



CSL Finance
Limited

CIN: L74899DL1992PLC051462

Date: 16.05.2019

To,
The Manager,
Department of Corporate Services
BSE Limited
Phiroze Jeejeebhoy Towers Dalal Street,
Mumbai-400001
Fax: 022-2272 3121/22721278

**Sub: Investor Update
Scrip Code: 530067**

Dear Sir,

Please find enclosed herewith the copy of the Investor Update of the Company highlighting the performance and recent developments of the company.

This is for your information and record.

For CSL Finance Limited



**Akash Gupta
(Company Secretary)**

Encl: a/a



CSL Finance
Limited

BSE: 530067 | ISIN: INE718F01018 | CIN: L74899DL1992PLC051462 | WWW.CSLFINANCE.IN



FY19 Q4 - Update

March 2019

Table of Contents

Company Snapshot	3
Business Strategy	4
Key Management Team	5
Our Presence	7
Product Portfolio	8
SWOT Analysis	16
Financial Snapshot	17
ALM Breakup	22
Debt Profile	23
Treasury Update	24
Operational Update	25
Our Strategy	26

Company Snapshot



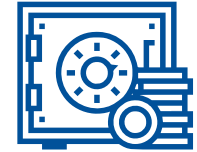
**Listed on Bombay
Stock Exchange**



**Delhi based NBFC with
AUM of Rs 323.51 Cr**



**Wholesale housing book of
INR 268 Cr & SME Retail
book of INR 55 Cr.**



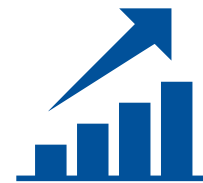
**99% of loan
book is secured**



**18 Branches spread
across North and West India**



**Raised 51 Cr from Marquee
investors in Sep 2017**

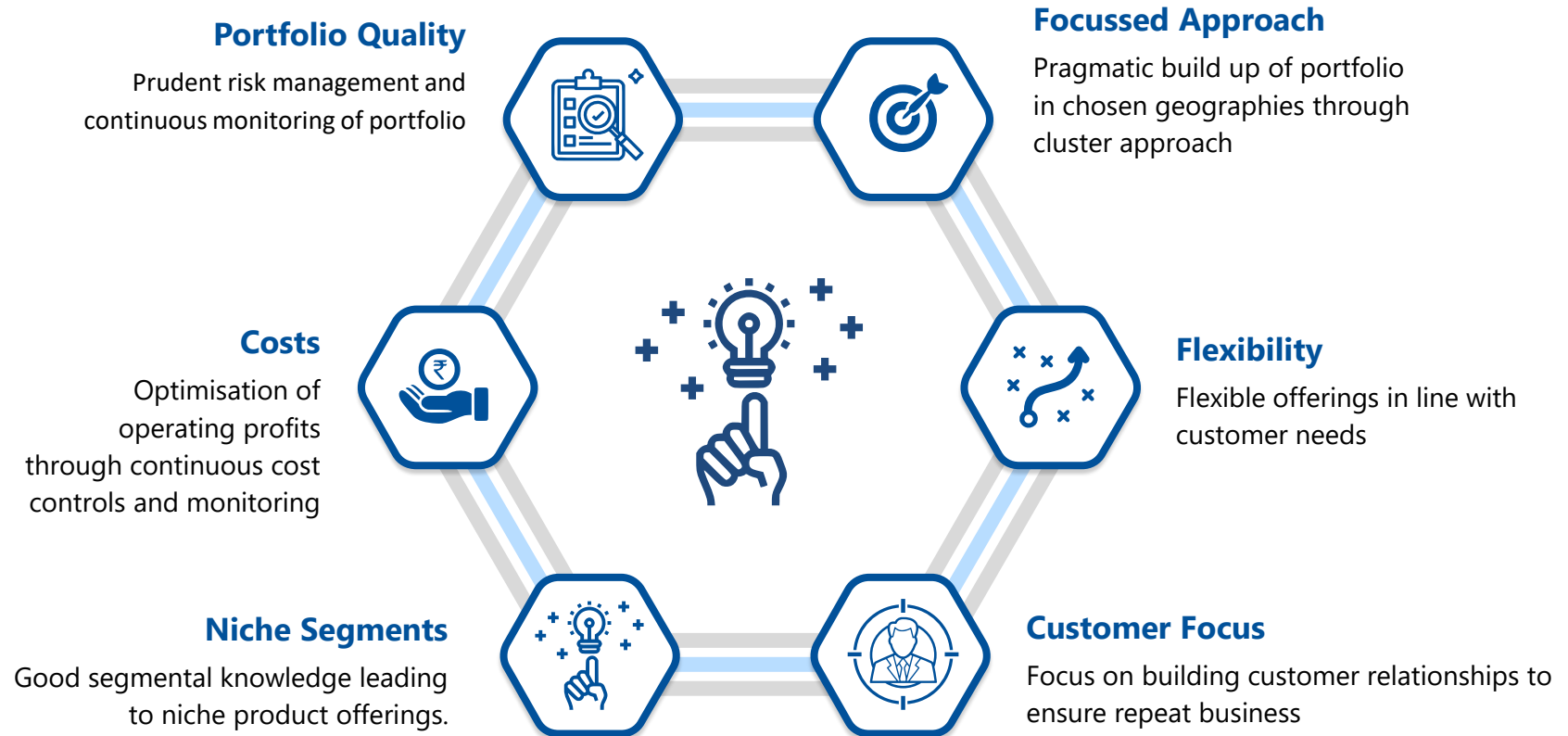


**High CAR
of 66%**



**BBB rating
from CARE**

Business Strategy



Key Management Team



Rohit Gupta (Managing Director)

Rohit is a CA with over 25 years of diverse experience in the fields of merchant banking, corporate finance, financial restructuring, project finance, capital markets and structured lending.



Naresh Varshney (CFO)

Naresh is a CA with more than 25 years of diverse experience in the field of financial services, corporate strategy, accounting and taxation. Previously he has worked with RR Finance consultants, Centrum Capital & Unicon



Rakesh Kapoor (ZBH SME North India)

Rakesh has over 14 years of rich experience in developing and managing various channels for SME and retail loans. Previously he has worked with Magma , Indiabulls, Satin Creditcare and Religare



Ajeet Sharma (ZBH SME West India)

Ajeet has over 15 years of rich experience in retail lending products in MSME segment. He has previously worked with IndusInd Bank Ltd, Intec Capital , Shriram City union finance.



Ankit Jain (SME Credit Head)

Ankit is a CA and CS having vast credit underwriting experience of 8 years in LAP, HL, BL and CF. Previously he has worked with ICICI bank, HDFC bank, AU Small Finance Bank and IMGIC.



Chandan Kumar (Wholesale Credit Head)

Chandan has over 10+ years of experience in various fields of banking and financial services. Previously he has worked with PNB housing HDFC, SIB,.

Key Management Team



Hariom Kumar (HR Head)

Hariom is MBA with over 15 years of vast experience in the Human resources field. Previously he has worked with Ujjivan Small Finance Bank, Varun Integrated Logistic Pvt. Ltd. and Amritsar Transport Pvt. Ltd.



Purnima Banka (Treasury Head)

Purnima is a MBA Finance with over 7 years of diverse experience in the field of Corporate Banking & Corporate finance, Treasury Management, Debt syndication. Previously she has worked with Electronica Finance, Mizuho Corporate Bank and CRISIL



Akash Gupta (CS & Legal Head)

Akash has over 7 years of extensive experience in corporate law, regulatory compliance and legal documentation.



Manish Kumar (SME Collections Head)

Manish has over 7 years of extensive experience in the collections fields of SME and MSME segments. Previously he has worked with Shubham Housing Development Finance company and HDB Financial services Limited

Our Presence

States Present	
Delhi NCR	
Haryana	
Punjab	
Uttrakhand	
Rajasthan	
Gujarat	



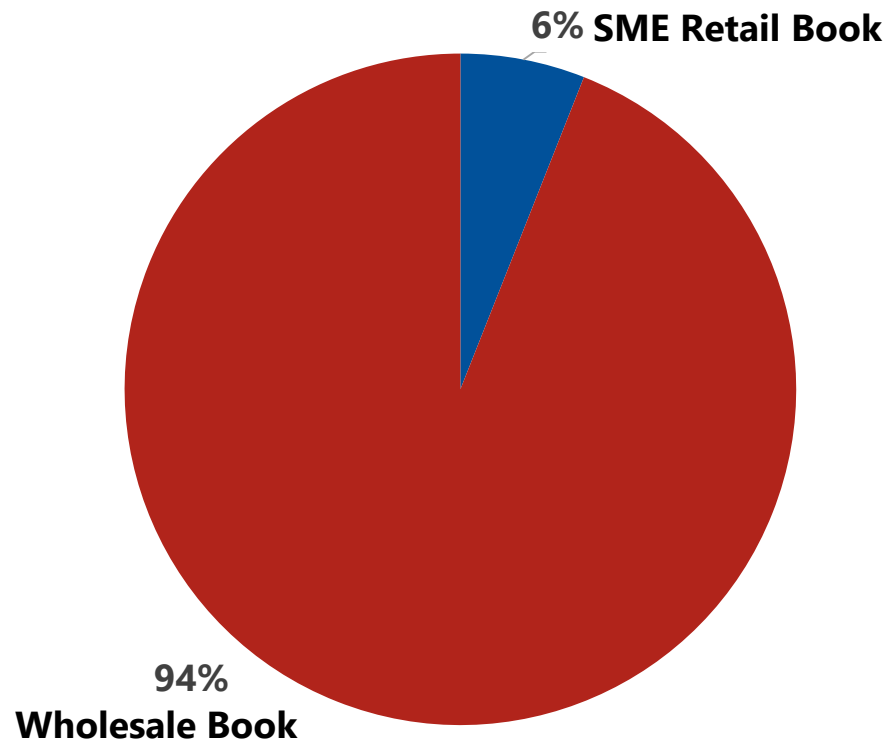
Map not to scale, for representation purposes only

PRODUCT PORTFOLIO

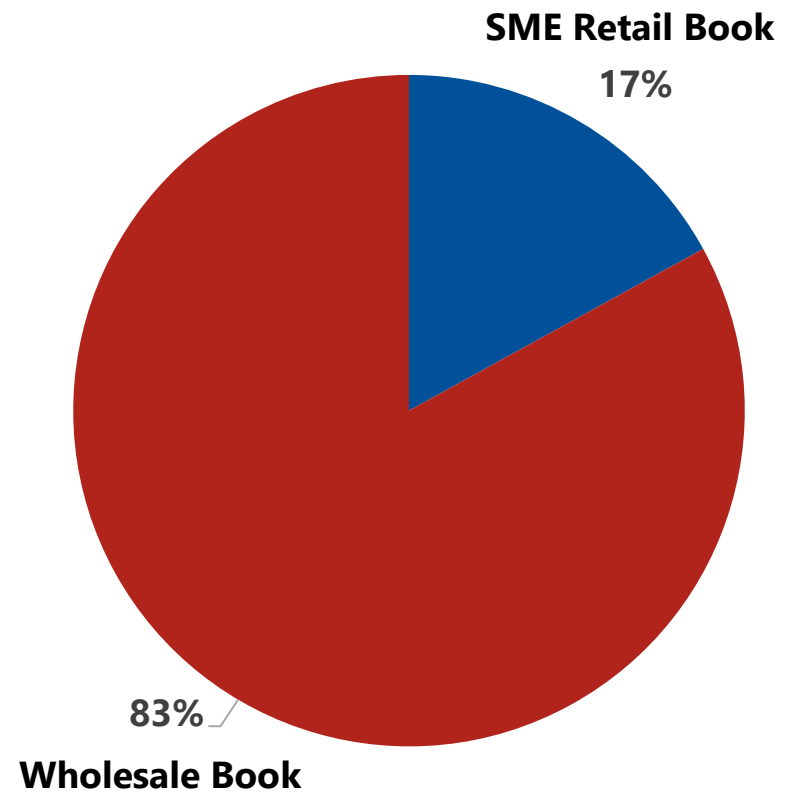
Product Category	Book Size (Rs Cr) FY19	Customer Segment
Corporate Lending		
Wholesale Large	147.01	Standard and Structured loans given to corporates into Group housing projects
Wholesale Small	80.42	Loans given to corporate dealing in Builder Floor construction and site redevelopment
Wholesale LAP	40.82	Mezzanine loans given to Educational institutions and other corporate
Total Wholesale Book	268.25	
Retail Lending		
SME - Secured	50.76	Loan extended to Kirana stores, Traders, Schools and other boutique small shops and merchants backed by owned property as collateral
SME – Unsecured*	4.50	Small ticket loans mainly to K-12 schools in Tier 2 and Tier 3 cities
Total SME Retail Book	55.26	
Total AUM	323.51	

AUM Composition

FY 18



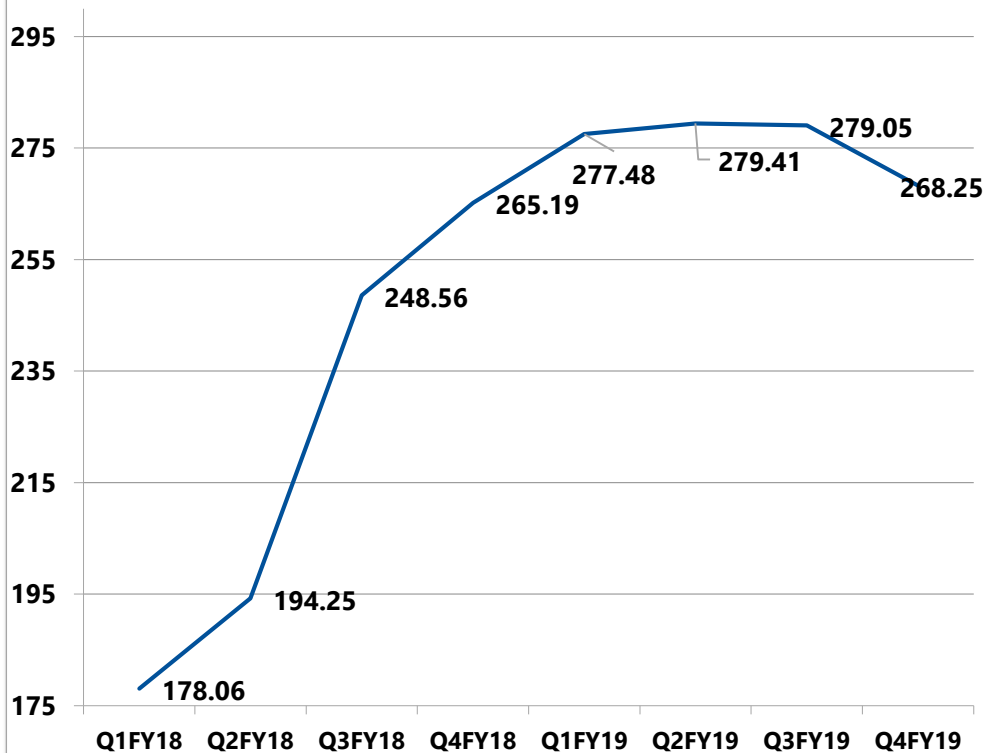
FY 19



Wholesale Lending Book

Assets Under Management (AUM)

Figures in INR Crores



Business Approach

- ✓ Vintage presence in selected geographies results in better domain knowledge than peers.
- ✓ Market Penetration with conscious selection of customers.
- ✓ Focus on customer selection considering market demand
- ✓ Flexible deal structuring
- ✓ Collateral cover is maintained at 2X times during the tenure of the loan.
- ✓ Risk Mitigation through last mile financing
- ✓ Collections through escrow mechanisms ensuring consistent cash flows.
- ✓ Continuous monitoring through monthly site visits and project reviews. Detect early warning signals and take corrective steps.

Wholesale Book – Risk Management Framework

1 Presence in select markets

- Presence in select pockets of NCR
- Excellent understanding of the market dynamics and risks
- Customer selection based on end use demand
- Last mile financing – significantly reduces project risk
- Deal with reputed developers with good credibility

2 Excellent screening, credit appraisal

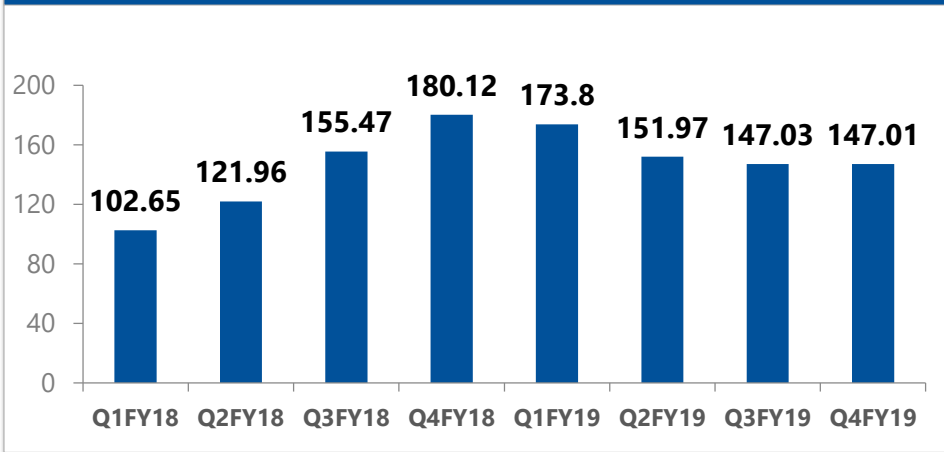
- Robust due diligence
- Extensive credibility check includes both project and market related risks and market supply demand positions.
- Each deal is structured uniquely based on project requirements
- Charge on multiple assets with average security cover of 2X

3 Constant monitoring/review

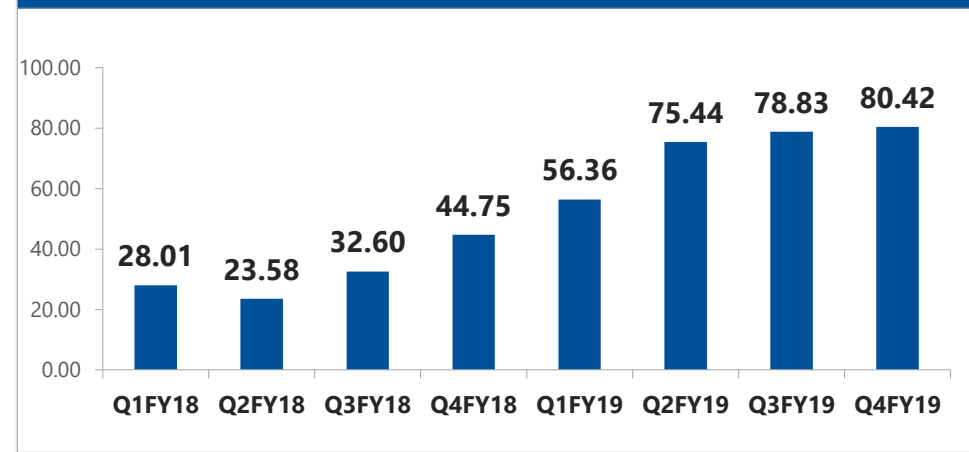
- Dedicated resources for asset monitoring
- Monthly/quarterly site visits to review/assess project progress
- Review of sales, inventory, market price, costs
- Detect early warning signals; initiate required steps, increase engagement
- Wherever required Initiate early legal actions for faster recovery

Wholesale Book – Product Breakup

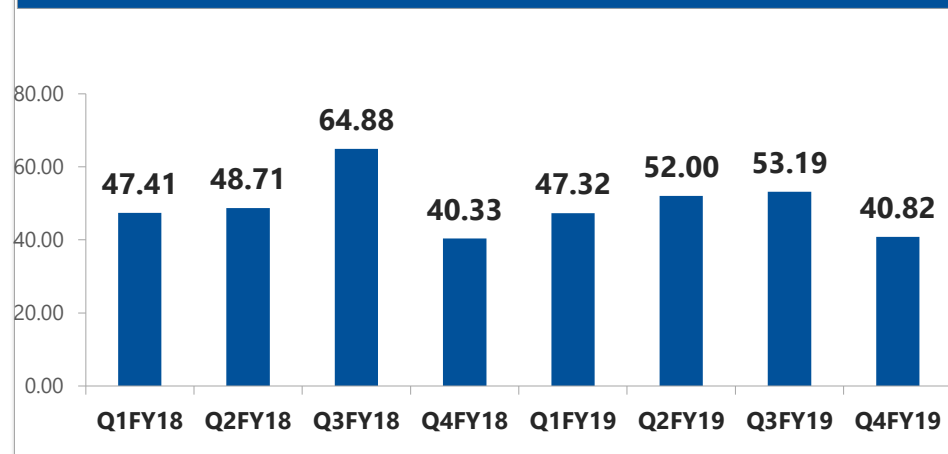
Wholesale Credit - Large (Rs Cr)



Wholesale Credit - Small (Rs Cr)



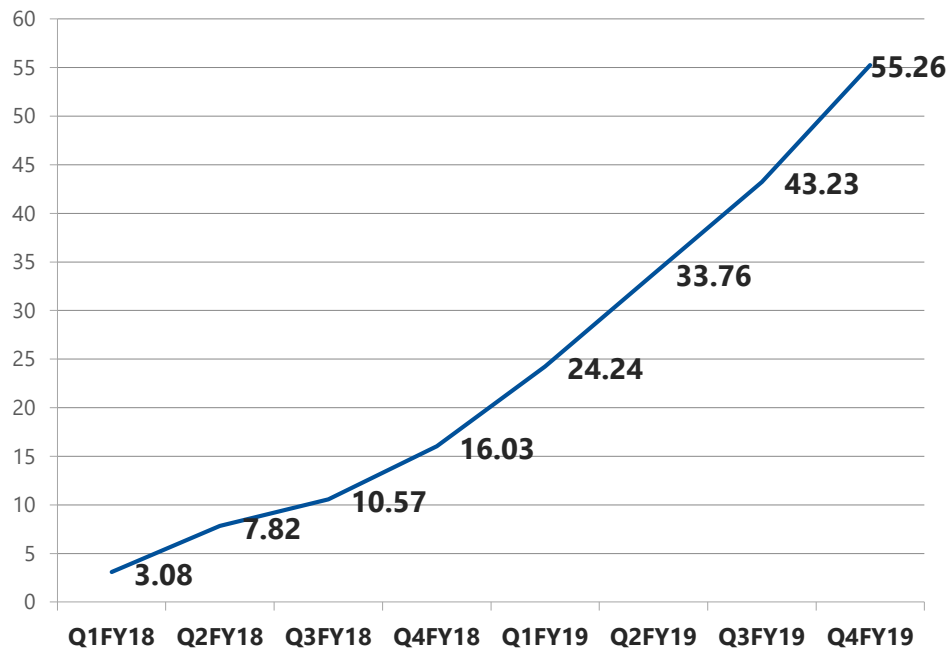
Wholesale Credit - LAP (Rs Cr)



SME Retail Book

Assets Under Management (AUM)

Figures in INR Crores

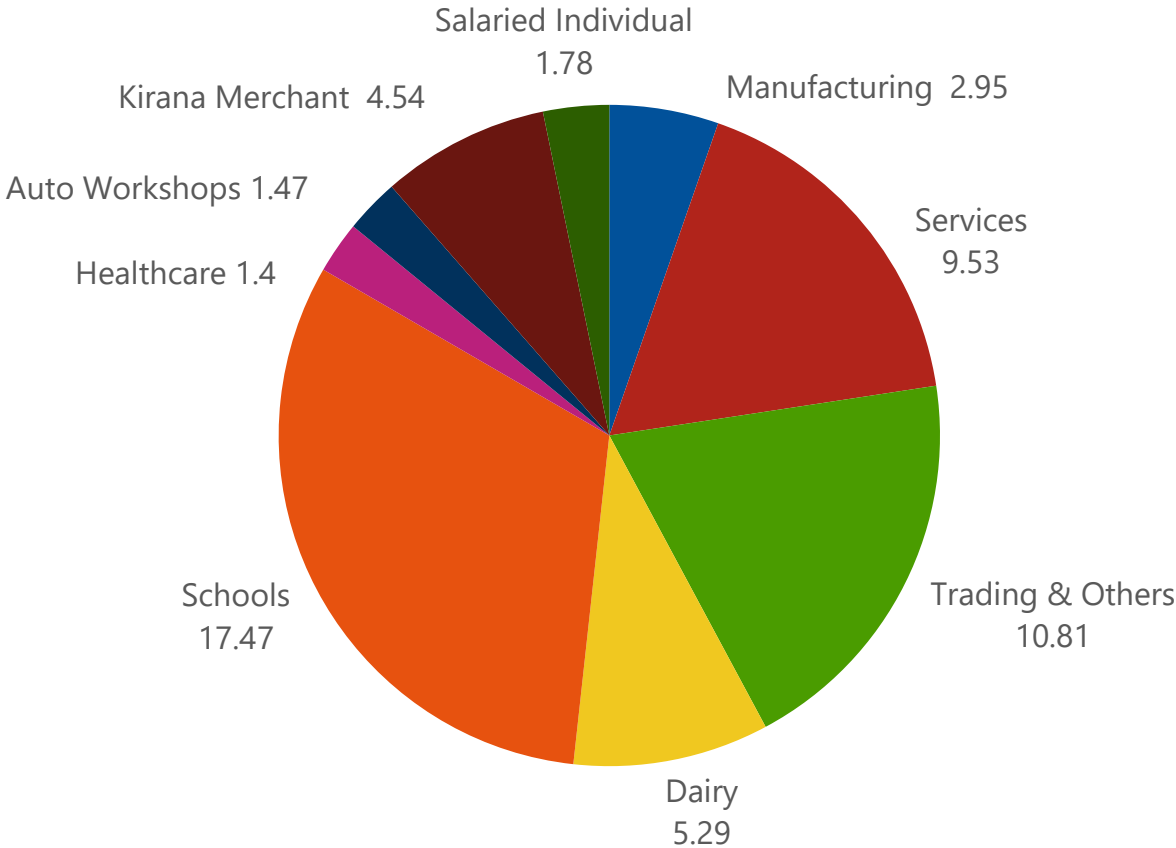


Business Approach

- ✓ Focus on increasing market presence in current geographies of north and west India.
- ✓ To increase market presence with hub and spoke model within existing 18 branches
- ✓ Continuous focus on minimalizing operational costs.
- ✓ Tailored product offerings to target customers in less penetrated and profitable geographies.
- ✓ 92% of the SME book is secured.
- ✓ Exposure in unsecured loans are largely in K-12 schools in Tier 2 and Tier 3 cities.

SME Retail Book- Industry Composition

Industry wise Composition (INR Cr)



SME Retail Book – Operational Update

- AUM for SME Retail book in FY19 is INR 55 Cr & Net NPA is maintained at 0.58% during FY19 in the SME book
- Average Q-o-Q growth in FY19 has been 36%
- Increasing business focus on scaling of the SME book
- SME Retail business is now directly reporting to the MD with all the business heads working under him
- Significant improvement in monthly disbursements with highest disbursement of INR 7 Cr in the month of Mar'19
- Till 31st March 2019, we have opened 18 branches to service SME business
- Our approach now is to increase market penetration in tier 3 and tier 4 cities
- Focus is to grow SME loans to less riskier segments like schools and educational institutions

SWOT Analysis

Strength

- Better understanding of market dynamics and risks through selected geographical business resulting in strong credit appraisal and collection techniques
- Tailored product offerings with average security cover of 2X times helps in mitigating individual default risk
- Good cash flows in wholesale book will help fuel SME growth
- High CAR of 66 % and low leverage of the company giving scope of good growth
- Substantial promoter stake in the company

Threats

- General negative outlook towards the NBFC industry pose growth threats
- Currently the cost of funds have increased due to recent defaults by large players in the NBFC industry
- Negative outlook of investors towards real estate lending
- High Competitive intensity in some of the micro markets
- Fintech companies disrupting the lending market

Weakness

- Small size of the balance sheet
- Limited product offerings
- Limited geographical presence
- Limited sources of borrowings available due to smaller book size
- Restricted ability to attract seasoned professionals
- Limited visibility in the market

Opportunity

- Significant growth opportunities present in SME Retail segment as untapped markets are present in Tier-3, Tier-4 pockets
- Ability to raise debt at reasonable costs to build SME portfolio and increase operational profitability
- Increasing focus on SME Retail book where there are stronger IRR's.
- Scope to raise additional debt funds to due to low leverage levels

Financial Snapshot

INR Cr

Metrics	FY19 Q4	FY18 Q4	FY19	FY18
Revenue	15.60	13.23	59.69	41.47
NII*	10.80	9.75	42.91	33.19
PAT	6.48	5.01	25.15	18.07
Net worth	214.76	183.83	214.76	183.83
AUM	323.51	281.31	323.51	281.31
CAR	66%	65%	66%	65%

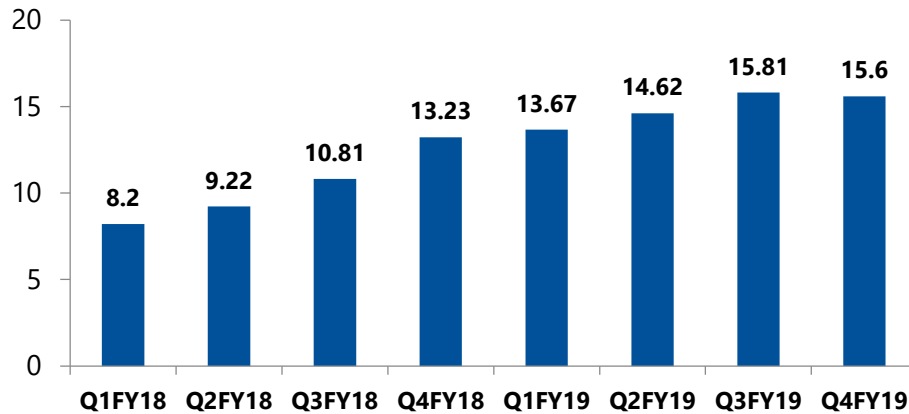
Financial Update

- CSL recorded an increase of 44% in revenues in FY19 vis-à-vis FY18
- Operating profit increased by 27% Q-o-Q in Q4 FY19
- Fee income has significantly increased to INR 4.74 Cr showing a Y-o-Y growth of 142%
- AUM growth was restricted to 15%, due to liquidity squeeze and volatile market conditions. It was a big challenge to raise funds at competitive prices in the second half of the fiscal year
- Cash flows of wholesale segment are strong and can be used to fund the growth of the SME retail segment
- Company's low leverage is maintained with capital adequacy at 66% providing a lot of scope for additional fund raising

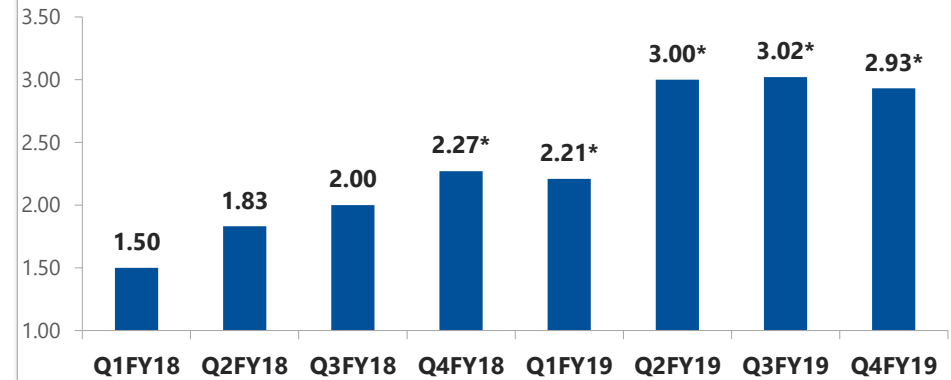
Financial Metrics

1

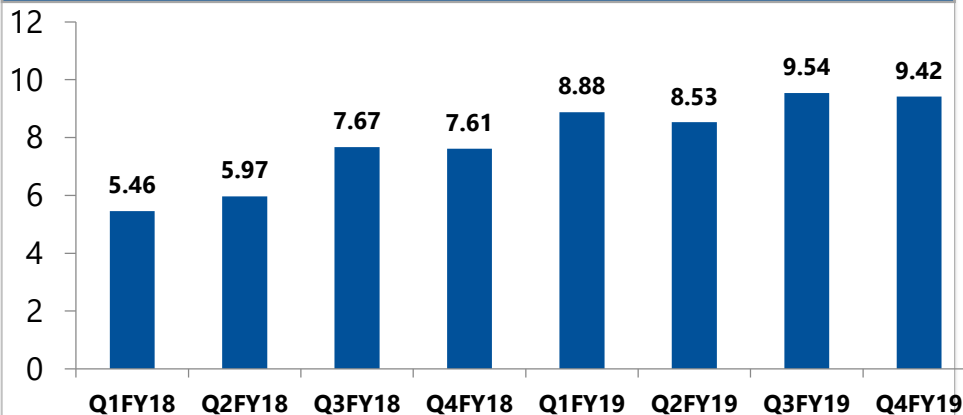
Total Income



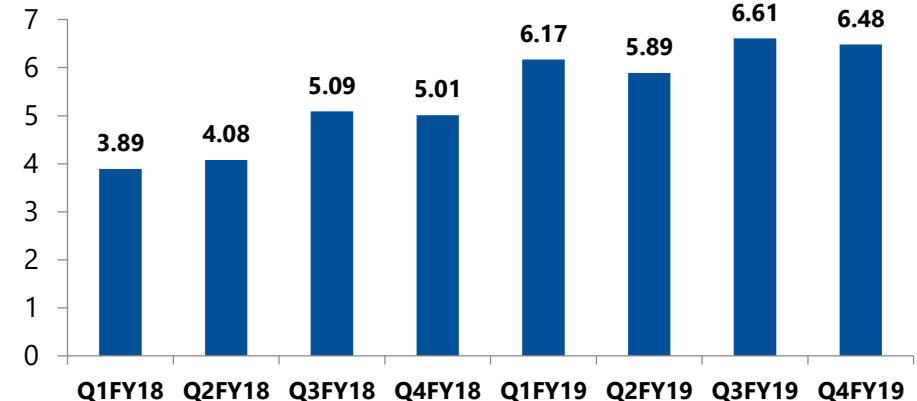
Operating Expenses (Rs Cr)



Pre Provisioning Profit Before Tax (Rs Cr)



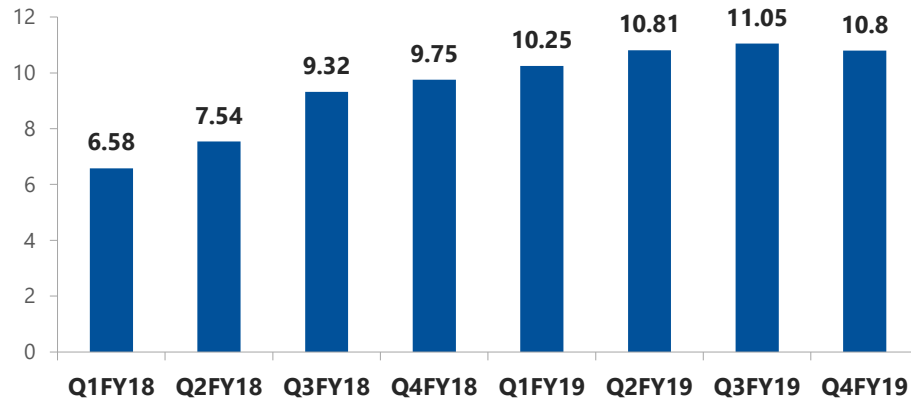
Net Profit (Rs Cr)



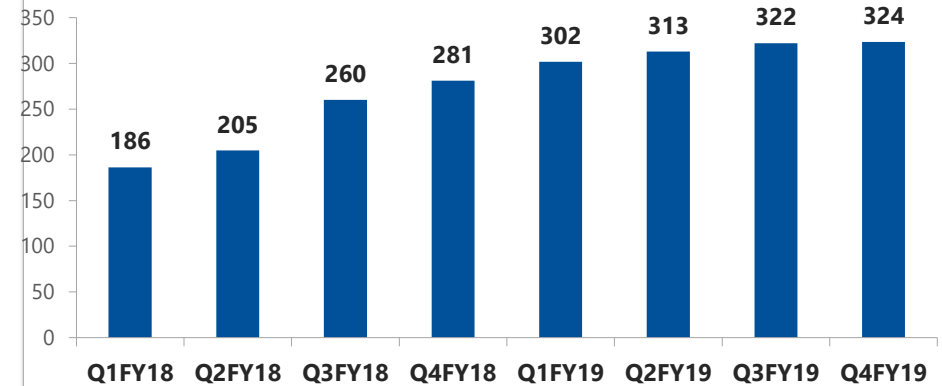
Financial Metrics (contd..)

2

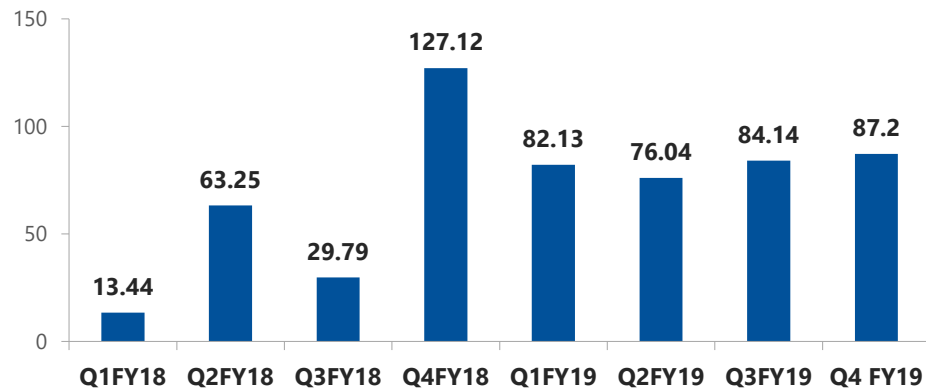
Net Interest Income (Rs.Cr)



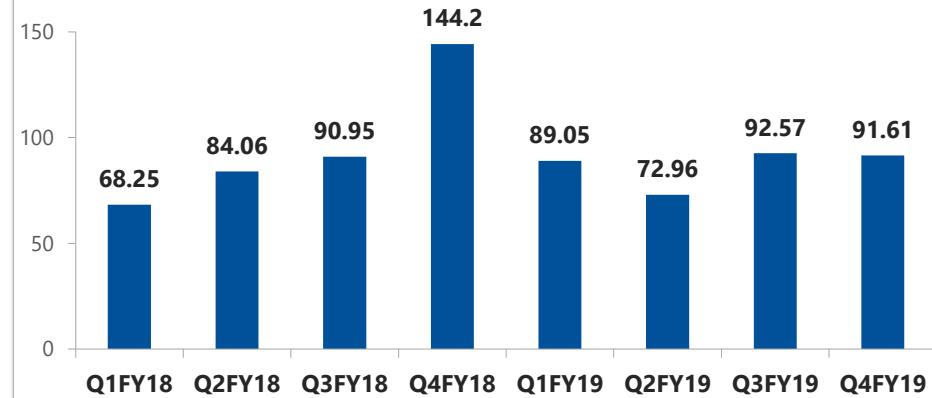
AUM – End of Quarter (Rs Cr)



Collections (Rs Cr)

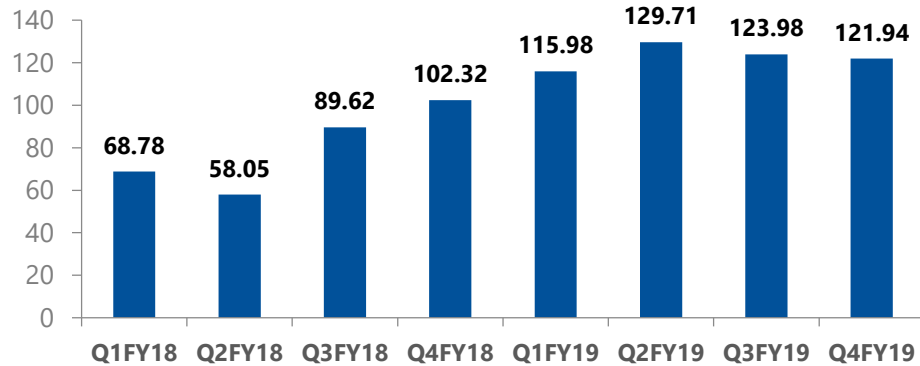


Disbursements (Rs Cr)

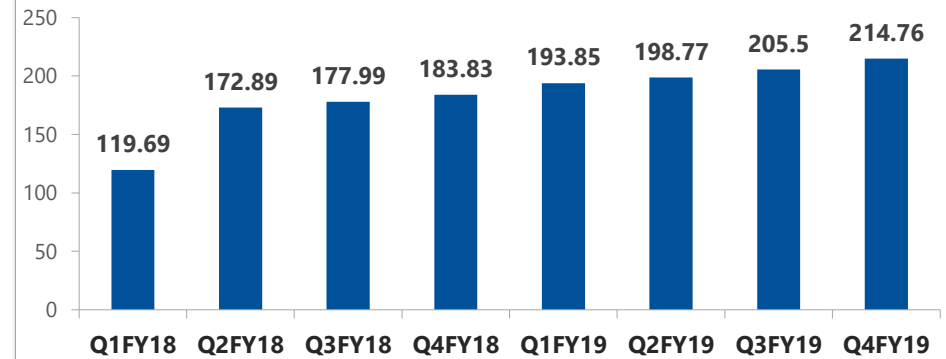


Financial Metrics (contd..)

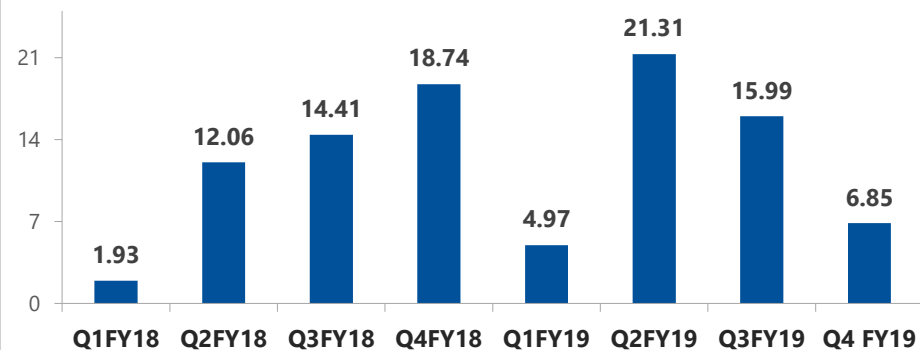
Borrowings (Rs Cr)



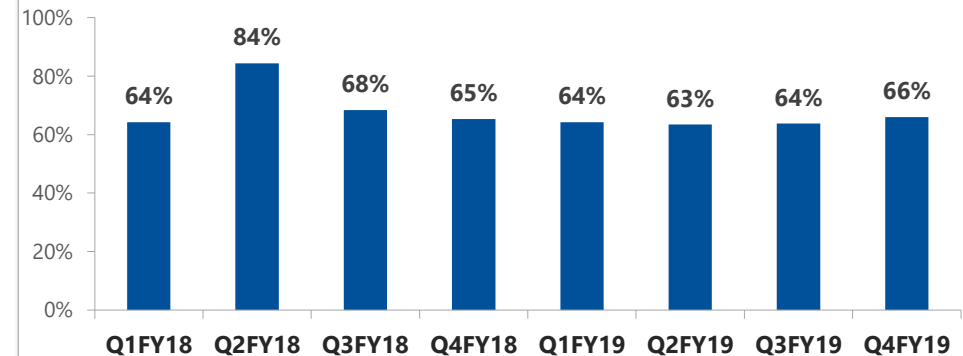
Net worth (Rs Cr)



Cash and Cash Equivalents (Rs Cr)

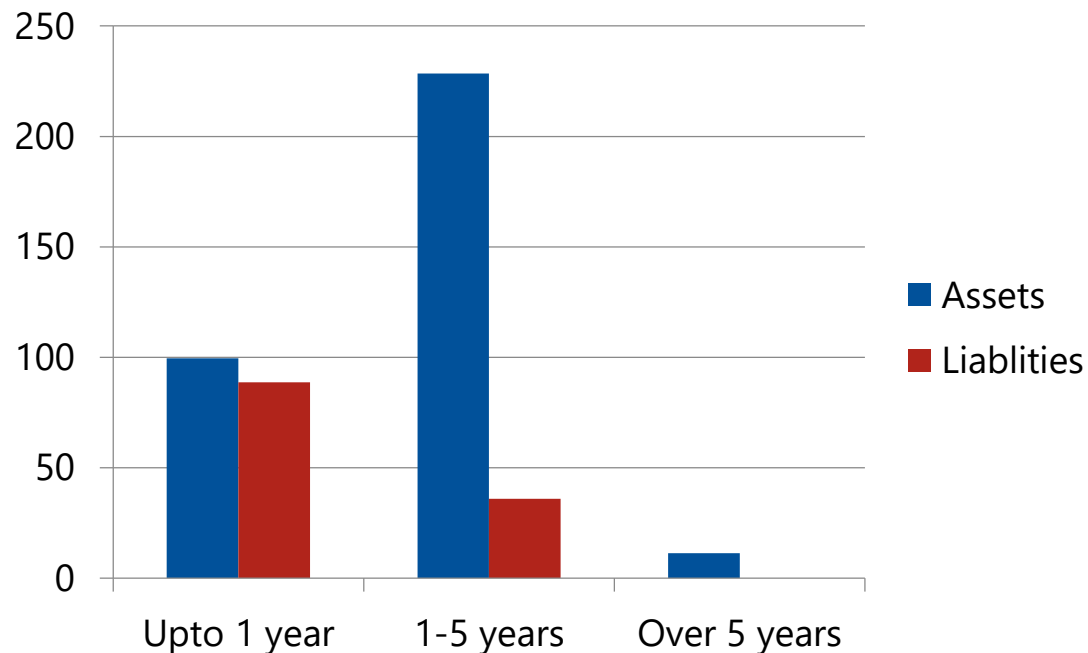


Capital Adequacy Ratio (%)



ALM Breakup

**Maturity Pattern of Assets & Liabilities as on 31st March,2019
(Rs Cr)**



Note:

- **First bucket of upto 1 year includes CC limit and WCDL of INR 67 Cr which are renewable every year**
- **Last bucket of over 5 years includes Net worth of INR 214.76 Cr**

Debt Profile

Lender's Name	Facility Type	Sanction Period	Loan Amount (in INR CR)
AU small Finance Bank	Revolving Credit	Mar'17	10
AU Small Finance Bank	Term Loan	June'17	10
State bank of India	Term Loan	Sep'17	18
State bank of India	Cash Credit	Sep'17	20
State bank of India	Working capital	Sep'17	37
Tourism Finance Corporation of India Ltd.	Term Loan	Nov'17	25
TATA Capital	Term Loan	May'18	5
AU Small Finance Bank	Term Loan	Aug'18	20
Grand Total			145

Treasury Update

- The company has a diverse set of lenders like SBI, AU Finance, TFCI , Tata Capital etc. with an average cost of borrowings of 10.65%
- In Sep'18, there was a liquidity crisis due to default by IL&FS and lenders have been cautious in lending to the NBFC industry
- Company was holding in principal sanctions from HDFC Bank, Muthoot Capital, Sundaram Finance, but due to the impact of above stated developments, these sanctions were kept in abeyance
- As a strategy, the company wants to focus only on profitable business and so is conscious of the overall cost of borrowings
- In FY20, we are looking to raise funds through diversified sources, increase our lender base and get debt fund at competitive prices

Operational Update

- Rigorous review of the wholesale accounts has been completed keeping in the view of dynamic market environment
- Zero Delinquency maintained in wholesale book while there was minimal NPA of 0.58% on SME book
- Shifting focus to the SME Retail book from Wholesale lending book
- Following a Cluster based branch approach to increase the penetration of the SME Retail business
- Loans through direct sourcing have considerably increased in Q4 FY19
- Exposure to K-12 schools has increased in the SME segment, as we consider it a low risk segment
- Over the last 6 months we have hired Key Managerial personnel like Credit Head, Treasury Head and HR Head
- As on 31st March 2019 , the total employee strength increased to 143 with a Y-o-Y growth of 56%
- With a strong focus to improve internal controls and processes the company has successfully implemented LOS and LMS systems

Our Strategy

- Given the challenges faced in debt finance for NBFCs, we do not plan any significant branch expansion in the coming year
- We aim to consolidate the existing branches and build a hub-n-spoke operating model aiming to increase our market penetration
- Our focus is to improve branch throughput, sales person productivity, standardize our processes with an aim to improve profitability at a branch level
- Focus will be diversifying our borrowing base and raise debt at competitive costs
- We will be using the cash flows from the Wholesale Lending book to fund the growth of the SME Retail lending book in case we face challenges in borrowing
- Considering volatile industry environment we would maintain 5-7% of our cash reserves to mitigate contingent risks

Thank You



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World Trade Tower, Sector 16,
Noida- 201301

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Email: investor@cslfinance.in

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