



ICFL/LS/0054/2020-21

18 June 2020

BSE Limited

Listing Department, 1st Floor,
P J Towers, Dalal Street, Fort ,
Mumbai - 400 001

National Stock Exchange of India Limited

Exchange Plaza, C-1, Block G,
Bandra Kurla Complex,
Bandra (E), Mumbai – 400 051

Scrip Code: 541336

Symbol: INDOSTAR

Sub.: Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**Listing Regulations**”)

Dear Sir/ Madam,

Pursuant to Regulation 30 of Listing Regulations and in continuation to our letter reference no. ICFL/LS/0052/2020-21 dated 17 June 2020, intimating schedule of one-on-one conference call(s) with following analyst(s) / institutional investor(s), please find enclosed Presentation on Audited Financial Results (Standalone and Consolidated) of the Company for the quarter and financial year ended 31 March 2020 to be discussed on the said calls:

| Sr. No. | Particulars of Conference Calls | Date & Time |
|---------|--|---|
| 1 | ICICI Prudential Life Insurance Co Ltd | 18 June 2020 2:00 p.m. - 2:50 p.m. |
| 2 | Sundaram Asset Management Co Ltd | 18 June 2020 4:30 p.m. - 5:20 p.m. |
| 3 | Edelweiss Asset Management Limited | 19 June 2020 10:30 a.m. - 11:20 a.m. |
| 4 | HDFC Standard Life Insurance | 19 June 2020 1:00 p.m.- 1:50 p.m. |

Request you to kindly take the above on record and disseminate the same on your website.

Thanking you,

Yours Truly,

For IndoStar Capital Finance Limited



Jitendra Bhati

SVP – Compliance & Secretarial
(Membership No. F8937)

Encl: a/a

IndoStar Capital Finance Limited

Registered Office : One Indiabulls Centre, 20th Floor, Tower 2A, Jupiter Mills Compound, Senapati Bapat Marg, Mumbai - 400013, India
T +91 22 4315 7000 | F +91 022 4315 7010 | contact@indostarcapital.com | www.indostarcapital.com
CIN : L65100MH2009PLC268160



INDOSTAR CAPITAL FINANCE LIMITED

18 June 2020

This presentation and the accompanying slides (the “Presentation”) have been prepared by IndoStar Capital Finance Limited (“IndoStar” or the “Company”) solely for information purposes and do not constitute an offer to sell or, recommendation or solicitation of an offer to subscribe for or purchase any securities and nothing contained herein shall form the basis of any contract or commitment whatsoever.

The information contained in this Presentation should be considered in the context of the circumstances prevailing at the time and has not been, and will not be, updated to reflect material developments which may occur after the date of the Presentation. The information set out herein may be subject to updating, completion, revision, verification and amendment and such information may change materially. This presentation is based on the economic, regulatory, market and other conditions as in effect on the date hereof. It should be understood that subsequent developments may affect the information contained in this presentation, which neither the Company nor its affiliates, advisors or representatives are under an obligation to update, revise or affirm.

You acknowledge and agree that the Company and/or its affiliated companies and/or their respective employees and/or agents have no responsibility or liability (express or implied) whatsoever and howsoever arising (including, without limitation for any claim, proceedings, action, suits, losses, expenses, damages or costs) which may be brought against or suffered by any person as a result of acting in reliance upon the whole or any part of the contents of this Presentation and neither the Company, its affiliated companies nor their respective employees or agents accepts any liability for any error, omission or misstatement, negligent or otherwise, in this Presentation and any liability in respect of the Presentation or any inaccuracy therein or omission therefrom which might otherwise arise is hereby expressly disclaimed.

Certain statements contained in this Presentation may be statements of the Company’s beliefs, plans and expectations about the future and other forward looking statements that are based on management’s current expectations or beliefs as well as a number of assumptions about the Company’s operations and factors beyond the Company’s control or third party sources and involve known and unknown risks and uncertainties that could cause actual results to differ materially from those contemplated by the relevant forward looking statements. Forward looking statements contained in this Presentation regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. There is no obligation to update or revise any forward looking statements, whether as a result of new information, future events or otherwise. You should not place undue reliance on forward looking statements, which speak only as of the date of this Presentation.

Note : The figures for the previous period have been adjusted, wherever considered necessary to conform with the financial reporting requirements.

Our Recent Past

- ✓ Build up of retail infra & team across multiple segments – CV, SME and Housing
- ✓ Steady reduction in the wholesale book

Present Situation

- ✓ Strong position on capital and liquidity
- ✓ Normalizing Covid impact
- ✓ Prudent cost management
- ✓ Favorable industry dynamics

Future : Next 2 years

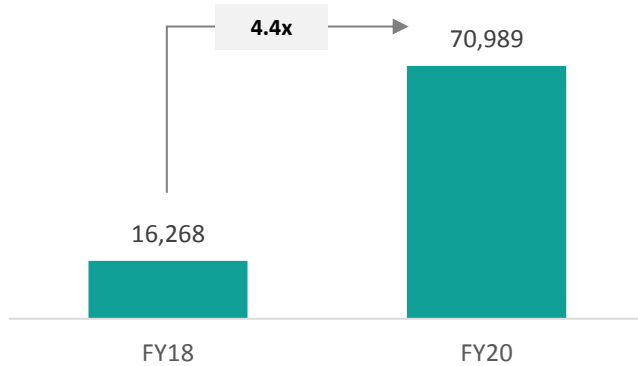
- ✓ Sector outlook; Calibrated organic growth across retail segments
- ✓ Opportunistic tuck in M&A
- ✓ Alignment for long term value creation

Our Recent Past : Last 3 years

- ❖ **Build up of retail infra & team across multiple segments – CV, SME and Housing**
- ❖ Steady reduction in wholesale book

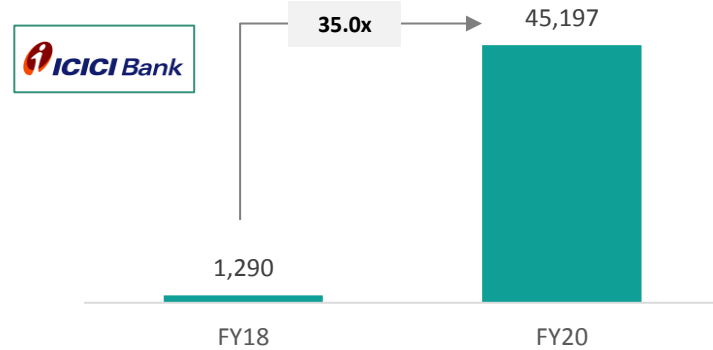
Significant growth in Retail AUMs across segments

4x+ growth in Retail AUM

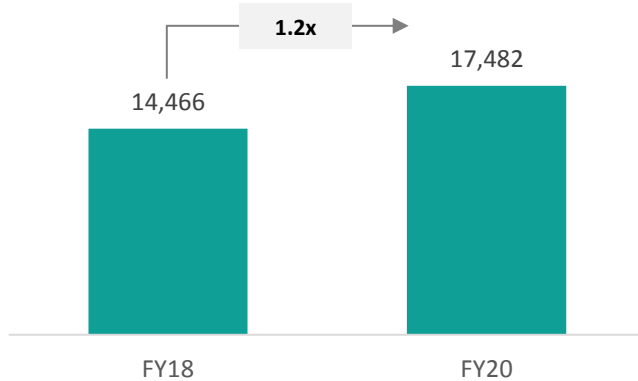


35x growth in Vehicle Finance AUM

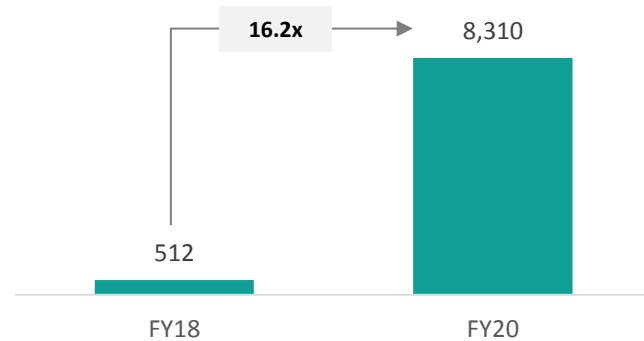
★ Scaled up ICICI Bank Partnership to AUM of INR 7,504 million



1x+ growth in SME Finance AUM

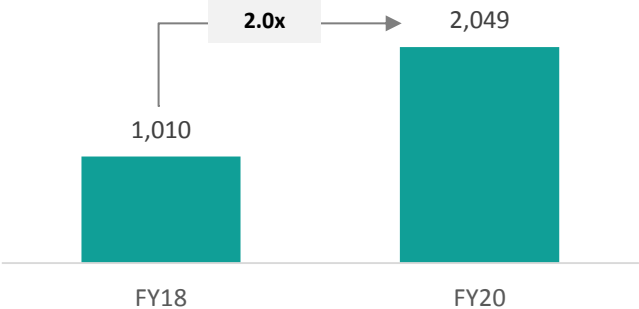


16x growth in Housing Finance AUM

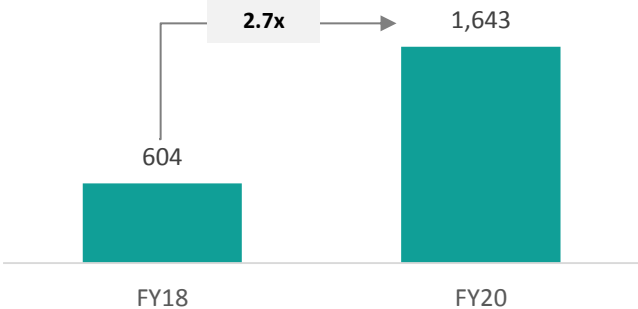


Built infrastructure to significantly grow Retail businesses

Retail: Employees

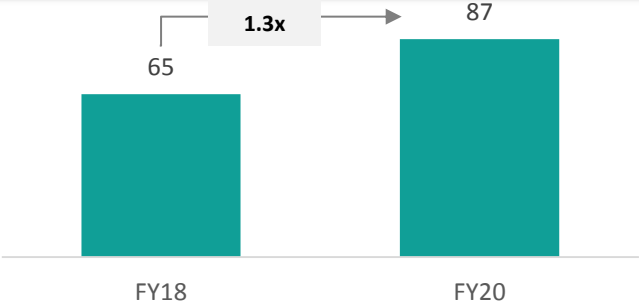


Vehicle Finance: Employees

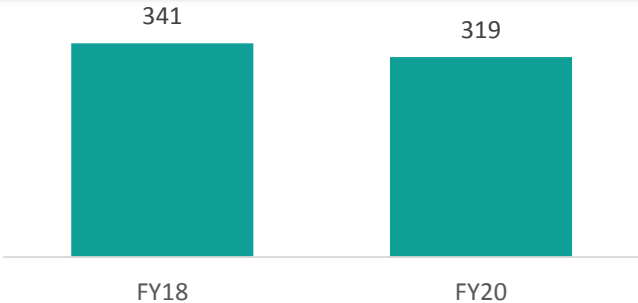


High potential to grow Housing & SME lending by increasing penetration amongst existing branches

SME Finance: Employees



Housing Finance: Employees



Our Recent Past : Last 3 years

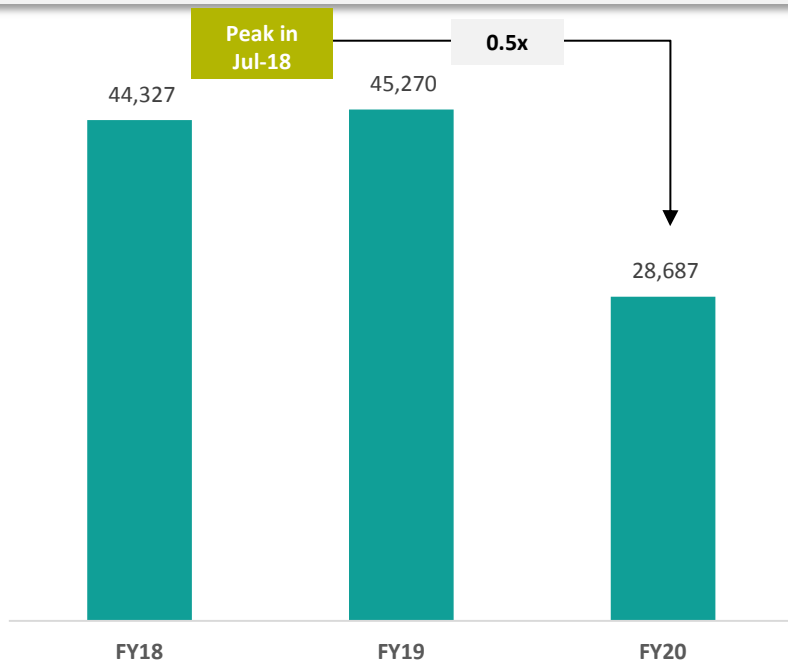
- ❖ Build up of retail infra & team across multiple segments – CV, SME and Housing
- ❖ **Steady reduction in wholesale book**

Steady reduction in the wholesale book

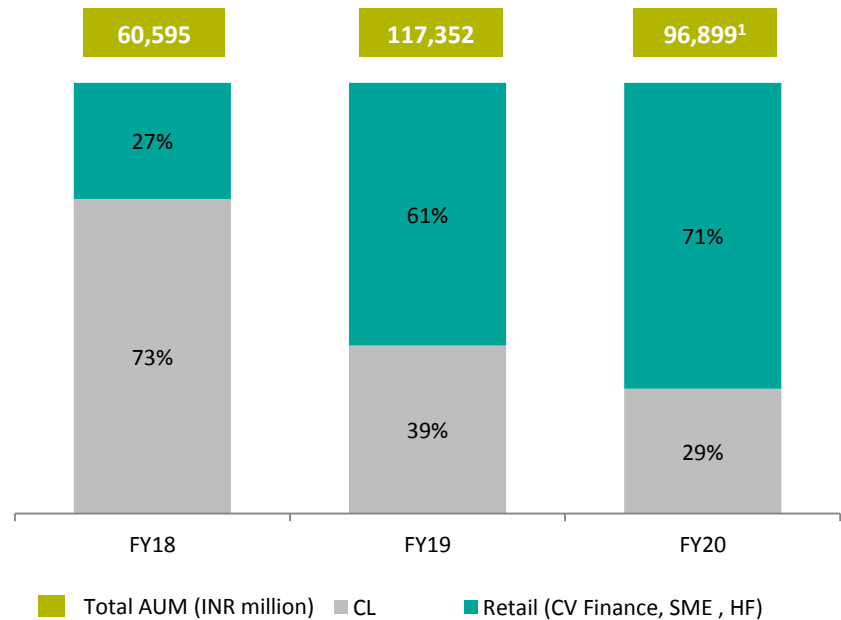
Reduced wholesale book to ~50% within last 2 years

Working to further reduce wholesale exposure, significantly

Wholesale Book (INR million)



AUM: Wholesale vs Retail (%)



Commercial Vehicle Finance: CV Finance, SME Finance: SME, Housing Finance: HF

¹ Net of Covid related provisions

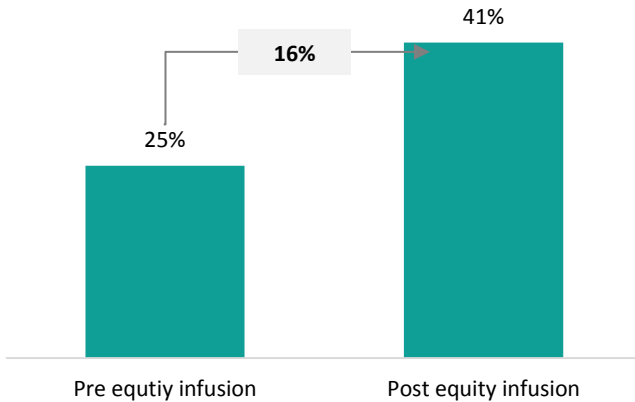
Present Situation

- ❖ **Strong position on capital and liquidity**
- ❖ Normalizing Covid impact
- ❖ Prudent cost management
- ❖ Favourable industry dynamics

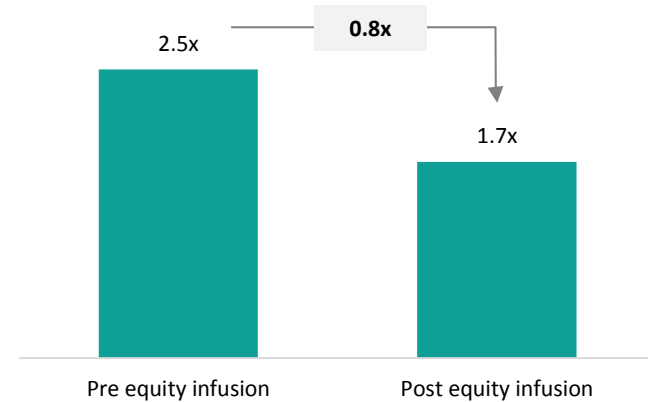
Strong position on capital and liquidity

- IndoStar has highest capital adequacy ratio amongst all the listed NBFCs
- Since lockdown, IndoStar has been able to raise additional liquidity of over INR 4,520 million
- Current Liquidity of INR 20,135 million vs. total borrowings of INR 66,798 million
- Capital infusion from Brookfield will be a catalyst for incremental bank borrowings

Capital Adequacy Ratio



Debt / Equity



Comfortable ALM position till March 2021

| Particulars (₹ mn) | Jun-20 | Q2FY21 | Q3FY21 | Q4FY21 |
|-------------------------------------|---------------|---------------|---------------|---------------|
| Opening Cash & Equivalents* | 20,135 | 16,760 | 13,984 | 14,720 |
| Loan repayment inflows [Principal] | 163 | 1,000 | 4,426 | 5,310 |
| Total Inflow | 20,298 | 17,760 | 18,410 | 20,030 |
| Liability Repayment [Principal] | | | | |
| NCDs | 250 | - | 250 | 3,576 |
| Term Loans & Others | 3,288 | 3,777 | 3,440 | 4,175 |
| ICDs | - | - | - | - |
| Total Outflow | 3,538 | 3,777 | 3,690 | 7,751 |
| Closing Cash and equivalents | 16,760 | 13,984 | 14,720 | 12,279 |

| Particulars (₹ mn) | May-20 |
|---------------------------------------|---------------|
| Cash and bank Balance | 612 |
| Liquid Investment | |
| MFs | 14,400 |
| Term Deposits | 1,141 |
| Undrawn Banks Lines | 3,984 |
| Total Cash & Equivalents * | 20,135 |

- ✓ Incremental funds raised ₹ 4,520 since lockdown
- ✓ Positive ALM across all buckets through to FY21

Present Situation

- ❖ Strong position on capital and liquidity
- ❖ **Normalizing Covid impact**
- ❖ Prudent cost management
- ❖ Favourable industry dynamics

Normalizing Covid impact

2/3rd of portfolio AUM in most affected states

| % of AUM | Wholesale | Commercial Vehicle Finance | SME Finance | Affordable Housing Finance | Total |
|----------------|------------|----------------------------|-------------|----------------------------|------------|
| Maharashtra | 76% | 11% | 29% | 23% | 36% |
| Gujarat | 3% | 7% | 16% | 6% | 7% |
| Delhi | 6% | 19% | 6% | 35% | 14% |
| Tamil Nadu | 1% | 8% | 9% | 9% | 6% |
| Madhya Pradesh | 0% | 7% | 3% | 0% | 3% |
| Total | 86% | 52% | 63% | 73% | 66% |

~90% of customers in value opted for Moratorium 1.0

| Segment | % customers opting for moratorium (Nos) | % customers opting for moratorium (Value) * | % collections in April & May from non-moratorium customers |
|----------------------------|---|---|--|
| Wholesale | 84% | 90% | 100% |
| Commercial Vehicle Finance | 75% | 88% | 100% |
| SME Finance | 92% | 92% | 100% |
| Affordable Housing Finance | 87% | 85% | 100% |

* 89% on overall value

■ Key features of moratorium 1.0 policy :

- All non-NPA customers received moratorium till May 2020
- Customers had the option to opt out of moratorium
- March 2020 EMI payments to be adjusted against June 2020 billing

■ Key features of moratorium 2.0 policy :

- Those customers who cannot pay due to Covid related business disruption receive moratorium
- Flexibility to grant moratorium from 1-3 months

Portfolio quality improvement with focus on overdue collections during lockdown

| Days Past Due | Commercial Vehicle | | SME | | Affordable Housing | |
|-------------------|--------------------|-----------------|-----------------|-----------------|--------------------|-----------------|
| | Mar 2020 | May 2020 | Mar 2020 | May 2020 | Mar 2020 | May 2020 |
| All in % * | Mar 2020 | May 2020 | Mar 2020 | May 2020 | Mar 2020 | May 2020 |
| Current | 56% | 61% | 85% | 87% | 98.1% | 98.3% |
| 0-30 | 16% | 14% | 7% | 6% | 0.7% | 0.5% |
| 31-60 | 13% | 11% | 5% | 4% | 0.2% | 0.2% |
| 61-90 | 6% | 5% | 2% | 2% | 0.2% | 0.2% |

* All % at AUM level

Present Situation

- ❖ Strong position on capital and liquidity
- ❖ Normalizing Covid impact
- ❖ **Prudent cost management**
- ❖ Favourable industry dynamics

Enhanced focus on cost control. Expect 15% reduction in Opex from INR 3,104 million in FY20

■ People cost

- Deferral of FY20 performance-linked incentives / bonus
- Deferred increments for FY21

■ Branches and Branch Opex

- Post IIFL CV book acquisition, rationalized and merged over 100 branches till date
- Plan to rationalize further branches in FY21
- Ongoing rationalization of manpower across sales, credit and collection
- Ongoing renegotiation for reduction in rentals with landlords

Present Situation

- ❖ Strong position on capital and liquidity
- ❖ Normalizing Covid impact
- ❖ Prudent cost management
- ❖ **Favourable industry dynamics**

Well poised to capitalize on the large near-term opportunity to increase market share

■ **Industry**

- Significant & accelerated consolidation in NBFC's driven by continued pressure on liabilities
- Likely bipolar world – some players will have access to liabilities and some will not
- Most NBFCs to focus on ALM & collections with high degree of freeze in near term disbursements

■ **Interest rates & Spreads**

- Interest rates likely to further reduce
- Interest rate reduction particularly beneficial for fixed rate lending books such as CV Finance

Future : Next 2 years

❖ Sector outlook

- ❖ Calibrated organic growth across retail segments
- ❖ Alignment for long term value creation

Industry

■ Challenges

- Significant contraction expected in demand for new commercial vehicles - HCVs as well as LCVs
- Industrial goods, fleet operators impacted significantly
- Steady improvement underway as vehicles have started plying from May/June

■ Silver Linings

- Used Vehicle finance expected to remain steady, given significant slump in new CVs
- Agri sector likely to prosper given limited Covid spread, good monsoons and a likely bumper Rabi crop
- Government credit guarantee scheme likely to assist part of our customer base

IndoStar

- Our exposure primarily to Used Vehicle finance, with ~3/4th of customers in rural areas
- Used CV financing is ~50% of IndoStar's CV AUM. Exposure to fleet operators is in single digits

Opportunity

- Government scrappage policy could create a INR 1 trillion lending market opportunity
- Attractive opportunity to give short term working capital loans to existing customers
- Well positioned to tap the rural boom given large rural footprint and experienced work force

Industry

■ Challenges

- Significant cash flow impact on cash salaried and self employed borrowers in “non essential” small businesses
- Subdued construction activity and weak home loan disbursements for next few quarters

■ Silver Linings

- Continued policy support for affordable housing from the Govt. - CLSS, PMAY & more

IndoStar

- LTV at origination is at 60% providing strong cushion against unfavorable property price movements

Opportunity

- We expect Affordable housing to rebound the fastest in H2FY21, particularly in case of property price correction
- IndoStar is well poised to step up on the growth given large focus on relatively unaffected Tier II & III markets

Industry

■ Challenges

- Significant impact due to supply chain disruptions coupled with demand moderation
- Higher ticket size loans particularly with Lease Rental Discounting (LRD) to face pressure

■ Silver Linings

- Significant push from the Govt. to revive the SME sector through the USD 40 billion credit guarantee package and multiple other announcements

IndoStar

- Significantly diversified loan book across 180+ sectors. Top 10 sub-sectors contribute <20% of SME book
 - Based on customer surveys, we believe ~2/3rd of sub sectors we lend to, are beneficiaries of recent Govt. schemes
- Almost 65% of AUM is securitized and over 90% is under SARFASEI coverage

Opportunity

- Opportunity to extend risk-free credit to existing SME customers under the Govt. credit guarantee scheme

Future : Next 2 years

- ❖ Sector outlook
- ❖ **Calibrated organic growth across retail segments**
- ❖ Alignment for long term value creation

Calibrated organic growth across retail segments



- Large market opportunity to lend to both existing and new customers across all 3 retail segments
- Our growth rates likely to be higher than pre Covid business plans and past growth in retail
- At our small base, marginal market share gains lead to high growth
- Over the last 2 years, our AUM has grown by
 - 35x in CV Finance
 - 16x in Housing Finance

Future : Next 2 years

- ❖ Sector outlook
- ❖ Calibrated organic growth across retail segments
- ❖ **Alignment for long term value creation**

Shareholders

- Everstone

- Started IndoStar 9 years back in 2011
- Additional investment of INR 3,575 million through new fund at INR 421/share in CY2018/19
- No secondary sale by Everstone in current transaction

- Brookfield

- 1st private equity investment in India
- 1st joint control investment

Management

- CEO has invested INR 100 million at INR 315/share in 2017
 - CEO has 2.4 million ESOPs (1.7% stake) issued partly at INR 315/share & INR 428/share
- Senior management team has 3.6 million ESOPs (2.5% stake)

- ✓ Continue to reduce wholesale exposure, further
- ✓ Strong position on capital & liquidity – over capitalized and under leveraged
- ✓ Well poised to capitalize on favorable industry dynamics and grow profitably
 - ✓ Retail growth over next 2 years to be higher, and more profitable, than pre Covid plans
 - ✓ At our small base, +ve impact of lower competition is higher than expected slower industry growth
- ✓ All stakeholders supportive of inorganic growth. Multiple attractive opportunities in play
- ✓ Strong alignment across various stakeholders

For Further Queries



Amol Joshi
Chief Financial Officer
Contact No: +91 98198 68337
Email - investor.relations@indostarcapital.com

Media Contact

Snigdha Nair
Adfactors PR
Email - snigdha.nair@adfactorspr.com; indostar@adfactorspr.com