

Ref. No. AAVAS/SEC/2020-21/38

Date: May 14, 2020

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

Dear Sir/Madam,

Sub: Investor Presentation on the audited financial results for the quarter and year ended March 31, 2020

In terms of Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith a copy of Investor Presentation of the Company on the Audited Financial Results for the quarter and year ended March 31, 2020.

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

This is for your information and record.

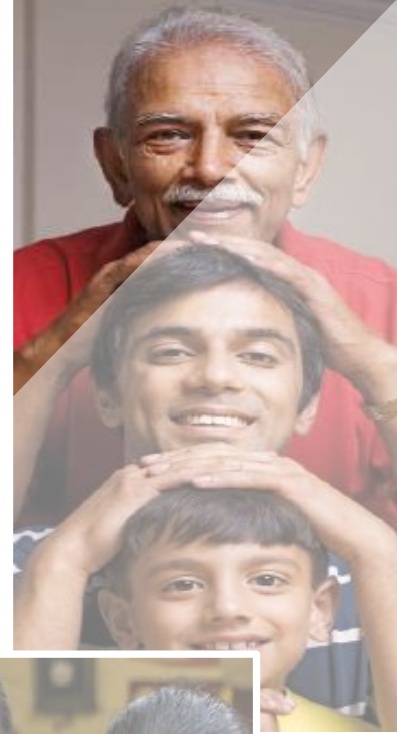
Thanking You,

For Aavas Financiers Limited


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



Enclosed: a/a



AAVAS FINANCIERS LIMITED

Investor Presentation – 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.

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

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

Our Background



Commenced operations in 2011
from Jaipur, Rajasthan



Regulated by Reserve Bank of India (“RBI”)
Supervised by National Housing Bank (“NHB”)



Currently being run by professional
management team backed by
marquee private equity players
Kedaara Capital and Partners Group



Recognized by NHB for refinance
facility



Listed on BSE & NSE in October 2018



Retail network of 250 branches



Our Pillars of Strength

- ✓ Experienced Board of Directors
- ✓ Professional Management Team
- ✓ In-house Execution Model
- ✓ Technology and Data Analytics
- ✓ Improving Credit Ratings
- ✓ Diversified Shareholding Base

Experienced Board of Directors



Sandeep Tandon Chairman & Independent Director

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

Prior Engagements: Tandon Advance Device, Accelyst Solutions



Soumya Rajan Additional Director (Independent)

Qualifications: Bachelor's in Mathematics & Economics from St. Stephens College, Master's in Mathematics from Oxford University

Prior Engagements: Waterfield Advisors, Standard Chartered Bank, ANZ Grindlays Bank



Kalpana Iyer Independent Director

Qualifications: Chartered Accountant

Prior Engagements: Citibank N.A., IncValue Advisors



Sushil Kumar Agarwal Managing Director & CEO

Qualifications: Chartered Accountant, Company Secretary

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



K. R. Kamath Non-executive Nominee Director

Qualifications: Bachelor's degree in commerce from University of Mysore, Certified Associate of the Indian Institute of Bankers

Prior Engagements: Corporation Bank, Punjab National Bank, Allahabad Bank, Bank of India



Vivek Vig Non-executive Nominee Director

Qualifications: PG Diploma in management from IIM Bangalore

Prior Engagements: Destimoney Enterprises, Centurion Bank of Punjab, PNB Housing Finance, Citibank N.A., India.



Manas Tandon 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



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 Risk 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



Vijay Sethi - Senior Vice President - Human Resources

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



Anurag Srivastava - Senior Vice President - Data Science

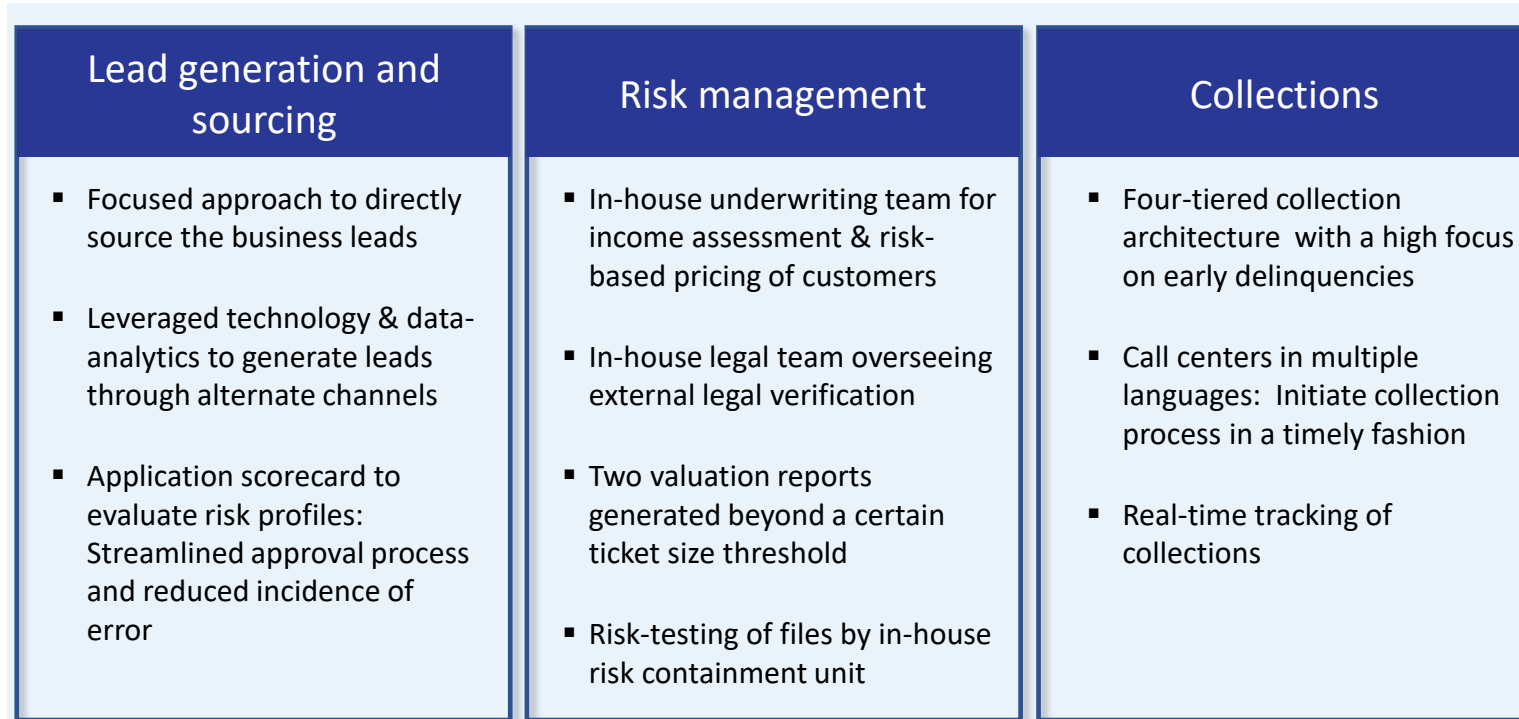
- Prior associated with Deloitte, WNS, American Express



Sharad Pathak - Company Secretary & Compliance Officer

- Associated with Aavas Financiers since May 2012

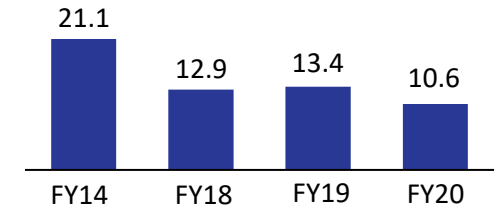
In-house execution model – Replicated across the states



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



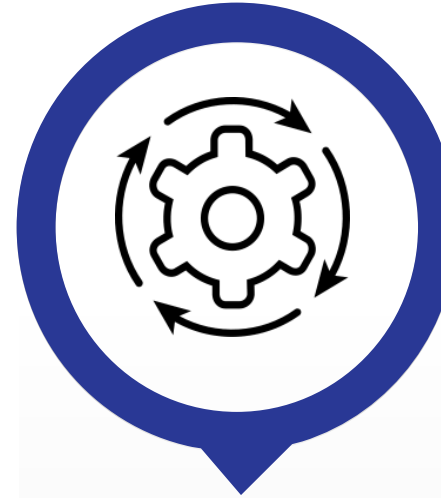
- Majority of the leads are logged in through the sourcing app
- Application scorecard: For Auto-rejection / fast tracking leads
- Mobile app to leverage proponents of housing ecosystem

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

Mar-20

AA- /
Stable



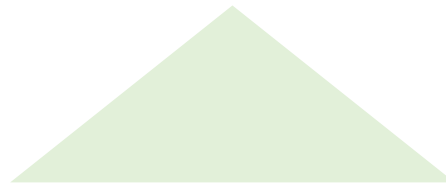
Mar-17

A+ /
Stable

ICRA

Mar-20

A+ /
Positive



Mar-16

A /
Stable

CRISIL

Mar-20

A+ /
Stable



Aug-12

BBB+ /
Stable

Short-Term Credit Rating

Reaffirmed

CARE

Mar-20

A1+

Mar-18

A1+

ICRA

Mar-20

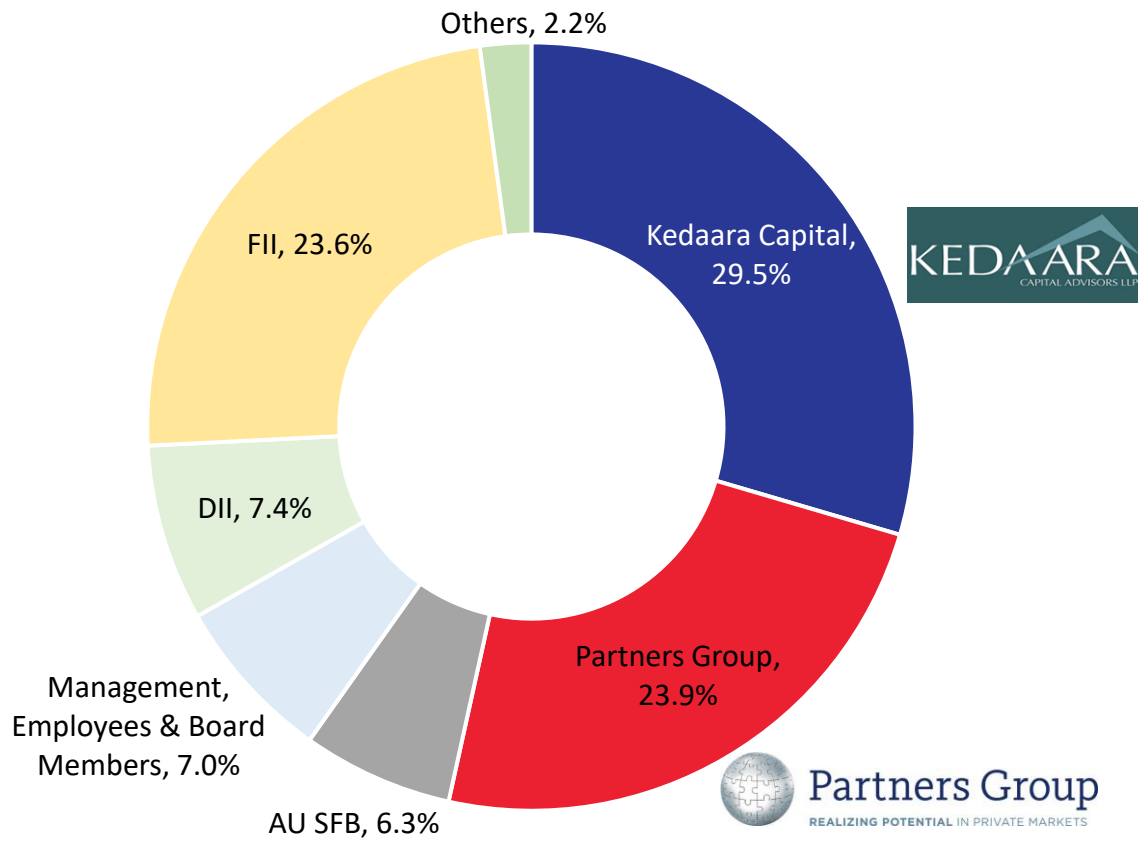
A1+

Mar-18

A1+

Diversified Shareholding Base

Shareholding Pattern as on
31st March 2020



Top Institutional Shareholders as on 31st March 2020

Investor Details	% Holding
AU Small Finance Bank	6.34
Capital Group [^]	5.36
SBI Mutual Fund [^]	3.56
Nomura Asset Management [^]	2.76
Kotak (Offshore) Asset Management [^]	2.59
St. James's Place (managed by Wasatch)	1.59
Buena Vista Fund Management	1.49
Wasatch Global Advisors [^]	1.32
Wellington Management [^]	1.29
Tata AIA Life Insurance [^]	1.03

[^]Holding through various schemes/funds

Housing Sector – Under-penetrated



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

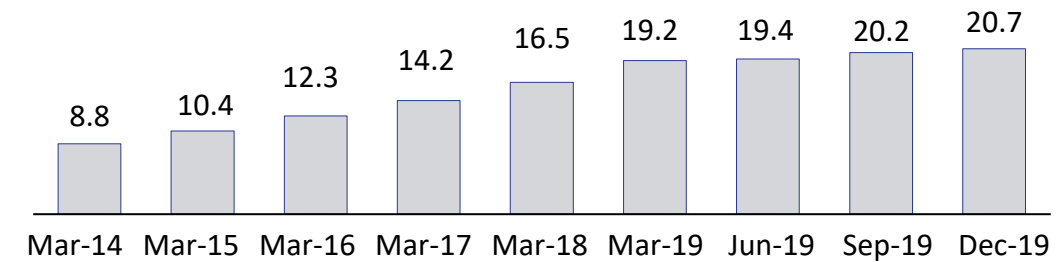
Size of Opportunity

Indian Housing Finance

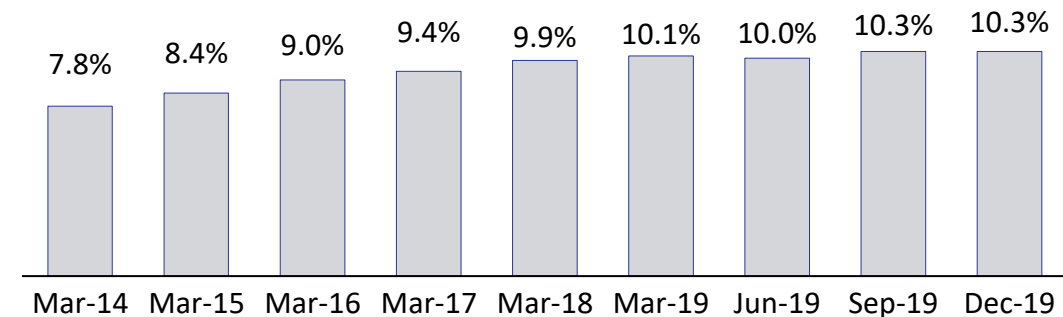
Market Size (as on Dec-19)	₹ 20.7 Trn	
YoY Growth (as on Dec-19)	+13% Banks - 18%, HFCs & NBFCs - 6%	
Market Share (as on Dec-19)	Banks - 66%	HFCs & NBFCs - 34%

<p>Housing Credit Growth Outlook</p> <p>FY20 ~ 12-14%</p> <p>FY21 ~ 9-12%</p>	<p>Affordable HFCs YoY Growth (as on Dec-19)</p> <p>26%</p>	<p>Affordable segment expected to grow at faster pace than overall industry</p>
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Housing Market (₹ Trn)



Mortgage Penetration (%)



Measures from Government and Regulator



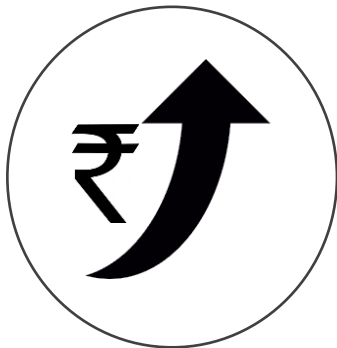
Additional refinance for HFCs

NHB has been extended an additional refinance facility of Rs. 1,00,000 Mn for housing finance companies.



Moratorium under Covid package

RBI permitted banks & NBFCs to allow a 3-month moratorium to their borrowers on the payment of installments from 01 March 2020 to 31 May 2020 without downgrade of asset classification or of borrower's rating with credit bureau agencies.



Enhancement of system liquidity

RBI has reduced the CRR requirement of banks from 4% to 3% of their NDTL for one year till 26 March 2021. Also borrowing limit for banks under the Marginal Standing Facility of RBI has been increased from 2% to 3% of their SLR till 30 June 2020.



Cut in policy rate

RBI has reduced the policy repo rate by 75bps to its lowest ever level of 4.40% for boosting the economy. At the same time, the reverse repo rate has seen a more drastic cut by 115bps to 3.75% making it unattractive for banks to park cash with RBI & thus nudging them to support credit growth.

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 loans to purchase homes priced below Rs. 4.5 Mn extended till 31 March 2021

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

- Tax holiday on profits generated by developers of affordable housing projects approved till 31 March 2021

“Infrastructure” status to Affordable Housing

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

Budgetary Allocation

- Allocation to PMAY has increased from Rs. 2,53,280 Mn for 2019-20 to Rs. 2,75,000 Mn for 2020-21
- Extra budgetary allocation of Rs. 1,00,000 Mn each for PMAY-urban & PMAY-Rural

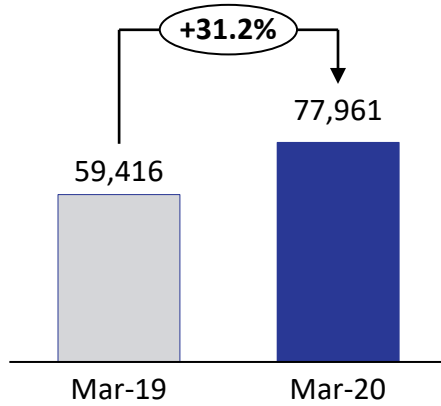


Financial Performance

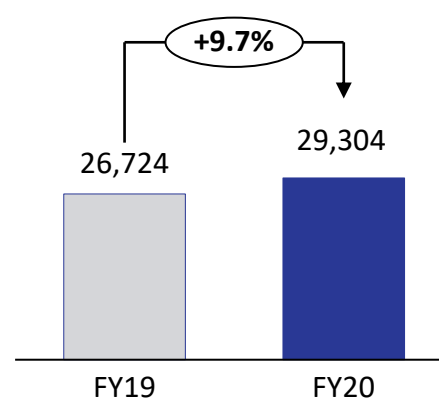
- ✓ Key Business Parameters
- ✓ Geographical Distribution
- ✓ Spreads and Margins
- ✓ Asset Quality
- ✓ Liability Franchise
- ✓ Key Ratios

Performance Highlights

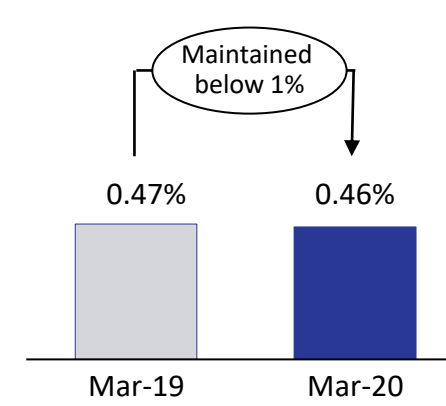
AUM (₹ Mn)



Disbursement (₹ Mn)

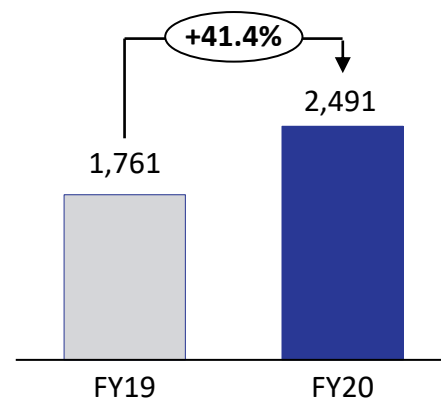


GNPA (%)

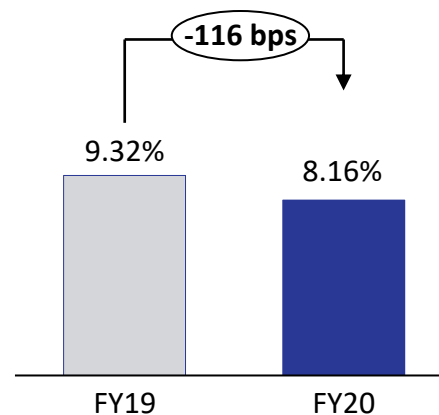


Average Amount[^] per Active Loan Account as on Mar-20
₹ 0.84 Mn

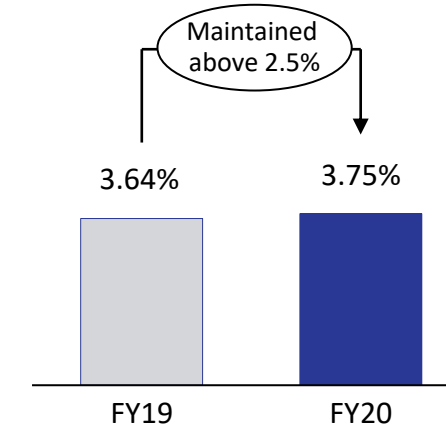
PAT* (₹ Mn)



NIM (%)



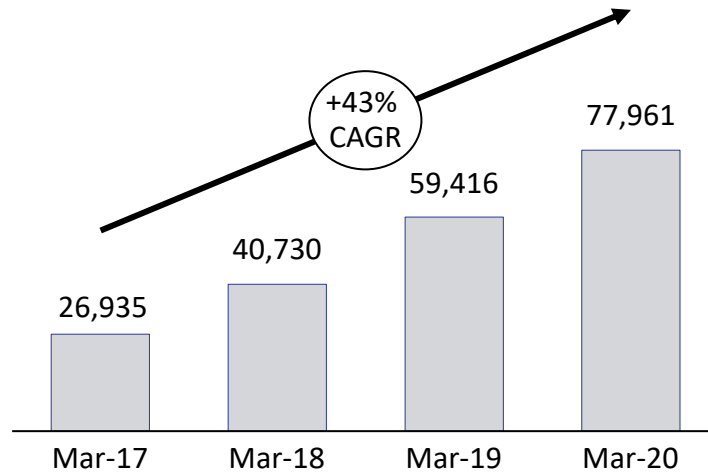
ROA (%)



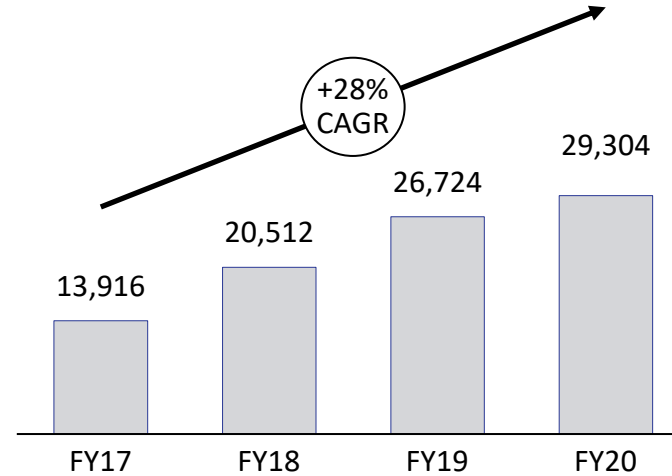
Average Amount[^] per Disbursed Loan Account in FY20
₹ 0.88 Mn

Healthy Business Growth

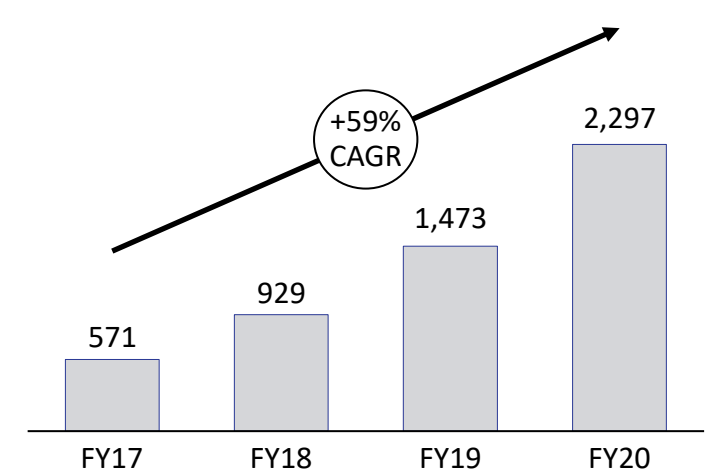
AUM (₹ Mn)



Disbursements (₹ Mn)



PAT* (₹ Mn)



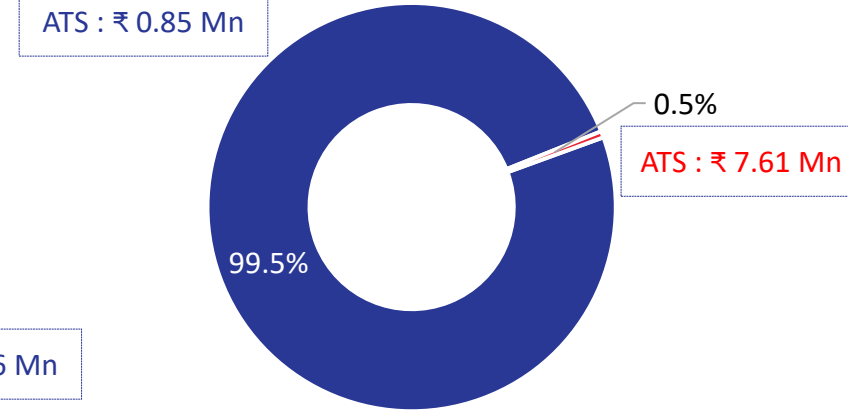
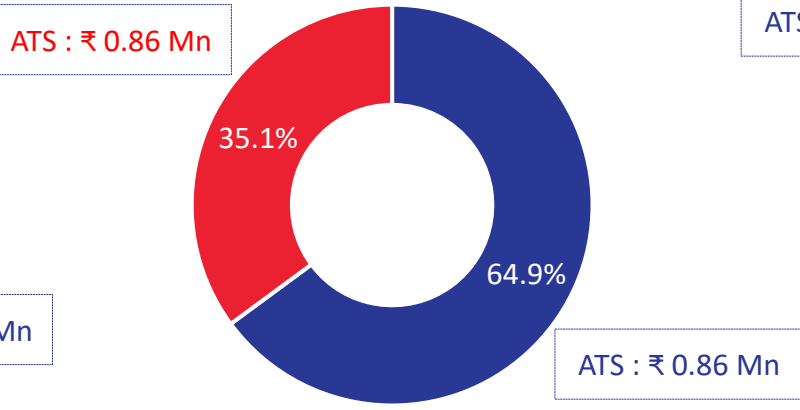
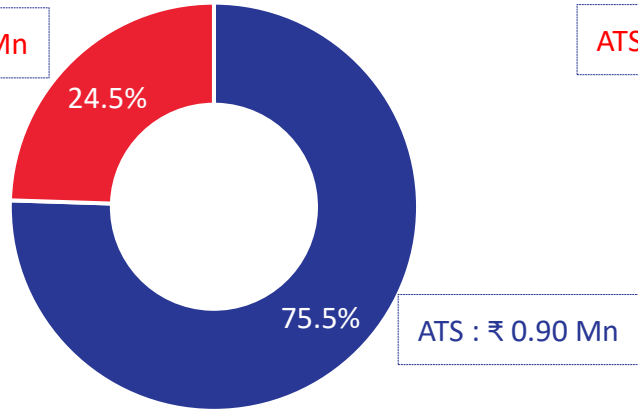
AUM Break-up

Product Category

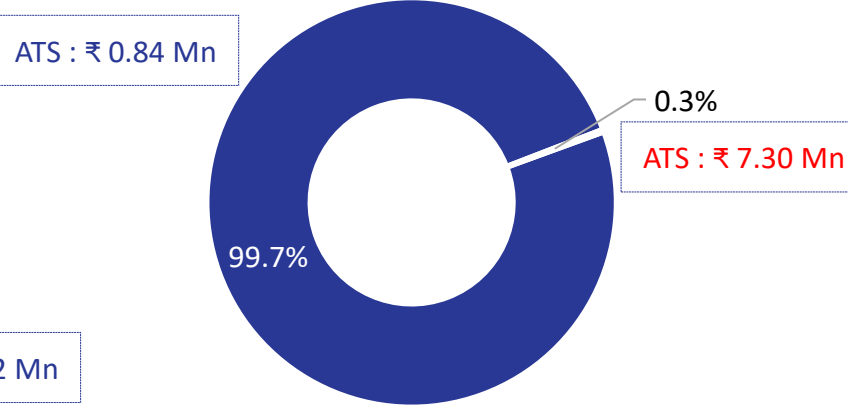
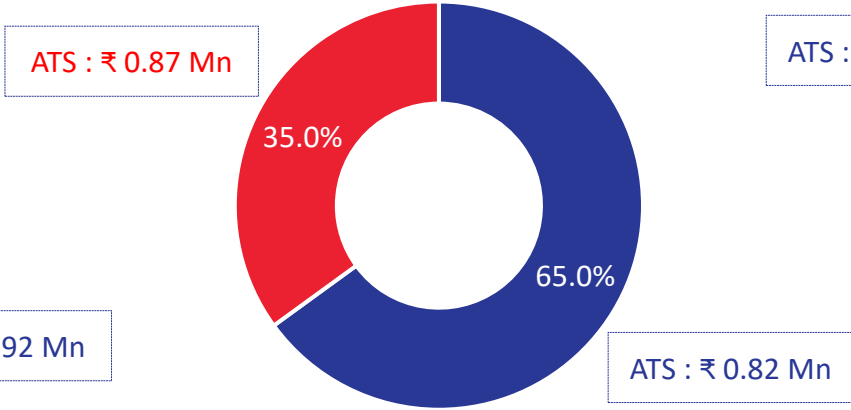
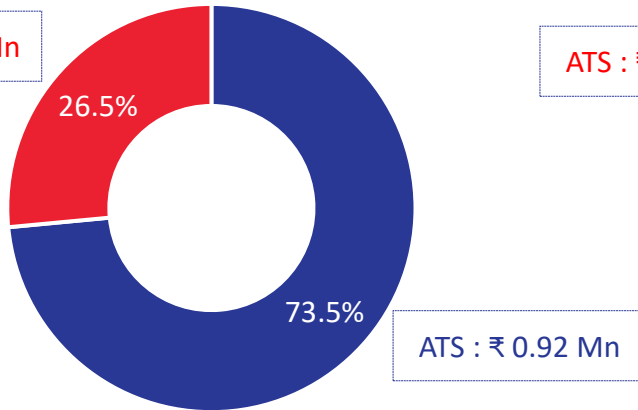
Occupation Category

Customer Category

31-Mar-19



31-Mar-20



Home Loan Other Mortgage Loan

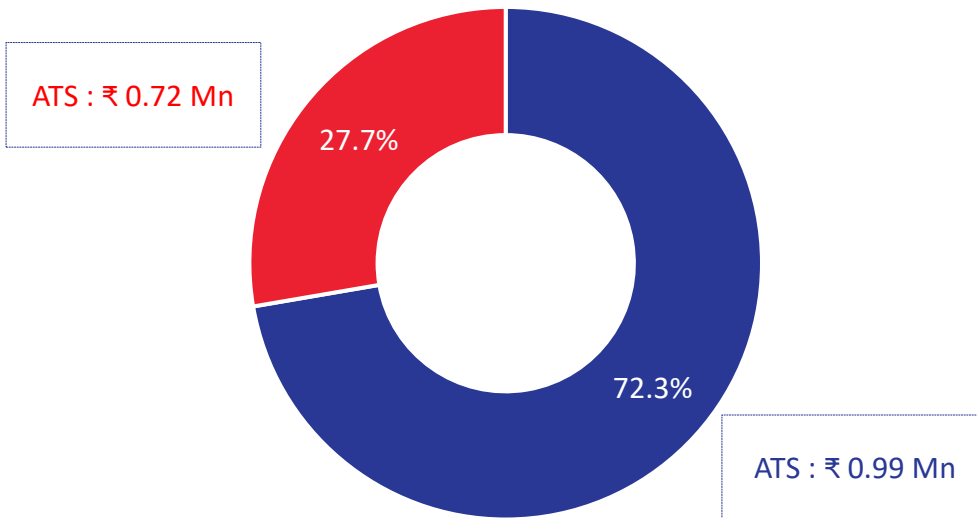
Self-Employed Salaried

Retail Corporate

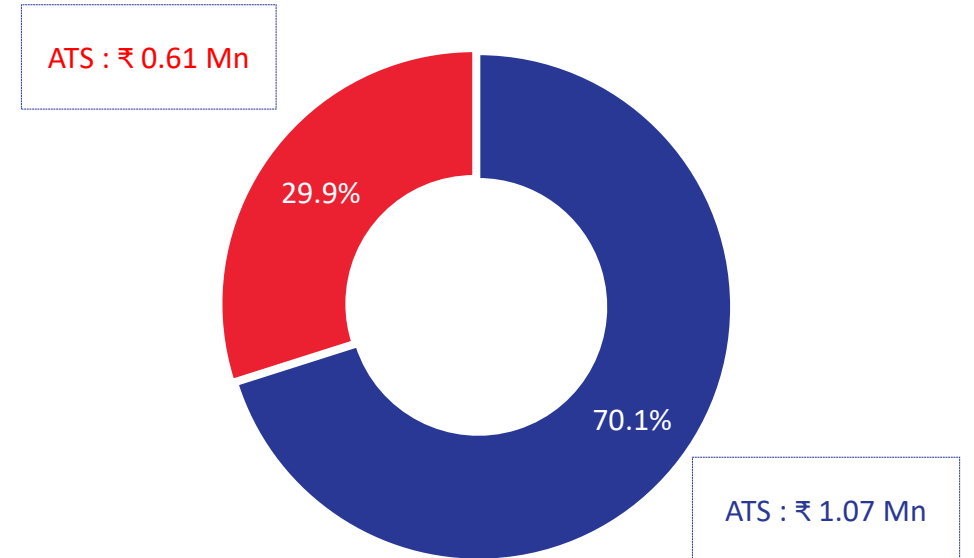
ATS : Average Amount (at the time of Sanction) per Active Loan Account

Disbursement Break-up – Product Category

FY19



FY20



■ Home Loan ■ Other Mortgage Loan

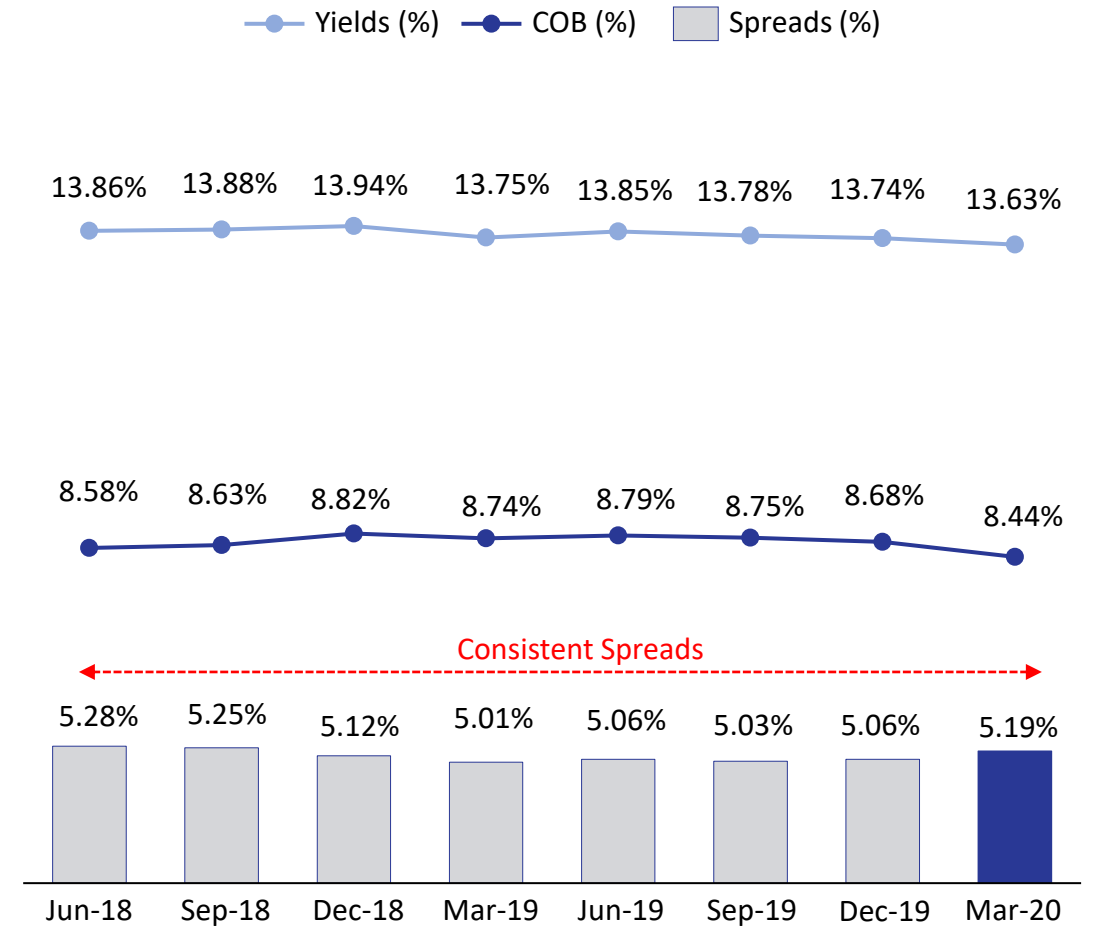
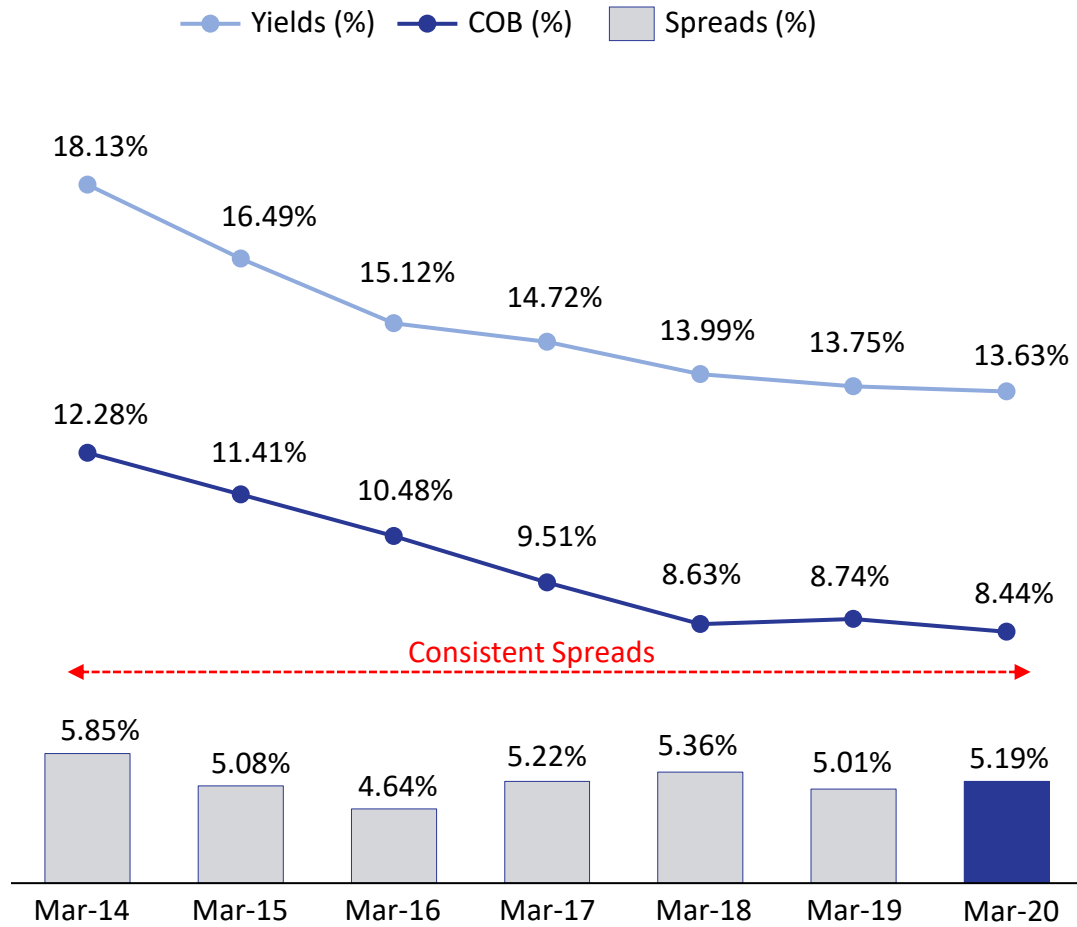
ATS : Average Amount (at the time of Sanction) per Disbursed Loan Account

Geographical Distribution

State	Branches	Operations Commenced in
Rajasthan	88	2012
Maharashtra	42	2012
Gujarat	37	2012
Madhya Pradesh	36	2013
Delhi	6 [^]	2013
Haryana	14 [*]	2017
Chhattisgarh	5	2017
Uttar Pradesh	14	2018
Uttarakhand	8	2018
Total	250	

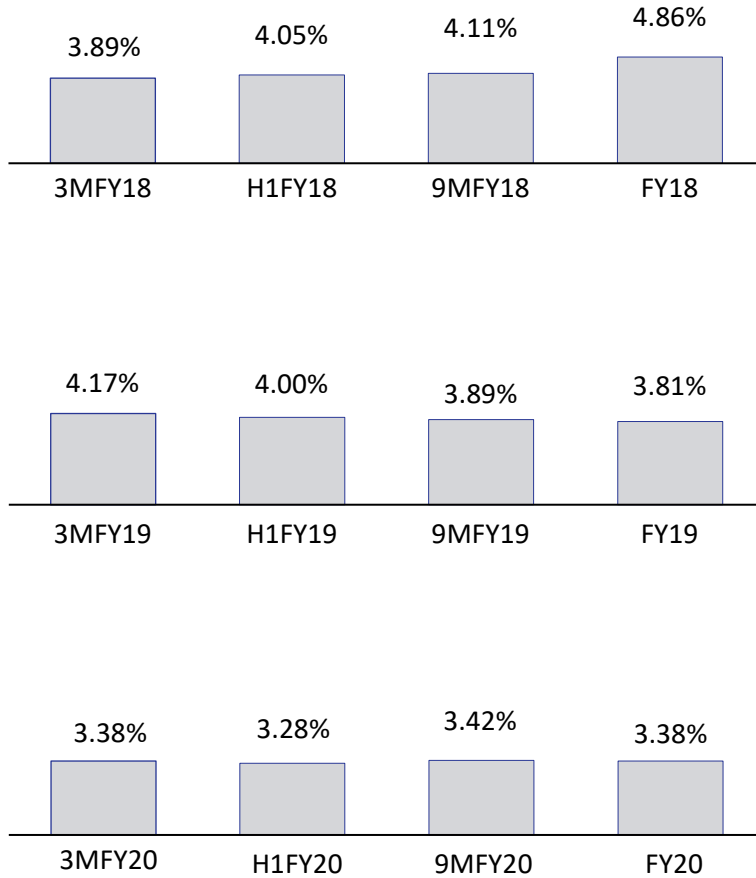
Consistent Spreads

Yields, Cost of Borrowings and Spreads (%)

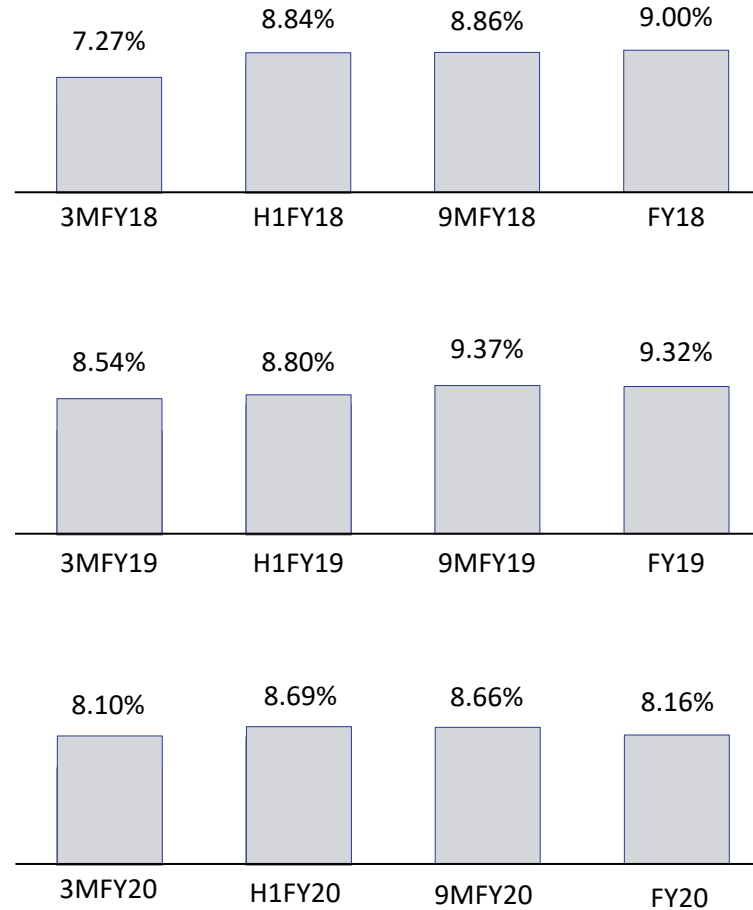


Margin and Cost Efficiency

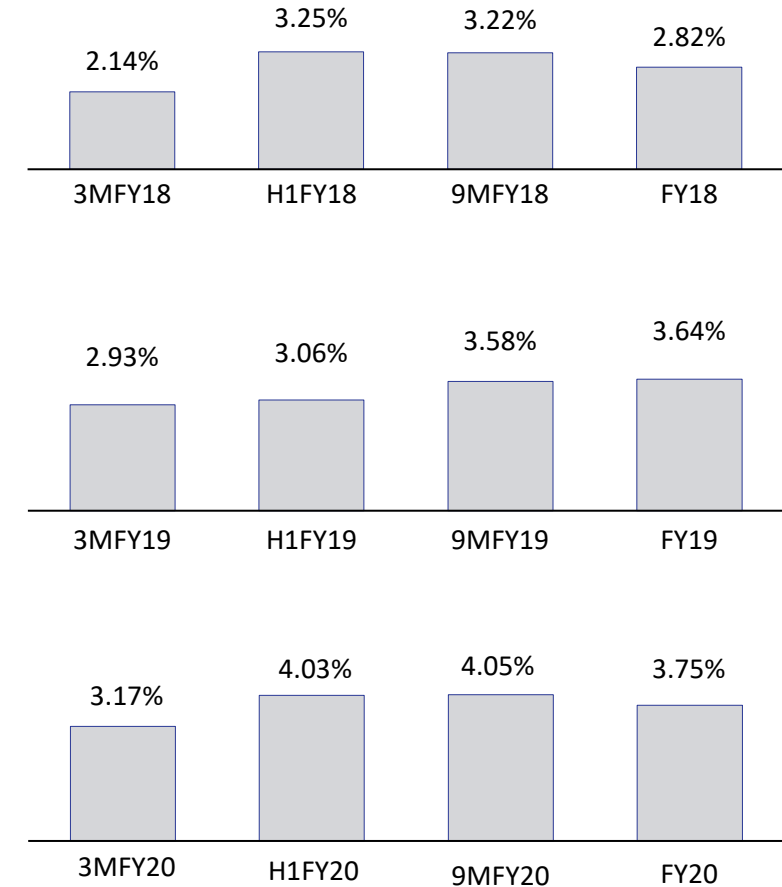
OpEx (%)



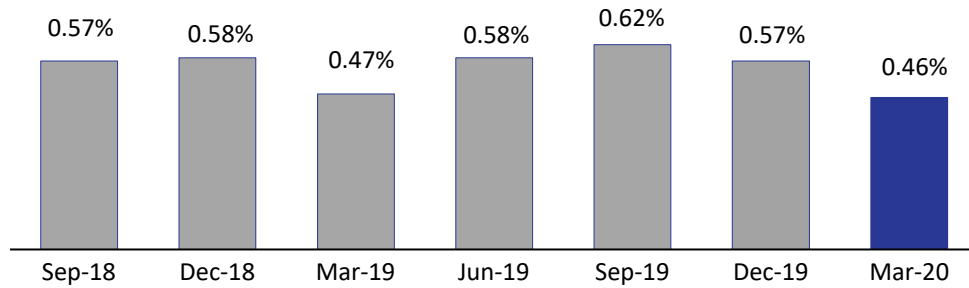
NIM (%)



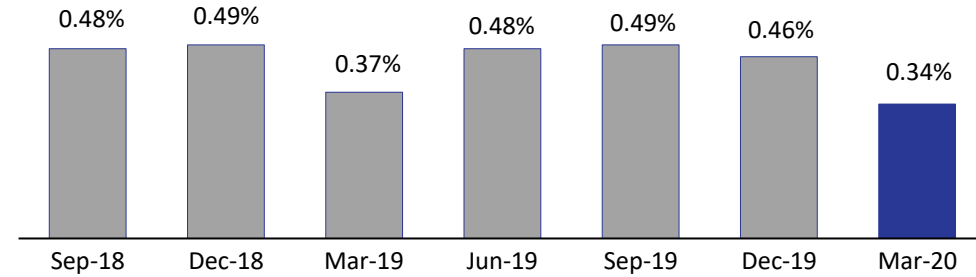
ROA (%)



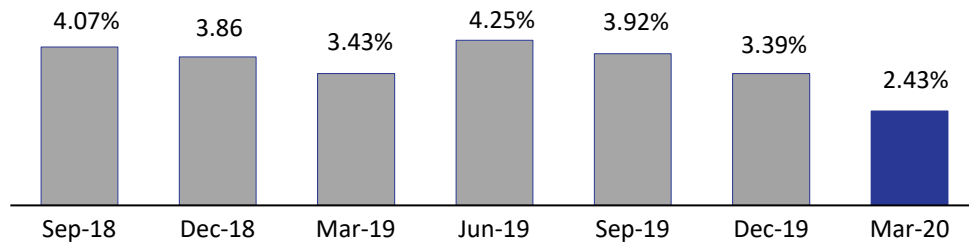
Gross NPAs (%)



Net NPAs (%)

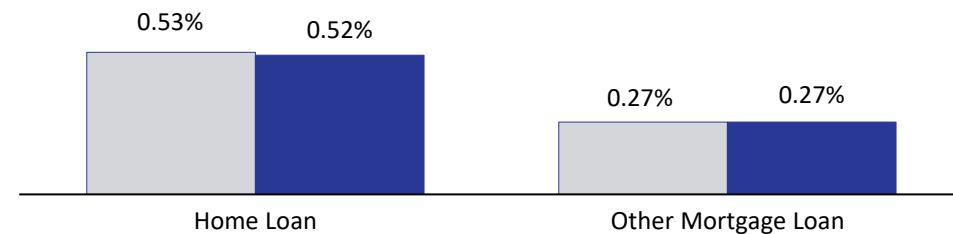


1+DPD (%)



Segment-wise GNPA's

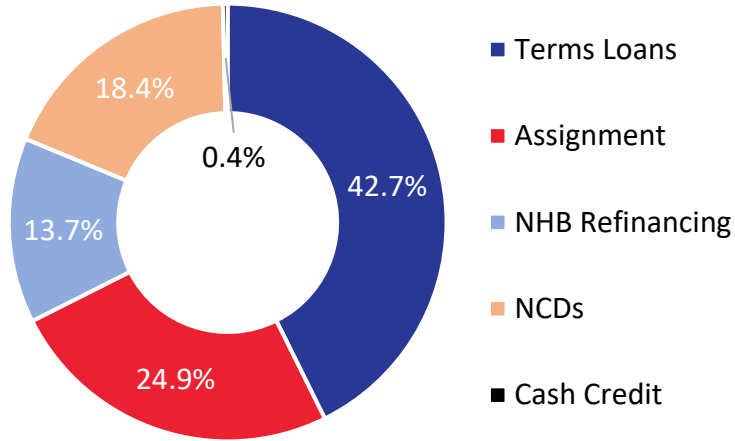
Mar-19 Mar-20



Robust Liability Franchise

Diversified Funding Mix

As on Mar-20



39 Lenders
Diversified Mix

134 Months
Average Borrowing Tenor

No exposure
to Commercial Papers

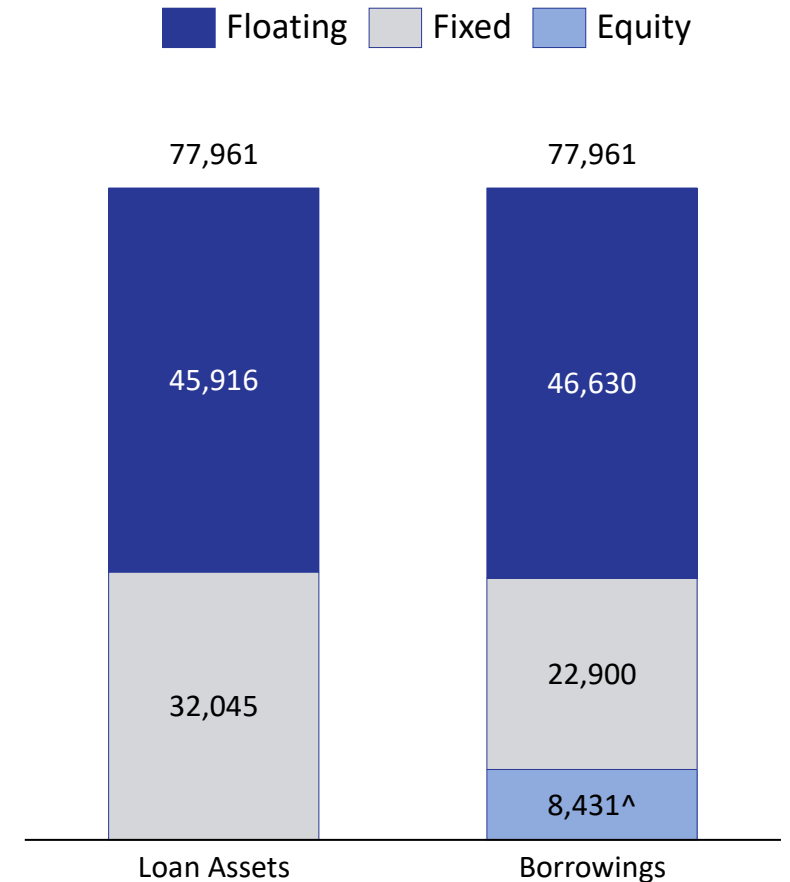
Incremental Q4 FY20 borrowings
₹ 11,794 Mn for 120 months at 8.12%

NCD Investor	Exposure (₹ Mn)		Payment Schedule (₹ Mn)						
	31-Mar-20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28
Mutual Fund	1,500	500*	-	-	1,000	-	-	-	-
CDC	2,000	-	-	500	500	500	500	-	-
IFC	4,750	-	-	1,300	-	3,450	-	-	-
ADB	4,444	-	341.8	683.7	683.7	683.7	683.7	683.7	683.7
Insurance Company	100	-	-	-	100	-	-	-	-
Total (Mn)	12,794	500	341.8	2,483.7	2,283.7	4,633.7	1,183.7	683.7	683.7

* already paid

Loan Assets & Borrowings (₹ Mn)

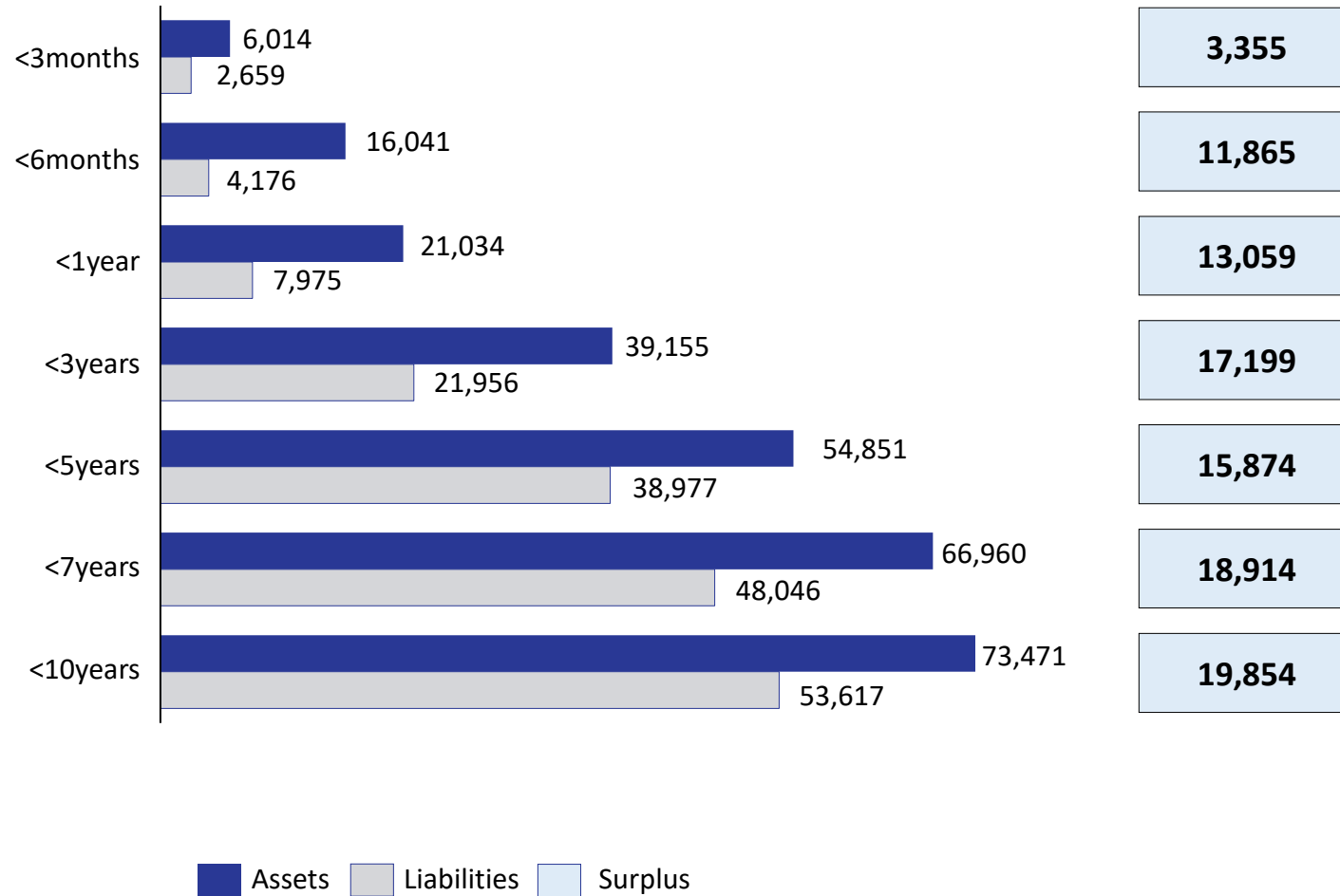
As on Mar-20



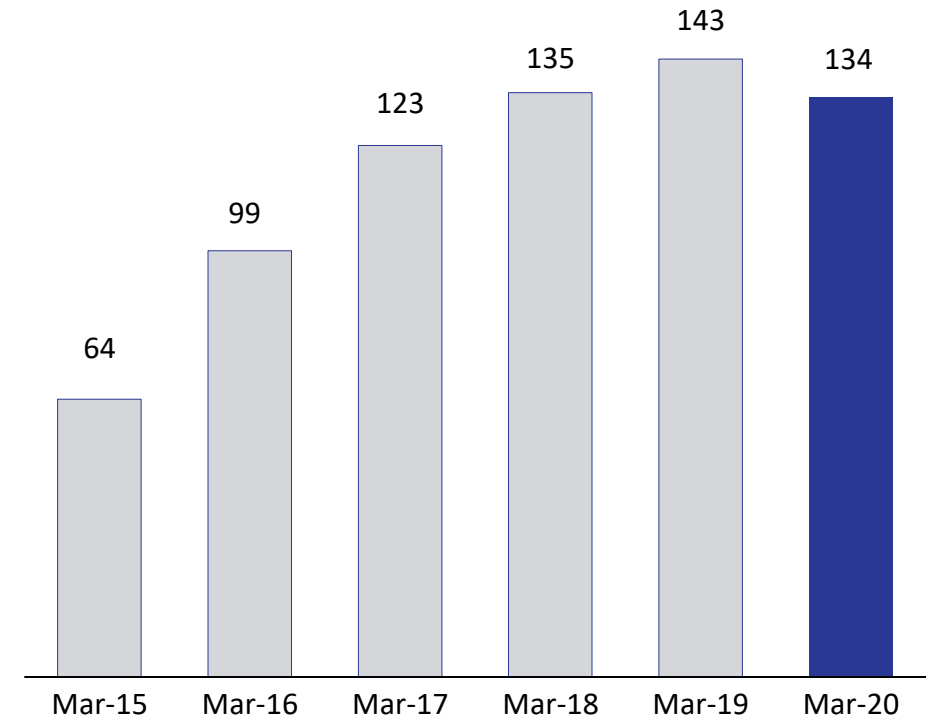
^ gap between Loan Assets & Borrowings filled by a portion of Equity

Surplus Management* (₹ Mn)

As on Mar-20



Average tenor of outstanding borrowing (months)



* Data as per IGAAP

Comfortable Liquidity Position

Particulars (₹ Mn)	As on Mar-20
Cash & Cash Equivalents	14,840
Un-availed CC Limits	1,180
Documented & Un-availed Sanctions from NHB	6,000
Documented & Un-availed Sanctions from other Banks	3,300
Total Liquidity Position	25,320

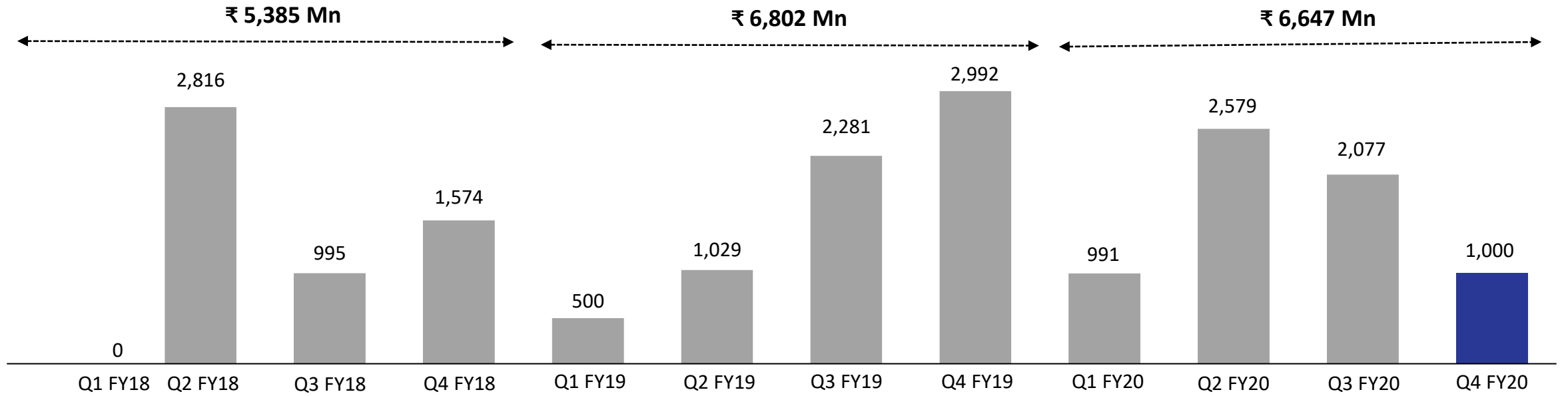
**High Quality
Liquidity of
₹ 22,020 Mn**

Particulars (₹ Mn)	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21
Opening Liquidity	25,320	25,414	26,926	28,059
Add: Principal Collections & Surplus from Operations	1,508	2,911	2,966	2,962
Less: Debt Repayments	1,414	1,399	1,833	1,963
Closing Liquidity	25,414	26,926	28,059	29,058

~ ₹ 29,058 Mn of Surplus Funds* available for business

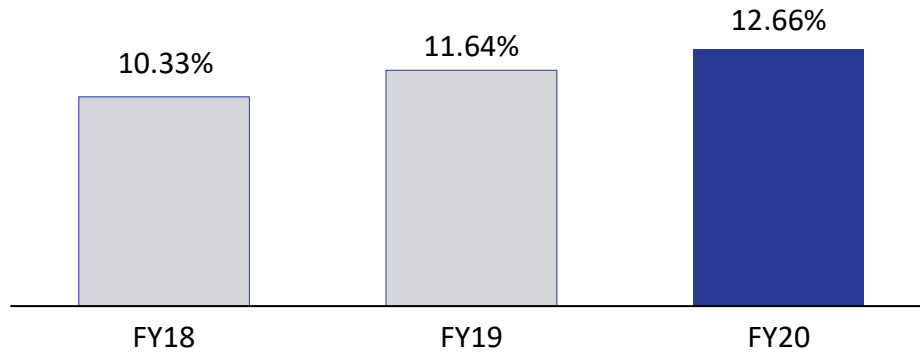
* without including any incremental borrowings

Net Securitization Volume

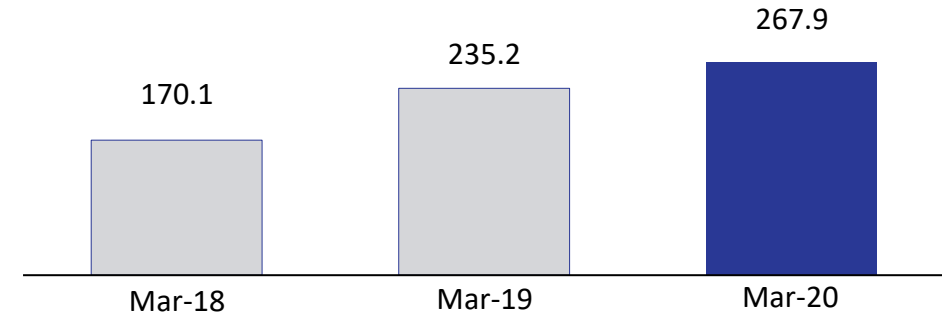


Key Financial Ratios

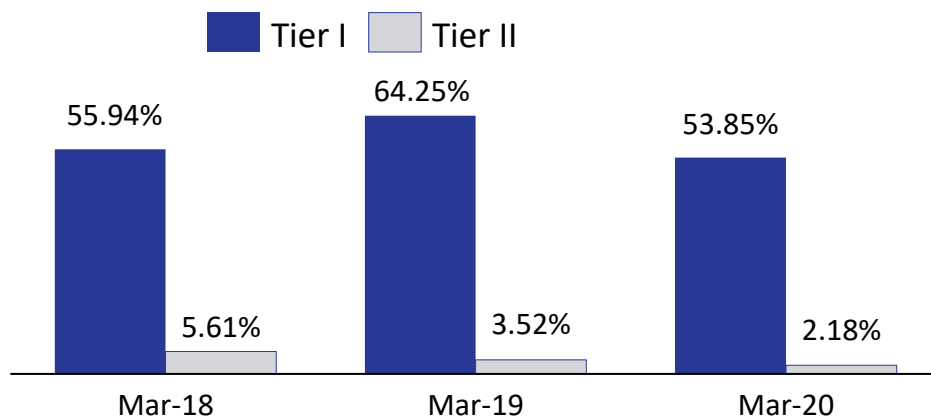
ROE (%)



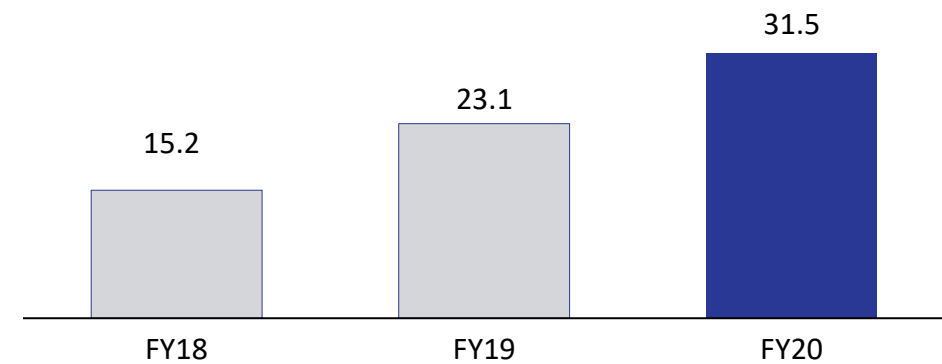
Book Value Per Share (₹)



Capital Adequacy Ratio (%)



Earning Per Share* (₹)





Annexures

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

Quarterly Profit & Loss Statement

Particulars (₹ Mn)	Q4 FY20	Q4 FY19	Y-o-Y	Q3 FY20	Q-o-Q
Interest Income (incl. Processing Fee)	2,157.3	1,715.9	25.7%	2,037.5	5.9%
Net gain on derecognition of financial instruments under amortized cost category	89.2	249.0		263.3	
Non-Interest Income	103.6	86.9		92.4	
Interest Expense (incl. Finance Charges)	(975.0)	(735.2)		(963.9)	
NIM	1,375.1	1,316.5	4.5%	1,429.4	-3.8%
Operating Expenses	648.7	514.7		612.3	
Credit Costs	62.7	34.0		13.4	
Profit Before Tax	663.7	767.8	-13.6%	803.7	-17.4%
Provision for Taxation	64.4	224.9		125.0	
Profit After Tax	599.3	542.9	10.4%	678.7	-11.7%
Total Comprehensive Income	598.1	543.6	10.0%	678.7	-11.9%
EPS (Diluted)	7.6	6.9		8.6	

Yearly Profit & Loss Statement

Particulars (₹ Mn)	FY20	FY19	Y-o-Y
Interest Income (incl. Processing Fee)	7,924.3	6,056.6	30.8%
Net gain on derecognition of financial instruments under amortized cost category	765.9	782.8	
Non-Interest Income	340.8	270.3	
Interest Expense (incl. Finance Charges)	(3,609.7)	(2,602.9)	
NIM	5,421.2	4,506.8	20.3%
Operating Expenses	2,247.4	1,840.9	
Credit Costs	153.4	89.0	
Profit Before Tax	3,020.5	2,576.9	17.2%
Provision for Taxation	529.3	817.8	
Profit After Tax	2,491.2	1,759.1	41.6%
Total Comprehensive Income	2,490.7	1,761.4	41.4%
EPS (Diluted)	31.5	23.1	

Balance Sheet

Particulars (₹ Mn)	31-Mar-20	31-Mar-19
Sources of Funds		
Share Capital	783.2	781.1
Reserves & Surplus	20,196.1	17,588.5
Borrowings	53,520.4	36,532.5
Deferred Tax Liability (Net)	317.0	427.5
Other Liabilities & Provisions	1,763.7	938.7
Total	76,580.4	56,268.3
Application of Funds		
Loan Assets	61,808.0	47,244.9
Investments	45.0	45.0
Fixed Assets	318.6	229.1
Liquid Assets	11,920.6	6,791.5
Other Assets	2,488.3	1,957.8
Total	76,580.4	56,268.3

PAT Reconciliation

Particulars (₹ Mn)	FY20	FY19	Y-o-Y	Q4 FY20	Q4 FY19	Y-o-Y
Net Profit as per IGAAP	2,297.4	1,473.1	56.0%	683.2	441.4	54.8%
<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	(30.3)	5.7		(39.0)	(4.7)	
Fair valuation of employee stock options (ESOP)	(64.7)	(68.6)		(21.6)	(9.5)	
Adoption of effective interest rate (EIR) for amortisation of expenses - financial liabilities at amortised cost	3.7	(7.4)		(1.3)	(7.4)	
Net gain from excess interest spread on assignment transactions	187.7	406.8		(73.3)	131.8	
Expected Credit Loss (ECL) provision	(59.0)	1.2		(45.0)	(10.7)	
Other Adjustments	(0.6)	(15.2)		9.8	(5.0)	
Deferred Tax impact on above adjustments and reversal of DTL on special reserve	157.0	(36.5)		86.6	7.0	
Net Profit Before Other Comprehensive Income as per IndAS	2,491.2	1,759.1	41.6%	599.3	542.9	10.4%
Other Comprehensive Income after Tax	(0.5)	2.3		(1.2)	0.7	
Total Comprehensive Income as per IndAS	2,490.7	1,761.4	41.4%	598.1	543.6	10.0%

ECL Provisions

Particulars (₹ Mn)	31-Mar-20	31-Mar-19
Gross Stage 3 GNPA	284.1	222.7
% portfolio in Stage 3 (GNPA%)	0.46%	0.47%
ECL Provision Stage 3	73.9	48.6
Net Stage 3	210.2	174.1
Coverage Ratio % Stage 3	26.02%	21.81%
Gross Stage 1 & 2	61,734.5	47,149.9
% portfolio in stage 1 & 2	99.54%	99.53%
ECL Provision Stage 1 & 2	136.8	79.1
Net Stage 1 & 2	61,597.8	47,070.8
ECL Provision % Stage 1 & 2	0.22%	0.17%
Gross Stage 1, 2 & 3	62,018.7	47,372.6
ECL Provision Stage 1, 2 & 3	210.7	127.7
Total ECL Provision %	0.34%	0.27%

Networth Reconciliation

Particulars (₹ Mn)	31-Mar-20
Net worth as per previous GAAP	19,370.5
Adjustments increasing/(decreasing) net worth as reported under previous GAAP:	
Adoption of EIR for amortisation of Income and expenses - financial assets at amortised cost / net interest on credit impaired loans	(229.4)
Adoption of EIR for amortisation of expenses - financial liabilities at amortised cost	126.8
Net gain from excess interest spread on assignment transactions	1,634.3
Expected Credit Loss (ECL)	(8.6)
Other Adjustments	(38.9)
Deferred Tax impact on above adjustments and reversal of DTL on special reserve	124.6
Networth as per Ind AS	20,979.3



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Thank You !