



CAPITALINDIA CAPITAL INDIA FINANCE LIMITED

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December 02, 2017

To,
BSE Ltd.,
PhirozeJeejeebhoy Towers,
Dalal Street,
Mumbai- 400001

Ref.:- Scrip Code - BSE-530879

Sub.: Intimation under the provisions of SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015

Dear Sir/ Ma'am,

Capital India Finance Limited is in the process of building a robust financial services practice over a period of the next few years. In relation thereto, a detailed presentation has been prepared for the investors and the general public at large. The same is attached herewith for your information and record.

Further this detailed presentation will also be uploaded on our website <http://www.capitalindia.com/>

Thanking you,

Yours truly,

For **Capital India Finance Limited**
(Formerly known as BhilwaraTex-Fin Limited)


ARCHANA AGGARWAL

Company Secretary



Capital India Finance Ltd

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A new Financial Services Company! Why?

Existing banking sector cannot meet the growing credit demand in the country (1/2)



1

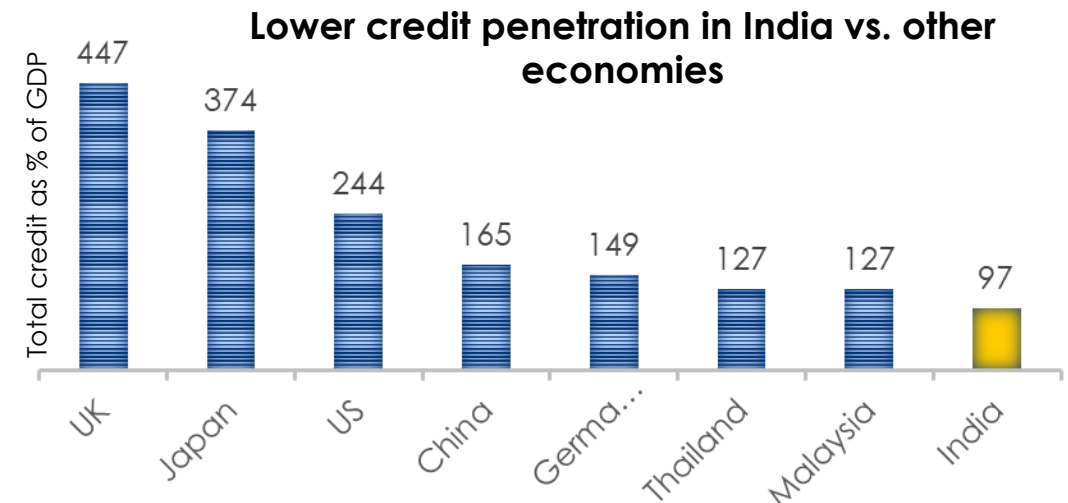
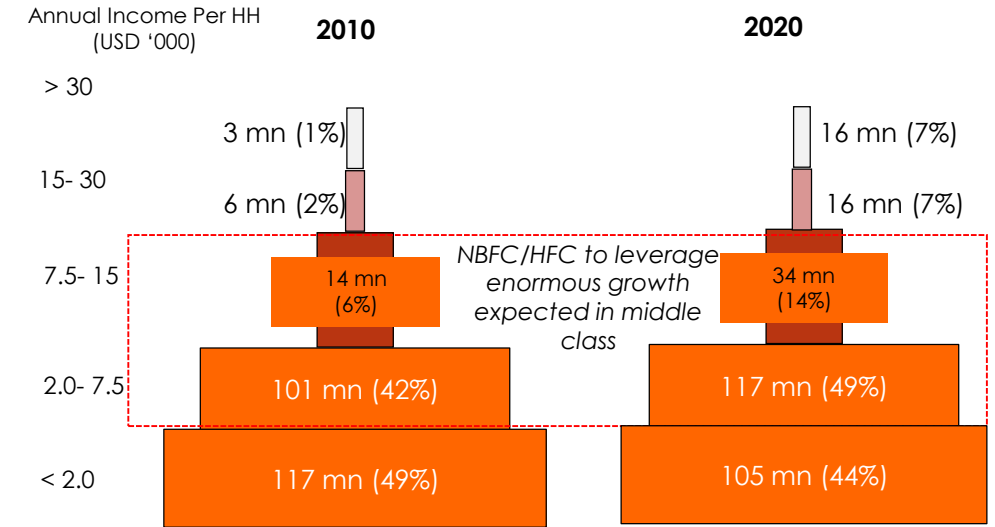
- India's current GDP of USD 2.1 trillion is expected to grow at an average of 7.3% in medium term. Over a long term, (2015 to 2030) expected GDP growth is 6.4%, potentially becoming USD 5.3 trillion by 2030
- Strong GDP growth to drive demand for consumption and productive credit**

2

- Credit growth driven by rapid wage increases, expanding size of the middle class, increasing urbanization and industrialization
- The largest household group income category by 2020 will be with an income in range of USD 2,000 – 7,500 per annum (~64% of the total population) and will drive demand for consumption & production

3

- Rural India has seen steady rise in incomes creating an increasingly significant market for financial services
- Credit penetration in India is low as compared to other economies, furthermore, the non bank finance is even lower



Existing banking sector cannot meet the growing credit demand in the country (2/2)



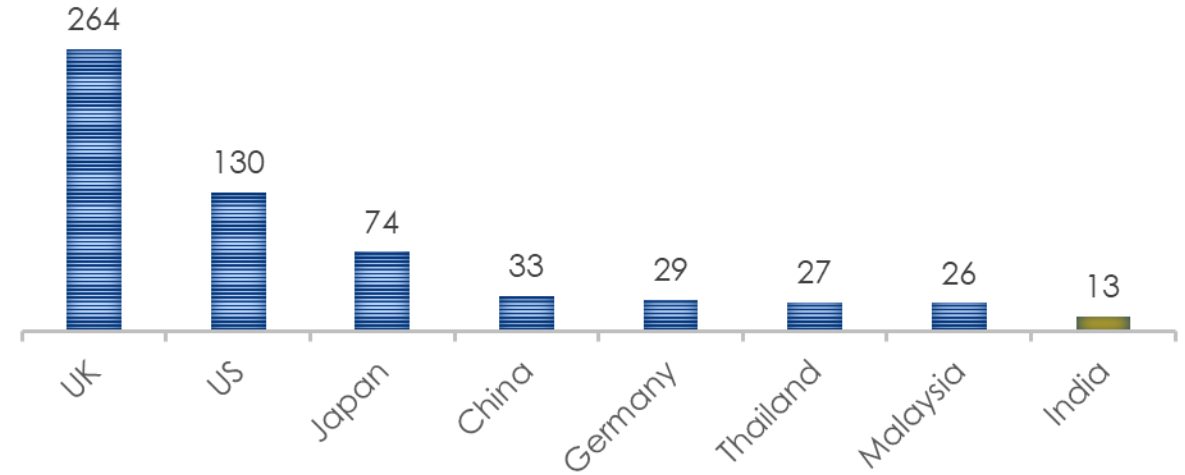
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- Indian economy has a huge latent credit demand fuelled by massive self employed population that is under served by banks
- Unique nature of credit demand makes it difficult for traditional lending and existing banking system
- **High bad debt levels limit risk appetite of banks in India and will have an impact on their credit expansion**

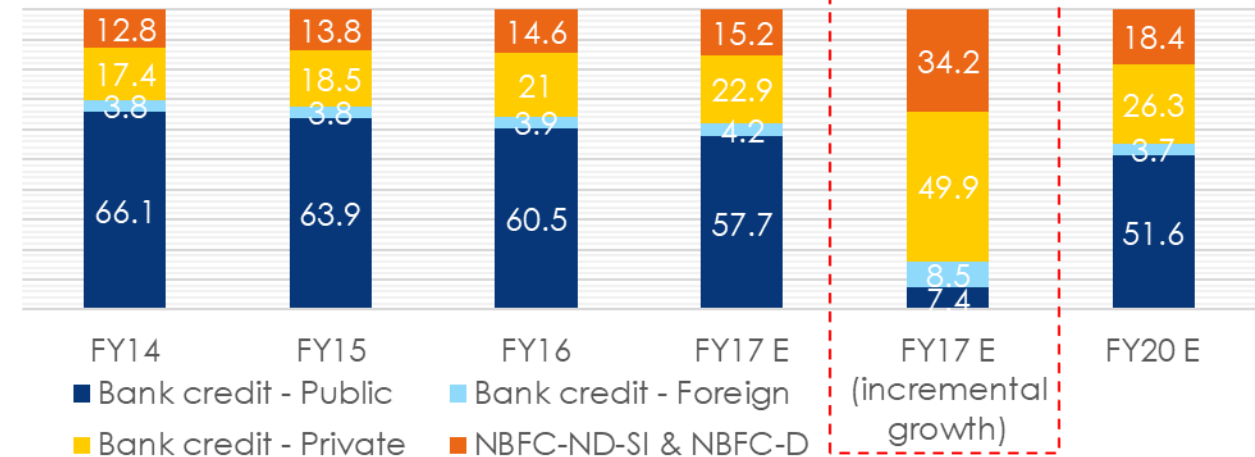
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- NBFCs have served the unbanked customers by pioneering into asset-backed lending, lending against securities and microfinance and aspire to emerge as a one-stop shop for all financial services
- While it is commonly expected that credit will grow rapidly as economic growth gathers pace, it is safe to assume that non bank finance will grow even faster

NBFC credit as a % of GDP



Bank to Non-Bank Credit as a Proportion of Total Loans (%)

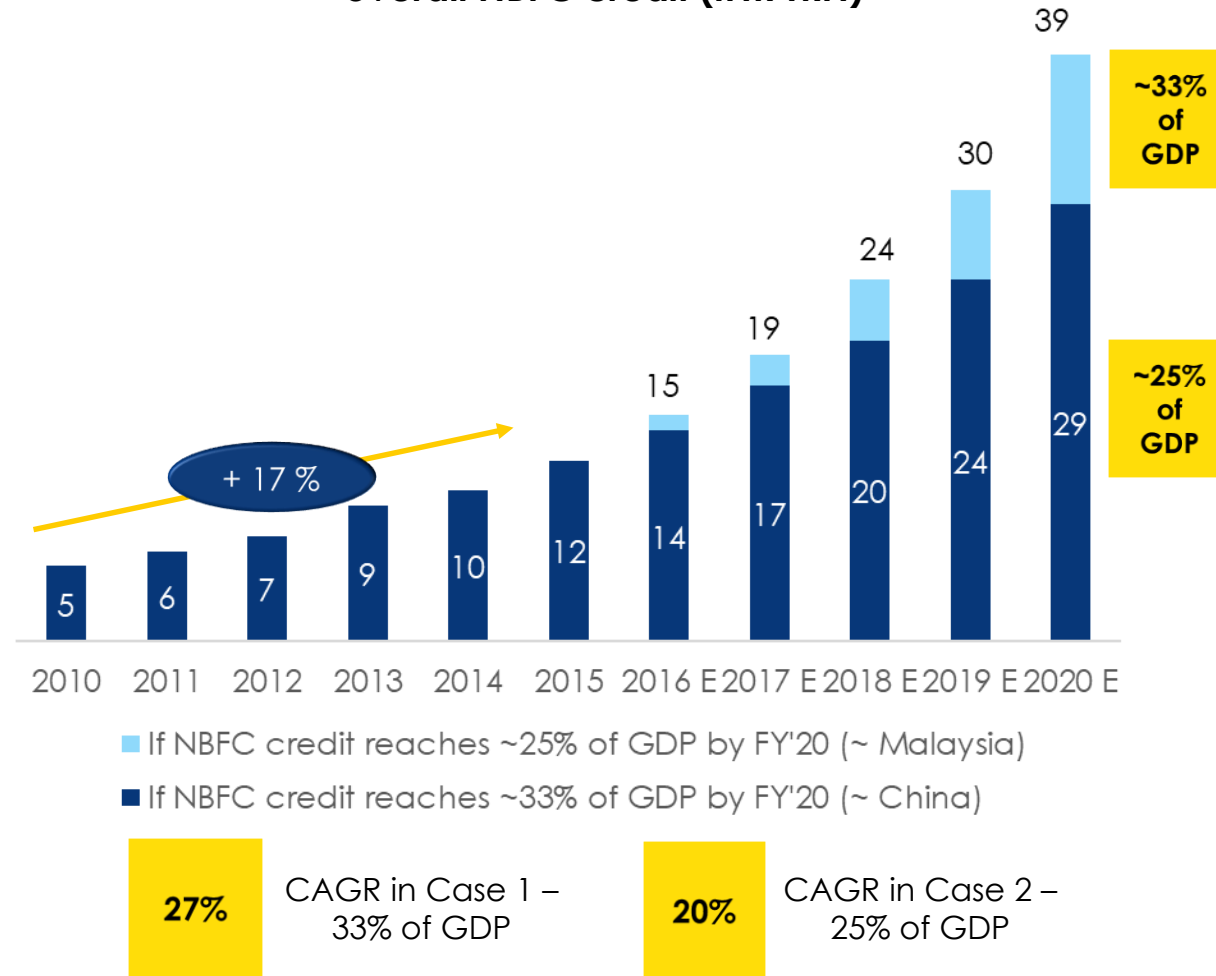


NBFCs are expected to play increasing role in the Indian market



- 1
 - ✓ Huge latent credit need in the economy that cannot be met by existing banking system
 - ✓ Newer segments driven by several government initiatives and regulatory changes
- 2
 - ✓ Several niche (but large) credit needs (such as microfinance, real-estate) are difficult to be handled by traditional lending
 - ✓ NBFCs have already demonstrated ability to develop tailor-made solutions
- 3
 - ✓ Newer funding sources and access to deeper domestic funding markets (both debt and equity) makes NBFCs much more competitive
 - ✓ Deepening debt and equity markets for NBFCs have allowed several of them to grow to almost the size of medium sized banks
- 4
 - ✓ Current bad debt crisis will take a long time for the banks (both public and private sector) to refocus on lending growth
 - ✓ A large part of credit growth to be met by newer banks and NBFCs
- 5
 - ✓ Increasing use of technology and disruptive use of data requires nimble innovative enterprises, which is difficult for large conventional lenders
 - ✓ Big data will play critical role in customer acquisition and credit evaluation

Healthy growth expected in overall NBFC credit (INR TRN)



New development creating large niche opportunity (1/2)



Real Estate Sector coming out of ICU

Real
Estate
Industry

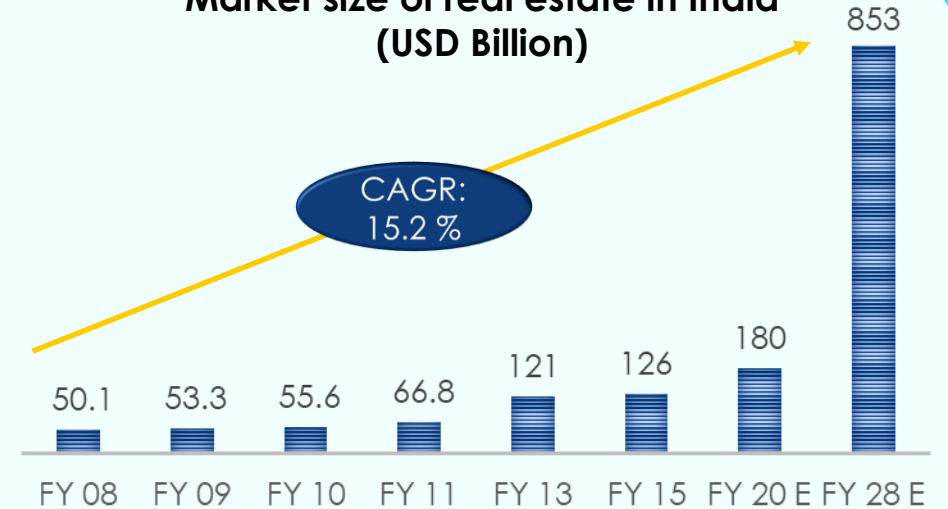
- **Government Initiatives to promote the sector**

- Affordable Housing has been granted 'infrastructure status' in India
- 100 smart cities to be built over five years
- 'Housing for All'- 20 million houses to be constructed in urban areas in the next 7 years
- Increased tax incentives to reduce home loan costs to 2.4% (for a loan of 8.65%)
- Pradhan Mantri Awas Yojana (PMAY) to include loans upto INR 1.2 mn -> subsidy to further lower effective cost to eligible consumers to 0.42%
- Additional tax benefits to developers of Affordable Housing projects – Service tax and Income tax exemptions

- **Implementation of RERA will lead to structural changes in the Real-estate Industry**

- Several steps to regulate developers, enhance disclosures and compliance to protect consumer interest
- **Entire sales revenue from a project to be ring-fenced to be used for the same project – safeguard for not only Consumers but also Lenders**
- Will help prevent project delays due to factors relating to developers (biggest malice facing the sector today)
- Defrauding of financial institutions will not be possible due to enhanced transparency in the system

Market size of real estate in India
(USD Billion)



✓ Combined with inherent demand for housing due to India's favourable demographic and economic growth, Government initiatives and Regulatory changes will lead to expanding opportunities for both Housing Finance and Construction Finance

New development creating large niche opportunity (2/2)



Infrastructure Industry

- ~ USD 600 billion investment target over five years for infrastructure development
- Cash flow mismatch of a large number of infrastructure and other assets (such as cement plants) owners present a substantial opportunity
- As more such assets mature, they would still not generate sufficient cash flows to meet the shortfall to service immediate to medium-term requirements
- Only a handful of player like Piramal have moved in to exploit this opportunity and have already made handsome gains

Asset Reconstruction and Sale as a result of Insolvency Proceedings

- Several companies are being subjected to Insolvency Proceedings at National Company Law Tribunal (NCLT) constituted under the newly enacted legal provisions.
- Many more companies will soon be subjected to these proceeding over next few years
- These proceedings are expected to result in reconstruction of the business and assets of most of these companies and lead to eventual sale of many assets and businesses
- We expect that acquisition of viable assets by stronger industry players will provide a large financing opportunity for NBFCs as Banks will be constrained in several of these cases

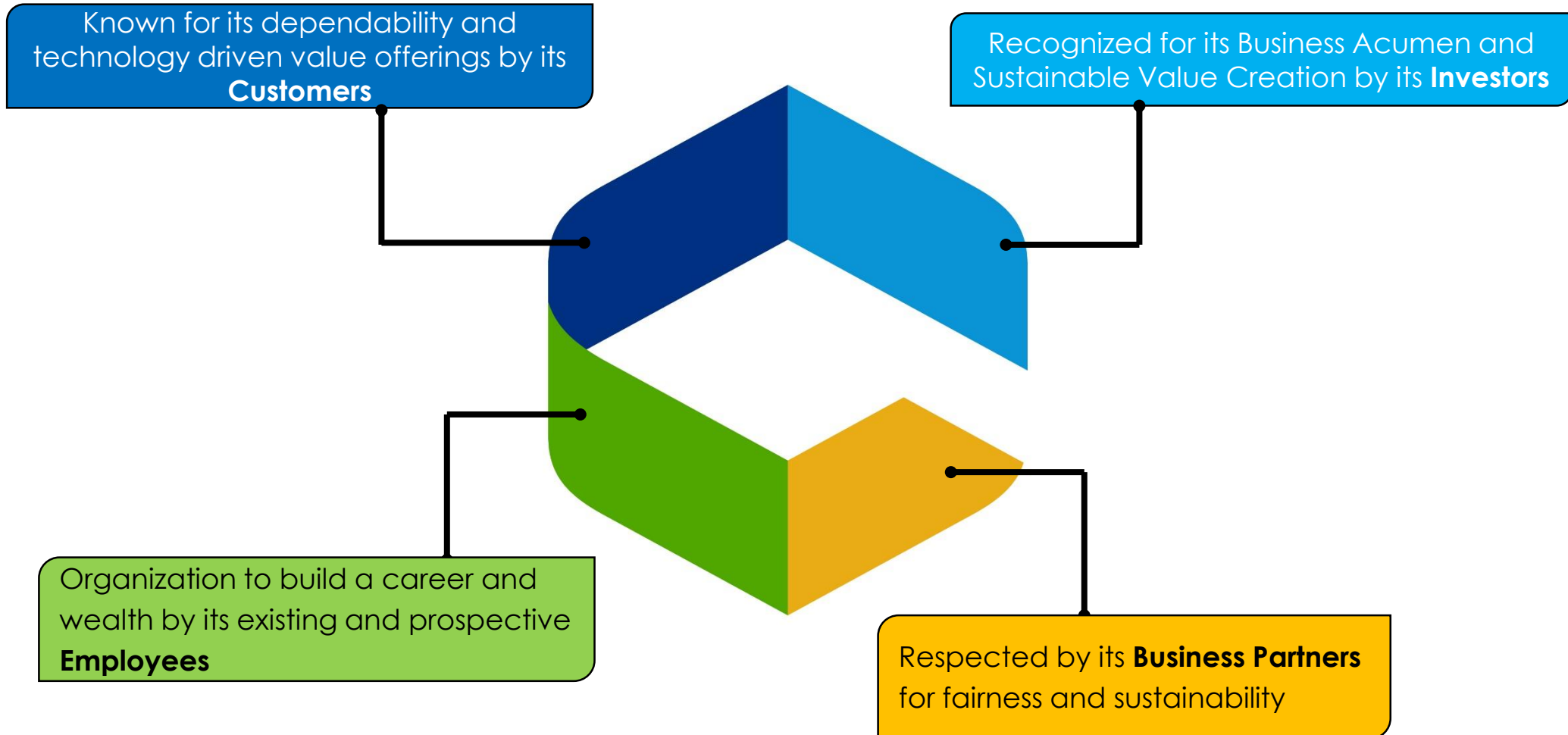


What do we plan to do?

What do we plan to do? (1/2)



To Build a USD 25 Billion Financial Services Institution in the next 10 years



What do we plan to do? (2/2)



Phase I

Phase II

1

Develop and Grow Asset Backed Lending

- Business will not be system driven/delegated
- Top management along with the Board Committee directly involved in decision making on each lending case
- **Continuous Risk Monitoring**
- A strong Risk team to monitor the value of the underlying assets on a continuous and periodic basis
- Pro-active and timely mitigation measures

2

Develop and Grow Housing Finance Business

- Housing Finance business to be undertaken through a subsidiary
- Housing Finance business will be system driven and backed by robust risk and operations framework
- It will have an elaborate Risk Matrix approved by the Board

3

Develop and Grow Consumer Finance

- Utilize the Customer base created in the Housing Finance business to build Consumer Finance business, mainly focussing on
 - Automobile finance
 - Commercial Vehicle finance
 - Plant and Machinery finance
 - Loan against shares
- Build a branch and distribution network over a period of time
- Further expand into areas such as Wealth Management and Corporate Finance

4

Explore Opportunities to Find Niche sectors for funding (such as vendors/suppliers of real-estate sector)

- ✓ Further leverage our relationship and knowledge of the sector to develop niche lending opportunities such as with vendors/suppliers of real-estate sector
- ✓ Such niche sectors to be developed only if the risk adjusted returns are attractive



Asset Backed Lending Business



Finding Niche

Focus on opportunities where Banks are not likely to be keen on entering like construction finance, last mile funding and acquisition finance



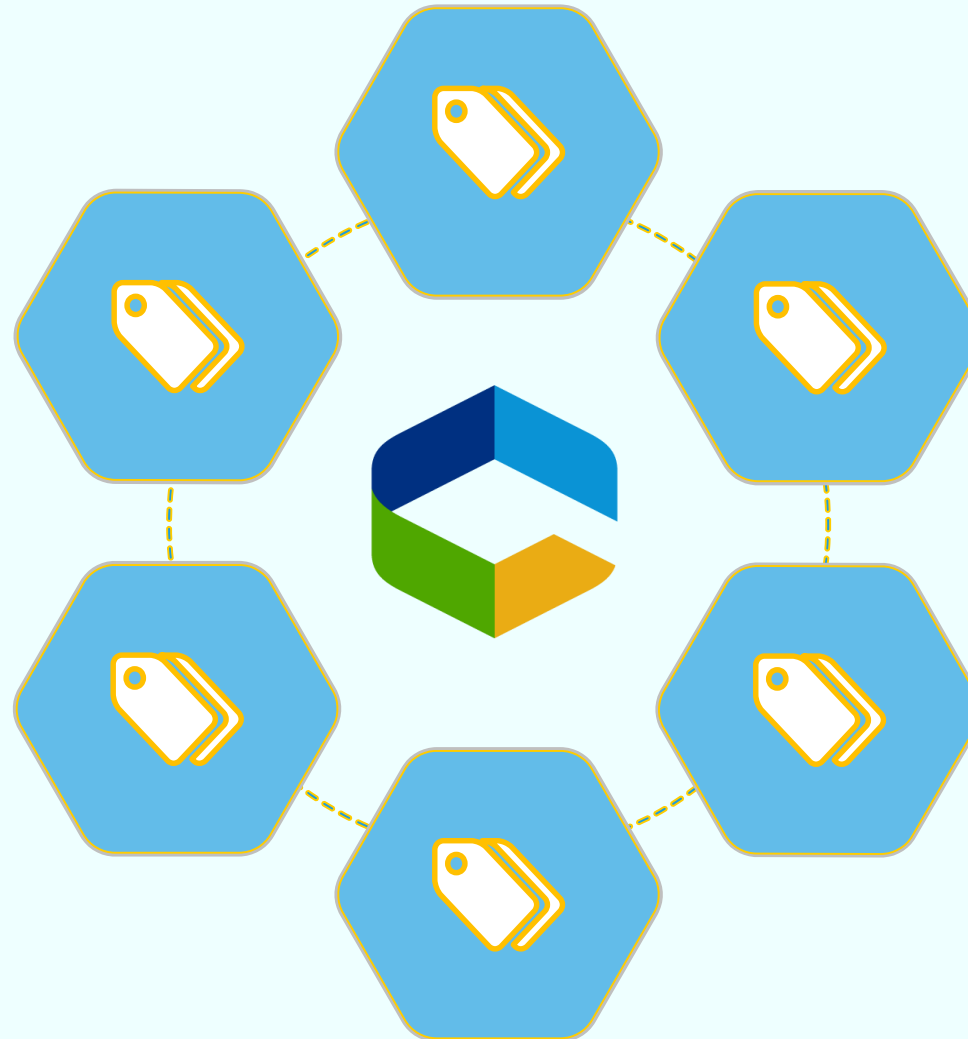
Security Cover

Fund to the extent that provides comfortable security to cover capital and interest



Relationship

Leverage relationship to build scale without a large infrastructure/organization



Collateral

Fund in only those cases where collateral is available/ or create collateral solutions by taking over existing loans or otherwise



Track Record

Focus on companies and promoters who have a proven track record of honoring commitments



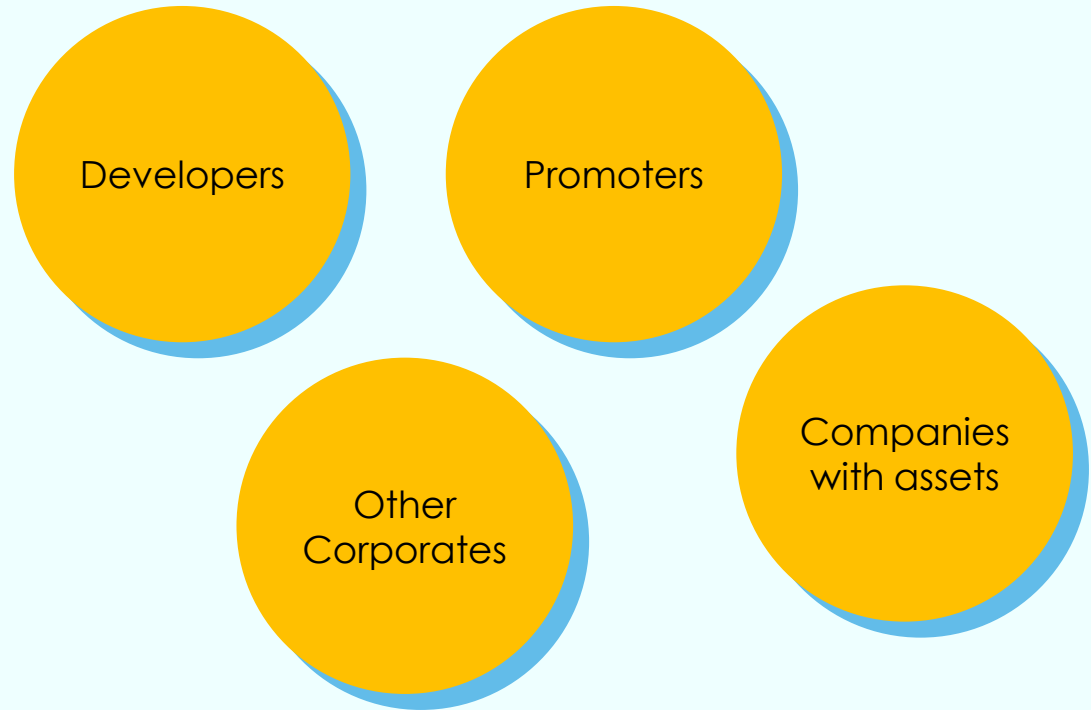
Customization

Structure each transaction to address needs of customers without compromising on risks

Products and Customers



- 1 Promoter Funding
- 2 Mezzanine Lending
- 3 Acquisition Finance
- 4 Construction Finance
- 5 Last Mile Funding



Risk Management – Constant Asset Monitoring



Risk team to continuously assess project performance



Dedicated asset monitoring team to review cases



Constant appraisal of cases to detect and act on early warning signals



Regular and periodic site visits to assess the project progress



Monthly performance review with regard to sales units, value & price, collections and various costs



Computation of Collateral cover on a monthly basis to provide adequate time for remedial measures



Project escrow A/Cs monitoring



Approvals & Sales tracking



Periodic review of Transactions



Housing Finance Business



Strategic Partnerships

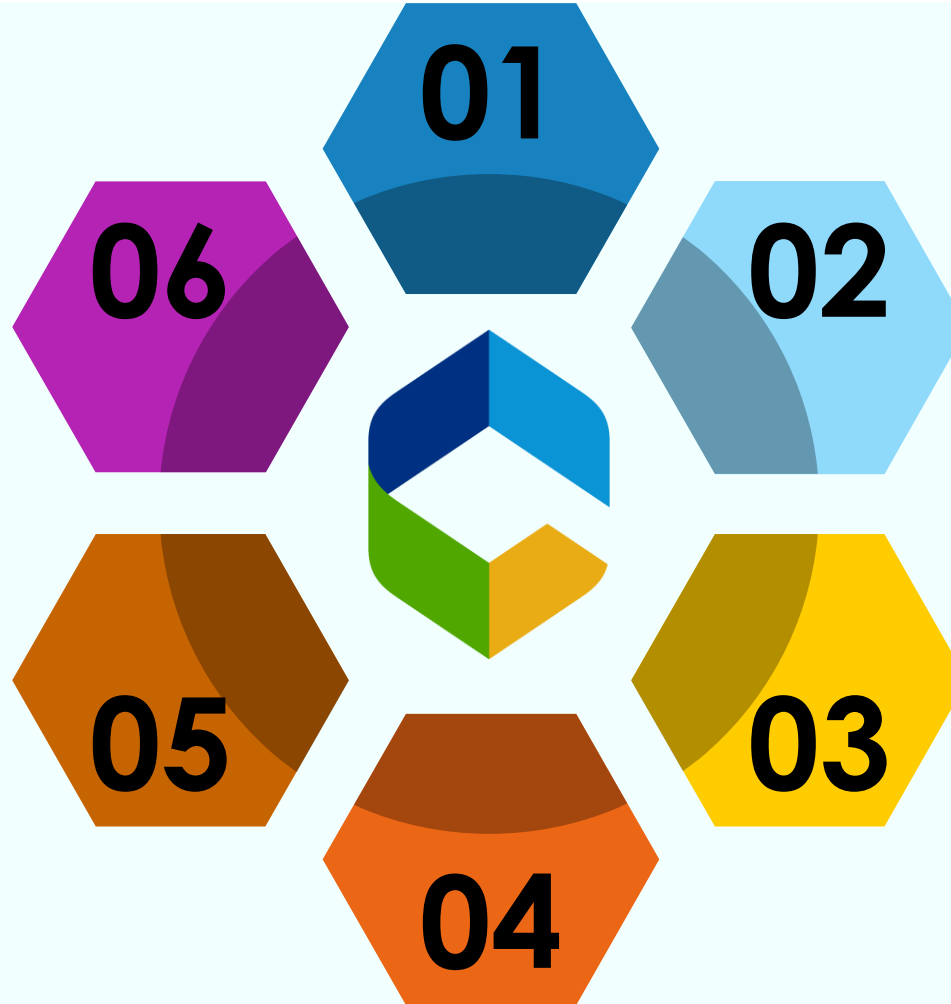
- Tie-ups with Developers and other intermediaries for Distribution of Housing loans
- Use Internet as an alternate channel

Strong processes & deployment of technology

- Investment in technology
- Service quality benchmarks

Build Strong Appraisal technique

- Evolve operating model competent to evaluate income & repayment capability of non-salaried individuals
- Employee driven appraisal systems and recovery
- Scoring system built overtime based on portfolio behavior



Focus on....

...Emerging customer profiles from middle and upper middle income segment

- Focus on relatively undeserved Self Employed segment in addition to Salaried segments

Calibrated branch growth in Tier I Cities

- Approach Business Metro City Wise
- Tier 1 Towns where RE activity is robust and demand sustainable
- Tier 1 Peripheral Locations where Affordable housing projects are planned

Hub & Spoke Operating Model

- Developer referral model for sourcing – Credit appraisal, monitoring will be done by In-house employees only
- Credit authorities vests with the regional hubs which controls branch networks



Thank You!