

Muthoot Homefin

Investor Presentation Q1 FY2020

**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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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 **16 States** (including UT) in India through **101 locations** as on June 30, 2019 and are serving 23621 customers as on June 30, 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 INR 1.05 million

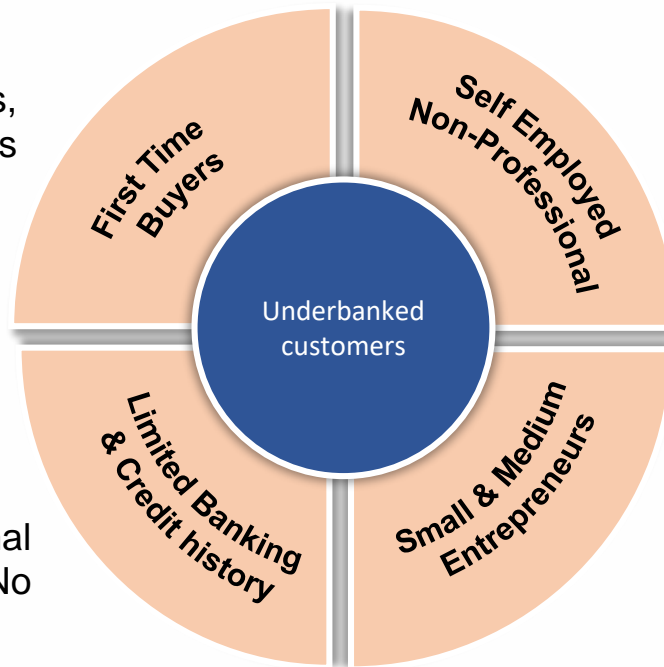
Ramratthinam S, an industry veteran with over 25+ years experience in Retail Lending Industry is heading MHIL, backed by a team of experienced and knowledgeable professionals from the Housing Finance Industry



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

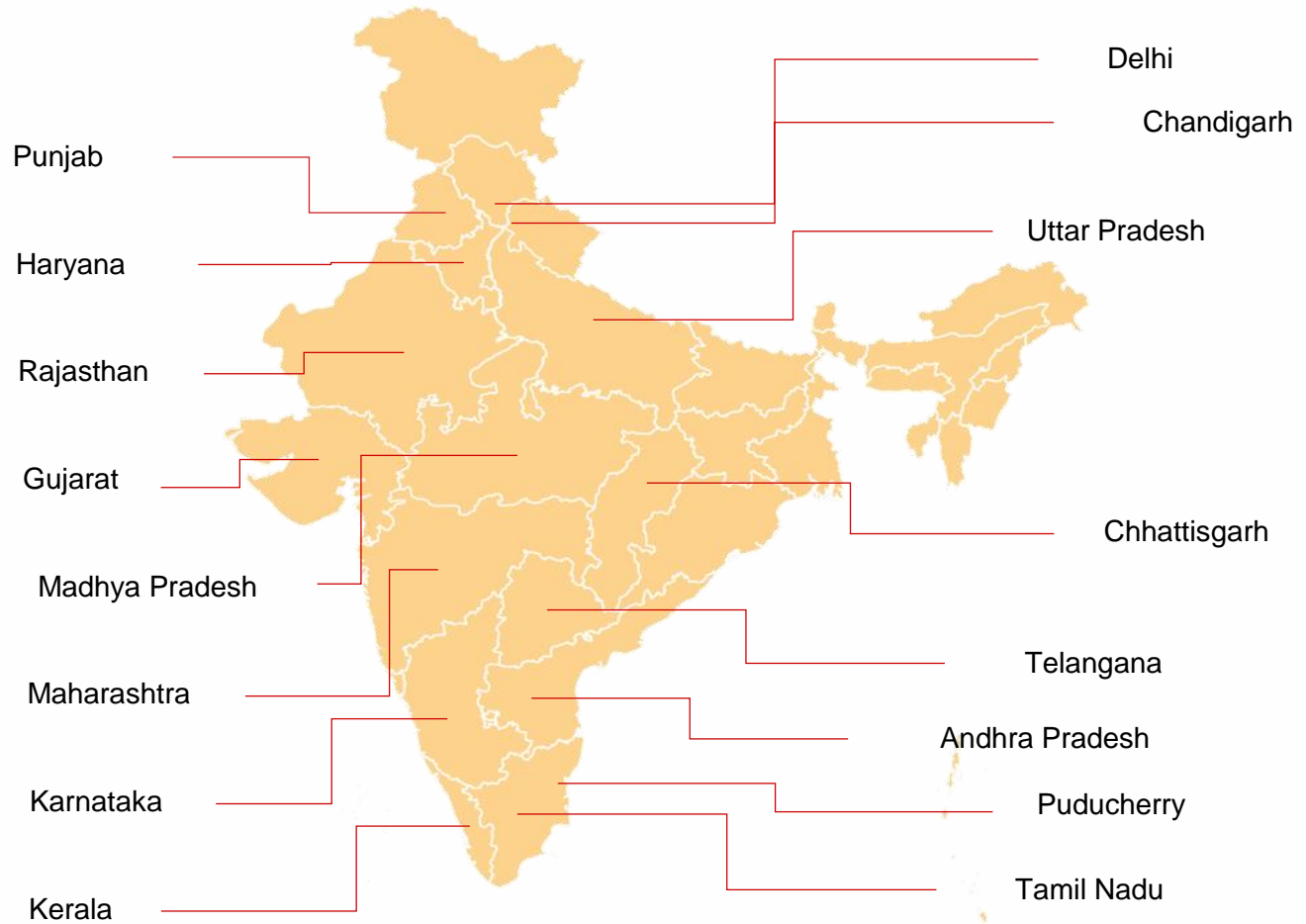
- Customers with informal income and low eligibility or No eligibility for bank loans

- Small trader, Shop owner , small workshop owners

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

Our Presence

16 States (Including UT) and 101 Locations as on 30 June 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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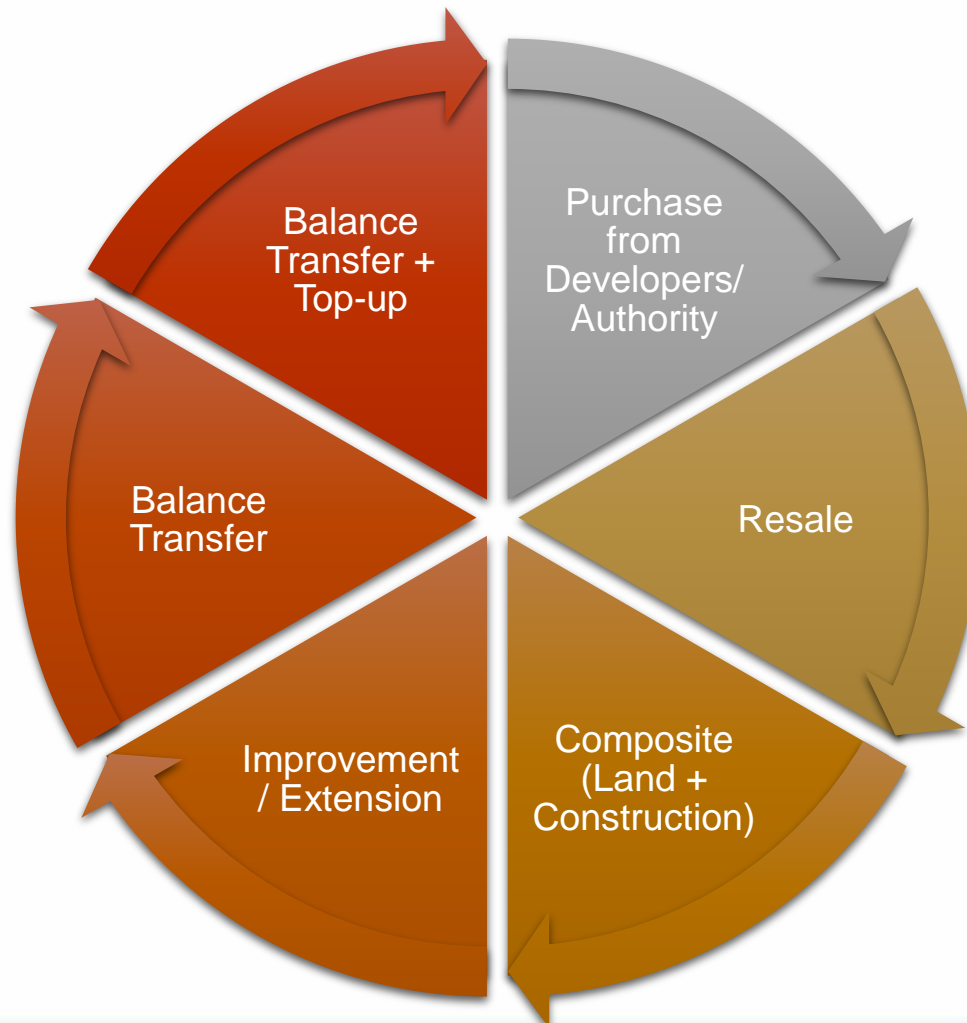
Financial Performance



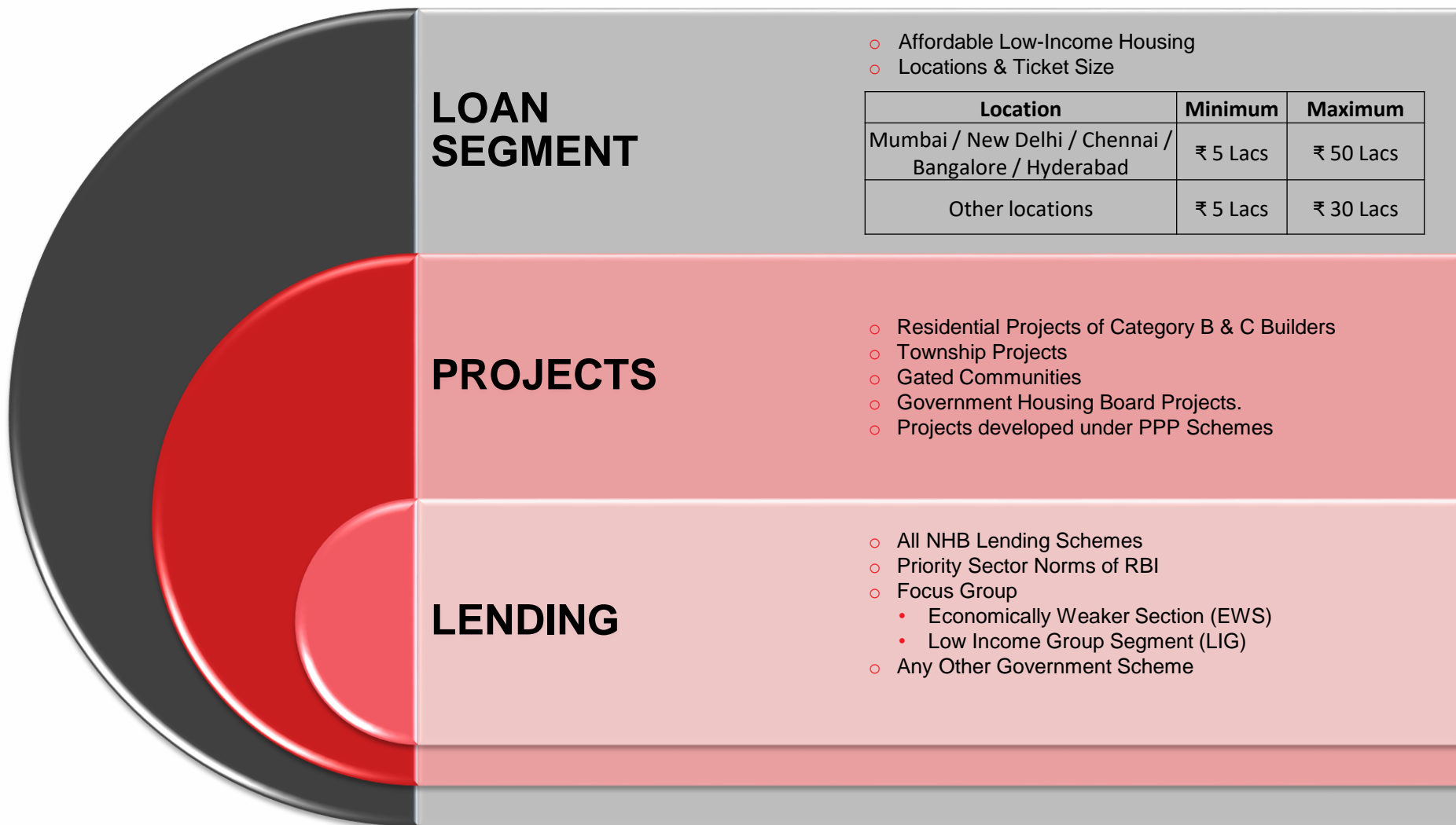
Customer Segments



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 85 field collectors across locations.

TECHNOLOGY

- Robust Technology Platform for processing of home loans

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Financial Performance



Business Performance - Overview

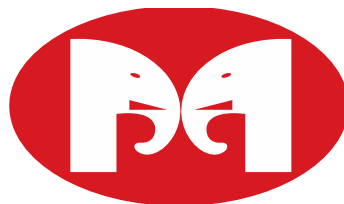


Company into retail housing financing business and no funding to builders.

Strong management team with extensive industry experience

Strong technology platform, systems & processes

Robust risk management framework



Muthoot Homefin



AUM – Rs. 1,987 Crore spread across 16 states (Including UT) in India

More than 23,500 strong base of customers



Financial performance

(Rs in Millions)

Particulars	FY 17	FY 18*	FY 19*	Q1 FY 19*	Q1 FY 20*
Disbursement (Net of Cancellations)	4,150	10,814	6,543	1,860	1,094
Loan Portfolio	4,408	14,648	19,131	16,197	19,875
Number of Customers	4,024	15,908	23,466	18,287	23,621
Borrowings	2,178	13,477	15,420	14,394	16,022
Total Revenue	242	1,171	2,257	487	620
Total Expense	189	835	1,746	335	530
Profit Before Tax	53	336	511	152	90
Profit After Tax	29	223	363	105	62
Shareholders Funds	882	2,079	3,942	2,184	4,004
Total Outside Liabilities	3,624	13,596	15,530	14,629	16,173
Total Assets	4,506	15,675	19,472	16,813	20,177
Capital Adequacy Ratio	36.60%	27.66%	46.22%	28.37%	45.02%
Debt Equity Ratio	2.47	6.48	3.91	6.59	3.99
Yield on Advances	12.74%	12.27%	12.22%	12.09%	12.70%
Cost of Funds	9.43%	8.76%	8.86%	8.56%	9.34%
Interest Spread	3.31%	3.51%	3.36%	3.53%	3.36%
NIM	9.34%	6.00%	5.36%	5.49%	5.40%
Cost to Income Ratio	61%	28.25%	26.10%	18.42%	28.68%
Return on Assets (ROA)	2.42%	3.42%	2.22%	2.97%	1.29%
Return on Equity (ROE)	3.64%	17.26%	14.11%	20.03%	6.28%
GNPA	-	0.42%	0.74%	0.51%	0.81%
NNPA	-	0.36%	0.46%	0.43%	0.53%

* as per IND - AS

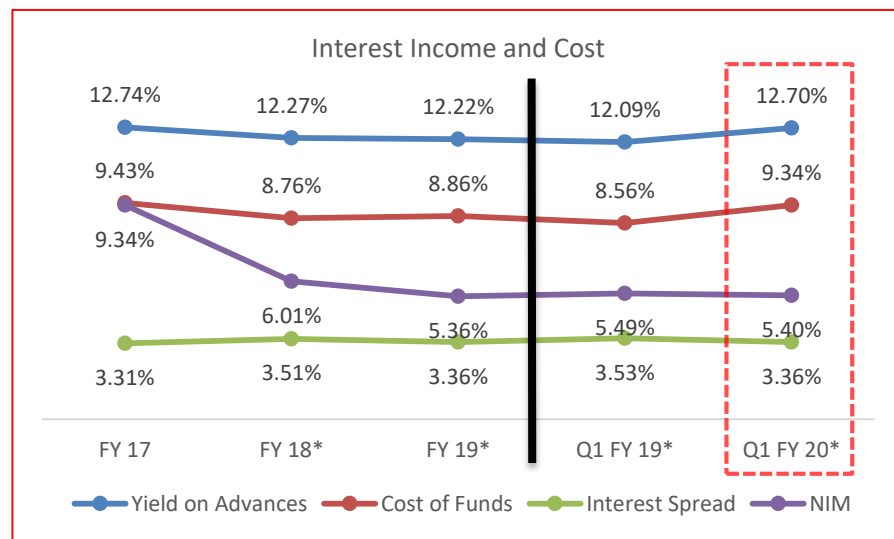
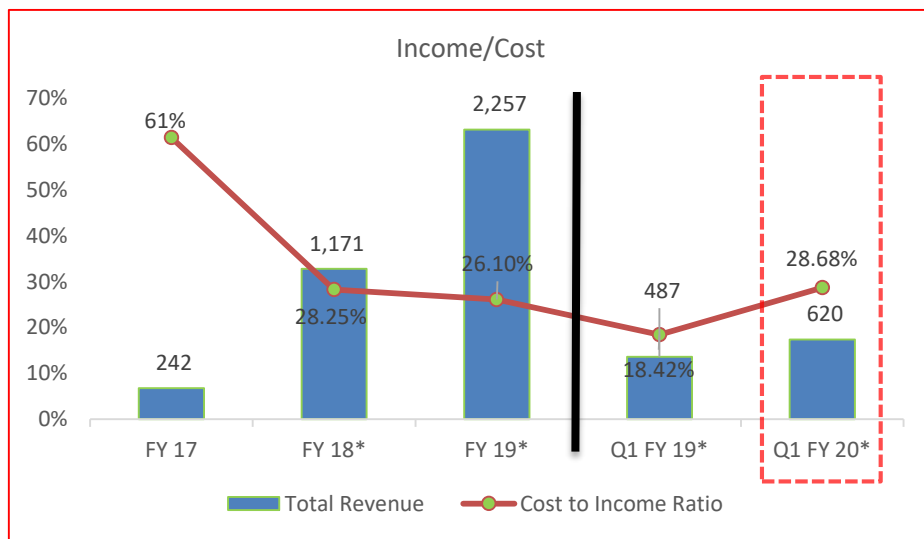
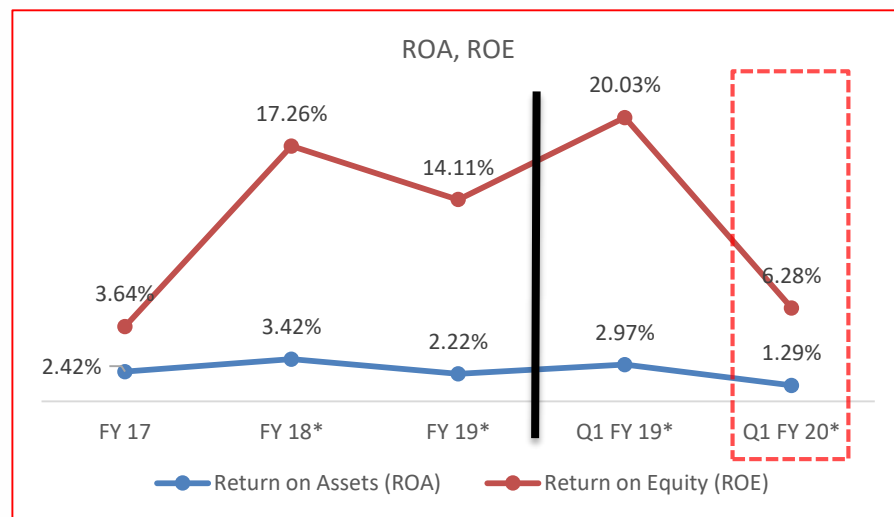
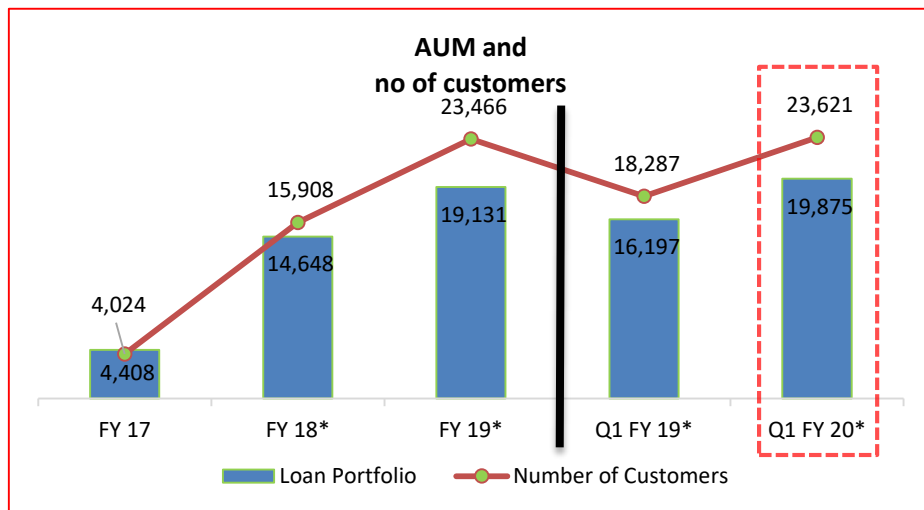


Profitability ratios

Particulars	FY 17	FY 18*	FY 19*	Q1 FY 19*	Q1 FY 20*
Interest Income to avg. Loan Assets	12.74%	12.27%	12.22%	12.09%	12.70%
Interest Expense to avg. Loan Assets	3.40%	6.27%	6.86%	6.60%	7.30%
Net Interest Margin	9.34%	6.00%	5.36%	5.49%	5.40%
Other Income to Avg. Loan Assets	7.60%	3.19%	1.18%	1.27%	0.14%
Operating expenses to avg. loan assets	10.10%	3.24%	2.89%	2.02%	2.97%
Provisions and write offs to avg. loan assets	1.38%	0.62%	0.37%	0.25%	0.56%
PBDT to avg. loan assets	5.46%	5.33%	3.28%	4.48%	2.01%
Depreciation to avg. loan assets	1.01%	0.19%	0.17%	0.13%	0.15%
PBT to avg. loan assets	4.45%	5.14%	3.11%	4.35%	1.86%
Tax to avg. loan assets	2.03%	1.73%	0.89%	1.38%	0.56%
PAT to avg. loan assets	2.42%	3.42%	2.22%	2.97%	1.29%
Cash Profit to avg. loan assets	4.81%	4.23%	2.76%	3.35%	2.00%
Return on Equity (ROE)	3.64%	17.26%	14.11%	20.03%	6.28%
* as per IND - AS					

Business Performance

(Rs in Millions)



Key differentiators

Financial Highlights

- Disbursements in Q1 FY 20 INR 1,094 mn. Loan Book as on June 30, 2019: INR 19,875 mn
- Average Ticket Size in Q1 FY 20: INR 1.05 mn , Average Yield: 12.70%, 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 and Puducherry Presence in 101 locations.
- ROA for Q1 FY 2020: 1.29%, ROE : 6.28%
- Average cost of borrowings of 9.34% for Q1 FY 20. Capital Adequacy Ratio: 45.02%, Debt Equity Ratio: 3.99.

Growth Drivers

- Increasing the leverage from 3.99x 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

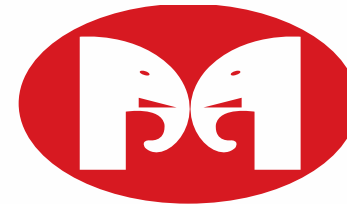
Profitability

- Long Term Rating from 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 3.99 times as on June 30, 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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