

**Ref. No.: AUSFB/SEC/2022-23/424**

**Date: 07<sup>th</sup> December, 2022**

To,

<b>National Stock Exchange of India Ltd.</b> Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (East), Mumbai 400051, Maharashtra. <b>NSE Symbol: AUBANK</b>	<b>BSE Limited</b> Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400001, Maharashtra. <b>Scrip Code: 540611</b>
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Dear Sir/Madam,

**Sub: Presentation to Investors in AU Insights - Webinar for Analysts and Investors**

In terms of Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we submit herewith the Investor Presentation of AU Insights – Webinar held by AU Small Finance Bank for analysts and investors on 07<sup>th</sup> December, 2022.

The Investors Presentation may also be accessed on the website of the Bank at the link <https://www.aubank.in/investors/au-insights>.

This is for your information, records and appropriate dissemination.

Thanking You,

Yours faithfully,

**For AU SMALL FINANCE BANK LIMITED**

**Manmohan Parnami**  
**Company Secretary and Compliance Officer**  
**Membership No.: F9999**  
[investorrelations@aubank.in](mailto:investorrelations@aubank.in)





# AU INSIGHTS

Secured Business Loans | Commercial Banking

7th December, 2022







# In this Presentation

Here's what we'll cover:

1

**SECURED BUSINESS LOANS**

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2

**COMMERCIAL BANKING**

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3

**Q&A**

# Building a robust foundation to execute our strategy



- 10 Business Groups (SBU structures) formalized to drive future growth
- Leadership of 7 of the 10 SBUs had earlier, on 10th Feb '22, 10th Mar '22 and 4th Nov '22, presented their strategy and outlook. The respective presentations are available on our website.
- We will cover the 2 SBUs – **Secured Business Loans** and **Commercial Banking** today



# SECURED BUSINESS LOANS





# Secured Business Loans



Low operating Expenses - High Margins

Business Model & Good Business Knowhow

Lack Formal Documentation - Capacity to Pay

Collateral - various types of Rural & Semi-urban

In-house Local Manpower - Local Nuances

Physical Interaction – Resi & Business Place

MICRO Enterprises - Resilience during Pandemic

Engagement - Counselling - Resolution

**“Learnings to be replicated but model needs to be crafted state & area wise”**

# MSME - The Heartbeat of the Indian Economy



## GDP

Contribution of about **30%** in the total GDP of India



## Exports

**50%** share in the total exports of India



## Employment

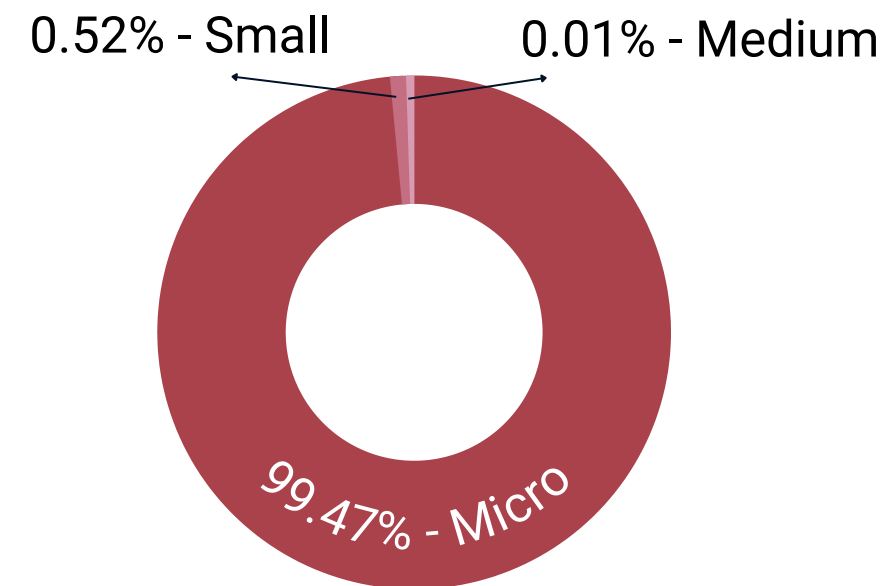
Employment to over **110 million** people.



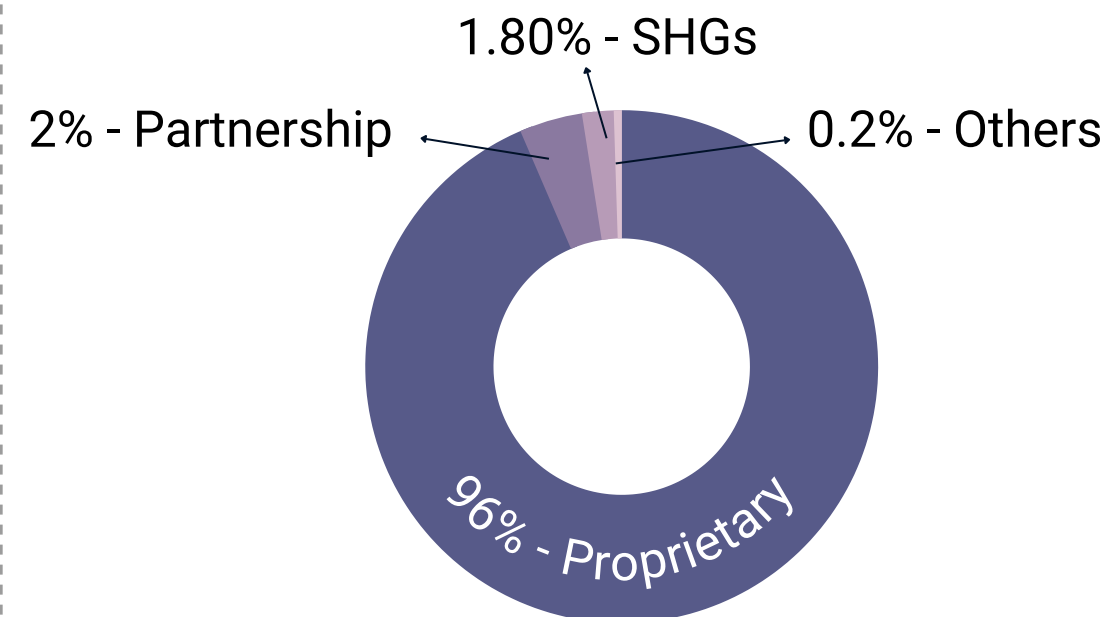
## Products

Produces more than **8000** products

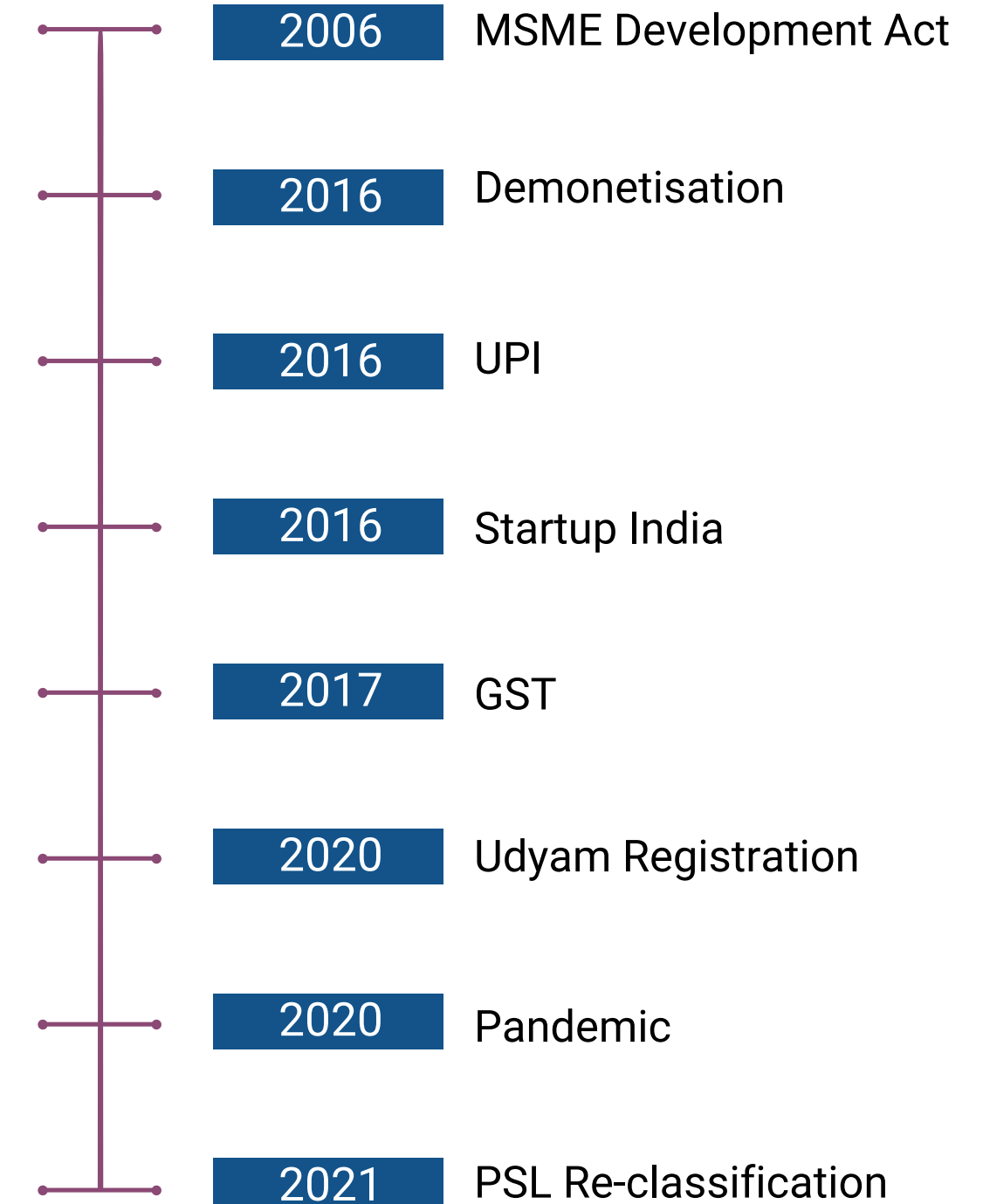
### Scale of Business



### Form of Business

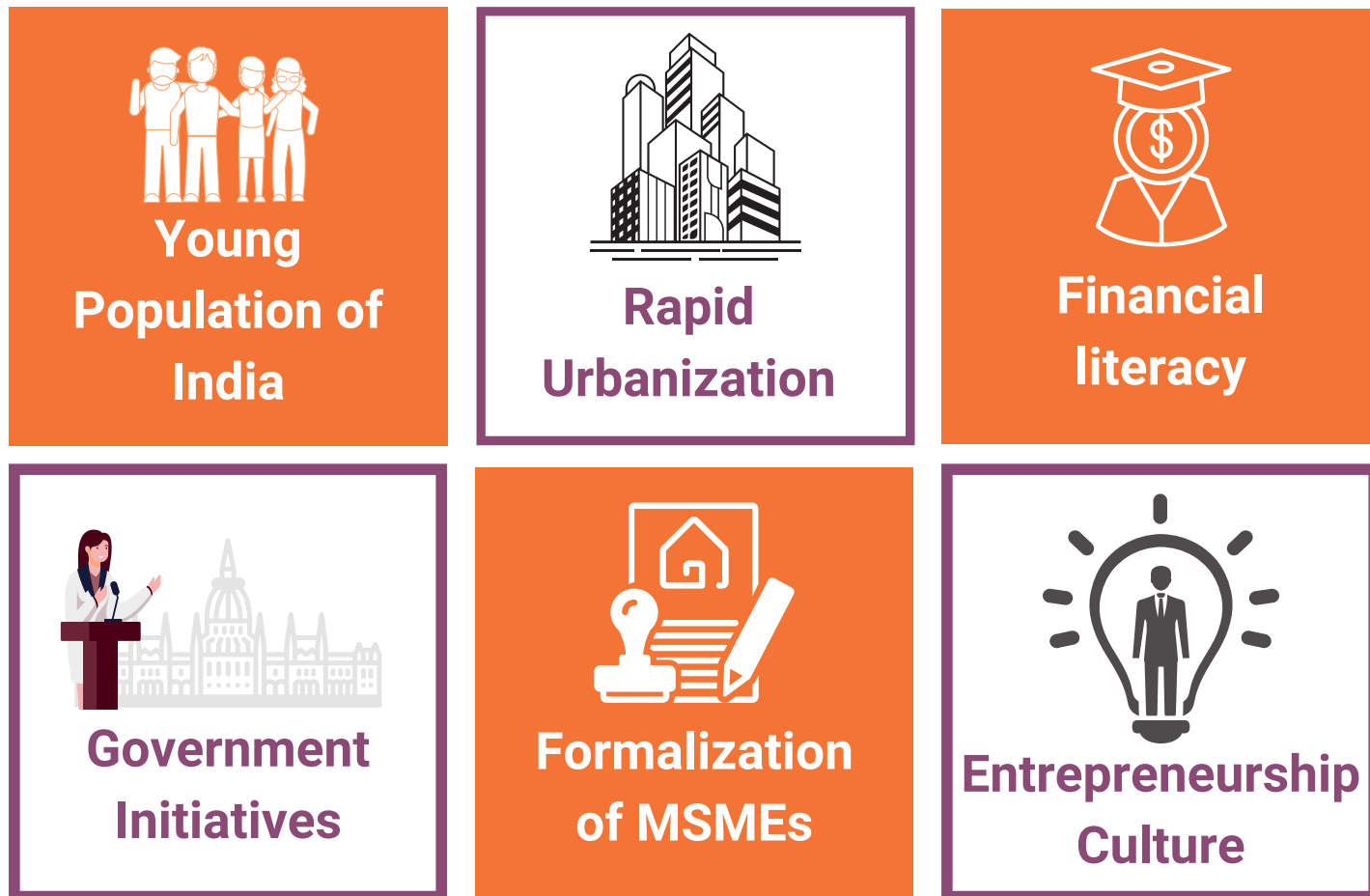


### Major Events

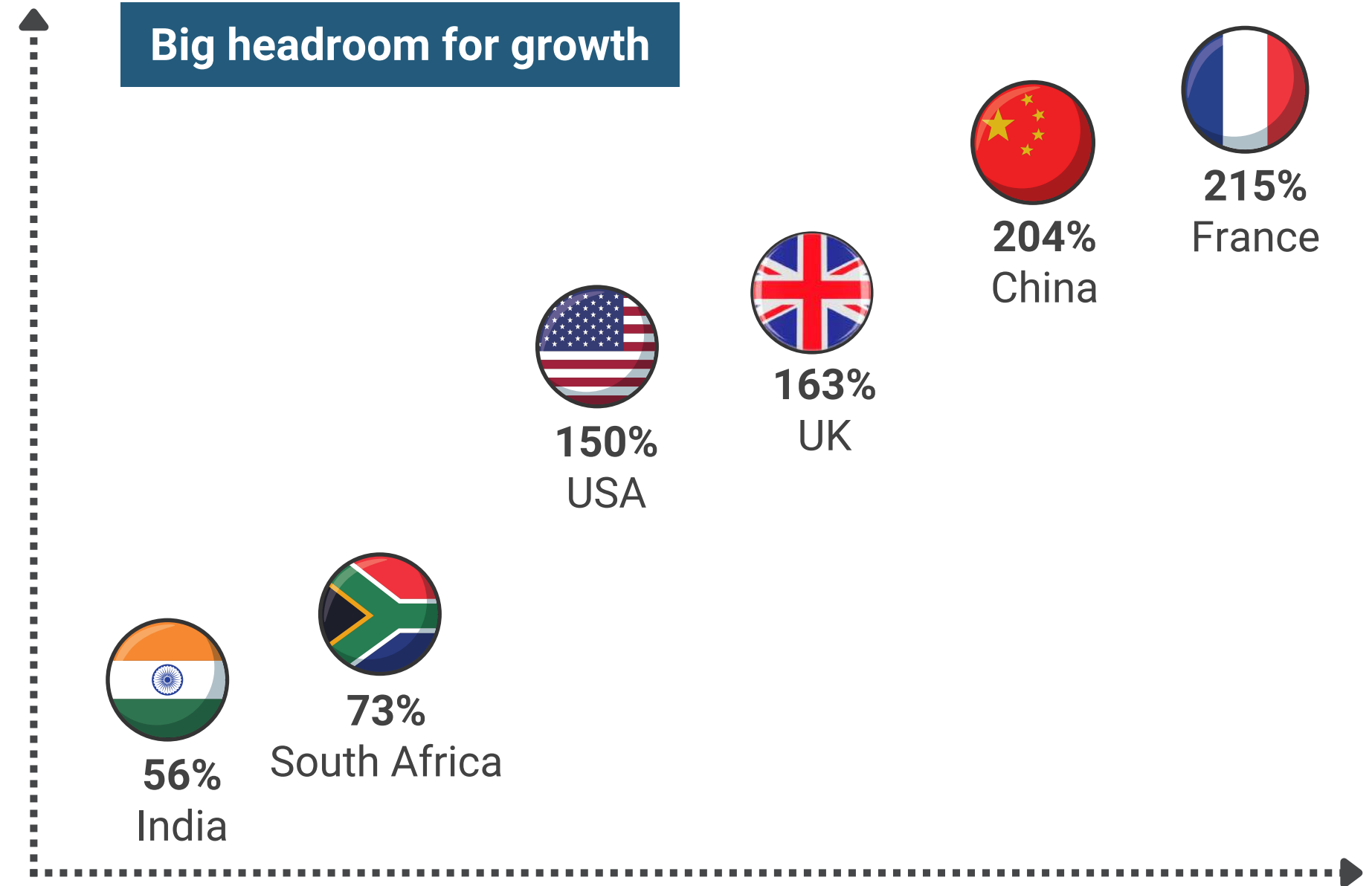




## Growth Drivers



## Big headroom for growth

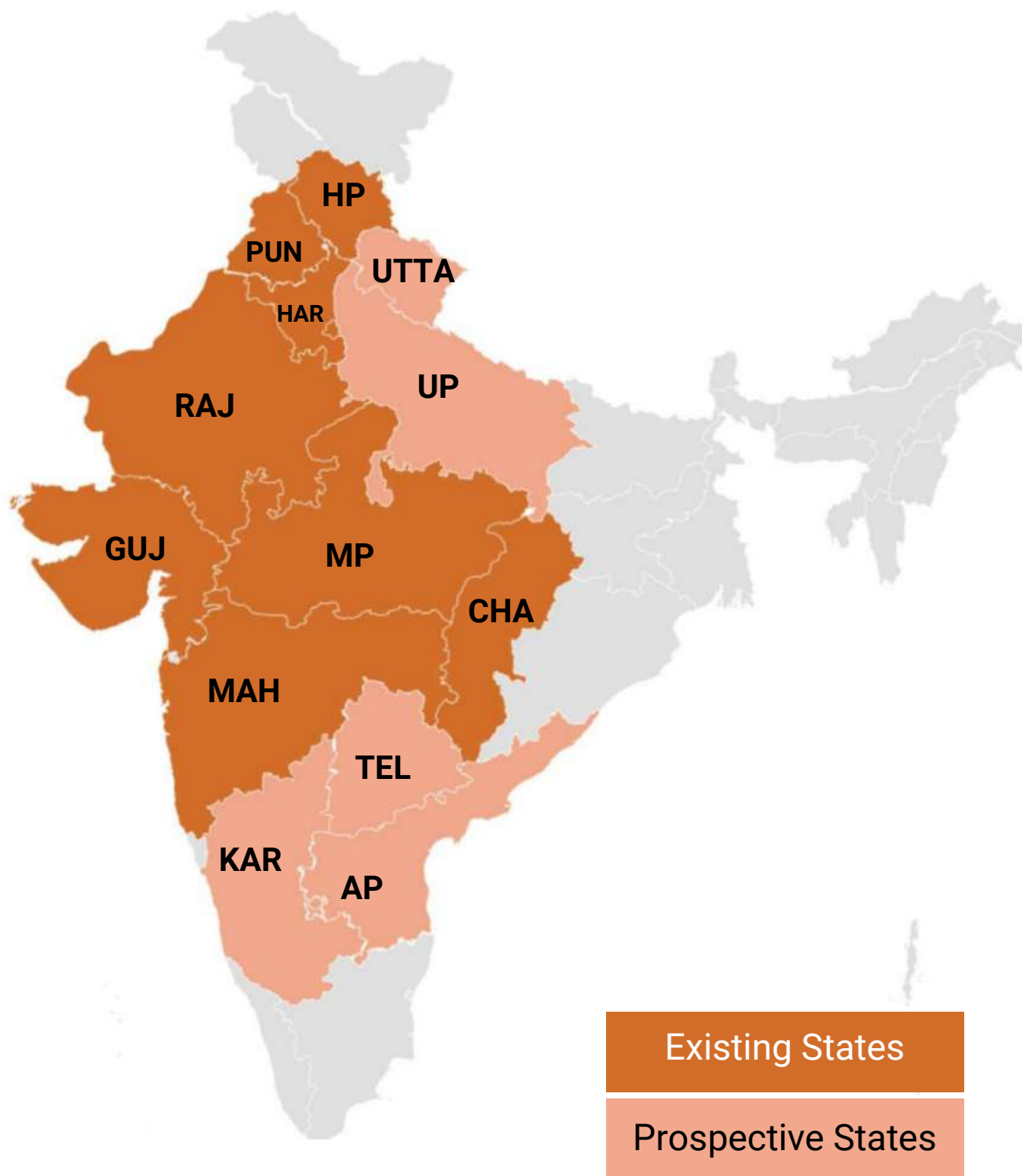


## Total Credit to GDP Ratio

- India has one of the **largest young population** in the world, with a median age of 29 years (2021).
- According to a Randstad Work monitor survey, 83% of the Indian workforce prefers to be **entrepreneur**.
- Adult population with bank accounts rose from 53% in 2014 to 80% in 2017 (Global Findex Database).
- In 2020, about 35% of the total population in India lived in cities (according to a report by Statista).



# Industry Outlook & Opportunity



## Existing States

State	No. of Micro MSME (in lakhs)
Maharashtra	47.6
Gujarat	32.7
Rajasthan	26.7
Madhya Pradesh	26.4
Punjab	14.6
Haryana	9.5
Delhi	9.3
Chhattisgarh	8.5
Himachal Pradesh	3.9

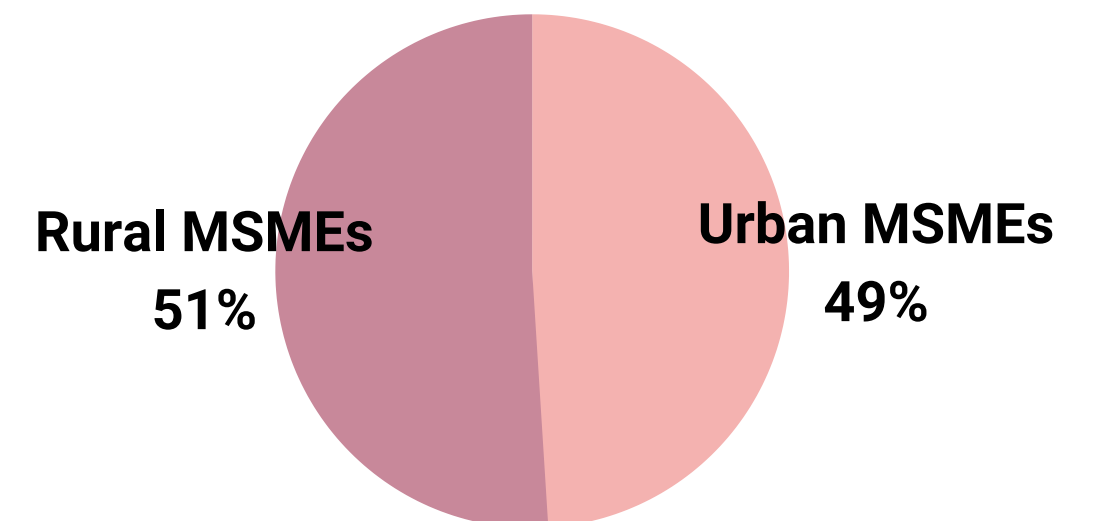
## Prospective States

State	No. of Micro MSME (in lakhs)
Uttar Pradesh	89.6
Karnataka	38.3
Andhra Pradesh	33.7
Telangana	25.9
Uttarakhand	4.1

## Big Opportunity in MSME Lending

- In India, **~20%** of the loans required by MSMEs are met by the formal sector, **40%** by the informal sector and there is still a **40%** credit gap to be met for the MSMEs
- MSME Credit Gap is estimated to be around **₹ 20 to 25 trillion**. (Report by UK Sinha Committee constituted by RBI in June 2019)

## Big Opportunity in MSME Lending



# SBL Business Model - Based on First Principles

## WHO IS OUR CUSTOMER?



Small Business  
Set up



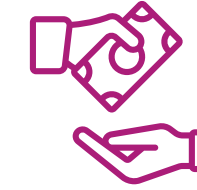
Lack of Formal  
Documentation



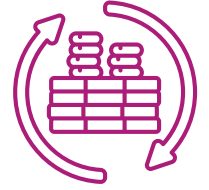
Limited Access  
to Credit



Limited  
Resources



Limited banking  
exposure



Actual  
Cashflow

### Assessment: Our Core Competence



Deep understanding



360-degree Assessment



Local Manpower

### What we offer

Loan Facility

2 lac to 1 Crore

Loan Type

Collateral backed

Loan Tenure

1 to 15 years

### Productive End Use



Business Expansion



Working Capital Needs



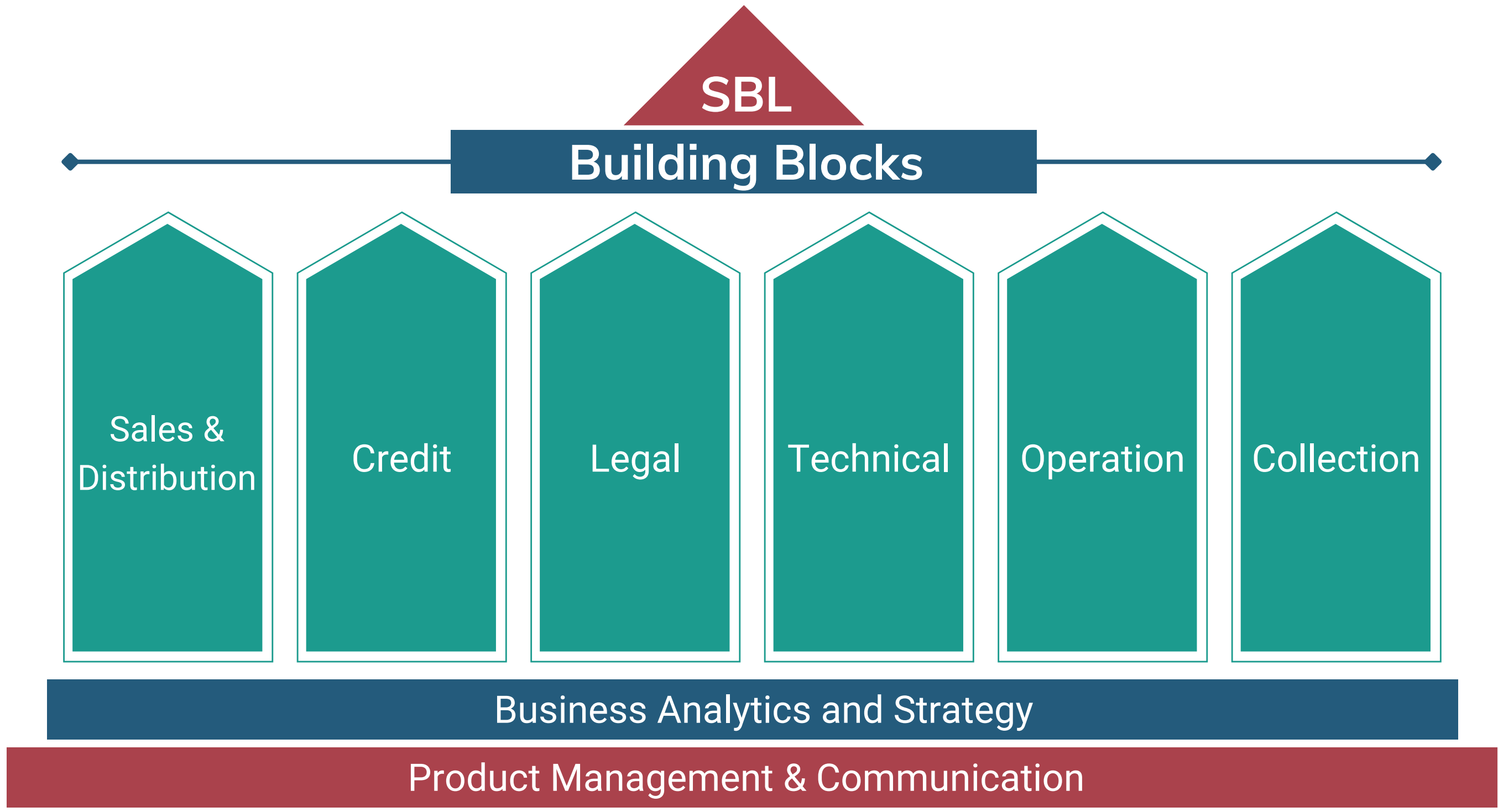
Capital Expenditure



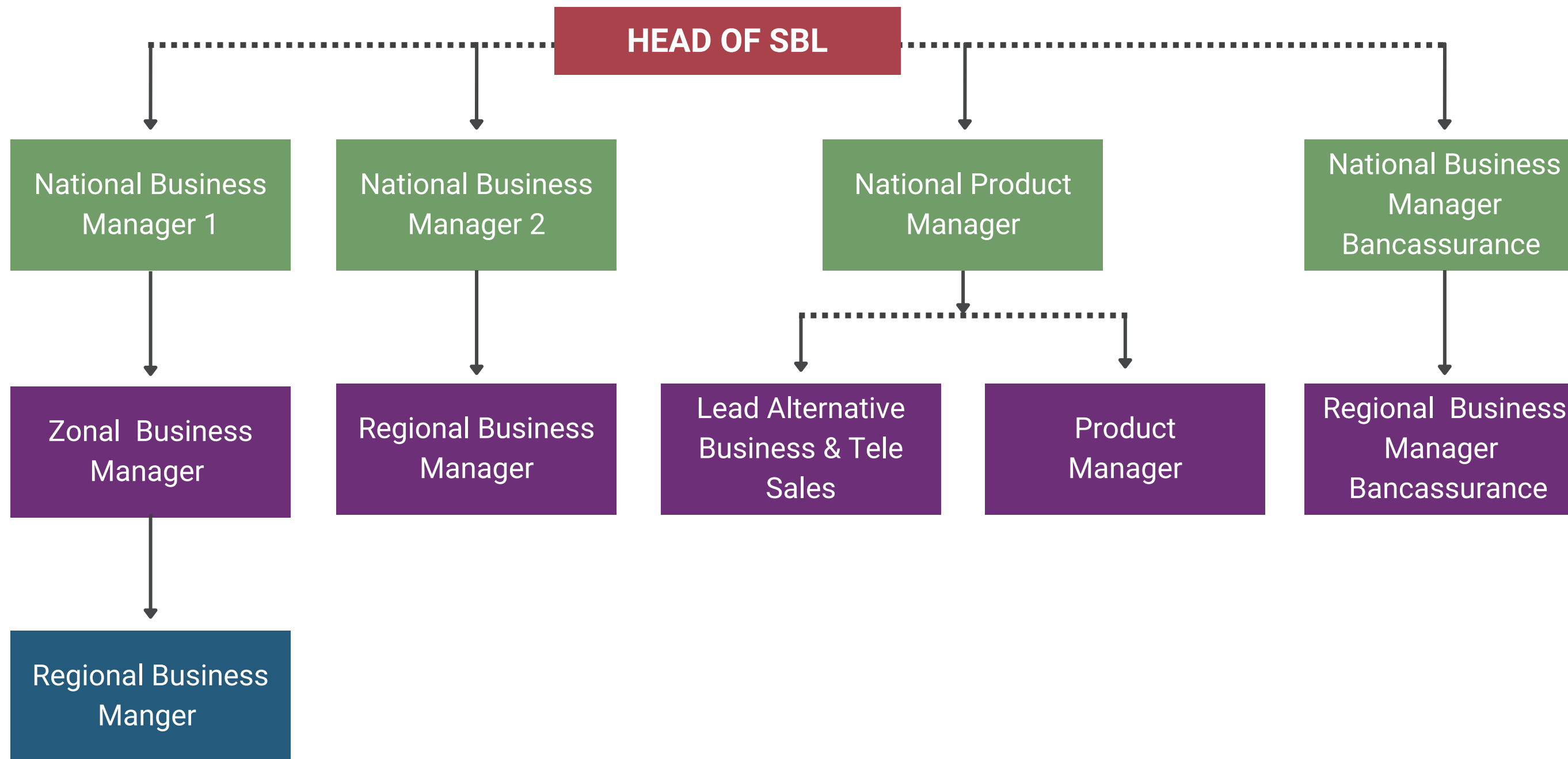
General Business Purpose



An Epitome of Excellent Teamwork!



# SBL Sales & Product Structure



Average Vintage of Senior Sales Team

More than  
**6 Yrs**



Dedicated team

Sales &  
Alternate Business



# AU SBL Snapshot

Presence In  
India  
**9 States  
2 UTs**

Average  
Tenure  
**8.5 Years**

Average  
Ticket Size  
**Rs. 9.92 Lac**

Team  
Strength  
**6,600+**

Low LTV  
**46%**

Active Loan  
Count  
**2,08,529**

Average EMI  
Amount  
**₹ 16,870**

NTB  
Acquisition  
**75%**

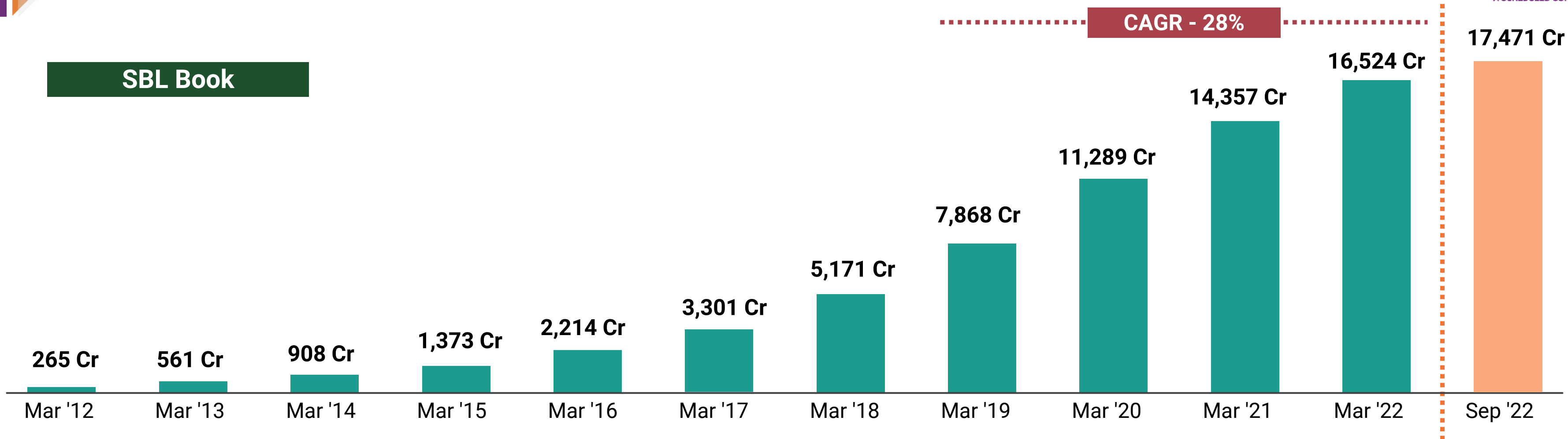
Self Occupied  
Properties  
**85%**

Gross NPA  
**2.69%**

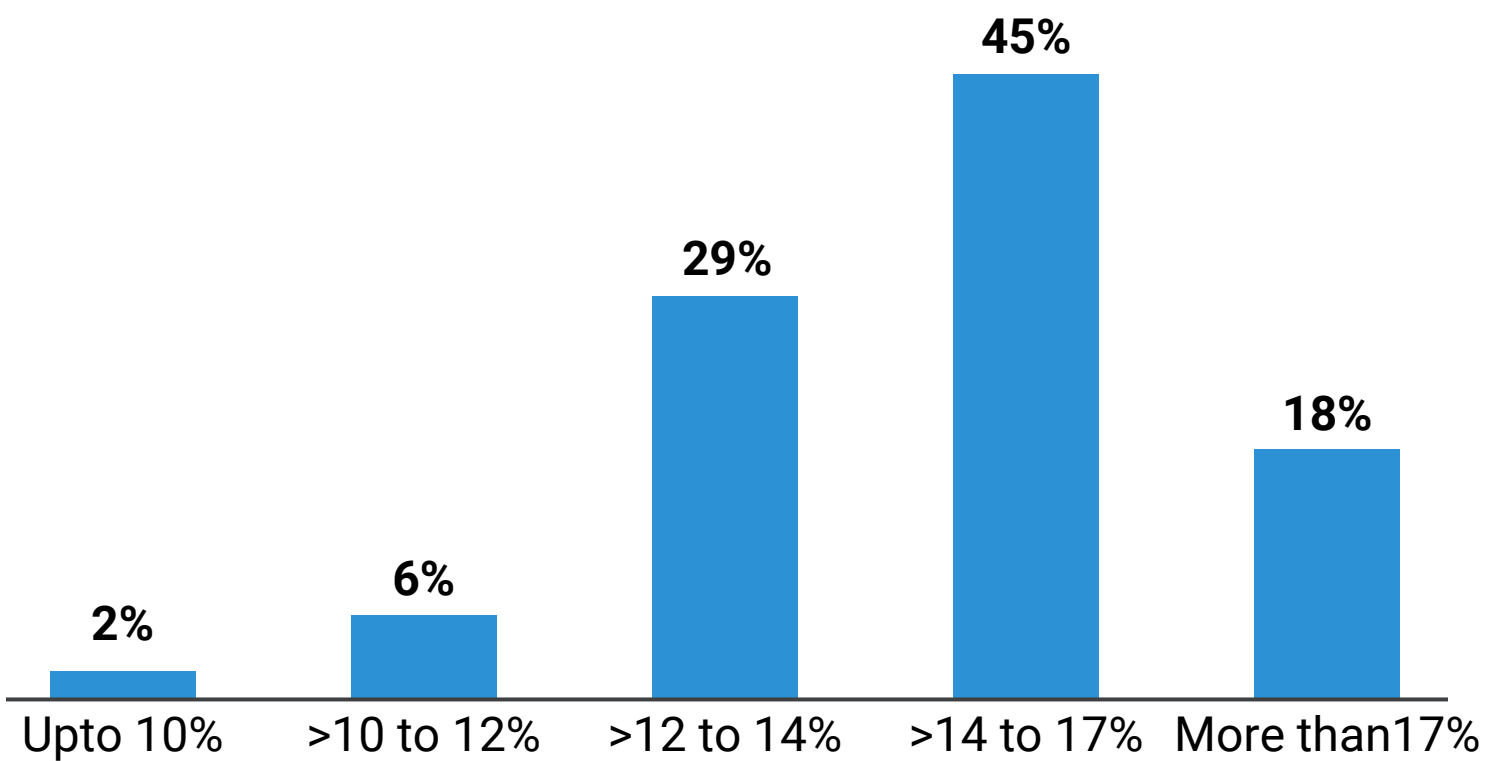


# Book Highlights

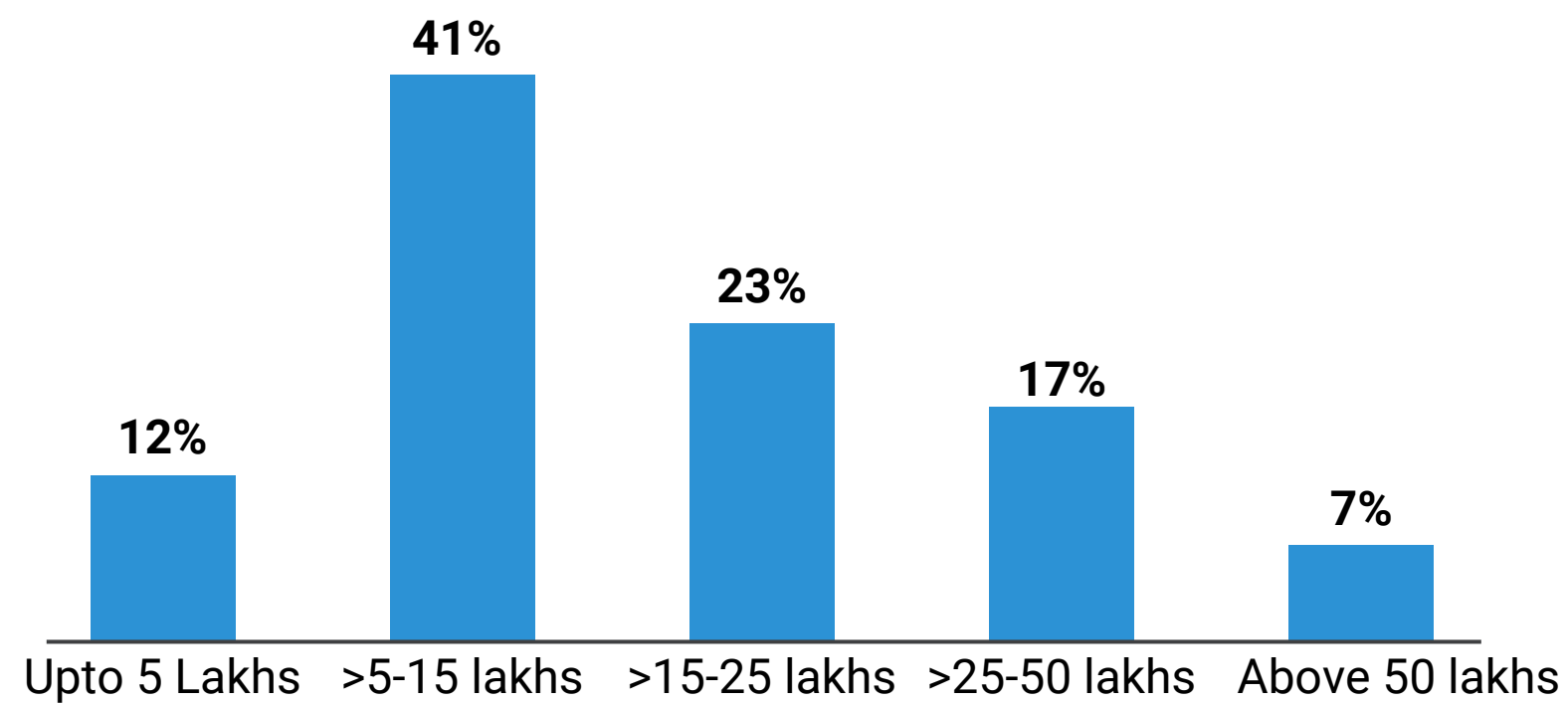
## SBL Book



## ROI Wise Distribution (Sept'22)



## Ticket Size Wise Distribution (Sept'22)





# Book Highlights

## SBL PRESENCE

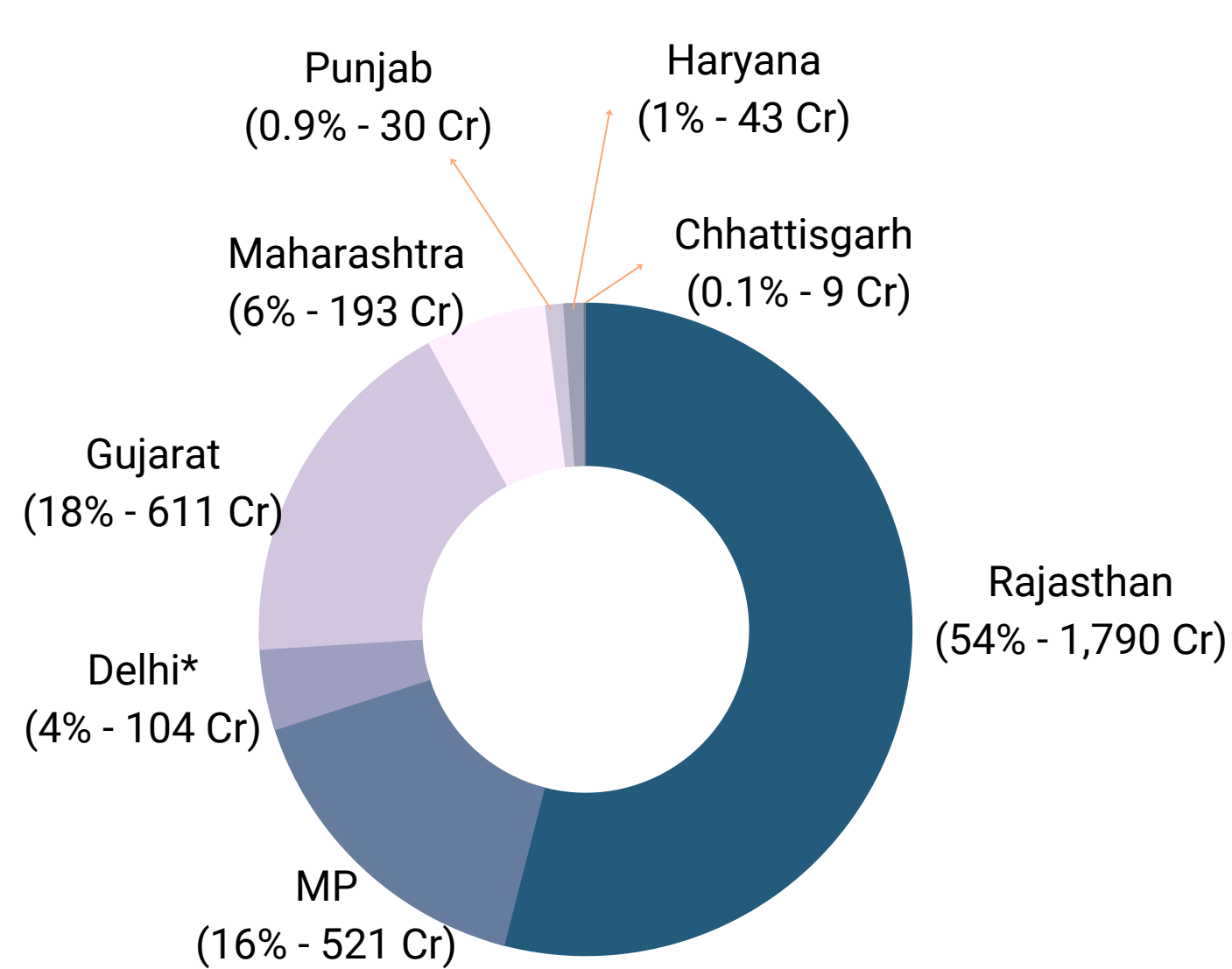
9 STATES + 2 UTs

450+ Branches

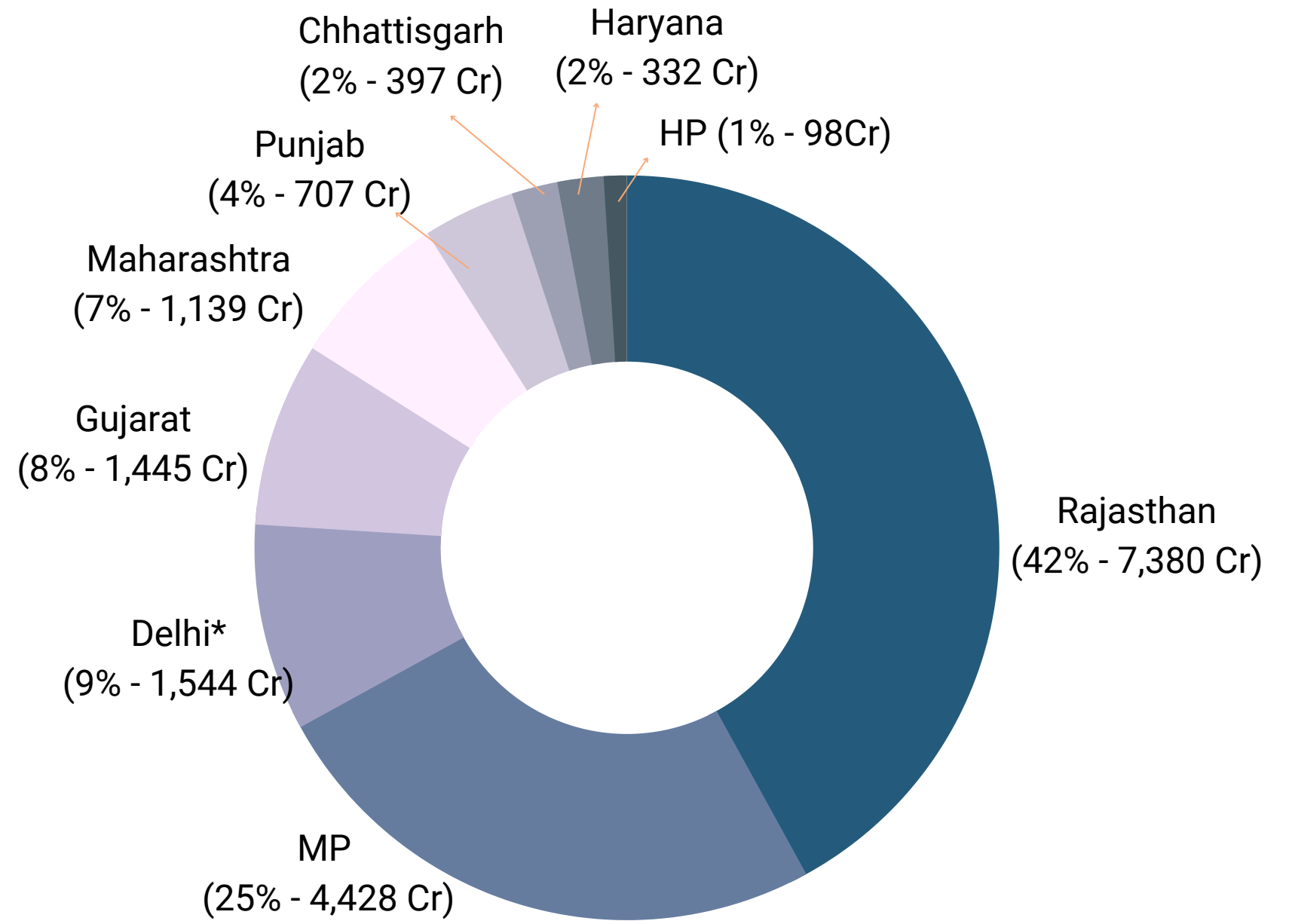
1.68 lakh Customers

CORE 76%

NTB 75%



Book as on Mar '17



Book as on Sep '22

\*inclusive of NCR

# Book Highlights

## Top 10 Segments

**Manufacturer / Service Provider**

**13%**

**FMCG Retail**

**11%**

**Apparels & Accessories**

**11%**

**Laghu Udyogs**

**7%**

**Building materials & products retail**

**6%**

**Consumer staple traders**

**4%**

**Education**

**4%**

**Perishable Goods Retail**

**4%**

**Semi-Skilled B2C Services**

**4%**

**Jewellery Business**

**3%**

### Manufacturer & Service Providers

- Food & Agro Processing
- Building & Civil Contractors
- Industrial & Medical Equipments
- Scrap & Waste Management
- Agri Equipment Traders

### Apparels & Accessories

- Readymade Garments
- Suiting, Shirting & Textiles
- Saree Shops
- Fancy Stores
- Footwear Traders
- Garment Manufacturers

### Laghu Udyogs

- Engineering & Fabrication Business
- Carpenters
- Stone Cutting & Sizing
- Bangle Manufacturers
- Masala Grah Udyog

### Building Material & Products





- Air Conditioner / Mobile / Computer / Electronic Items Repairs
- Automobile Service Centers
- Advertisement Business / Printing Press
- Water Supply

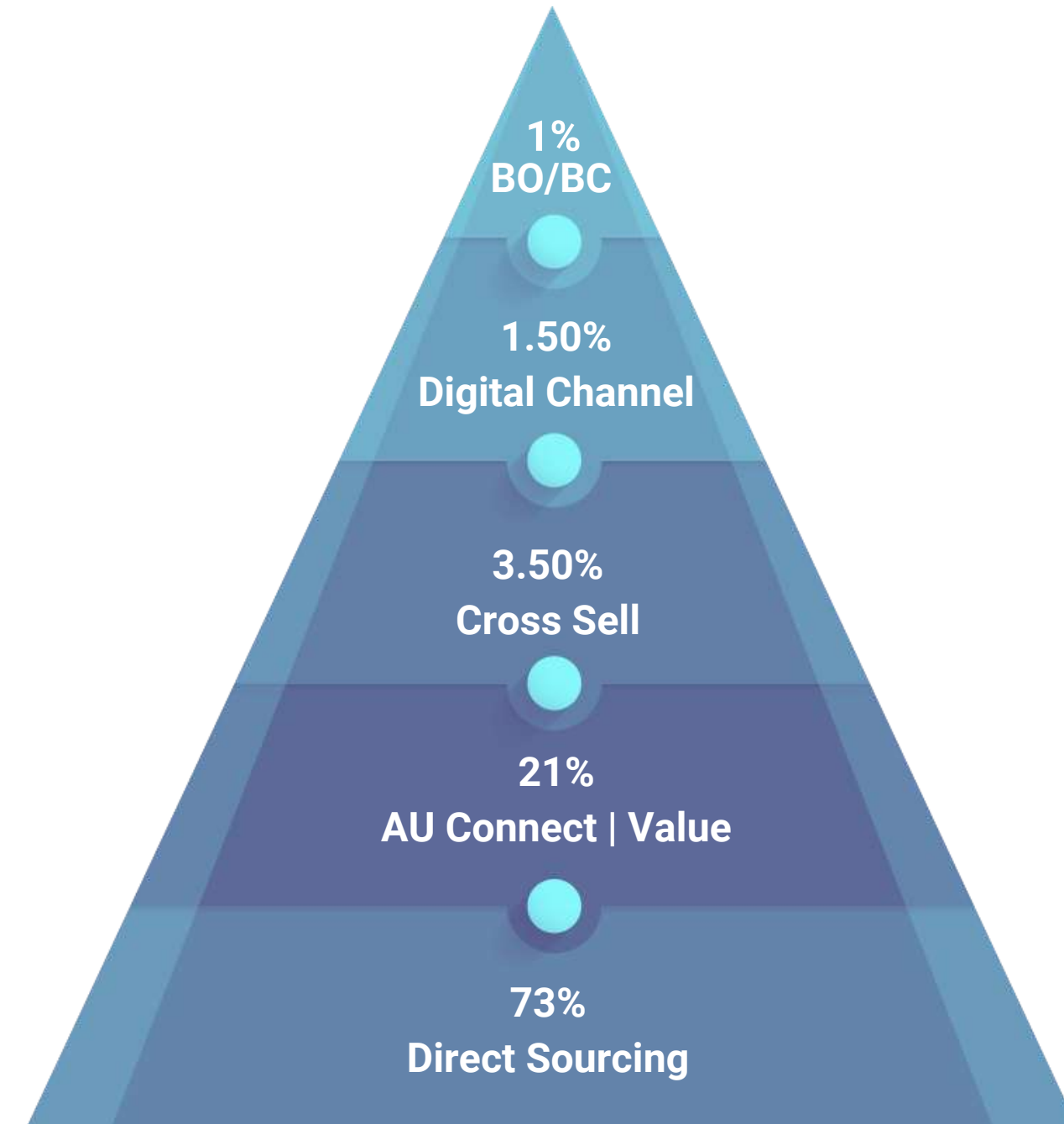
### Semi Skilled B2C Services

- Building & Construction Material Trader
- Tiles & Sanitary
- Hardware & Plywood
- Stone / Marble Supplier

# Sourcing Mix (H1 FY 2022-23)

Along with strong direct sourcing we are expanding our sourcing funnel with focus on digital means

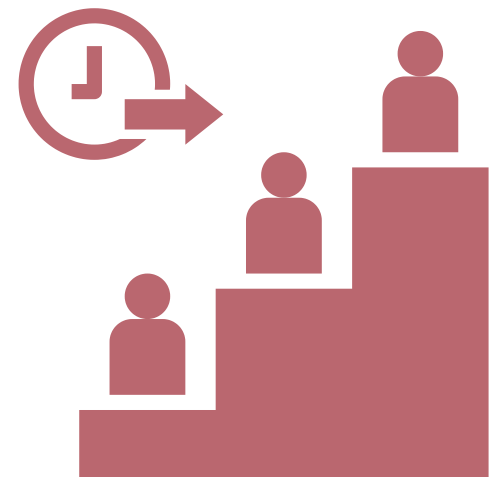
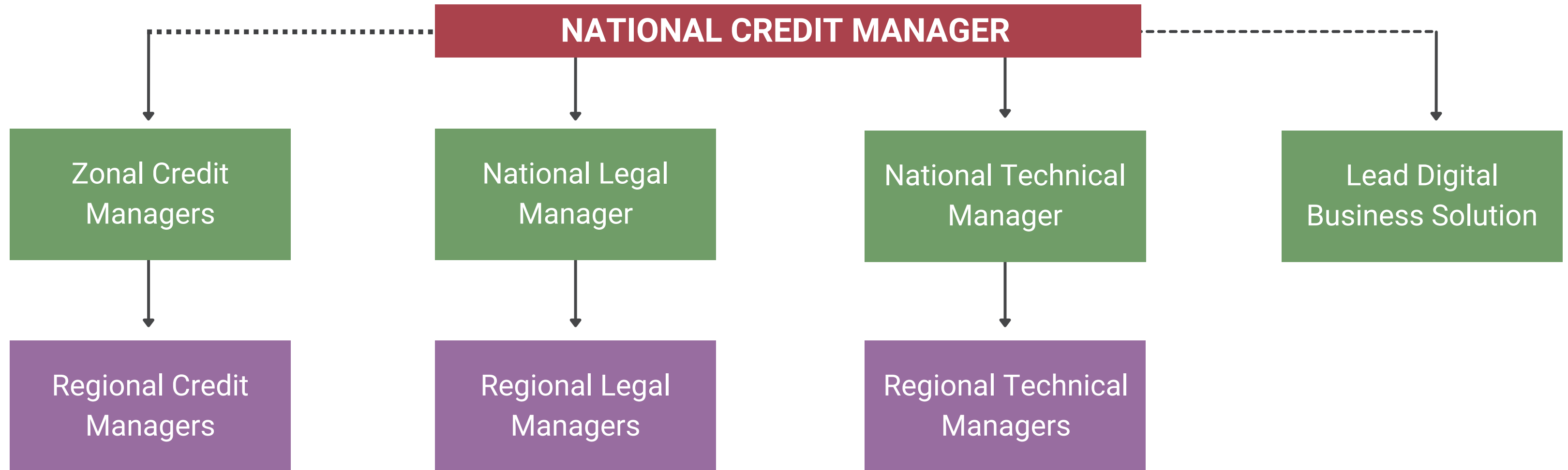
 <b>100%</b> Fulfilment by In-house team	 <b>Lead Referral</b> Multiple channels for lead referral
 <b>100%</b> Cases visited by Inhouse Credit	 <b>7562</b> Connectors onboarded to refer connect details for prospect customers



**Disbursement H1 2022-23**



# SBL Credit, Legal & Technical Structure



Average Vintage of Senior Team		
Credit Team	Technical Team	Legal Team
More than	More than	More than
5.5 Yrs	5.5 Yrs	4.5 Yrs



**Risk  
Management**



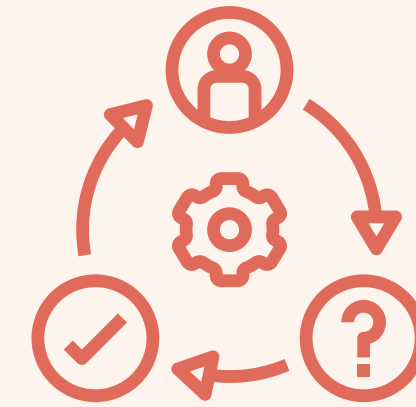
**Customer  
Assessment**



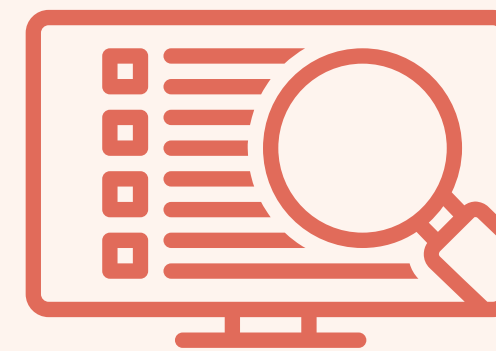
**Collateral  
Assessment**



**Collection  
Management**

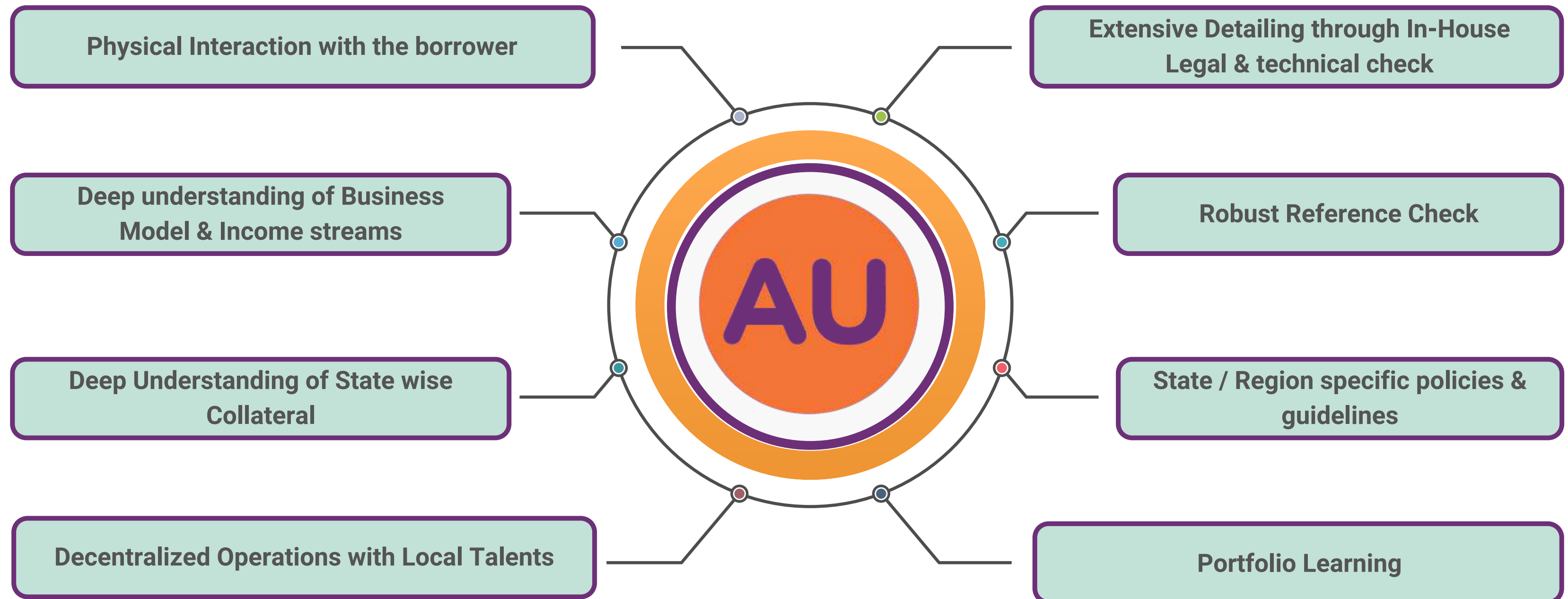


To have a sustainable business model, it is important to have a deep understanding of the business & to assess each factor in detail.



**“Attention to Details”**  
It is also one of our most prominent Dharma.

“Understanding the Customer” over “Knowing the Customer” has been the key Differentiator in our journey.





Most of our customers don't have formal documents to verify Income. That is where our expertise lies.

## HOW WE EVALUATE OUR CUSTOMERS



### Customer

- CIBIL Score
- Family Structure
- Income & Expenses
- Experience



### Business

- Footfall
- Sales & Margins
- Vintage
- Purpose of Loan



### Collateral

- Title
- Occupancy
- Value
- Location
- Development

### Profile based underwriting



..... **FMCG Retail** .....



..... **Jewellery Sector** .....

## TransUnion CIBIL® Score Wise Customer Spread


CIBIL Score Bucket <i>(FY 2022-23 Business)</i>		Customers	SBL Book
<b>New to Credit (NTC)</b>		23%	16%
<b>Existing to Credit (ETC)</b>	700 & Above	62%	68%
	650 to 699	11%	12%
	600 to 649	3%	3%
	Less than 600	1%	1%

## Score Card Implementation


To enhance risk monitoring during underwriting, we've developed a **Score Card model** in coordination with **CRISIL Limited**, which is under testing & is expected to replace the existing internal rating model from the new fiscal year



Weightages based on Parameters



Profile based Questions

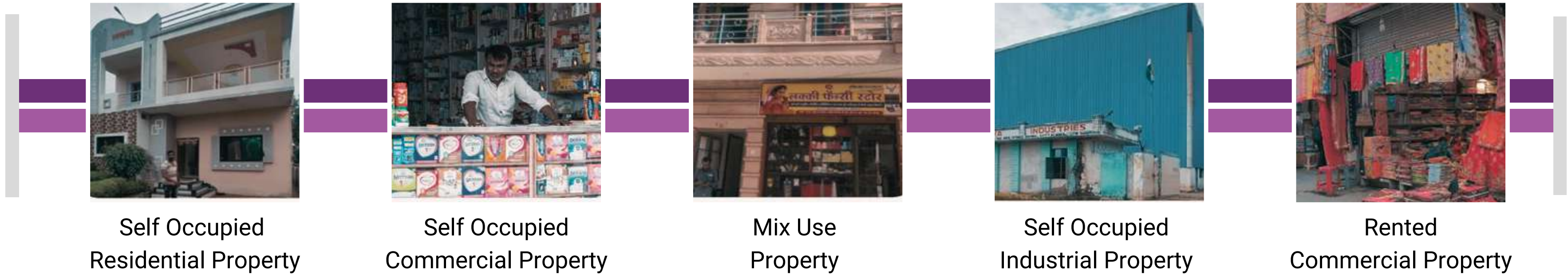


Risk Scoring (0 to 5 scale)



Score based assessment & Pricing

# Collateral Assessment



## State wise Documentation



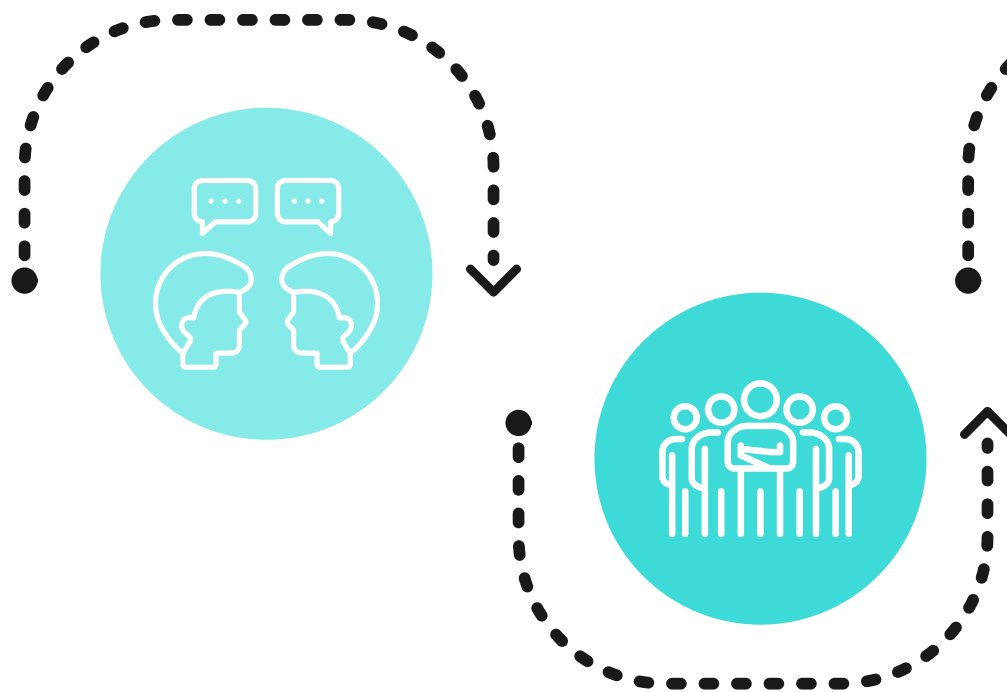


# Collection Management

Over the decade, we have nurtured and built a **robust team** of highly-motivated individuals who take the full ownership of collection

## Dialogue with the Customer

Around **70%** of legally initiated cases get solved by empathetical counselling.

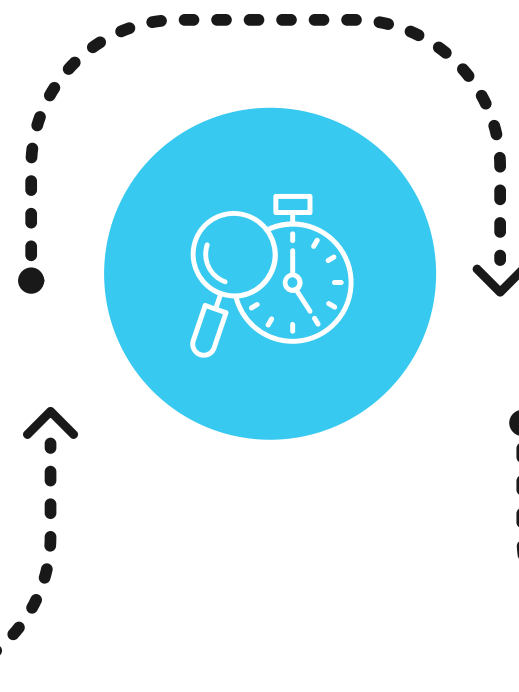


## Strong Ground Team

Presence of **highly-motivated** collection officers on the ground.

## Real-time Tracking

Dedicated **MIS team** for real-time ground support.

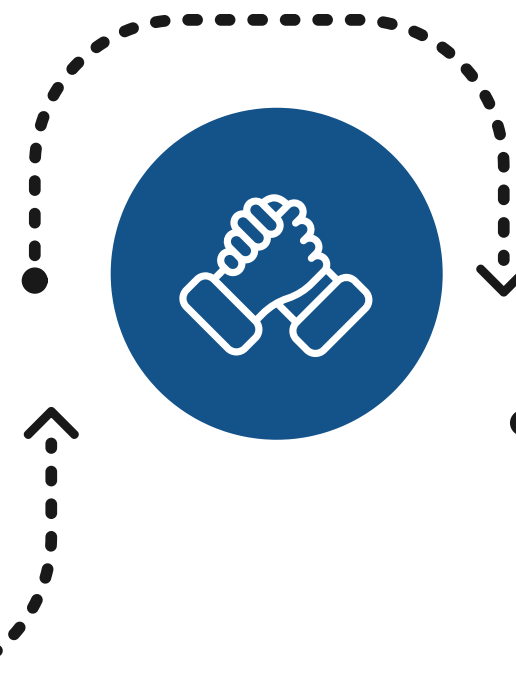


## Acknowledging performers

**Motivational** culture to appreciate top performers in the team.

## Support from Sales & Credit team

Sales and credit support for resolving fresh bouncing cases.



## Continuous Team Efforts

With the efforts & support of all the teams, we have been able to maintain our Gross NPAs at **2.69%** over a book of **₹17,471 Cr** in Sep'22 against **2.50%** over **₹7,868 Cr** in March'19

## Analytics & Strategy

Dedicated team for **Analysis & Strategy** support.



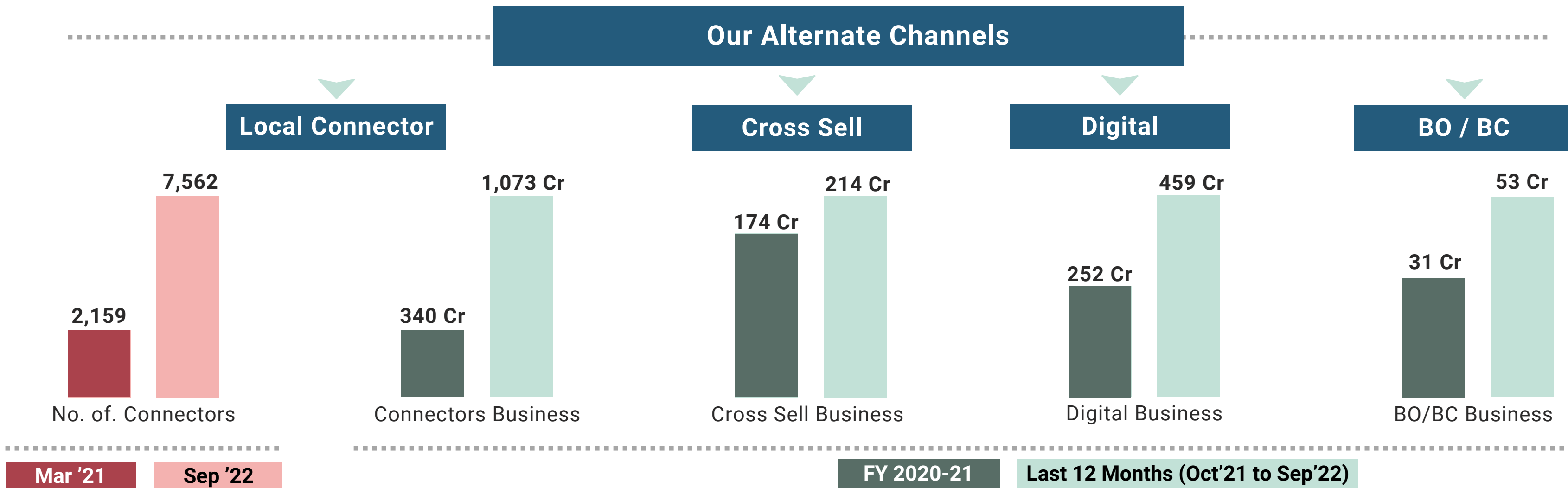
# Pandemic Period - Impact

- ▷ Due to the revenue **impact during the pandemic** & restricted growth post-pandemic, it is expected that some of the profiles might take a comparatively **longer recovery period**.
- ▷ Considering this, we had cautiously **monitored exposure** over certain such profiles, such as **Hospitality, Education, Dairy & allied activities**, and **Tours & travels**
- ▷ As a result, the booking proportion into these profiles had been slightly **restricted during this recovery period**, for example, being:

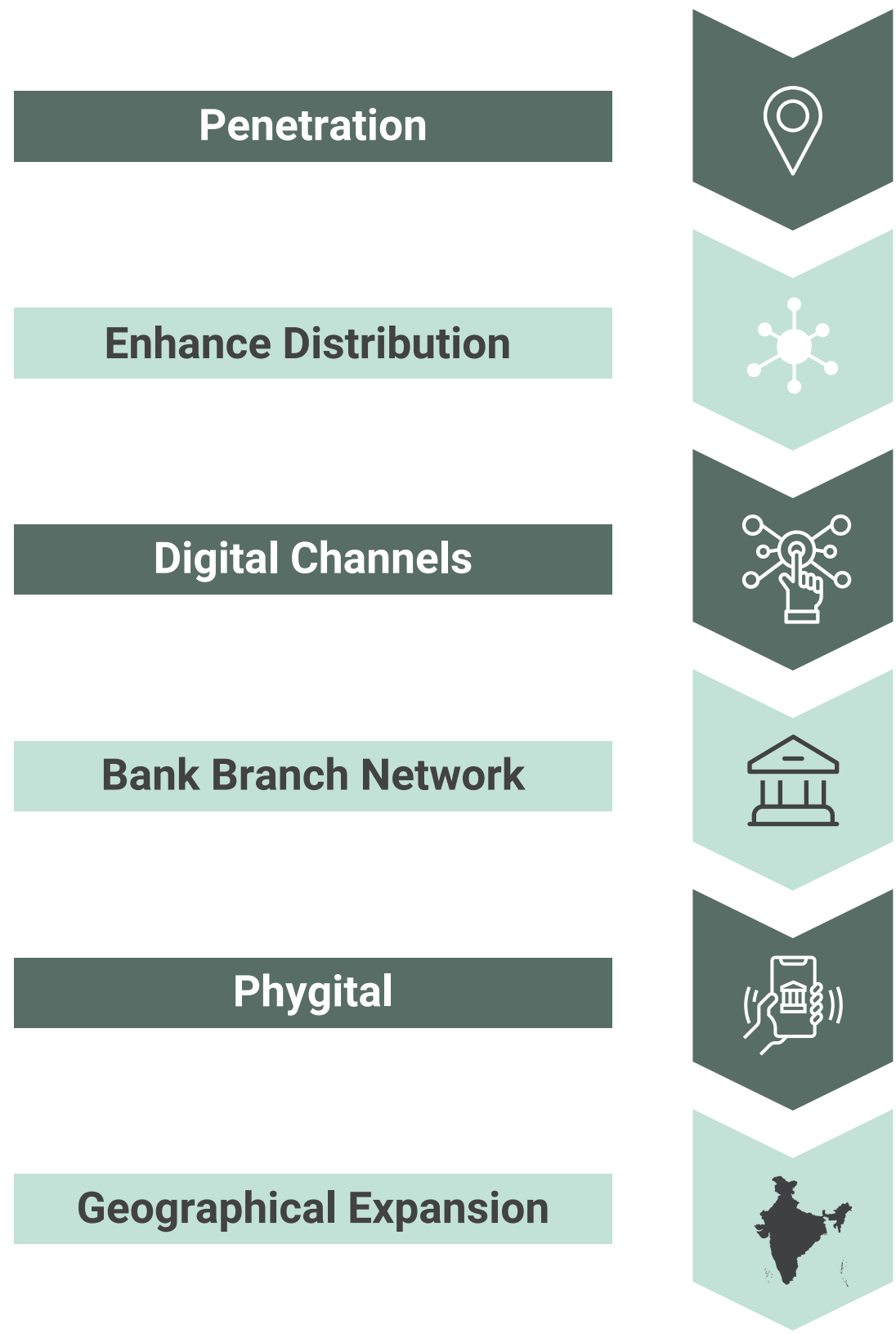
Sector	Additional Due Diligence	Portfolio Concentration (Till FY 20-21)	Portfolio Concentration (April '21 to Sep '22)
<b>EDUCATION</b>	<ul style="list-style-type: none"> <li>• Income assessment basis actual student strength.</li> <li>• Enhanced monitoring over pre covid &amp; post covid student strength.</li> </ul>	6.3 of portfolio	1.5% of bookings
<b>HOSPITALITY</b>	<ul style="list-style-type: none"> <li>• Focus over Pre covid &amp; post covid customer footfall.</li> <li>• Detailing of unaccounted debts.</li> </ul>	2.2% of portfolio	1.3% of Bookings
<b>DAIRY &amp; ALLIED ACTIVITIES</b>	<ul style="list-style-type: none"> <li>• Focus over ownership &amp; validation of number of mitch cattle.</li> <li>• Income revalidation through Dairy statement.</li> </ul>	1.8% of portfolio	0.7% of bookings

# Post Pandemic - Strategy

- In the last 3 qtrs., as the economy has been **moving towards stability**, the small businesses with a requirement of working capital of up to ₹ 15 lacs were **still in the recovery phase** & are expected to have an **incline in the new fiscal year**.
- We continue to have a **bullish outlook** over this segment as they generally have a **single property household** with a physical & emotional connect with the property, multiple earning family members & low operating expenses. Also, this segment has a **larger universe with low competition**.
- The mid-ticket segment is comparatively having a **larger number of players** at the regional level, we'll still continue to penetrate with additional **7500+ local city based referrals** (connectors).
- Growth will also be backed by the **branch banking network** & our **digital channels**.



# Way Forward



We intend to penetrate deeper into the existing geographies with go-to-market in **low to mid-ticket segments**.

Around **15,000** local city based connectors

Focus on **Digital business models** to enhance the business from these sources.

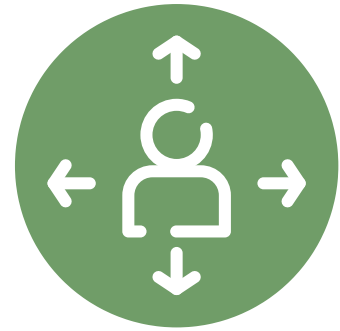
Initializing use of the **Liability Branch Network** in SBL to provide customer with a bouquet of products

Profile-based **CRISIL Score Cards**, continue to strengthen compliance & risk monitoring, use predictable modes for Collection management

Based on AU SBL (MSME) customer presence. Prospective states: **UP, Uttarakhand, Karnataka, AP, Telangana**.



# Summary



Evolving MSME Industry resulting in growing opportunities



Deep understanding of Rural & Semi-Urban Businesses



Deep understanding of City & State Collateral



100% processing by In-house & local team



Analysis of Purpose of loan & End Use Verification



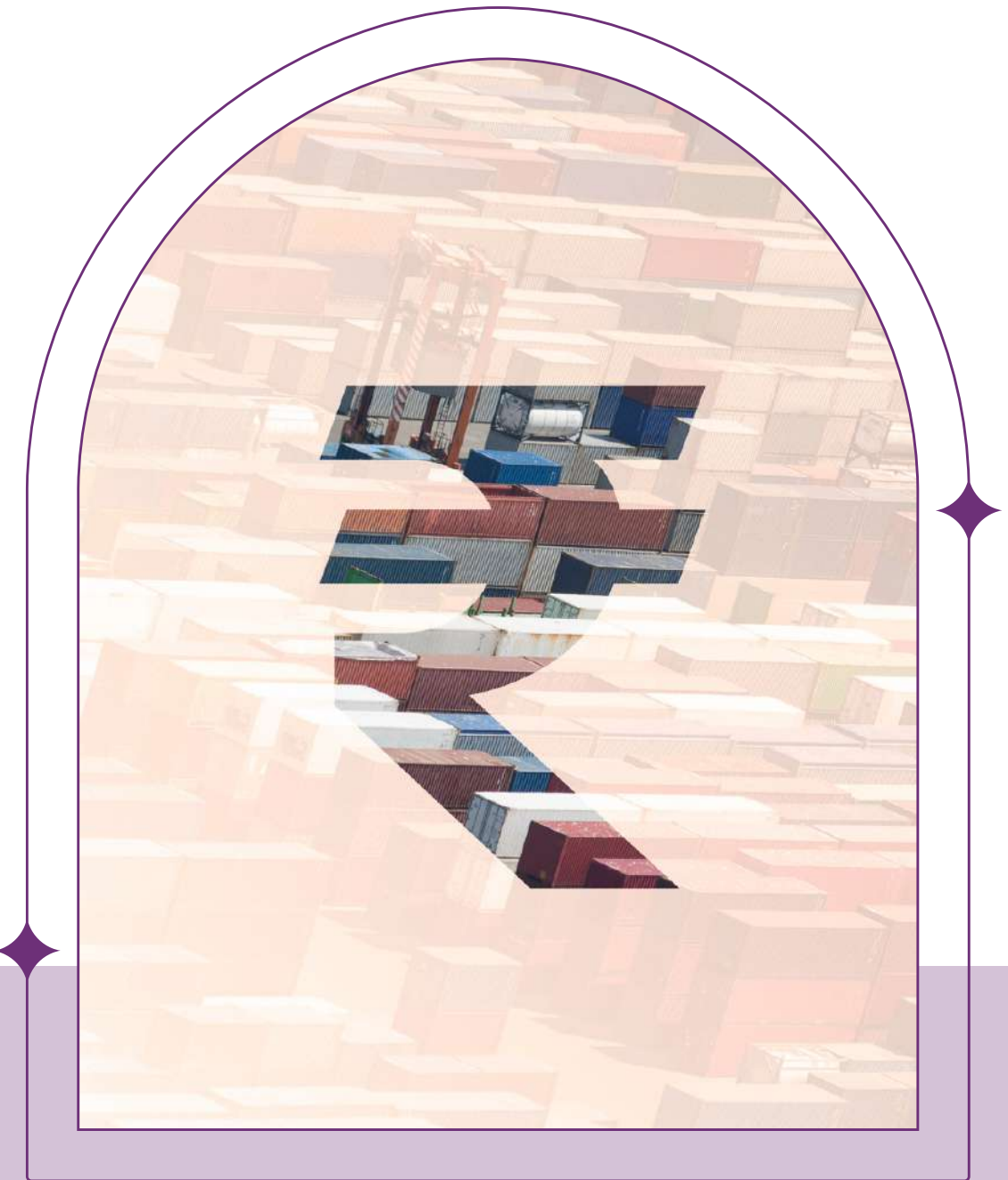
Collection management - Engagement, Counselling, Resolution







Digital & Branch Banking network – An additional boon



# COMMERCIAL BANKING



# Commercial Banking – Business Segments

Commercial Banking			
			
<b>Business Banking</b>	<b>Agri Banking</b>	<b>NBFC Lending</b>	<b>Real Estate Group</b>
<b>TG:</b> MSMEs engaged in Manufacturing, Trading, EPC and Services	<b>TG:</b> MSMEs engaged in Agri Value Chain	<b>TG:</b> Small and Mid Size NBFCs and HFCs	<b>TG:</b> Small and Mid Size Developers in select T1 Markets
<b>Products:</b> CC/OD, LC/BG for Working Capital & Term Loans for Capex	<b>Products:</b> CC/OD, LC/BG for Working Capital & Term Loans for Capex	<b>Products:</b> Term Loan, Cash Credit / WC DL for Onward Lending Purpose	<b>Products:</b> Construction Linked Project Loan, RERA Collection & Escrow Accounts
<b>Transaction Banking</b> Providing CMS Solutions including Doorstep Banking, API Banking, UPI/QR, and Trade Solutions to Commercial Banking & Current Account Customers			

# Commercial Banking – SBU Structure



Human Resources



F & A



Legal & Collections



Information Technology



Risk & Compliance

Business Solutions



Insurance



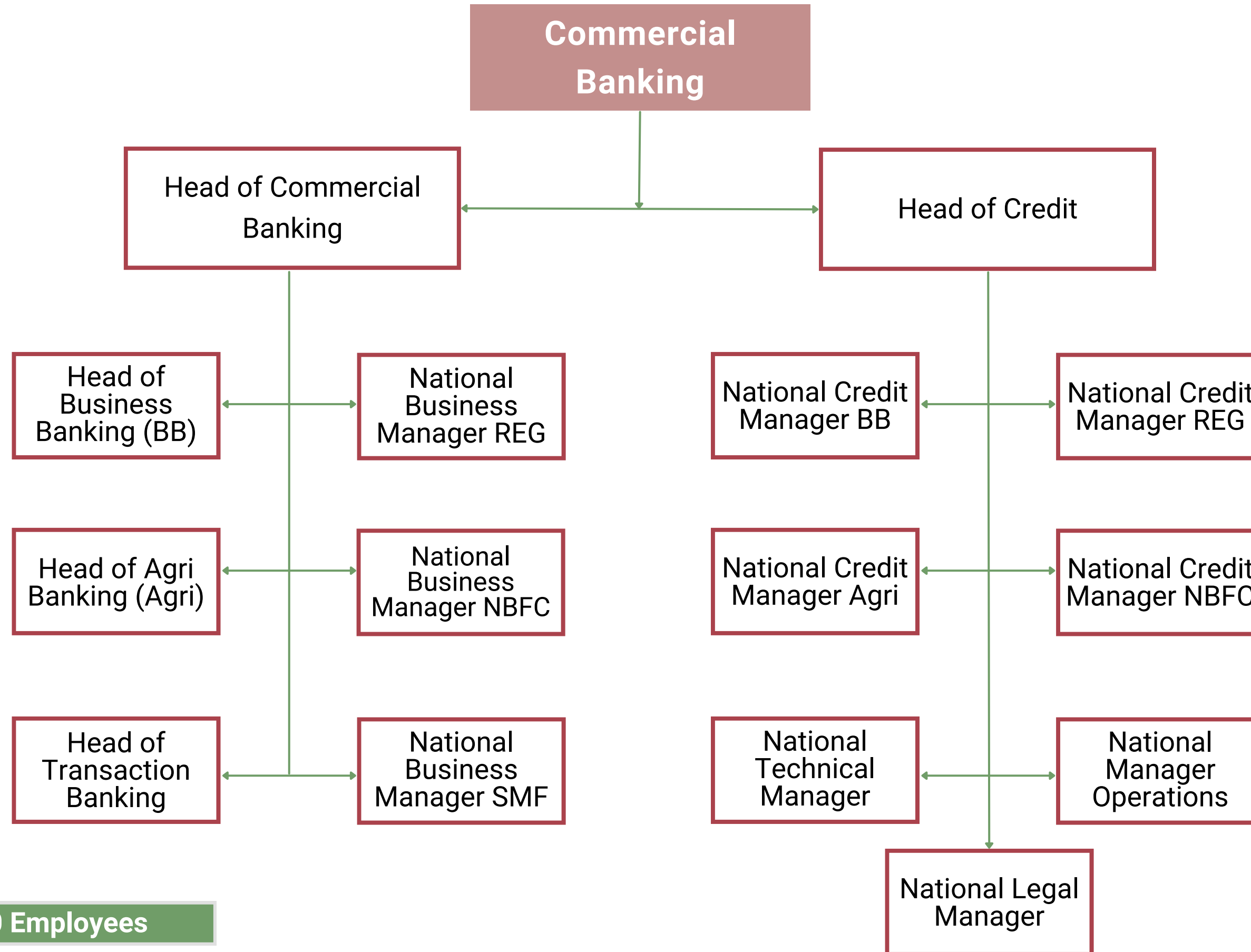
Product & Communication



MIS & Data Analytics



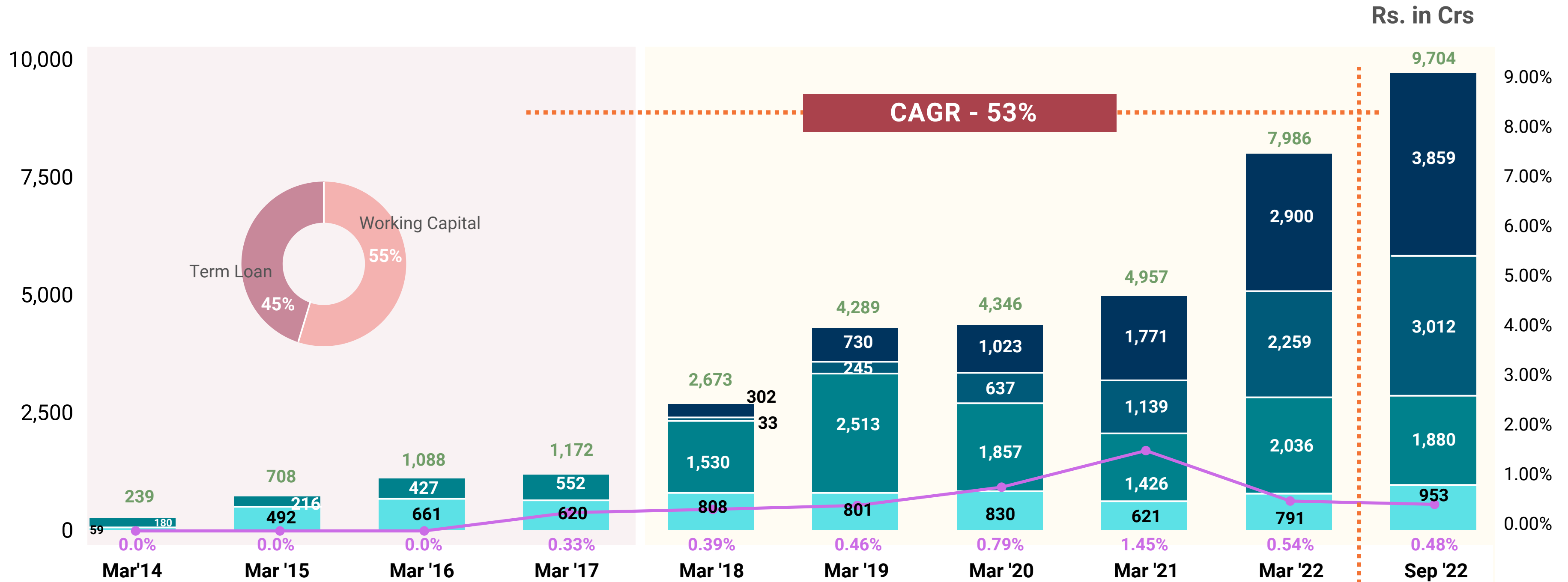
Internal Audit



Team Strength: ~ 1150 Employees



# Commercial Banking – Growth Commenced at Bank Platform



- Business Banking & Agri Banking started on Bank Platform in **FY2018**
- Pristine Asset Quality : **98%** Current Book with **0.48% GNPA**

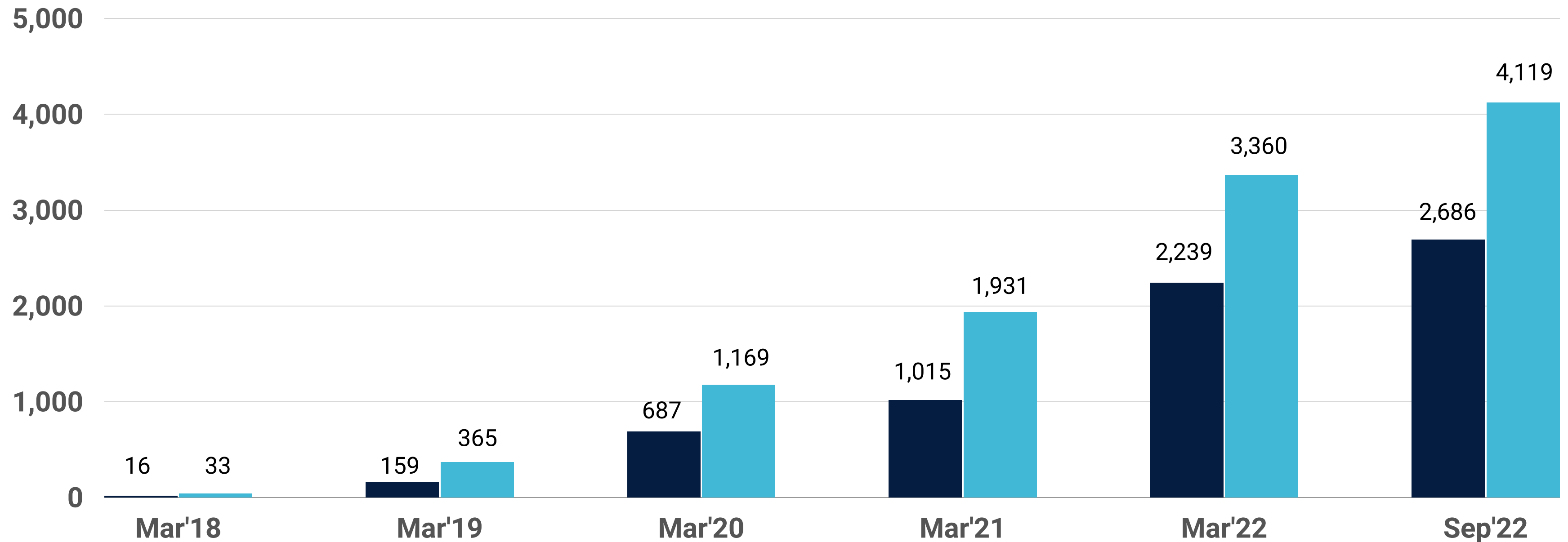
REG NBFC AGRI BANKING BUSINESS BANKING % GNPA

# Commercial Banking – Trade a Bigger Opportunity

## Non-Fund Book

Rs. in Crs

■ Utilization ■ Limit



# Increasingly Self Funded Book - Scaling Up Liability Relationship

**Deepening :** Complete Banking and Investment Needs of Enterprise & Promoters

**Balances Build up :** Current Accounts Acquisition & CMS Solutioning

Salary Mandates  
256

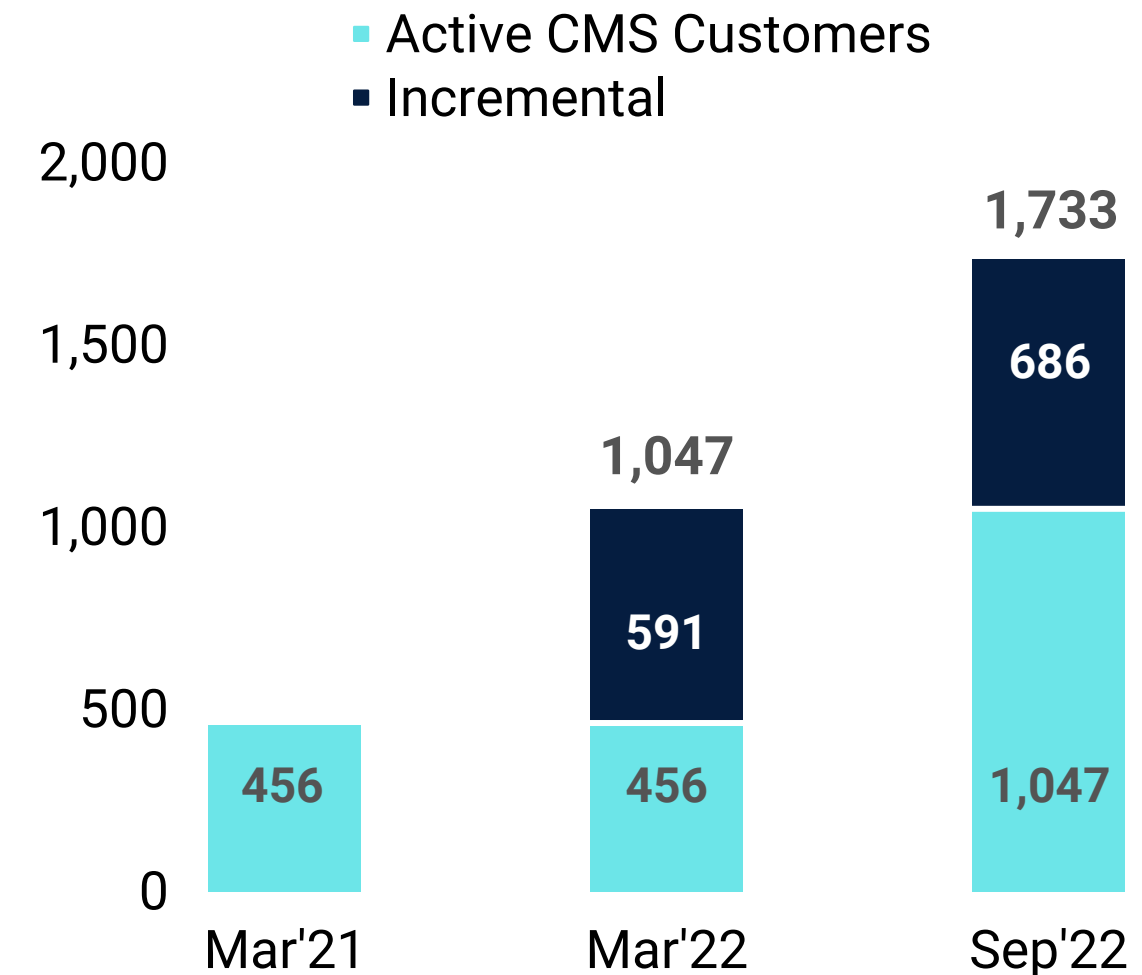
POS  
470

QR  
4144

Rs. in Crs

ACCOUNT	EOP
Current Accounts (CA)*	~700
Saving Accounts (SA)	~350
Term Deposits (TD)	~4,220
<b>Total</b>	<b>~5,270</b>

## CMS Customer Activations

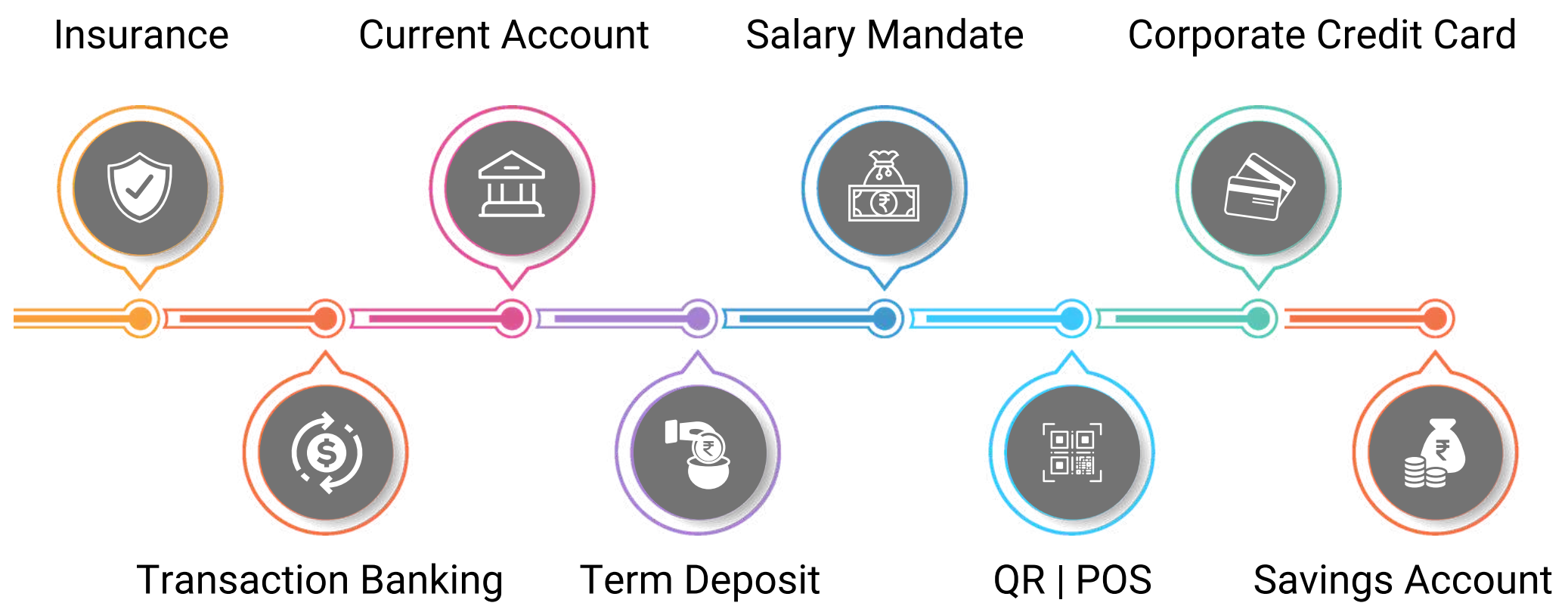


\* Including CC/OD accounts credit balances

# Commercial Banking – Relationship Based Transactional Lending



## 360° Opportunities





# Commercial Banking – Profitable and Sustainable Book

## Low Cost Of Acquisition

- More Sourcing from Branch Banking
- Working Capital Book Grows Organically with Enhancements

## Low Opex – Cost to Income ~35%

## Lower Credit Cost – GNPA of 0.48%

- Stress Tested During COVID Period

## Higher Customer Level Profitability including Liability Relationship

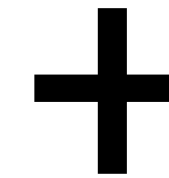
## Diversified and Recurring Fee Income Pool (~28% of NIM)

- Recurring Renewal & CMS Fees
- Trade Income to Grow Significantly
- Potential FX Income Linked to AD(I) Transactions

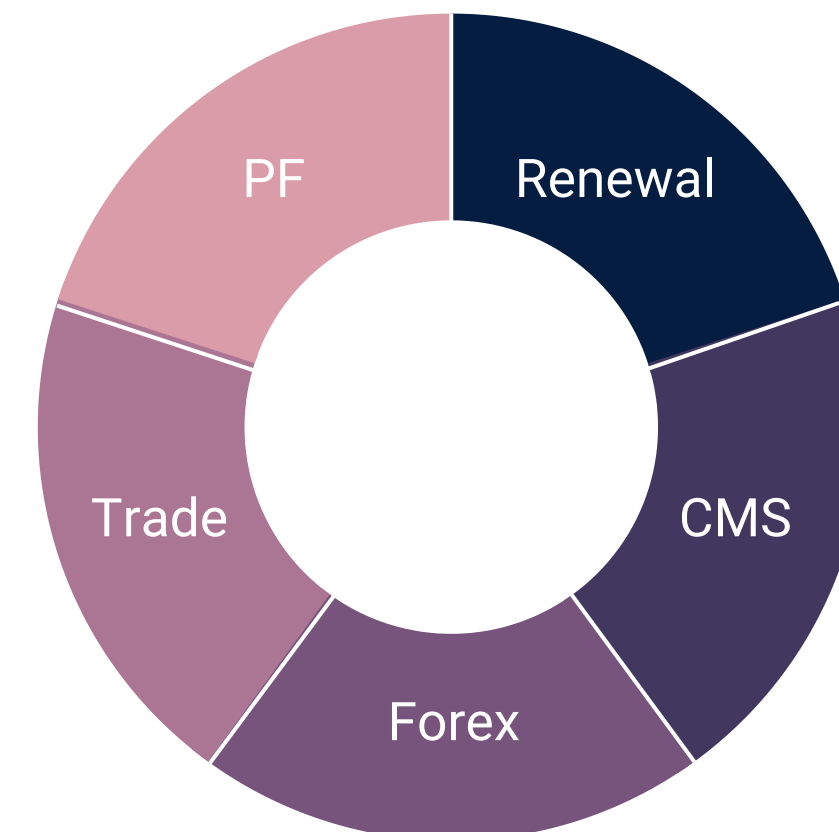
## Ability to Reprice - Floating Rate Book Linked to Repo

**Aforesaid Factors Resulting into Sustainable ROA**

**Net Interest Margin (NIM)**



**Diversified Fee Income**



# India: Poised for Accelerated Growth

## Policy Reforms Driving Growth

- **Gati Shakti Yojana:** - Rs. 100 Lakh Crs on Infrastructure in next 8 years
  - **100 PM Gati Shakti Cargo Terminals** in next 3 years
  - Logistics Cost/GDP % for India is 14% Vs 8-9% for Advanced Economies
  - Warehousing Market Potential - **₹2,243 billion by 2026**, at a CAGR of **10.90%**
- National Monetisation Pipeline: **Rs 6.0 Lakh Cr** Monetisation (FY 22 to FY 25)
- FDI in Manufacturing - **\$21.34 Bn** in FY22 Vs **\$12.09 Bn** in FY21 (76% Growth)
- Manufacturing Companies Profit Surged by **50.2%** in FY'22
- Renewable Energy Capacity to be **500 GW by 2030**

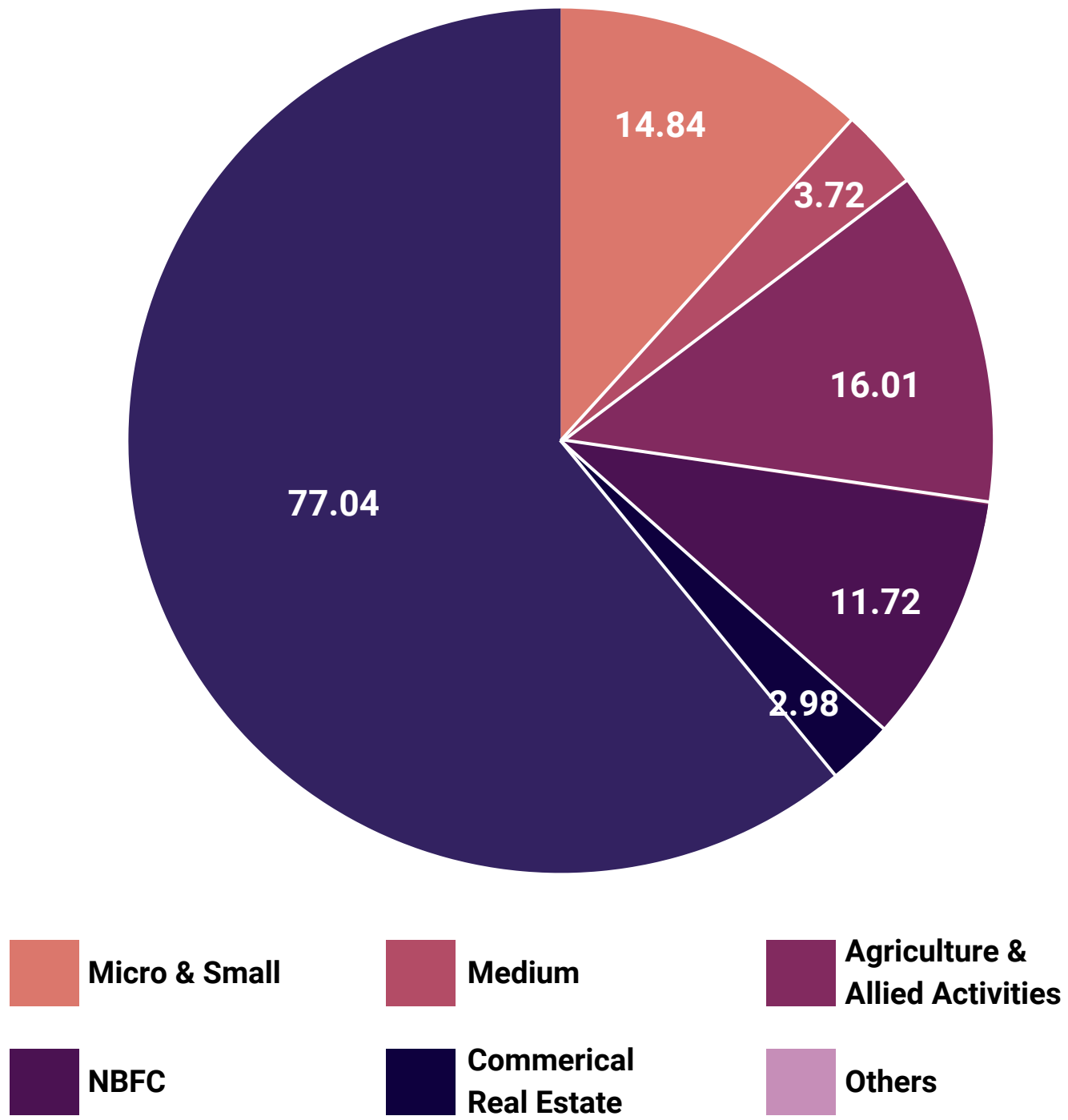
## PLI Schemes (Outlay in Rs.)

Drone	0.12k Cr
Aviation	0.12k Cr
White Goods	6.28k Cr
Metals & Mining	6.32k Cr
Textile & Apparel	10.68k Cr
Food Processing	10.90k Cr
Telecom	21.90k Cr
Chemicals	18.10k Cr
Medical Devices	18.42k Cr
Pharmaceuticals	21.94k Cr
Renewable Energy	24k Cr
Auto Components	25.93k Cr
Automobile	25.93k Cr
Electronic System	48.27k Cr

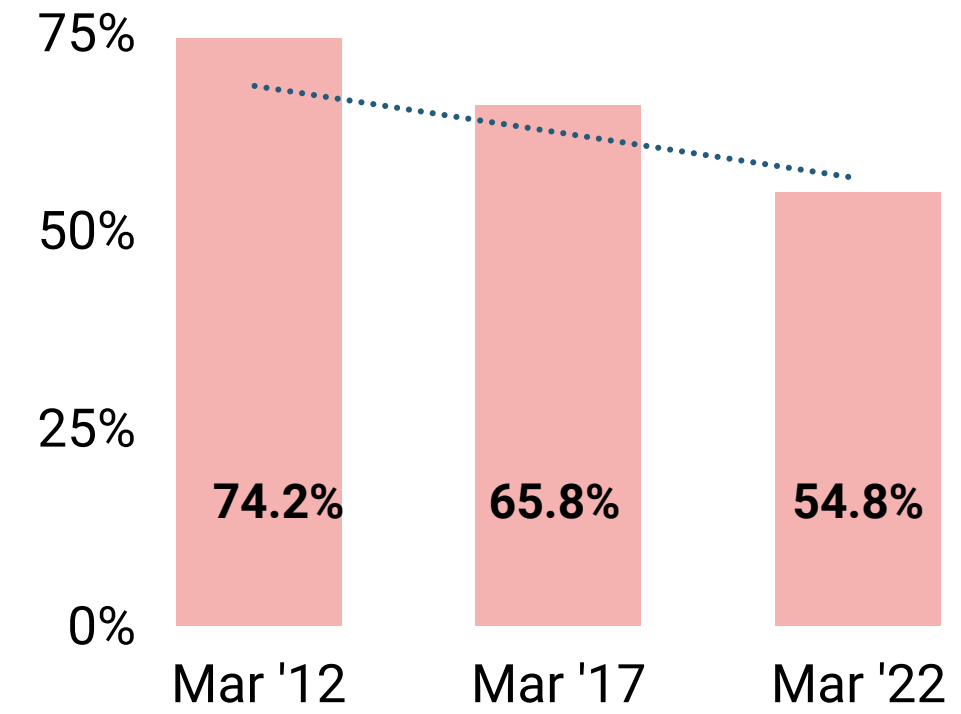
# Commercial Banking Opportunity – Size and scope

Gross Bank Credit in Rs.Lakh Cr as on Sept 2022

Source: RBI



Constant Shift in Credit from PSB's to Pvt Sector Banks

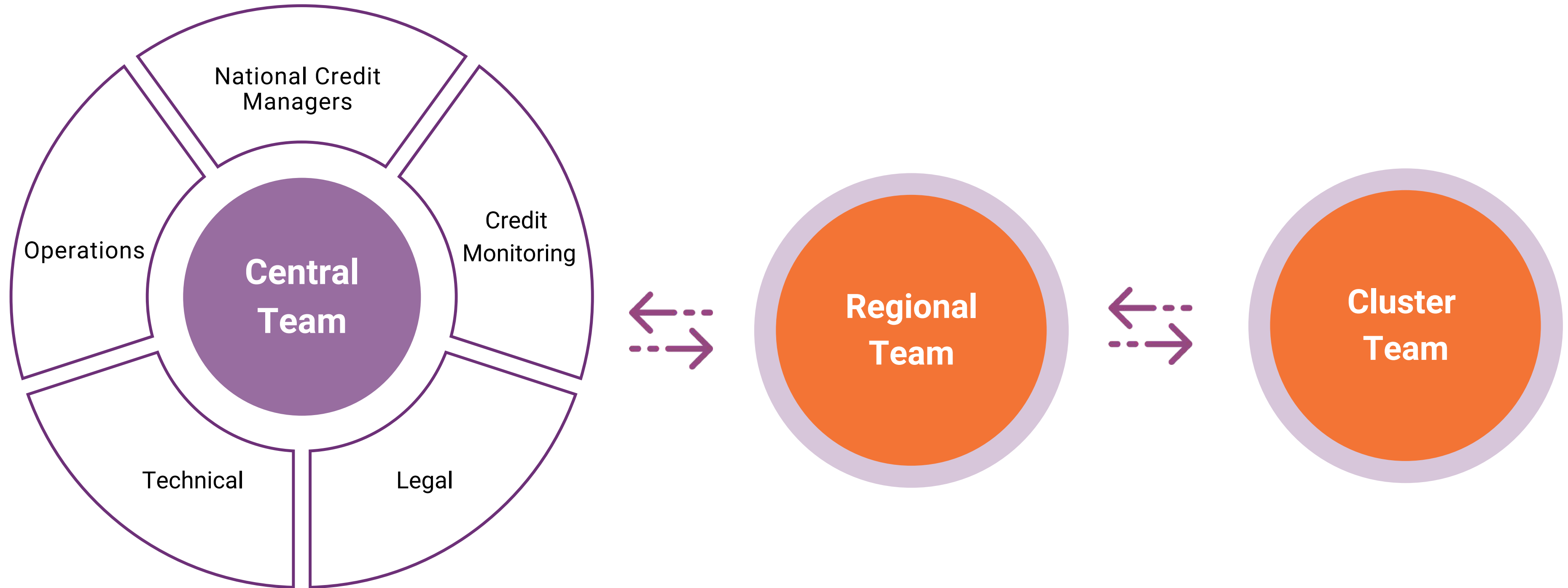


Year-on-Year Credit Growth

- Bank Credit **16.4%** YoY to Rs 126.3 lakh Crs as on Sep'22
- Agri & Agri Allied **13.4%**
- Micro and Small industries **27.1%**
- Medium industries **36.2%**
- NBFC **30.6%**
- CRE **6.7%**

Share of AU's Commercial Banking Book is only 0.20% of Sectoral Credit

# Commercial Banking - Credit Framework



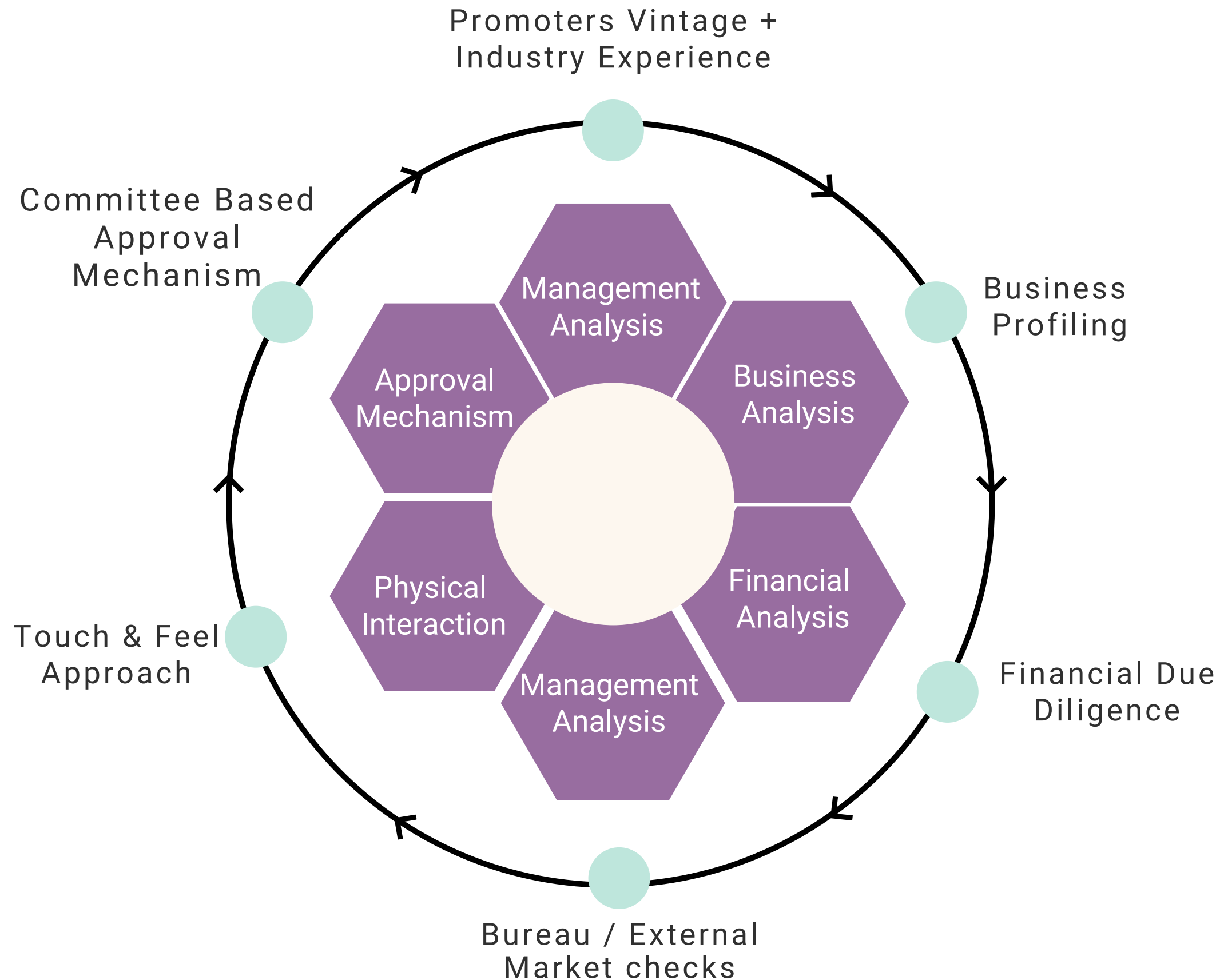
Feedback Based Culture

Localized Technical & Legal Support

Retail Franchise - Ears on Ground



# 360° Credit Assessment: On-Boarding Framework



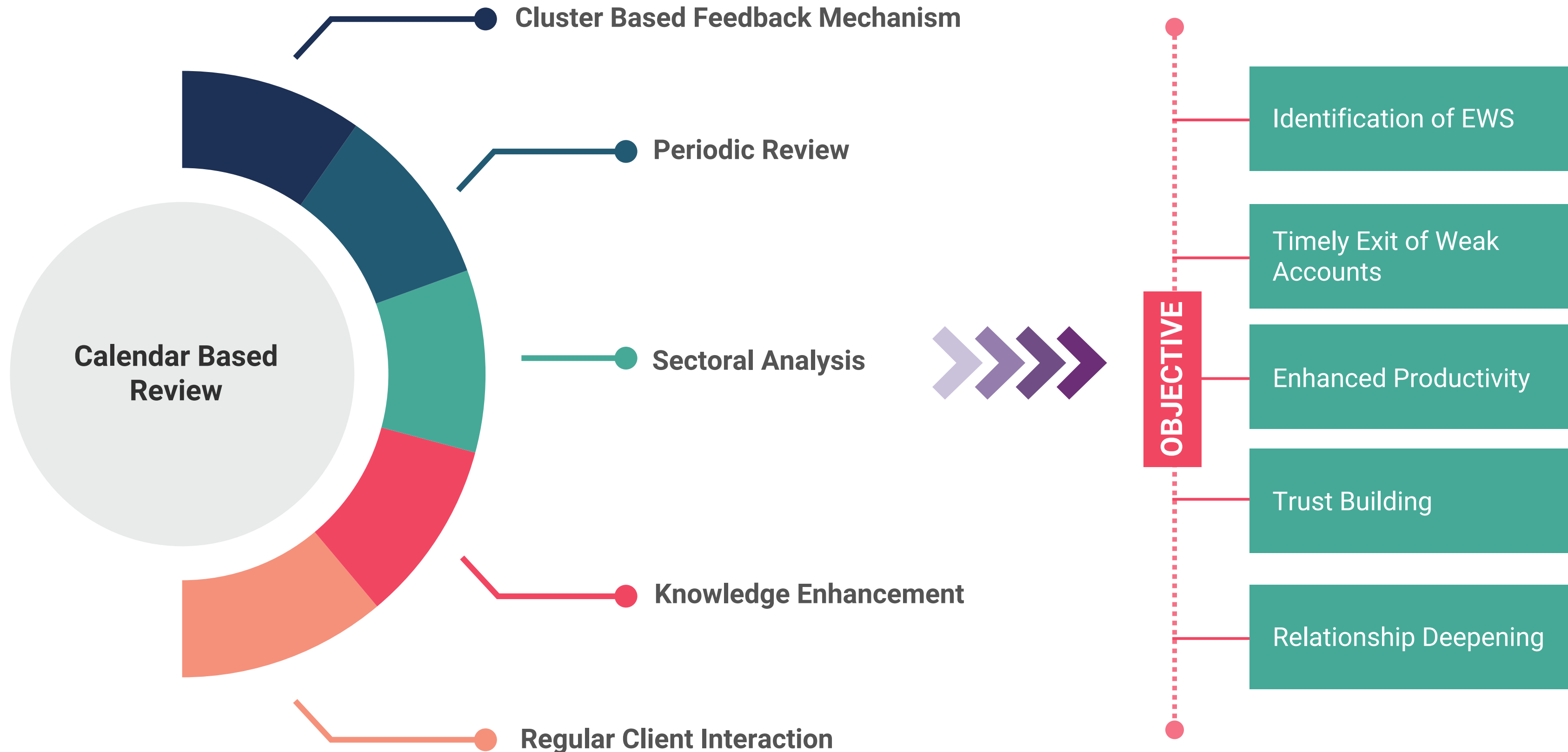
- Adherence to Regulatory Guidelines

- Adoption of Technology for Data Analytics
- Customer Interaction through Digital Platform

- Legal / Technical Support - 2<sup>nd</sup> Line of Defense

- Differential Assessment Approach
  - Exposure < 5 Cr: Data Analytics
  - Exposure > 5 Cr: Data Analytics plus Enhanced Detailing: Industry/Peer Analysis, Project Assessment, 3<sup>rd</sup> Party Reports.

# Commercial Banking - Housekeeping & Monitoring







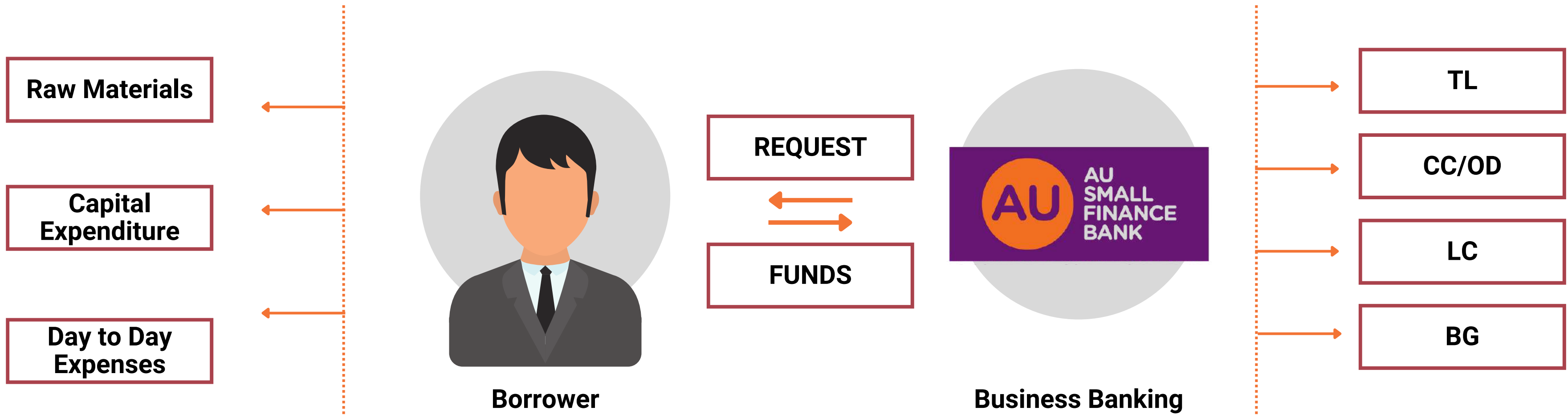
# Business Banking

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# What Is Business Banking?



PROVIDING CUSTOMIZED FACILITIES FOR EVERY NEED OF THE CUSTOMER

Our Customers



Manufacturers



Service Providers



EPC

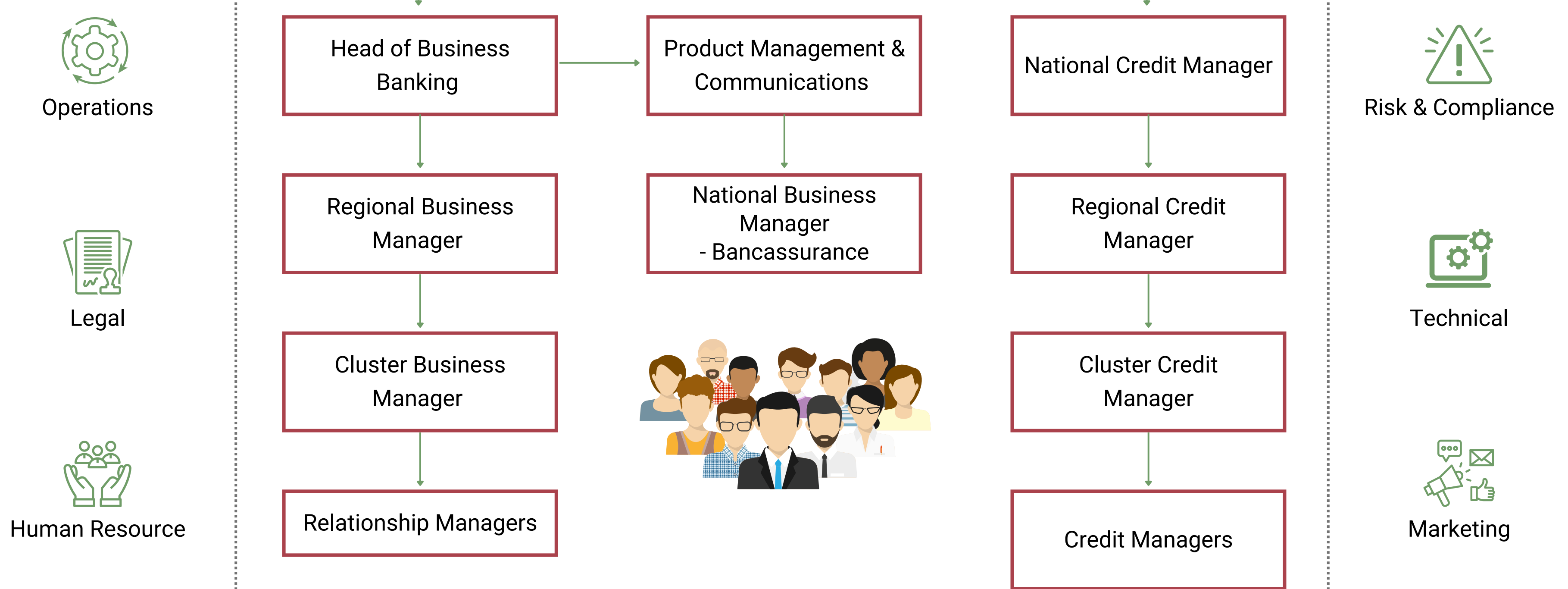


Traders



# Business Banking - Organisation Structure

## BUSINESS BANKING



Team Strength: ~475 Employees

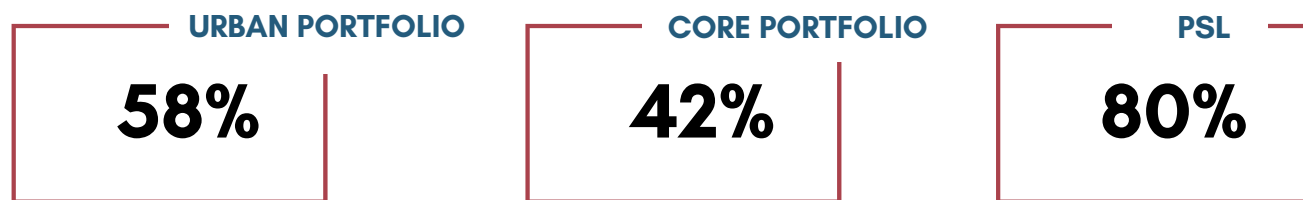
# Business Banking - Portfolio Details

Gross Advances Rs. 3,859 Crs	Total Deposits ~Rs.3100 Crs	Presence 13 States & 2 UTs	Avg. Ticket Size Rs. 0.85 Cr.	Working Capital Book 70%	WIRR* 10.15%	Non-Fund Book Rs. 2,355 Cr.	GNPA 0.17%	Trade Income & Other Fee 1.7%
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- Coverage of **275 locations**

- Sourcing Channels**

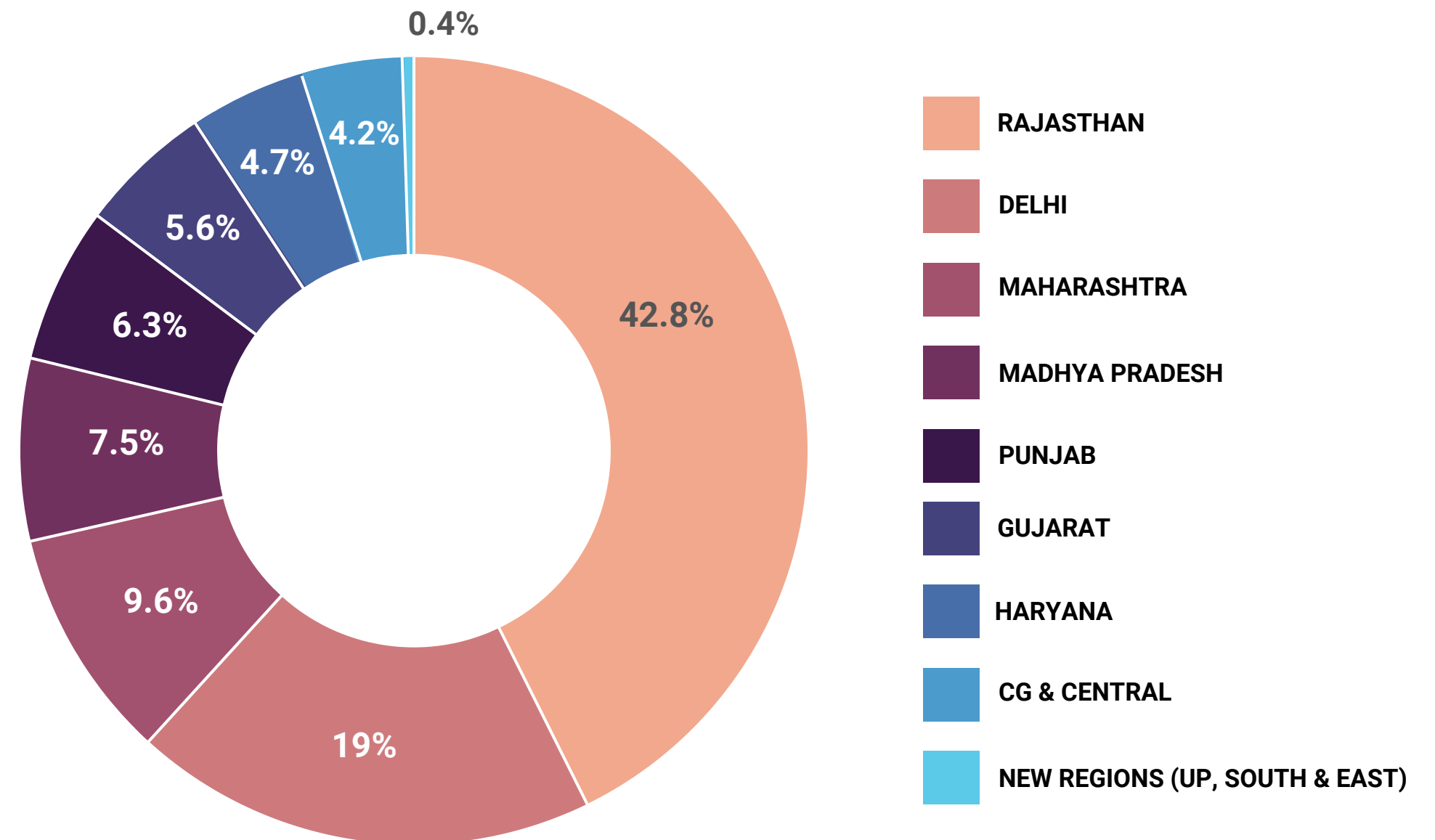
- Branch Sourced (**32%**)
- Self Sourced (**29%**)
- Channel Partners (**39%**)



- Liability Relationship**

- 80%** Self Funded Book

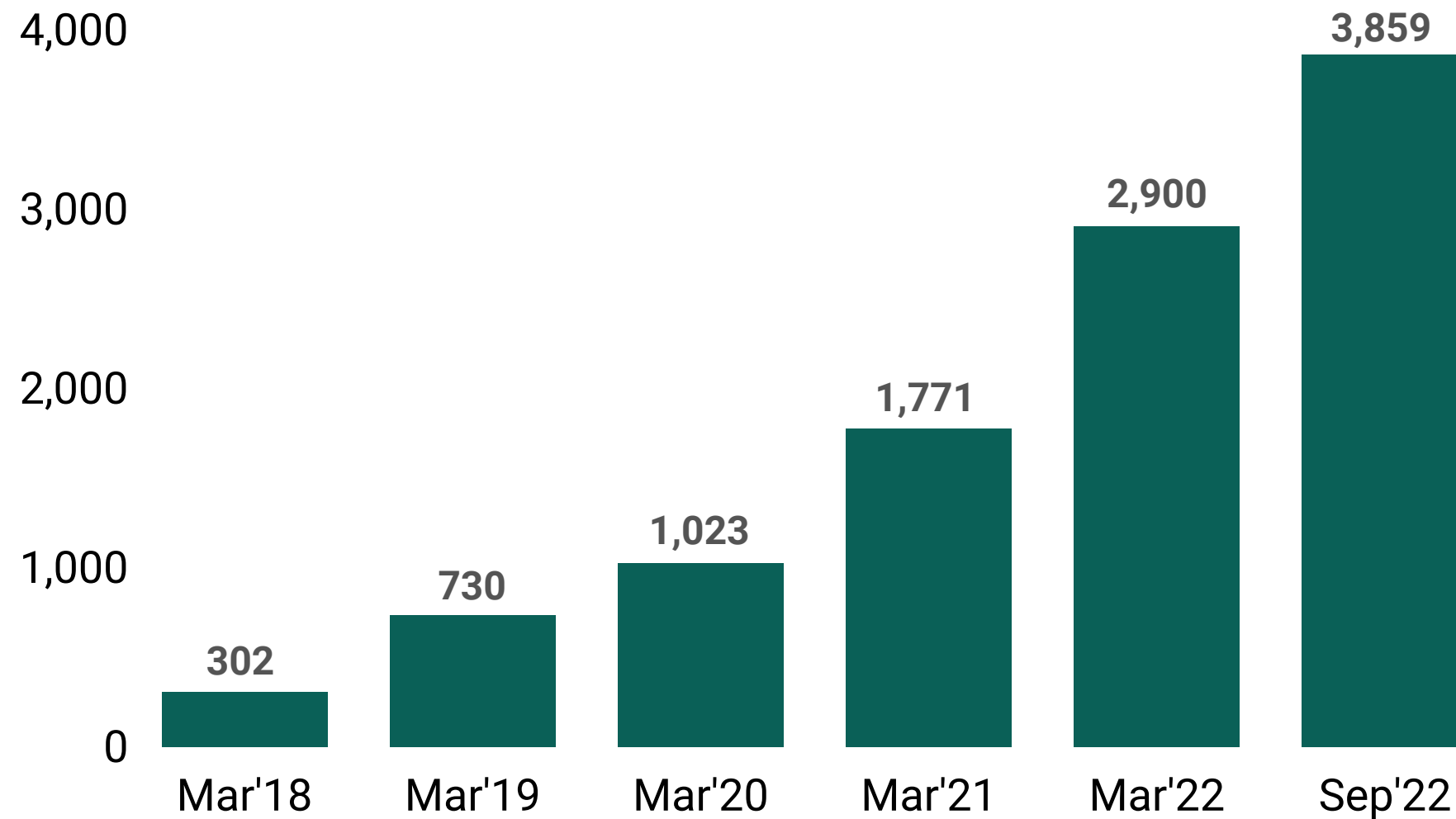
## Geographical Distribution



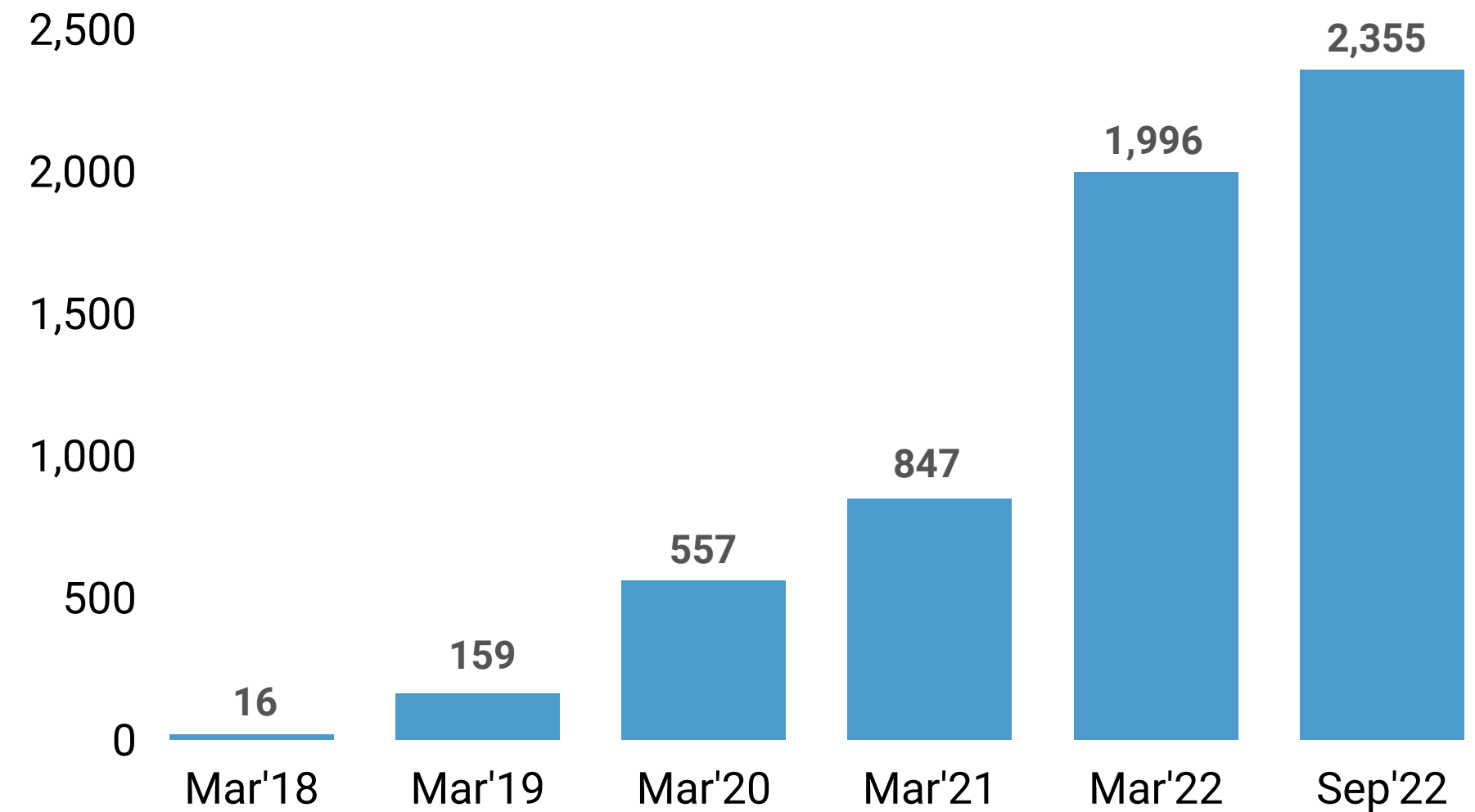
\*excluding FDOD (including FDOD - 9.9%)

# Business Banking - Journey

### Gross Advances (Rs. in Crs)



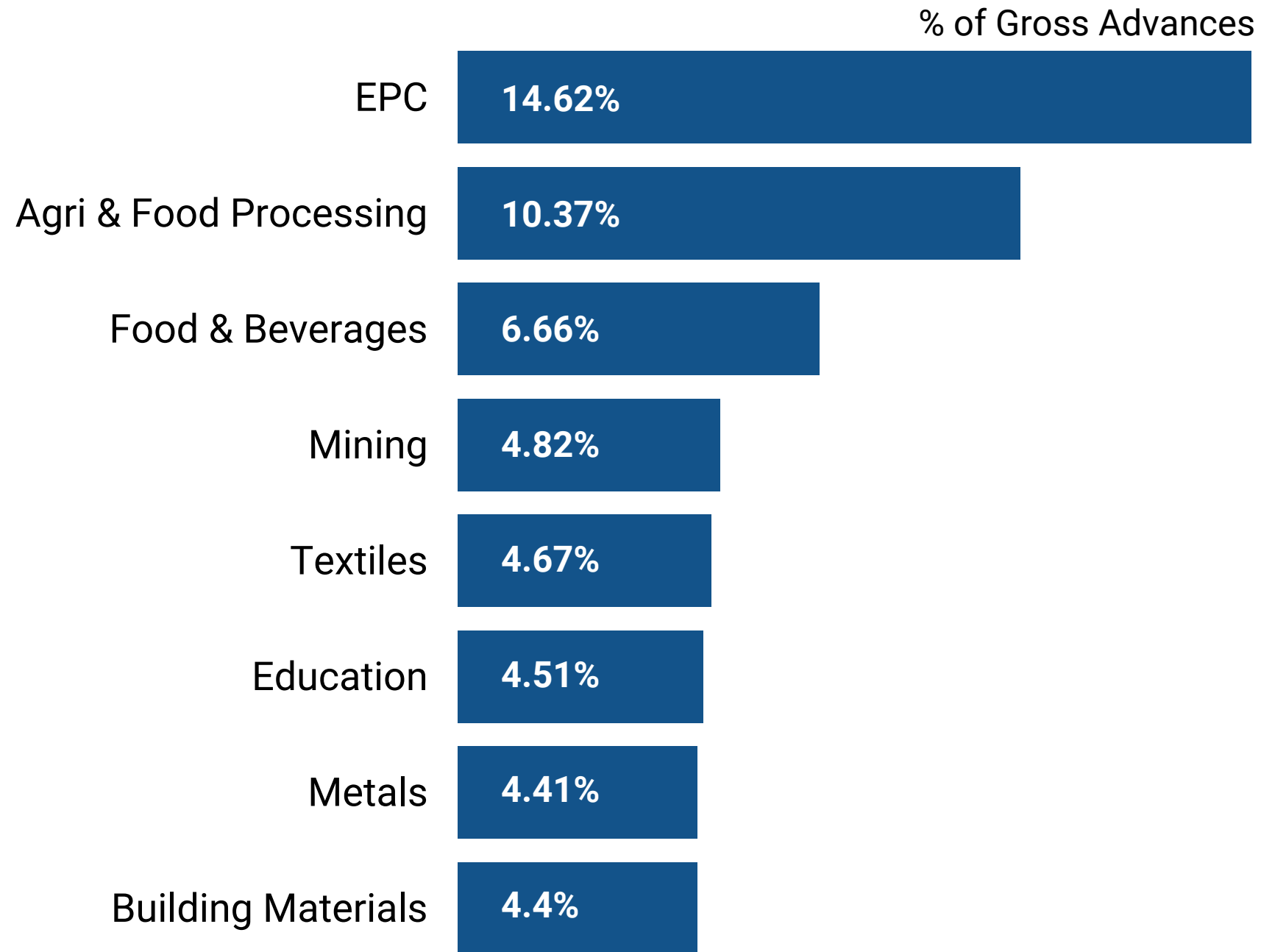
### Non-Fund Based Book (Rs. in Crs)



- Floating Rate Book Linked to Repo
- FB Exposure - Rs.4,888 Crs (72% utilized), NFB Limits – Rs.3,548 Crs (66% utilized)

# Business Banking - Portfolio Distribution

## Top Industries

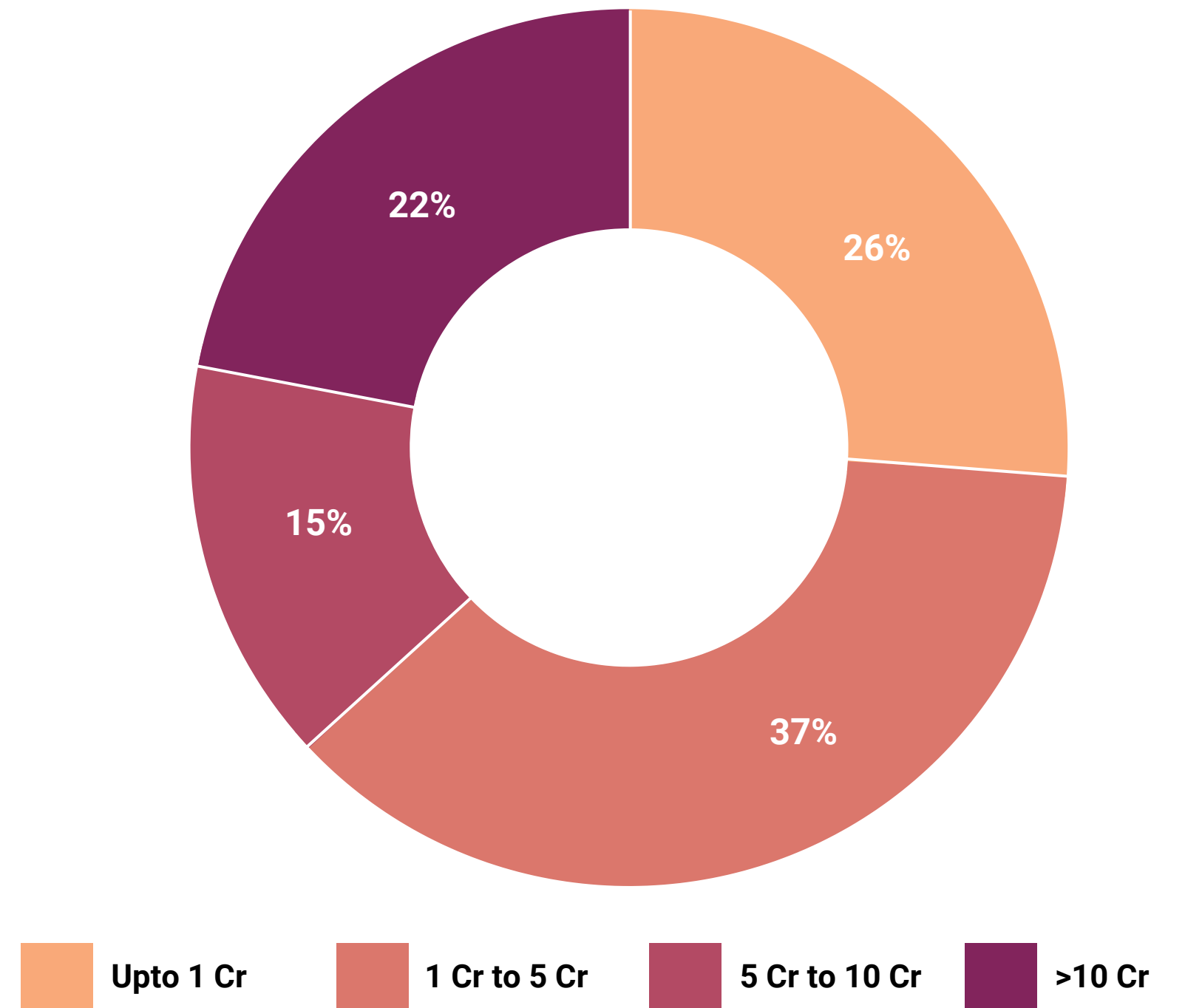


## Industry Wise Distribution

**Manufacturers – 35% | Services – 37% | Traders – 28%**

## Granular Fund Based Portfolio

### Ticket Size Distribution





# Business Banking – Strengths



Ability to source right from multiple channels and create a strong funnel



A stable team, with **95%** of the National & Regional leadership intact since inception



**Originator** is the Collector - Satisfactory Portfolio Performance which got tested during COVID



Ability to deepen the **customer relationship**



**Proactive** in enabling right exit & avoiding takeovers



Ability to **source at higher rates** than the market, while competing with peers

## STRONG TEAM BUILDING

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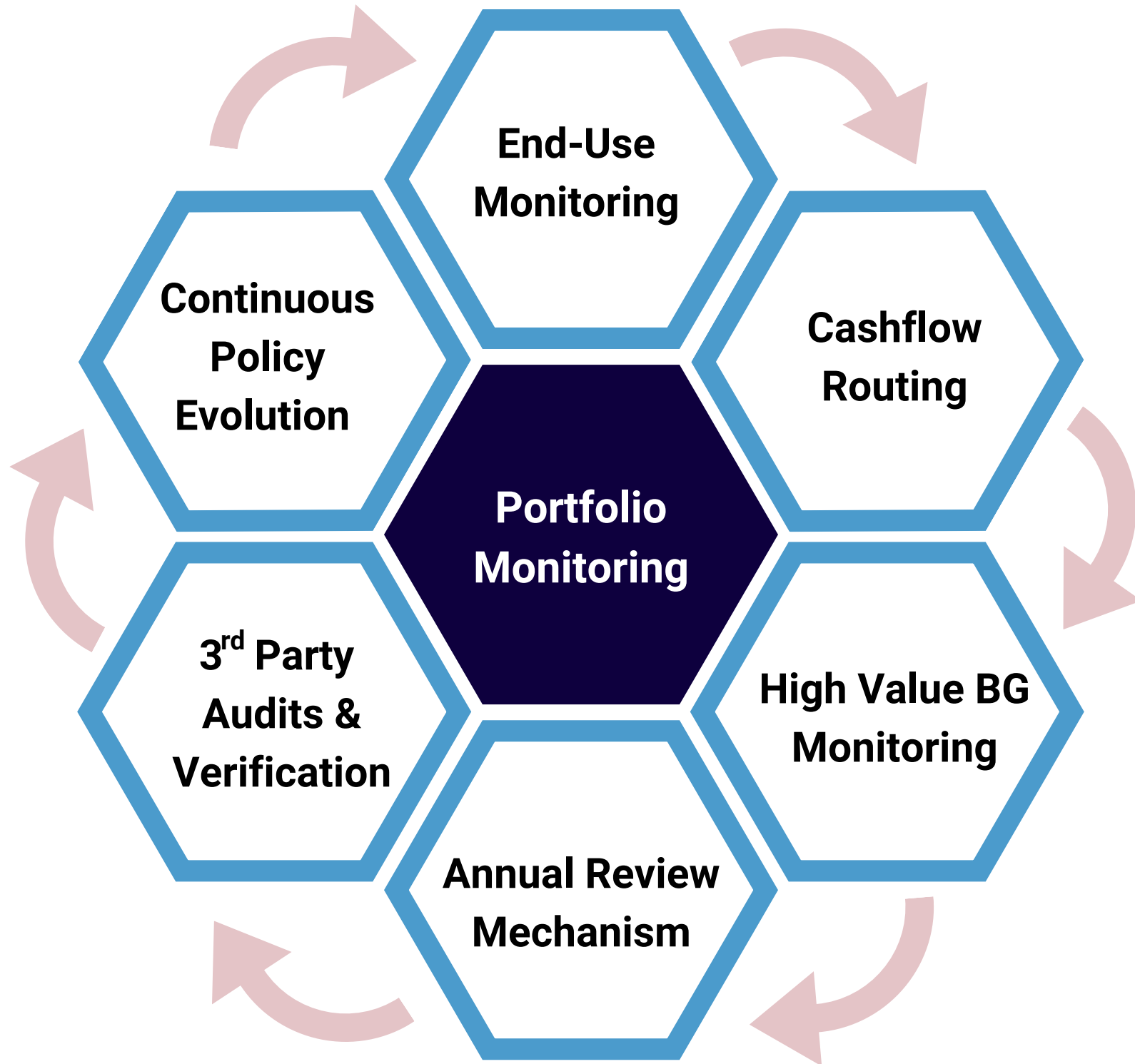
- Qualified Professionals
- Credit on Ground – Decentralised Approach
- Local Hiring – Avoiding Geographical & Communication Barriers
- Cross Functional Training & Knowledge Sharing

## UNDERWRITING APPROACH

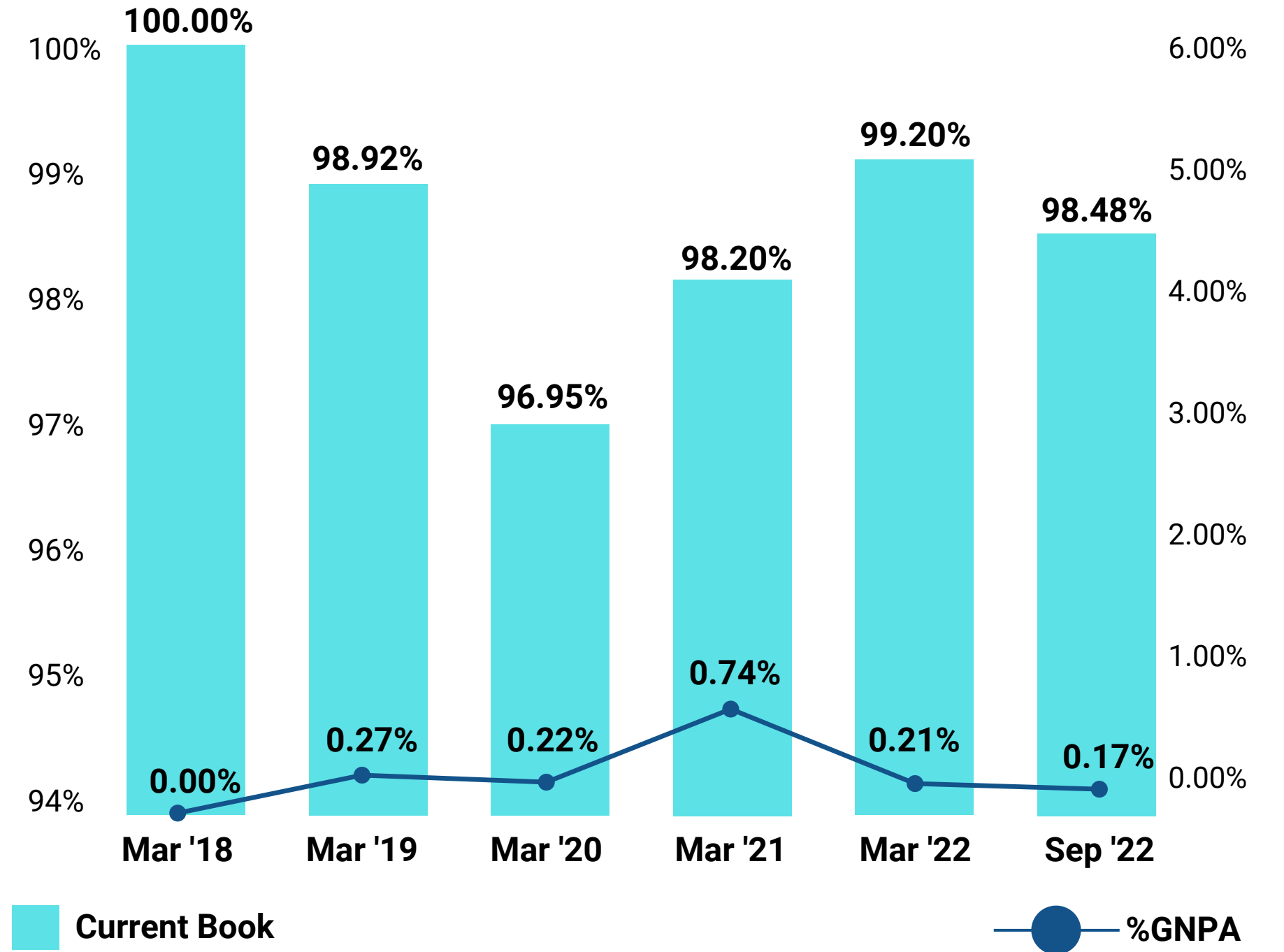
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- Localised Decisioning – Faster Turnaround
- Comprehensive 360° Evaluation:
  - Cashflow & Sensitivity Analysis
  - Market Feedback
  - Actual End-use of Funds
  - The worthiness of the Customer
- Cashflow Entrapment
- Collateralized Lending Approach
- Bank Guarantees Assessment basis  
Beneficiary, Budgetary Allocation & Cashflow Control

# Business Banking – Portfolio Quality and Monitoring



## Asset Quality



**Negligible Credit Cost**





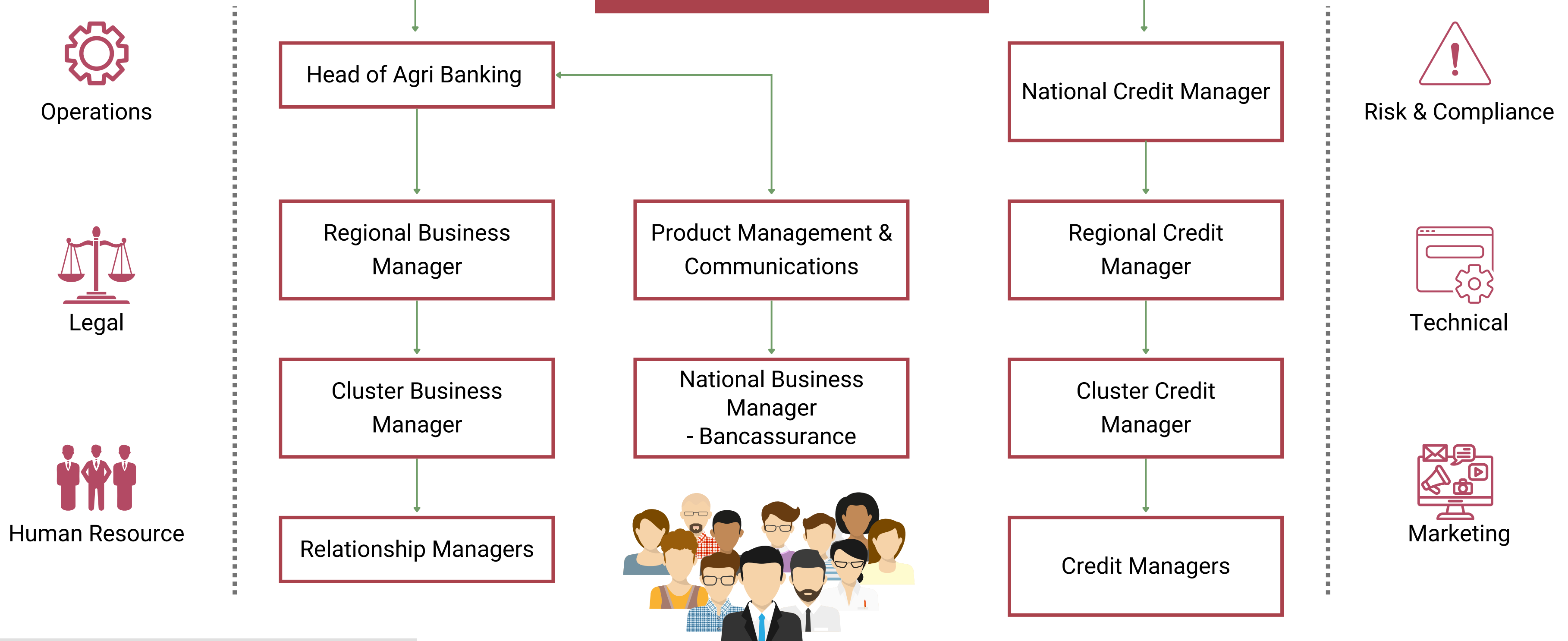
# Agri Banking

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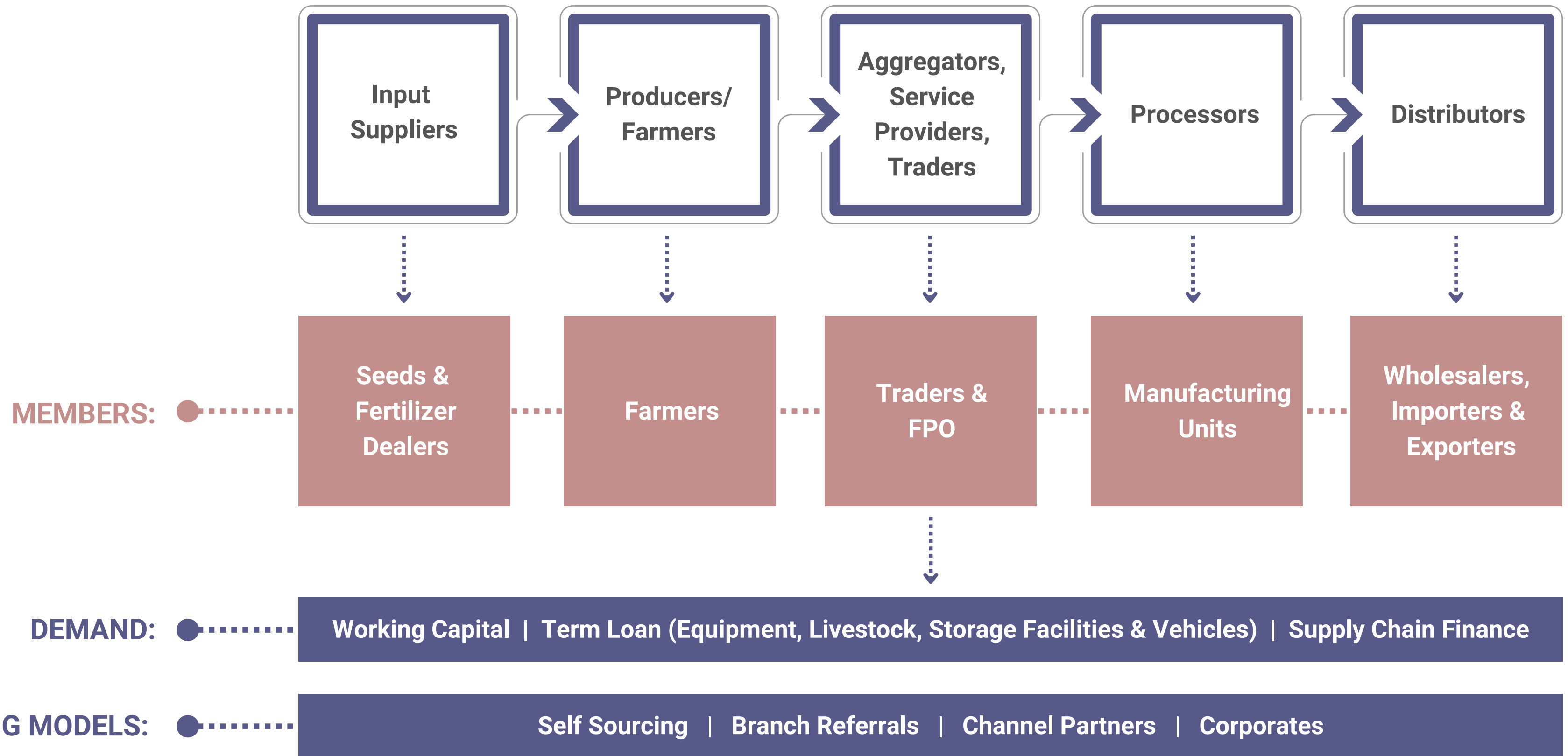


# Agri Banking – Organisational Structure

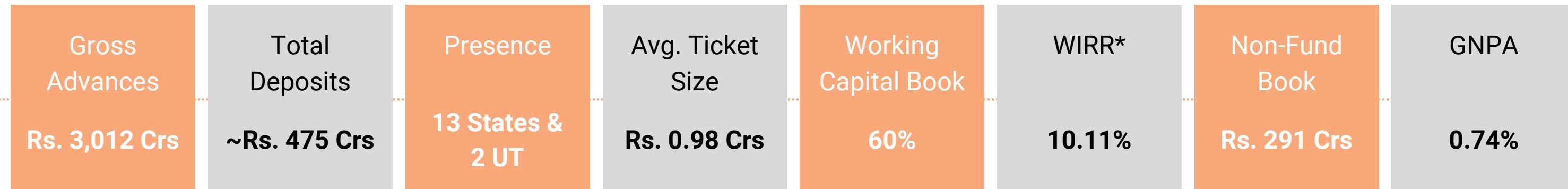


**Team Strength: ~400 Employees**

# Agri Banking – Product Offerings: Agri Value Chain



# Agri Banking - Portfolio Detail

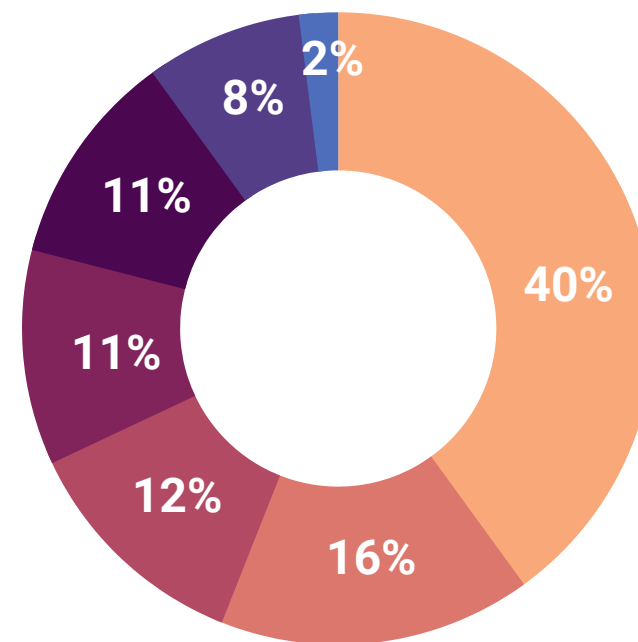


- Coverage of **220** locations

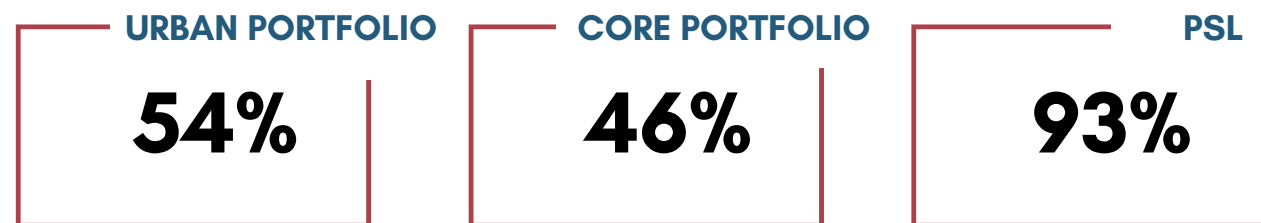
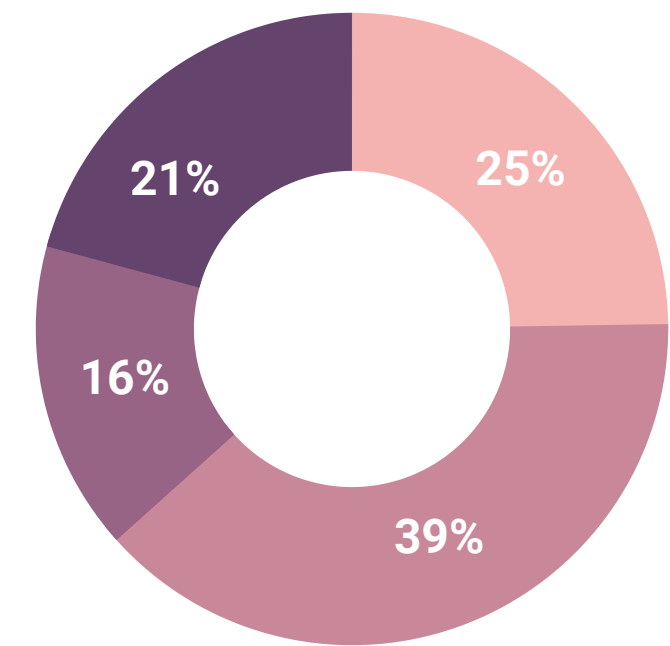
- Sourcing Channels**

- Branch Sourced (**19%**)
- Self-Sourced (**34%**)
- AU Value (**47%**)

## Geographical Distribution



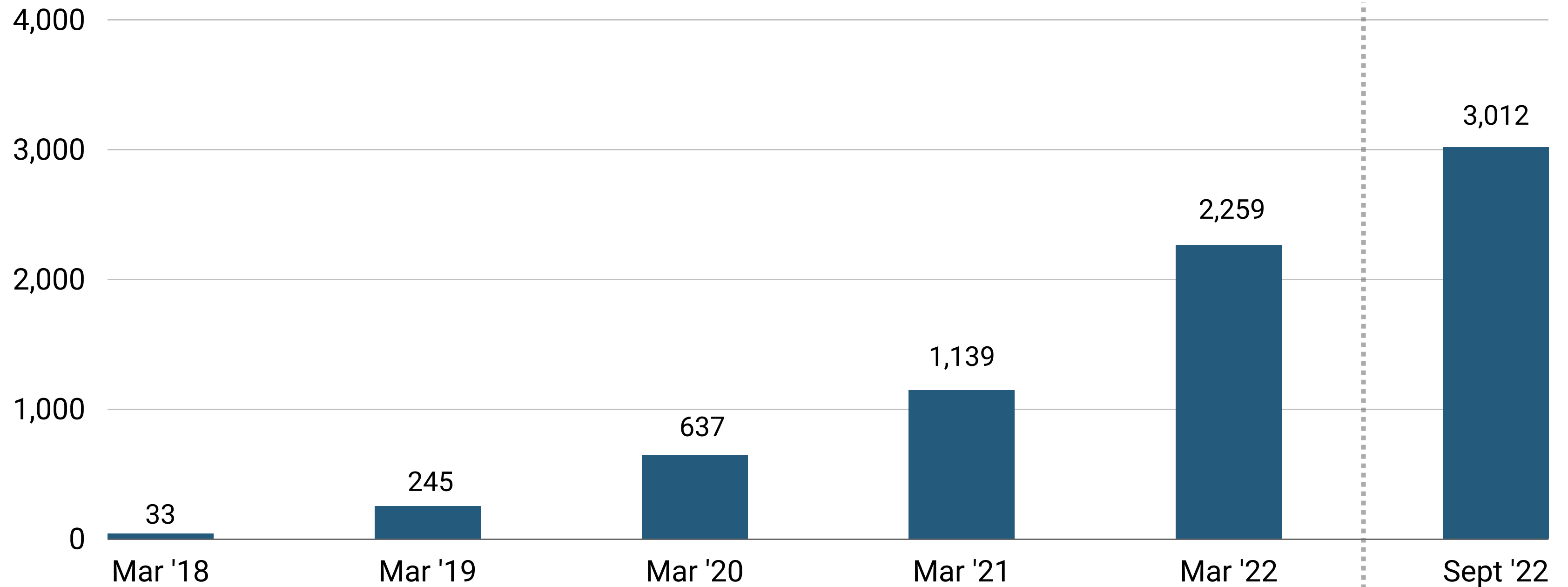
## Ticket Size Distribution – Fund Based



\*excluding FDOD (including FDOD- 10%)

# Agri Banking Journey

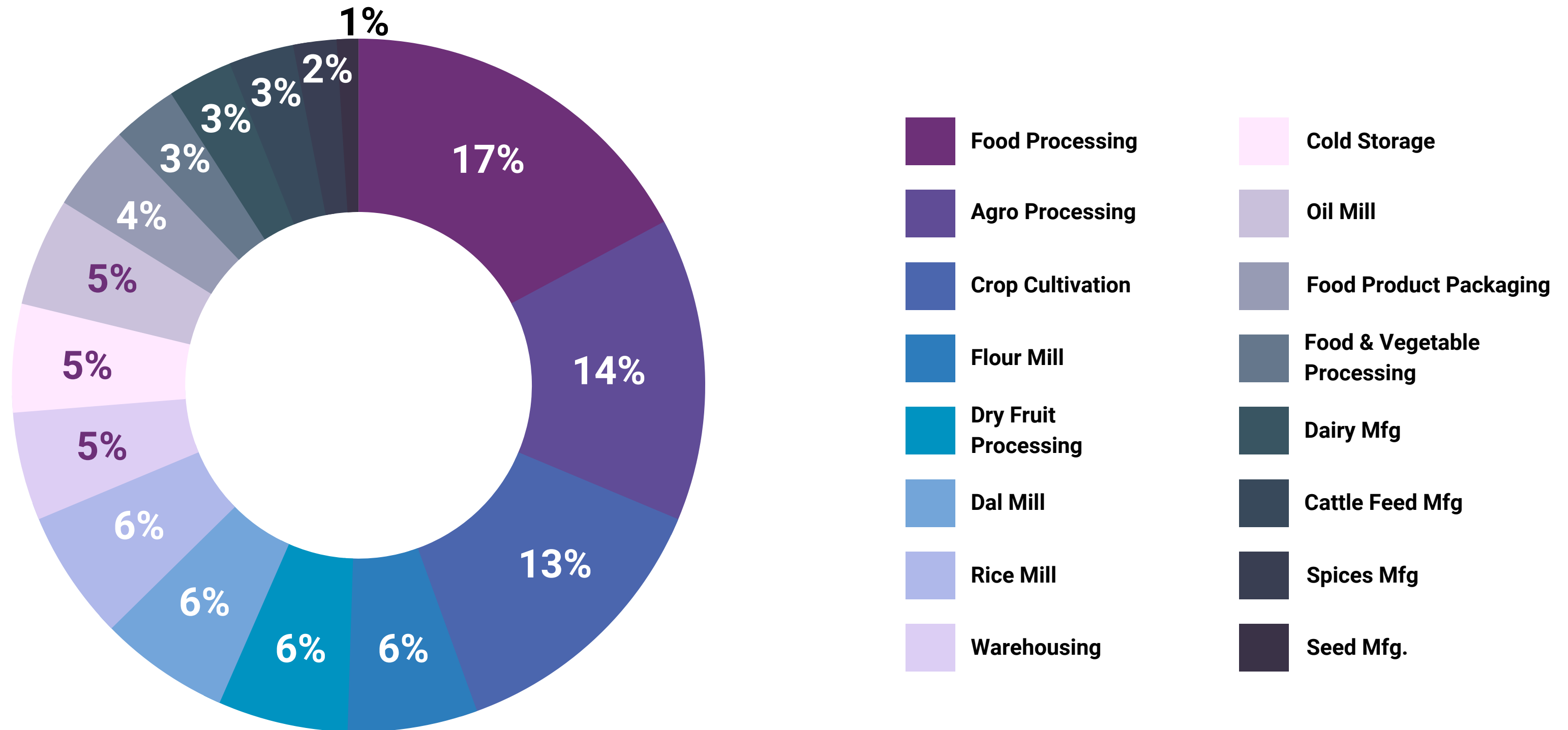
## Gross Advances (Rs. in Crs)



- Floating Rate Book Linked to Repo
- FB Exposure - Rs. 3,515 Crs (78% utilized), NFB Limits – Rs. 530 Crs (55% utilized)



# Agri Banking Portfolio – Diversification in Agri & Allied Sectors



- 34% of the Portfolio Qualifies under Agri and Allied Sectors
- Rest of the book includes Agro Based Businesses, Commodity Trading, Food Retailing etc.

# Agri Banking – Key Takeaways

## Why Agri Banking?

- Agriculture Sector - **18.8%** GVA
- Growth in **Agri Allied sectors** - Major Growth Drivers
- Globally **4<sup>th</sup>** in Agriculture Production
- Government Schemes Driving **CAPEX** in Food Processing/Agri Infra Projects
- Opportunities across Value Chain – **Farm to Fork**
- Regulatory **18%** Agri-PSL Requirement

## What makes us different?

- Deeper Distribution in **Core** Markets
- **Cluster Based** Sectoral Focus
- Assisting Client in Availing Government Subsidies
- **Customized Solutions** & **Faster TAT** to Support Seasonality & Perishability Issue

## Way forward...

- **Continue to Focus on:**
  - Agri & Agri Allied Sector
  - Agri Infra Finance
  - Agri-Sectoral Finance
- Farm-Credit to Collectives (FPOs)
- **Sustainable** Finance to Rural/ Agriculture Development
- **Geographical Expansion** in UP, East and South Markets



# Agri Banking – Credit Underwriting & Philosophy

## Team Strength & Expertise

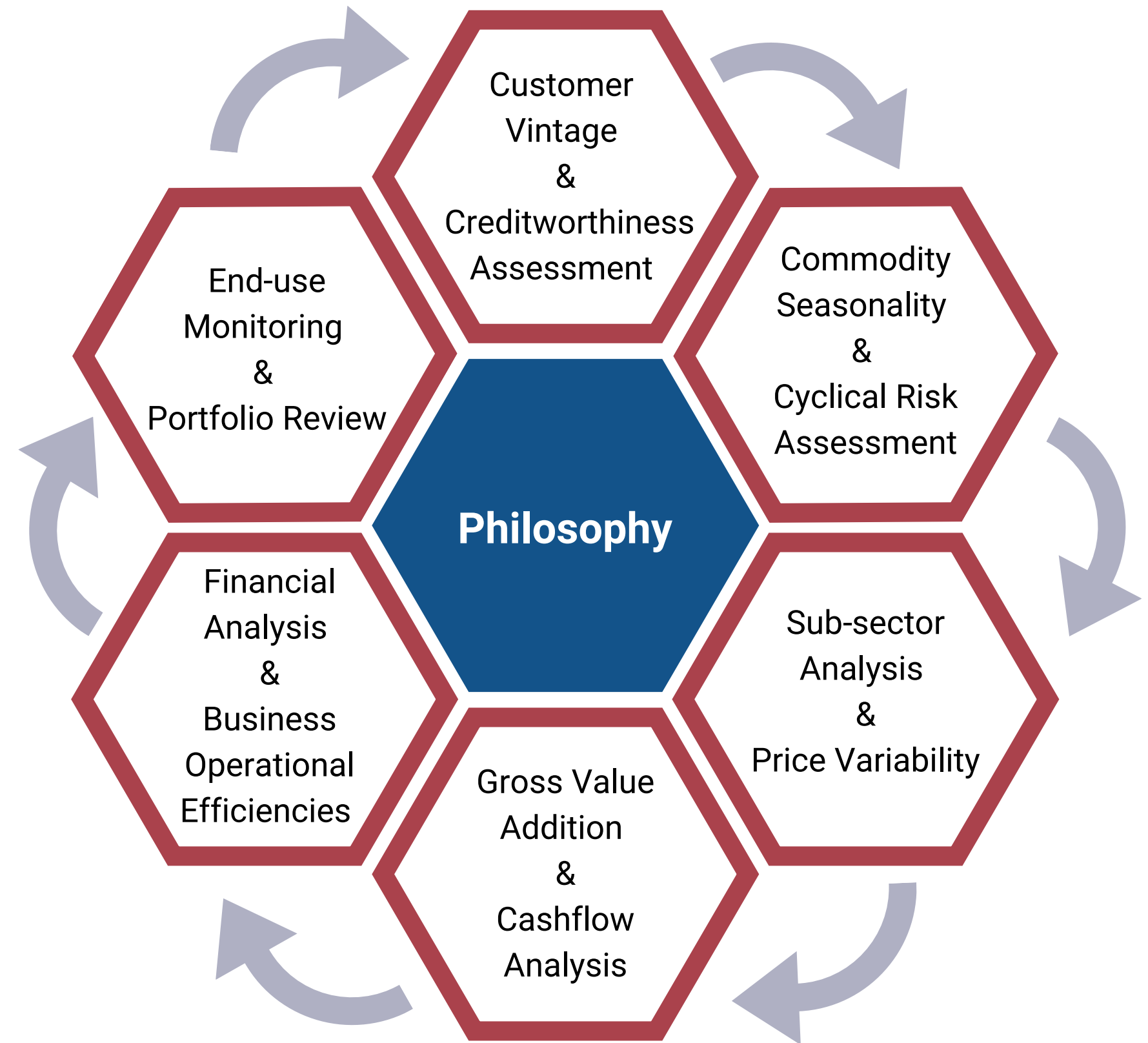
- Localized and Seasoned Team Spread across Agri-Clusters
- Agri Domain Expertise
- Non- Hierarchical Approach

## Detailing

- Physical Interaction & Customer’s Business Know-how
- Cashflow Analysis & Ring-fencing
- Local Intelligence & Feedback
- Macro Environment Affecting Commodity Risk
- Peer Comparison & Industry Outlook

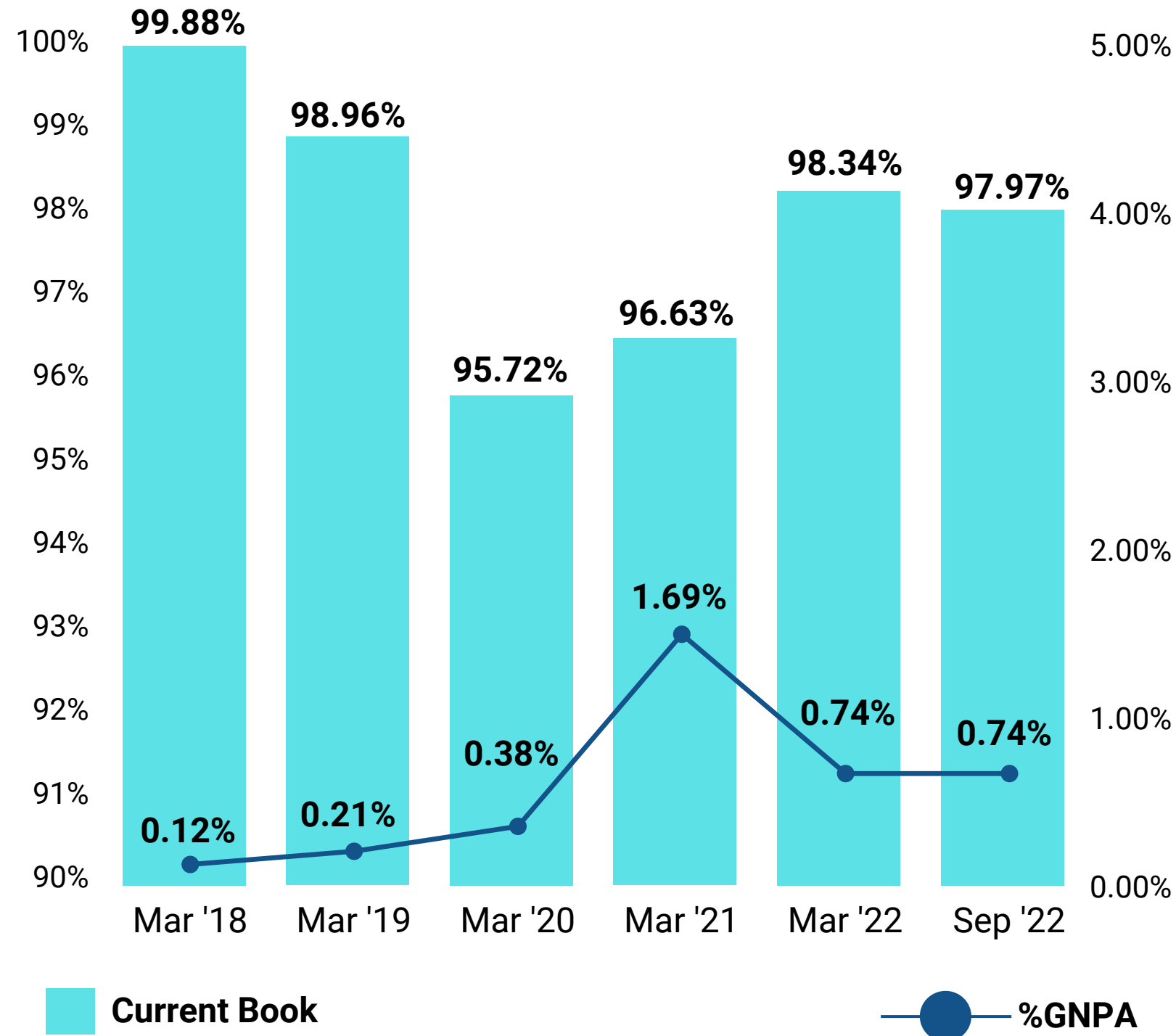
## Customized Approach & Faster Decisioning

- Score-Card Based Underwriting for Small Ticket Cases
- Customized Underwriting Solution & Product Offering



# Agri Banking – Portfolio Quality and Monitoring

## Asset Quality



## Portfolio Monitoring

- Dealing Seasonality Through **Product Offering** (Peak/Lean Seasons)
- Monitoring of **Agri Commodity Prices & Climatic Conditions**
- **Macro** Environment Affecting Commodity Risk
- **Cashflow** Routing
- **Periodic** Review & Regular **Client Visits**
- **Risk Identification** Through EWS Monitoring



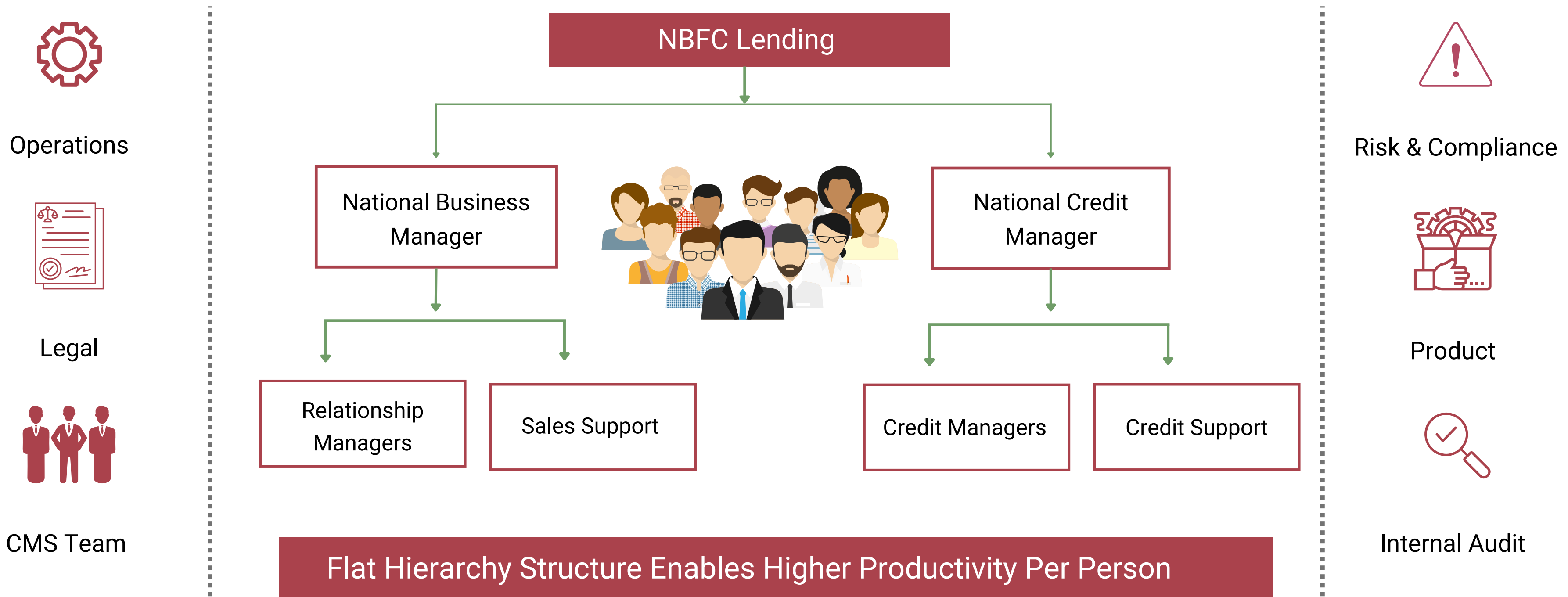


# NBFC Lending

...



# NBFC Lending - Organisational Structure



Team Strength: 16 Employees

## WHY

- Transitioning from being NBFC Understood issues
- Understanding and reach made it easier to do on ground Credit Assessment

## HOW

- Vast and Varied experience of the team
- Field assessment along with Financial Checks
- Supported by Transaction Banking
- Knowledge of various asset classes

## KEY TAKE AWAYS

- Early Lenders for many NBFCs
- Never the largest lender, exposure cap on conservative levels
- Close Monitoring of the portfolio

# NBFC Lending - Portfolio Detail

Granular Book  
#146 NBFCs

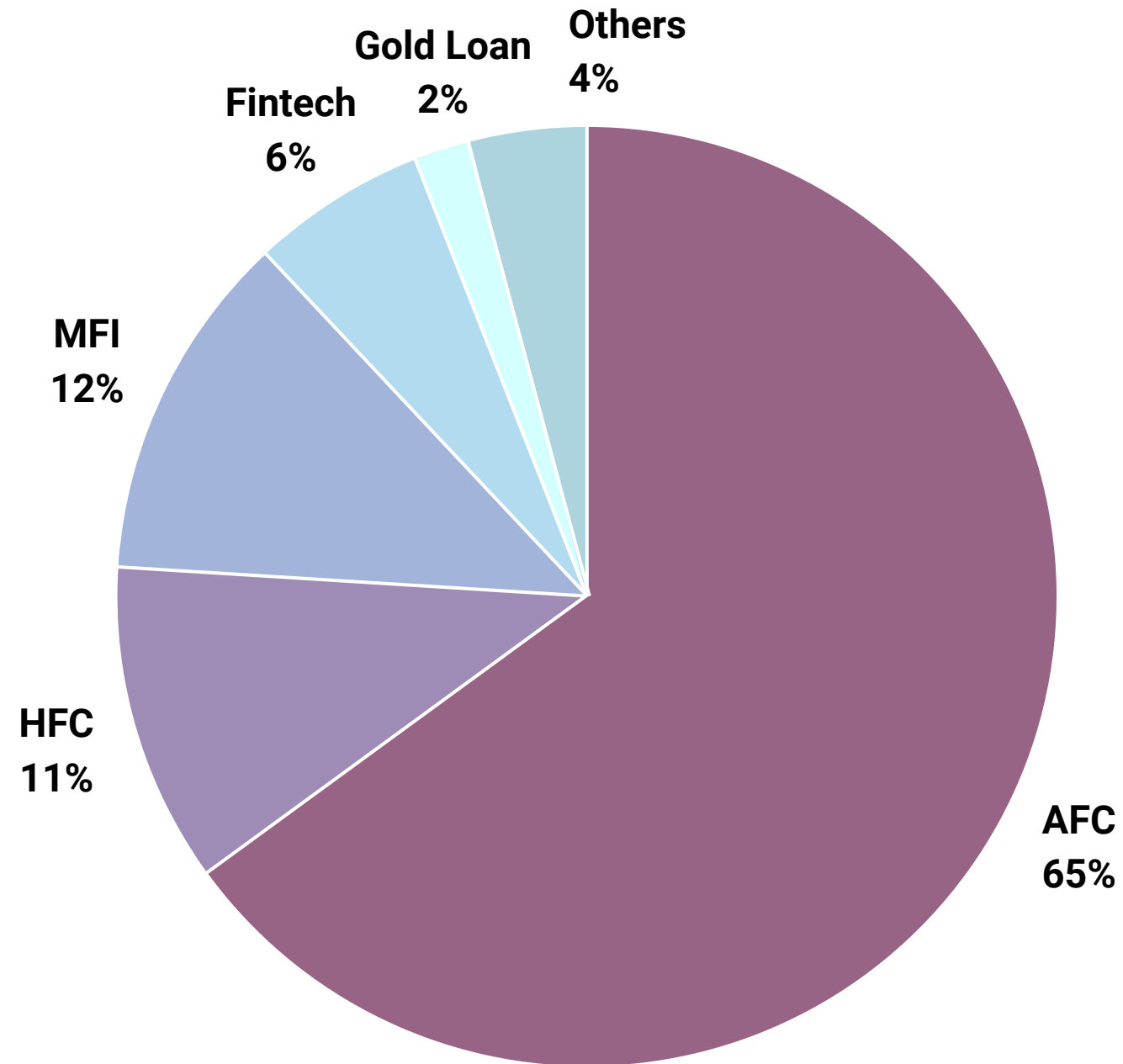
90% of Book is  
Investment Grade

Avg Ticket Size  
~Rs.13 Crs

78% Exposure to  
NBFC in Secured  
Lending

Average Residual  
Tenure - ~21 months

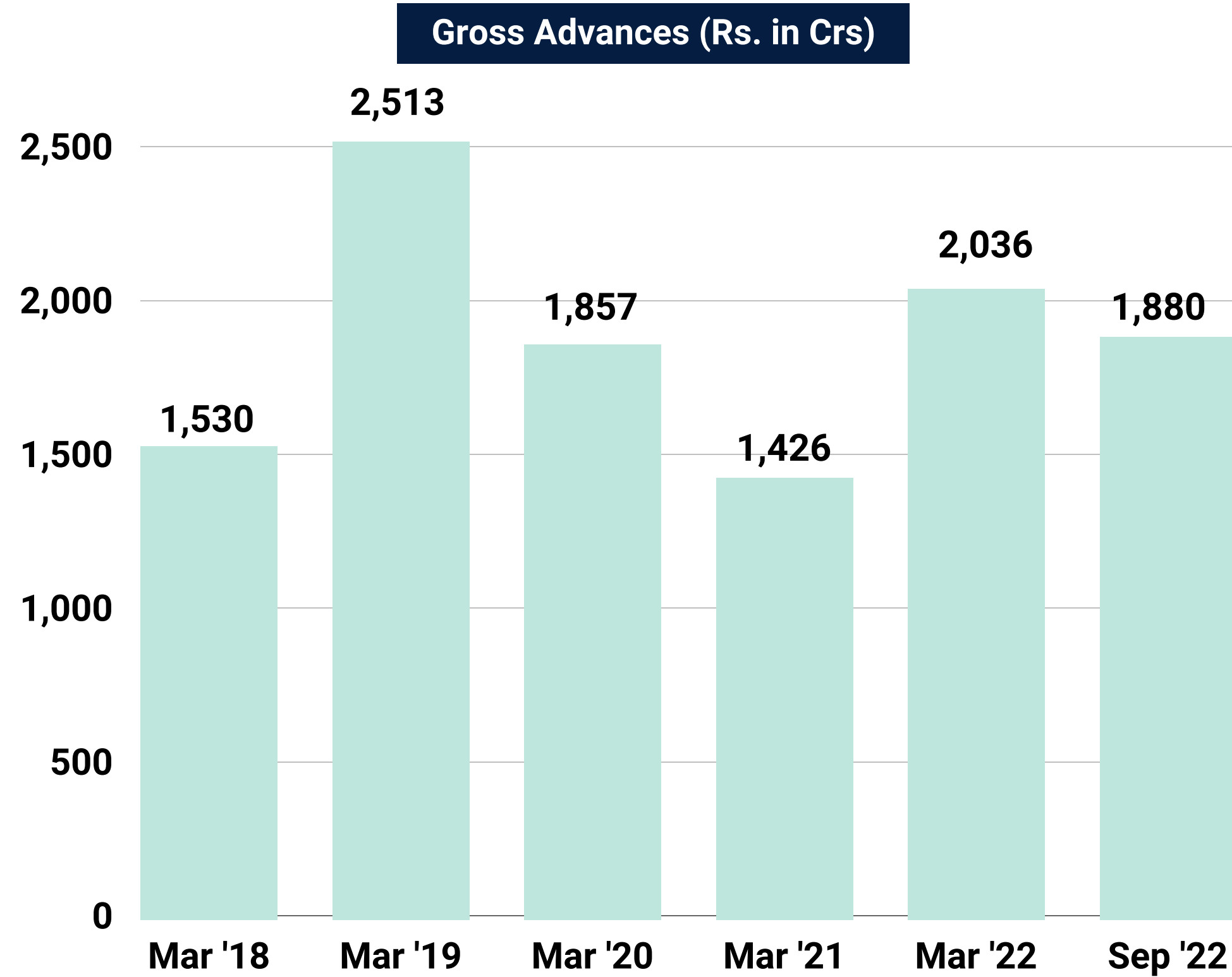
## Segmental Book



Credit Rating	Gross Advances (Rs. in Crs)	Percentage
Investment Grade	1,691	90%
“AAA”	56	3%
“AA”	185	10%
“A”	929	49%
“BBB”	520	28%
Unrated & Others	189	10%
<b>Total</b>	<b>1,880</b>	<b>100%</b>



# NBFC Lending - Portfolio Journey



Floating Rate Book Linked to Repo

Portfolio IRR at 10.8%, Increased by 110 bps over Mar'22

90 New Customers Added since Sep'18

# NBFC Lending - Cross Sell Opportunity: Strong & Steady

## Self Funded Book

Product	EOP (In Crs)
Current Account (CA)*	~300
Saving Account (SA)	~35
Term Deposit (TD)	~1240
<b>Total</b>	<b>~1575</b>



## CMS Mandates

Product	Nos.
CMS Mandates	88

## Salary Accounts

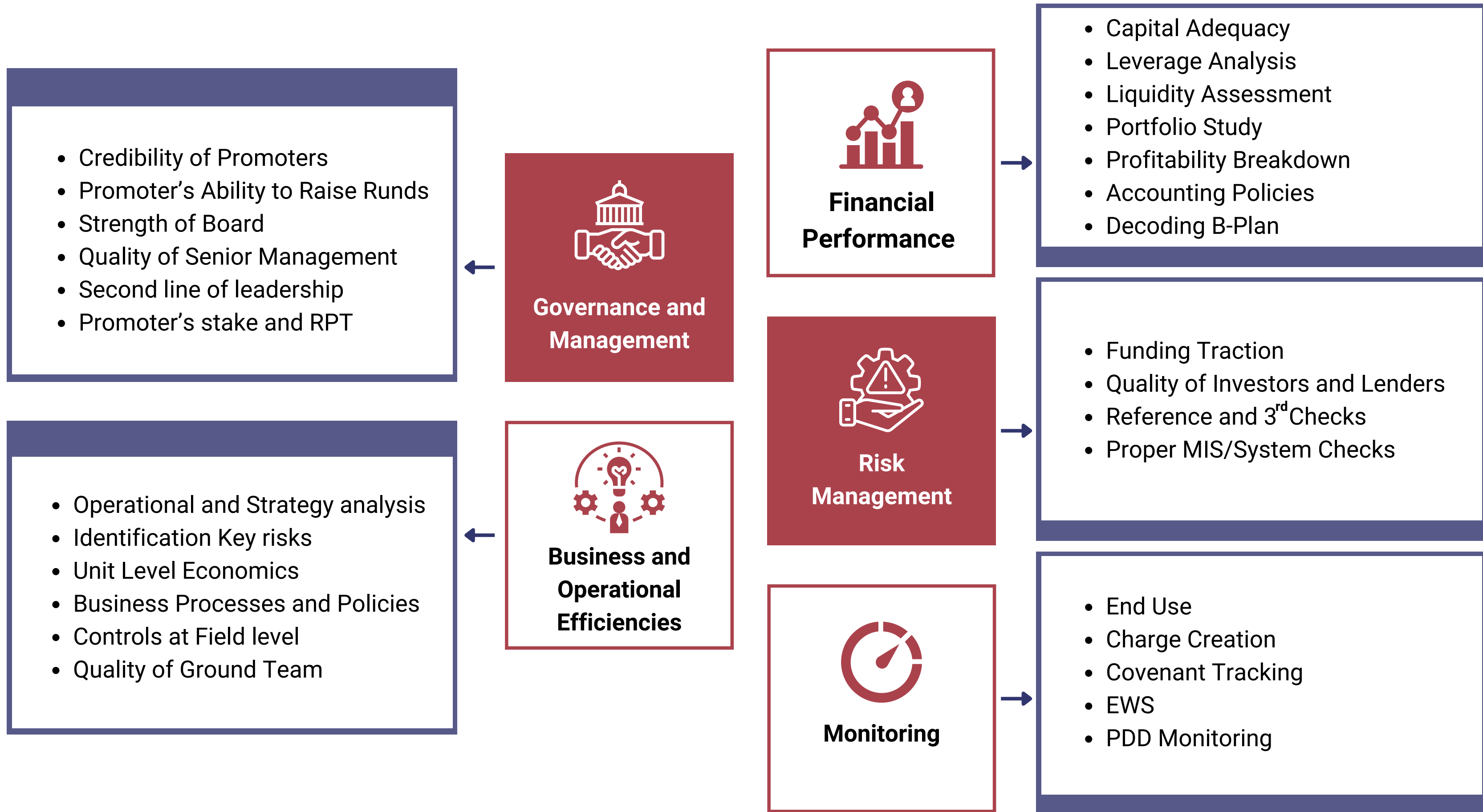
Product	Nos.
Salary Mandates	65

\* Including CCOD accounts credit balances



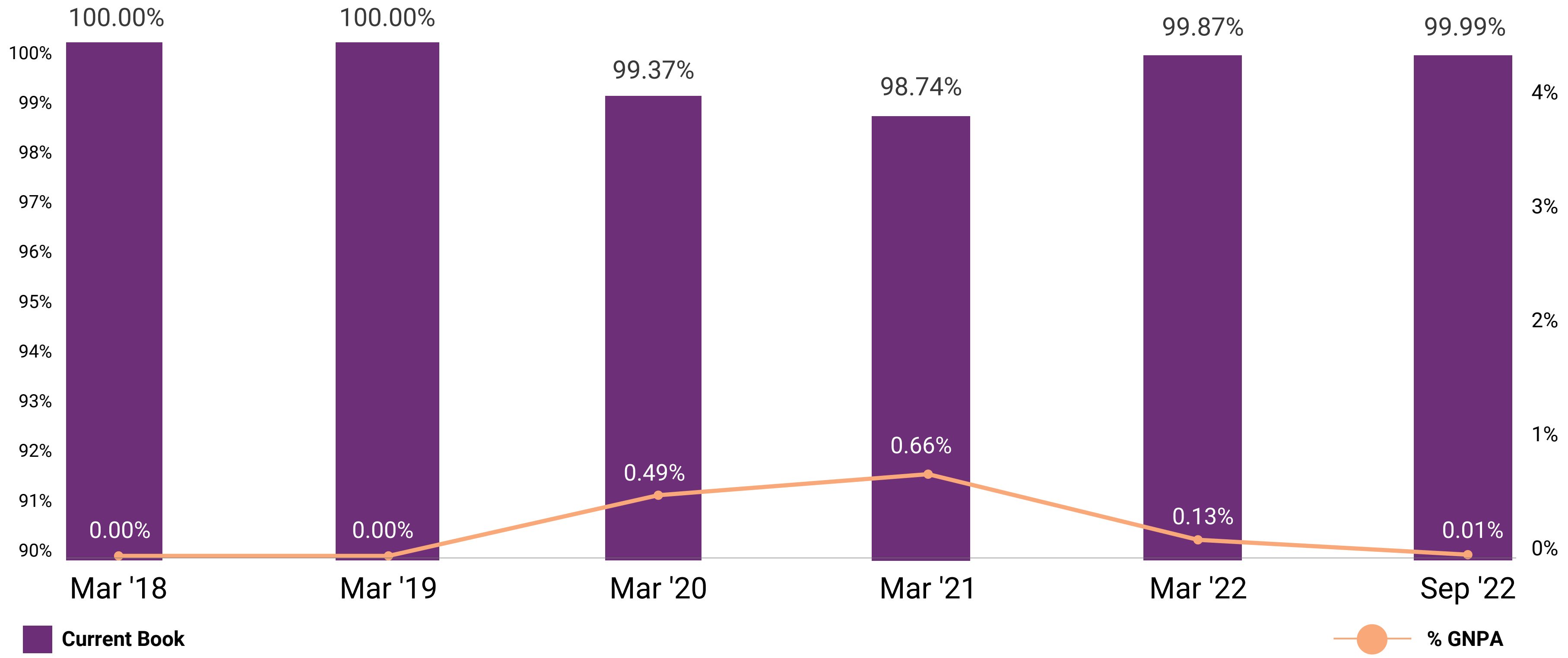
- Sufficient Head Room for **Growth – Internal and External factors**
- Focus on **Segmental Approach**
- Deeper Penetration through **Transaction Banking** – Payment and Collection Solution
- **Cross Sell** – Insurance, TD, Salary Mandate, Corporate Cards, Personal Banking
- Co-lending and BC Arrangements – **Originating Agri & PSL**

# Key Pillars of NBFC Lending Credit Underwriting





# NBFC Lending - Asset Quality



Negligible Credit Cost in Proportion to Cumulative Disbursements

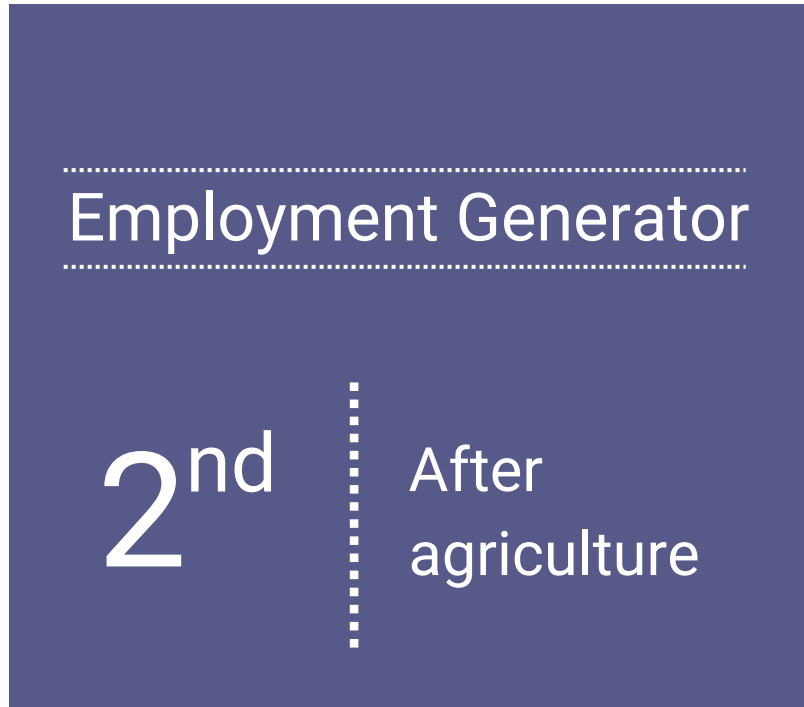




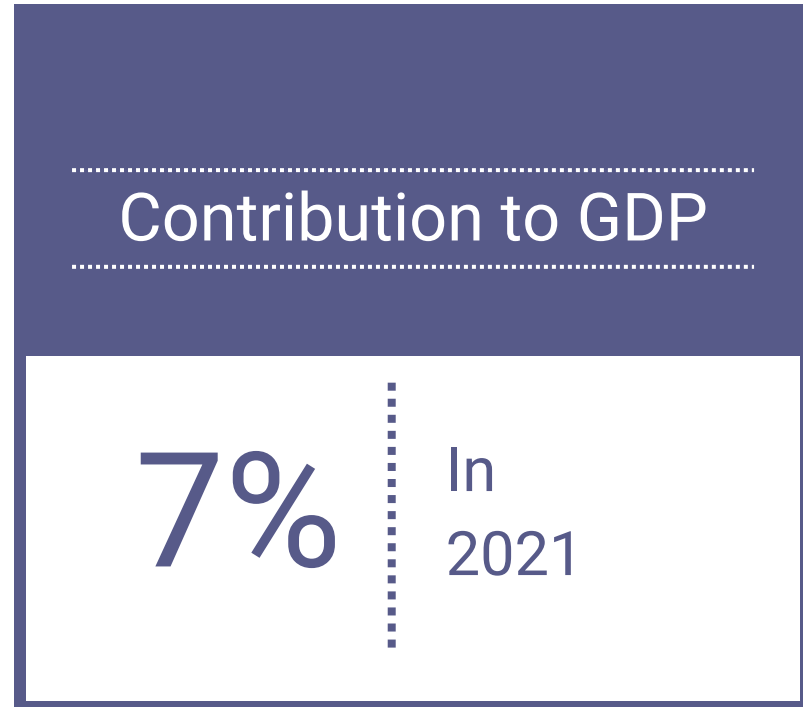
# Real Estate Group



# Real Estate Contribution and Outlook



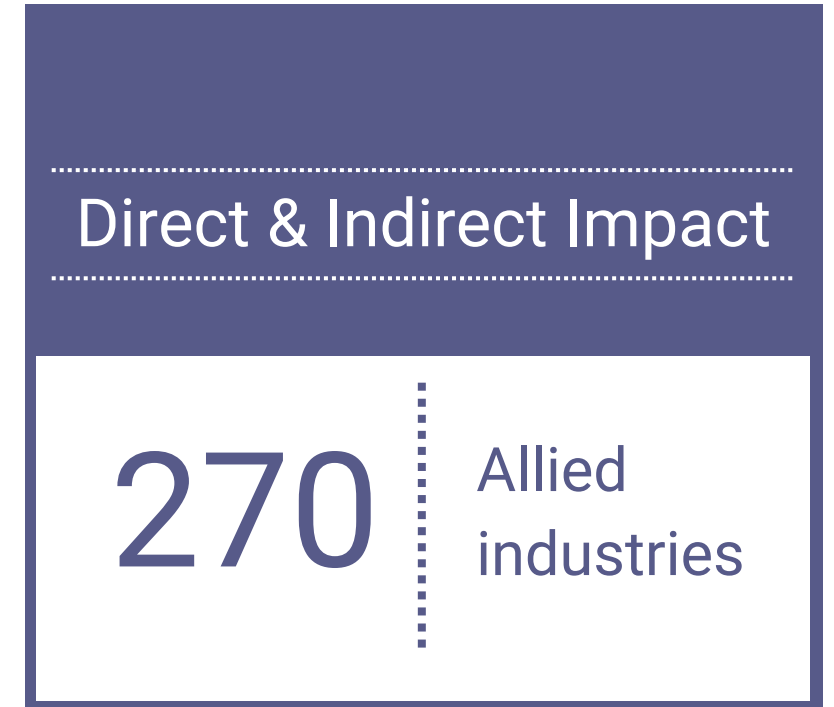
Source: Real Estate Industry report – Aug 2022 by IBEF



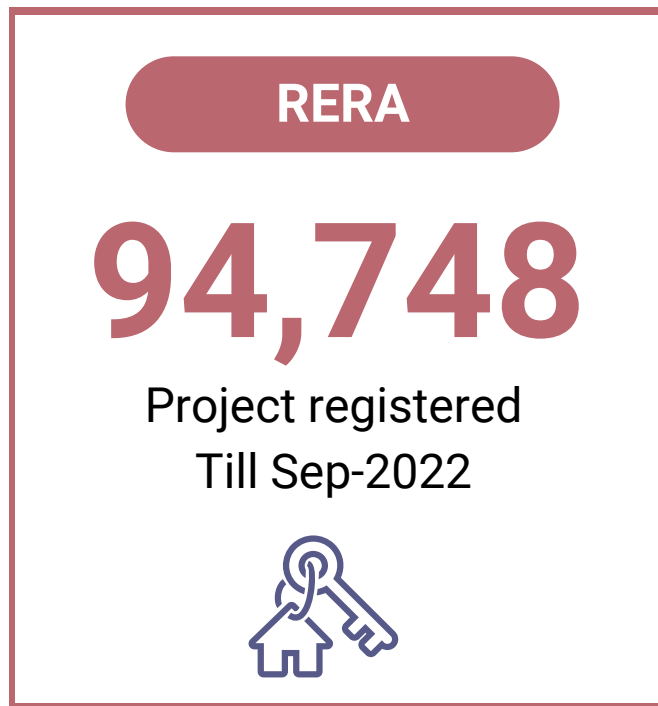
Source: MoHUA Secretary Durga Shanker Mishra at National Urban Digital Mission in May-2021



Source: Report by DPIIT in Dec 2021.



Source: Naredco President Niranjan Hiranandani at the release of Real Estate Sentiment Index Q1 2020 in Jan 2021.



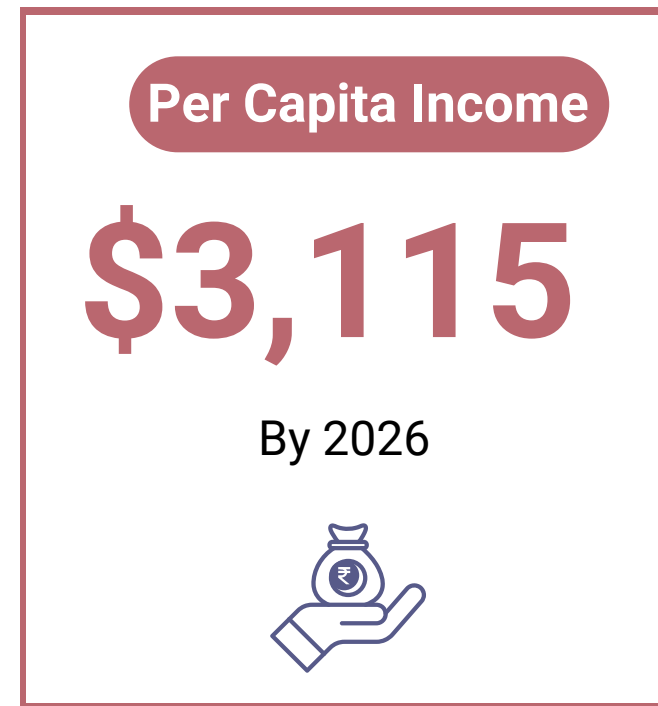
Source: RERA status tracker by MoHUA



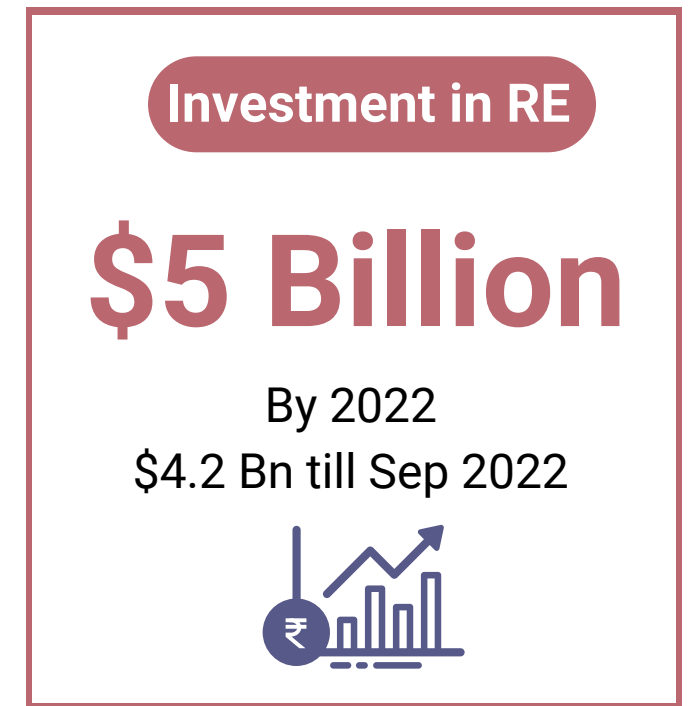
Source: Niti Aayog CEO at CII Event in Oct 2021



Source: Population projection report - MoHFW in Jul 2020



Source: Statista, German-based market database

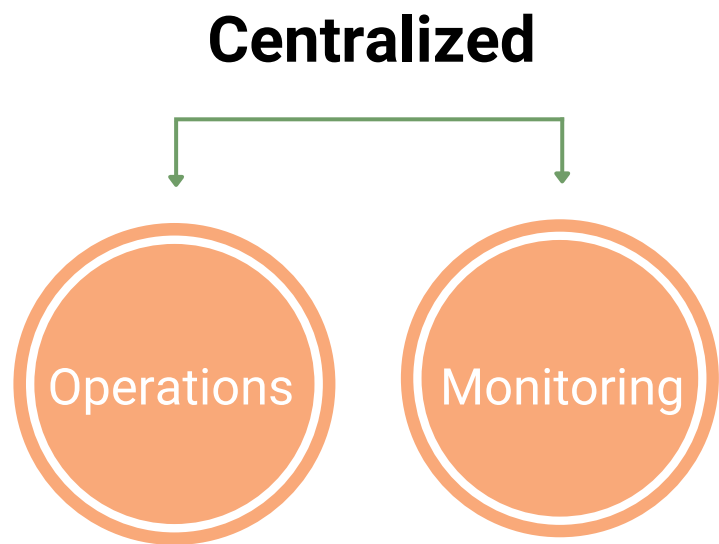


Source: Investment in RE 2022 Report- Knight Frank India

# Real Estate Group - Organisational Structure

## SALES

## CREDIT



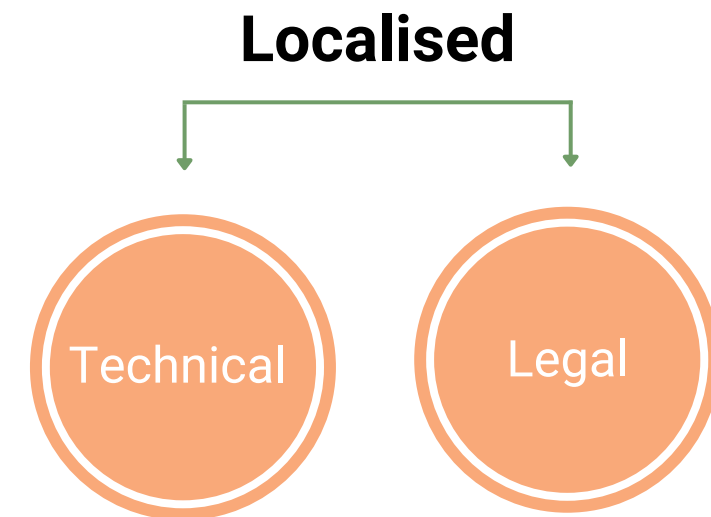
National Business Manager

National Credit Manager

Regional Business Manager

Zonal Credit Manager

Lead Project Monitoring



Relationship Manager

Regional Credit Manager

Unit Manager

Relationship Officer/Service Manager

Credit Manager

Unit Process Associate

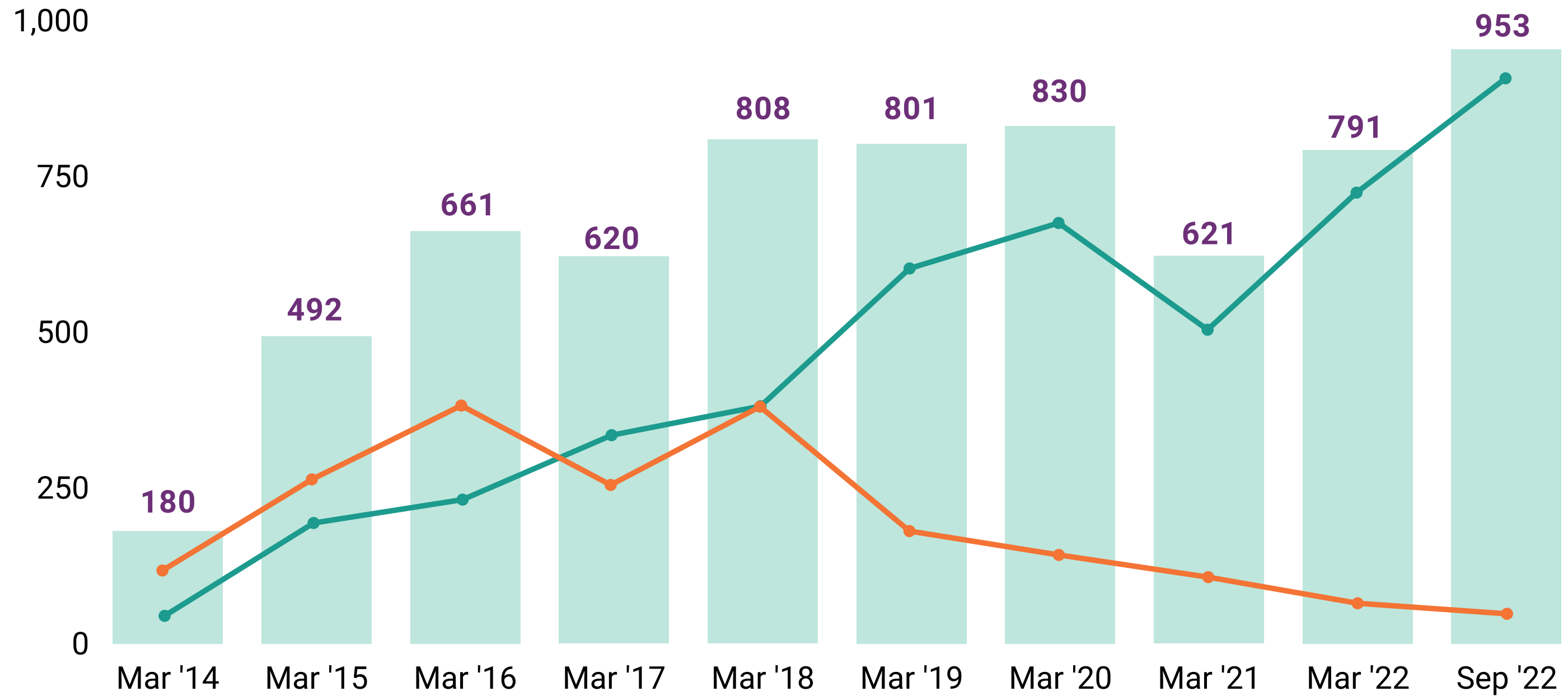
Team Strength: 44 Employees

# REG - Portfolio Trend

## Gross Advances Movement (Rs. in Crs)

CF

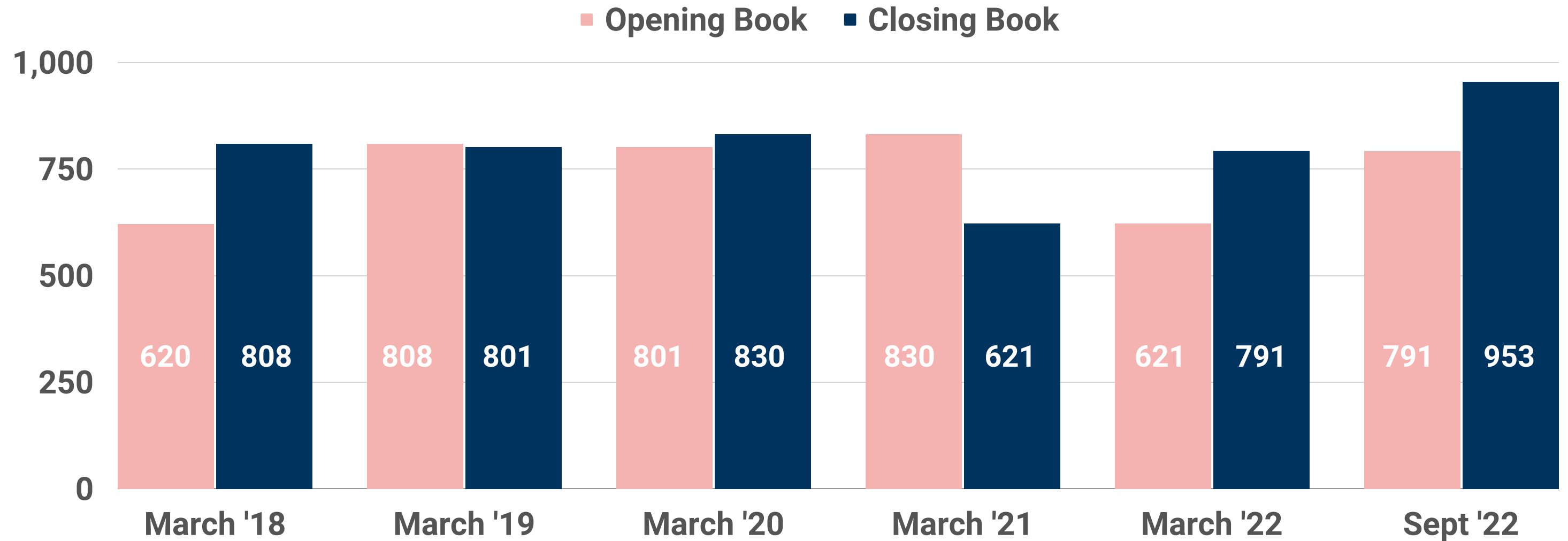
LAP



Portfolio ● Builder LAP ● CF

Note: Data has been regrouped and re-classified as per current reported product wise Gross Advances

# REG - Portfolio Movement



Closing Book Movement  
(in Rs. Crs)

Disbursement (D)	481	439	406	294	852	632
Repayments (R)	294	447	377	503	683	470
R/D	61%	102%	93%	171%	80%	74%

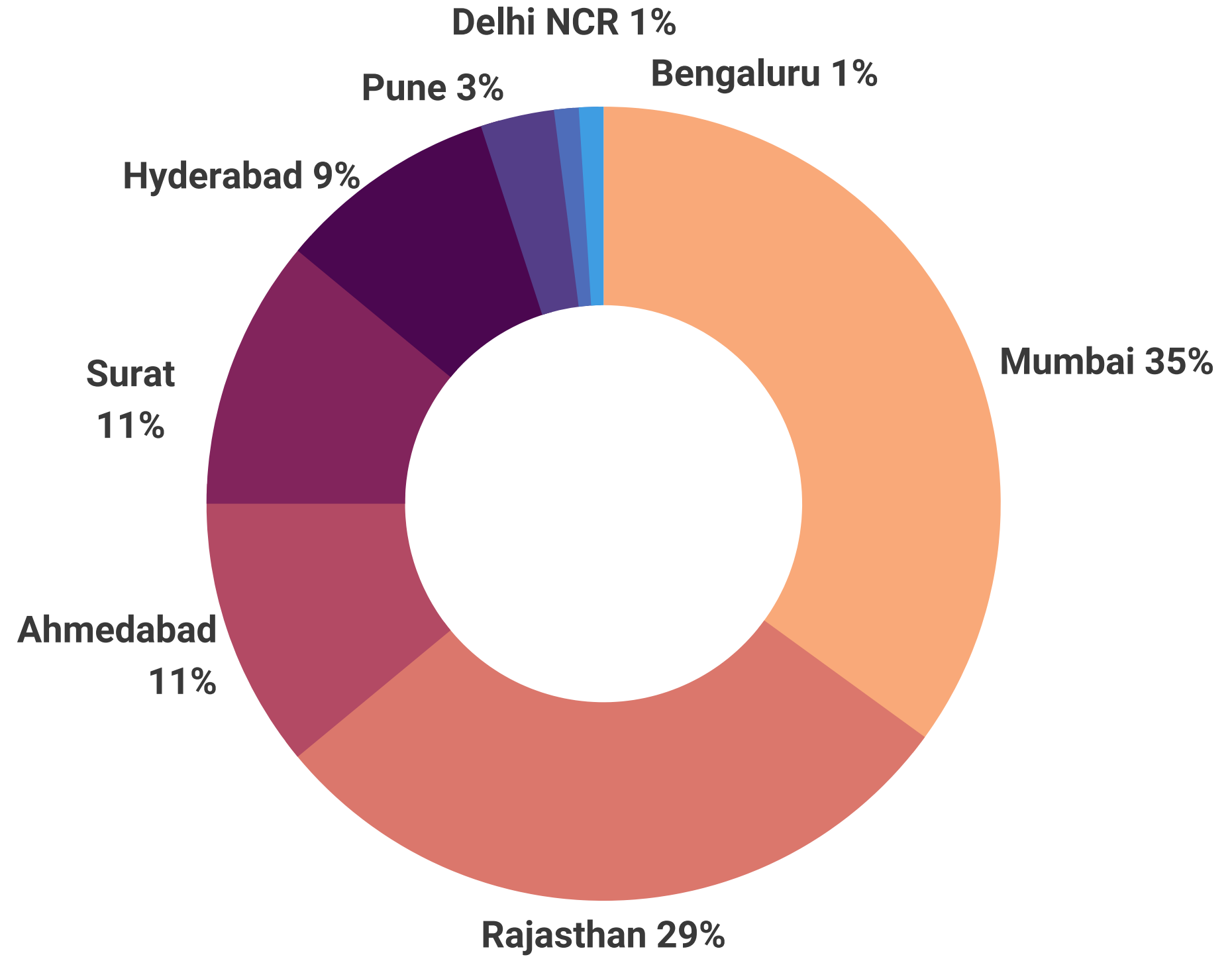
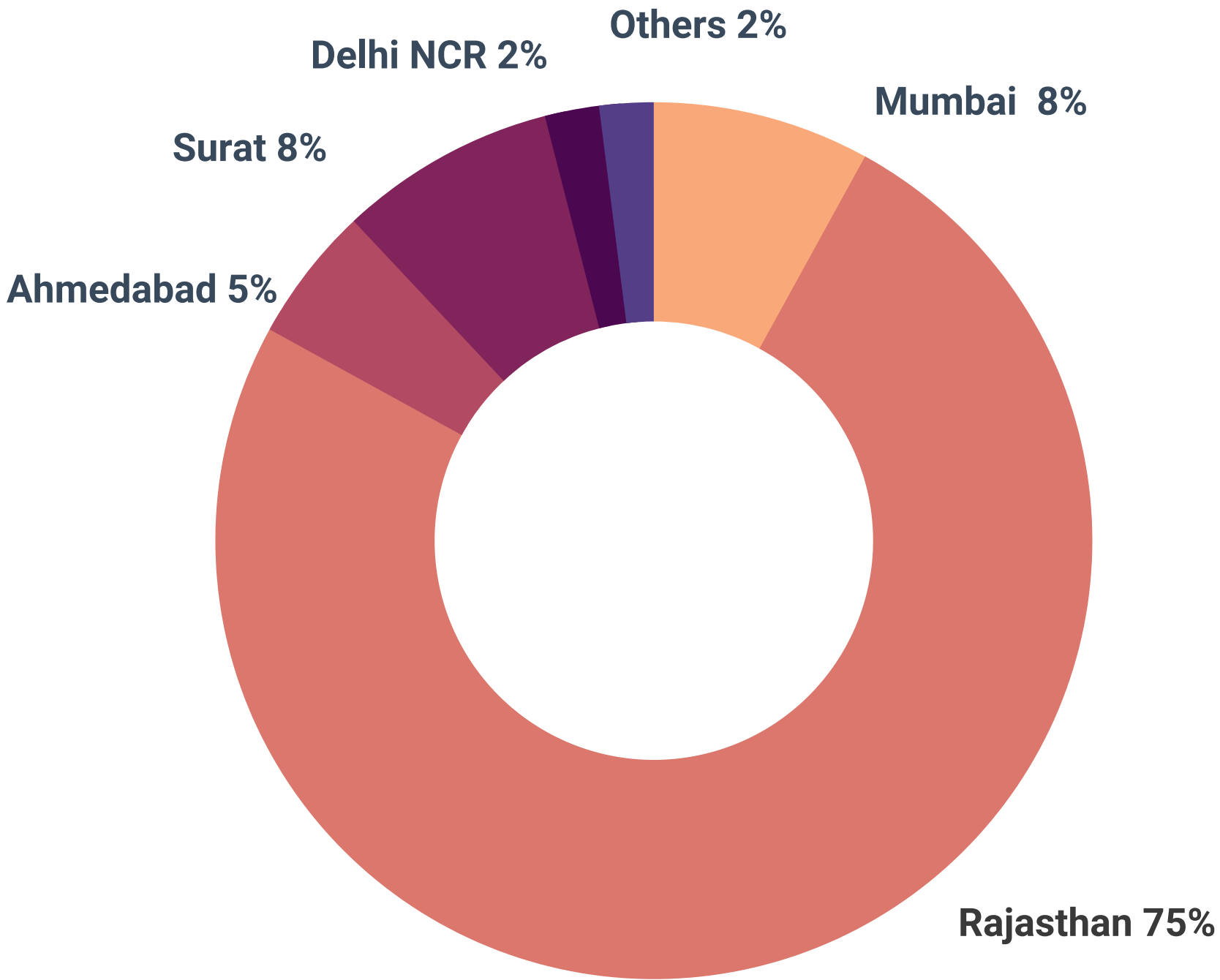
- Cash Flow-Controlled Lending
- Faster Repayment Resulting Sluggish Portfolio Growth



# REG - Geographical Distribution

March 2018

September 2022



- Rajasthan's concentration reduced from 75% to 29%
- Penetration in Tier-1 cities increased from 17% to 60%

# REG - Portfolio Features

**Affordable  
Housing Projects**

**42%**

**Top 10 Customer**

**22% Exposure  
(18 Projects)**

**Active RERA  
Projects**

**173  
(92% portfolio)**

**Average Loan  
Lifecycle**

**2.5 years**

**Average RERA  
Projects Ticket  
Size**

**Rs. 14.20 Crs**

**Average  
Retail Ticket  
Size**

**Rs. 0.9 Crs**

## Synergy with Liability:

Account	EOP in Crs
Current Accounts including RERA A/cs*	~75
Saving Accounts	~5
Term Deposits	~35
<b>Total Liability Book</b>	<b>~115</b>

(\*Includes credit balance in CC/OD)

## Thruputs:

Activities	Avg Quarterly Volumes
NOC Issuance	~1,000+
Escrow Transfers	~3,500+
Subsequent Tranches	~350+



**Cashflow Controlled Lending**

**Locations Focus - Tier 1 Cities**

**Average Ticket Size <15 Crs (RERA Projects)**

**Priority - Affordable Housing Projects**

# REG - Underwriting Practices and Philosophy

**Philosophy**



- No Dependency on Funding
- Towards Asset Creation
- Concentration of Borrower
- Significant Lender to Borrower
- Financial Closure of Project
- Control over Project Cashflows

**Practices**

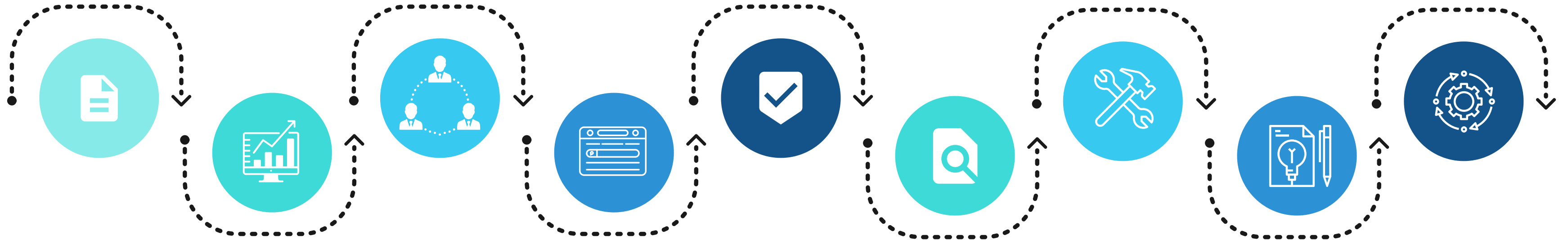
Credit Based Business Sourcing

Pro Active & Continuous Customer Engagement

Direct Liaising with Customer

Construction Activity-Based Disbursement

System Based Post On-Boarding Servicing

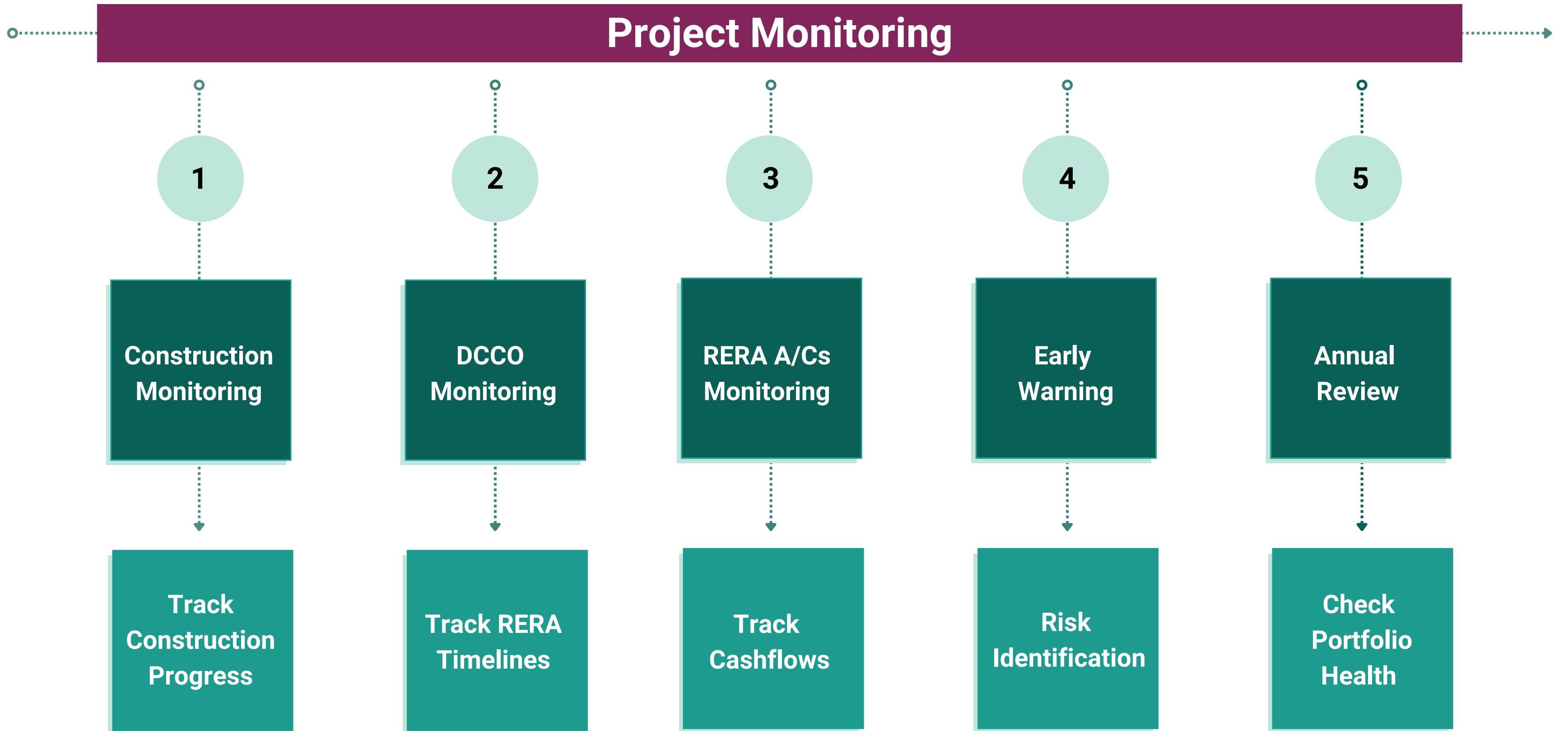


Pre-login Joint PD by Credit & Business

Philosophy Based Underwriting

Onsite Due Diligence

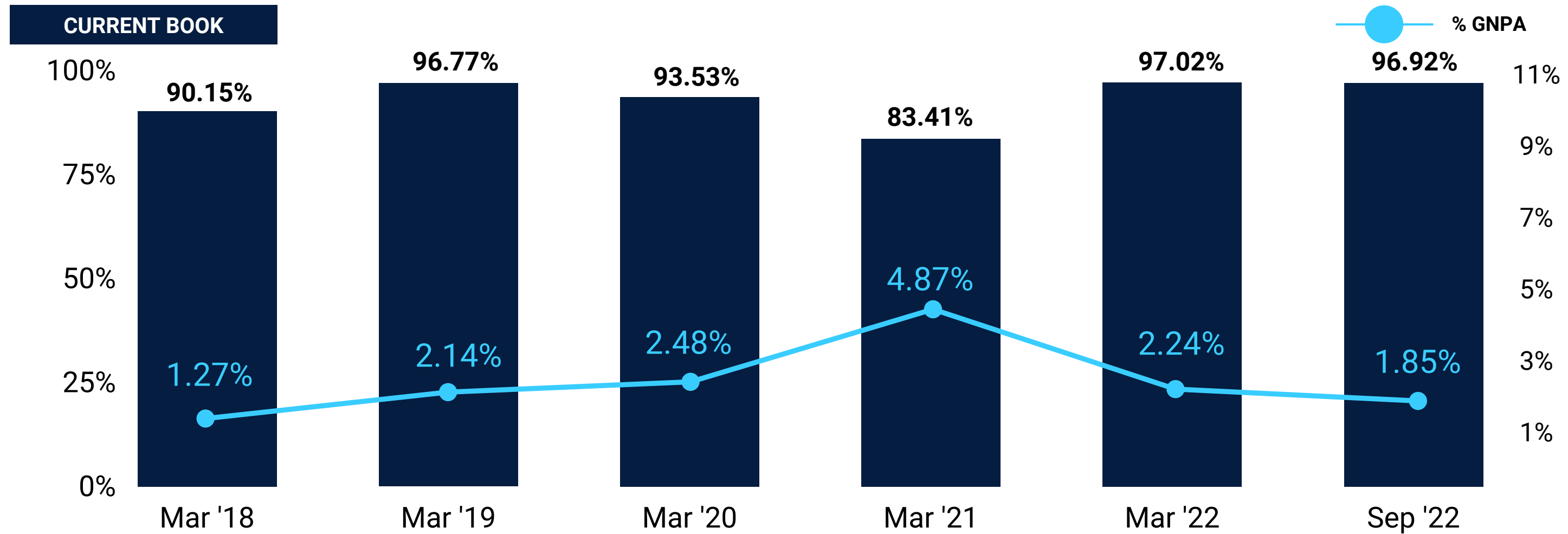
Complete Control Over Project Accounts





# REG - Portfolio Health & Asset Quality

## Asset Quality



- 96.92% Book – Current

- 90+ DPD – Only 3 customers

- No customer on-boarded post April'17 turned NPA

- 100% Gross NPAs – Provided for

- Security Cover Range – 1.5x to 2.0x

- Receivable Cover Range – 2.0x to 2.5x



# Transaction Banking

● ● ●



# Transaction Banking – Enabling Holistic Banking

## Synergy with Asset Businesses



- Leverage Lending Relationships for Cross-sell
- Sole Lending Relationships can be Harnessed for Transaction Banking Business

## Maximizing wallet share



- Capture More Banking Business Wallet Share – CASA Balances, Trade & Fx Flows
- Ecosystem Banking Provides More Cross-sell Opportunity

## Higher RoA



- Maximize Income & Improve ROA
- Low-cost Balances & NFB Fee Income Improves Return on Risk Weighted Assets

## Higher Customer Retention



- Transactional relationship and superior customer experience creates loyalty and exit barriers
- Recurring and stable business through transactional product offerings

## Core Banker



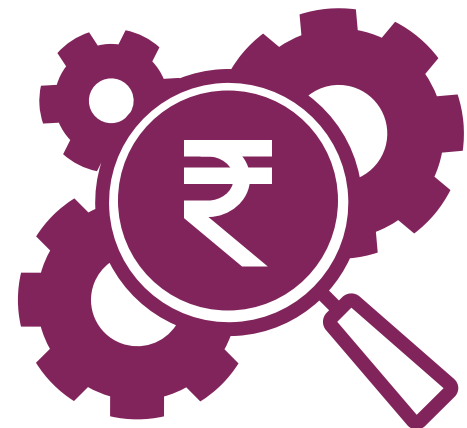
- Position AU SFB as core bank of customer meeting all customer requirements
- First right of refusal for all future banking business

## Risk Mitigation



- Ring fencing customer's cashflows
- Transaction data monitoring provides early warning signals

## I. Cash Management Services



- Holistic Integrated Collection and Payment Solutions (**4X increase in CMS customers since Mar 2021**)
  - CMS Cross Sell through Sales Channels and Continuous Product Additions and Upgrades
- Advanced Cash Management Solutions capability – API Banking Services (**Bespoke Implementations**), Enhanced **QR** and **UPI solutions**
- Customized CMS Offerings for large clients/segments (**NBFCs, Govt Banking, Payment Aggregators**)
- Partnerships and alliances for segment specific offerings - **eShiksha, Tally Integration, Govt Banking Solutions**

## II. Trade Finance



- Inland Trade Finance Products – Bank Guarantees, Letters of Credit, LC Backed Bill Discounting
- Inland Bill Discounting (Sales/Purchase Invoices) for the working capital needs of clients
- Referral business with partner banks for Cross-border Trade Finance and Remittances

# Transaction Banking – Key Priorities

1

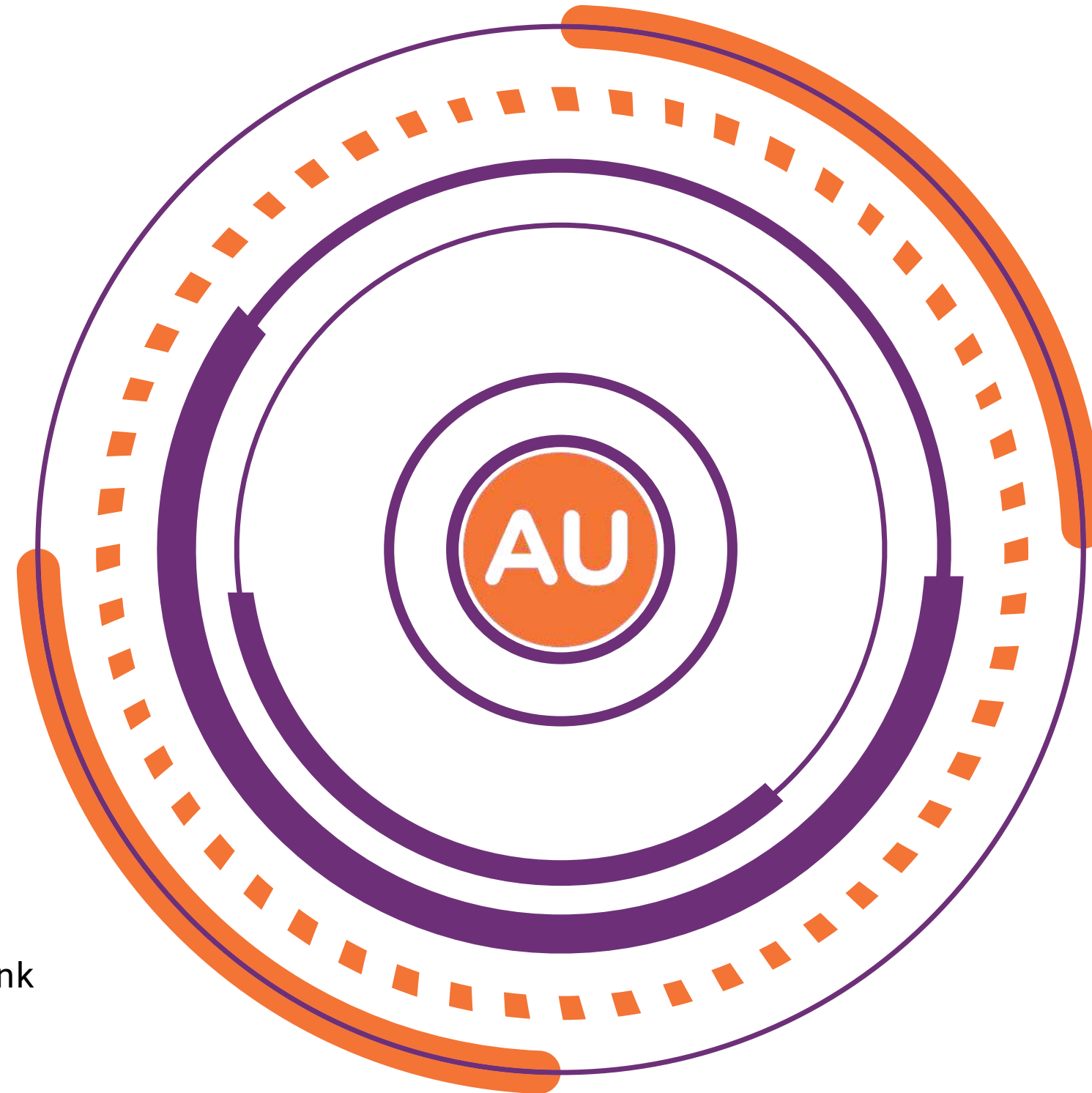
## BUSINESS SCALE UP

- CASA Scale up – Operative accounts through CMS Cross-Sell
  - Leverage branch network
  - Specialist CMS Sales
- Build & Scale Up New Business:
  - Supply Chain Finance
  - Funded Trade Finance

2

## EXPAND PRODUCT SUITE

- CMS Offerings –
  - PF /ESIC/Custom payments
  - Sub-membership for Co-op Bank
  - Aadhar based NACH
  - Nodal Accounts



## DIGITAL APPLICATIONS

3

- Superior Digital Channels
  - Upgraded Corp Net Banking
  - Merchant App for SMEs
  - Digital Trade Portal
- Process Digitalization
  - Digital Trade workflow
  - Electronic Bank Guarantee

## BUSINESS MULTIPLIERS

4

- Alliances and Partnerships
  - Connected Banking for Accelerating Acquisition of liability relationships
- Leverage Data Analytics for Cross-Sell
  - Right Product Cross-Sell
  - Ecosystem Banking



# Commercial Banking – Digitization & Digital Adoption

## Digitalization Of Internal Process



Loan Origination  
System



Digital Documents  
Extraction



Transaction Process  
Digitization

## Digital Channels For Superior Customer Experience



Advanced Corporate  
Net Banking with  
Comprehensive  
functionalities



Mobile app for  
merchants and  
SMEs under  
development



Digital Trade Portal  
for facilitating  
online trade  
transactions

Building Partnership Across Platforms & Ecosystems

# Key Takeaways for Commercial Banking

- **High Synergy** with Branch Banking Franchise & **Lower Cost** of **Customer Acquisition**
- Continued Focus on Opex, Asset Quality, Holistic Banking & Fee Based Income for **ROA Accretion**
- Significant Opportunities to Grow Each Business with **Growth in Economy**
- Balance Sheet-based Lending with **Better Visibility** on Cashflows owing to **GST & Banking Data**
- Potential to **Increase Fee Income** from Trade & Fx once Bank Transition to AD Category (I)
- Continue to Focus on **Transaction Banking** to Build CA Book & **Lower Cost of Fund**
- Focus on **Digitization** to Enhance Customer Experience



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**Thank You!**

