

Ref. No. AAVAS/SEC/2019-20/272

Date: October 25, 2019

To, The National Stock Exchange of India Limited The Listing Department Exchange Plaza, Bandra Kurla Complex, Mumbai - 400051	To, BSE Limited Dept. of Corporate Services Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai - 400001
Scrip Symbol: AAVAS	Scrip Code: 541988

Dear Sir/Madam,

Sub: Investor Presentation on the Unaudited Financial Results for the quarter and half year ended September 30, 2019

In terms of Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 please find enclosed herewith a copy of Investor Presentation of the Company on the Unaudited Financial Results for the quarter and half year ended September 30, 2019.

This Investor Presentation may also be accessed on the website of the Company at www.aavas.in

This is for your information and record.

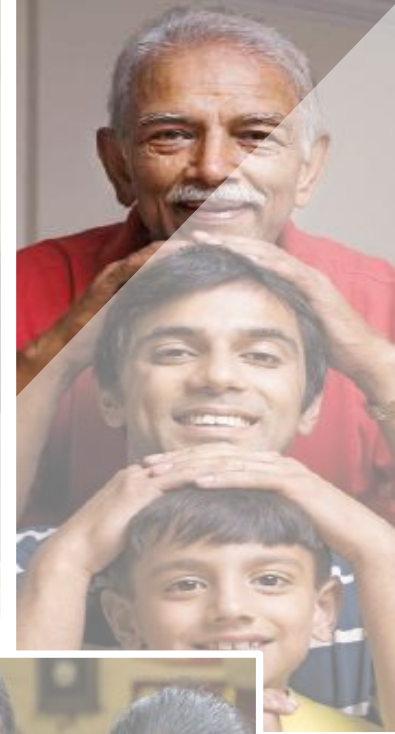
Thanking You,

For Aavas Financiers Limited


Sharad Pathak
Company Secretary & Compliance Officer
(FCS-9587)



Enclosed: a/a



AAVAS FINANCIERS LIMITED

Investor Presentation – H1 FY20

This presentation and the accompanying slides (the “Presentation”), which have been prepared by **Aavas Financiers Ltd.** (the “Company”), have been prepared solely for information purposes and do not constitute any offer, recommendation or invitation to purchase or subscribe for any securities, and shall not form the basis or be relied on in connection with any contract or binding commitment whatsoever. No offering of securities of the Company will be made except by means of a statutory offering document containing detailed information about the Company.

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This presentation contains certain forward looking statements concerning the Company’s future business prospects and business profitability, which are subject to a number of risks and uncertainties and the actual results could materially differ from those in such forward looking statements. The risks and uncertainties relating to these statements include, but are not limited to, risks and uncertainties regarding fluctuations in earnings, our ability to manage growth, competition (both domestic and international), economic growth in India and abroad, ability to attract and retain highly skilled professionals, time and cost over runs on contracts, our ability to manage our international operations, government policies and actions regulations, interest and other fiscal costs generally prevailing in the economy. The Company does not undertake to make any announcement in case any of these forward looking statements become materially incorrect in future or update any forward looking statements made from time to time by or on behalf of the Company.

Our Background



Commenced operations in 2011
from Jaipur, Rajasthan



Regulated by Reserve Bank of India (“RBI”)
Supervised by National Housing Bank (“NHB”)



Currently being run by professional
management team backed by
marquee private equity players
Kedaara Capital and Partners Group



Recognized by NHB for refinance
facility



Listed on BSE & NSE in October 2018



Retail network of 216 branches



Our Pillars of Strength

- ✓ Experienced Board of Directors
- ✓ Professional Management Team
- ✓ In-house Execution Model
- ✓ Technology and Data Analytics
- ✓ Improving Credit Ratings
- ✓ Diversified Shareholding Base

Experienced Board of Directors



Sandeep Tandon Chairman* & Independent Director

Qualifications: Bachelor's in Electrical Engineering from University of Southern California

Prior Engagements: Tandon Advance Device, Accelyst Solutions



Soumya Rajan Additional Director (Independent)^

Qualifications: Bachelor's in Mathematics & Economics from St. Stephens College, Master's in Mathematics from Oxford University

Prior Engagements: Waterfield Advisors, Standard Chartered Bank, ANZ Grindlays Bank



Kalpana Iyer Independent Director

Qualifications: Chartered Accountant

Prior Engagements: Citibank N.A., IncValue Advisors



Sushil Kumar Agarwal Managing Director & CEO

Qualifications: Chartered Accountant, Company Secretary

Prior Engagements: Au SFB, ICICI Bank, Kotak Mahindra Primus. 18+ years of experience in the field of retail financial services



K. R. Kamath Non-executive Nominee Director

Qualifications: Bachelor's degree in commerce from University of Mysore, Certified Associate of the Indian Institute of Bankers

Prior Engagements: Corporation Bank, Punjab National Bank, Allahabad Bank, Bank of India



Vivek Vig Non-executive Nominee Director

Qualifications: PG Diploma in management from IIM Bangalore

Prior Engagements: Destimoney Enterprises, Centurion Bank of Punjab, PNB Housing Finance, Citibank N.A., India.



Manas Tandon Non-executive Nominee Director

Qualifications: Bachelor's degree in technology (electrical engineering) from IIT Kanpur, MBA from Wharton School, University of Pennsylvania

Prior Engagements: Matrix India Asset Advisors, TPG Capital India, Cisco



Nishant Sharma Non-executive Nominee Director

Qualifications: Master of Technology in Bio-Chemical Engineering and Bio -Technology from IIT Delhi, MBA from Harvard University

Prior Engagements: General Atlantic, Mckinsey & Company, Bill & Melinda Gates Foundation



Kartikeya Dhruv Kaji Non-executive Nominee Director

Qualifications: Bachelor's degree Economics from the Dartmouth College, New Hampshire, MBA from Wharton School, University of Pennsylvania

Prior Engagements: Perella Weinberg Partners and Merrill Lynch, Temasek

* Appointed as Chairman wef. 01st August 2019

^ Appointed as Additional Director in the capacity of Independent Director wef. 29th August 2019

Professional Management Team



Sushil Kumar Agarwal - Managing Director & CEO

- 18+ years of experience in retail financial services
- Prior associated with Kotak Mahindra Prime, ICICI Bank & Au Small Finance Bank (Business Head – SME & Mortgages)



Ghanshyam Rawat - Chief Financial Officer

- Experience in financial services & allied sectors
- Prior associated with Indorama Synthetics, Accenture, First Blue Home Finance, Deutsche Postbank Home Finance



S Ram Naresh - Chief Business Officer

- Experience in mortgages and FMCG distribution
- Prior associated with Nestle, GE Money, ICICI Bank, Bajaj Finance



Ashutosh Atre - Chief Risk Officer

- Experience in credit management
- Prior associated with Equitas, ICICI Bank, Cholamandalam



Rajeev Sinha - Senior Vice President - Operations

- Prior associated with Indiabulls, CoinTribe



Surendra Sihag - Senior Vice President - Collections

- Prior associated with Bajaj Finance, Cholamandalam



Avinash Kumar - Chief Technology Officer

- Prior associated with Vulcan Express, Humara labs



Anurag Srivastava - Senior Vice President - Data Science

- Prior associated with Deloitte, WNS, American Express



Sharad Pathak - Company Secretary & Compliance Officer

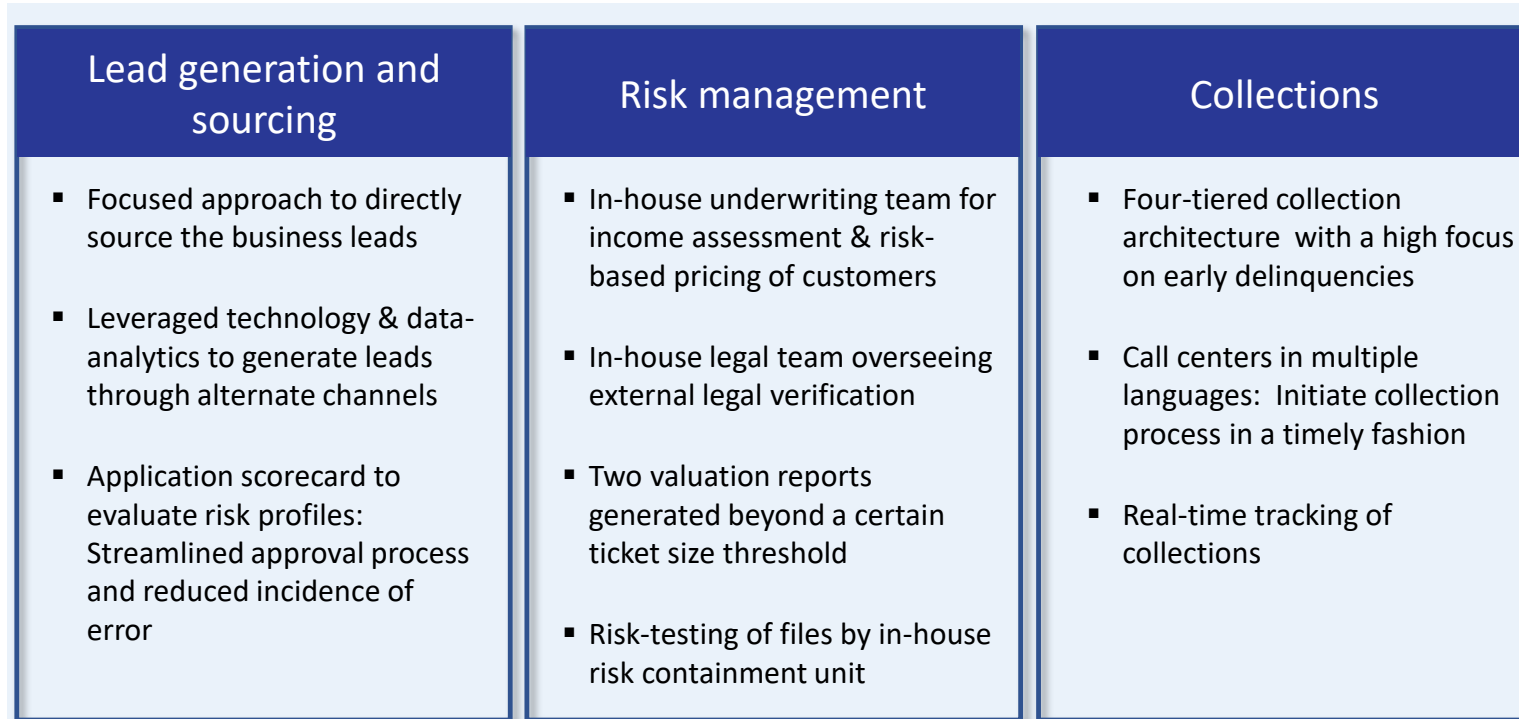
- Associated with Aavas Financiers since May 2012



Vijay Sethi - Senior Vice President - Human Resources

- Prior associated with ICICI Bank, Larsen & Toubro, Tata Group

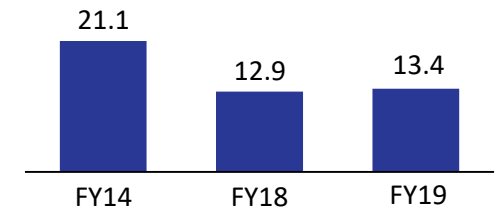
In-house execution model – Replicated across the states



Superior Business Outcome

1. Reduction in average TAT (days)

Turn around time is a key metric for employee incentives



2. Better ability to price risk effectively resulting in yields of 13+%

3. Strong control over loan take-overs by other institutions

4. High collection efficiency and low GNPA

Lead Generation



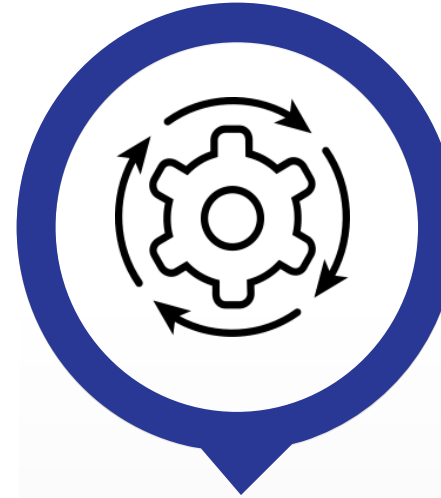
- Majority of the leads are logged in through the sourcing app
- Application scorecard: For Auto-rejection / fast tracking leads
- Mobile app to leverage proponents of housing ecosystem

Underwriting



- Platform integration with credit bureaus
- Quarterly scrub of credit bureau information
- 60+ profiles to evaluate customers in SENP segment

Operations



- Tie-up with banks to enable branch-level registration for NACH
- E-disbursement adopted at branches
- Implemented CRM system for better customer servicing

Collections



- Route optimization for collection personnel
- Analytics model for bounce prediction and assessment of warning signals

Improving Credit Ratings

Long-Term Credit Rating

CARE

Sep-19

AA- /
Stable



Mar-17

A+ /
Stable

ICRA

Sep-19

A+ /
Positive



Mar-16

A /
Stable

CRISIL

Sep-19

A+ /
Stable



Aug-12

BBB+ /
Stable

Short-Term Credit Rating

Reaffirmed

CARE

Sep-19

A1+

Mar-18

A1+

ICRA

Sep-19

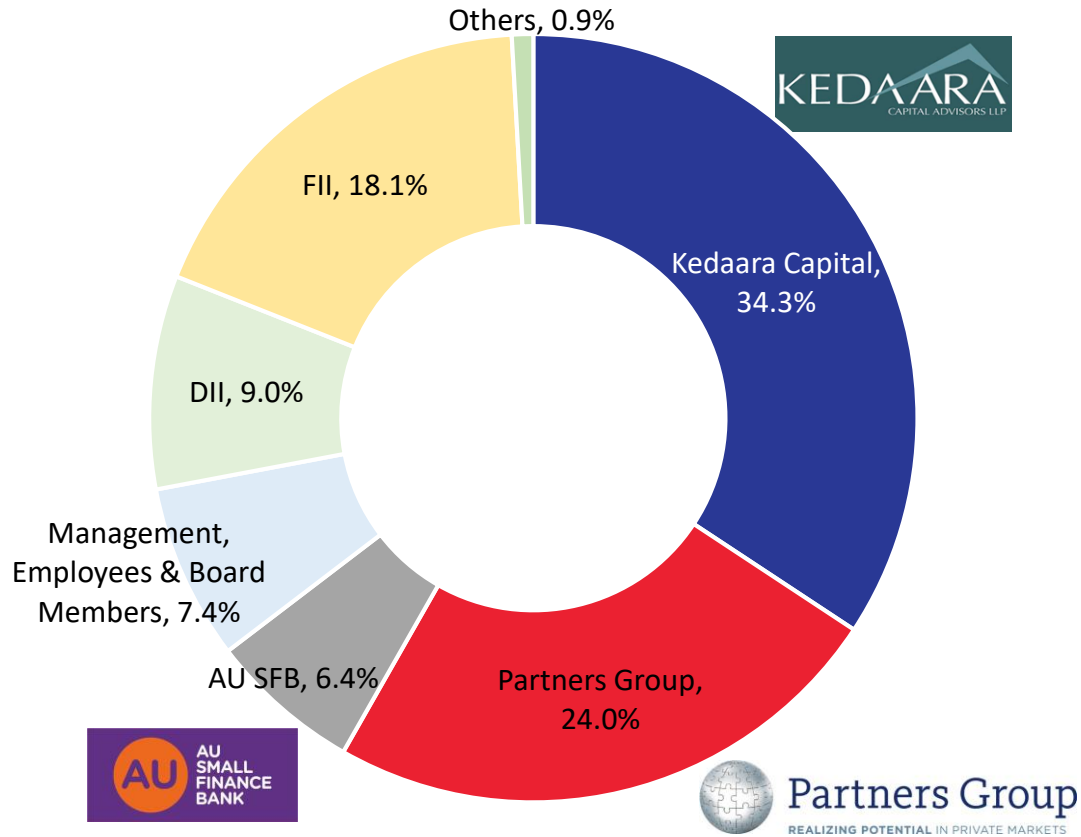
A1+

Mar-18

A1+

Diversified Shareholding Base

Shareholding Pattern as on 30th September 2019



Top Institutional Shareholders as on 30th September 2019

Investor Details	% Holding
AU Small Finance Bank	6.42
SBI Mutual Fund [^]	4.95
Nomura Asset Management [^]	2.67
Buena Vista Fund Management	1.94
Matthews Asia [^]	1.62
St. James's Place Wealth Management	1.59
Wasatch Advisors [^]	1.53
Wellington Management [^]	1.21
HSBC Global Asset Management [^]	1.13
DSP Mutual Fund [^]	0.99
Kotak (Offshore) Asset Management	0.99

[^]Holding through various schemes/funds

Housing Sector – Under-penetrated



- ✓ Size of Opportunity
- ✓ Measures from Government and Regulator
- ✓ Long-term Government Support

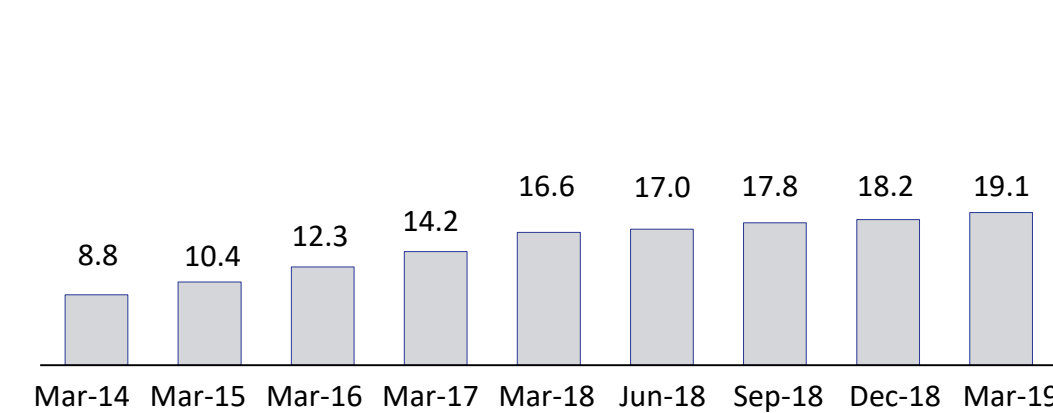
Size of Opportunity

Indian Housing Finance

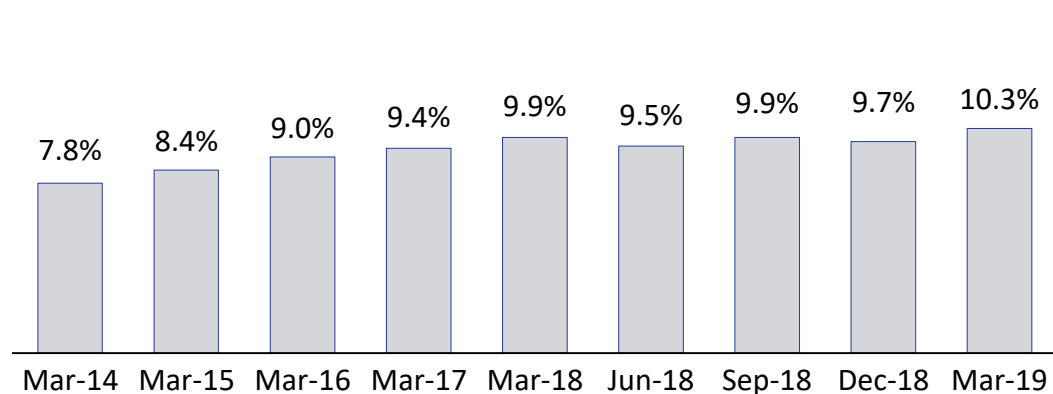
Market Size (as on Mar-19)	₹ 19.1 Trn	
YoY Growth (as on Mar-19)	+15% Banks – 19%, HFCs & NBFCs – 9%	
Market Share (as on Mar-19)	Banks - 64%	HFCs & NBFCs - 36%

Housing Credit Growth Outlook FY20 ~ 13-15%	Affordable HFCs YoY Growth (as on Mar-19) 19%	Affordable segment expected to grow at faster pace than overall industry
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Housing Market (₹ Trn)



Mortgage Penetration (%)





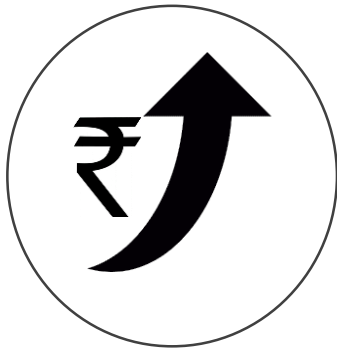
NHB provides additional liquidity to HFCs

NHB to provide additional liquidity support of Rs. 3,00,000 Mn to HFCs for easing the flow of funds into the housing sectors.



Regulation & Supervision of HFCs

RBI has taken over the regulation of HFCs while the supervision & grievance redressal mechanism will continue with NHB



Government cuts corporate tax rate

Government slashes the effective corporate tax rate from 34.94% (with an option to avail exemption) to 25.17% (no exemption) with effect from current fiscal.



Lending boost to NBFCs/HFCs

- RBI has increased the ceiling for a bank's exposure to a single NBFC from 15% to 20% of its Tier 1 capital.
- Bank lending to NBFCs/HFCs for on-lending to housing up to Rs. 2 Mn per borrower will be classified as priority sector lending.

Demand Side

Interest Subsidy Scheme (CLSS – Credit Linked Subsidy Scheme)

- Interest rate subsidy scheme under Pradhan Mantri Awas Yojna (PMAY)
- Interest subsidy (between Rs. 0.22 to 0.27 Mn) for first time home buyers with annual income up to Rs. 1.8 Mn

Improving Affordability

- Additional tax deduction up to Rs. 0.15 Mn for interest paid on housing loans sanctioned in current fiscal for homes priced below Rs. 4.5 Mn

GST rate reduction

- GST reduced on under-construction housing projects from 12% (with ITC) to 5% (without ITC) & on affordable housing projects from 8% (with ITC) to 1% (without ITC) with effect from 1 April 2019
- Scope of affordable housing expanded to those costing up to Rs. 4.5 Mn & measuring carpet area of 60sqm in metros & 90sqm in non-metros

Supply Side

Income Tax Expenses

- 100% tax deduction on affordable housing projects for developers to increase supply in under serviced segment

“Infrastructure” status to Affordable Housing

- “Infrastructure” status accorded to affordable housing thereby easing access to institutional credit

Budgetary Allocation

- Budgetary allocation to PMAY has reduced marginally to Rs. 2,58,500 Mn in this year’s budget with Rs. 1,90,000 Mn for PMAY-Grameen and Rs. 68,500 Mn for PMAY-Urban
- Projected spending of Rs. 56,00,000 Mn by government for infrastructure sector between FY18 to FY24

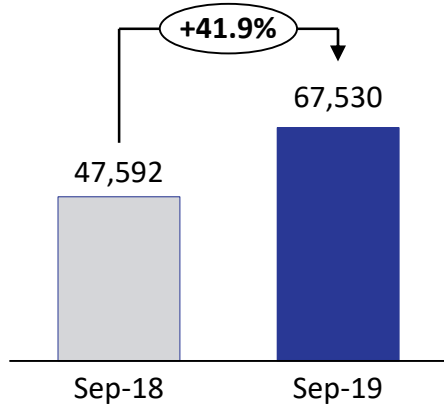


Financial Performance

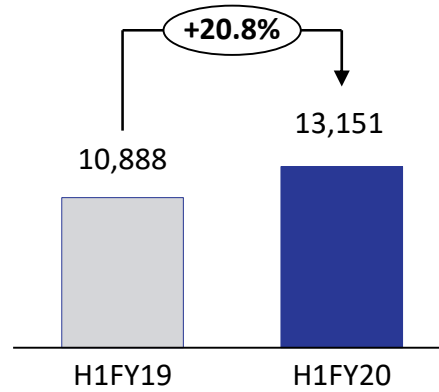
- ✓ Key Business Parameters
- ✓ Geographical Distribution
- ✓ Spreads and Margins
- ✓ Asset Quality
- ✓ Liability Franchise
- ✓ Key Ratios

Performance Highlights

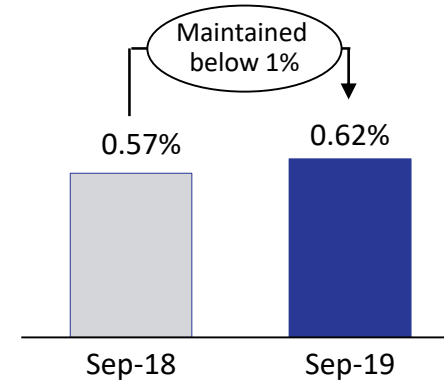
AUM (₹ Mn)



Disbursement (₹ Mn)

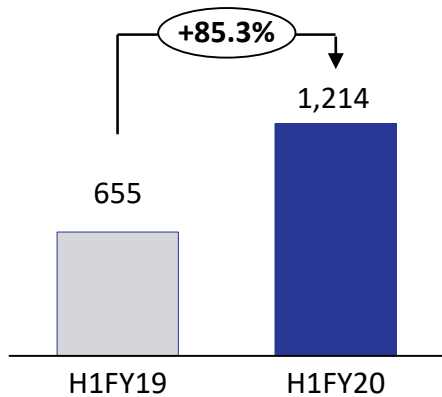


GNPA (%)

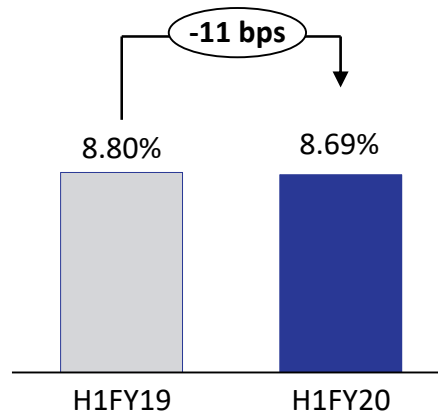


Average Amount[^] per Active Loan Account as on Sep-19
₹ 0.84 Mn

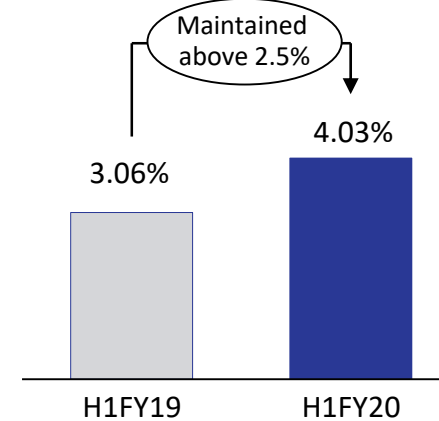
PAT* (₹ Mn)



NIM (%)



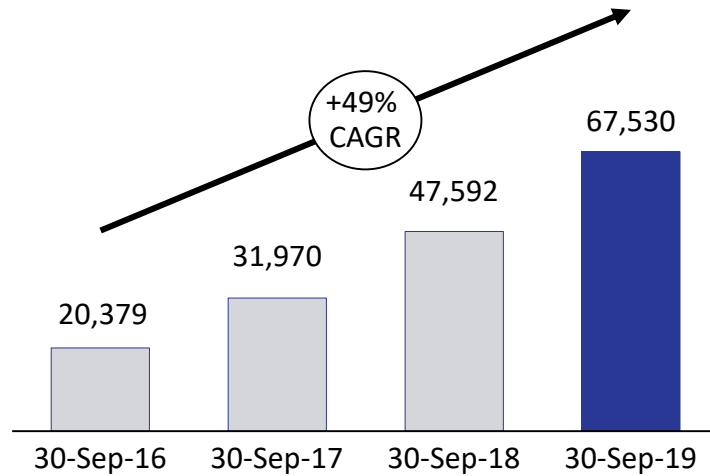
ROA (%)



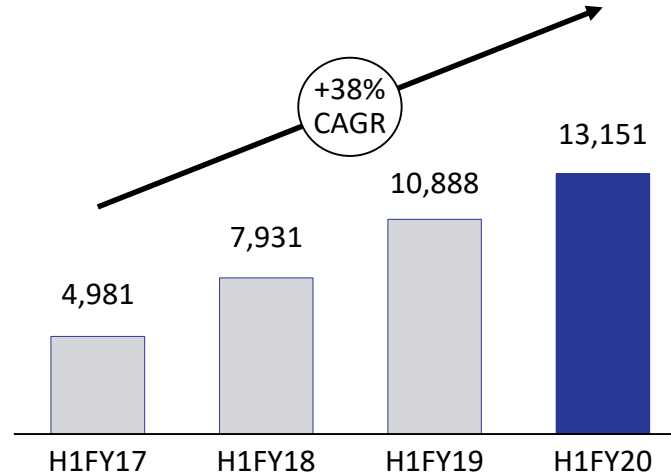
Average Amount[^] per Disbursed Loan Account in H1FY20
₹ 0.84 Mn

Healthy Business Growth

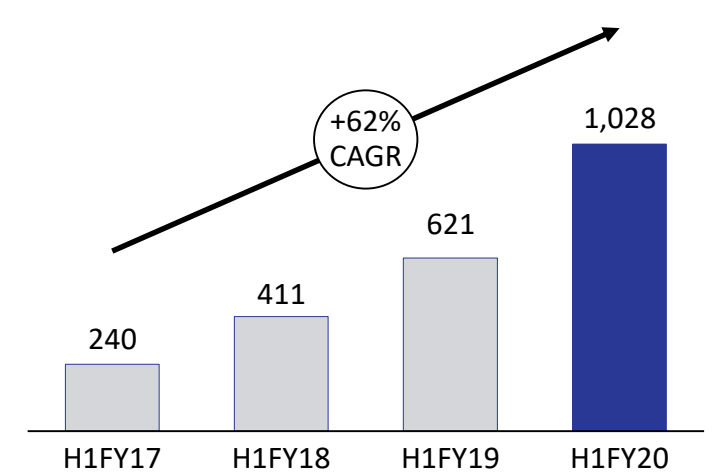
AUM (₹ Mn)



Disbursements (₹ Mn)



PAT* (₹ Mn)



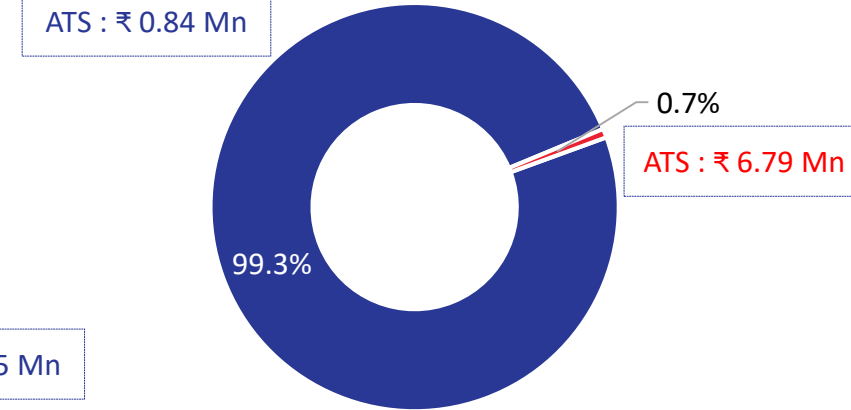
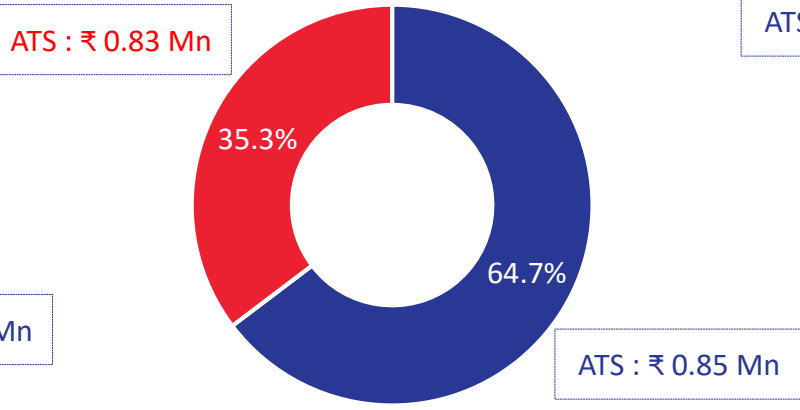
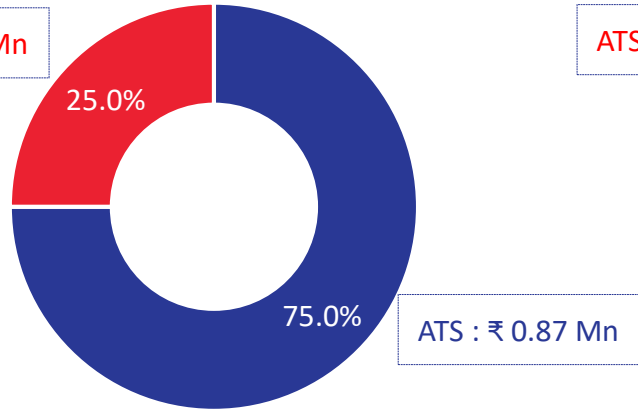
AUM Break-up

Product Category

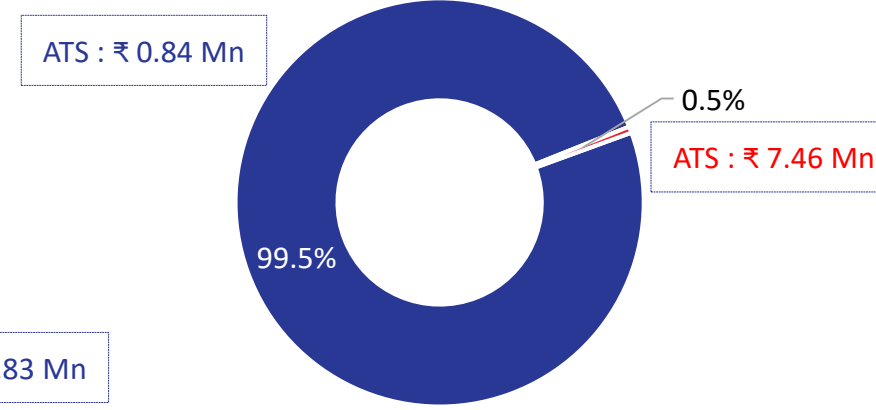
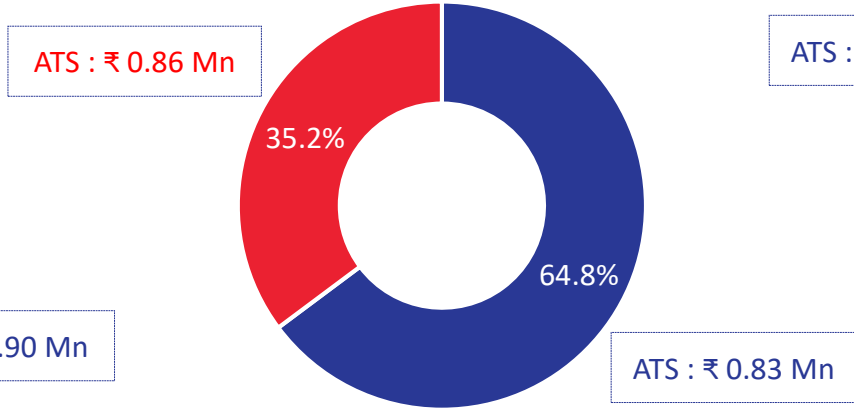
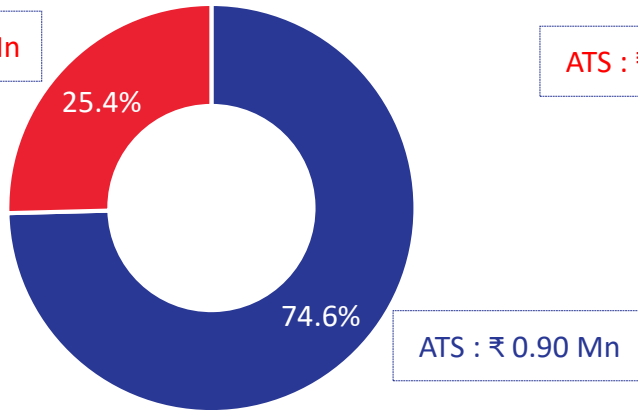
Occupation Category

Customer Category

30-Sep-18



30-Sep-19



Home Loan Other Mortgage Loan

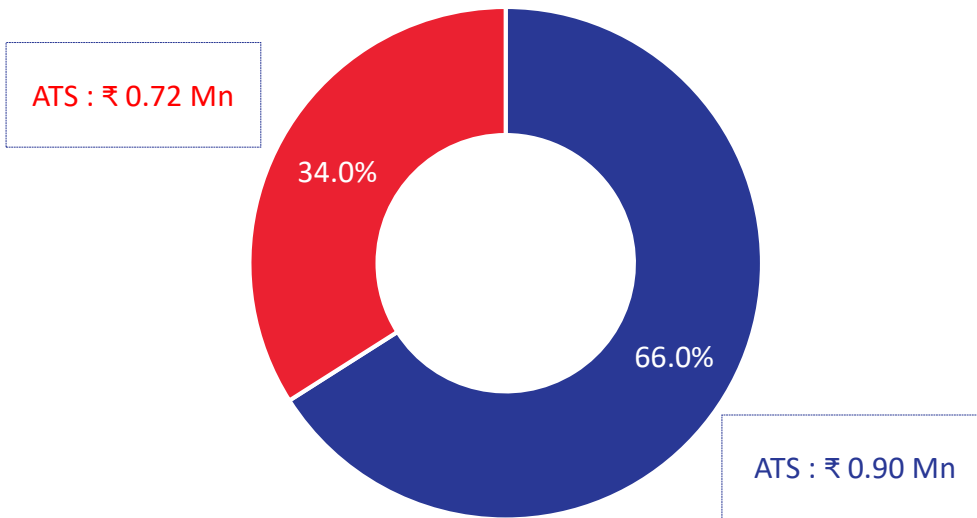
Self-Employed Salaried

Retail Corporate

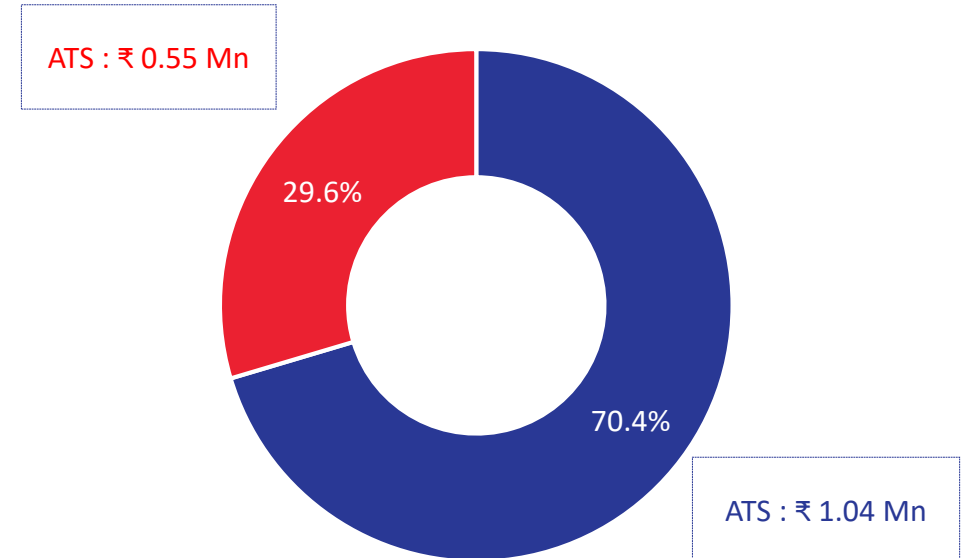
ATS : Average Amount (at the time of Sanction) per Active Loan Account

Disbursement Break-up – Product Category

H1 FY19



H1 FY20



■ Home Loan ■ Other Mortgage Loan

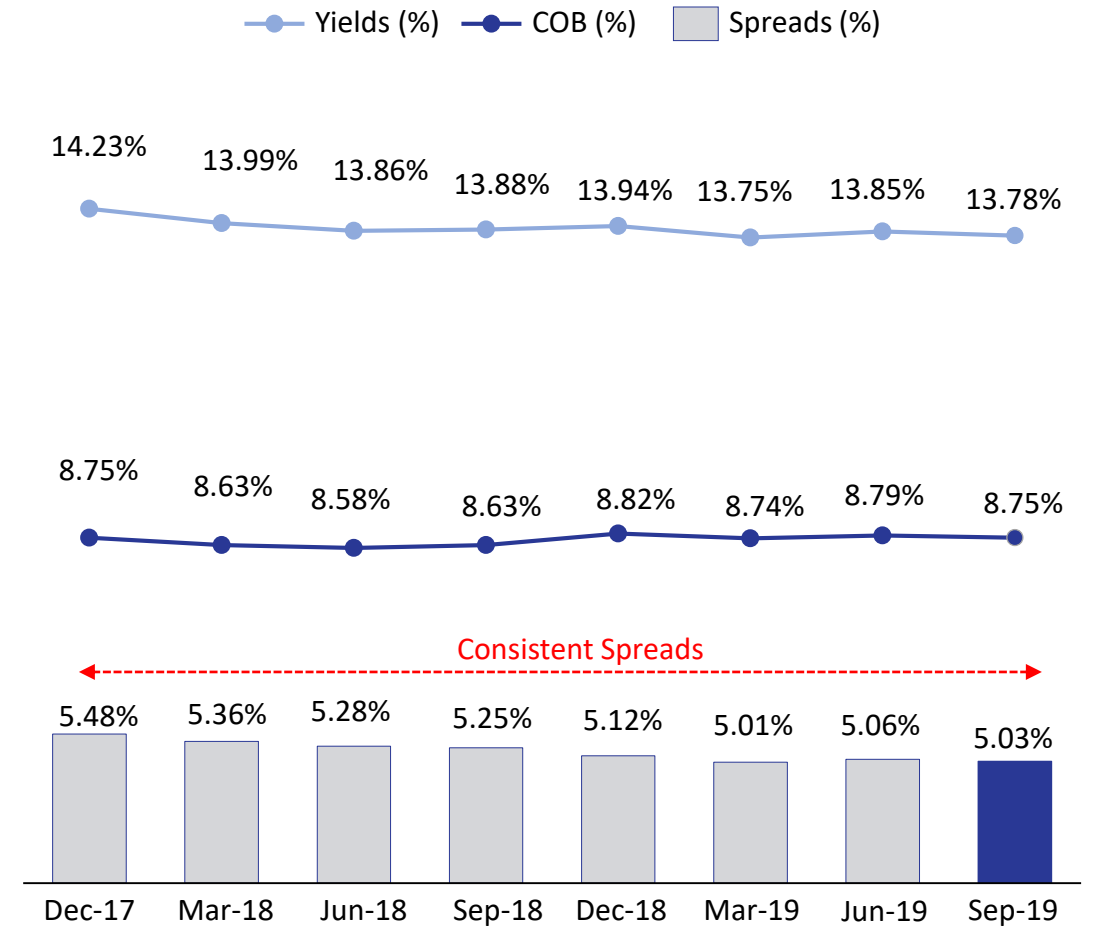
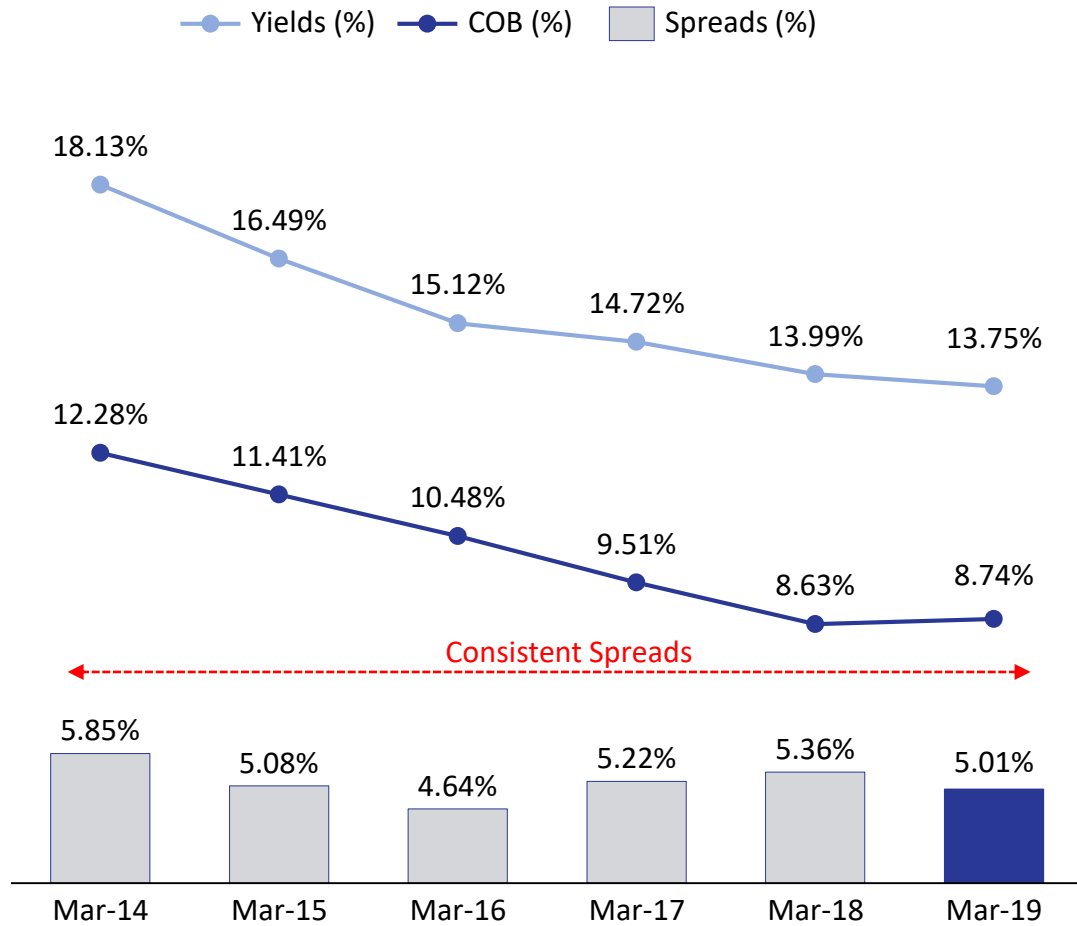
ATS : Average Amount (at the time of Sanction) per Disbursed Loan Account

Geographical Distribution

State	Branches	Operations Commenced in
Rajasthan	78	2012
Maharashtra	39	2012
Gujarat	33	2012
Madhya Pradesh	32	2013
Delhi	4 [^]	2013
Haryana	11 [*]	2017
Chhattisgarh	5	2017
Uttar Pradesh	9	2018
Uttarakhand	5	2018
Total	216	

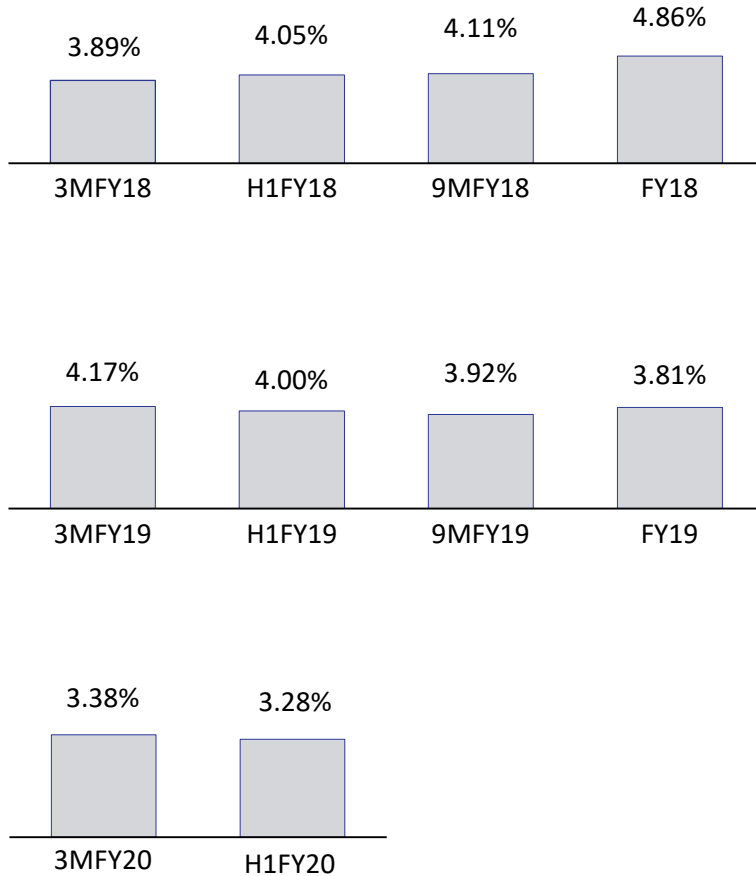
Consistent Spreads

Yields, Cost of Borrowings (%) and Spreads

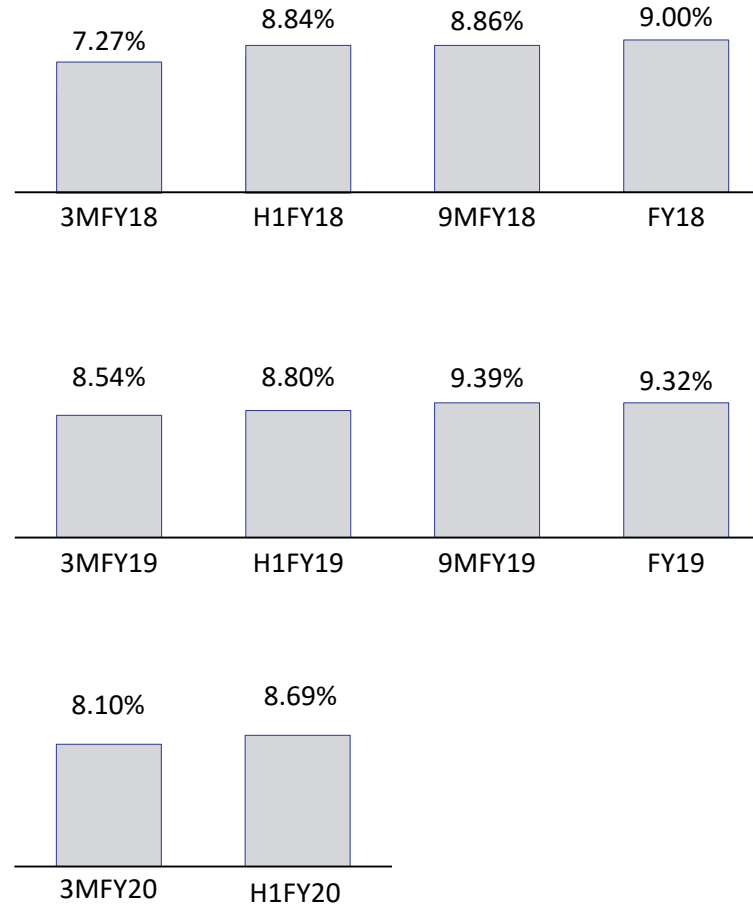


Margin and Cost Efficiency

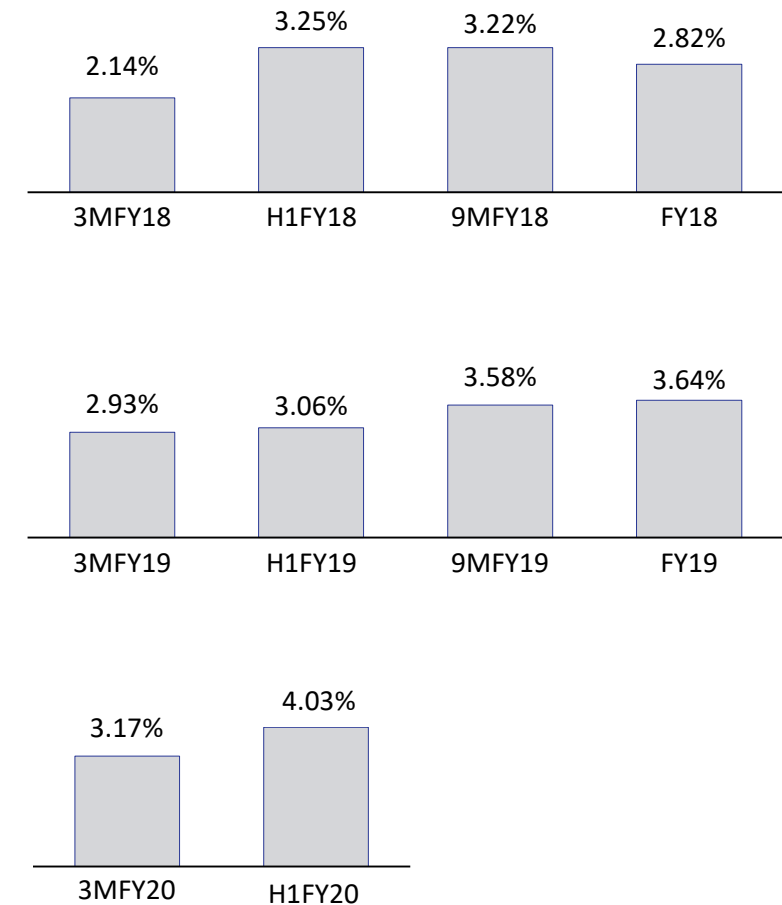
OpEx (%)



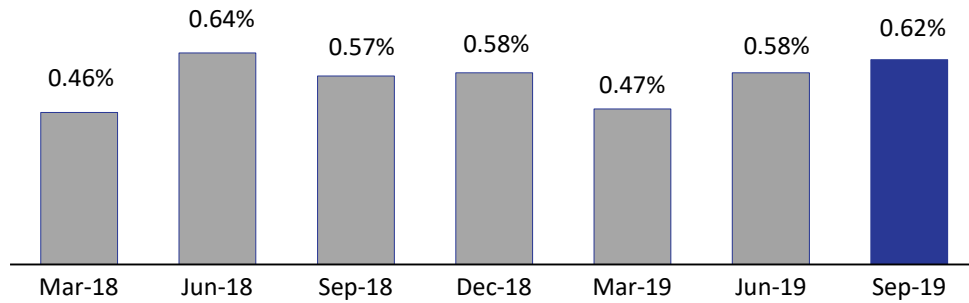
NIM (%)



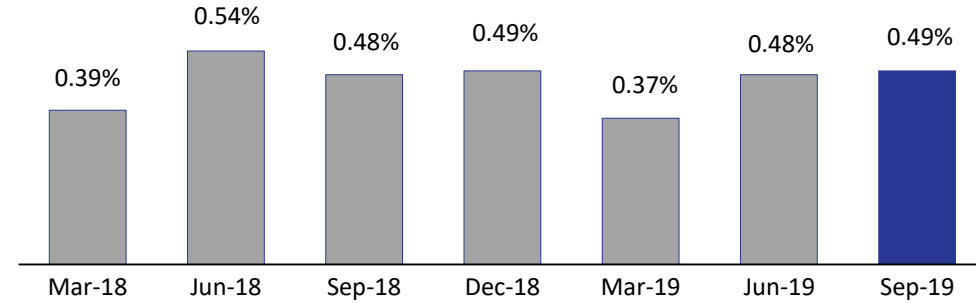
ROA (%)



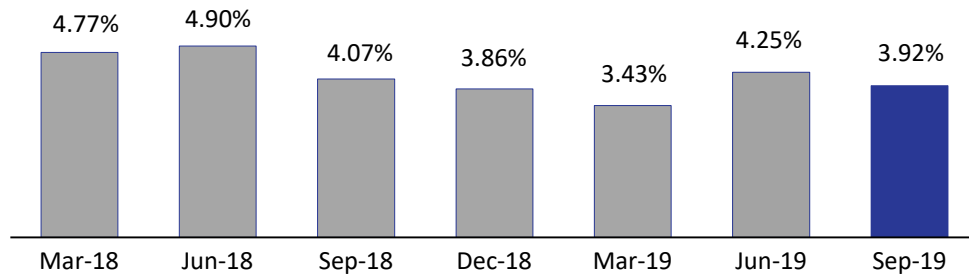
Gross NPAs (%)



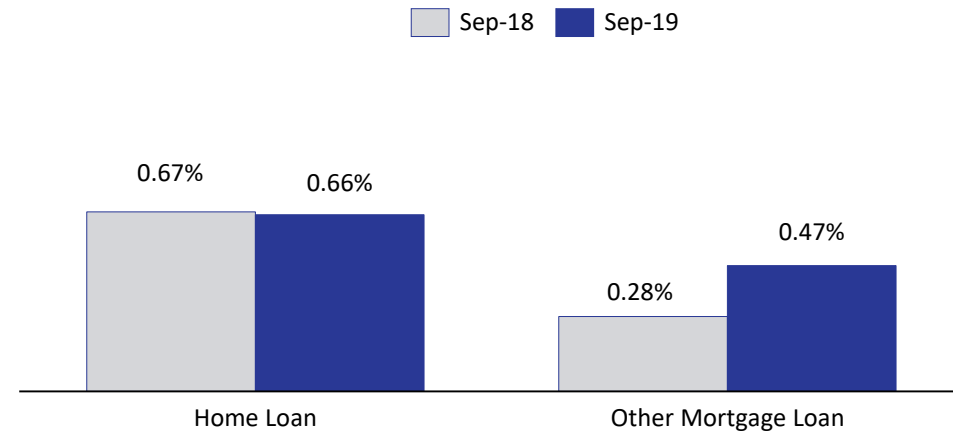
Net NPAs (%)



1+DPD (%)



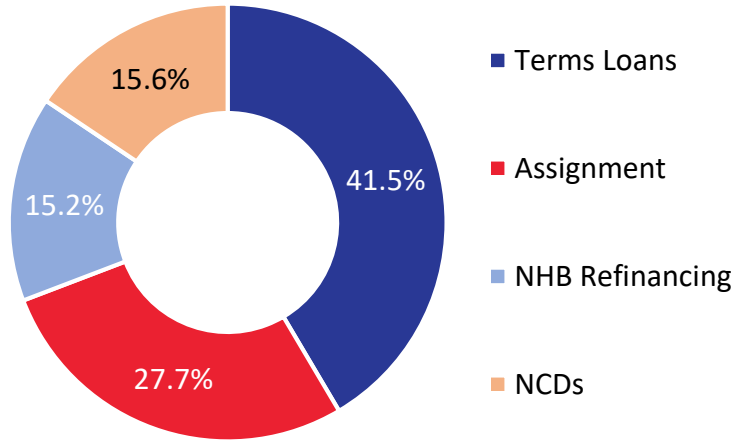
Segment-wise GNPA's



Robust Liability Franchise

Diversified Funding Mix

As on Sep-19



37 Lenders
Diversified Mix

139 Months
Average Borrowing Tenor

No exposure
to Commercial Papers

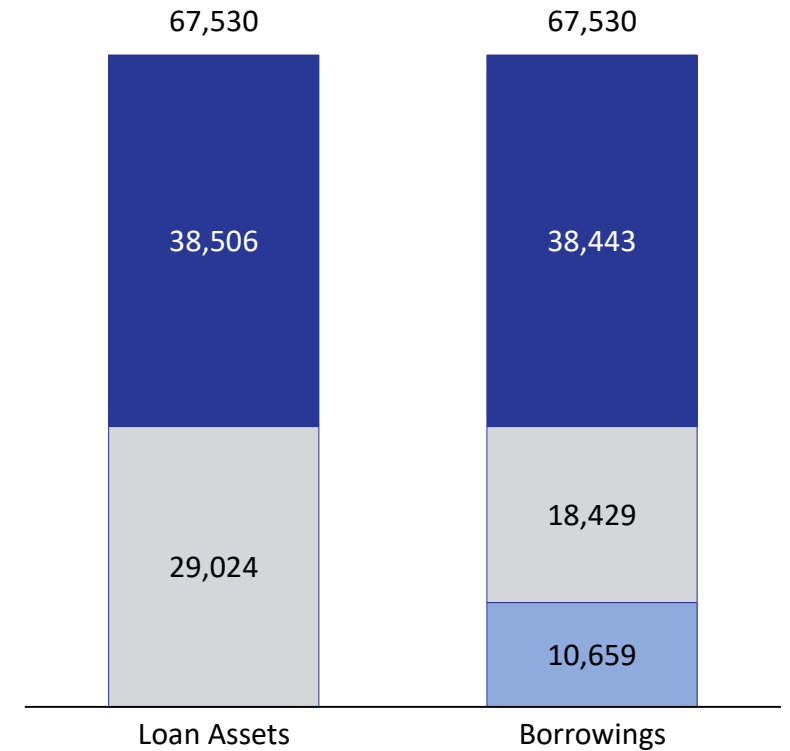
Incremental Q2 FY20 borrowings
₹ 9,529 Mn for 116 months at 8.67%

NCD Investor	Exposure (₹ Mn)	Payment Schedule (₹ Mn)						
	30-Sep-19	H2 FY20	FY21	FY22	FY23	FY24	FY25	FY26
Mutual Fund	2,000	500	500	-	-	1,000	-	-
CDC	2,000	-	-	-	500	500	500	500
IFC	4,750	-	-	-	1,300	-	3,450	-
Insurance Company	100	-	-	-	-	100	-	-
Total (Mn)	8,850	500	500	-	1,800	1,600	3,950	500

Loan Assets & Borrowings (₹ Mn)

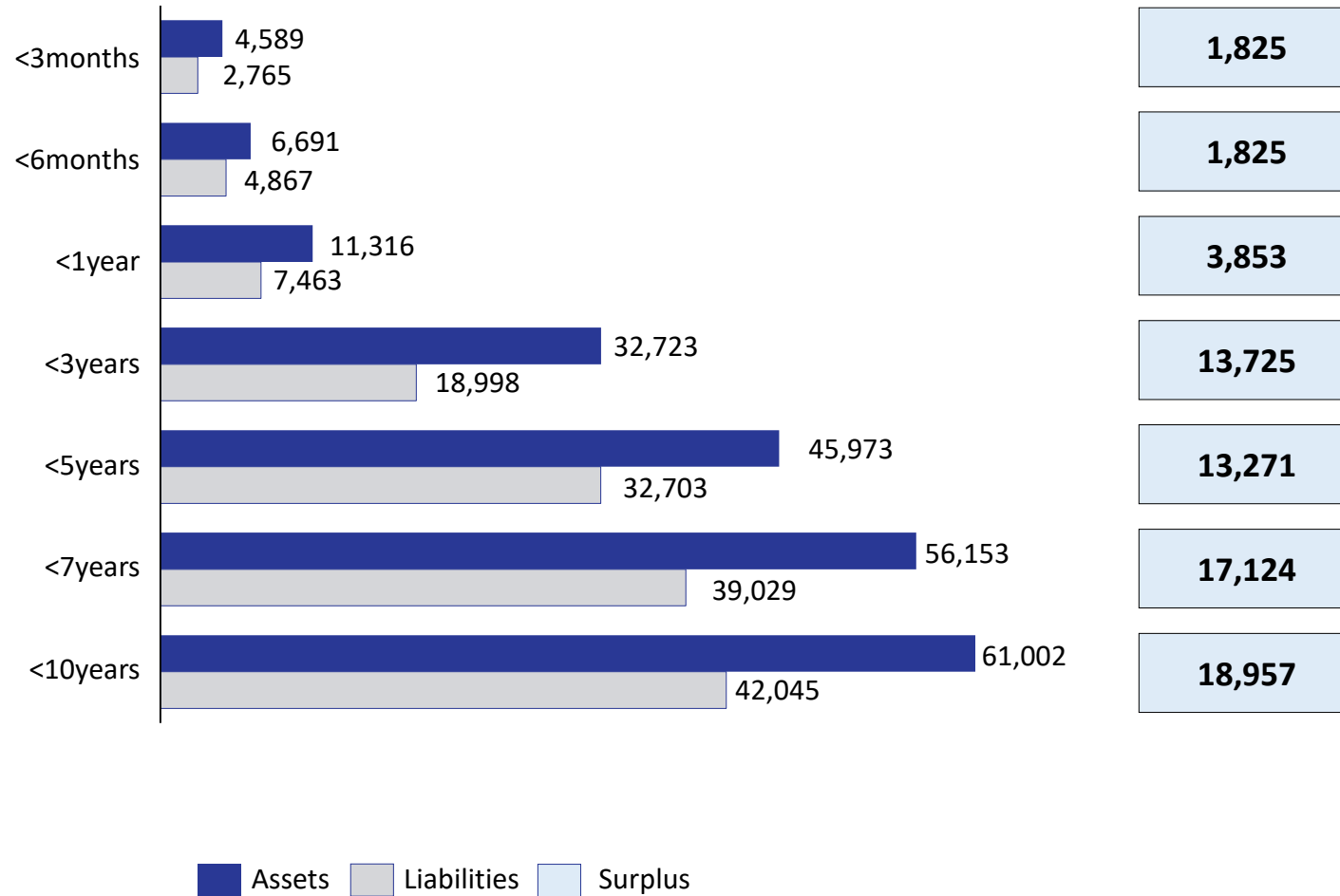
As on Sep-19

■ Floating ■ Fixed ■ Equity

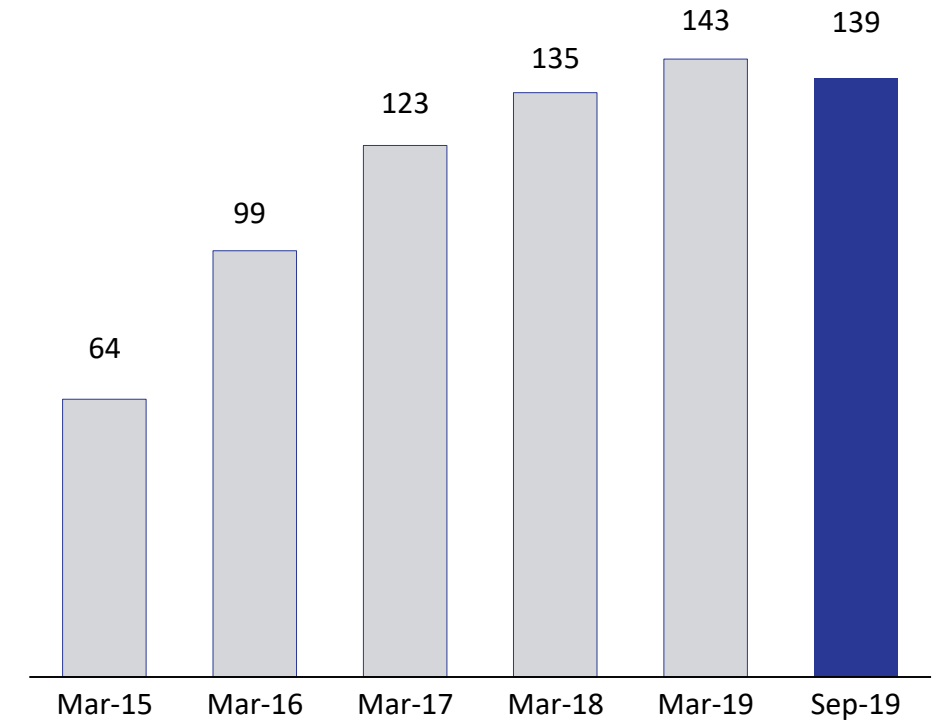


Surplus Management* (₹ Mn)

As on Sep-19



Average tenor of outstanding borrowing (months)



* Data as per IGAAP

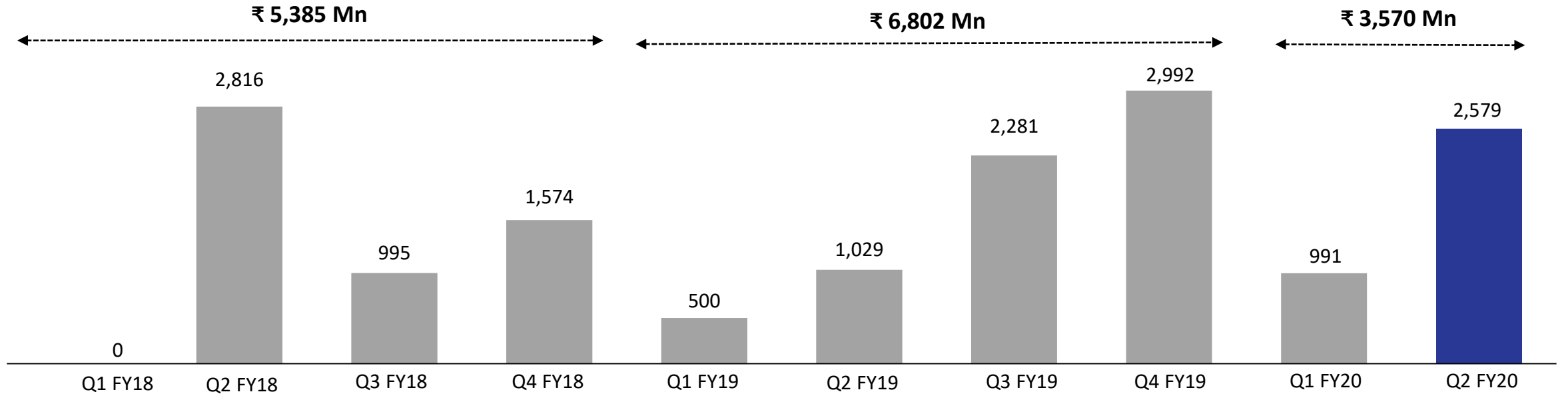
Comfortable Liquidity Position

Particulars (₹ Mn)	As on Sep-19	Q3 FY20	Q4 FY20
Cash & Cash Equivalents	10,500		
Un-availed Sanctions	9,020		
Opening Liquidity		19,520	21,495
Add: Principal Repayments & Surplus from Operations		3,061	3,316
Less: Debt Repayments		1,086	1,646
Closing Liquidity		21,495	23,165

~ ₹ 23,165 Mn of Surplus Funds* available for business

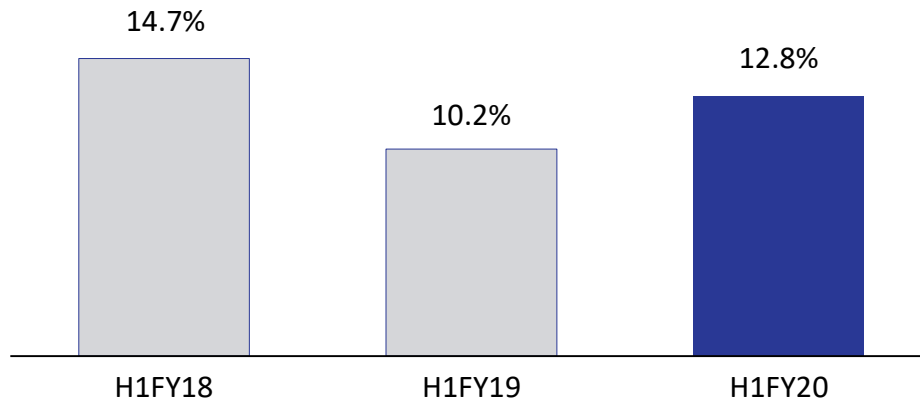
* without including any incremental borrowings

Net Securitization Volume

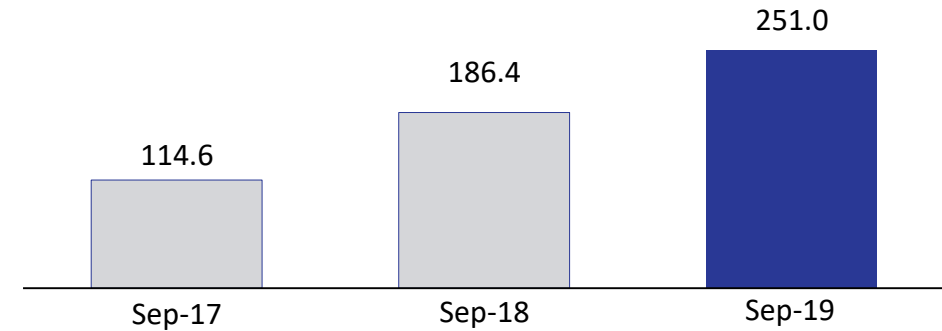


Key Financial Ratios

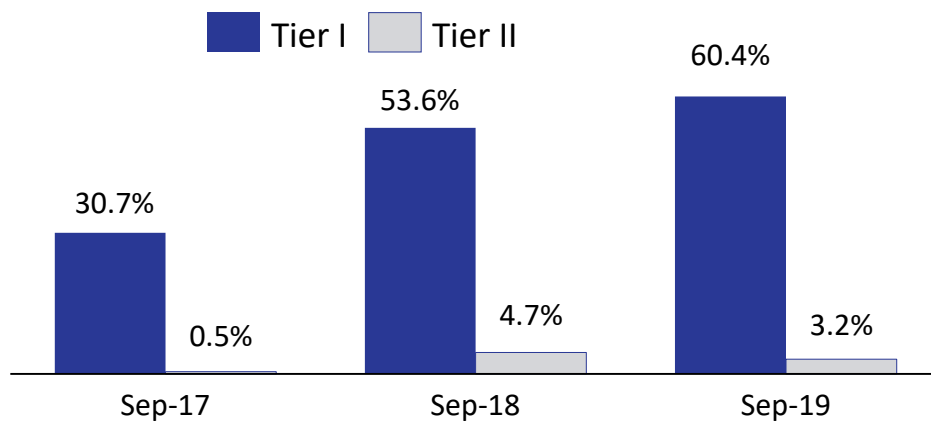
ROE (%)



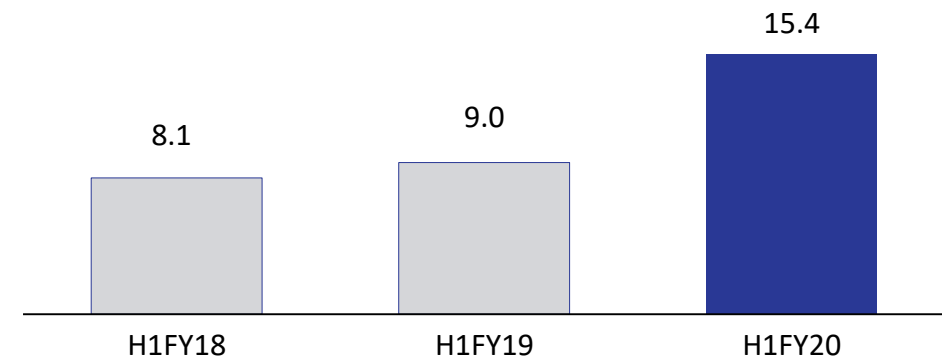
Book Value Per Share (₹)



Capital Adequacy Ratio (%)



Earning Per Share* (₹)





Annexures

- ✓ Quarterly and Half Yearly Profit & Loss Statement
- ✓ Balance Sheet
- ✓ PAT Reconciliation
- ✓ ECL Provisioning
- ✓ Networth Reconciliation

Quarterly Profit & Loss Statement

Particulars (₹ Mn)	Q2 FY20	Q2 FY19	Y-o-Y	Q1 FY20	Q-o-Q
Interest Income (incl. Processing Fee)	2,237.1	1,585.6		1,905.7	
Interest Expenses	833.5	625.1		803.9	
Net Interest Income	1,403.7	960.5	46.1%	1,101.8	27.4%
Non-Interest Income	75.2	53.8		69.5	
Non-Interest Expenses	524.4	436.9		495.5	
Provisions, Contingencies and Write Offs	44.8	9.3		32.5	
Profit Before Tax	909.7	568.2	60.1%	643.4	41.4%
Provision for Taxation	149.7	215.3		190.3	
Profit After Tax	760.0	352.8	115.4%	453.1	67.7%
Total Comprehensive Income	760.7	352.8	115.6%	453.1	67.9%
EPS (Diluted)	9.6	4.8		5.7	

Half Yearly Profit & Loss Statement

Particulars (₹ Mn)	H1 FY20	H1 FY19	Y-o-Y
Interest Income (incl. Processing Fee)	4,142.9	3,009.4	
Interest Expenses	1,637.4	1,206.5	
Net Interest Income	2,505.5	1,802.8	39.0%
Non-Interest Income	144.7	101.2	
Non-Interest Expenses	1,019.8	874.9	
Provisions, Contingencies and Write Offs	77.3	33.8	
Profit Before Tax	1,553.1	995.3	56.0%
Provision for Taxation	339.9	341.8	
Profit After Tax	1,213.1	653.5	85.6%
Total Comprehensive Income	1,213.8	655.1	85.3%
EPS (Diluted)	15.4	9.0	

Balance Sheet

Particulars (₹ Mn)	30-Sep-19	31-Mar-19
Sources of Funds		
Share Capital	781.7	781.1
Reserves & Surplus	18,838.7	17,588.5
Borrowings	42,182.4	36,532.5
Deferred Tax Liability (Net)	398.0	427.5
Other Liabilities & Provisions	1,971.7	938.7
Total	64,172.5	56,268.3
Application of Funds		
Loan Assets	53,142.4	47,244.9
Investments	45.0	45.0
Fixed Assets	233.9	229.1
Other Assets	10,751.2	8,749.3
Total	64,172.5	56,268.3

PAT Reconciliation

Particulars (₹ Mn)	H1 FY20	H1 FY19	Y-o-Y	Q2 FY20	Q2 FY19	Y-o-Y
Net Profit as per IGAAP	1,028.1	620.8	65.6%	574.4	330.8	73.6%
<u>Add / (Less) : Adjustments as per IndAS on account of:</u>						
Adoption of effective interest rate (EIR) for amortisation of Income and expenses - financial assets at amortised cost / net interest on credit impaired loans	21.6	8.8		12.6	1.3	
Fair valuation of employee stock options (ESOP)	(17.1)	(47.4)		(7.8)	(11.9)	
Adoption of effective interest rate (EIR) for amortisation of expenses - financial liabilities at amortised cost	4.5	(1.4)		6.2	(0.6)	
Net gain from excess interest spread on assignment transactions	146.0	77.0		207.7	62.6	
Expected Credit Loss (ECL) provision	(15.6)	10.0		(17.6)	7.1	
Other Adjustments	(0.1)	(6.4)		(3.8)	(0.9)	
Deferred Tax impact on above adjustments and reversal of DTL on special reserve	45.7	(7.9)		(11.7)	(35.6)	
Net Profit Before Other Comprehensive Income as per IndAS	1,213.1	653.5	85.6%	760.1	352.8	115.4%
Other Comprehensive Income after Tax	0.7	1.6		0.7	-	
Total Comprehensive Income as per IndAS	1,213.8	655.1	85.3%	760.7	352.8	115.6%

ECL Provisions

Particulars (₹ Mn)	30-Sep-19	30-Sep-18
Gross Stage 3 GNPA	328.2	227.4
% portfolio in Stage 3 (GNPA%)	0.62%	0.57%
ECL Provision Stage 3	67.4	36.4
Net Stage 3	260.8	191.0
Coverage Ratio % Stage 3	20.55%	16.00%
Gross Stage 1 & 2	52,980.1	39,568.1
% portfolio in stage 1 & 2	99.38%	99.43%
ECL Provision Stage 1 & 2	98.5	65.8
Net Stage 1 & 2	52,881.6	39,502.3
ECL Provision % Stage 1 & 2	0.19%	0.17%
Total Assets	64,172.5	45,328.7
% portfolio	83.07%	87.79%
ECL Provision	165.9	102.1
Net Stage	64,006.6	45,226.5
ECL Provision %	0.31%	0.26%

Networth Reconciliation

Particulars (₹ Mn)	30-Sep-19
Net worth as per previous GAAP	18,104.8
Adjustments increasing/(decreasing) net worth as reported under previous GAAP:	
Adoption of EIR for amortisation of Income and expenses - financial assets at amortised cost / net interest on credit impaired loans	(177.4)
Adoption of EIR for amortisation of expenses - financial liabilities at amortised cost	89.5
Net gain from excess interest spread on assignment transactions	1,592.7
Expected Credit Loss (ECL)	26.5
Other Adjustments	(29.0)
Deferred Tax impact on above adjustments and reversal of DTL on special reserve	13.3
Networth as per Ind AS	19,620.4



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Thank You !