non-Executive Independent Director	<ul style="list-style-type: none"> 30+ years experience in insurance Previously served as the Chairman of Life Insurance Corporation of India
 Bobby Parikh	Non-Executive Independent Director	<ul style="list-style-type: none"> Director since 2011 Several years of experience in finance
 Naina Krishna Murthy	Non-Executive Independent Director	<ul style="list-style-type: none"> 17+ years of experience in the field of law Founder of India law firm K Law

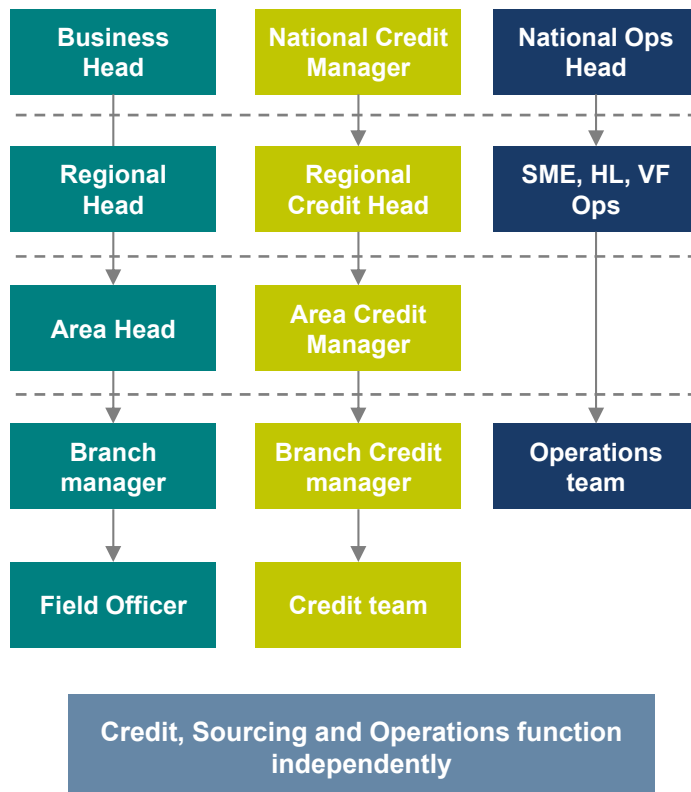
1. 13 committees include Audit Committee, Nomination and Remuneration Committee, Stakeholders Relationship Committee, Corporate Social Responsibility Committee, Asset Liability Management Committee, Risk Management Committee, IPO Committee, Credit Committee, Management Committee, Corporate Lending Committee, Retail Lending Committee, Banking Committee and Debenture Committee

 Independent Directors

Robust Risk Management Framework



Organizational Framework Aligned to Mitigate Risk



Strong Credit / Underwriting Processes Followed by Robust Monitoring Mechanism

1

Structured Credit Appraisal / Approvals

- Corporate: Pre-screened by corporate lending committee, prior to credit committee approval
- Retail / SME lending: Internal credit policy based loan approvals
- Loan Proposals sanctioned, disbursed and monitored through customized technology platform (i.e. **Omnifin for SME & Housing Finance and UNO for Vehicle Finance**)

2

Monitoring mechanism

- Close monitoring mechanism ensures timely compliance of sanctioned terms
- Regular portfolio review allows timely corrective action

3

Risk Management Policies

- Policies for KYC, AML, Investment & Loans, Underwriting risk guidelines, etc.
- Robust Collateral management

4

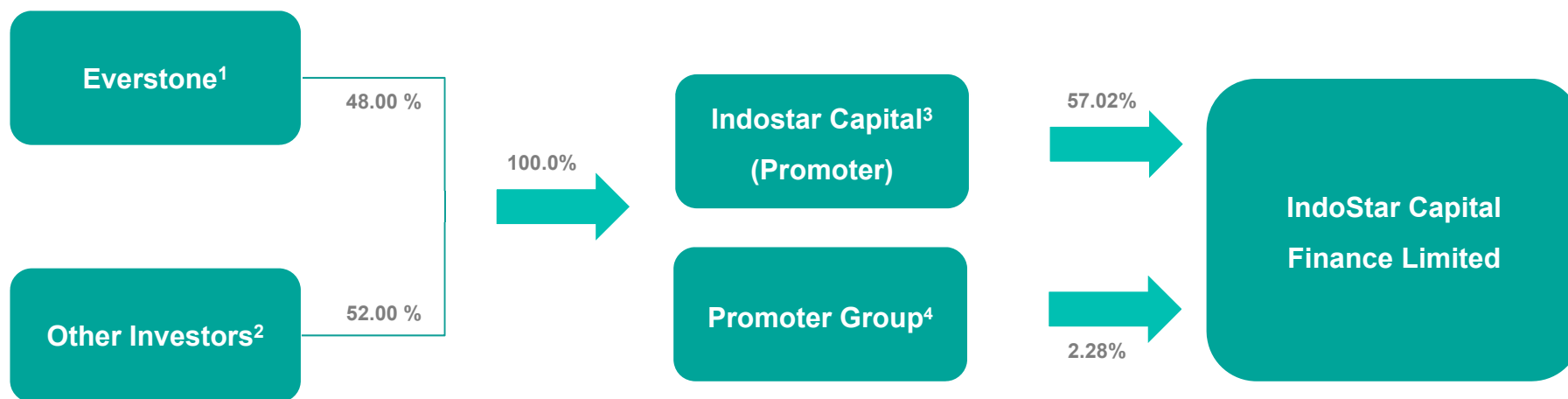
Internal Controls and Processes

- Standard operating processes
- Regular internal audit - KPMG
- E&Y as statutory auditor
- Concurrent audit

Discussion Summary

- ❖ Quarterly Results
- ❖ Business Strategy & Performance
- ❖ Company Overview
- ❖ **Shareholding Structure**

Promoters Shareholding Structure



Strong capital sponsorship of Everstone Group

EVERSTONE

India and SEA
focused

US\$4.0bn
AuM



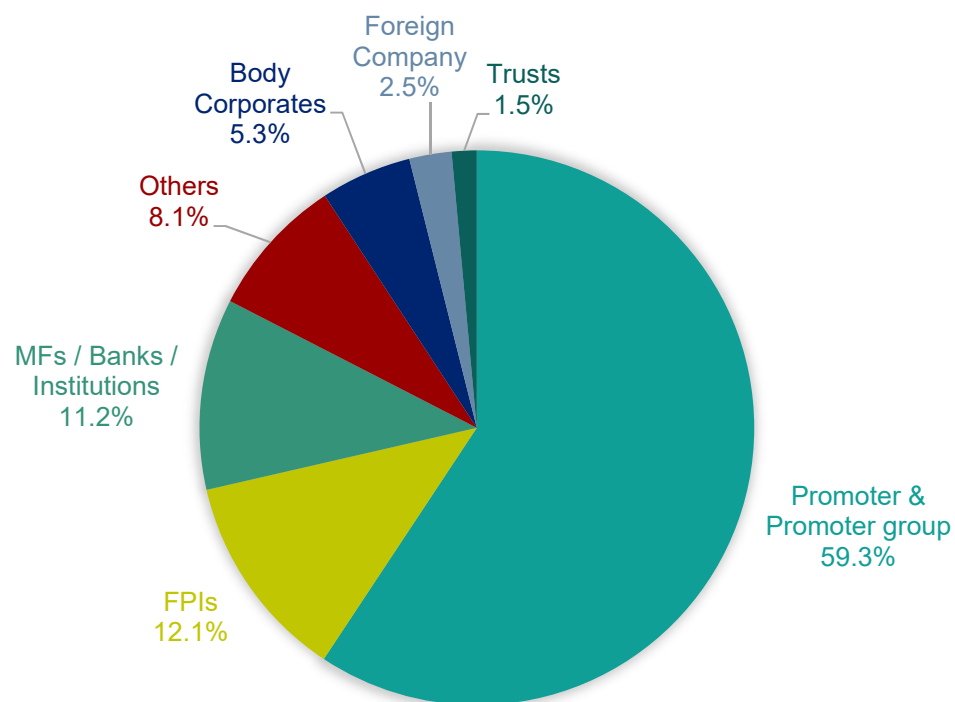
'Private Equity Firm of the Year in India'
for 7 consecutive years⁵

1. Includes Indostar Everstone (36.24%) and Everstar Holdings Pte. Ltd. (11.76%). 2. Includes ACP Libra Limited (16.95%), Beacon India Private Equity Fund (11.92%), Beacon Light Group Limited (3.92%), Global Long Short Partners Mauritius I Limited (9.12%), Private Opportunities (Mauritius) I Limited (6.08%) and CDIB Capital Investment II Limited (4.00%). 3. Incorporated in Mauritius. 4. include Everstone Capital Partners II LLC (1.23%) and ECP III FVCI PTE Ltd.. 5. Recognized as 'Private Equity Firm of the Year in India' by Private Equity International for seven consecutive years from 2011 to 2017.

Shareholding Pattern



Shareholding @ 30 Sept 2018



Major Shareholders

Promoter & Promoter Group
Management Team and Employees*
SBI MF
Lenarco (Advent)
ICICI Prudential Life Insurance
Fidelity Emerging Markets Fund
HDFC MF
SBI Amundi Funds
BNP Paribas Arbitrage Fund
Edelweiss Alternative Investments
Jupiter
ICICI Lombard General Insurance
HDFC Standard Life Insurance
Aditya Birla MF
Sundaram MF
East Bridge Capital

Source - NSE, Company data

* Additionally hold ESOP for ~ 8.8% of fully diluted equity

For Further Queries



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