

Ref. No. AAVAS/SEC/2020-21/616

Date: January 21, 2021

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 nine months ended December 31, 2020

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 nine months ended December 31, 2020.

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

This is for your information and record.

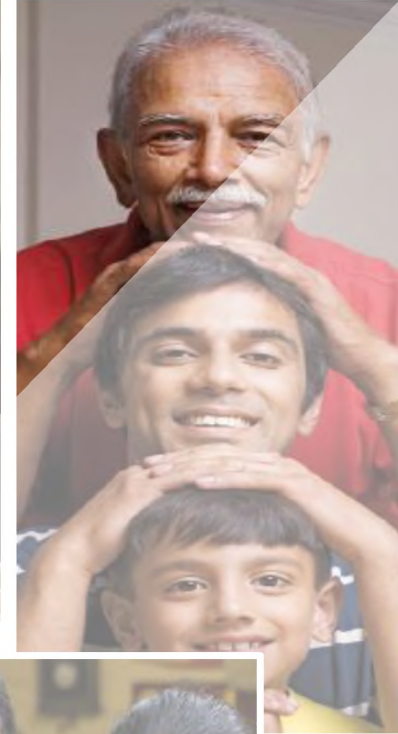
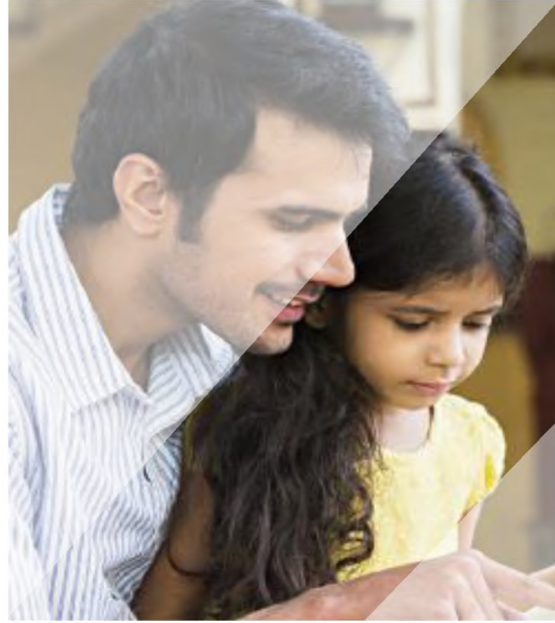
Thanking You,

For Aavas Financiers Limited



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

Enclosed: a/a



AAVAS FINANCIERS LIMITED

Investor Presentation – 9M FY21

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.

This Presentation has been prepared by the Company based on information and data which the Company considers reliable, but the Company makes no representation or warranty, express or implied, whatsoever, and no reliance shall be placed on, the truth, accuracy, completeness, fairness and reasonableness of the contents of this Presentation. This Presentation may not be all inclusive and may not contain all of the information that you may consider material. Any liability in respect of the contents of, or any omission from, this Presentation is expressly excluded.

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 263 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 Independent Director

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. 19+ 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 Promoter 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 Promoter 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 Promoter 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

Professional Management Team



Sushil Kumar Agarwal - Managing Director & CEO

- 19+ 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 VP, Technology & Operations

- Prior associated with Indiabulls, CoinTribe



Surendra Sihag - Senior VP, Collections & Customer Service

- Prior associated with Bajaj Finance, Cholamandalam



Vijay Sethi - Senior VP, Human Resources

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



Anurag Srivastava - Senior VP, Data Science

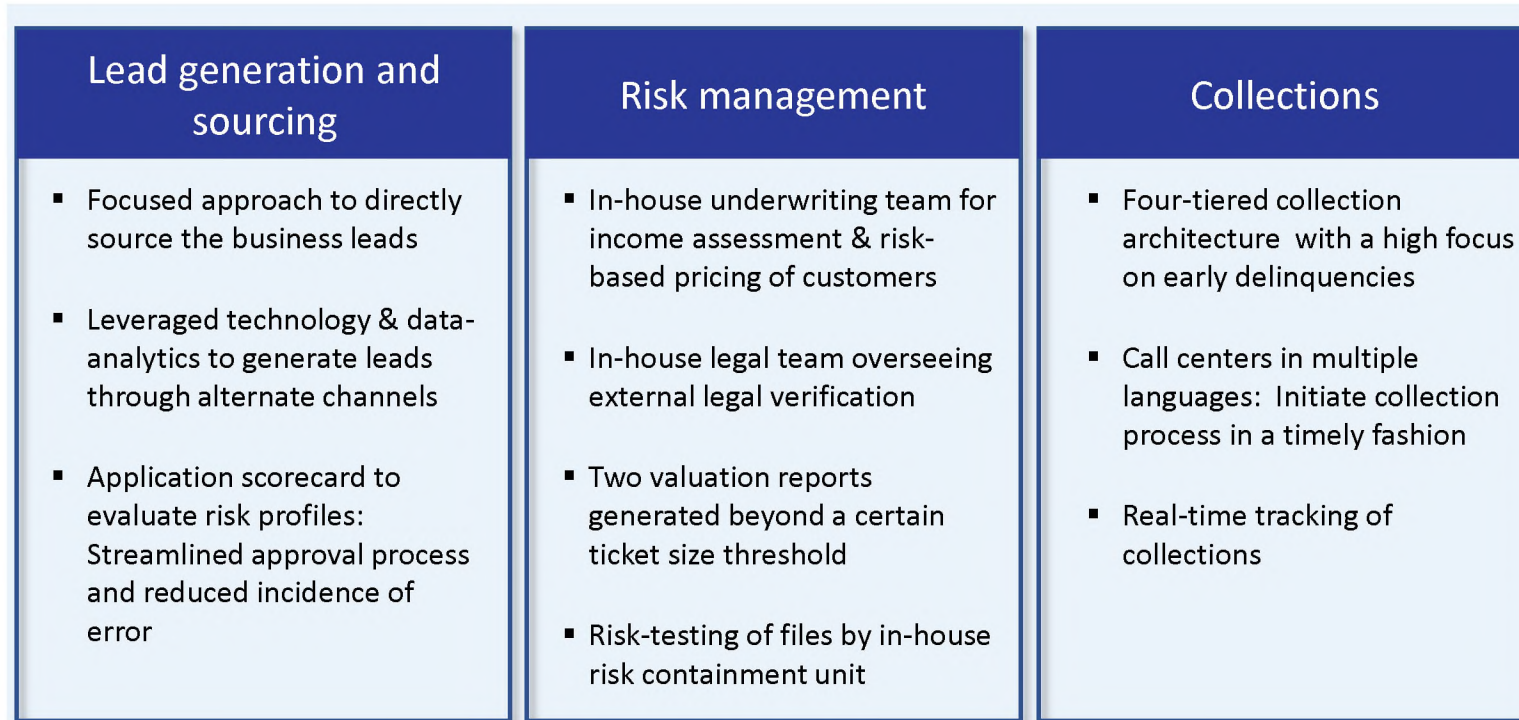
- Prior associated with Deloitte, WNS, American Express



Sharad Pathak - Company Secretary & Compliance Officer

- Associated with Aavas Financiers since May 2012

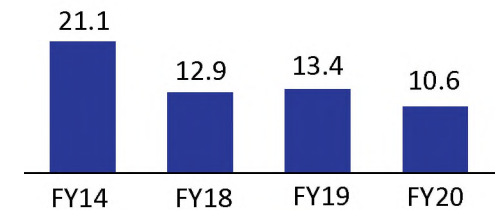
In-house execution model – Replicated across the states



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



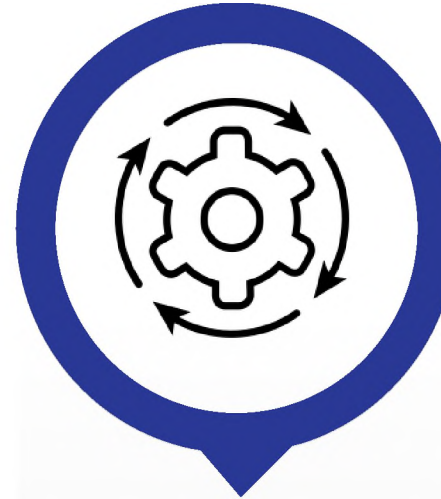
- Majority of the leads are logged in through the sourcing app
- Application scorecard: For Auto-rejection / fast tracking leads
- Mobile app to leverage proponents of housing ecosystem

Underwriting



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

Operations



- E-disbursement & E-repayment facility at all the branches
- CRM system for better customer servicing
- Customer Service App catering to 80% of customer requests

Collections

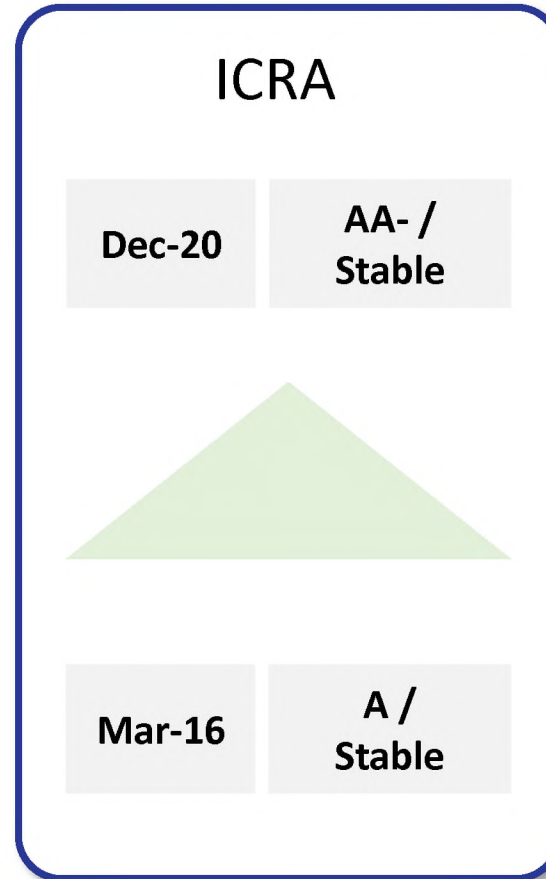
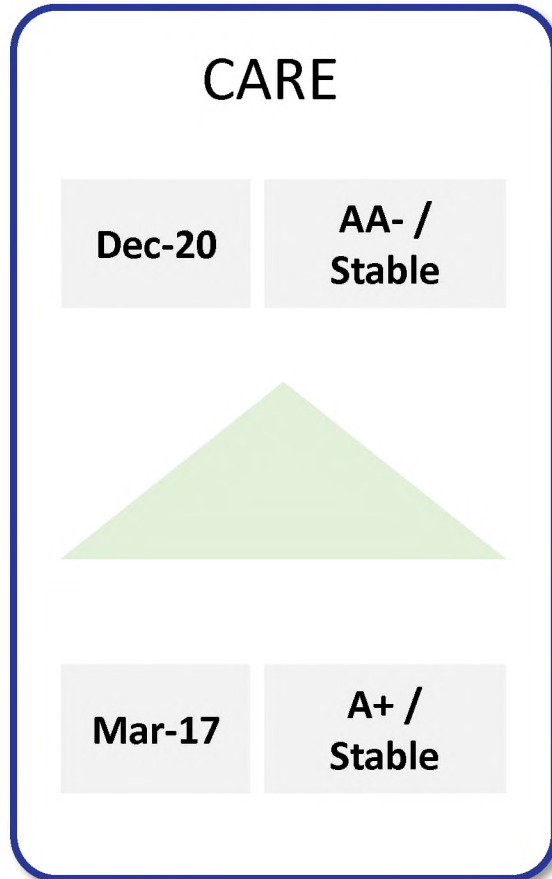


- Route optimization for collection personnel
- Analytics model for bounce prediction and assessment of warning signals
- Geotagging for smart customer allocation

Improving Credit Ratings

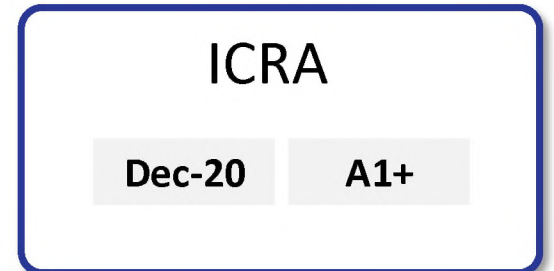
Long-Term Credit Rating

ICRA Limited upgraded the Long-Term rating from A+/Positive to AA-/Stable on 18th August 2020



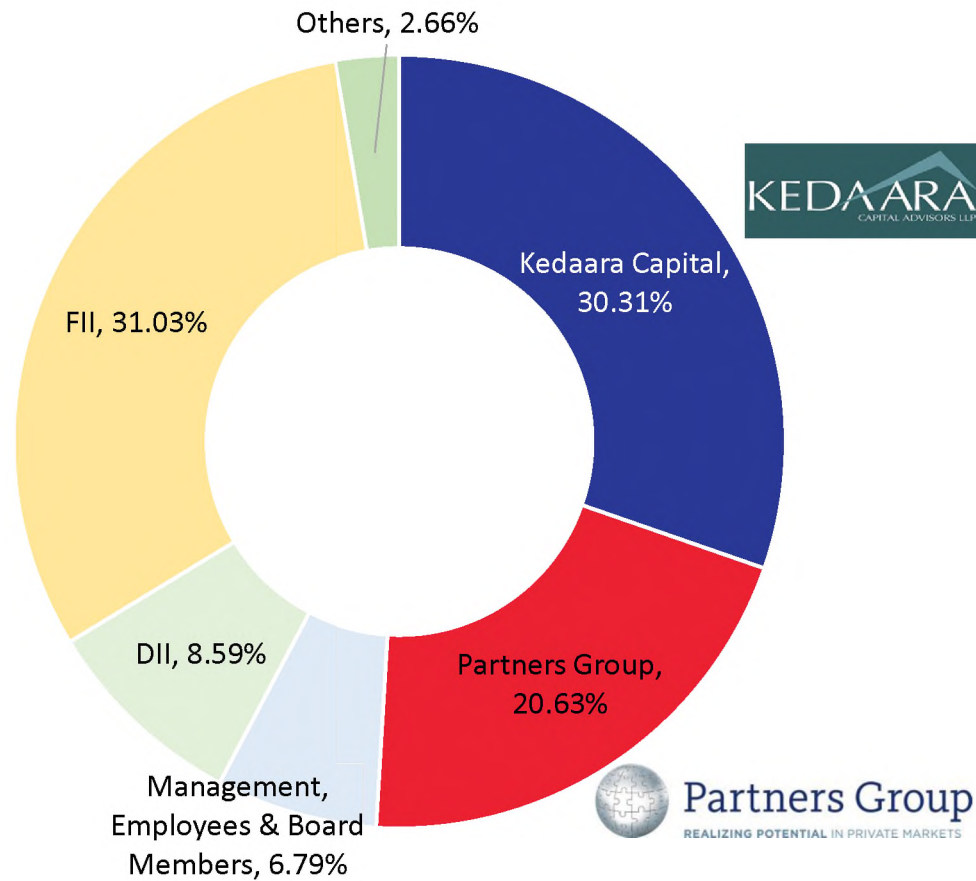
Short-Term Credit Rating

Reaffirmed



Diversified Shareholding Base

Shareholding Pattern as on
31st December 2020



Top Institutional Shareholders as on 31st December 2020

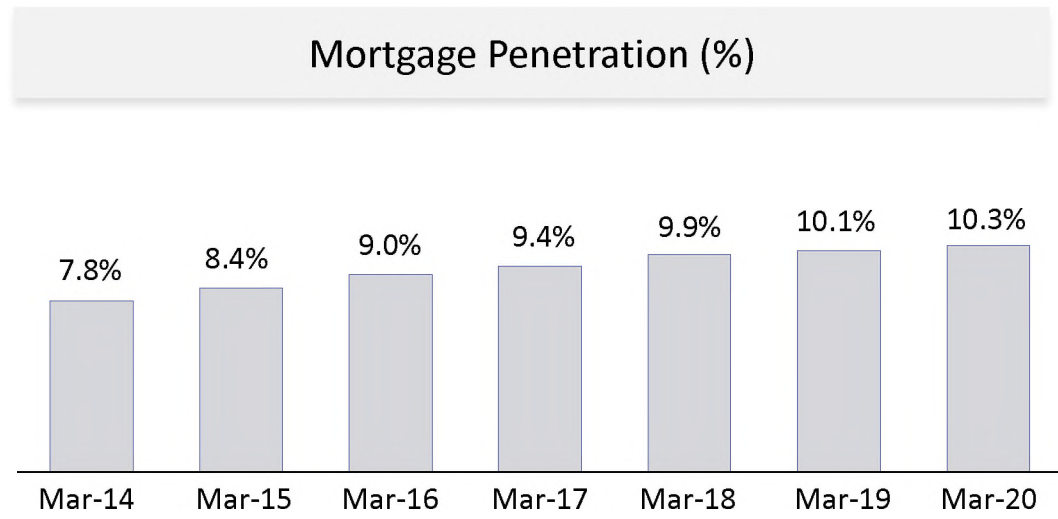
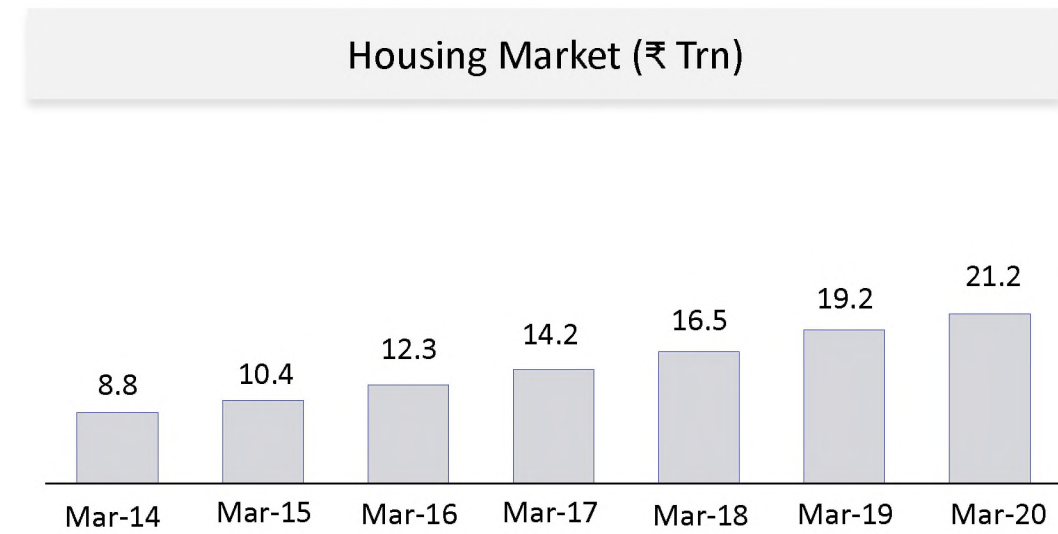
Investor Details	% Holding
Capital Group [^]	6.76
Wasatch Global Advisors [^]	5.68
Nomura Asset Management [^]	4.37
Kotak (Offshore) Asset Management [^]	2.45
SBI Life Insurance	1.86
Tata AIA Life Insurance [^]	1.71
Buena Vista Fund Management	1.61
Wellington Management [^]	1.57
UTI Mutual Fund [^]	1.51
DSP Mutual Fund [^]	1.35

[^]Holding through various schemes/funds

Size of Opportunity

Indian Housing Finance		
Market Size (as on Mar-20)	₹ 21.2 Trn	
YoY Growth (as on Mar-20)	+11% Banks - 15%, HFCs & NBFCs - 3%	
Market Share (as on Mar-20)	Banks - 66%	HFCs & NBFCs - 34%

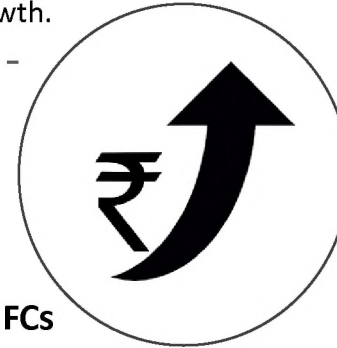
Housing Credit Growth Outlook FY21 ~ 5-8%	Affordable HFCs YoY Growth (as on Mar-20) 18%	Affordable segment expected to grow at faster pace than overall industry
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Continued Pause in Policy Rate

RBI's MPC voted unanimously to maintain status-quo (repo rate @ 4%) even in the December meeting and continued with its accommodative stance for as long as necessary to revive growth.



Revision of Risk Weights for Individual Housing Loans

The risk weights for individual housing loans by banks to be linked with only LTV ratios for all incremental sanctions up to 31 March 2022 as against both LTV ratio & loan size. Such loans with LTV up to 80% will attract a risk weight of 35% & those with LTV between 80% to 90% will attract a risk weight of 50%.



Restrictions on Dividend Payout by Banks & NBFCs/HFCs

RBI has asked Scheduled Commercial Banks & Co-operative banks to not make any dividend payout for FY20. As for NBFCs/HFCs, it has proposed certain minimum thresholds on capital & asset quality and capped their dividend payout based on a matrix of capital & asset quality levels.



Waiver of interest on interest during Moratorium

Following the instructions of Honorable Supreme Court after multiple hearings on the "waiver of interest on interest" case, the Government has directed all lending institutes to credit the difference between compound & simple interest for 6 months of the moratorium period to eligible borrowers by 05 November 2020. Reimbursement from the Government of equivalent amount can then be claimed by the lending institute by 15 December 2020.

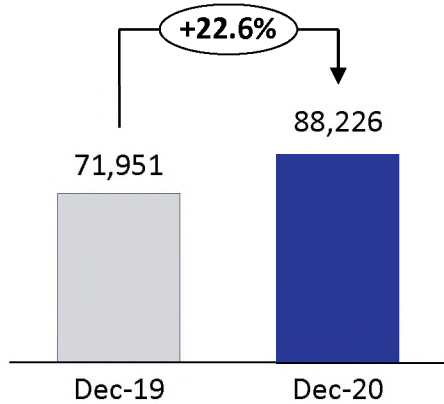


Financial Performance

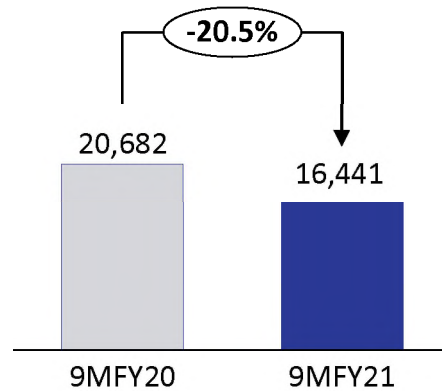
- ✓ Key Business Parameters
- ✓ Geographical Distribution
- ✓ Spreads and Margins
- ✓ Asset Quality
- ✓ Liability Franchise
- ✓ Key Ratios

Performance Highlights

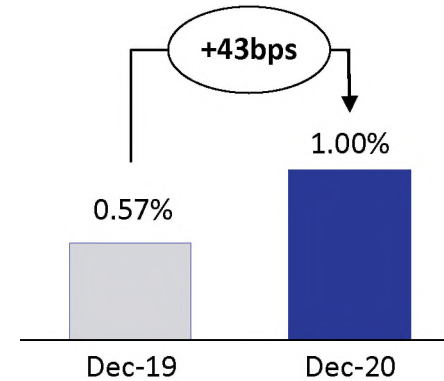
AUM (₹ Mn)



Disbursement (₹ Mn)

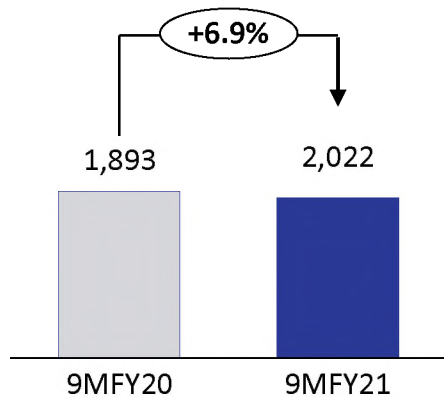


Gross Stage 3 (%)

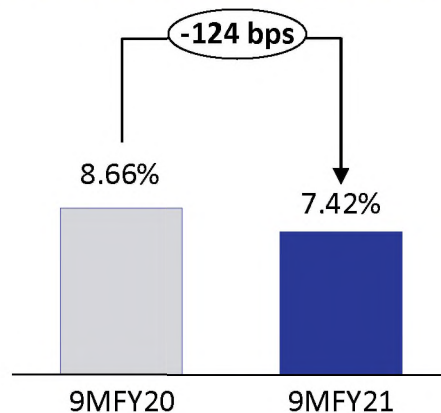


Average Amount[^] per Active Loan Account as on Dec-20
₹ 0.84 Mn

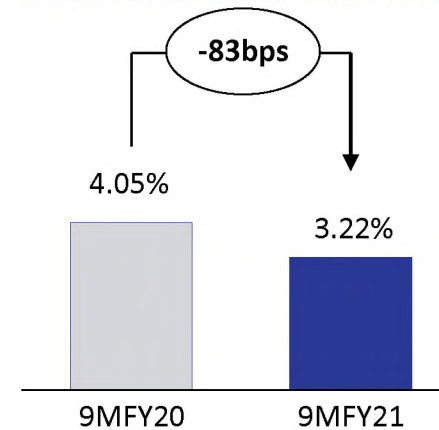
PAT* (₹ Mn)



NIM (%)



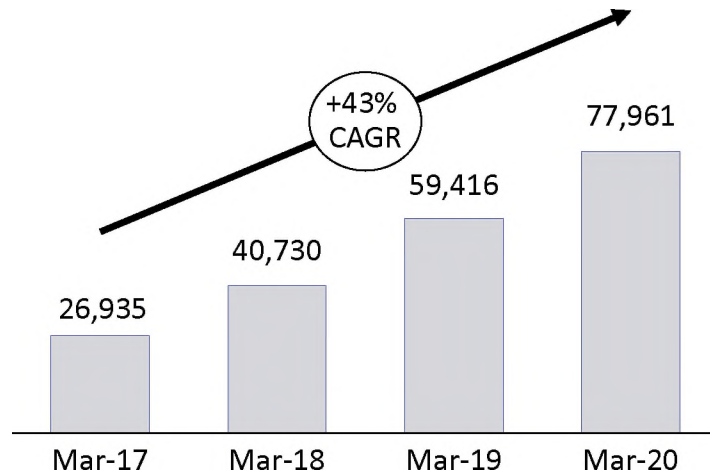
ROA (%)



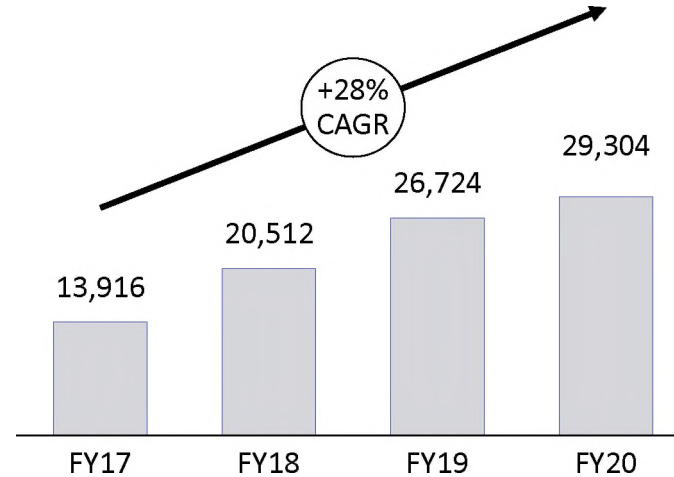
Average Amount[^] per Disbursed Loan Account in 9MFY21
₹ 0.93 Mn

Healthy Business Growth

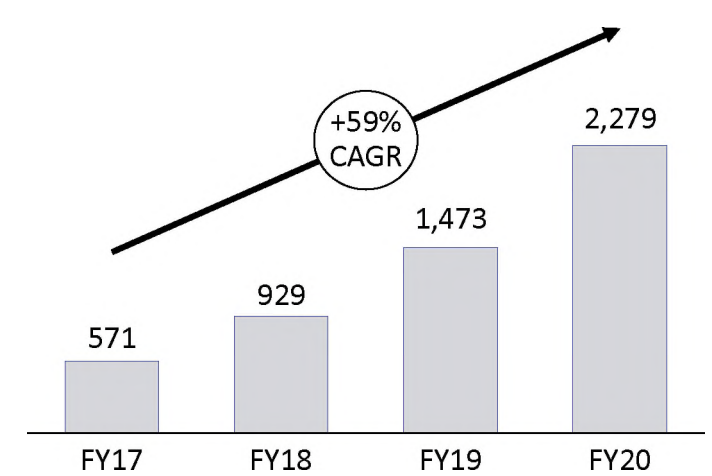
AUM (₹ Mn)



Disbursements (₹ Mn)



PAT* (₹ Mn)



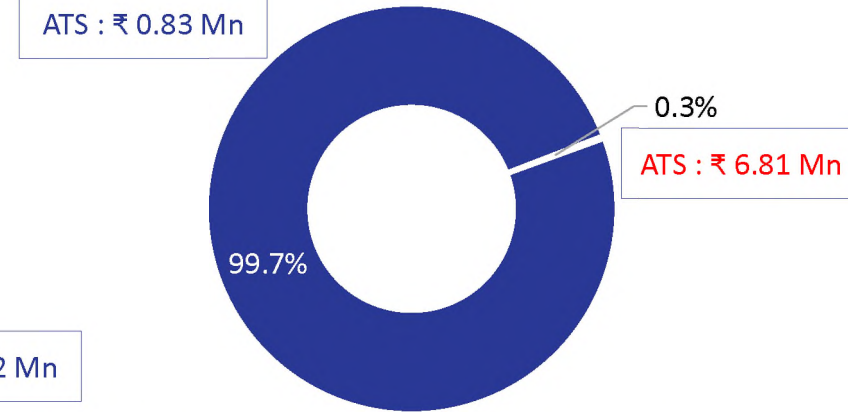
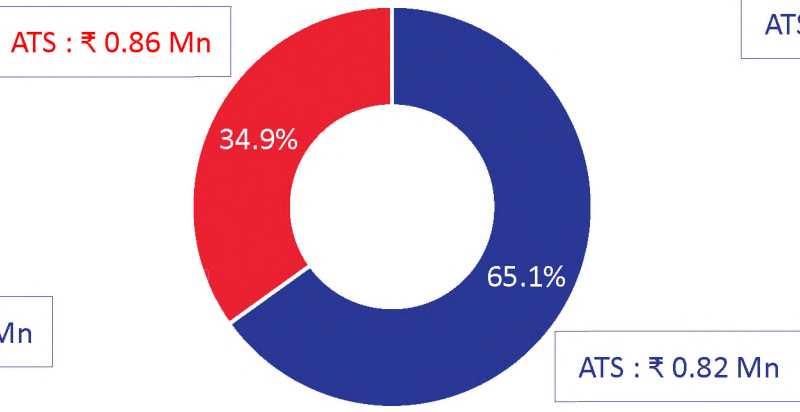
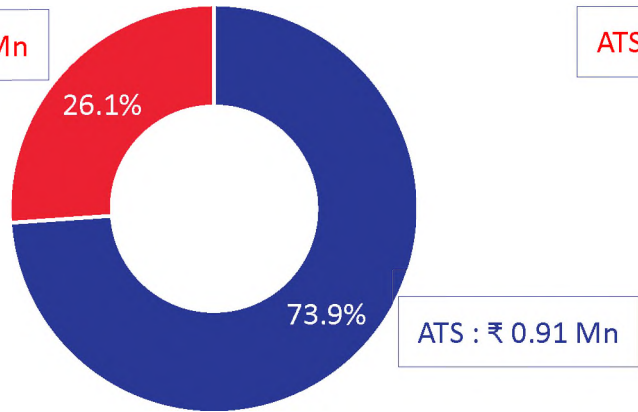
AUM Break-up

Product Category

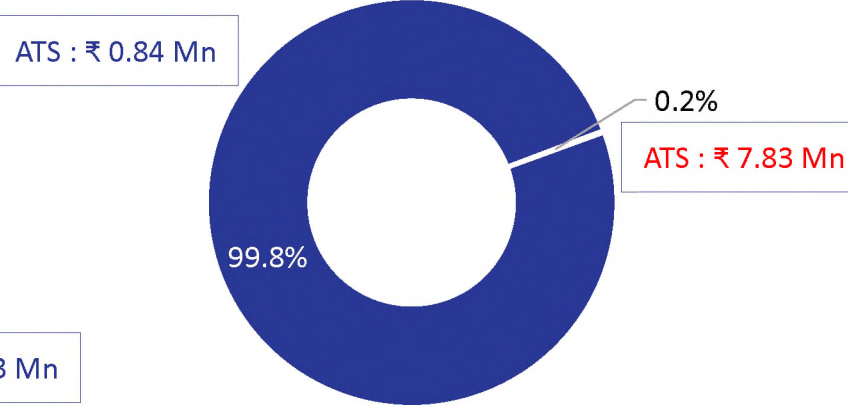
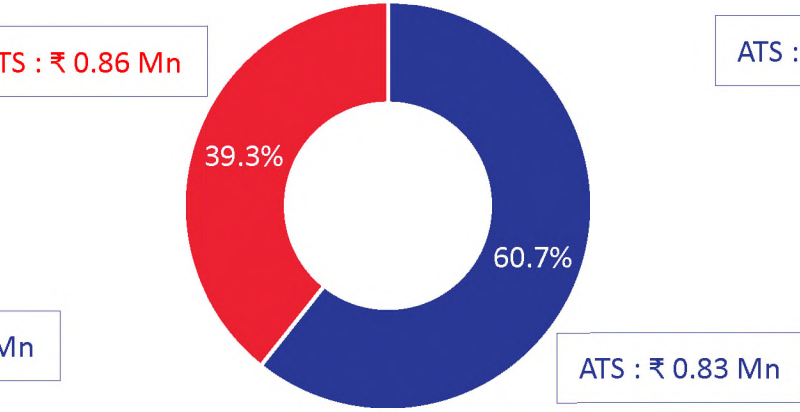
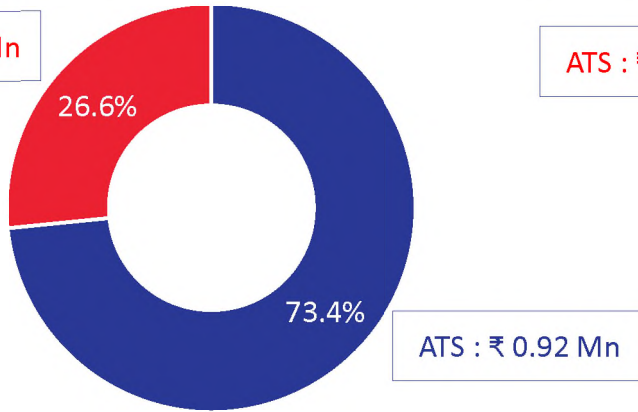
Occupation Category

Customer Category

31-Dec-19



31-Dec-20



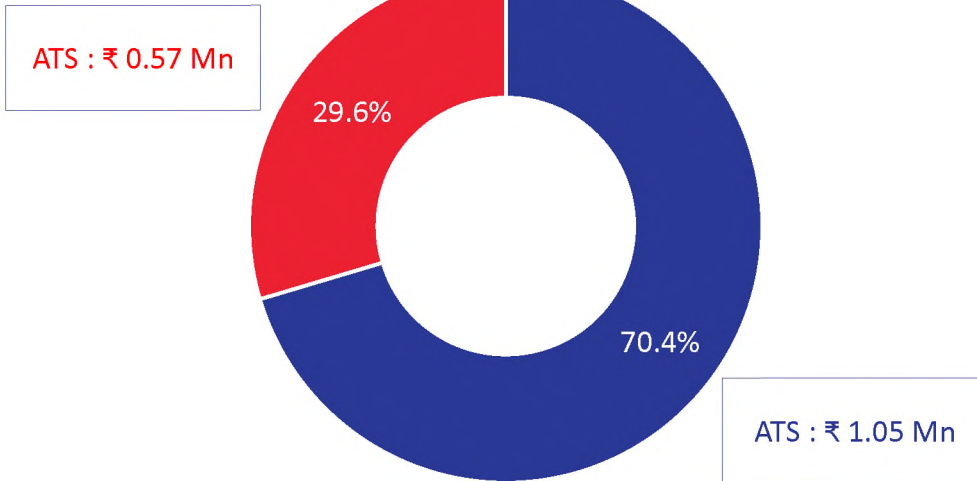
Home Loan Other Mortgage Loan

Self-Employed Salaried

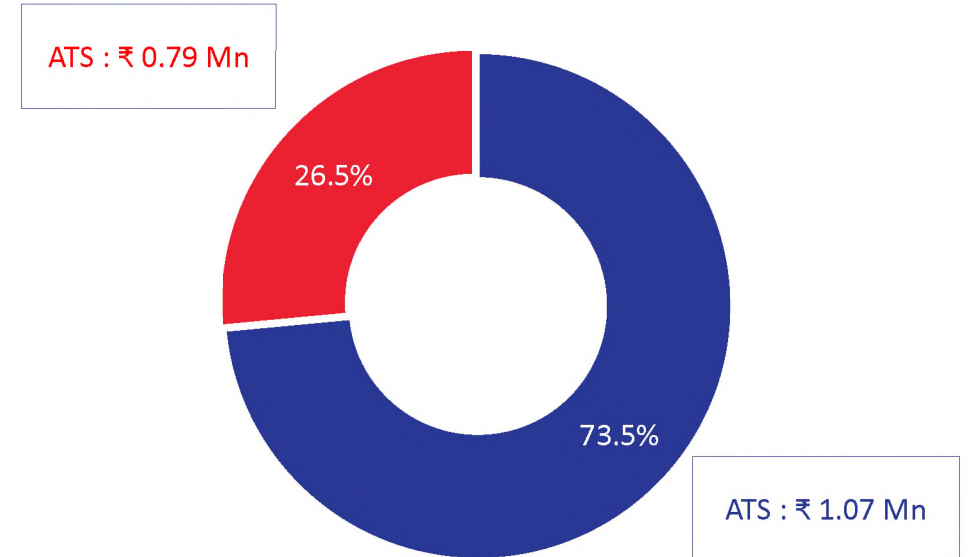
Retail Corporate

Disbursement Break-up – Product Category

9M FY20



9M FY21



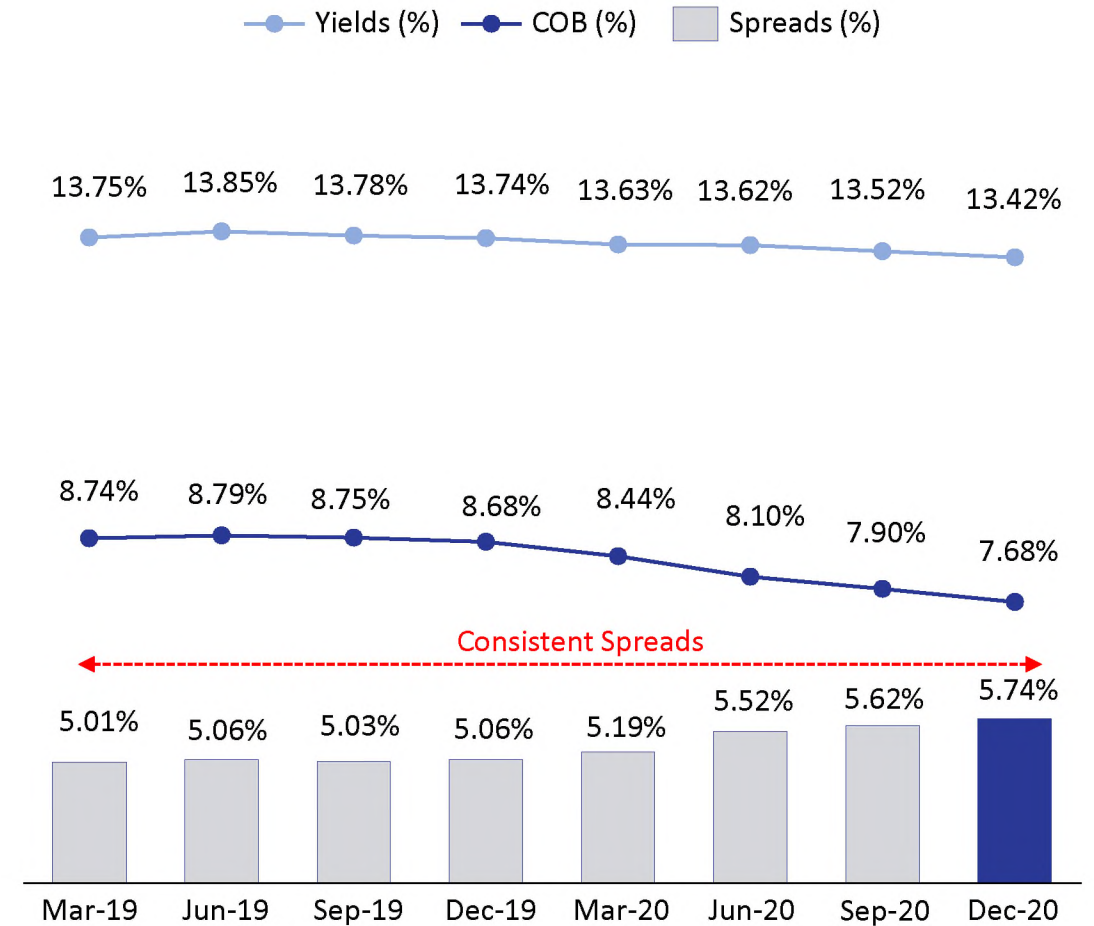
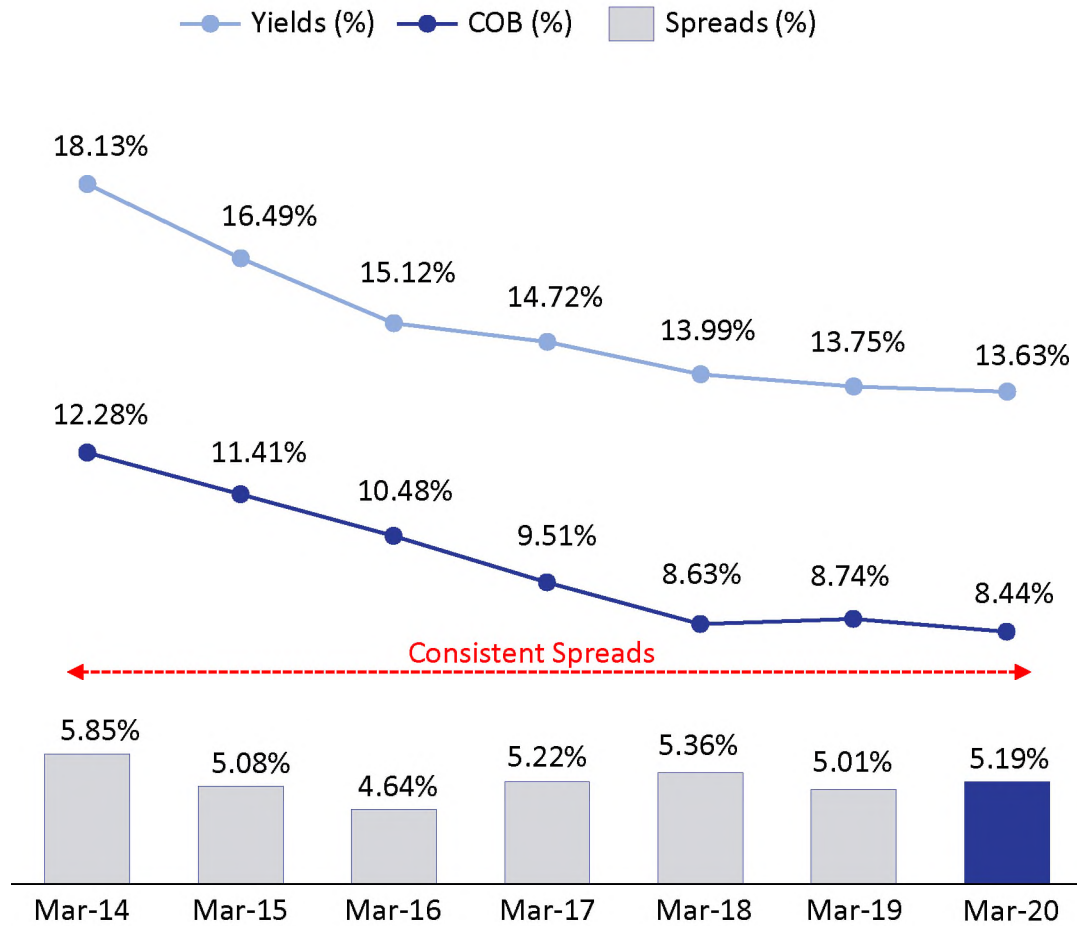
■ Home Loan ■ Other Mortgage Loan

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

Geographical Distribution

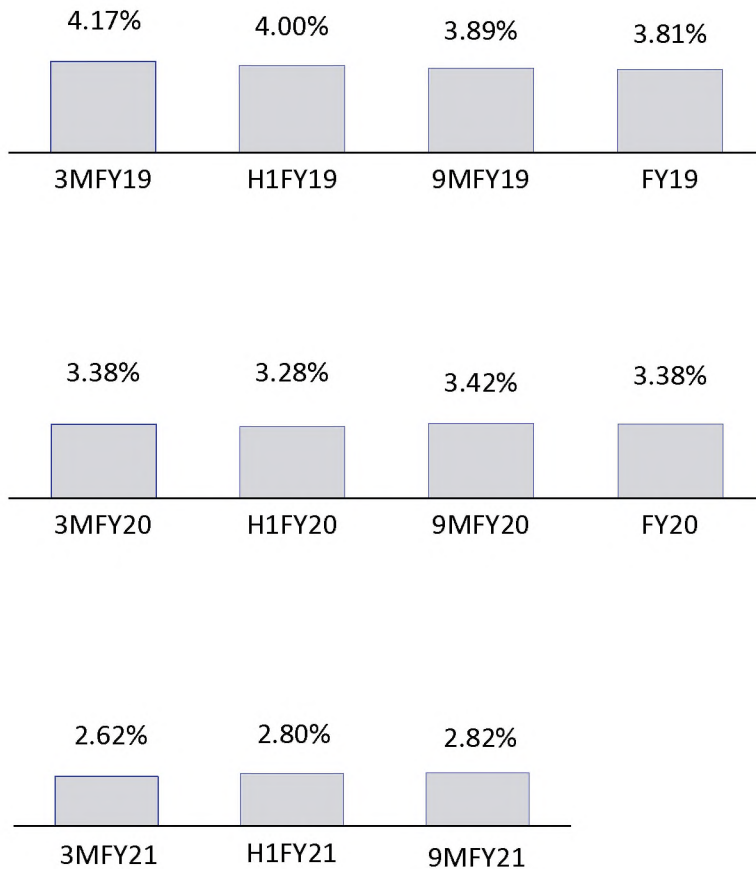
State	Branches	Operations Commenced in
Rajasthan	88	2012
Maharashtra	44	2012
Gujarat	37	2012
Madhya Pradesh	39	2013
Delhi	6 [^]	2013
Haryana & Punjab	15	2017
Chhattisgarh	5	2017
Uttar Pradesh	16	2018
Uttarakhand	9	2018
Himachal Pradesh	4	2020
Total	263	

Yields, Cost of Borrowings and Spreads (%)

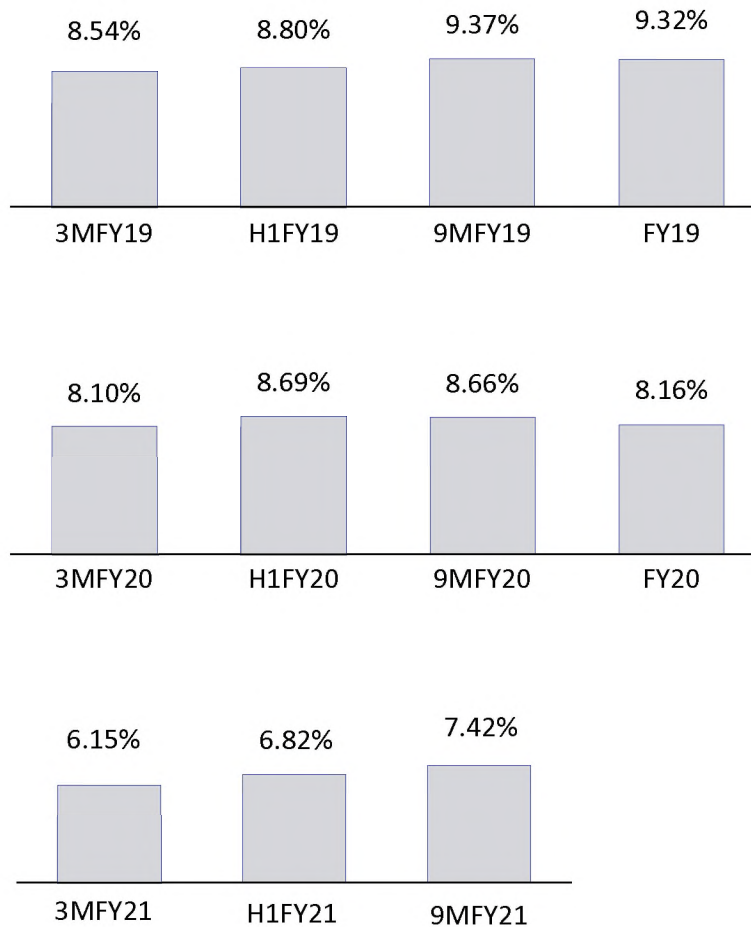


Margin and Cost Efficiency

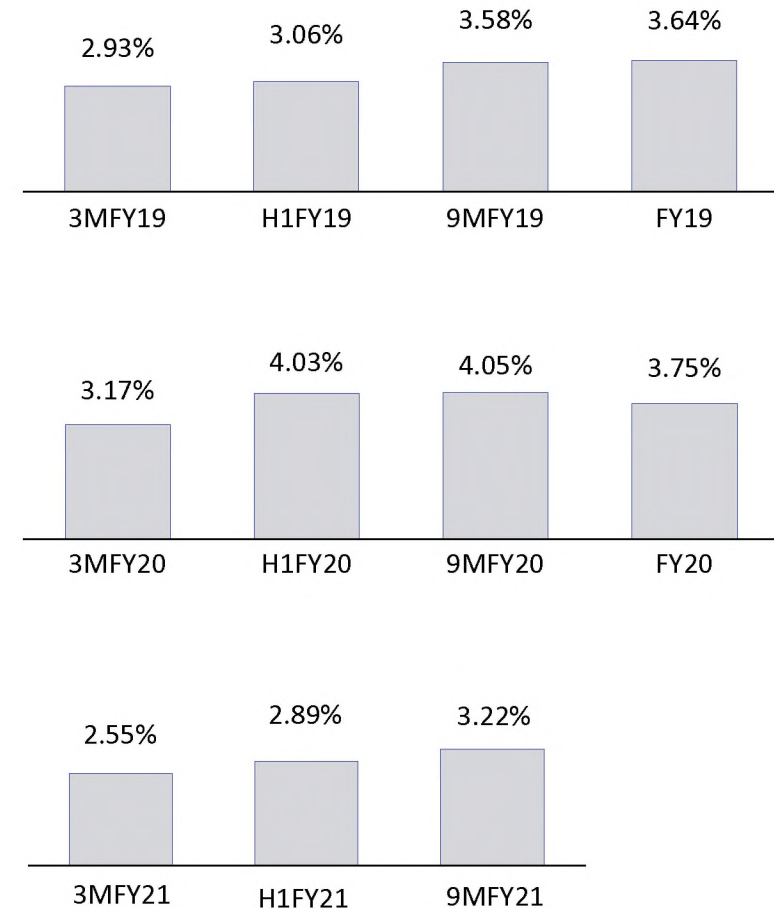
OpEx (%)



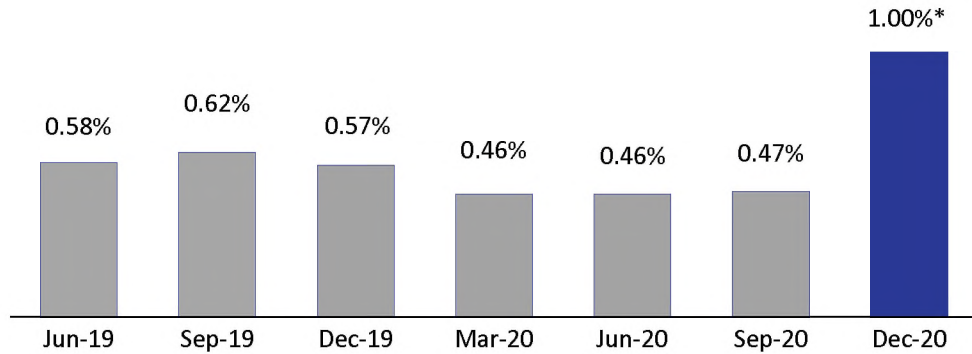
NIM (%)



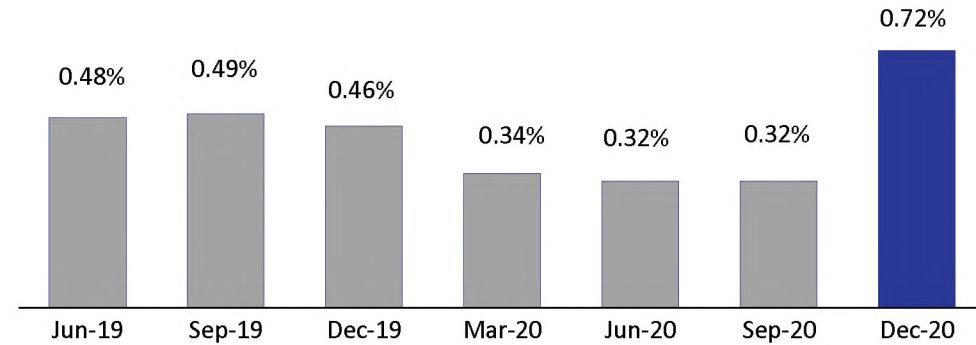
ROA (%)



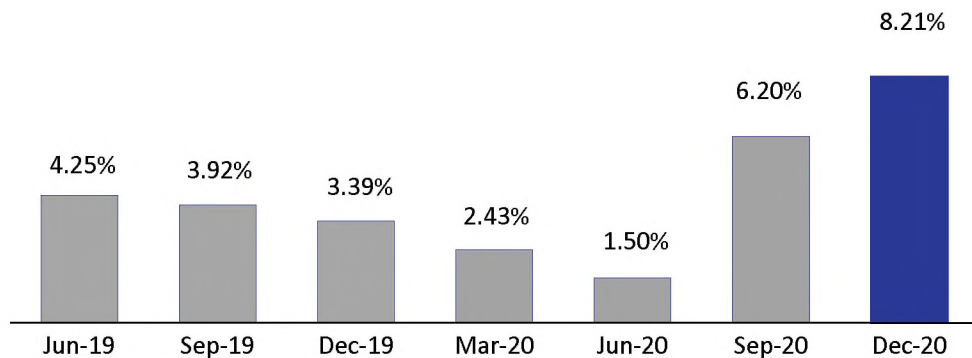
Gross Stage 3 (%)



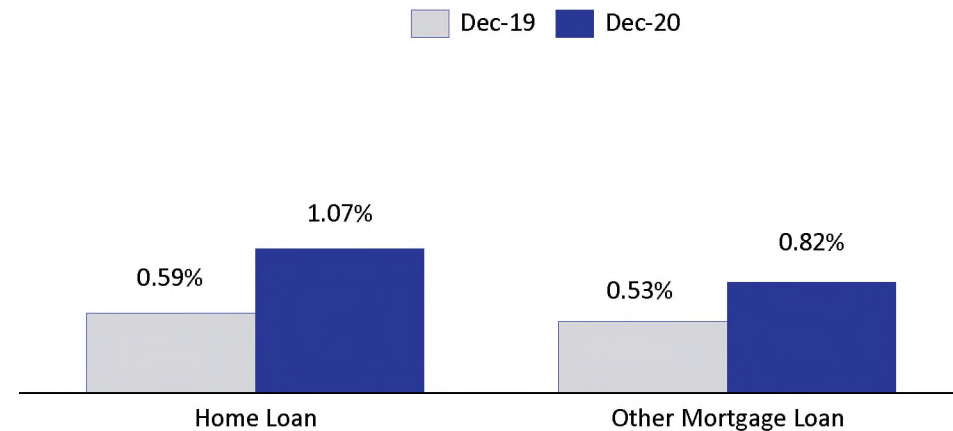
Net Stage 3 (%)



1+DPD (%)



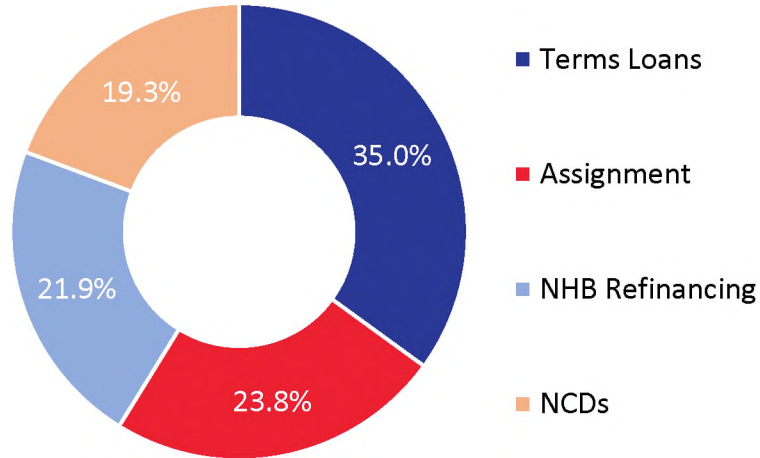
Segment-wise Gross Stage 3 (%)



Robust Liability Franchise

Diversified Funding Mix

As on Dec-20



31 Lenders
Diversified Mix

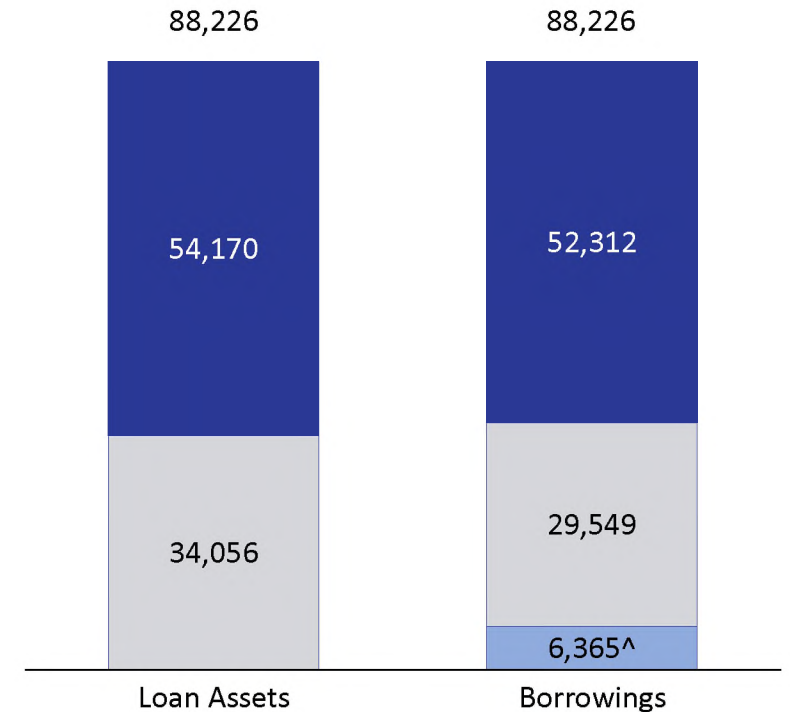
No exposure
to Commercial Papers

Incremental Q3 FY21 borrowings
₹ 9,356 Mn for 144 months at 7.04%

Loan Assets & Borrowings (₹ Mn)

As on Dec-20

■ Floating ■ Fixed ■ Equity



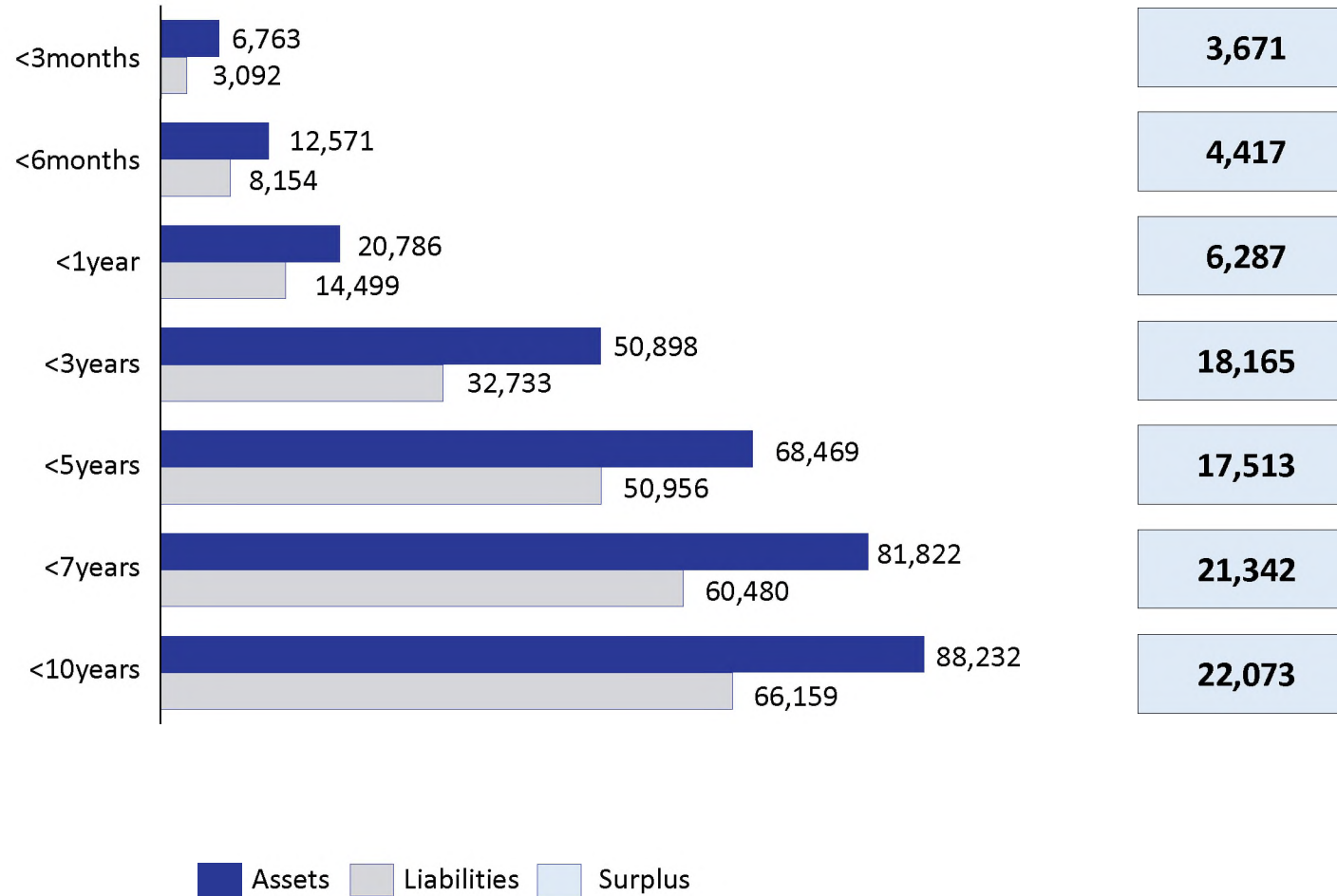
Payment Schedule of Debt Capital Market Exposure

NCD Investor	Exposure (₹ Mn)	Payment Schedule (₹ Mn)							
	31-Dec-20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28
IFC	4,750	-	-	1,300	-	3,450	-	-	-
ADB	4,444	-	341.8	683.7	683.7	683.7	683.7	683.7	683.7
Domestic Bank	3,250	50	1,700	200	950	200	150	-	-
CDC	2,000	-	-	500	500	500	500	-	-
Mutual Fund	1,250	-	-	-	250	-	1,000	-	-
Insurance Company	100	-	-	-	100	-	-	-	-
Total (Mn)	15,794	50	2,041.8	2,683.7	2,483.7	4,833.7	2,333.7	683.7	683.7

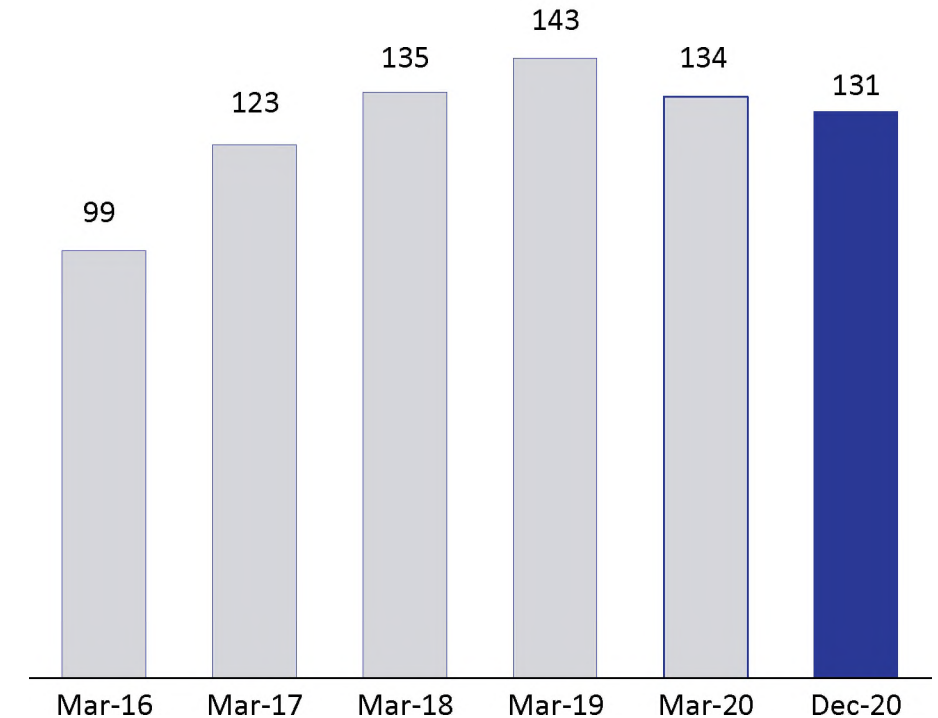
[^] gap between Loan Assets & Borrowings filled by a portion of Equity

Surplus Management* (₹ Mn)

As on Dec-20



Average tenor of outstanding borrowing (months)



* Data as per IGAAP

Comfortable Liquidity Position

Particulars (₹ Mn)	As on Dec-20
Cash & Cash Equivalents	19,670
Un-availed CC Limits	1,220
Documented & Un-availed Sanctions from NHB	-
Documented & Un-availed Sanctions from other Banks	5,850
Total Liquidity Position	26,740

**High Quality
Liquidity of
₹ 20,890 Mn**

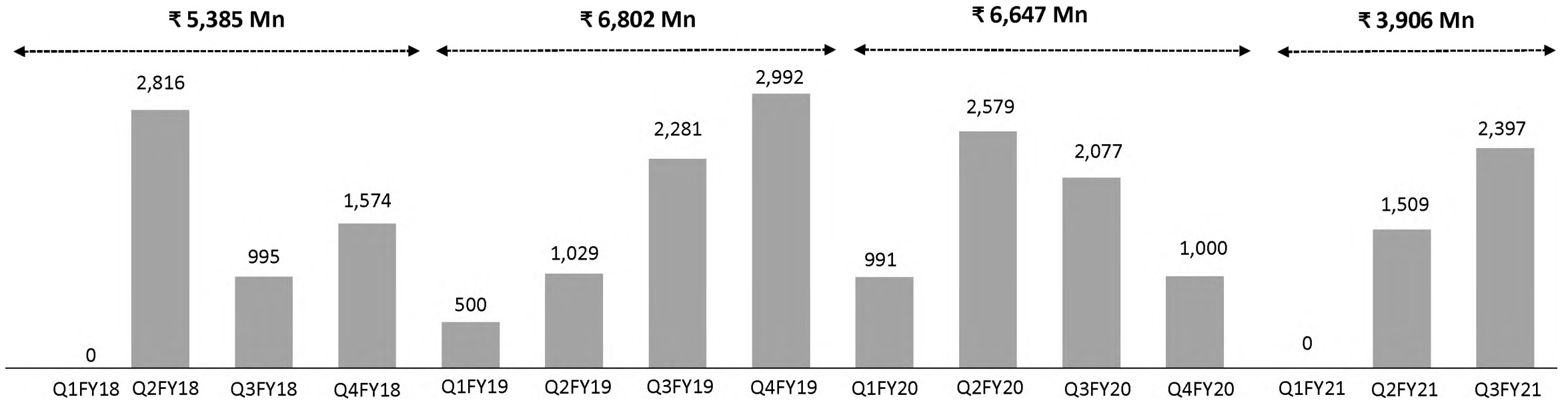
Particulars (₹ Mn)	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22
Opening Liquidity	26,740	29,106	27,479	29,397
Add: Principal Collections & Surplus from Operations	3,351	3,436	3,488	3,527
Less: Debt Repayments	986	5,062	1,570	3,022
Closing Liquidity	29,106	27,479	29,397	29,903

**₹ 29,903 Mn of
Surplus Funds*
available for business**

Fresh sanctions of ₹ 14,500 Mn from NHB & other banks

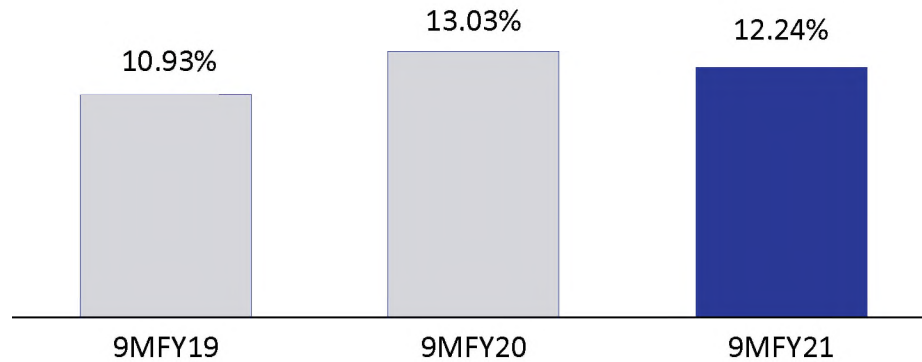
* without including any incremental borrowings

Net Securitization Volume

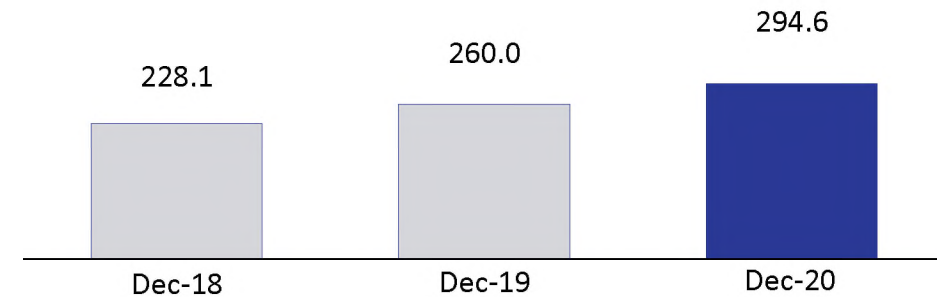


Key Financial Ratios

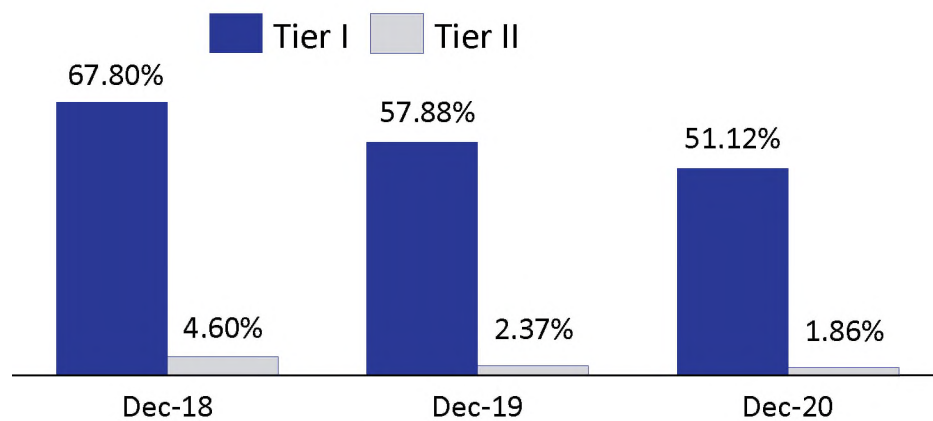
ROE (%)



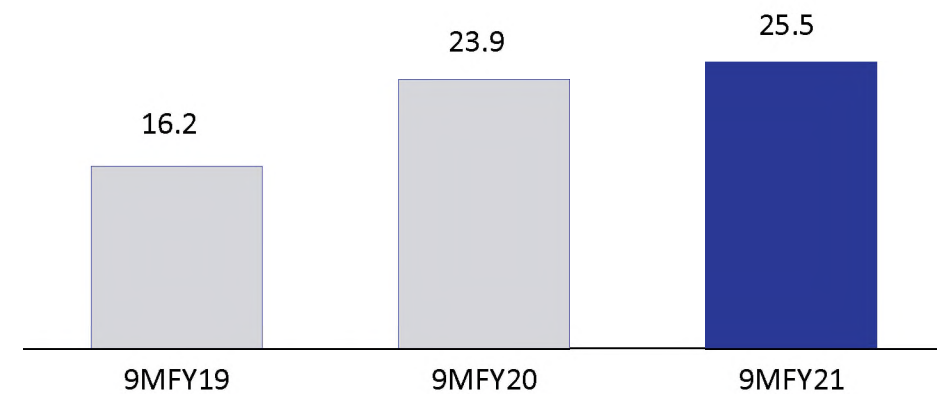
Book Value Per Share (₹)



Capital Adequacy Ratio (%)



Earning Per Share* (₹)





Annexures

- ✓ Quarterly and Nine Monthly Profit & Loss Statement
- ✓ Balance Sheet
- ✓ PAT Reconciliation
- ✓ ECL Provisioning
- ✓ Networth Reconciliation

Quarterly Profit & Loss Statement

Particulars (₹ Mn)	Q3 FY21	Q3 FY20	Y-o-Y	Q2 FY21	Q-o-Q
Interest Income (incl. Processing Fee & FDR Interest)	2,577.4	2,019.6	27.6%	2,430.2	6.1%
Gain on derecognition of financial instruments under amortized cost category	405.3	263.3		184.4	
Non-Interest Income	117.7	110.4		89.4	
Interest Expense (incl. Finance Charges)	(1,190.9)	(963.9)	23.6%	(1,161.2)	2.6%
NIM	1,909.5	1,429.4	33.6%	1,542.9	23.8%
Operating Expenses	642.8	612.3		616.2	
Credit Costs	161.6	13.4		80.6	
Profit Before Tax	1,105.1	803.7	37.5%	846.1	30.6%
Provision for Taxation	248.9	125.0		184.2	
Profit After Tax	856.2	678.7	26.1%	661.9	29.4%
Total Comprehensive Income	856.2	678.7	26.1%	665.5	28.7%
EPS (Diluted)	10.8	8.6		8.4	

Nine Monthly Profit & Loss Statement

Particulars (₹ Mn)	9M FY21	9M FY20	Y-o-Y
Interest Income (incl. Processing Fee & FDR Interest)	7,294.1	5,716.4	27.6%
Gain on derecognition of financial instruments under amortized cost category	589.7	676.7	
Non-Interest Income	256.6	287.7	
Interest Expense (incl. Finance Charges)	(3,482.6)	(2,634.7)	32.2%
NIM	4,657.8	4,046.1	15.1%
Operating Expenses	1,772.6	1,598.6	
Credit Costs	301.8	90.7	
Profit Before Tax	2,583.5	2,356.8	9.6%
Provision for Taxation	564.6	464.9	
Profit After Tax	2,018.9	1,891.9	6.7%
Total Comprehensive Income	2,022.5	1,892.5	6.9%
EPS (Diluted)	25.5	23.9	

Balance Sheet

Particulars (₹ Mn)	31-Dec-20	31-Mar-20
Sources of Funds		
Share Capital	783.9	783.2
Reserves & Surplus	22,313.4	20,196.1
Borrowings	64,810.1	53,520.4
Deferred Tax Liability (Net)	286.3	317.0
Other Liabilities & Provisions	2,607.9	1,763.7
Total	90,801.6	76,580.4
Application of Funds		
Loan Assets	69,697.1	61,808.0
Investments	45.0	45.0
Fixed Assets	280.6	318.6
Liquid Assets	18,045.7	11,920.6
Other Assets	2,733.1	2,488.3
Total	90,801.6	76,580.4

PAT Reconciliation

Particulars (₹ Mn)	9M FY21	9M FY20	Y-o-Y	Q3 FY21	Q3 FY20	Y-o-Y
Net Profit as per IGAAP	1,998.5	1,614.2	23.8%	728.1	586.1	24.2%
<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	(25.5)	8.7		(6.5)	(12.9)	
Fair valuation of employee stock options (ESOP)	(69.1)	(43.1)		(20.2)	(26.0)	
Adoption of effective interest rate (EIR) for amortisation of expenses - financial liabilities at amortised cost	(10.6)	5.0		(0.3)	0.5	
Net gain from excess interest spread on assignment transactions	112.8	261.0		246.2	115.0	
Expected Credit Loss (ECL) provision	(94.8)	(5.5)		(86.2)	2.0	
Other Adjustments	(13.8)	(18.8)		(7.0)	(10.6)	
Deferred Tax impact on above adjustments and reversal of DTL on special reserve	121.2	70.4		2.1	24.8	
Net Profit Before Other Comprehensive Income as per IndAS	2,018.9	1,891.9	6.7%	856.2	678.7	26.1%
Other Comprehensive Income after Tax	3.6	0.7		-	-	
Total Comprehensive Income as per IndAS	2,022.5	1,892.5	6.9%	856.2	678.7	26.1%

ECL Provisions

Particulars (₹ Mn)	31-Dec-20	31-Dec-19
Gross Stage 3	704.6	323.4
% portfolio in Stage 3	1.00%	0.57%
ECL Provision Stage 3	200.8	66.5
Net Stage 3	503.8	256.9
Coverage Ratio % Stage 3	28.49%	20.57%
Gross Stage 1 & 2	69,475.4	56,092.0
% portfolio in Stage 1 & 2	99.00%	99.43%
ECL Provision Stage 1 & 2	282.1	103.2
Net Stage 1 & 2	69,193.3	55,988.8
ECL Provision % Stage 1 & 2	0.41%	0.18%
Gross Stage 1, 2 & 3	70,180.0	56,415.4
ECL Provision Stage 1, 2 & 3	482.9	169.7
Total ECL Provision %	0.69%	0.30%

As per an interim order dated 03-Sep-20, Hon'ble Supreme Court has directed that accounts which were not declared as NPA till 31-Aug-20 shall not be declared as NPA till further orders. As a matter of prudence, such accounts with an outstanding amount of ₹ 413.8 Mn have been classified as Stage 3 and provided for accordingly. However, these accounts have not been classified as NPA for all regulatory & other purposes.

During Q3 FY21, additional provision of ₹ 42.9 Mn made for potential impact of COVID-19 (based on the profiling & risk categorization of the customers as well as their behavior during the moratorium period) taking the overall additional provision for COVID-19 impact to ₹ 190.3 Mn as of 31-Dec-20.

Networth Reconciliation

Particulars (₹ Mn)	31-Dec-20
Net worth as per previous GAAP	21,370.5
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	(254.8)
Adoption of EIR for amortisation of expenses - financial liabilities at amortised cost	122.7
Net gain from excess interest spread on assignment transactions	1,747.1
Expected Credit Loss (ECL)	(87.5)
Other Adjustments	(40.4)
Deferred Tax impact on above adjustments and reversal of DTL on special reserve	239.7
Net worth as per Ind AS	23,097.3



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Thank You !