Investor Presentation

1QFY19

Content

Ind AS Transition

Performance Highlights

Company Overview

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Key Changes Under IND AS Implementation

- **PROVISIONS:**

  - ✓ Though various heads of accounts have undergone changes as per IND AS, significant impact has been in the provisions
  - ✓ Under IND AS, computation of provisions is based on Expected Credit Loss (ECL) model
  - ✓ ECL methodology is based on the principle of providing for expected future losses, rather than incurred losses.
  - ✓ 3 stage impairment model has been adopted as per requirements of IND AS.

    Stage 1: comprises of loans in 0 - 30 days bucket, Stage 2: 31- 89 days & stage 3: 90 days & above
  - ✓ Stage of loan determines amount of impairment to be recognized as ECL. Exposure at Default (EAD), Probability of Default (PD) and Loss Given Default (LGD) estimates are determined for the purpose of ECL computation & calculated at product segment level
    - ✓ Exposure at Default (EAD) - Exposure amount to a borrower
    - ✓ Probability of Default (PD) - Probability of a borrower defaulting his obligations in the future.
    - ✓ Loss Given Default (LGD) - Computation is based on the recoveries made out of assets which had been in default in the past
    - ✓ Estimated Credit Loss (ECL) - EAD X PD X LGD

Key Changes Under IND AS Implementation

- **LOANS & ADVANCES:**

  - ✓ Processing fee on loans recognized upfront under IGAAP is recognized over the period of loans based on Effective Interest Rate (EIR)

  - ✓ Interest on Non Performing Assets (NPA) - interest income on NPA had been recognized on cash basis under IGAAP as per RBI requirements. Under IND AS, interest income on NPA loans is recognized based on EIR and a corresponding provision for impairment is created for the same based on Expected Credit Loss (ECL) Model.

- **BORROWINGS:**

  - ✓ Under Indian GAAP, the transaction cost is recognized upfront in P & L. Under IND AS, borrowings (except cash credit) are classified at 'Amortized cost'

One-Time Transition Impact on account of Ind-AS

➢ One-time transition impact on opening Reserves & Surplus as of 1st April 2017 and 1st April 2018

Particulars	01-Apr-17	01-Apr-18
Opening Reserves & Surplus balance as per GAAP	**5028**	**5566**
IND AS adjustments increasing / (decreasing) Reserves & Surplus (pre tax)		
Provisions under ECL	-1575	-2088
IGAAP provisions	1201	1626
Impact on Provisions ("A")	**-373**	**-462**
Loans & Advances	160	269
Investments	0	-2
Others	36	29
Impact on Other heads ("B")	**196**	**297**
Total impact on Reserves & Surplus (Pre Tax) ("A+B")	**-177**	**-166**
Net Deferred tax on above	*61*	*57*
Total Impact on Reserves & Surplus (Post tax)	**-116**	**-108**
Reserves & Surplus balance as per IND AS	**4913**	**5458**
% of impact on transition to opening Net-worth as per IGAAP	*2.30%*	*1.94%*

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Agenda

Ind AS Transition

Performance Highlights

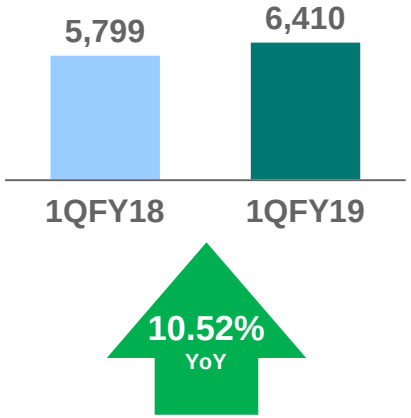
Company Overview

Performance Highlights for 1QFY19

Key Financial Metrics

Total Disbursements

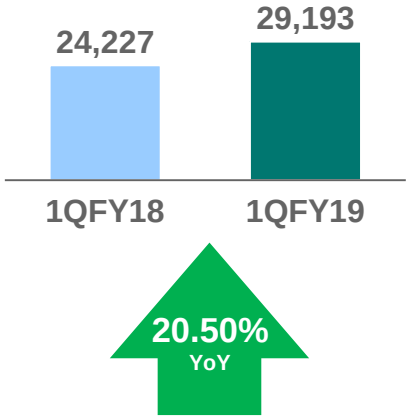
INR Cr.



Ex-gold disbursement growth was 23% YoY

Total AUM – Under Ind AS

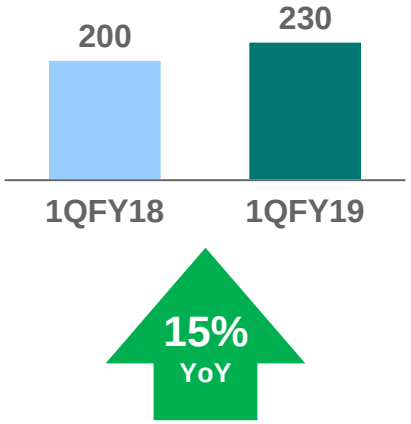
INR Cr.



Ex-gold AUM growth was 25% YoY

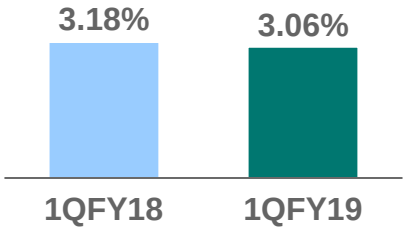
PAT – Under Ind AS

INR Cr.



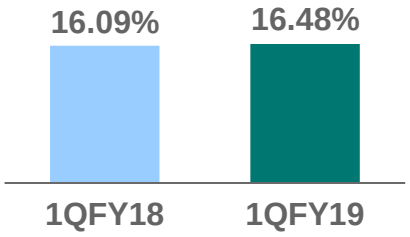
RoA – Under Ind AS

% of Average AUM – annualized basis



RoE – Under Ind AS

% of Average Networth – annualized basis



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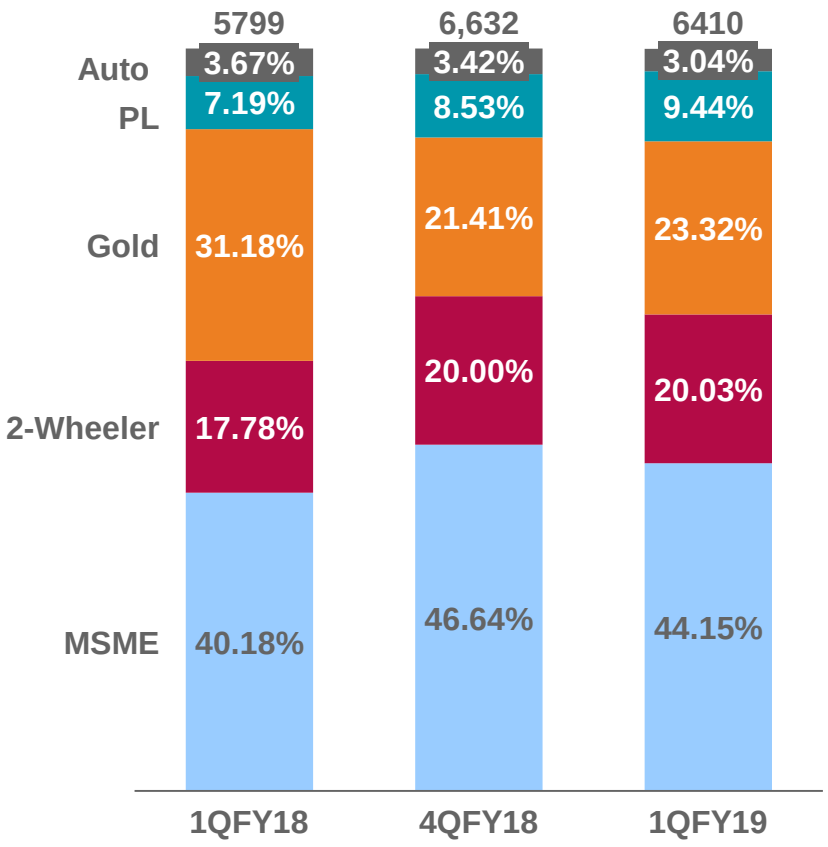
Performance Highlights for 1QFY19

Product-wise Performance

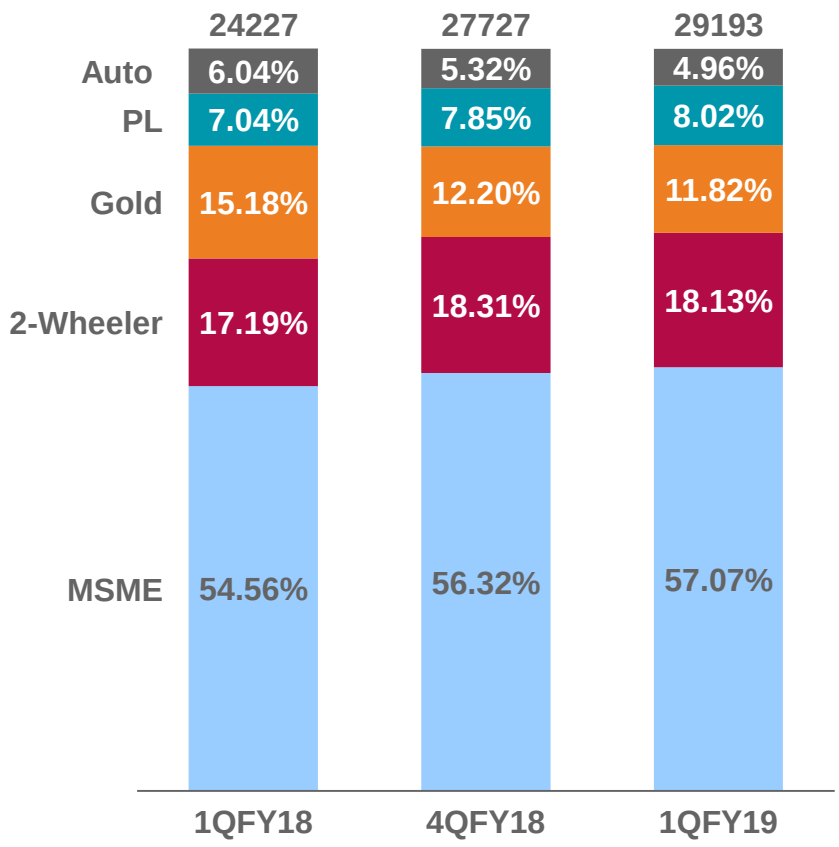
Disbursement by Product

INR Cr.



AUM by Product – Under Ind AS

INR Cr.



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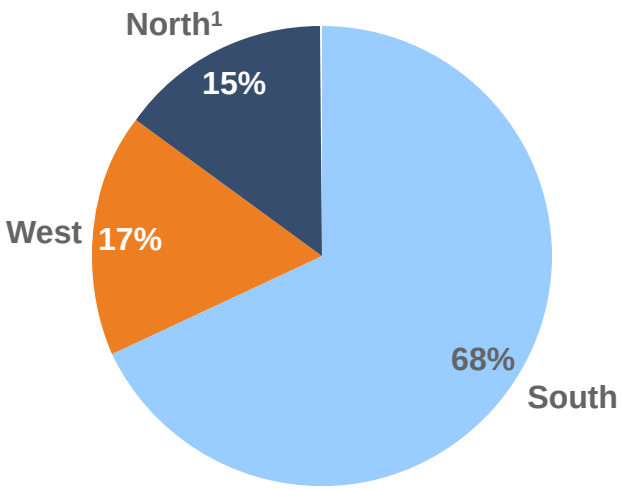
Performance Highlights for 1QFY19

Geographic Breakup of Business

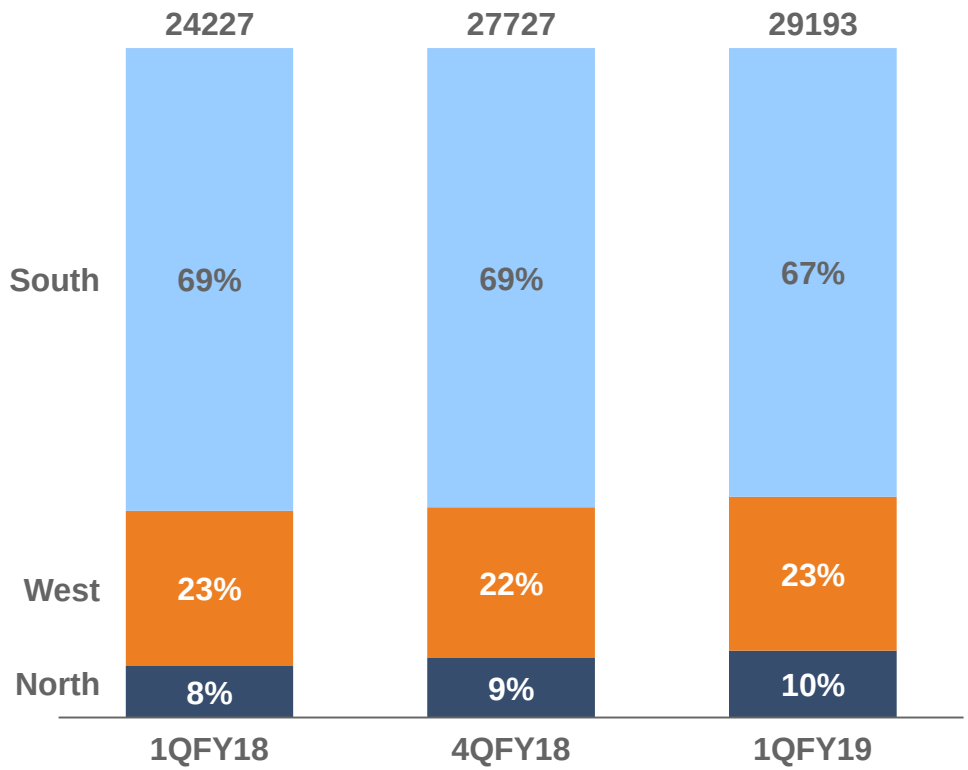
Branch Network by Geography

969 branches as of 30-June-2018



AUM by Geography

AUM in INR Cr.



(1) East region has 22 branches, which are combined with North region

Asset Quality Details (as per IGAAP)

Product	1QFY18 (120 DPD)			4QFY18 (90 DPD)			1QFY19 (90 DPD)		
	GNPA	NNPA	PCR	GNPA	NNPA	PCR	GNPA	NNPA	PCR
Small Enterprise Finance	7.14%	2.11%	70.40%	9.68%	3.80%	60.70%	9.70%	3.80%	60.90%
Two Wheelers	7.43%	2.06%	72.20%	10.03%	4.92%	50.99%	9.90%	5.00%	49.80%
Auto Loans	9.15%	2.44%	73.30%	10.85%	4.95%	54.35%	11.00%	5.10%	54.10%
Personal Loans	9.01%	-	100.00%	10.62%	-	100.00%	10.80%	-	100.00%
Loan Against Gold	2.70%	0.80%	70.20%	2.55%	1.03%	59.80%	1.70%	0.70%	60.10%
Total	**6.76%**	**1.77%**	**73.80%**	**9.00%**	**3.43%**	**61.93%**	**8.90%**	**3.40%**	**62.00%**

Key Assumptions under Ind-AS

Probability of Default (PD) & Loss Given Default (LGD)

Product	Probability Of Default (%)			Loss Given Default (%)			Expected Credit Losses (Rs. Cr)		
	1QFY18	4QFY18	1QFY19	1QFY18	4QFY18	1QFY19	1QFY19	4QFY18	1QFY19
Small Enterprise Finance	2.84%	4.03%	4.03%	57.15%	51.34%	49.29%	1013	1255	1351
Two Wheelers	4.69%	5.92%	5.92%	46.49%	50.55%	46.28%	282	453	422
Auto Loans	4.95%	5.92%	5.92%	49.91%	52.37%	51.84%	144	148	144
Personal Loans	5.66%	6.48%	6.48%	57.06%	51.58%	46.13%	181	217	210
Loan Against Gold	2.43%	2.45%	2.45%	3.51%	8.12%	3.61%	13	14	5
Total	**3.42%**	**4.46%**	**4.46%**	**46.66%**	**46.02%**	**43.39%**	**1633**	**2088**	**2132**

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Performance Highlights for 1QFY19

Income Statement under Ind-AS vs. I-GAAP

Particulars (INR in Crores)	As per Ind AS		As per IGAAP		YoY Growth	
	1QFY18	1QFY19	1QFY18	1QFY19	IND AS	IGAAP
Assets Under Management[1]	**24227**	**29193**	**24053**	**28928**	**20%**	**20%**
Disbursements	5799	6410	5799	6410	11%	11%
Income from Operations[1]	**1227**	**1402**	**1218**	**1405**	**14%**	**15%**
Other Income	2	2	2	2	8%	20%
Total Income	**1229**	**1403**	**1219**	**1407**	**14%**	**15%**
Interest Expenses	404	464	402	460	15%	15%
Net Interest Income	**823**	**938**	**816**	**945**	**14%**	**16%**
Personnel Expenses	159	205	158	207	29%	31%
Other Operating Expenses (incl depreciation)	162	166	162	163	2%	1%
Total Operating Expenses	**321**	**371**	***320***	***370***	***16%***	***16%***
Pre Provisions Profits	**504**	**569**	**498**	**577**	**13%**	**16%**
Provisions for NPA & Std Assets [2]	59	44	62	78	-25%	27%
Write offs	138	171	138	171	24%	24%
Provisions & Write offs	**197**	**215**	**200**	**249**	**9%**	**25%**
Profit Before Tax	307	353	298	328	15%	10%
Profit After Tax	**200**	**230**	**194**	**213**	**15%**	**10%**

- ***Note: we have provided financials as per previous IGAAP for comparison with Ind AS. These previous IGAAP financials are based on management reports and have not been subjected to review by auditor.***

(1) **Reasons for variance refer to slide 4**
(2) **Reasons for variance refer to slide 3**

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Performance Highlights for 1QFY19

Analysis on Average AUM

Analysis on Average AUM	As per Ind AS		As per IGAAP	
	1QFY18	1QFY19	1QFY18	1QFY19
Yield on Assets	**20.66%**	**19.70%**	**20.64%**	**19.93%**
Finance Expenses	6.80%	6.52%	6.81%	**6.53%**
Net Interest Margin	**13.86%**	**13.18%**	**13.83%**	**13.40%**
Personnel Expenses	2.67%	2.88%	2.68%	**2.93%**
Other Opex	2.73%	2.34%	2.74%	**2.31%**
Total Operating Expenses	**5.40%**	**5.21%**	**5.42%**	**5.24%**
Pre Provision Profits	**8.49%**	**7.99%**	**8.44%**	**8.19%**
Provisions for NPA, & Std Assets / ECL*	0.99%	0.62%	1.04%	**1.11%**
Write offs	2.33%	2.41%	2.34%	**2.43%**
Provisions & Write offs	**3.31%**	**3.03%**	**3.39%**	**3.54%**
Net Spread (Pre Tax)	**5.17%**	**4.96 %**	**5.05%**	**4.65%**
Cost to Income Ratio	38.98%	39.55%	39.20%	**39.11%**
Earnings per Share (Rs)	30.40	34.60		
Book Value per Share (Rs)	763.14	861.88		
CRAR Total			23.37%	**20.98%**
CRAR (Tier I)			21.88%	**20.30%**

**** Provisioning for Std Assets as per Ind AS is 2.3% against 0.40% as per IGAAP.***

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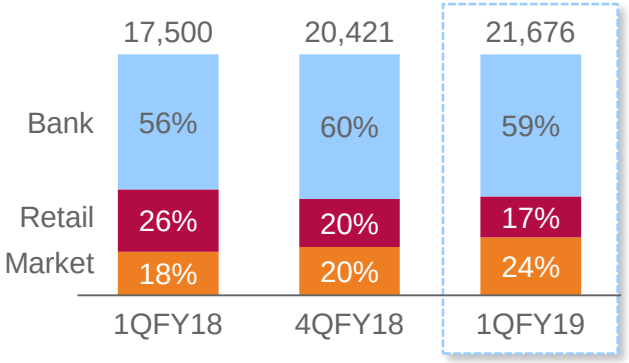
Diversified Borrowing Profile

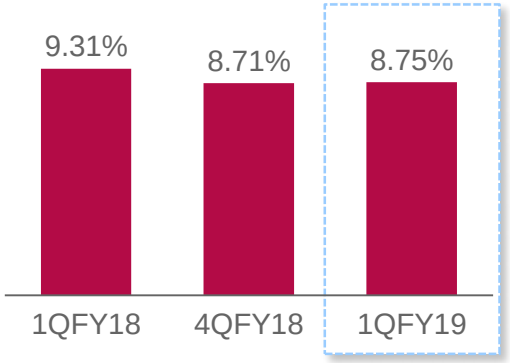
Adequately leveraged for growth

Funding Mix and Cost Analysis

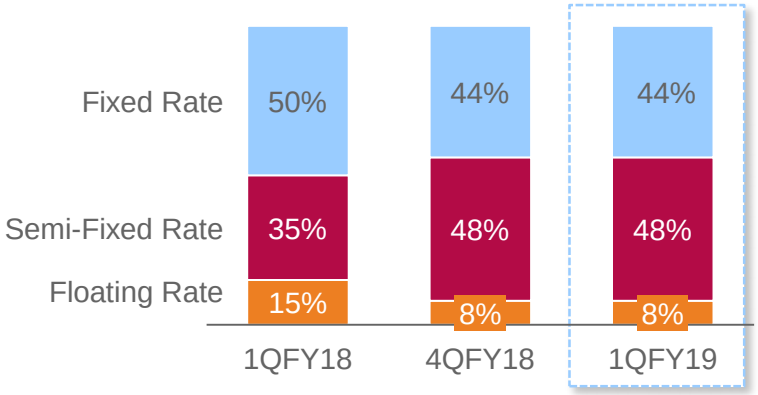
Split of Borrowing (INR Cr.)



Average Cost of Borrowing



Interest Rate Mix of Borrowings



Credit Ratings

CARE	India Ratings	ICRA	CRISIL
AA+	AA	AA	AA-

Long Term (Secured)

CARE	India Ratings	ICRA	CRISIL
A1+	A1+	A1+	A1+

Short Term

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Outlook

- ✓ **Grow loan book at 18-20% CAGR**
  - Consolidate leadership positions in MSME Finance and 2-W Finance
  - Leverage existing branch network to offer all products
  - Continue to promote cross-sell of products to our customer base
  - Adequately capitalized for continued growth in the medium term

- ✓ **Revert to our historical RoE range of 18-20%**
  - Digital enablement of entire business to drive growth and operational efficiencies
  - Normalization of credit costs following disruption and accounting effects over FY16-18

Agenda

Performance Highlights

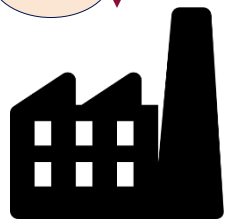
Ind AS Transition

Company Overview

Company Overview

- 32 years in existence
- Primarily caters to un-banked and under-banked customers
- Leading small enterprise finance company in India in the small loan segment
- Leading two-wheeler lender in India
- Active customer base of **3.95m**; Strong base of **28.1k** employees
- Strong presence in the rural and semi-urban markets

57.07% of AUM



MSME Financing

- Loans to micro, small and medium enterprise businesses

18.13% of AUM

Two-Wheeler Financing

- Strong pan-India presence in two-wheeler financing

11.82% of AUM

Gold Loans

- Gold loans to individuals who do not have access to formal credit

8.02% of AUM

Personal Loans

- Personal loans to salaried and self employed individuals

4.96% of AUM

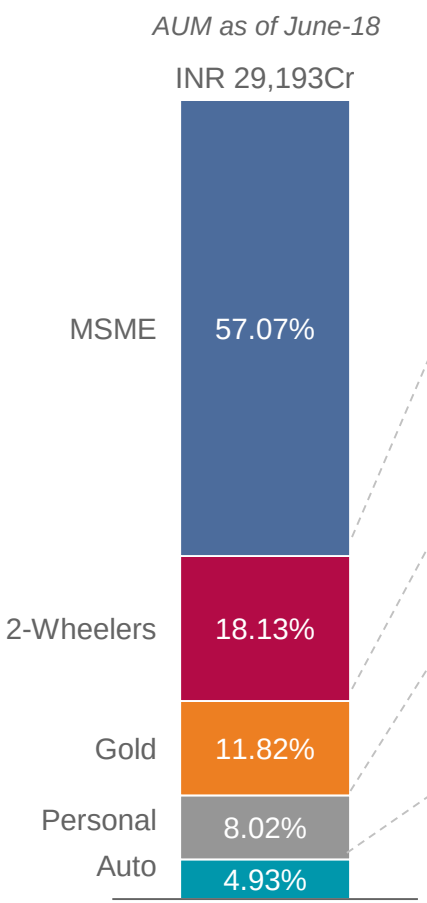
Auto Loans

- Loans for entry level new and used cars

Presence across attractive retail lending segments

Company Overview
Product details

Product Portfolio (AUM breakup)



	Launch Year	Avg. Ticket	Tenor Band	Indicative Yield Band	LTV	Description
MSME	2006	~INR 10L	36-60 months	14-22%	Cash flow based	• Loans to under-banked / un-banked micro & small enterprises • 80% of the loans are collateralized
2-Wheelers	2002	~INR 43k	24-30 months	21-24%	75%	• Market leader with ~23% market share. • Primarily caters to self-employed customers in rural and semi-urban markets
Gold	2007	~INR 40k	~4 months	14-18%	75%	• Largely focused on lending to individual customers • Presence only in 5 states
Personal	2002	~INR 75k	18-36 months	22-28%	Cash flow based	• Cross-sell primarily to existing tenured customers with a strong track record of repayments
Auto	2006	~INR 150k	24-48 months	18-24%	60-80%	• Funding for entry level new cars, and used cars for self-employed customers

Niche, granular and diversified product portfolio focused on harder to access customers

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Company Overview
Business Strategy – Cash Flow Based Lending

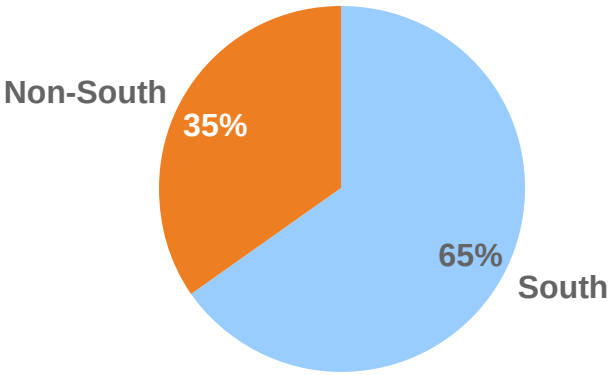
57.07% of AUM

MSME Finance

- Cash flow based lending model
- Relationship and contact-led, community-driven approach enable us to profitably serve customers in rural and semi-urban India
- Empowered branches with tailored credit appraisal techniques
  - Locally drawn field force with personal knowledge of the market
  - In-house teams for pre-lending field investigations and appraisals
- Long runway for growth:
  - Geographical expansion
  - Deeper penetration in existing markets
  - Increasing customer lifecycle

MSME AUM Split by Geography

As of June-18



8.02% of AUM

Personal Loans

- Primarily to existing customers with track record of timely repayments
- Cross-sell product that provides operating leverage to the business and enables us to service the customer better
- Significant runway for growth through continued improvement in cross-sell penetration

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Company Overview
Business Strategy – Asset Financing

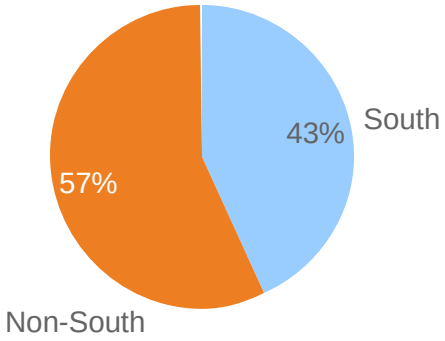
18.13% of AUM

2-W Financing

- Caters largely to self-employed customers in rural and semi-urban markets
- Lead financier in the 2-W market; Focus on:
  - Historically under-served markets,
  - Quick turnaround times,
  - Excellent relationships with dealers and OEMs, and
  - Feet-on-street model
  - Growth headroom from geographical expansion and improvement in financing penetration

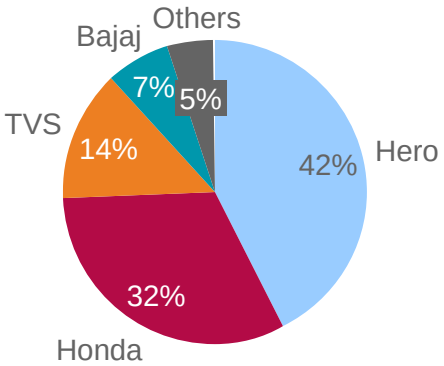
2-W AUM Split by Geography

As of June-18



2-W OEM Exposure

As of June-18



11.82% of AUM

Loans against Gold

- Loans primarily to individual customers
- Business conducted out of existing branches – provides operating leverage and mitigates risk

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Key Highlights

1. Addressing large, under-served markets
2. Differentiated product offerings with high entry barriers
3. Focus on credit quality and collections
4. Digitally-enabled & well-positioned to exploit multiple growth opportunities
5. Adequately leveraged for growth
6. Strong financial metrics

MSME Finance

Leading lender to MSMEs; Focus on under-served segments

MSME 57.07% AUM

Focus on Under-served MSME

- ✓ Local, trained field force with extensive market knowledge
- ✓ Empowered branches
- ✓ Significant growth runway by leveraging existing network

Segment Performance Overview

	1QFY18	4QFY18	1QFY19
Disbursals INR Cr.	2,330	3,093	2,830
YoY growth	*-1.73%*	*28.61%*	*21.46%*
Loan AUM INR Cr.	13,218	15,616	16,661
YoY growth	*18.06%*	*23.36%*	*26.05%*
GNPA (As per IGAAP)	**7.14% (120 DPD)**	**9.68% (90 DPD)**	**9.70% (90 DPD)**

Key Customers

- ✓ **Traders – Wholesale / Retail**
- ✓ **Service providers**
- ✓ **Small-scale manufacturers**

Salient Product Features

- ✓ **Cash flow based lending**
- ✓ **Small ticket size**
- ✓ **Speedy disbursement**
- ✓ **Flexible offerings**

2-Wheeler Financing

Leading player in 2-Wheeler Financing; Focus on under-served segments

2-Wheeler: 18.13% AUM

Dominant in 2-Wheeler Financing

- ✓ Caters largely to self-employed customers in rural / semi-urban markets
- ✓ Dominant on-ground presence
- ✓ Growth headroom with geographical expansion and continued improvement in financing penetration

Segment Performance Overview

	1QFY18	4QFY18	1QFY19
Disbursal INR Cr.	1,031	1,327	1,284
YoY growth	*2.18%*	*44.08%*	*24.54%*
Loan AUM INR Cr.	4,164	5,077	5,294
YoY growth	*14.11%*	*25.11%*	*27.14%*
GNPA (As per IGAAP)	**7.43% (120 DPD)**	**10.03% (90 DPD)**	**9.90% (90 DPD)**

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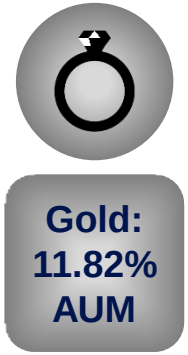
Gold Loans



Gold Loan Book Overview

- ✓ Focus primarily on individual customers
- ✓ Business carried out from existing branches and provides operating leverage
- ✓ Present only in 5 states

Growth in gold loans is dependent on extant market conditions & price

Segment Performance Overview

	1QFY18	4QFY18	1QFY19
Disbursal INR Cr.	1,808	1,420	1,495
YoY growth	*27.59%*	*-35.89%*	*-17.31%*
Loan AUM INR Cr.	3,678	3,382	3,450
YoY growth	*14.29%*	*-1.31%*	*-6.20%*
GNPA (As per IGAAP)	**2.70% (120 DPD)**	**2.55% (90 DPD)**	**1.70% (90 DPD)**

Shriram Housing Finance Ltd

Establishing presence in Affordable Housing through subsidiary Shriram Housing

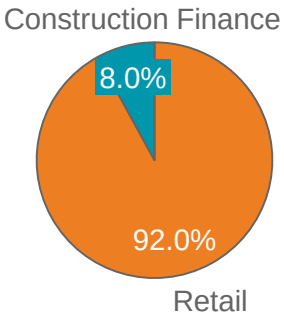
Housing: 5.93% of Consol AUM

- ✓ Registered as non-deposit accepting HFC with the National Housing Bank
- ✓ Predominantly catering to self-employed borrowers/ informal salaried customers in Tier-II / Tier-III towns
- ✓ Focus on lower-income segment; average retail ticket size of under INR 10 lakhs
- ✓ Operates out of 88 branches and 31 sales offices across 17 states in India with 931 employees
- ✓ Rated 'AA+' by Care Ratings and 'Ind AA' by India Ratings

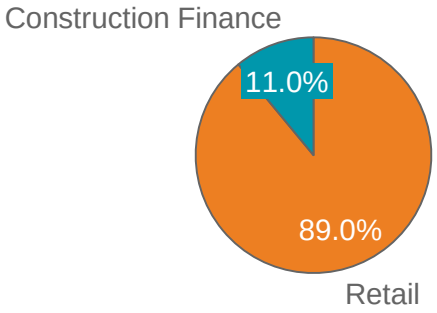
Growing presence in retail housing segment

Loan AUM Split

As of 1QFY18



As of 1QFY19



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Shriram Housing Finance Ltd
Quarterly Financial Highlights

Particulars (INR in Crores)	As per Ind AS		As per IGAAP		YoY Growth	
	1QFY18	1QFY19	1QFY18	1QFY19	IND AS	IGAAP
Assets Under Management[1]	**1643**	**1839**	**1643**	**1839**	**-**	**-**
Disbursements	137	233	137	233	-	-
Interest Income[1]	73.00	64.70	67.47	68.22	-11.37%	1.11%
Interest Reversal	7.10	2.50	5.71	5.73	-64.79%	0.35%
Interest Income	**65.80**	**62.20**	**61.76**	**62.49**	**-5.47%**	**1.18%**
Other Income	8.00	6.90	7.23	6.79	-13.75%	-6.09%
Total Income	**73.80**	**69.10**	**68.98**	**69.29**	**-6.37%**	**0.45%**
Interest Expenses	31.80	29.60	32.50	29.79	-6.92%	-8.34%
Personnel Expenses	5.80	15.20	6.01	14.83	162.07%	146.76%
Operating Expenses & others	17.10	12.70	13.74	12.65	-25.73%	-7.93%
Impairment on financial instruments/Provisions & Write offs[2]	12.10	4.30	11.91	5.87	-64.46%	-50.71%
Profit Before Tax	7.00	7.30	4.81	6.14	4.29%	27.65%

- ***Note: we have provided financials as per previous IGAAP for comparison with Ind AS. These previous IGAAP financials are based on management reports and have not been subjected to review by auditor.***

(1) **Reasons for variance refer to slide 4**
(2) **Reasons for variance refer to slide 3**

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Shriram Housing Finance Ltd
Quarterly Financial Highlights

Particulars (IND AS) (INR in Crores)	As per Ind AS		As per IGAAP	
	1QFY18	1QFY19	1QFY18	1QFY19
Yield on Assets	**17.40%**	**15.30%**	**16.15%**	**15.33%**
Financial Expenses	9.50%	7.90%	9.04%	8.90%
Net Interest Margin	**9.90%**	**8.80%**	**8.35%**	**8.72%**
Cost to Income Ratio	30.10%	37.90%	54.16%	69.58%
Gross NPAs	5.10%	6.40%	4.80%	5.87%
Net NPAs	3.20%	4.60%	**3.36%**	**4.30%**
RoA	**1.30%**	**1.10%**	**0.97%**	**0.87%**
RoE	**5.90%**	**4.80%**	**4.40%**	**3.90%**
Leveraging	3.30x	3.40x	3.12x	3.35x
Capital Adequacy Ratio	31.70%	31.90%	31.70%	31.93%
Net worth (INR Cr.)	**405.60**	**443.60**	**419.04**	**442.70**

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