

Ref. No. AAVAS/SEC/2019-20/155

Date: August 01, 2019

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

Sub: Investor Presentation on the Unaudited Financial Results for the Quarter Ended on June 30, 2019

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

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

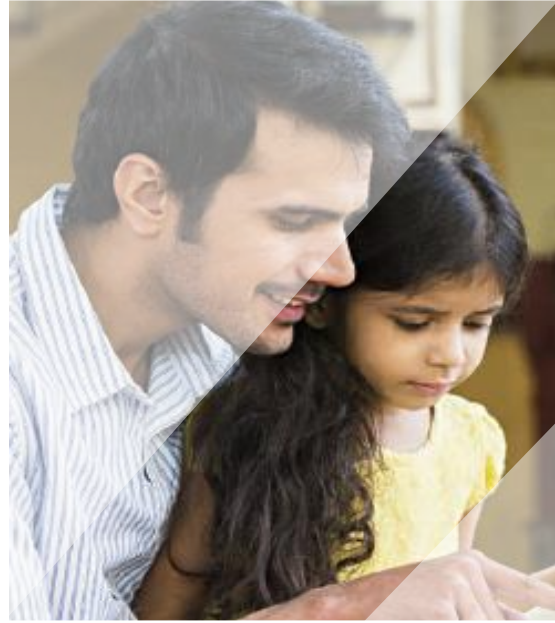
This is for your information and record.

Thanking You,

For Aavas Financiers Limited


Sharad Pathak
Company Secretary & Compliance Officer
(FCS-9587)
Enclosed: a/a





AAVAS FINANCIERS LIMITED

Investor Presentation – 3M FY20

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

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

Our Background



Commenced operations in 2011
from Jaipur, Rajasthan



Regulated by 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



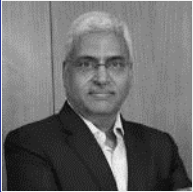
Retail network of 211 branches



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



Krishan Kant Rathi **Chairman & Independent Director**

Qualifications: Chartered Accountant, Company Secretary

Prior Engagements: Future Group, AU Small Finance Bank, H & R Johnson India, KEC International and Motilal Oswal Private Equity Advisors



Sandeep Tandon **Independent Director**

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

Prior Engagements: Tandon Advance Device, Accelyst Solutions



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



Sushil Kumar Agarwal **Managing Director* & CEO**

Qualifications: Chartered Accountant, Company Secretary

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



Manas Tandon **Non-executive Nominee Director**

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

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



Nishant Sharma **Non-executive Nominee Director**

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

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



Kalpana Iyer **Independent Director**

Qualifications: Chartered Accountant

Prior Engagements: Citibank N.A., IncValue Advisors



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.



Kartikeya Dhruv Kaji **Non-executive Nominee Director**

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

Prior Engagements: Perella Weinberg Partners and Merrill Lynch, Temasek

Professional Management Team



Sushil Kumar Agarwal - Managing Director* & CEO

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



Ghanshyam Rawat - Chief Financial Officer

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



S Ram Naresh - Chief Business Officer

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



Ashutosh Atre - Chief Credit Officer

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



Rajeev Sinha - Senior Vice President - Operations

- Prior associated with Indiabulls, CoinTribe



Surendra Sihag - Senior Vice President - Collections

- Prior associated with Bajaj Finance, Cholamandalam



Avinash Kumar - Chief Technology Officer

- Prior associated with Vulcan Express, Humara labs



Anurag Srivastava - Senior Vice President - Data Science

- Prior associated with Deloitte, WNS, American Express



Sharad Pathak - Company Secretary & Compliance Officer

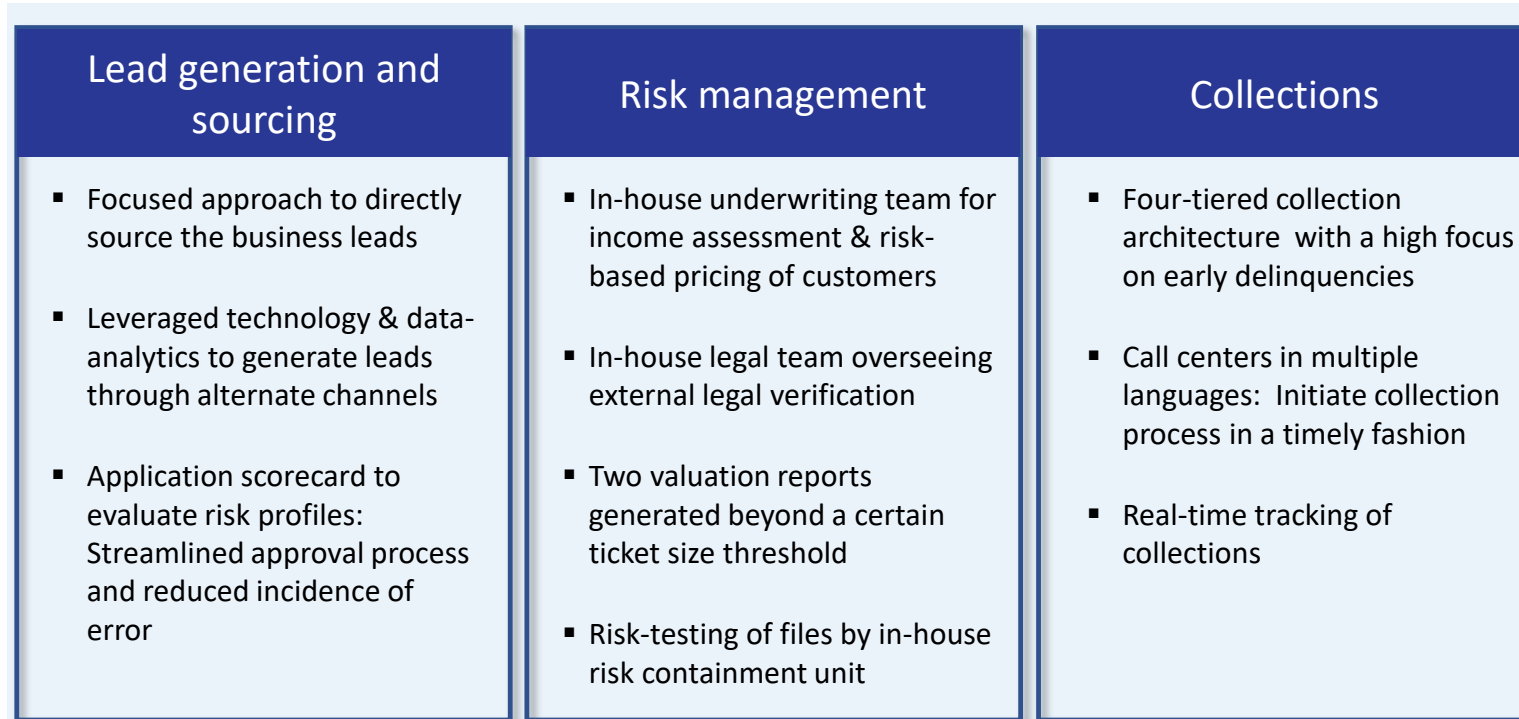
- Associated with Aavas Financiers since May 2012



Vijay Sethi - Senior Vice President - Human Resources

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

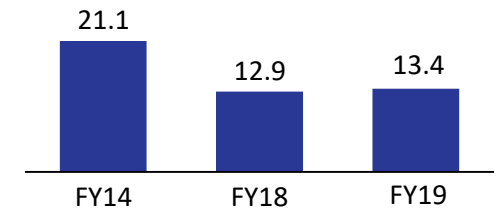
In-house execution model – Replicated across the states



Superior Business Outcome

1. Reduction in average TAT (days)

Turn around time is a key metric for employee incentives



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

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

4. High collection efficiency and low GNPA

Lead Generation



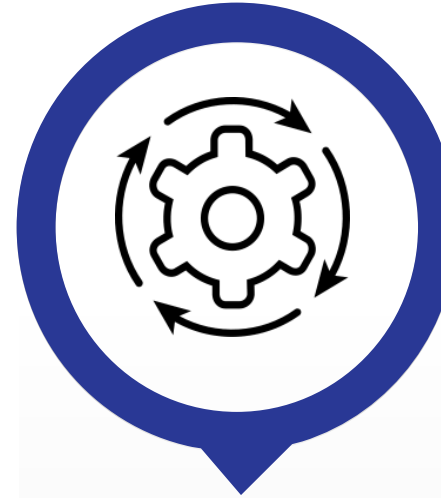
- Majority of the leads are logged in through the sourcing app
- Application scorecard: For Auto-rejection / fast tracking leads
- Mobile app to leverage proponents of housing ecosystem

Underwriting



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

Operations



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

Collections



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

Improving Credit Ratings

Long-Term Credit Rating

CARE

Jun-19

AA- /
Stable



Mar-17

A+ /
Stable

ICRA

Jun-19

A+ /
Positive



Mar-16

A /
Stable

CRISIL

Jun-19

A+ /
Stable



Aug-12

BBB+ /
Stable

Short-Term Credit Rating

Reaffirmed

CARE

Jun-19

A1+

Mar-18

A1+

ICRA

Jun-19

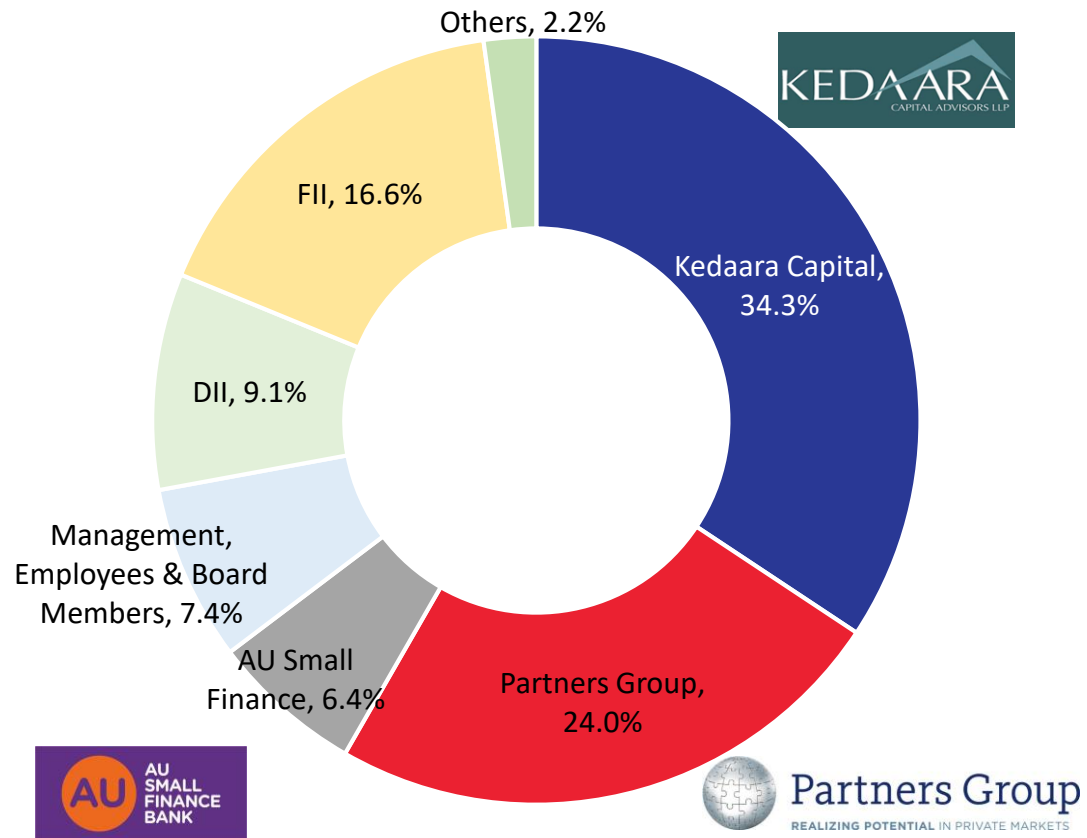
A1+

Mar-18

A1+

Diversified Shareholding Base

Shareholding Pattern as on
30th June 2019



Top Institutional Shareholders as on 30th June 2019

Investor Details	% Holding
AU Small Finance Bank	6.42
SBI Mutual Fund [^]	5.84
Nomura Asset Management [^]	2.67
Buena Vista Fund Management	1.94
Matthews Asia [^]	1.62
DSP Mutual Fund [^]	1.41
Wasatch Advisors [^]	1.32
Wellington Management [^]	1.25
HSBC Global Asset Management [^]	1.23
Amundi Asset Management	1.07
Kotak (Offshore) Asset Management	0.99

[^]Holding through various schemes/funds

Housing Sector – Under-penetrated



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

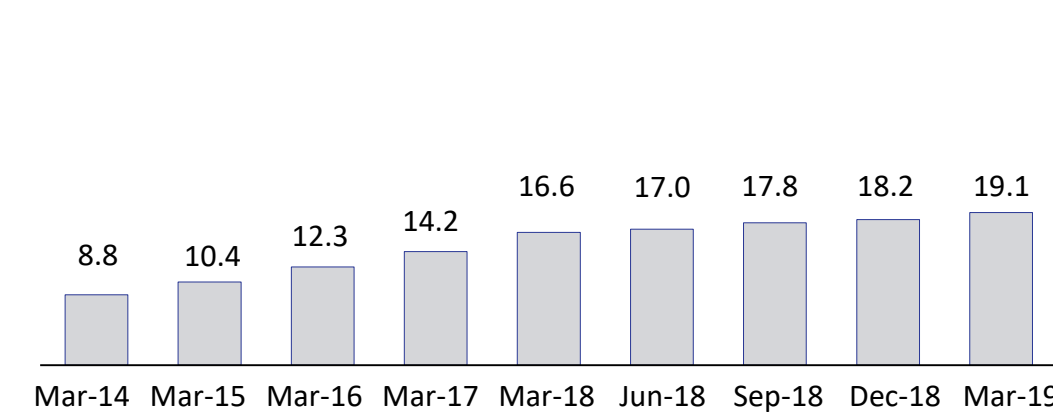
Size of Opportunity

Indian Housing Finance

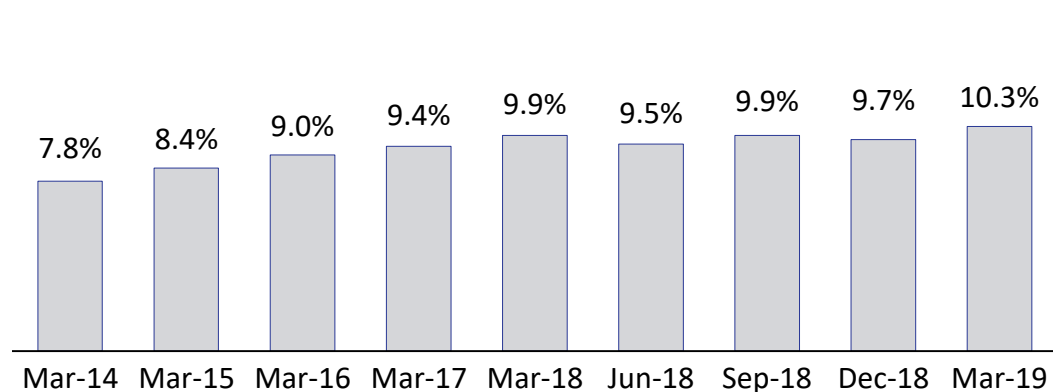
Market Size (as on Mar-19)	₹ 19.1 Trn	
YoY Growth (as on Mar-19)	+15% Banks – 19%, HFCs & NBFCs – 9%	
Market Share (as on Mar-19)	Banks - 64%	HFCs & NBFCs - 36%

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



Mortgage Penetration (%)



Measures from Government and Regulator



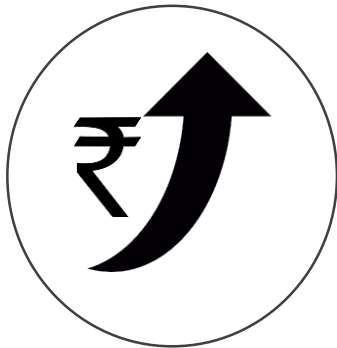
NHB tightens applicable norms for HFCs

NHB has increased the minimum CAR from 12% at present to 15% & reduced the maximum leverage from 16 at present to 12 in a phased manner by March 2022



Regulation & Supervision of HFCs

Regulatory authority over HFCs shifted to RBI while their supervision will continue with NHB



Lending boost to NBFCs

Government will provide a one-time six-month partial credit guarantee (for first loss up to 10%) to public sector banks for purchase of high-rated pooled assets of financially sound NBFCs amounting to a total of Rs. 10,00,000 Mn



RBI extends dispensation on securitization norms

RBI has extended the relaxation of minimum holding period requirement (from 12 months to 6 months) with regards to securitization of loans having original maturity of 5 years and more by NBFCs till 31-December-2019 from earlier 31-May-2019

Demand Side

Interest Subsidy Scheme (CLSS – Credit Linked Subsidy Scheme)

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

Improving Affordability

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

GST rate reduction

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

Supply Side

Income Tax Expenses

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

“Infrastructure” status to Affordable Housing

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

Budgetary Allocation

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

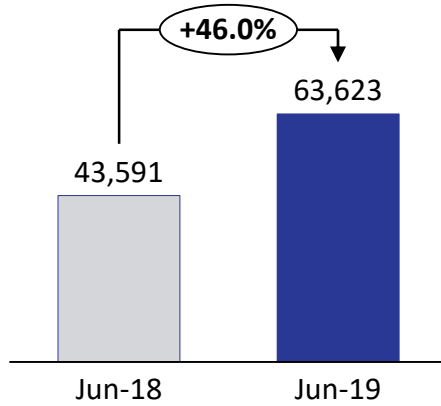


Financial Performance

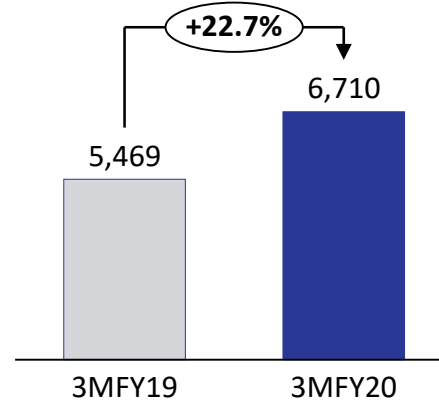
- ✓ Key Business Parameters
- ✓ Geographical Distribution
- ✓ Spreads and Margins
- ✓ Asset Quality
- ✓ Liability Franchise
- ✓ Key Ratios

Performance Highlights

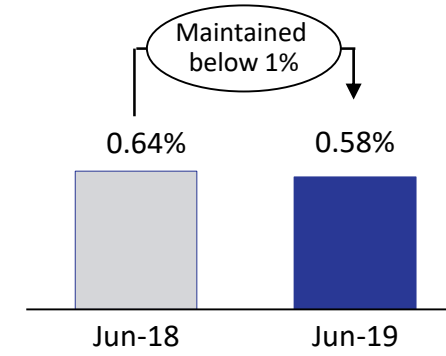
AUM (₹ Mn)



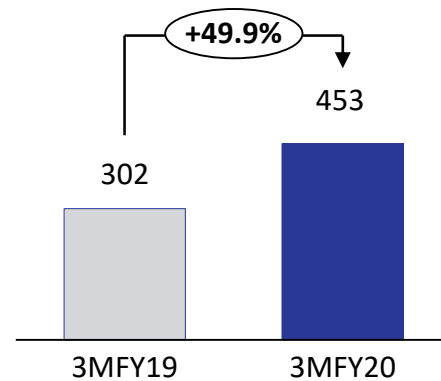
Disbursement (₹ Mn)



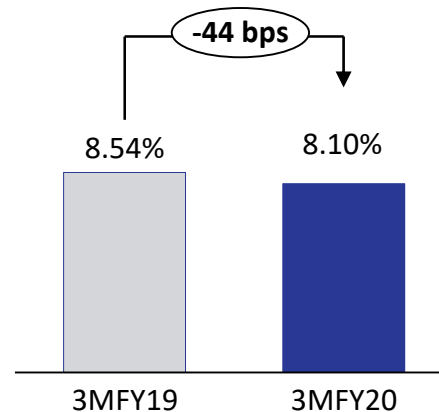
GNPA (%)



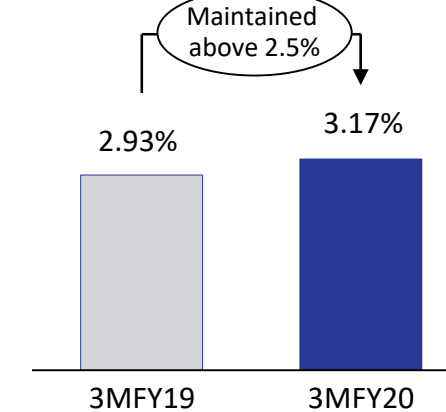
PAT* (₹ Mn)



NIM (%)



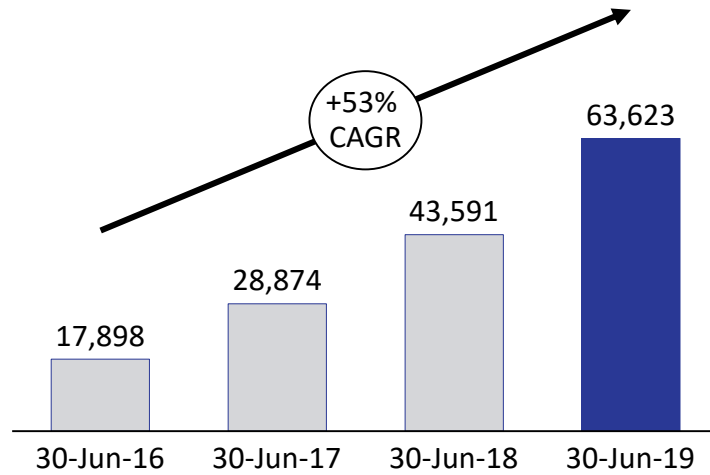
ROA (%)



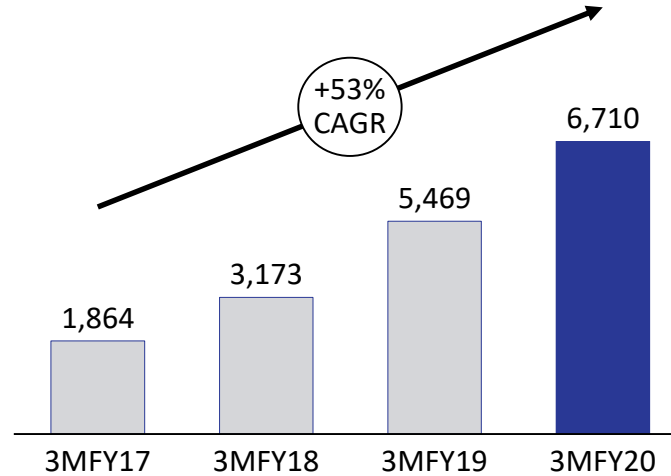
Average Amount[^] per
Active Loan Account
₹ 0.85 Mn

Healthy Business Growth

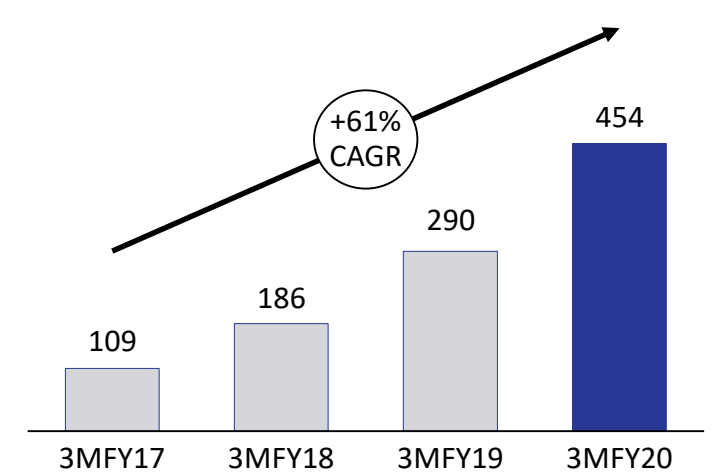
AUM (₹ Mn)



Disbursements (₹ Mn)



PAT (₹ Mn)



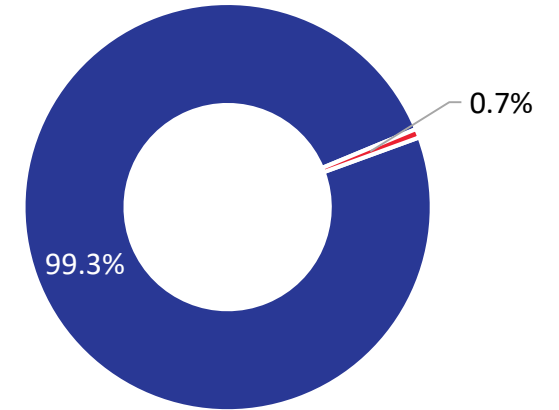
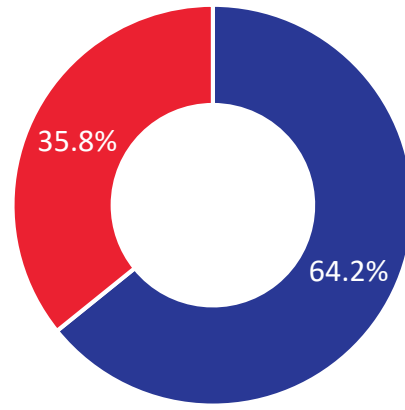
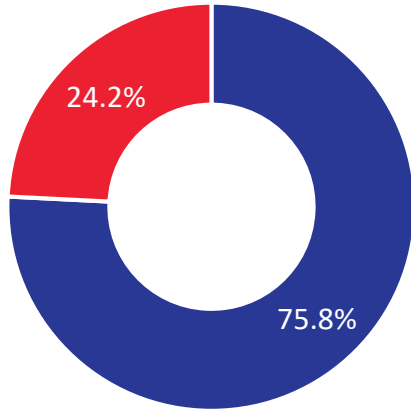
AUM Break-up

Product Category (₹ Mn)

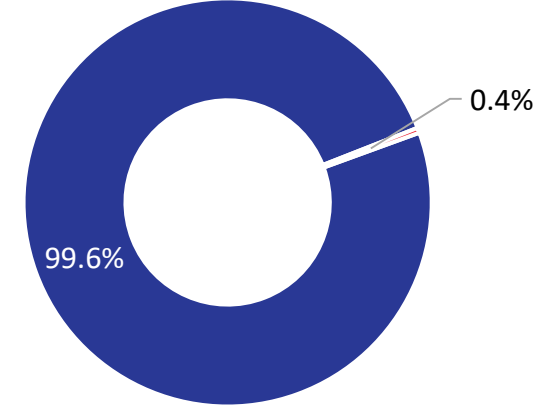
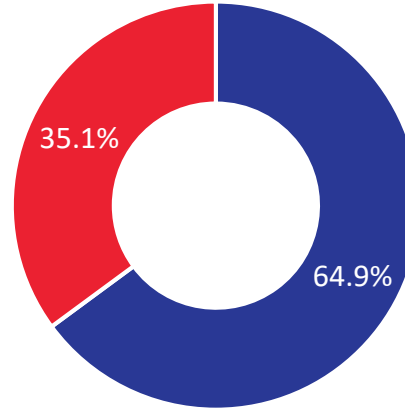
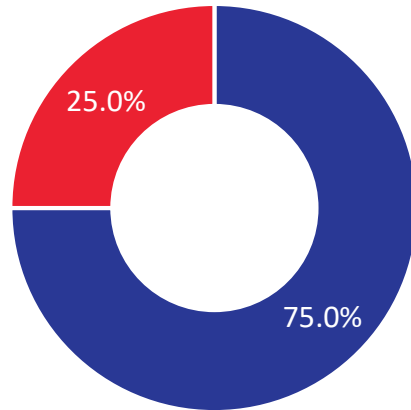
Occupation Category (₹ Mn)

Customer Category (₹ Mn)

30-Jun-18



30-Jun-19



■ Home Loan ■ Other Mortgage Loan

■ Self-Employed ■ Salaried

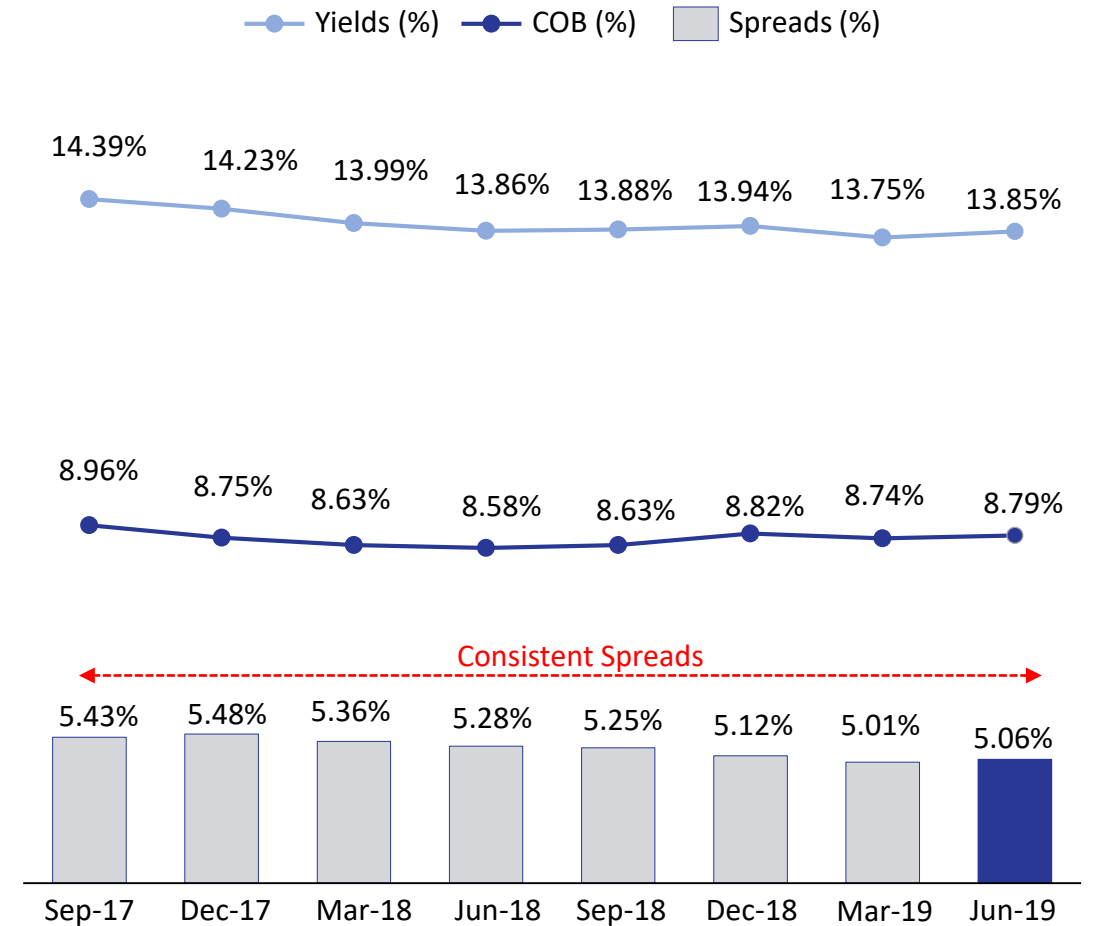
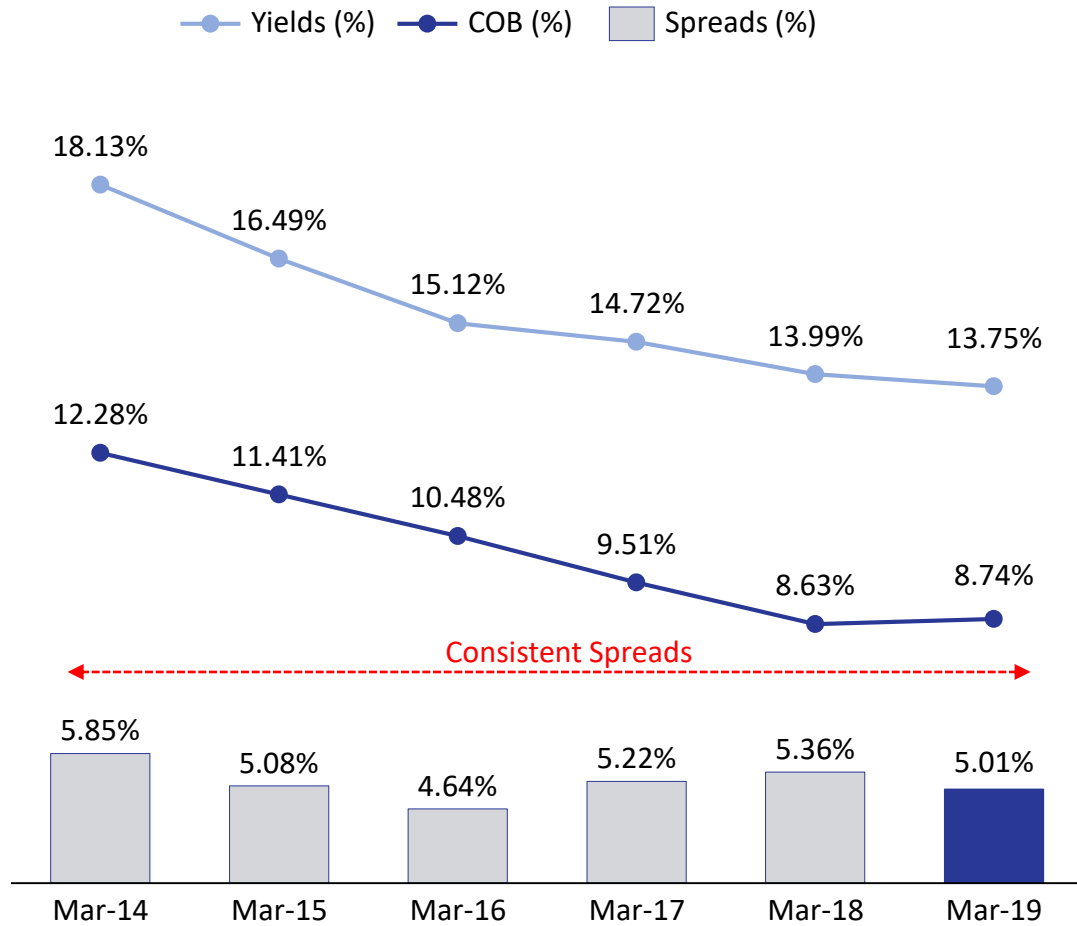
■ Retail ■ Corporate

Geographical Distribution

State	Branches	Operations Commenced in
Rajasthan	78	2012
Maharashtra	39	2012
Gujarat	32	2012
Madhya Pradesh	32	2013
Delhi	4 [^]	2013
Haryana	11 [*]	2017
Chhattisgarh	5	2017
Uttar Pradesh	5	2018
Uttarakhand	5	2018
Total	211	

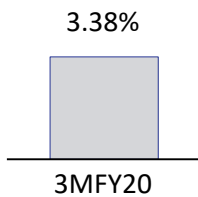
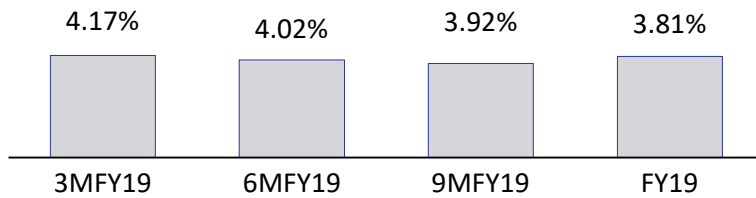
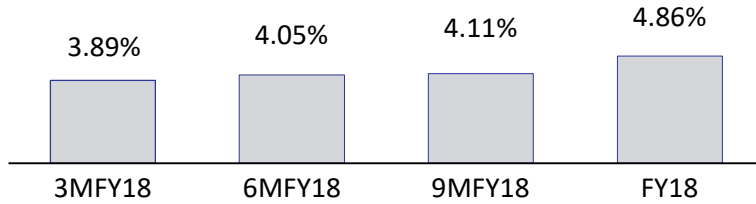
Consistent Spreads

Yields, Cost of Borrowings (%) and Spreads

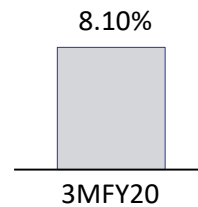
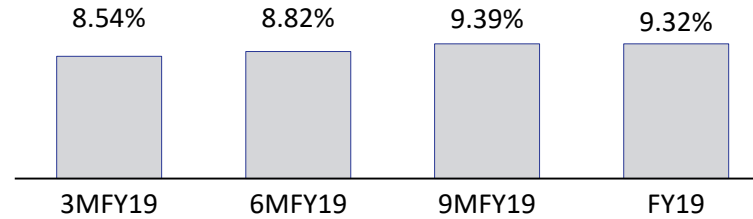
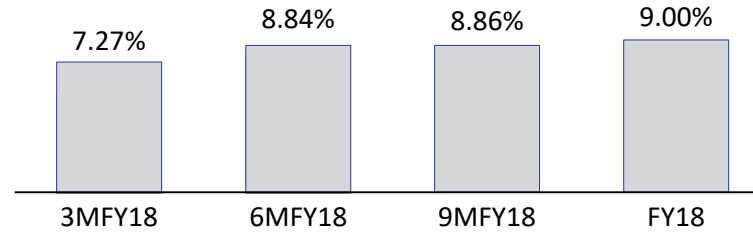


Margin and Cost Efficiency

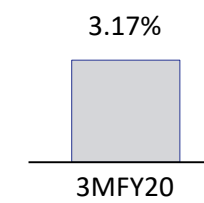
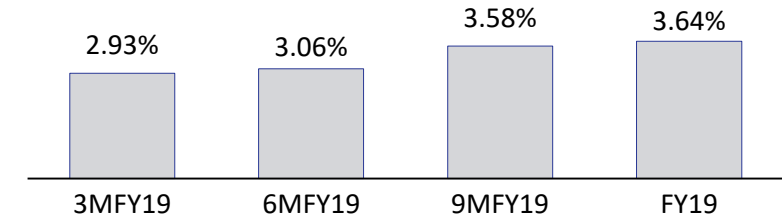
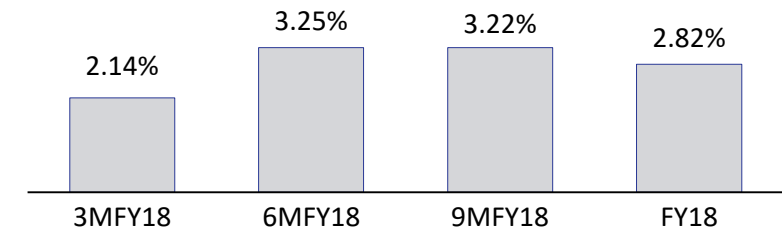
OpEx (%)



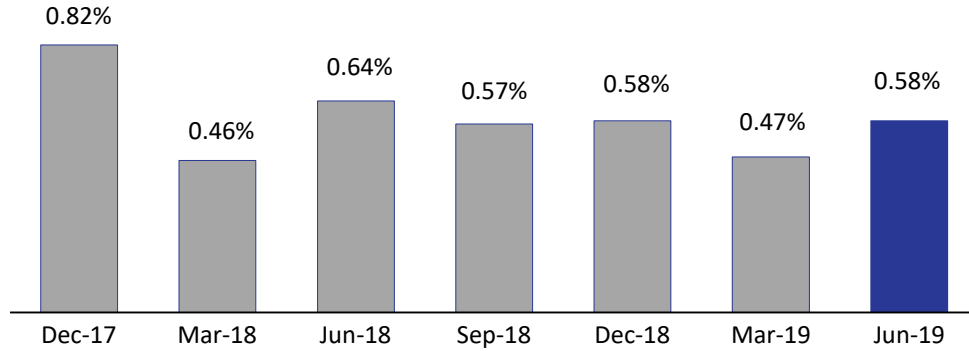
NIM (%)



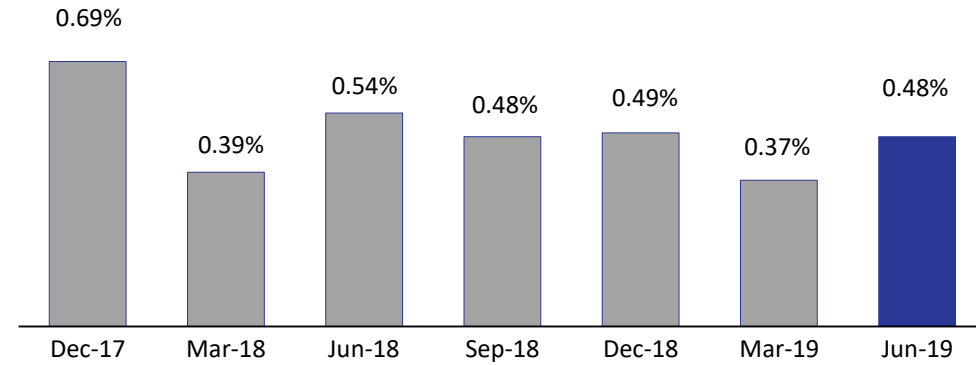
ROA (%)



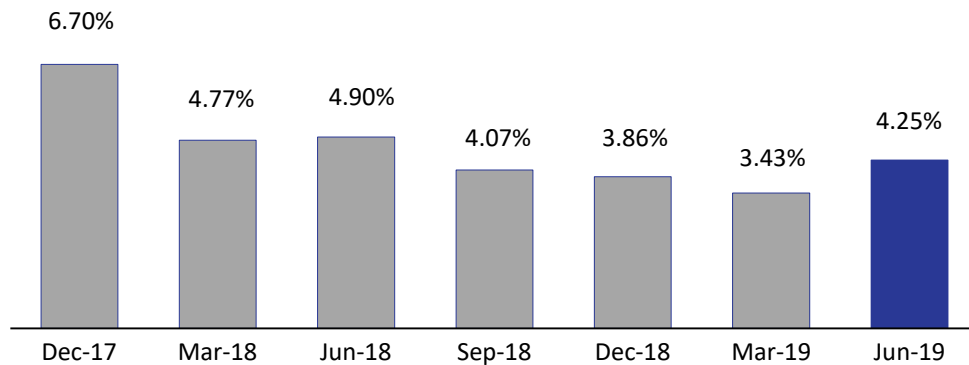
Gross NPAs (%)



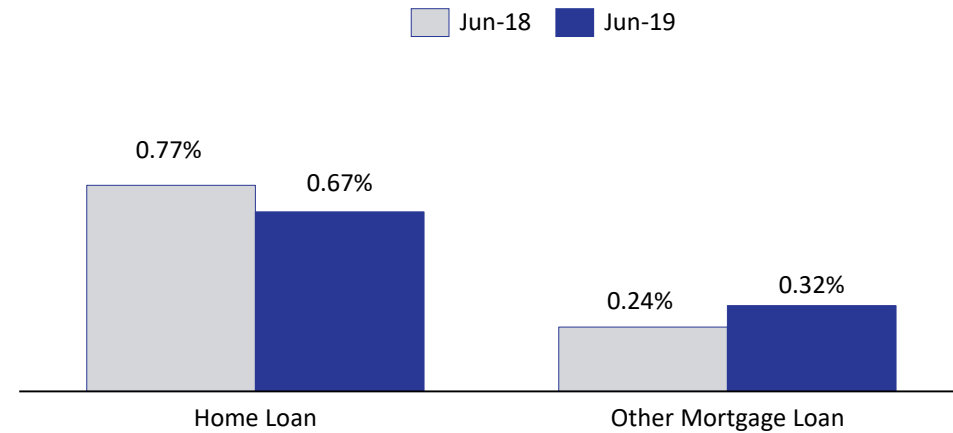
Net NPAs (%)



1+DPD (%)



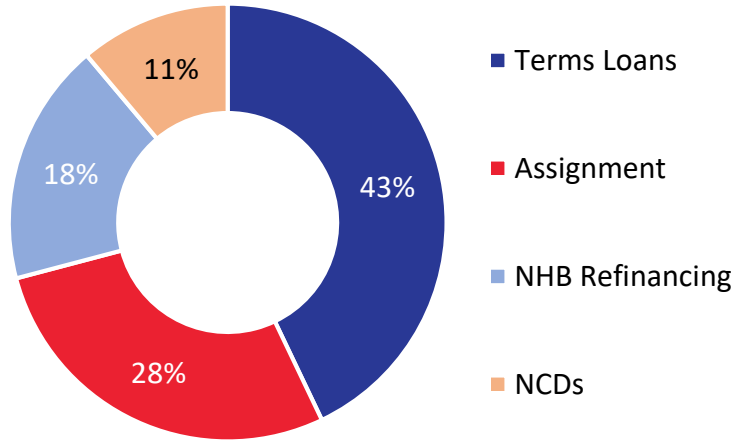
Segment-wise GNPA's



Robust Liability Franchise

Diversified Funding Mix

As on Jun-19



35 Lenders*

Diversified Mix

143 Months

Average Borrowing Tenor

No exposure

to Commercial Papers

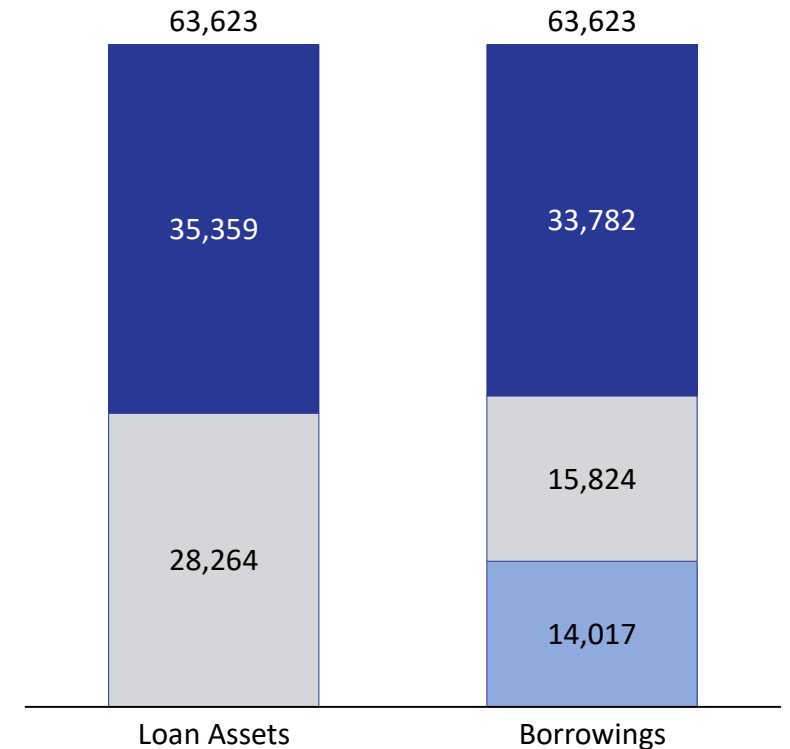
**Incremental Q1 FY20 borrowings
₹ 2,741 Mn for 157 months at 9.04%**

NCD Investor	Exposure (₹ Mn)	Payment Schedule (₹ Mn)							
	30-Jun-19	H1 FY20	H2 FY20	FY21	FY22	FY23	FY24	FY25	FY26
Mutual Fund	2,000	-	500	500	-	-	1,000	-	-
CDC	2,000	-	-	-	-	500	500	500	500
IFC	1,300	-	-	-	-	1,300	-	-	-
Insurance Company	100	-	-	-	-	-	100	-	-
Total (Mn)	5,400	-	500	500	-	1,800	1,600	500	500

Loan Assets & Borrowings (₹ Mn)

As on Jun-19

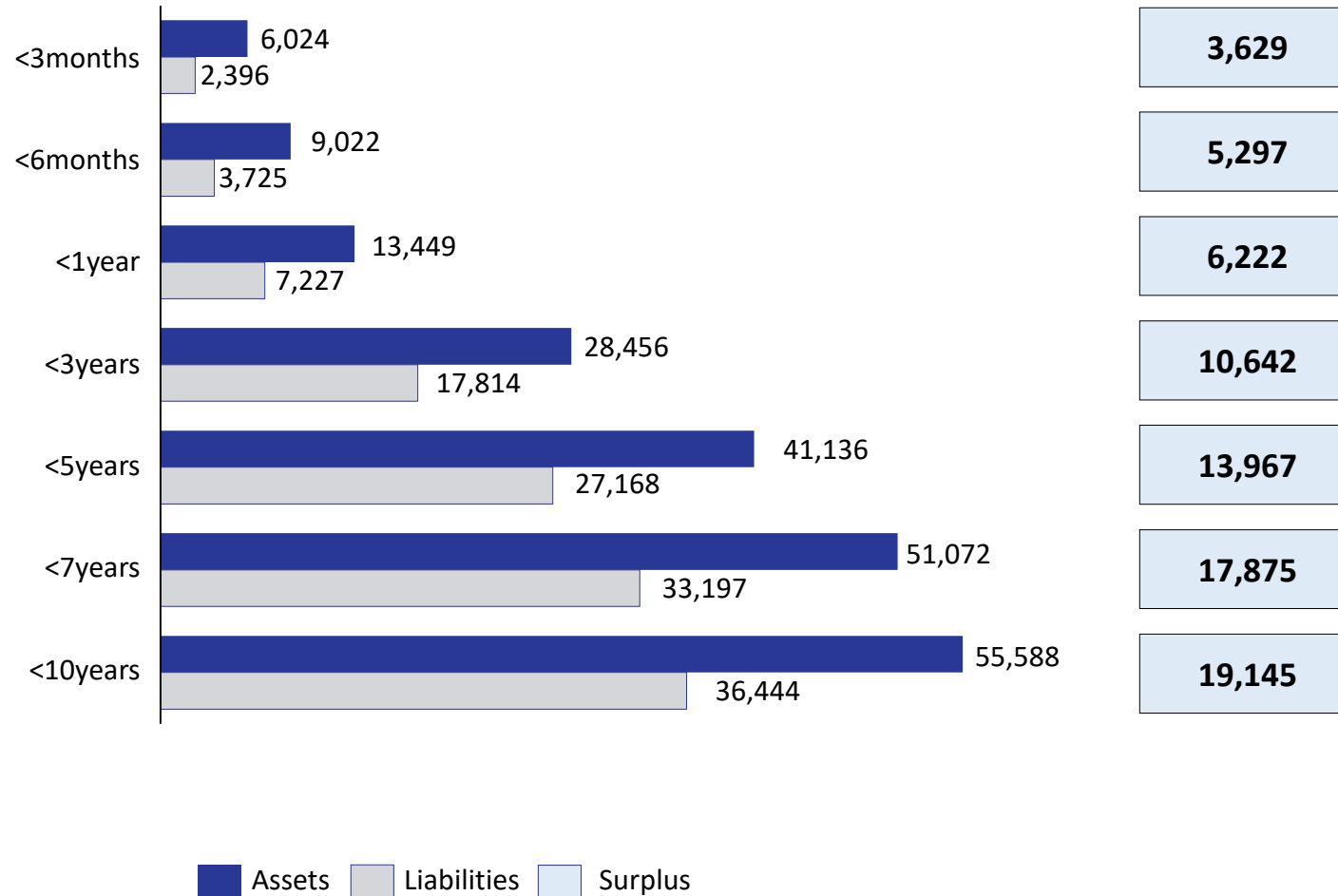
■ Floating ■ Fixed ■ Equity



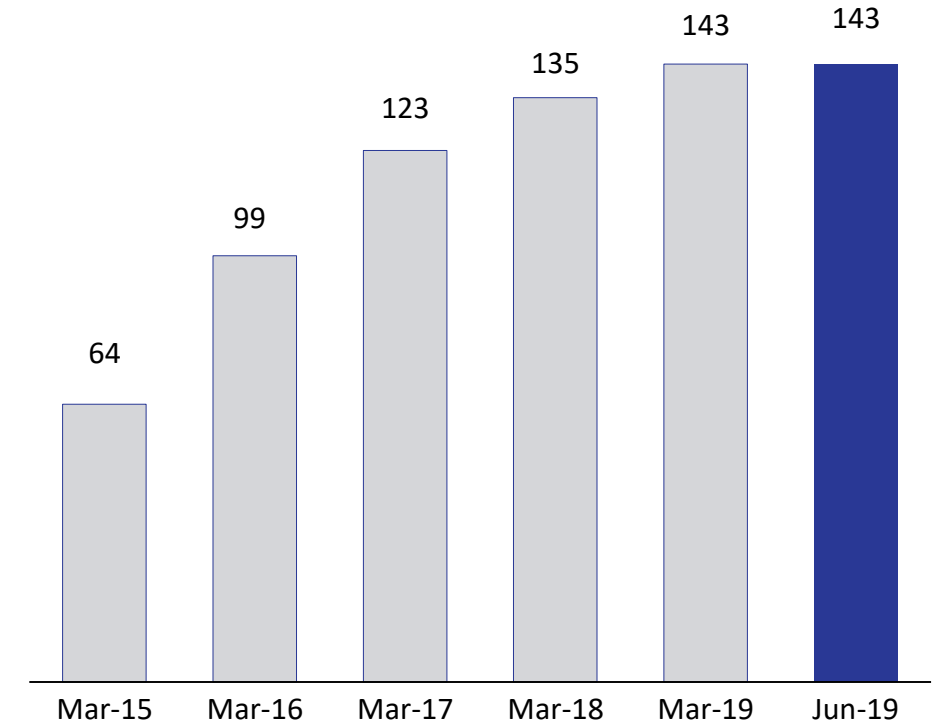
* Bank of Baroda, Dena Bank & Vijaya Bank considered as a single lender due to merger effective 01st April 2019

Surplus Management* (₹ Mn)

As on Jun-19



Average tenor of outstanding borrowing (months)



* Data as per IGAAP

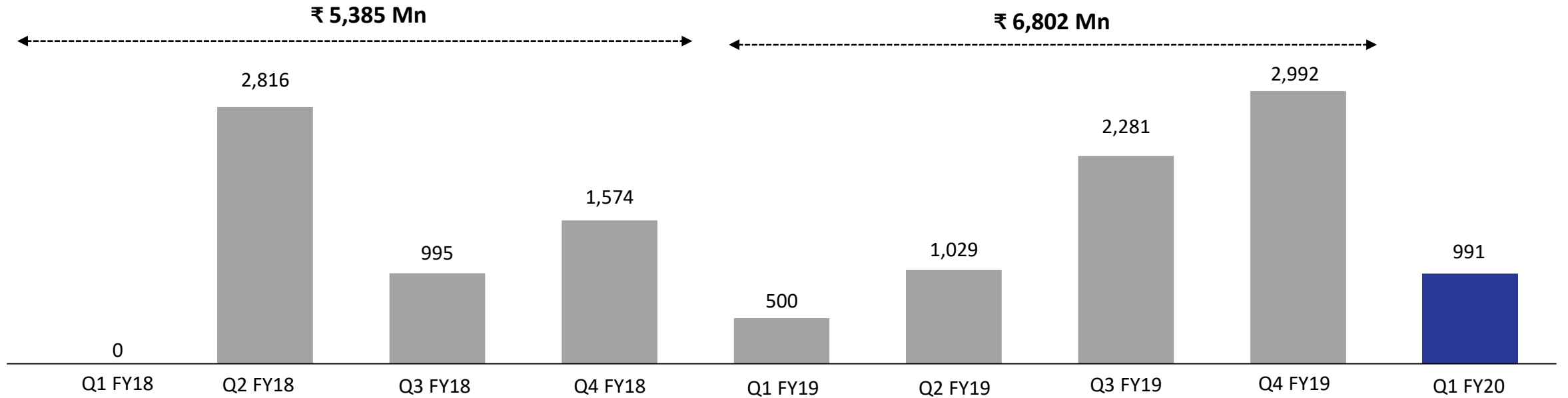
Comfortable Liquidity Position

Particulars (₹ Mn)	As on Jun-19	Q2 FY20	Q3 FY20	Q4 FY20
Cash & Cash Equivalents	6,250			
Un-availed Sanctions	8,540			
Opening Liquidity		14,790	16,623	18,478
Add: Principal Repayments & Surplus from Operations		2,862	3,061	3,316
Less: Debt Repayments		1,029	1,207	1,563
Closing Liquidity		16,623	18,478	20,230

~ ₹ 20,230 Mn of Surplus Funds* available for business

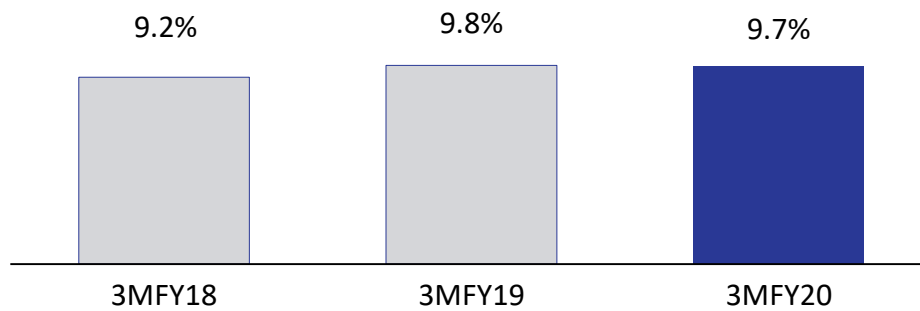
* without including any incremental borrowings

Net Securitization Volume

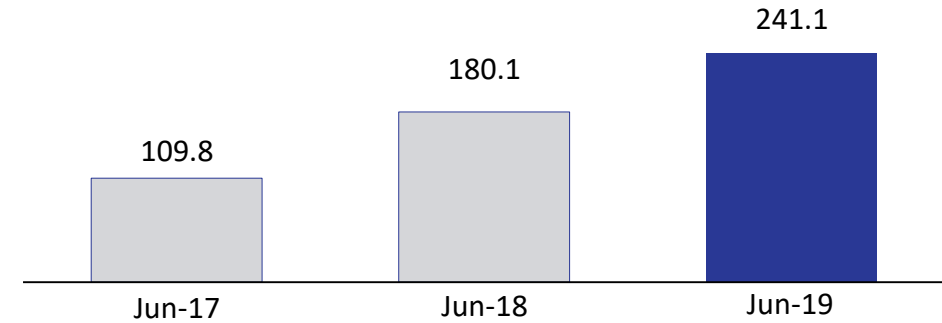


Key Financial Ratios

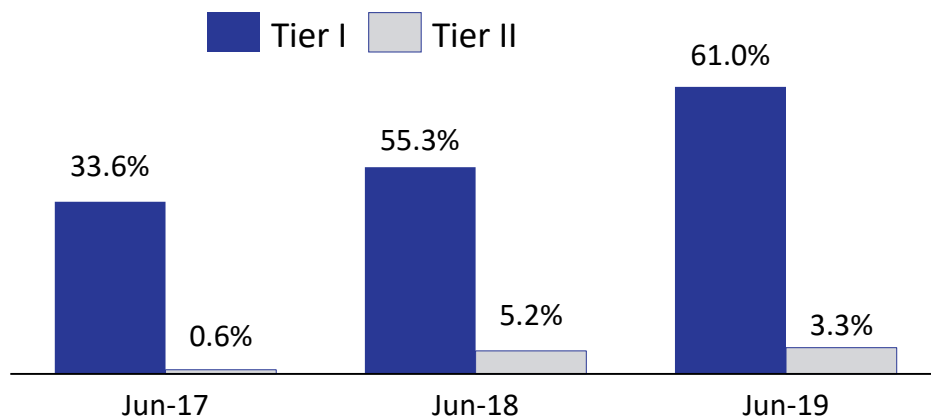
ROE (%)



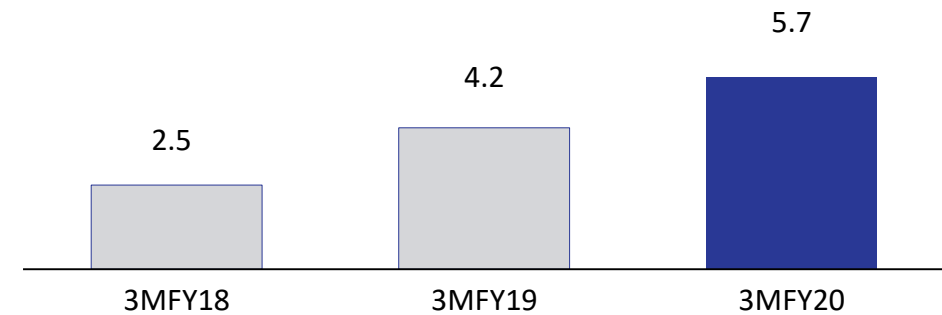
Book Value Per Share (₹)



Capital Adequacy Ratio (%)



Earning Per Share* (₹)





Annexures

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

Quarterly Profit & Loss Statement

Particulars (₹ Mn)	Q1 FY20	Q1 FY19	Y-o-Y
Interest Income (incl. Processing Fee)	1,905.7	1,423.7	
Interest Expenses	803.9	581.4	
Net Interest Income	1,101.8	842.3	30.8%
Non-Interest Income	69.5	47.3	
Non-Interest Expenses	495.5	438.0	
Provisions, Contingencies and Write Offs	32.5	24.5	
Profit Before Tax	643.4	427.1	50.6%
Provision for Taxation	190.3	126.5	
Profit After Tax	453.1	300.7	50.7%
Total Comprehensive Income	453.1	302.3	49.9%
EPS (Diluted)	5.7	4.2	

Balance Sheet

Particulars (₹ Mn)	30-Jun-19	31-Mar-19
Sources of Funds		
Share Capital	781.1	781.1
Reserves & Surplus	18,050.9	17,588.5
Borrowings	37,625.4	36,532.5
Deferred Tax Liability (Net)	403.2	427.5
Other Liabilities & Provisions	1,363.5	938.7
Total	58,224.1	56,268.3
Application of Funds		
Loan Assets	51,135.1	47,244.9
Investments	45.0	45.0
Fixed Assets	218.0	229.1
Other Assets	6,826.1	8,749.3
Total	58,224.1	56,268.3

PAT Reconciliation

Particulars (₹ Mn)	Q1 FY20	Q1 FY19	Y-o-Y
Net Profit as per IGAAP	453.7	290.0	56.5%
<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	9.0	7.6	
Fair valuation of employee stock options (ESOP)	(9.3)	(35.5)	
Adoption of effective interest rate (EIR) for amortisation of expenses - financial liabilities at amortised cost	(1.7)	(0.8)	
Incremental gain from excess interest spread on assignment transactions	(61.7)	14.4	
Expected Credit Loss (ECL) provision	2.0	2.9	
Other Adjustments	3.7	(5.6)	
Deferred Tax impact on above adjustments and reversal of DTL on special reserve	57.4	27.7	
Net Profit Before Other Comprehensive Income as per IndAS	453.1	300.7	50.7%
Other Comprehensive Income after Tax	-	1.6	
Total Comprehensive Income as per IndAS	453.1	302.3	49.9%

ECL Provisions

Particulars (₹ Mn)	30-Jun-19	30-Jun-18
Gross Stage 3 GNPA	299.4	231.0
% portfolio in Stage 3 (GNPA%)	0.58%	0.64%
ECL Provision Stage 3	55.2	37.0
Net Stage 3	244.2	194.0
Coverage Ratio % Stage 3	18.43%	16.00%
Gross Stage 1 & 2	50,976.9	36,122.5
% portfolio in stage 1 & 2	99.42%	99.36%
ECL Provision Stage 1 & 2	86.1	61.5
Net Stage 1 & 2	50,890.8	36,061.0
ECL Provision % Stage 1 & 2	0.17%	0.17%
Total Assets	58,224.1	42,248.5
% portfolio	88.07%	86.05%
ECL Provision	141.3	98.5
Net Stage	58,082.8	42,150.1
ECL Provision %	0.28%	0.27%

Networth Reconciliation

Particulars (₹ Mn)	30-Jun-19
Net worth as per previous GAAP	17,540.1
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	(190.0)
Adoption of EIR for amortisation of expenses - financial liabilities at amortised cost	53.8
Incremental gain from excess interest spread on assignment transactions	1,384.9
Expected Credit Loss (ECL)	44.1
Other Adjustments	(25.9)
Deferred Tax impact on above adjustments and reversal of DTL on special reserve	25.0
Networth as per Ind AS	18,832.0



SAPNE AAPKE, SAATH HAMAARA

Aavas Financiers Limited

(Formerly known as Au HOUSING FINANCE LIMITED)

CIN: L65922RJ2011PLC034297

Mr. Himanshu Agrawal

investorrelations@aavas.in

www.aavas.in

SGA Strategic Growth Advisors

Strategic Growth Advisors Private Limited

CIN: U74140MH2010PTC204285

Ms. Payal Dave / Ms. Neha Shroff

payal.dave@sgapl.net / neha.shroff@sgapl.net

www.sgapl.net



Thank You !