

Muthoot Homefin

Investor Presentation FY2019

**Muthoot Homefin (India) Limited
(100% subsidiary of Muthoot Finance Limited)**



Muthoot Homefin

Safe harbour statement

This presentation may include statements, which may constitute forward-looking statements. All statements that address expectations or projections about the future, including, but not limited to, statements about the strategy for growth, business development, market position, expenditures, and financial results, are forward looking statements. Forward-looking statements are based on certain assumptions and expectations of future events. The company cannot guarantee that these assumptions and expectations are accurate or will be realised. The actual results, performance or achievements, could thus differ materially from those projected in any such forward-looking statements.

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Disclaimer w.r.t adoption of IND-AS

- This is the **first time adoption** of Indian Accounting Standards (“**IND-AS**”) for the purposes of the Company’s financial reporting.
- The **impact of the transition** from previous GAAP (“**I-GAAP**”) has been made in the **opening reserves of FY 2018**
- Reporting and disclosure made in the presentation are based on management reports. The auditors have not reviewed any of those disclosures.
- The disclosures provided here are to **merely provide a summary of the performance** and for comparing key differences with previous accounting standards.
- There is **possibility of the financial results and the additional disclosures to be updated, modified or amended** because of adjustments which may be required to be made on account of introduction of new standards or its interpretation, receipt of guidelines or circulars from regulatory bodies and/or National Housing Bank and/or changes because of exercising any available exemptions

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About Muthoot Homefin

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Segmentation and product offering

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Financial Performance



Muthoot Homefin (India) Limited (MHIL), **incorporated in 2011, is a Non-deposit taking housing finance company** registered with National Housing Bank in May 2014

Our parent – Muthoot Finance is in financial services space with a legacy of serving customers for over 130 years. Muthoot Finance is listed on BSE and NSE.

MHIL has presence across **15 States** in India through **97 locations** as on March 31, 2019 and are serving more than 23000 customers as on March 31, 2019

MHIL is a professionally managed company focusing on affordable housing segment, to fulfil the aspirations of lower and middle income (LMI) families.

Our prime goal is to contribute towards financial inclusion of LMI families by opening doors of formal housing finance to them.

Concentrate primarily on retail housing loans with average ticket size less than INR 1 million

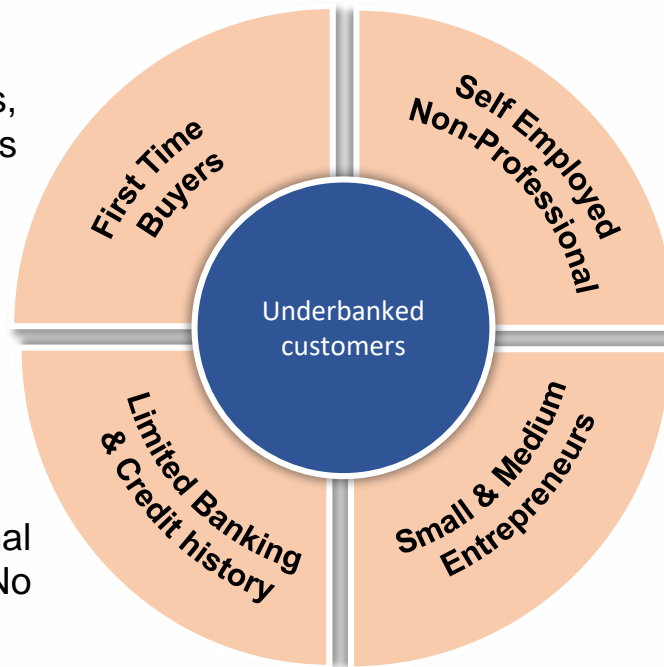
Ramratthinam S, an industry veteran with over 25+ years experience in Retail Lending Industry is heading MHIL, backed by a team of experienced and knowledgeable professionals from the Housing Finance Industry



Catering to the Underbanked Customers

Recognised and Trusted Brand in India

- Private sector employees, Class IV employees, Teachers etc.



- Self employed customer with informal income sources such as auto drivers, Vegetable fruit vendors

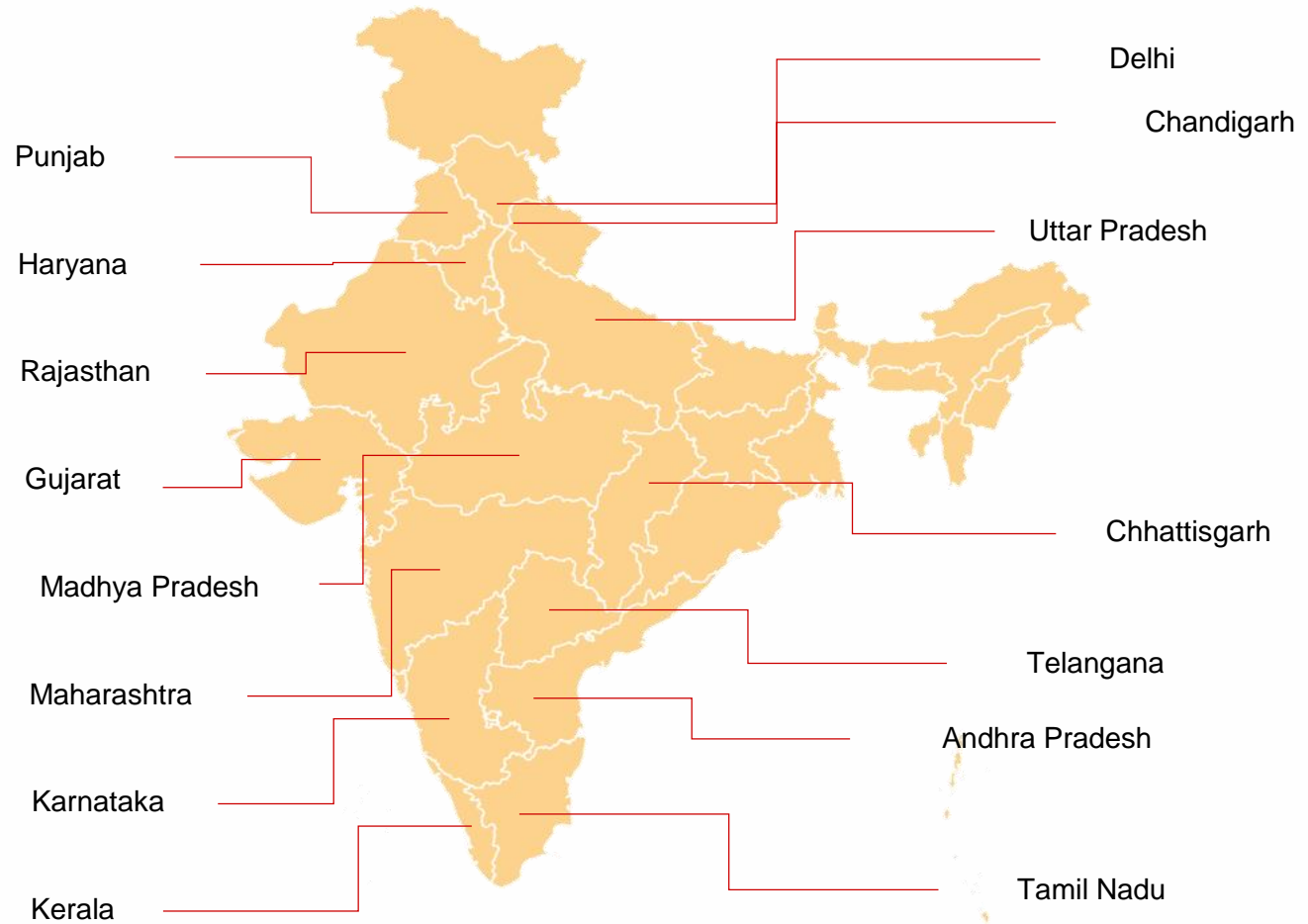
- Customers with informal income and low eligibility or No eligibility for bank loans

- Small trader, Shop owner , small workshop owners

Core strengths - robust technology for faster customer acquisition, loan servicing and effective cross-sell

Our Presence

15 States and 97 Locations as on 31st March 2019



Senior management

Mr. Ramratthinam S – Chief Executive Officer

Ramratthinam has 25 + years of experience in the retail lending industry and has exposure to all secured and unsecured lending. He has handled the functions of Sales, Credit, Operations, Risk and Treasury in his earlier work assignments. He has worked with Companies like Sundaram Finance, Citicorp Finance, Centurion Bank of Punjab and he was the Chief Risk Officer at Dewan Housing Finance Corporation Limited, prior to joining Muthoot Homefin Limited. He has participated in various forums, panel discussions conducted by NAREDCO, NHB, World Bank, IFC, etc. both locally and internationally in pushing the agenda of housing reforms, particularly in India.

Mr. Pandurang Kadam – Chief Financial Officer

Mr. Pandurang Kadam is a Chartered Accountant and has a 12 years of diversified experience with expertise in Finance. In his role as a Chief Financial Officer, he is responsible for fund raising, Finance and Accounts. Prior to Joining Muthoot Homefin (India) Limited, he was the Chief Financial Officer at India Home Loan Limited. He has also worked with the organisations such as IndoStar Capital Finance Limited, Karvy Financial Services and Anand Rathi Group.

Mr. Rahul Jagtap – Head – Legal

Rahul Jagtap is an LLB by qualification. He has completed his Law in the year 1999 from Sir L A Shah Law College of Ahmedabad. He has a Bachelor's Degree in Commerce from Gujarat University and completed PGDM programme from The Indian Management Academy. He has a rich experience of 16 years in Legal field both in the business as well as the litigation side. He joined the company in March 2016. He started his career with Tata Finance Ltd and worked with HDFC Bank Ltd for almost 10 years before joining MHIL. In his previous assignment, He was handling West Zone in HDFC Bank Ltd for Retail Assets Legal & Collection portfolio.

Mr. Prasad Bendre – Head – Operations & Collections

Prasad Bendre is B.Com graduate and has done Diploma in Financial Management and Business Administration. He has done Management Development Programme from IIM (A). He possesses over 22 years of experience in Operations, Credit and Collections. Before joining Muthoot Homefin (I) Ltd, he was with Manappuram Home Finance, DHFL and IDBI Home Finance. He is working as Head – Operations & Collections.

Mr. Dhanajay Munshi - Head Credit

Dhananjay is a Mechanical Engineer and holds a Masters degree in Marketing management from the Mumbai University. He has a work experience of 15+ years in the mortgage industry with overall exposure to all the mortgage departments. He has a expertise in the affordable loans segment where he has developed processes and systems to enable a robust credit module. Prior to Joining Muthoot Homefin, Dhananjay was working with Capri Global capital Ltd as a National credit manager and was responsible for credit underwriting and Process management of Affordable home loans and small ticket Loan against Property. Dhananjay is Head of Credit with Muthoot Homefin



Senior management

Mr. Hrishikesh Gandhi – Head – Human Resources

Hrishikesh is associated as HR Partner, he manages the HR & Admin function. He brings along with him a rich experience of 12 years in HR. His last association was with DHFL for over 5 years, he has also worked for companies like HDFC Bank, Centurion Bank of Punjab and Emkay. He is a full time MBA in HR & Marketing.

Mrs. Jinu Mathen – Company Secretary

CS Jinu Mathen, an Associate Member of the Institute of Company Secretaries of India (ICSI), is a Commerce Graduate, and holds a Master's Degree in Business Administration from Sikkim Manipal University. Prior to joining Muthoot Homefin in December 2014, she started her secretarial profession at M/s. SVJS & Associates, a top-notch practicing firm of Company Secretaries, having its headquarters in Kochi and operating across the country. She was part of the core team of proficient corporate professionals, handling compliances and audits at various levels including Corporate laws, Finance laws, Regulatory compliances etc.

Mr. Anna P. Sale Patil – Head – Business Legal

Anna P. Sale Patil is Law graduate and has over 15 years of experience in Legal field. He has exposure in Litigation, Non – Litigation and compliances. He has worked with Maharashtra Police, Government Department and companies like ARCIL, DHFL and Capri Global Capital Ltd. Before joining Muthoot Homefin (India) Ltd., he was worked with Capri Global Capital Ltd. as Head Legal – Retail Assets. He is working as Head – Business Legal.

Mrs. Mehjabeen Taj Aalam – Head Information Technology

Mehjabeen Taj Aalam, a MBA in Systems from Narsee Monjee Institute of Management Studies, Mumbai, and a Gold medalist and University topper in M.A. – Economics, brings in over 10 years of valuable experience in managing Information Technology in complex IT landscapes. She has been involved in a wide variety of system implementations and large scale projects across verticals, scale and technology platforms, IT infrastructure development and digital initiatives in the financial services and manufacturing sector. Mehjabeen in her current role is responsible for the overall IT strategy of the company and its execution. Prior to joining Muthoot Homefin (I) Ltd, she worked with Fullerton India Credit Co. and Mahindra & Mahindra.

Mr. Deepu Thankachan – Head – Internal Audit

Deepu Thankachan joined Muthoot Homefin in July 2017 as Head – Internal Audit. He was associated with Muthoot Finance since February 2010 with an experience of more than 7 years. He holds Master degree in Commerce and a full time MBA in Finance & Marketing.

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Segmentation and product offering

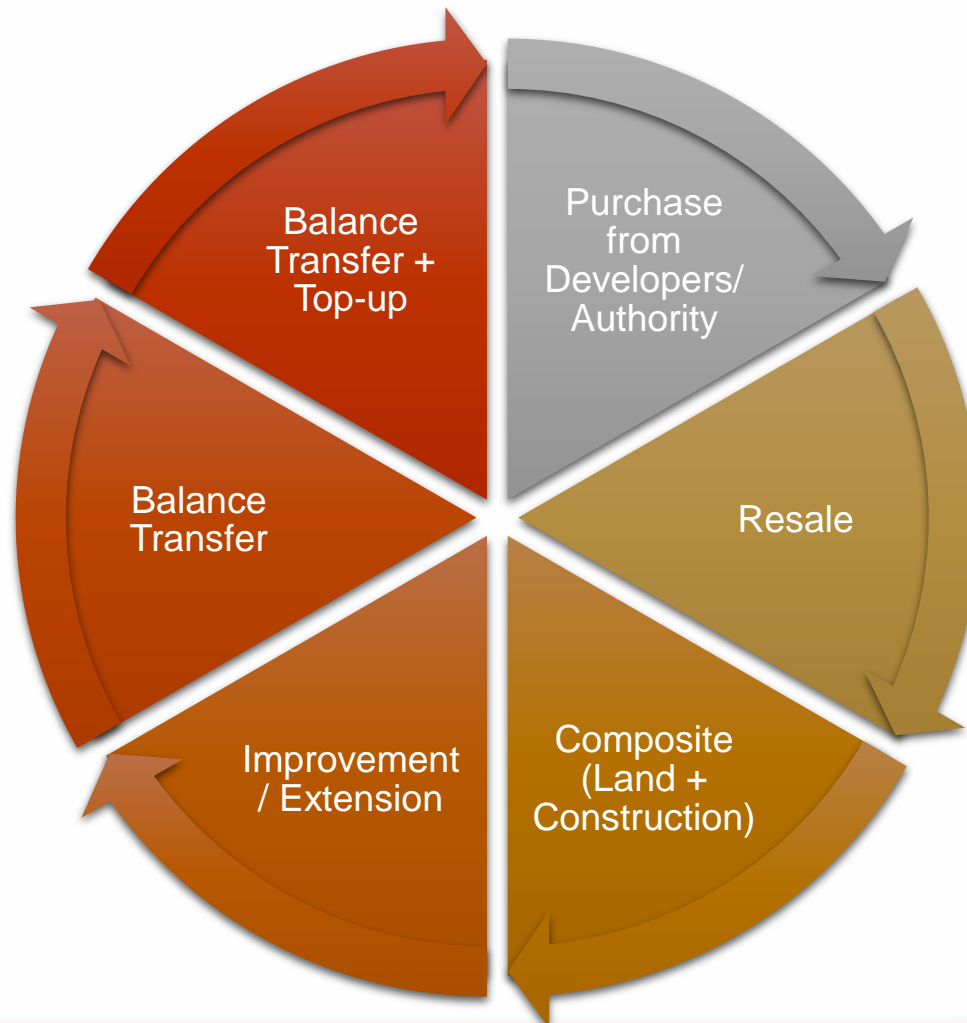
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Financial Performance

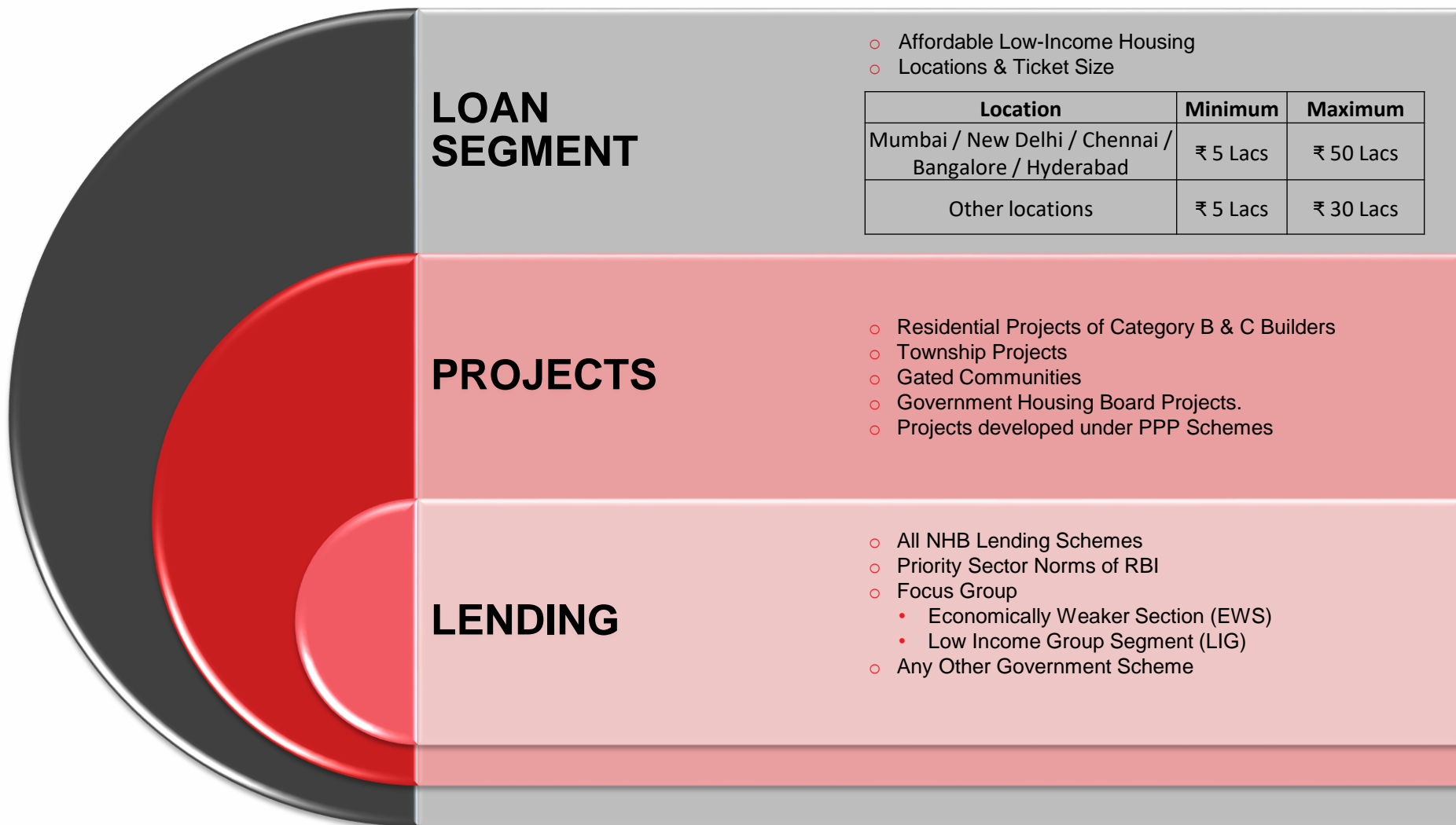
Customer Segments



Products



Focus areas



Our potential customers



Profession: Accountant in Private Sector

- Gross Monthly income: ₹ 15,000
- Area of the House : 350 Sq. Ft.
- Staying with Wife



Profession: Class IV employee

- Gross Monthly income: ₹ 20,000
- Area of the House : 400 Sq. Ft.
- Staying with Parents, Wife and 2 Children



Profession: Teacher

- Gross Monthly income: ₹ 25,000
- Area of the House : 500 Sq. Ft.
- Staying with Wife and 2 Children

Business model

SOURCING

- To leverage the existing MFIN branch network and customer base
- Appoint relationship managers for sourcing open market customers and building relationship with developers

APPRAISAL

- Centralised underwriting
- Personalised discussion with each client
- In-house Legal Appraisal team, appraising each application

TECHNICAL EVALUATION

- In-house team of Civil Engineers for Technical Appraisal at retail and project level
- Empanelment of Valuers / Surveyors for Technical evaluation of Projects
- Upfront approvals of Builder Projects – enabling improved productivity and efficiency with reduced cost

Business model

OPERATIONS

- Centralized Operations for greater efficiency and risk management.

COLLECTION

- Significant Majority of collections through ACH / PDC's
- Dedicated collection team of 65 field collectors across locations.

TECHNOLOGY

- Robust Technology Platform for processing of home loans

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Financial Performance



Business Performance - Overview

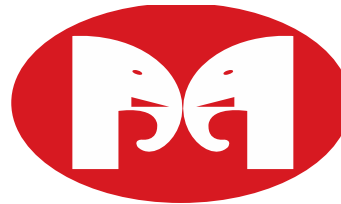


Company into retail housing financing business and no funding to builders.

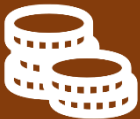
Strong management team with extensive industry experience

Strong technology platform, systems & processes

Robust risk management framework



Muthoot Homefin



AUM – Rs. 1,913 Crore spread across 15 states in India

More than 23,000 strong base of customers



Migration to IND-AS- initial adjustment to reserves

Impact of migration to IND-AS was made in the opening reserves of FY 2018

Particulars	INR in Millions
Opening Reserves & Surplus balance as per previous GAAP	131.67
IND AS adjustments increasing / (decreasing) Reserves & Surplus (Pre tax):	
Adoption of Effective Interest Rate (EIR) for financial assets recognised at amortised cost	(39.71)
Adoption of Effective Interest Rate (EIR) for financial liabilities recognised at amortised cost	4.25
Gain/ (losses) on fair valuation of security deposit and rent expenses through profit and loss	(0.09)
Deferred Tax Assets on the above adjustments	10.36
Net impact on Reserves & Surplus (Post tax)	(25.19)
Opening Reserves & Surplus balance as per Ind AS	106.48

Reconciliation of IND-AS Migration

(Rs in Millions)

Particulars	FY 2018
Profit after Tax as per previous GAAP	278.04
IND AS adjustments increasing / (decreasing) Profit	
Adoption of Effective Interest Rate (EIR) for financial assets recognised at amortised cost	(89.18)
Adoption of Effective Interest Rate (EIR) for financial liabilities recognised at amortised cost	6.01
Actuarial valuation of employee Benefit	0.04
Gain/ (losses) on fair valuation of security deposit and rent expenses through profit and loss	(0.58)
Gain/ (losses) on fair valuation of financial assets at fair value through profit and loss	1.03
Deferred Tax Assets on the above adjustments	27.17
Net impact on Reserves & Surplus (Post tax)	(55.51)
Net Profit after Tax as per as per Ind AS	222.53

Financial performance

(Rs in Millions)

Particulars	FY 17	FY 18*	FY 19*	Q1 FY 19*	Q2 FY 19*	Q3 FY 19*	Q4 FY 19*
Disbursement (Net of Cancellations)	4,150	10,814	6,543	1,860	1,894	1,051	1,738
Loan Portfolio	4,408	14,648	19,131	16,197	17,728	18,322	19,131
Number of Customers	4,024	15,908	23,466	18,287	20,237	21,443	23,466
Borrowings	2,178	13,477	15,420	14,394	13,994	14,545	15,420
Total Revenue	242	1,171	2,257	487	553	567	650
Total Expense	189	835	1,746	335	414	433	564
Profit Before Tax	53	336	511	152	139	134	86
Profit After Tax	29	223	363	105	105	81	72
Shareholders Funds	882	2,079	3,942	2,184	3,789	3,871	3,942
Total Outside Liabilities	3,624	13,596	15,530	14,629	14,065	14,763	15,530
Total Assets	4,506	15,675	19,472	16,813	17,854	18,634	19,472
Capital Adequacy Ratio	36.60%	27.66%	46.22%	28.37%	44.90%	46.34%	46.22%
Debt Equity Ratio	2.47	6.48	3.91	6.59	3.69	3.76	3.91
Yield on Advances	12.74%	12.27%	12.22%	12.09%	12.09%	12.01%	12.65%
Cost of Funds	9.43%	8.76%	8.86%	8.56%	8.70%	8.91%	9.20%
Interest Spread	3.31%	3.51%	3.36%	3.53%	3.39%	3.09%	3.45%
NIM	9.34%	6.00%	5.36%	5.49%	5.07%	5.22%	5.66%
Cost to Income Ratio	61%	28.25%	26.10%	18.42%	21.04%	23.62%	38.30%
Return on Assets (ROA)	2.42%	3.42%	2.22%	2.97%	2.35%	1.97%	1.76%
Return on Equity (ROE)	3.64%	17.26%	14.11%	20.03%	17.31%	8.99%	8.30%
GNPA	-	0.42%	0.74%	0.51%	0.78%	0.74%	0.74%
NNPA	-	0.36%	0.46%	0.43%	0.63%	0.59%	0.46%

* as per IND - AS



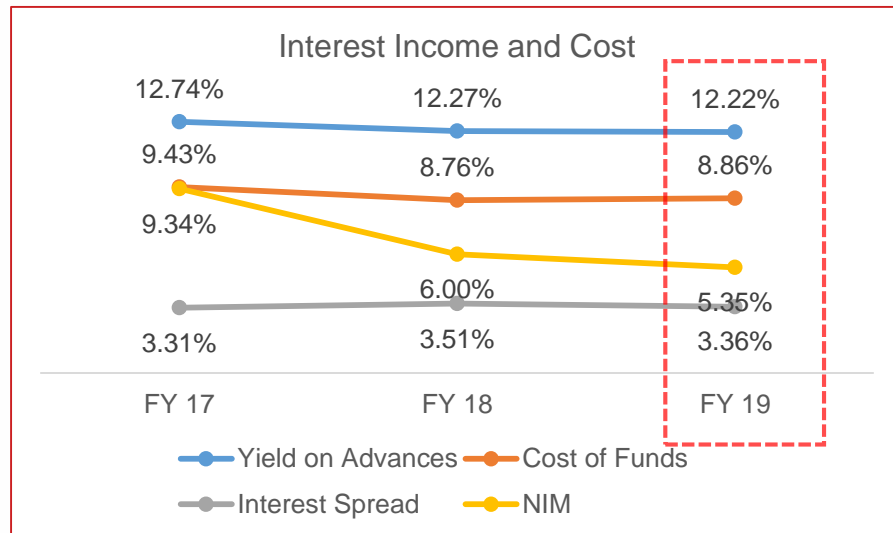
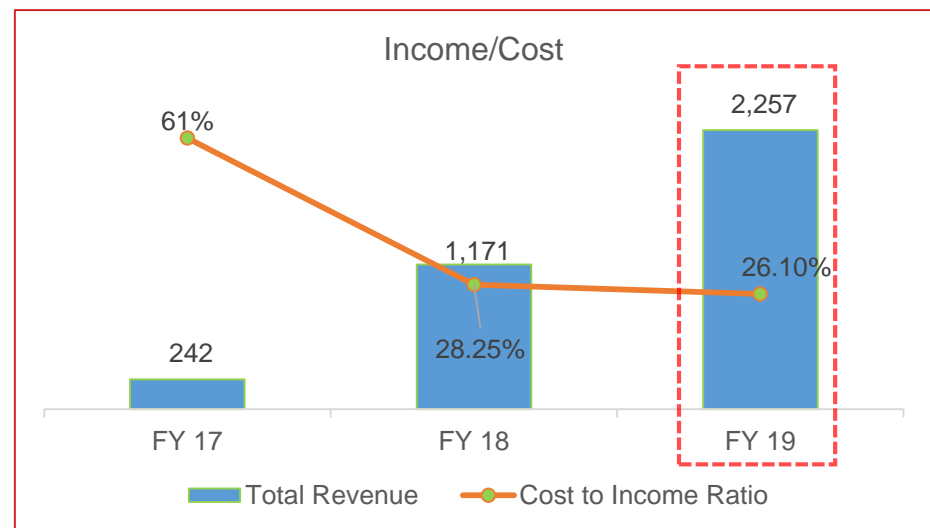
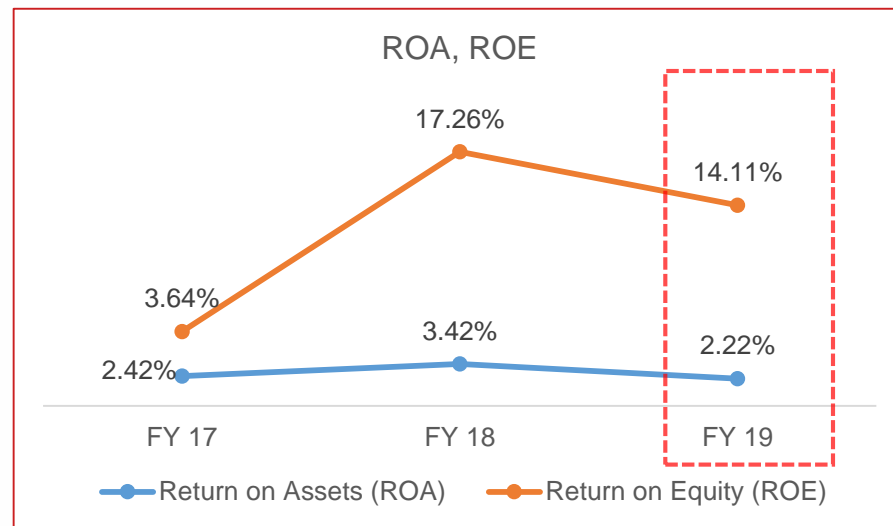
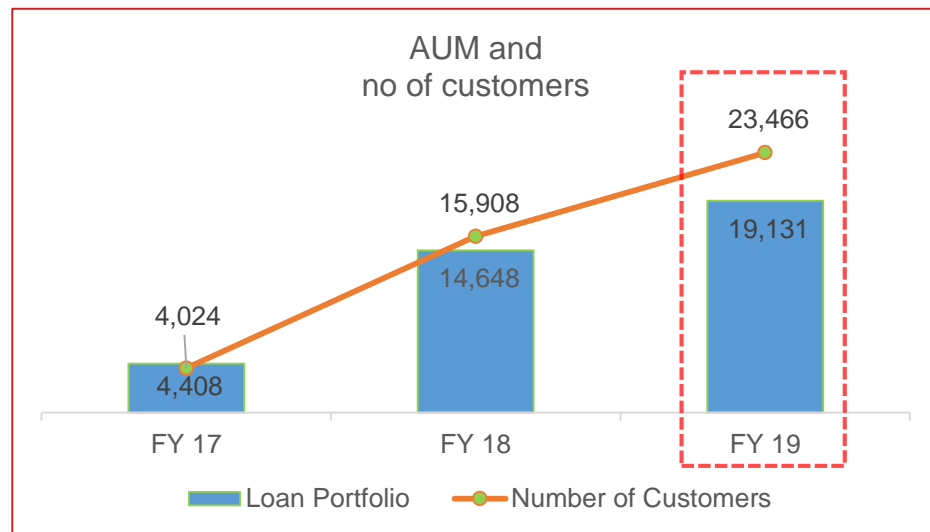
Profitability ratios

Particulars	FY 17	FY 18*	FY 19*	Q1 FY 19*	Q2 FY 19*	Q3 FY 19*	Q4 FY 19*
Interest Income to avg. Loan Assets	12.74%	12.27%	12.22%	12.09%	12.09%	12.01%	12.65%
Interest Expense to avg. Loan Assets	3.40%	6.27%	6.86%	6.60%	7.02%	6.79%	6.99%
Net Interest Margin	9.34%	6.00%	5.36%	5.49%	5.07%	5.22%	5.66%
Other Income to Avg. Loan Assets	7.60%	3.19%	1.18%	1.27%	1.23%	0.67%	1.57%
Operating expenses to avg. loan assets	10.10%	3.24%	2.89%	2.02%	2.14%	2.73%	4.42%
Provisions and write offs to avg. loan assets	1.38%	0.62%	0.37%	0.25%	0.46%	0.09%	0.67%
PBDT to avg. loan assets	5.46%	5.33%	3.28%	4.48%	3.69%	3.06%	2.16%
Depreciation to avg. loan assets	1.01%	0.19%	0.17%	0.13%	0.15%	0.18%	0.20%
PBT to avg. loan assets	4.45%	5.14%	3.11%	4.35%	3.54%	2.88%	1.96%
Tax to avg. loan assets	2.03%	1.73%	0.89%	1.38%	1.20%	0.92%	0.18%
PAT to avg. loan assets	2.42%	3.42%	2.22%	2.97%	2.35%	1.97%	1.76%
Cash Profit to avg. loan assets	4.81%	4.23%	2.76%	3.35%	2.96%	2.24%	2.63%
Return on Equity (ROE)	3.64%	17.26%	14.11%	20.03%	17.31%	8.99%	8.30%

* as per IND - AS

Business Performance

(Rs in Millions)



Key differentiators

Financial Highlights

- Disbursements in FY 19 INR 6,543 mn. Loan Book as on March 31, 2019: INR 19,131 mn
- Average Ticket Size in FY 19: INR 0.97 mn , Average Yield: 12.22%, Interest Spread: 3.36%
- Business Presence: Maharashtra, Gujarat, Madhya Pradesh, Rajasthan, Kerala, Andhra Pradesh, Telangana, Karnataka, Uttar Pradesh, Haryana, Chandigarh, Delhi, Chhattisgarh, Tamil Nadu, Punjab Presence in 97 locations.
- ROA for FY 2019: 2.22%, ROE : 14.11%
- Average cost of borrowings of 8.86% for FY 19. Capital Adequacy Ratio: 46.22%, Debt Equity Ratio: 3.91
- Capital Infusion of INR 1500 mn done in September 2018. Raised INR 2840 Crores through Public issue of NCD.
- Received PMAY Subsidy of INR 789 mn for 3865 cases

Growth Drivers

- Increasing the leverage from 3.91x currently will help to improve the ROE
- CRISIL Upgraded long term rating from AA- (Stable) to AA (Stable). This will help in reducing cost of funds
- Strong liquidity in Group's balance sheet, along with its free cash flows to fund the capital requirements
- Established corporate brand name among borrower segment, superior customer servicing capabilities and effective loan recovery mechanisms
- Tier II / III cities focused distribution network with a in-house sales team along with cross-sale to the existing gold loans customers of the group

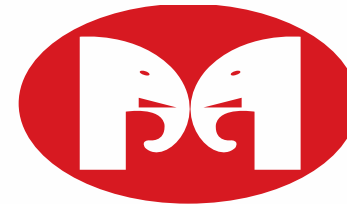
Profitability

- Long Term Rating from ICRA of AA- (stable) / CRISIL AA (stable) which indicates low risk will help in lower cost of funds. Short Term Rating: ICRA A1+ / CARE A1+
- Debt/Equity ratio at 3.91 times as on March 31, 2019, indicates ample scope for financial leverage to increase ROE
- Infrastructure sharing with the parent (Muthoot Finance) helps reduce overall Opex

Opportunities

- Our focus segment, "affordable housing finance" is the centered around the Government initiative of "Housing for All" by 2022
- Government promoted schemes such as PMAY-CLSS will benefit the end consumers.
- Huge shortfall for housing units in EWS / LIG segment in India
- Attraction of builders to the construction of affordable housing due to Infrastructure status given in Union Budget
- Increase in affordability driven by sustained GDP growth rate and stable property prices.
- Decrease in average members per household and emergence of nuclear families
- Increase in workforce to be driven by expected bulge in working age population
- Increasing urbanization led by rural-urban migration and reclassification of rural towns





Muthoot Homefin

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