

ICFL/LS/0230/ 2018-19

31 October 2018

**BSE Limited**  
Listing Department, 1<sup>st</sup> Floor,  
P J Towers, Dalal Streets, 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.:** Submission of analyst(s) / institutional investor(s) presentation

**Ref:** Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI LODR”)

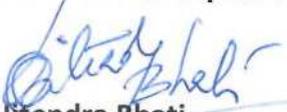
Dear Sir/ Madam,

Pursuant to Regulation 30 of SEBI LODR, kindly find enclosed the analyst(s) / institutional investor(s) presentation with regard to analyst(s) / institutional investor(s) meet / call to be held on Thursday, 1 November 2018.

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

Thanking you,

Yours faithfully,  
**For IndoStar Capital Finance Limited**

  
**Jitendra Bhati**  
SVP – Compliance & Secretarial  
(Membership No. F8937)



Encl: a/a



# INDOSTAR CAPITAL FINANCE LIMITED

Q2 FY19 Results Update

31<sup>st</sup> October 2018

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## Discussion Summary

- ❖ **Quarterly Results**
  - ❖ Business Strategy & Performance
  - ❖ Company Overview
  - ❖ Shareholding Structure
- 

## Q2 FY19: Key Highlights



**Retailisation strategy on track**

- Retail AUM: ₹ 29,000 Mn [+203% YoY, +31% QoQ]
- Retail asset book 37% of total AUM
- SME business already profitable; VF & HF seeing good revenue traction



**Well-capitalised, Low Leverage – headroom for growth**

- Strong Tier 1 CRAR of 30.6%
- Debt : Equity ratio of 2.0x



**Phase 1 of investments in Retail Business completed**

- 136 VF branches, 46 HF branches, 10 SME branches operational
- Cost-to-Income ratio for Retail Finance trending lower; down 650 bps QoQ



**Profitability Parameters improving**

- PAT: ₹ 640 Mn up 103% QoQ
- Strong asset quality with low NPAs; GNPA 0.9%; NNPA 0.6%



**Comfortable Liquidity position**

- Cash & Equivalent of ₹ 12,673\* Mn; 22% of borrowings
- Positive ALM in all buckets, month on month, for next 18 months
- Funding sanctions of ₹ 6,510 Mn in hand

SME: SME Finance, VF: Vehicle Finance, HF: Housing Finance

\* Excluding FDs of ₹ 265 Mn, on which lien is marked

## Q2 FY19: Business Outlook



- Tight liquidity for NBFCs and HFCs driving increase in yield on assets and in funding cost



- Strong demand for Retail finance products
  - Vehicle scrapping policy for Commercial Vehicles expected to increase demand for Vehicle Financing
  - Mass Housing to sustain demand in Affordable Housing segment



- Corporate Lending
  - Continued strong demand in Real Estate lending
  - Good pipeline in Structured Corporate Lending segment

## Q2 FY19: Consolidated Profit & Loss Statement



Particulars (₹ Mn)	Q2 FY19	Q1 FY19	QoQ %	Q2 FY18	YoY %	H1 FY19	H1 FY18	YoY%
Revenue from Operations	3,245	2,343	38%	1,995	63%	5,588	3,830	46%
Interest Expenses	1,404	1,119	25%	740	90%	2,523	1,507	67%
<b>Net Interest Income</b>	<b>1,841</b>	<b>1,224</b>	<b>50%</b>	<b>1,255</b>	<b>47%</b>	<b>3,065</b>	<b>2,324</b>	<b>32%</b>
Salary	456	323	41%	240	90%	779	484	61%
Operating Expenses	235	218	8%	67	252%	453	121	274%
<b>Profit before Credit Cost</b>	<b>1,149</b>	<b>683</b>	<b>68%</b>	<b>948</b>	<b>21%</b>	<b>1,833</b>	<b>1,718</b>	<b>7%</b>
Credit Cost	111	77	44%	-119	-193%	187	-136	-238%
One off Cost	47	92	-49%	-	-	139	-	-
<b>Profit before Tax</b>	<b>992</b>	<b>514</b>	<b>93%</b>	<b>1,067</b>	<b>-7%</b>	<b>1,506</b>	<b>1,854</b>	<b>-19%</b>
Tax	352	200	76%	373	-6%	551	650	-15%
<b>Net Profit</b>	<b>640</b>	<b>315</b>	<b>103%</b>	<b>694</b>	<b>-8%</b>	<b>955</b>	<b>1,204</b>	<b>-21%</b>

Key Metrics	Q2 FY19	Q1 FY19	Q2 FY18	H1 FY19	H1 FY18
Yield	15.1%	12.2%	15.4%	14.3%	15.2%
Cost of Borrowings	9.7%	9.0%	9.0%	9.4%	9.3%
Spread	5.4%	3.2%	6.3%	4.9%	5.9%
NIM	8.6%	6.4%	9.7%	7.8%	8.9%
Cost : Income Ratio*	37.6%	44.1%	24.4%	40.2%	26.0%

\* Excluding credit costs and one off costs

## H1 FY19: Financial Performance



- Phase 1 of Retail Lending business rollout completed
  - 155 branches operational
  - 1,545 employees on board in retail businesses
- Significant investment made in people & infrastructure; Opex increased 61% to ₹ 779 Mn
- Monthly retail disbursements increased from ₹ 1,111 Mn in Sept 2017 to ₹ 2,992 Mn in Sept 2018
  - Retail AUM has increased 3x from ₹ 9,575 Mn in Sept 2017 to ₹ 29,000 Mn in Sept 2018
  - Retail AUM up from 22% to 37% of total AUM
- Profit Before Tax (excluding credit costs & one offs) increased 7% from ₹ 1,718 Mn to ₹ 1,833 Mn; even after significant investment in people & infrastructure
  - AUM increased 76% from ₹ 44,140 Mn in Sept 2017 to ₹ 77,665 Mn in Sept 2018
  - NII increased 32% from ₹ 2,324 Mn to ₹ 3,065 Mn

## Q2 FY19: Consolidated Balance Sheet



Particulars (₹ Mn)	Q2 FY19	Q1 FY19	QoQ%	Q2 FY18	YoY%
Equity	29,099	28,684	1%	20,279	43%
Borrowings	58,032	54,370	7%	31,934	82%
Others	592	2,163	-73%	-	-
<b>Total Liabilities</b>	<b>87,723</b>	<b>85,217</b>	<b>-64%</b>	<b>52,213</b>	<b>125%</b>
Loan Assets	77,665	74,701	4%	44,140	76%
Treasury Assets	9,330	9,692	-4%	7,659	22%
Others	727	824	-12%	414	76%
<b>Total Assets</b>	<b>87,723</b>	<b>85,217</b>	<b>-11%</b>	<b>52,213</b>	<b>173%</b>

Key Ratios	Q2 FY19	Q1 FY19	Q2 FY18
<b>ROAA*</b>	<b>3.0%</b>	<b>1.6%</b>	<b>5.3%</b>
Leverage	3.0x	3.1x	2.6x
<b>ROAE*</b>	<b>8.9%</b>	<b>5.1%</b>	<b>13.9%</b>

\* Annualised

## Q2 FY19: Business Segment Performance



Particulars (₹ Mn)	Corporate Lending	SME Finance	Vehicle Finance	Housing Finance	Consolidated <sup>^</sup>
Revenue from Operations	2,206	539	231	75	3,245
Interest Expenses	836	284	89	41	1,404
<b>Net Interest Income</b>	<b>1,370</b>	<b>255</b>	<b>141</b>	<b>33</b>	<b>1,841</b>
Salary	67	56	119	93	456
Operating Expenses	0	21	108	30	235
Credit Cost	10	73	24	4	111
One off Cost	-	-	-	-	47
<b>Profit Before Tax</b>	<b>1,293</b>	<b>104</b>	<b>-109</b>	<b>-93</b>	<b>992</b>
Equity *	16,143	6,166	2,355	1,098	29,099
Borrowings	32,194	12,297	4,697	2,190	58,032
Others	328	125	48	22	592
<b>Total Liabilities</b>	<b>48,665</b>	<b>18,589</b>	<b>7,100</b>	<b>3,311</b>	<b>87,723</b>
Loan Assets	48,665	18,589	7,100	3,311	77,665
Treasury Assets	-	-	-	-	9,330
Others	-	-	-	-	727
<b>Total Assets</b>	<b>48,665</b>	<b>18,589</b>	<b>7,100</b>	<b>3,311</b>	<b>87,723</b>

Credit costs refer to expected loss provisions mandated under IndAS.

\* Allocated

<sup>^</sup> Total of Segmental numbers does not tally with consolidated figures as costs of common functions are not shown under lending segments

# H1 FY19: Business Segment Performance



Particulars (₹ Mn)	Corporate Lending	SME Finance	Vehicle Finance	Housing Finance	Consolidated <sup>^</sup>
Revenue from Operations	3,820	965	331	106	5,588
Interest Expenses	1,559	514	127	57	2,523
<b>Net Interest Income</b>	<b>2,262</b>	<b>451</b>	<b>204</b>	<b>49</b>	<b>3,065</b>
Salary	110	110	214	154	779
Operating Expenses	1	42	215	43	453
Credit Cost	27	117	36	7	187
One off Costs	-	-	-	-	139
<b>Profit Before Tax</b>	<b>2,124</b>	<b>182</b>	<b>-261</b>	<b>-156</b>	<b>1,506</b>
Equity*	16,143	6,166	2,355	1,098	29,099
Borrowings	32,194	12,297	4,697	2,190	58,032
Others	328	125	48	22	592
<b>Total Liabilities</b>	<b>48,665</b>	<b>18,589</b>	<b>7,100</b>	<b>3,311</b>	<b>87,723</b>
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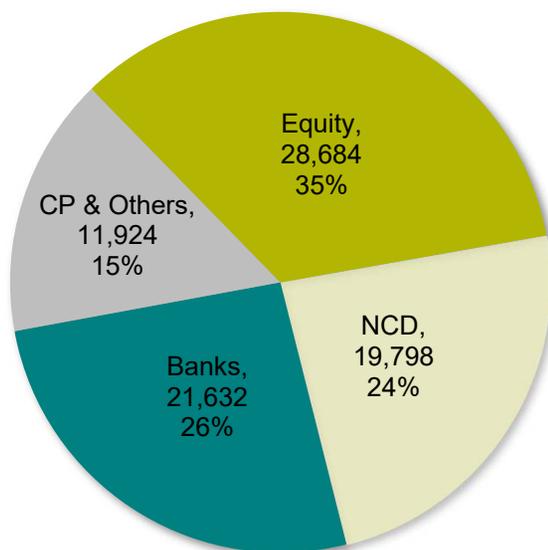
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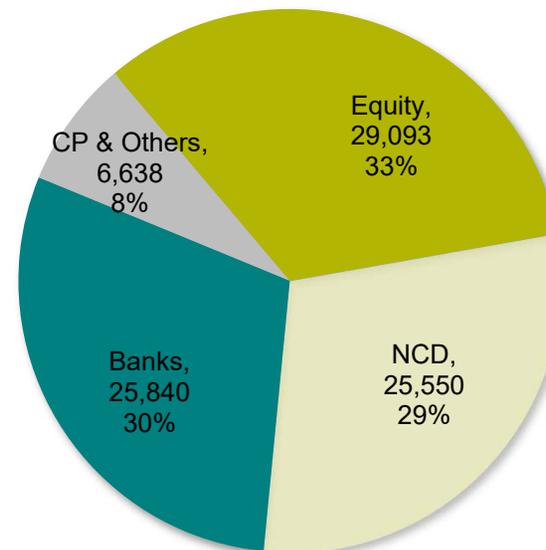
## Q2 FY19: Diversified Funding Profile



Funding Mix % - June 2018 (₹ Mn)



Funding Mix % - September 2018 (₹ Mn)

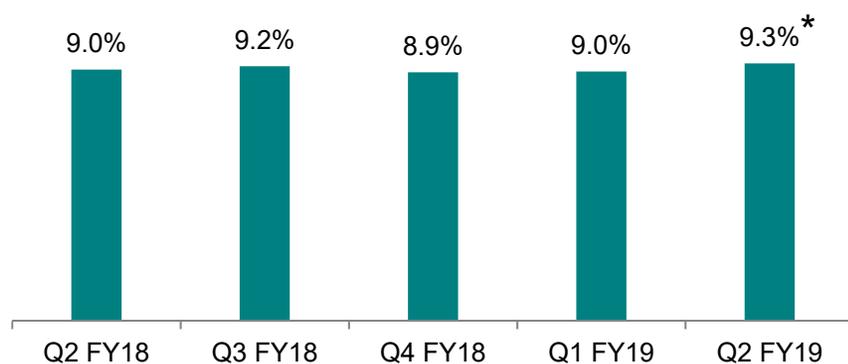


**Proportion of Commercial Paper and Short Term Funding reduced substantially**

## Q2 FY19: Diversified Liability Profile



**Overall Cost of Borrowing (COB %)**



**Strong Credit Ratings**

Borrowing Type	Rating Firm	FY18 - Ratings
Term Loans	INDIA RATINGS / CARE	AA (-)
Redeemable NCDs	INDIA RATINGS / CARE	AA (-)
CPs	CRISIL / CARE / ICRA	A1 (+)

\* Borrowing cost computed as per financials will be ~9.7%; because of EIR impact

## Q2 FY19: Comfortable Liquidity Position



### Positive ALM month on month, in FY 19 and FY 20

Particulars (₹ Mn)	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	FY20
Opening Cash & Cash Equivalents *	12,673	10,622	9,497	8,927	9,125	9,199	8,095
Loan Repayment Inflows (Principal)	460	1,090	1,210	660	670	1,390	19,979
<b>Total Inflows</b>	<b>13,133</b>	<b>11,712</b>	<b>10,707</b>	<b>9,587</b>	<b>9,795</b>	<b>10,589</b>	<b>28,074</b>
Liability Repayment (Principal)							
Commercial Papers	1,250	1,000	850	-	-	1,250	1,150
NCDs	25	-	-	-	100	250	11,050
Term Loans & Others	1,236	1,215	930	462	264	994	7,099
Others	-	-	-	-	232	-	705
<b>Total Outflows</b>	<b>2,511</b>	<b>2,215</b>	<b>1,780</b>	<b>462</b>	<b>596</b>	<b>2,494</b>	<b>20,003</b>
<b>Closing Cash &amp; Cash Equivalents</b>	<b>10,622</b>	<b>9,497</b>	<b>8,927</b>	<b>9,125</b>	<b>9,199</b>	<b>8,095</b>	<b>8,071</b>

* Details of Opening Cash & Equivalents	(₹ Mn)
Cash & Bank Balance	4,459
Cash Equivalents	
Liquid Debt MFs	3,190
Term Deposits with Banks	*367
Undrawn Funding Lines	3,608
Treasury Assets	1,049
<b>Total</b>	<b>12,673</b>

✓ **Additional funding lines sanctioned ₹ 6,510 Mn**

✓ **Retail Asset securitization strategy**

✓ AUM ₹ 29,000 Mn as on 30<sup>th</sup> Sep 2018

✓ Monthly disbursement ~ ₹ 3,000 Mn

✓ ~ 40% qualify as priority sector assets

\* Excluding FDs of ₹ 265 Mn, which are lien marked 12

## Discussion Summary

❖ Quarterly Results

❖ **Business Strategy & Performance**

❖ Company Overview

❖ Shareholding Structure

# Our Strategic Priority: Build A Well-Balanced & Diversified Lending Institution



- ✓ Continue to grow profitable corporate lending business
- ✓ Diversify asset book by building high-quality retail lending business
- ✓ Retail assets estimated to be over 50% of AUM within 3 years from present 37%
- ✓ Focus on secured lending to Middle India, having strong growth potential - vehicle finance, affordable housing finance and SME finance
- ✓ Judicious capital allocation

- ✓ Be a catalyst in our customers' "LIFE KA TAKE-OFF"
- ✓ Become the partner of choice to fulfil growing aspirations of mid-market companies
- ✓ Increase market share in the niche used-vehicle finance business
- ✓ Penetrate deeper and become a preferred financier for small businesses
- ✓ Provide affordable home financing solutions to self employed & salaried customers

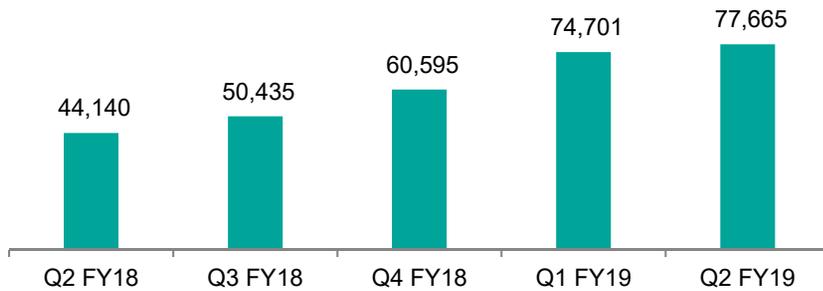
- ✓ Achieve calibrated growth while maintaining strong balance sheet
- ✓ Robust risk management - no compromise on credit quality in the pursuit of growth
- ✓ Achieve consistently improving profitability even while increasing diversity and granularity of our loan book
- ✓ Aim to consistently deliver mid-high teens ROE as the business achieves scale & operating leverage

# Q2 FY19: Encouraging Quarterly Performance Trend (1/2)

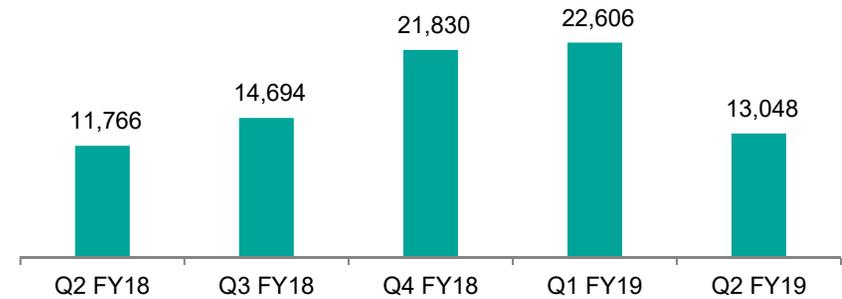


Consolidated Financials

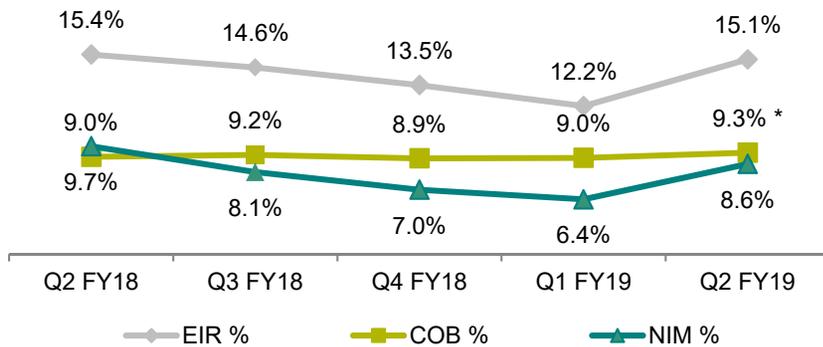
**AUM (₹ Mn)**



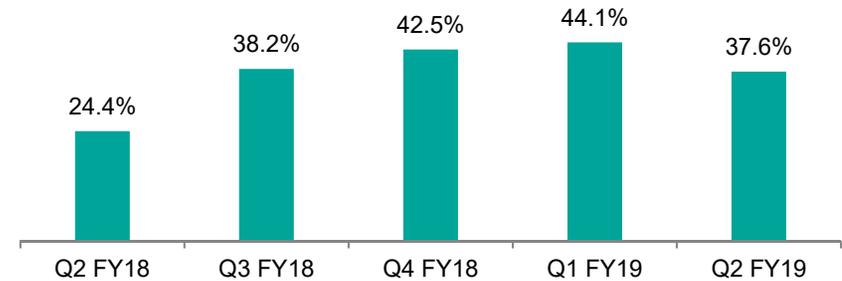
**Loan Disbursements (₹ Mn)**



**Spread Analysis (%)**



**Cost to Income Ratio (%) \***



\* Borrowing cost computed as per financials will be ~9.7%; because of EIR impact

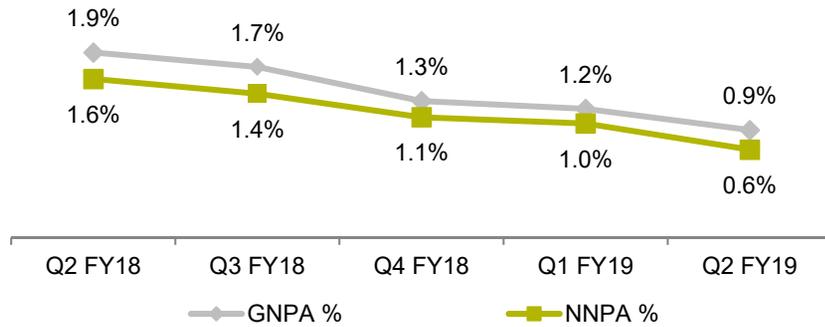
\* Excluding credit costs and one off costs

# Q2 FY19: Encouraging Quarterly Performance Trend (2/2)

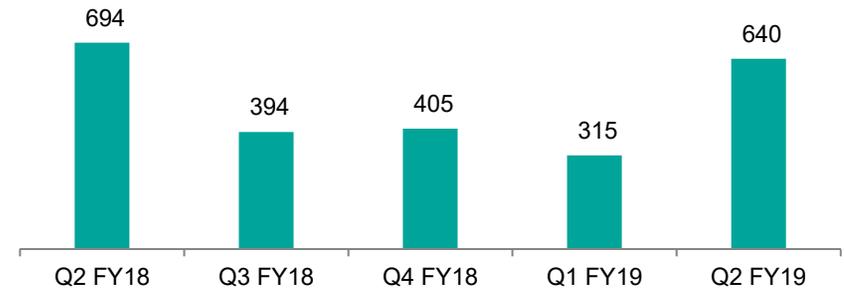


Consolidated Financials

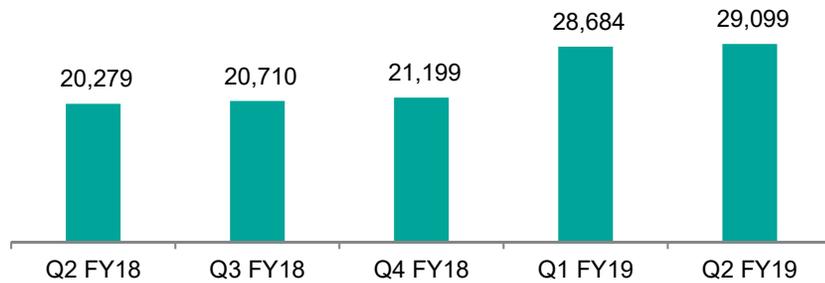
**NPA (%)\***



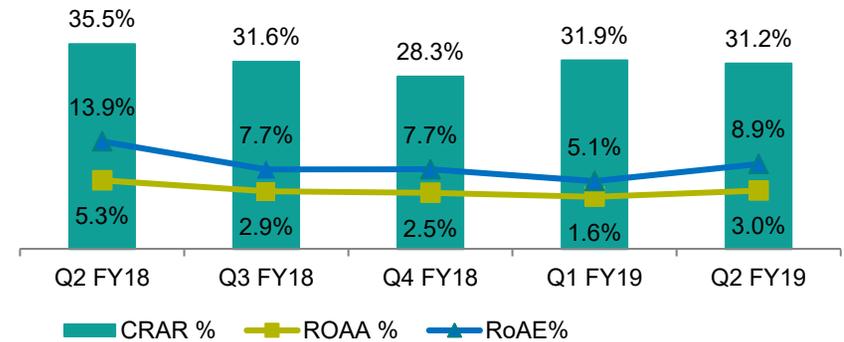
**PAT (₹ Mn)**



**Net worth (₹ Mn)**



**Return Ratios^ & Capital Adequacy (%)**



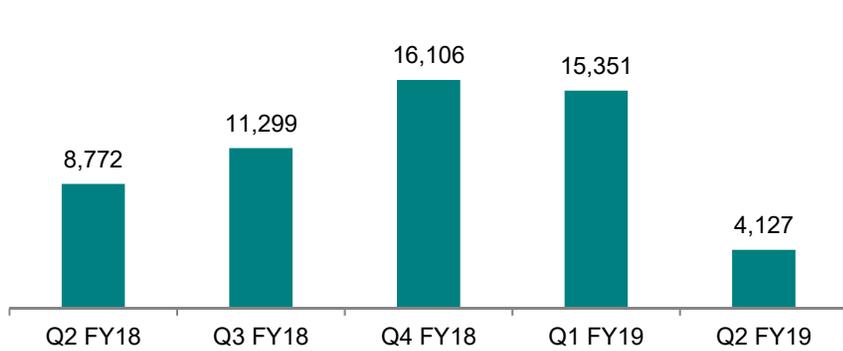
\* GNPA & NNPA represents Stage 3 Assets

^ Annualized basis

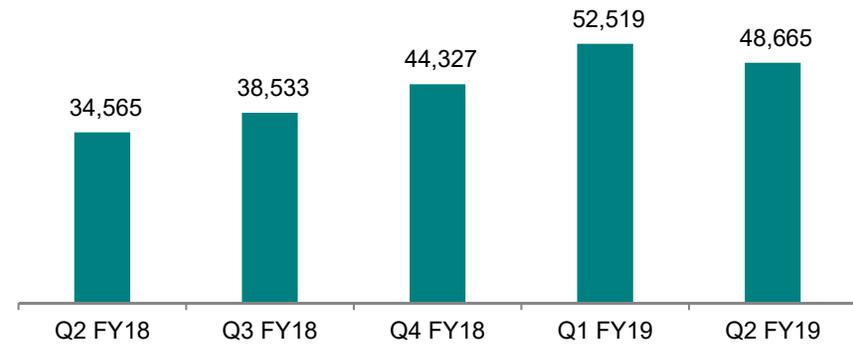
# Corporate Lending (1/3)



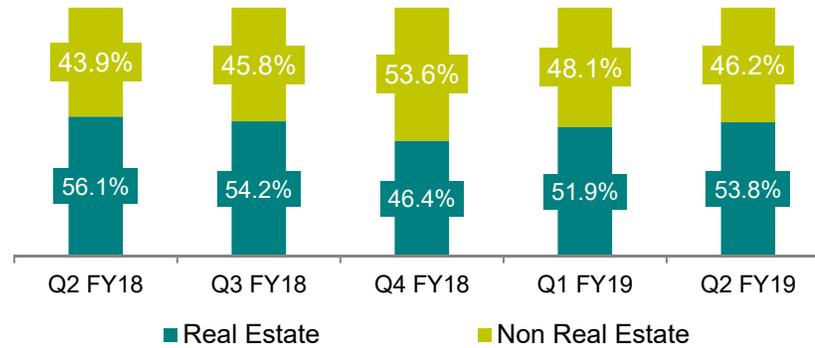
Gross Disbursements (₹ Mn)



Corporate Lending AUM (₹ Mn)



AUM Breakup: RE vs. Non-RE



## Corporate Lending : Strong profitability (2/3)



Particulars (₹ Mn)	Q2 FY18	Q3 FY18	Q4 FY18	Q1 FY19	Q2 FY19
Interest Income	1,589	1,461	1,577	1,614	2,206
Interest Expenses	536	522	627	722	836
<b>Net Interest Income</b>	<b>1,053</b>	<b>939</b>	<b>950</b>	<b>892</b>	<b>1,370</b>
Salary	69	65	53	44	67
Operating Expenses	5	5	1	1	-
<b>Profit before Credit Cost</b>	<b>979</b>	<b>870</b>	<b>897</b>	<b>847</b>	<b>1,303</b>
Credit Cost *	-181	72	-42	17	10
<b>Profit Before Tax</b>	<b>1,160</b>	<b>798</b>	<b>939</b>	<b>831</b>	<b>1,293</b>
<b>Loan Assets</b>	<b>34,565</b>	<b>38,533</b>	<b>44,327</b>	<b>52,519</b>	<b>48,665</b>
<b>Equity ^</b>	<b>13,255</b>	<b>14,047</b>	<b>13,693</b>	<b>17,678</b>	<b>16,143</b>

\* Credit cost refers to expected loss provisions

^ Allocated

## Corporate Lending : Key ratios (3/3)



	Q2 FY18	Q3 FY18	Q4 FY18	Q1 FY19	Q2 FY19
Interest Income *	16.1%	15.2%	14.4%	13.2%	14.4%
<b>Net Interest Income*</b>	<b>11.1%</b>	<b>9.9%</b>	<b>8.9%</b>	<b>7.4%</b>	<b>10.4%</b>
Operating Expenses*	<b>0.8%</b>	<b>0.7%</b>	<b>0.5%</b>	<b>0.4%</b>	<b>0.5%</b>
<b>Profit before Credit Cost*</b>	<b>10.3%</b>	<b>9.2%</b>	<b>8.4%</b>	<b>7.0%</b>	<b>9.9%</b>
Credit Cost*	-1.9%	0.8%	-0.4%	0.1%	0.1%
<b>GNPA</b>	<b>1.7%</b>	<b>1.5%</b>	<b>1.1%</b>	<b>0.8%</b>	<b>0.4%</b>
<b>NNPA</b>	<b>1.4%</b>	<b>1.1%</b>	<b>0.9%</b>	<b>0.7%</b>	<b>0.2%</b>
<b>ROAA^</b>	<b>8.0%</b>	<b>5.9%</b>	<b>5.4%</b>	<b>4.5%</b>	<b>6.6%</b>
Leverage	2.7x	2.7x	3.0x	3.1x	3.1x
<b>ROAE^</b>	<b>21.8%</b>	<b>15.9%</b>	<b>16.2%</b>	<b>13.9%</b>	<b>20.7%</b>

\* On daily average basis

^ Annualized basis

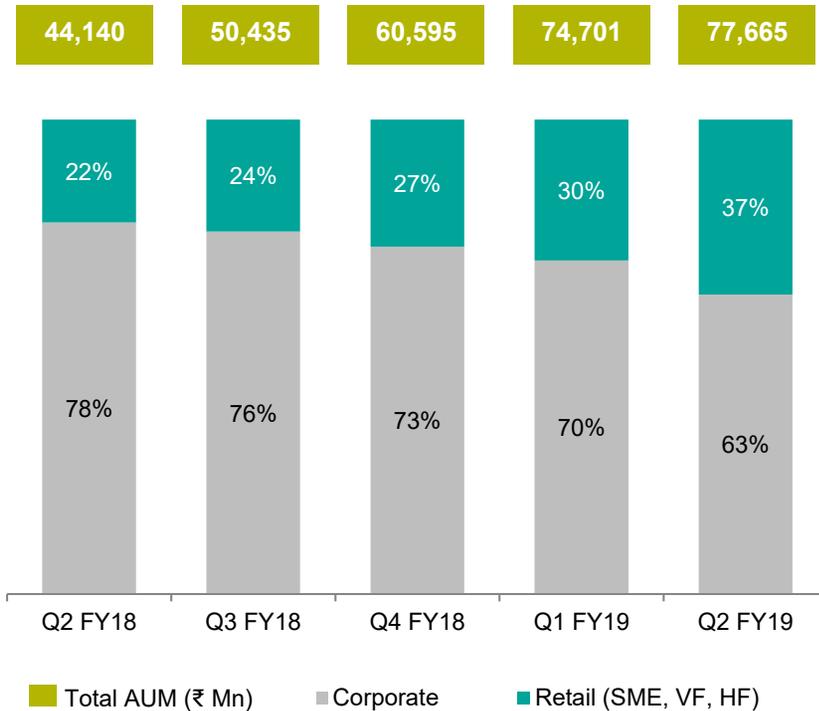
- ✓ Consistent growth and profitability
- ✓ Strong Asset Quality – zero credit losses till date
- ✓ Motivated team, low attrition in top management team
- ✓ Poised for strong growth with increasing lending opportunities

# Retailisation Strategy Continues with Strong Momentum

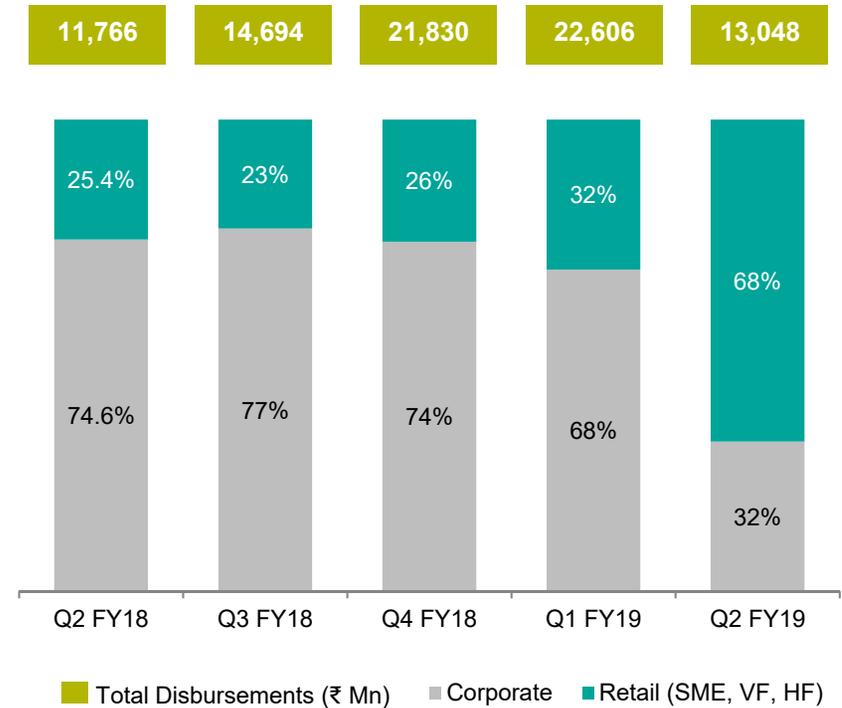


## Rising Proportion of Retail Lending in the Overall AUM and Disbursements

AUM: CL vs Retail (%)



Disbursements: CL vs Retail (%)

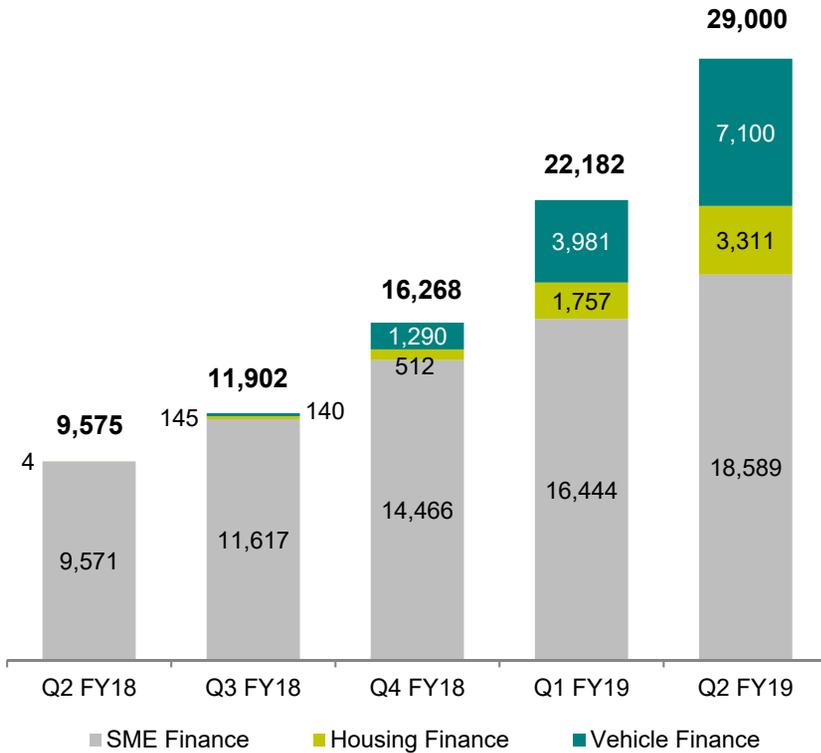


CL: Corporate Lending, SME: SME Finance, VF: Vehicle Finance, HF: Housing Finance

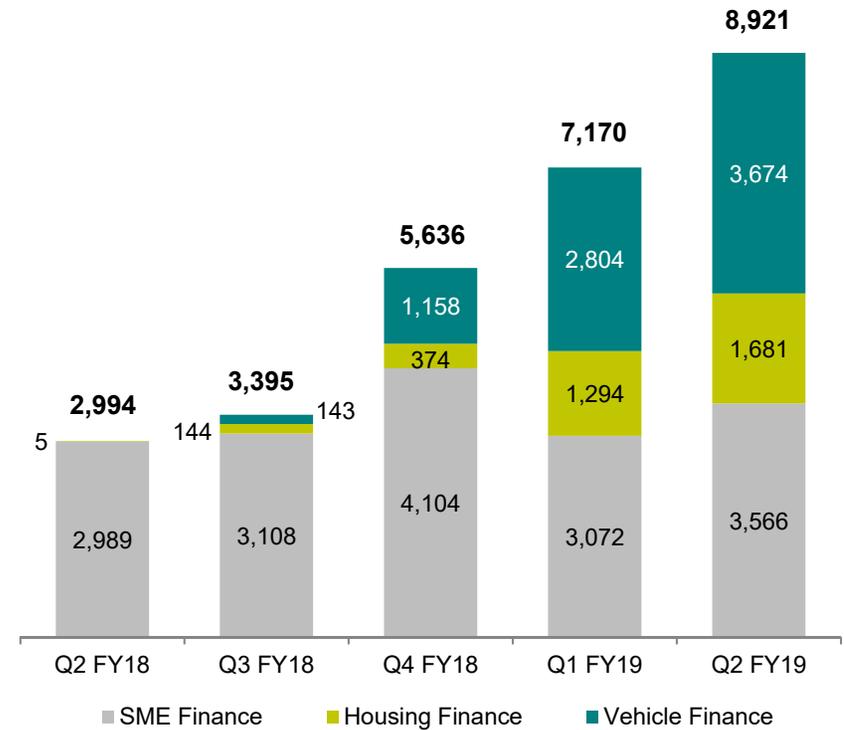
# Strong Traction Witnessed Across All Retail Segments



Retail AUM (₹ Mn)



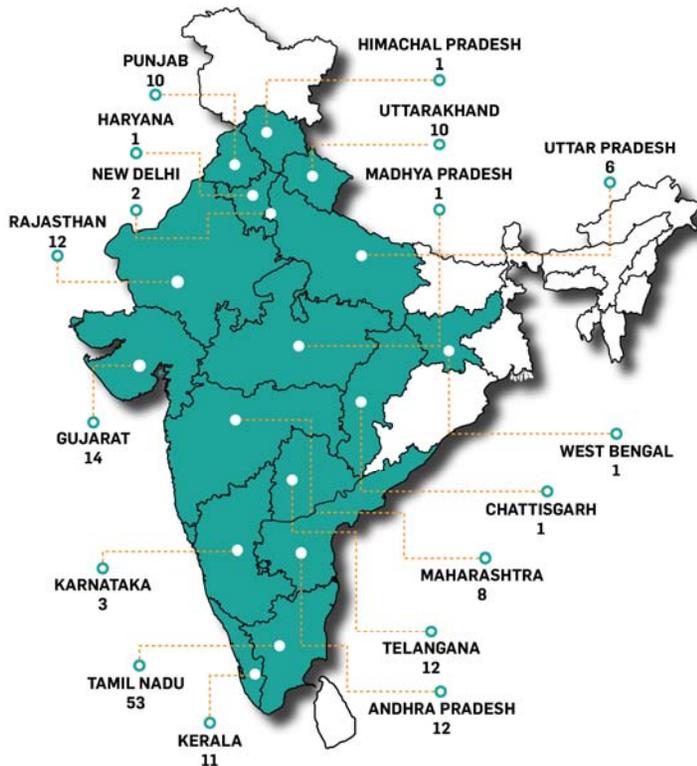
Retail Disbursements (₹ Mn)



# Rapid Rollout of Retail Branch Network



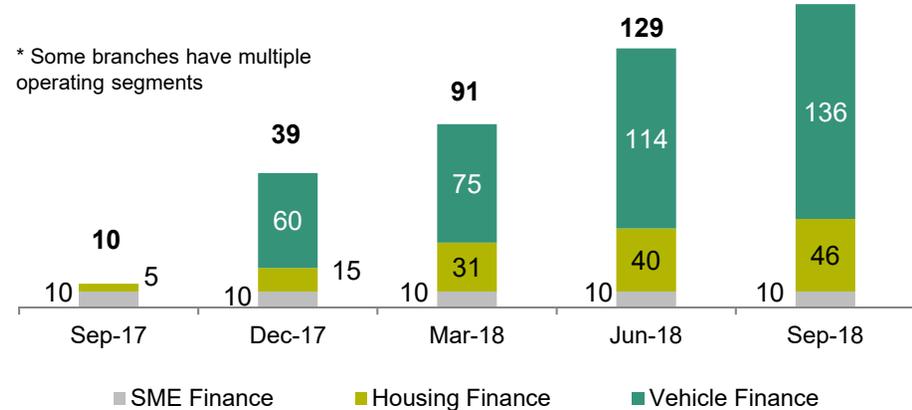
## 155 Branches Across 17 States



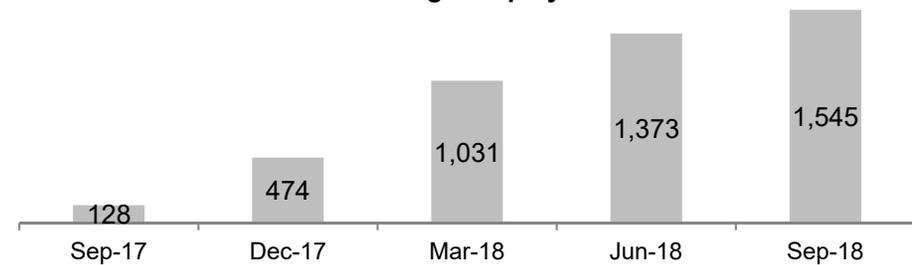
- ✓ Phase 1 of Retail Business roll-out completed
- ✓ Significant investments in people & infrastructure

## Early Identification and Rapid Branch Expansion 155

\* Some branches have multiple operating segments



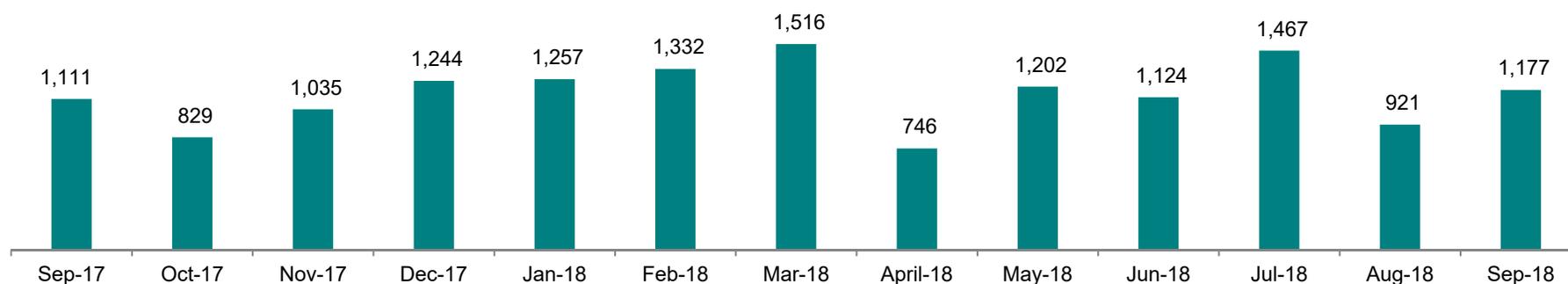
## Retail Lending - Employee Base



## SME Business is Profitable (1/3)



SME Finance – Monthly Disbursement Trend (₹ Mn)



- ✓ SME Business is already profitable; Achieved profitability in FY18
- ✓ SME Finance being operated out of 10 branches in 8 states
- ✓ No further branch addition and investments planned
- ✓ Consistent monthly growth in AUM
- ✓ AUM growth and business scale leading to positive operating leverage and improving profitability

## SME Business is Profitable (2/3)



Particulars (₹ Mn)	Q2 FY18	Q3 FY18	Q4 FY18	Q1 FY19	Q2 FY19
Revenue from Operations	277	311	346	425	539
Interest Expenses	124	150	193	230	284
<b>Net Interest Income</b>	<b>153</b>	<b>161</b>	<b>152</b>	<b>196</b>	<b>255</b>
Salary	59	57	39	53	56
Operating Expenses	13	23	21	20	21
<b>Profit before Credit Cost</b>	<b>81</b>	<b>81</b>	<b>92</b>	<b>122</b>	<b>177</b>
Credit Cost *	62	44	15	44	73
<b>Profit Before Tax</b>	<b>20</b>	<b>37</b>	<b>78</b>	<b>78</b>	<b>104</b>
<b>Loan Assets</b>	<b>9,571</b>	<b>11,617</b>	<b>14,466</b>	<b>16,444</b>	<b>18,589</b>
<b>Equity^</b>	<b>3,670</b>	<b>4,235</b>	<b>4,469</b>	<b>5,535</b>	<b>6,166</b>

\* Credit cost refers to expected loss provisions

^ Allocated

## SME Business : Key ratios (3/3)

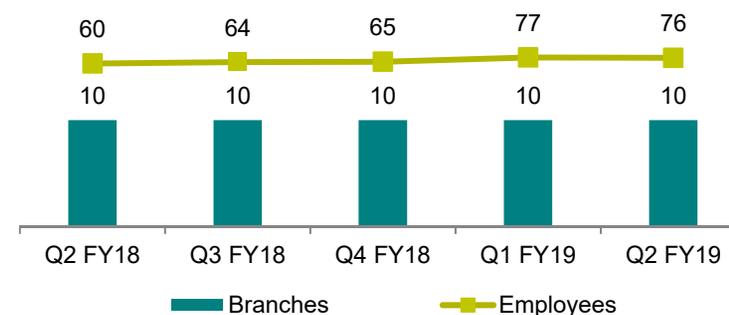


ROAA Tree (%)	Q2 FY18	Q3 FY18	Q4 FY18	Q1 FY19	Q2 FY19
Interest Income*	12.4%	11.8%	10.8%	11.2%	12.3%
<b>Net Interest Income*</b>	<b>7.1%</b>	<b>6.0%</b>	<b>4.5%</b>	<b>5.0%</b>	<b>5.7%</b>
Operating Expenses*	3.3%	3.0%	1.9%	1.9%	1.8%
<b>Profit before Credit Cost*</b>	<b>3.8%</b>	<b>3.1%</b>	<b>2.9%</b>	<b>3.2%</b>	<b>4.1%</b>
Cost / Income	47.0%	49.6%	39.4%	37.5%	30.4%
Credit Cost*	2.9%	1.7%	0.5%	1.2%	1.7%
<b>GNPA</b>	<b>2.5%</b>	<b>2.5%</b>	<b>2.1%</b>	<b>2.6%</b>	<b>2.4%</b>
<b>NNPA</b>	<b>2.3%</b>	<b>2.2%</b>	<b>1.8%</b>	<b>2.3%</b>	<b>1.9%</b>
<b>ROAA^</b>	<b>0.6%</b>	<b>1.0%</b>	<b>1.5%</b>	<b>1.3%</b>	<b>1.6%</b>
Leverage	2.7x	2.7x	3.0x	3.1x	3.0x
<b>ROAE^</b>	<b>1.6%</b>	<b>2.6%</b>	<b>4.5%</b>	<b>4.2%</b>	<b>4.8%</b>

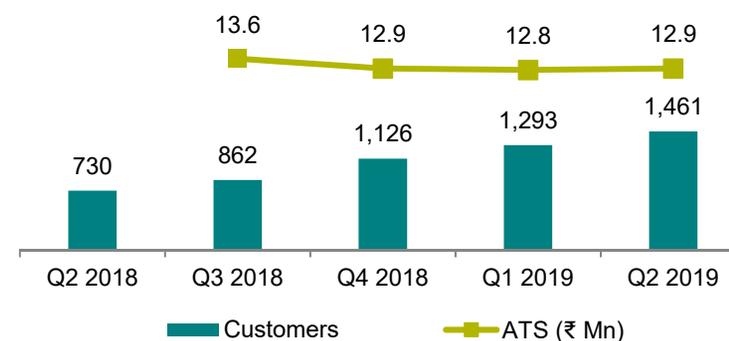
\* On daily average basis

^ Annualized basis

### Branches & Employees



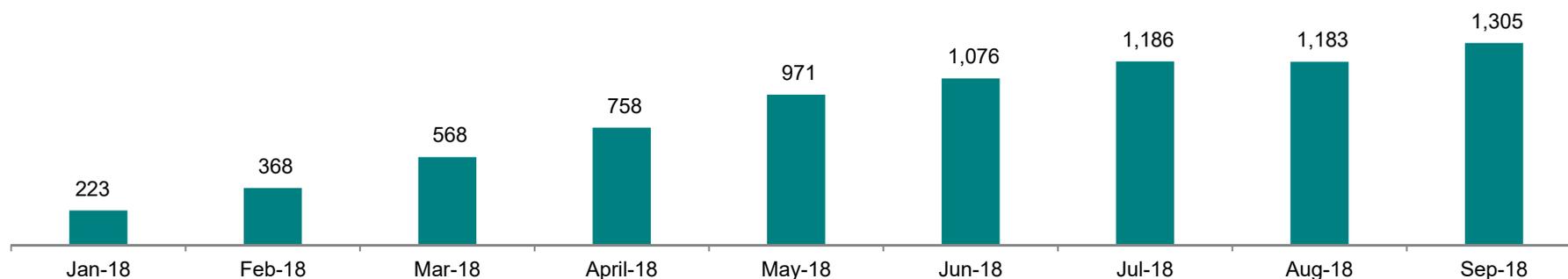
### Customers & Avg. Ticket Size



## Vehicle Finance Is Scaling Up (1/4)



Vehicle Finance – Monthly Disbursement Trend (₹ Mn)



- ✓ Commenced VF disbursements in December 2017
- ✓ Consistent monthly growth in AUM and disbursements
- ✓ Phase 1 of branch expansion completed
- ✓ Significant improvement in branch level profitability led by increasing business scale
- ✓ Branch-level break-even estimated at branch AUM of ₹ 120 Mn, to be attained within 12-15 months

## Vehicle Finance Is Scaling Up (2/4)



Particulars (₹ Mn)	Q2 FY18	Q3 FY18	Q4 FY18	Q1 FY19	Q2 FY19
Revenue from Operations	-	-	25	101	231
Interest Expenses	-	1	9	38	89
<b>Net Interest Income</b>	-	-	<b>16</b>	<b>63</b>	<b>141</b>
Salary	10	32	77	95	119
Operating Expenses	-	11	49	107	108
<b>Profit before Credit Cost</b>	<b>-10</b>	<b>-43</b>	<b>-110</b>	<b>-139</b>	<b>-86</b>
Credit Cost *	-	1	4	13	24
<b>Profit Before Tax</b>	<b>-10</b>	<b>-43</b>	<b>-114</b>	<b>-152</b>	<b>-109</b>
<b>Loan Assets</b>	-	<b>140</b>	<b>1,290</b>	<b>3,981</b>	<b>7,100</b>
<b>Equity<sup>^</sup></b>	-	<b>51</b>	<b>398</b>	<b>1,340</b>	<b>2,355</b>

\* Credit cost refers to expected loss provisions. There are no NPAs in the vehicle finance business

<sup>^</sup> Allocated

## Vehicle Finance : Key ratios (3/4)

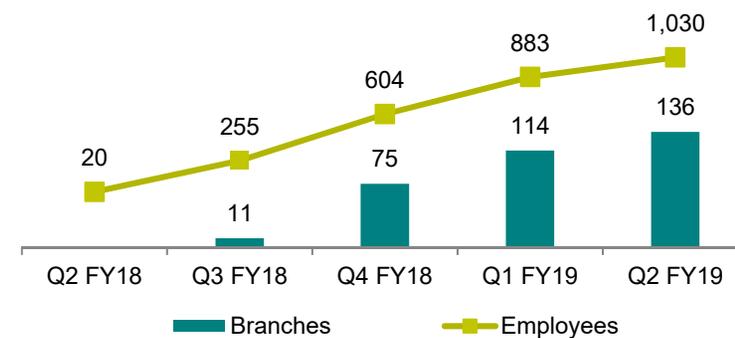


ROAA Tree(%)	Q2 FY18	Q3 FY18	Q4 FY18	Q1 FY19	Q2 FY19
Interest Income*	n.a.	n.a.	16.8%	15.8%	17.2%
<b>Net Interest Income*</b>	<b>n.a.</b>	<b>n.a.</b>	<b>10.5%</b>	<b>9.9%</b>	<b>10.6%</b>
Operating Expenses*	n.a.	n.a.	84.7%	31.7%	16.9%
<b>Profit before Credit Cost*</b>	<b>n.a.</b>	<b>n.a.</b>	<b>-74.2%</b>	<b>-21.8%</b>	<b>-6.4%</b>
Cost / Income	n.a.	n.a.	807.5%	320.9%	160.6%
Credit Cost*	n.a.	n.a.	3.0%	2.0%	1.8%
<b>GNPA</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>NNPA</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>ROAA^</b>	<b>n.a.</b>	<b>n.a.</b>	<b>-47.7%</b>	<b>-15.6%</b>	<b>-5.5%</b>
Leverage	n.a.	n.a.	3.2x	3.0x	3.0x
<b>ROAE^</b>	<b>n.a.</b>	<b>n.a.</b>	<b>-151.7%</b>	<b>-47.2%</b>	<b>-16.6%</b>

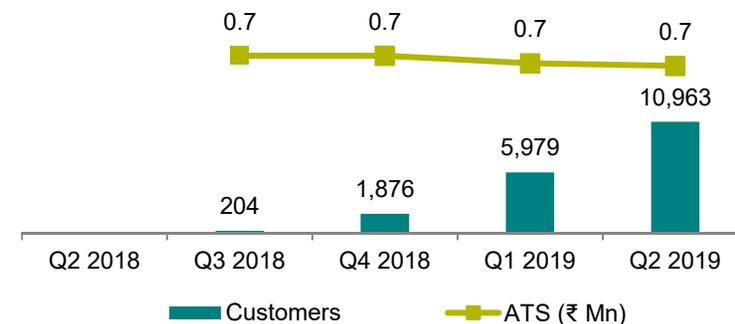
\* On daily average basis

^ Annualized basis

### Branches & Employees



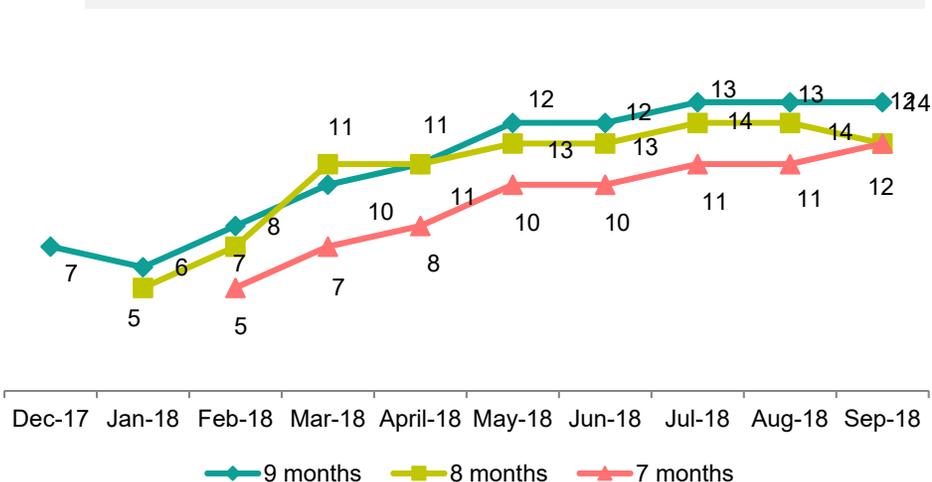
### Customers & Avg. Ticket Size



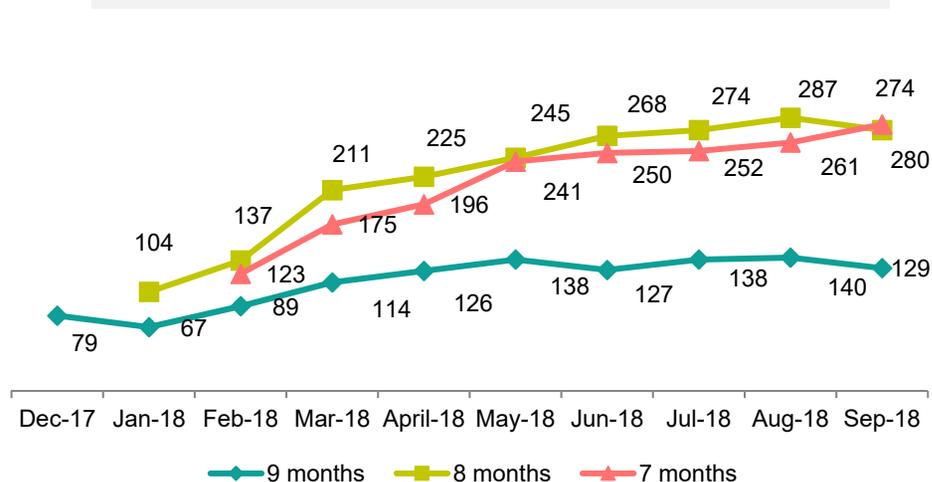
# Vehicle Finance : Encouraging Operational Metrics (4/4)



**Average Monthly Disbursement by Branch Vintage (₹ Mn)**



**Gross Monthly Disbursement by Branch Vintage (₹ Mn)**



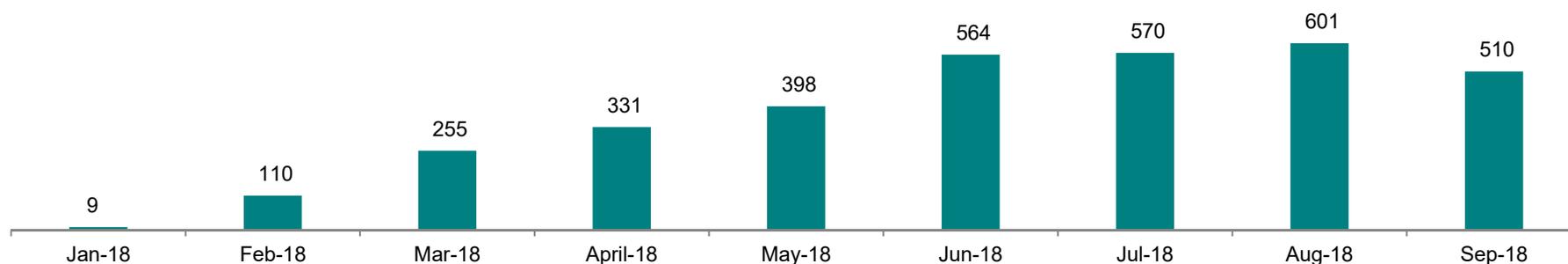
Branch opened in	No of branches	Months in operations	Branches with positive contribution – Sep 2018
December 2017	11	9	8 (73%)
January 2018	20	8	17 (85%)
February 2018	24	7	9 (38%)

- For 9 month vintage branches
  - Average monthly disbursal ₹ 12 Mn per branch
  - 73% of branches giving positive contribution

## Housing Finance Business Volumes are Trending Well (1/3)



Housing Finance – Monthly Disbursement Trend (₹ Mn)



- ✓ Consistent month-over-month growth in AUM and disbursements
- ✓ Phase 1 of branch expansion completed
- ✓ Significant improvement in branch level profitability led by increasing business scale
- ✓ Branch-level break-even estimated at branch AUM of ₹ 150 Mn
- ✓ Zero NPAs

## Housing Finance Business Volumes are Trending Well (2/3)



Particulars (₹ Mn)	Q2 FY18	Q3 FY18	Q4 FY18	Q1 FY19	Q2 FY19
Revenue from Operations	-	1	9	31	75
Interest Expenses	-	1	4	16	41
<b>Net Interest Income</b>	-	-	<b>5</b>	<b>15</b>	<b>33</b>
Salary	15	27	47	62	93
Operating Expenses	2	4	12	13	30
<b>Profit before Credit Cost</b>	<b>-18</b>	<b>-31</b>	<b>-55</b>	<b>-59</b>	<b>-90</b>
Credit Cost *	0	1	3	3	4
<b>Profit Before Tax</b>	<b>-18</b>	<b>-32</b>	<b>-58</b>	<b>-63</b>	<b>-93</b>
<b>Loan Assets</b>	<b>4</b>	<b>145</b>	<b>512</b>	<b>1,757</b>	<b>3,311</b>
<b>Equity<sup>^</sup></b>	<b>2</b>	<b>53</b>	<b>158</b>	<b>591</b>	<b>1,098</b>

\* Credit cost refers to expected loss provisions. There are no NPAs in the housing finance business

<sup>^</sup> Allocated

## Housing Finance : Key ratios (3/3)

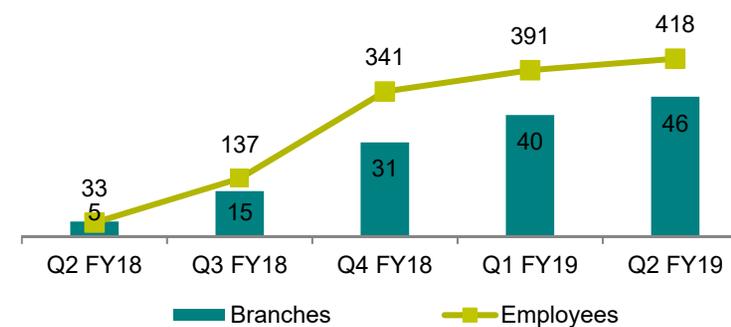


ROAA Tree(%)	Q2 FY18	Q3 FY18	Q4 FY18	Q1 FY19	Q2 FY19
Interest Income*	n.a.	15.4%	15.0%	12.5%	12.4%
<b>Net Interest Income*</b>	<b>n.a.</b>	<b>5.5%</b>	<b>8.4%</b>	<b>6.1%</b>	<b>5.5%</b>
Operating Expenses*	n.a.	406.7%	100.8%	30.1%	20.4%
<b>Profit before Credit Cost*</b>	<b>n.a.</b>	<b>-397.8%</b>	<b>-92.4%</b>	<b>-24.0%</b>	<b>-14.8%</b>
Cost / Income	n.a.	4580.8%	1199.8%	492.0%	368.3%
Credit Cost*	n.a.	19.3%	5.4%	1.3%	0.6%
<b>GNPA</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>NNPA</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>ROAA^</b>	<b>n.a.</b>	<b>-417.1%</b>	<b>-97.7%</b>	<b>-25.3%</b>	<b>-15.5%</b>
Leverage	n.a.	2.7x	3.1x	3.0x	3.0x
<b>ROAE^</b>	<b>n.a.</b>	<b>-1142.5%</b>	<b>-304%</b>	<b>-76.6%</b>	<b>-46.4%</b>

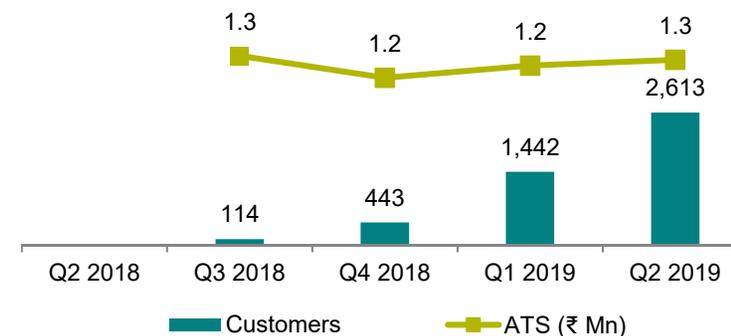
\* On daily average basis

^ Annualized basis

### Branches & Employees



### Customers & Avg. Ticket Size



## Discussion Summary

- ❖ Quarterly Results
  - ❖ Business Strategy & Performance
  - ❖ **Company Overview**
  - ❖ Shareholding Structure
- 

# Quick Snapshot



## 1. First Indian NBFC promoted by Global PE Investors

- Incorporated in 2011, sponsored by Everstone Capital and other marquee investors
- Listed on NSE & BSE in May-18

## 2. Strong Performance Track Record

- FY14-18 CAGR: AUM 24%, PAT 19%
- High Asset Quality, Healthy Profitability
- CRAR: 31.3%, sufficient capital available for rapid growth

## 3. Established Corporate Lending Platform

- Q2 FY19 Corporate AUM: ₹ 48,665 Mn (63% of total AUM)
- Differentiated lending with high asset quality, low opex., high NIMs, high ROAA
- Completed multiple credit cycles – Cumulative disbursement of Rs 2,44,557 Mn; of which 79.5% fully repaid

## 6. Robust Risk Management & Scalable Technology Platform

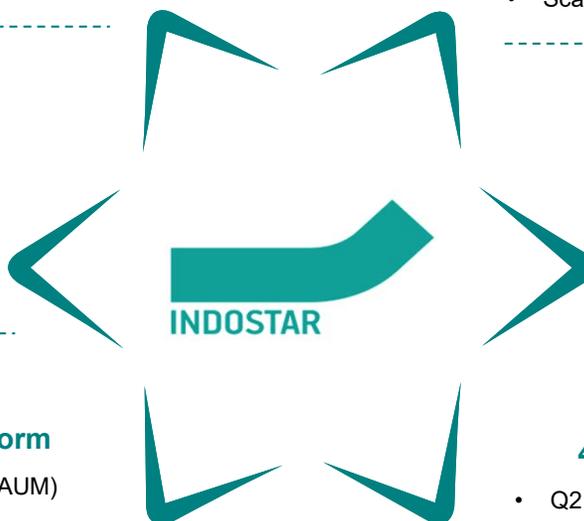
- Strong credit underwriting processes
- Active Board oversight
- Scalable technology platform to support growth

## 5. Entrepreneurial Leadership with Strong Sponsor Backing

- In-depth understanding of specific industry and geographic regions
- Separate business / credit heads for each vertical
- ESOP program (8.8% of fully diluted shares), interest aligned with business growth

## 4. Aggressive Growth in Retail Loan Book

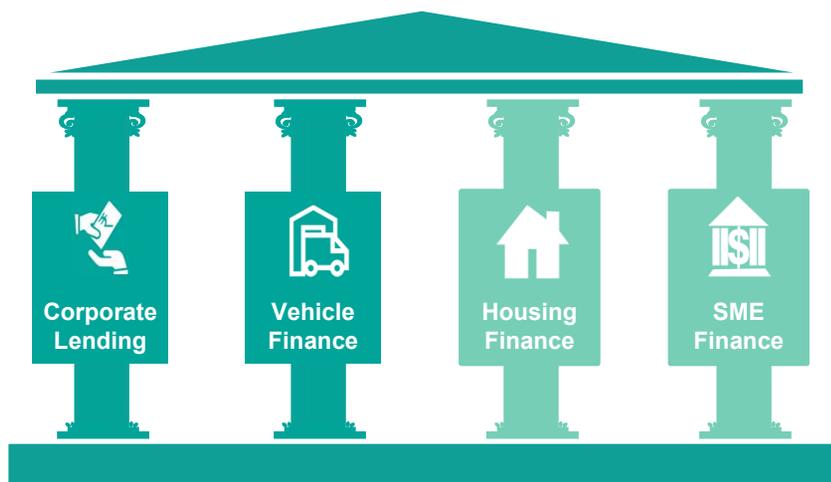
- Q2 FY19 Retail AUM: ₹ 29,000 Mn (37% of total AUM)
- Pan-India presence - 17 States, 155 Branches, 1,545 Employees, 15,037 Customers
- SME already profitable, VF & HF on track to achieve break even



# Unique Combination of NBFC + HFC for 'Middle India'



## NBFC + HFC Combination



Middle India

60% population

42% self employed



63% population age less than 35yrs



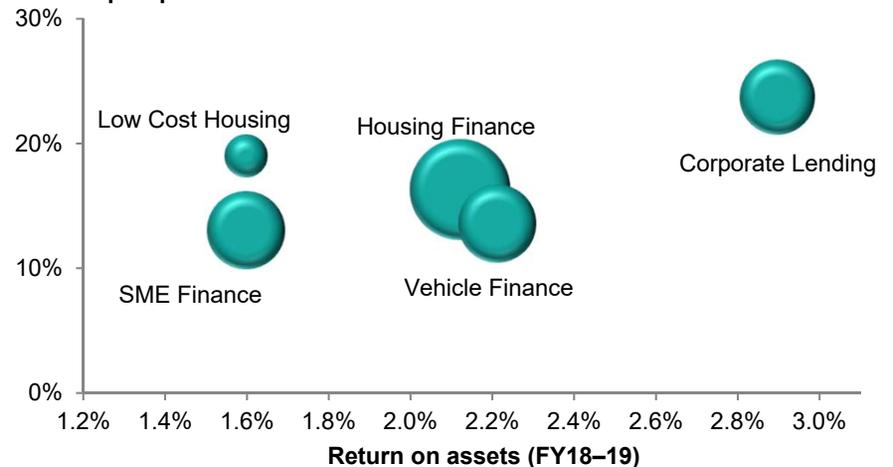
Established Corporate Lending Platform Provides IndoStar a Solid Foundation To Build the Retail Loan Book

## Presence in Segments With Strong Growth Potential

Focus on Profitable Growth and ROE Enhancement

- Corporate Lending – High ROA
- Vehicle finance – High ROA & Leverage
- SME Finance – Moderate Leverage
- Housing finance – High Leverage

### Growth prospects



- High growth prospects in the targeted segment over next two years
- ROA accretive businesses

Source: CRISIL Report – Nov 2017

# Retail Lending: Focus on High Growth Segments



## Commenced Retail Lending in 2015 with Focus on High Growth Segments

Vehicle Finance To Be The Primary Growth Engine, While Housing Finance And SME Finance To Offer Strategic Leverage

### SME Finance

- **Commenced in FY 2016**
- **Focus area:** Traders, Manufacturers and Services. Turnover upto ₹ 250 Mn
- **Differentiating strategy:**
  - ~ 40% of SME loans qualify for PSL
  - Collateral - Self-occupied residential property
  - Customized solutions, short processing turn-around-time
  - 100% loans are secured, floating, monthly interest servicing
  - Sourcing : DSA driven
- **Q2 FY19 Branches: 10 \***
- **Q2 FY19 AUM: ₹ 18,589 Mn**
- **Avg. Yield: 11.5%, ATS: ₹ 13 Mn, Avg. Tenor: 15 years**

### Housing Finance

- **Commenced in FY 2018**
- **Focus area:** Affordable HF, Self-employed individuals in outskirts of urban markets, Tier II cities
- **Differentiating strategy:**
  - Hired experienced personnel
  - Leverage VF branch network
  - Sourcing : Self, DSA, Connectors
- **Q2 FY19 Branches: 46 \***
- **Q2 FY19 AUM: ₹ 3,311 Mn**
- **Avg. Yield: 13.3%**
- **ATS: ₹ 1.3 Mn**
- **Avg. Tenor: 20 years**

### Vehicle Finance

- **Commenced in FY 2018**
- **Focus area:** Used CV (5 – 12 years)
- **Differentiating strategy:**
  - Sourcing through field officers
  - Leverage team's relationships with SFOs, MFOs and LCV & MCV owners, dealerships
  - Headquartered in Chennai
  - Increase local on-ground presence to 17 key states
  - Sourcing : Self driven
- **Q2 FY19 Branches: 136 [inc.15 Rural Centres] \***
- **Q2 FY19 AUM: ₹ 7,100 Mn**
- **Avg. Yield: 16.6%, ATS: ₹ 0.7 Mn, Avg. Tenor: 3 years**

\* Some branches have multiple operating segments, ATS: Avg. Ticket Size

# Entrepreneurial Leadership Team with Strong Sponsor Backing



- ✓ Several years of experience and in-depth understanding of the specific industry and geographic regions
- ✓ Separate business & credit heads for each vertical
- ✓ Strong alignment through large ESOP program (8.8% of diluted shares)

 <p><b>R. Sridhar</b> Executive VC &amp; CEO</p> <ul style="list-style-type: none"> <li>30+ years of experience in financial services industry</li> <li>Previously associated with various entities forming part of the Shriram group</li> <li>Served as the MD of Shriram Transport Finance Company</li> </ul>	 <p><b>Shailesh Shirali</b> MD, Head – Corporate Lending and Markets</p> <ul style="list-style-type: none"> <li>20+ years of experience in the financial services sector</li> <li>Previously worked at Future Capital Holdings</li> </ul>	 <p><b>Prashant Joshi</b> Chief Operating &amp; Risk Officer</p> <ul style="list-style-type: none"> <li>20+ years of experience across SME, Retail &amp; Corporate banking</li> <li>Previously worked with Deutsche Bank, Standard Chartered Bank, IDBI Bank, ICICI</li> </ul>	 <p><b>Pankaj Thapar</b> CFO</p> <ul style="list-style-type: none"> <li>30+ years of experience in corporate finance</li> <li>Previously worked with Everstone Capital Advisors, Dentsu, ICICI, Coca-Cola India, ANZ, Grindlays Bank, Citibank</li> </ul>
 <p><b>A. Gowthaman</b> Business Head Vehicle Finance</p> <ul style="list-style-type: none"> <li>20+ years of experience in financial institutions</li> <li>Previously worked with Cholamandalam Investment &amp; Finance Company, Shriram Transport Finance Company, Shriram Investments and others</li> </ul>	 <p><b>Hansraj Thakur</b> Business Head SME Finance</p> <ul style="list-style-type: none"> <li>Several years of experience in SME, commercial banking, and sales and relationship management</li> <li>Previously worked at IDFC Bank and Standard Chartered Bank</li> </ul>	 <p><b>Shreejit Menon</b> Business Head Affordable HF</p> <ul style="list-style-type: none"> <li>Several years of experience with financial Institutions</li> <li>Previously worked with Religare Housing Development Finance Corporation, HSBC and Muthoot Housing Finance Company</li> </ul>	

# Entrepreneurial Leadership Team with Strong Sponsor Backing



**Siva S.**  
**National Credit**  
**Head – Vehicle Finance**

- 24 years of experience with financial Institutions
- Previously worked with Fullerton India, Citigroup, Equitas Small Finance Bank. Also worked in Ashok Leyland Limited



**Uday Narayan**  
**National Credit**  
**Head - SME**

- 20 years of experience with banks & financial Institutions
- Previously worked with Reliance Capital, Bajaj Finance, ICICI Bank, Axis Bank and L & T Finance



**Shripad Desai**  
**National Credit**  
**Head – Housing Finance**

- 21 years of experience with banks & financial Institutions
- Previously worked with IDBI Bank, Reliance Capital, ICICI Bank, Deutsche Bank and others



**Benaifer Palsetia**  
**Chief Human Resources**  
**Officer**

- More than 19 years of experience with banks and financial institutions
- Previously worked with IDFC Bank, Citibank and Credit Suisse



**Pradeep Kumar**  
**Chief Technology**  
**Officer**

- More than 20 years of IT experience with financial Institutions and IT Companies
- Previously worked with PNB Housing Finance Limited, BirlaSoft Limited, WNS, Tata Infotech



**N. Ramesh**  
**Group**  
**Head Operations**

- 31 years of experience with banks & financial Institutions
- Previously worked with GE Countrywide, Cholamandalam Investment & Finance Co. Ltd., Shriram City Union Limited, Equitas Small Finance Bank.

## Strong & Distinguished Board



- ✓ 13 committees composed of independent and non-independent directors and also employees<sup>1</sup>
- ✓ Distinct and delineated responsibilities to ensure good corporate governance
- ✓ Strong capital sponsorship also providing access to best industry practices and international corporate governance standards

Name	Designation	Description
 <b>Dhanpal Jhaveri</b>	Chairman & Non-Executive Director	<ul style="list-style-type: none"> <li>Director since 2010; Partner at Everstone Capital</li> <li>Experience in investing, corporate strategy, mergers and acquisitions and investment banking</li> <li>Previously worked with Vedanta Group, ICICI Securities, KPMG India</li> </ul>
 <b>R.Sridhar</b>	Executive Vice Chairman & CEO	<ul style="list-style-type: none"> <li>30+ years of experience in financial services industry</li> <li>Previously associated with various entities forming part of the Shriram group</li> </ul>
 <b>Sameer Sain</b>	Non-Executive Director	<ul style="list-style-type: none"> <li>Director since 2011</li> <li>Several years of experience in investment management, institutional wealth management and special investments</li> </ul>
 <b>Alok Oberoi</b>	Non-Executive Director	<ul style="list-style-type: none"> <li>Director since 2011</li> <li>Experience in Investment and structuring international joint ventures and transactions</li> <li>Founder of ACPI investments, previously worked with Goldman Sachs</li> </ul>
 <b>Hemant Kaul</b>	Non-Executive Independent Director	<ul style="list-style-type: none"> <li>Several years of experience in the fields of banking and insurance</li> <li>Previously worked with Axis Bank and Bajaj Allianz General Insurance</li> </ul>
 <b>Dinesh Kumar Mehrotra</b>	Non-Executive Independent Director	<ul style="list-style-type: none"> <li>30+ years experience in insurance</li> <li>Previously served as the Chairman of Life Insurance Corporation of India</li> </ul>
 <b>Bobby Parikh</b>	Non-Executive Independent Director	<ul style="list-style-type: none"> <li>Director since 2011</li> <li>Several years of experience in finance</li> </ul>
 <b>Naina Krishna Murthy</b>	Non-Executive Independent Director	<ul style="list-style-type: none"> <li>17+ years of experience in the field of law</li> <li>Founder of India law firm K Law</li> </ul>

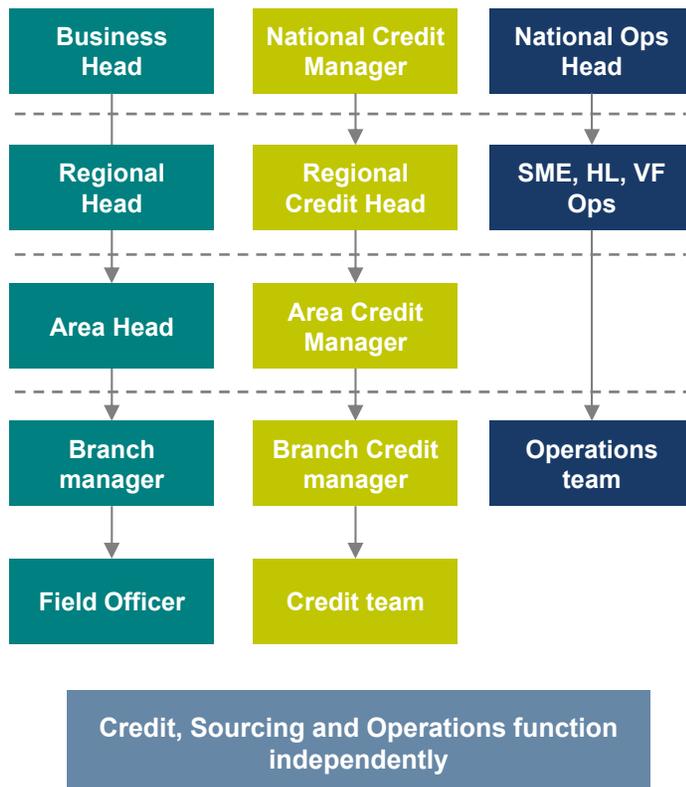
1. 13 committees include Audit Committee, Nomination and Remuneration Committee, Stakeholders Relationship Committee, Corporate Social Responsibility Committee, Asset Liability Management Committee, Risk Management Committee, IPO Committee, Credit Committee, Management Committee, Corporate Lending Committee, Retail Lending Committee, Banking Committee and Debenture Committee

 Independent Directors

# Robust Risk Management Framework



## Organizational Framework Aligned to Mitigate Risk



## Strong Credit / Underwriting Processes Followed by Robust Monitoring Mechanism

1

### Structured Credit Appraisal / Approvals

- Corporate: Pre-screened by corporate lending committee, prior to credit committee approval
- Retail / SME lending: Internal credit policy based loan approvals
- Loan Proposals sanctioned, disbursed and monitored through customized technology platform (i.e. **Omnifin for SME & Housing Finance and UNO for Vehicle Finance**)

2

### Monitoring mechanism

- Close monitoring mechanism ensures timely compliance of sanctioned terms
- Regular portfolio review allows timely corrective action

3

### Risk Management Policies

- Policies for KYC, AML, Investment & Loans, Underwriting risk guidelines, etc.
- Robust Collateral management

4

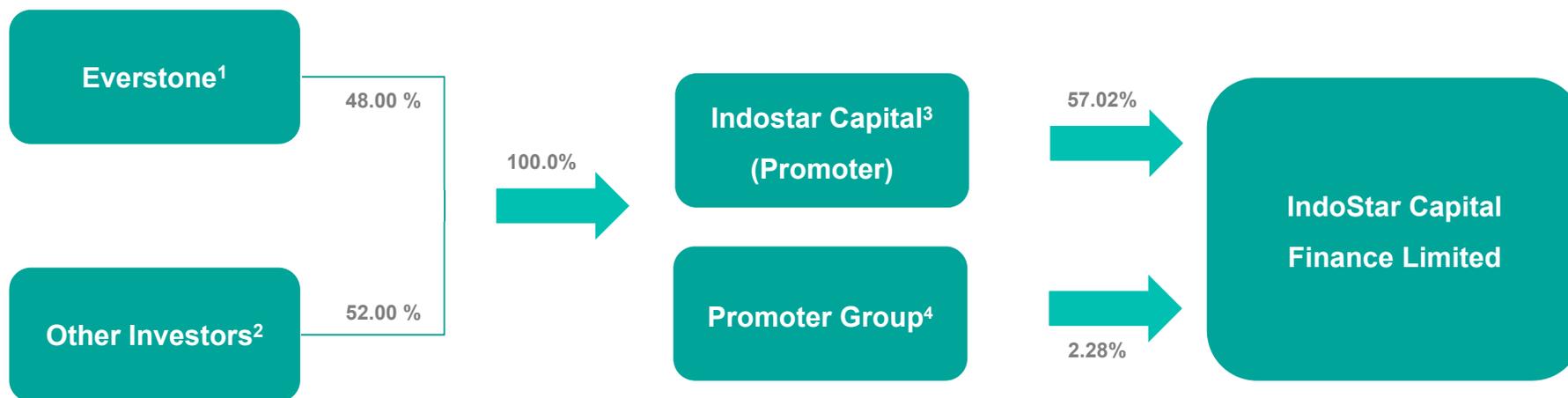
### Internal Controls and Processes

- Standard operating processes
- Regular internal audit - KPMG
- E&Y as statutory auditor
- Concurrent audit

## Discussion Summary

- ❖ Quarterly Results
- ❖ Business Strategy & Performance
- ❖ Company Overview
- ❖ **Shareholding Structure**

# Promoters Shareholding Structure



## Strong capital sponsorship of Everstone Group

EVERSTONE

India and SEA  
focused

US\$4.0bn  
AuM



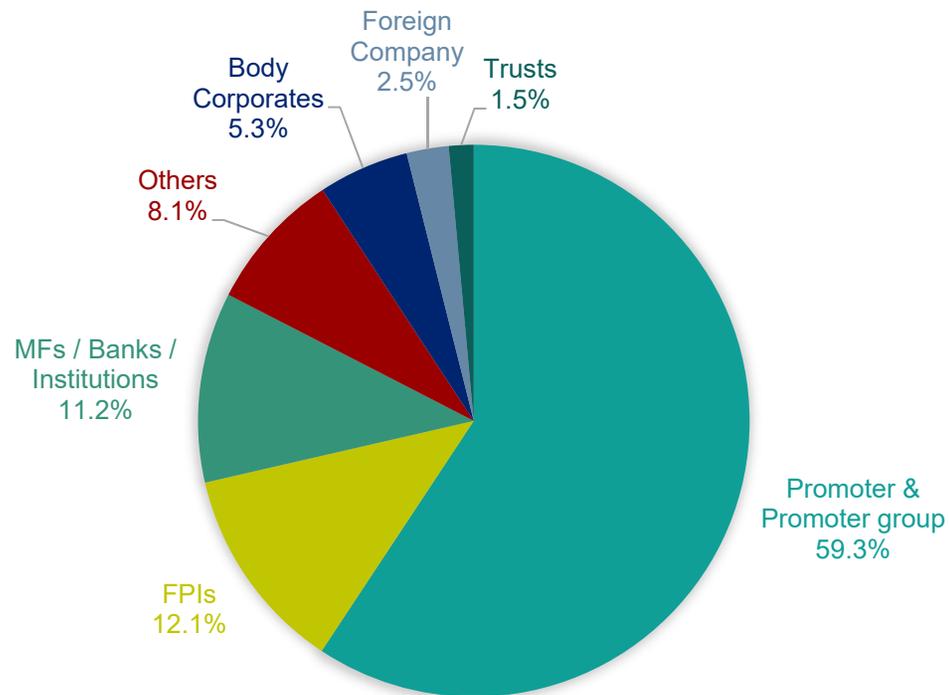
'Private Equity Firm of the Year in India'  
for 7 consecutive years<sup>5</sup>

1. Includes Indostar Everstone (36.24%) and Everstar Holdings Pte. Ltd. (11.76%). 2. Includes ACP Libra Limited (16.95%), Beacon India Private Equity Fund (11.92%), Beacon Light Group Limited (3.92%), Global Long Short Partners Mauritius I Limited (9.12%), Private Opportunities (Mauritius) I Limited (6.08%) and CDIB Capital Investment II Limited (4.00%). 3. Incorporated in Mauritius. 4. include Everstone Capital Partners II LLC (1.23%) and ECP III FVCI PTE Ltd.. 5. Recognized as 'Private Equity Firm of the Year in India' by Private Equity International for seven consecutive years from 2011 to 2017.

# Shareholding Pattern



## Shareholding @ 30 Sept 2018



## Major Shareholders

Promoter & Promoter Group
Management Team and Employees*
SBI MF
Lenarco (Advent)
ICICI Prudential Life Insurance
Fidelity Emerging Markets Fund
HDFC MF
SBI Amundi Funds
BNP Paribas Arbitrage Fund
Edelweiss Alternative Investments
Jupiter
ICICI Lombard General Insurance
HDFC Standard Life Insurance
Aditya Birla MF
Sundaram MF
East Bridge Capital

Source - NSE, Company data

\* Additionally hold ESOP for ~ 8.8% of fully diluted equity

## For Further Queries



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