

Muthoot Homefin

Investor Presentation Q2FY2019

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



Muthoot Homefin

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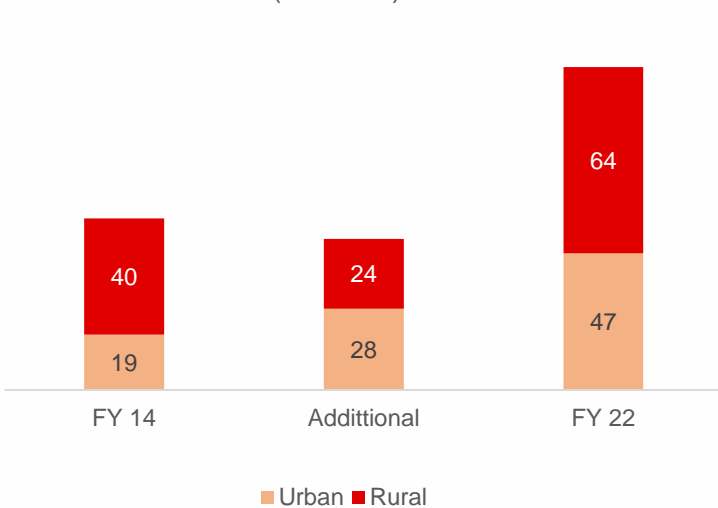
CONTENTS

Indian Housing Finance Insustry	4
Housing for all – 4 verticals	9
Affordable housing finance: untapped and high potential segment	12
About Muthoot Homefin	13
Senior Management	14
Segmentation and Product Offerings	16
Focus Areas	19
Our potential customers	20
Business model	21
Business Performance	23
Profitability ratios	24
Key differentiators	26

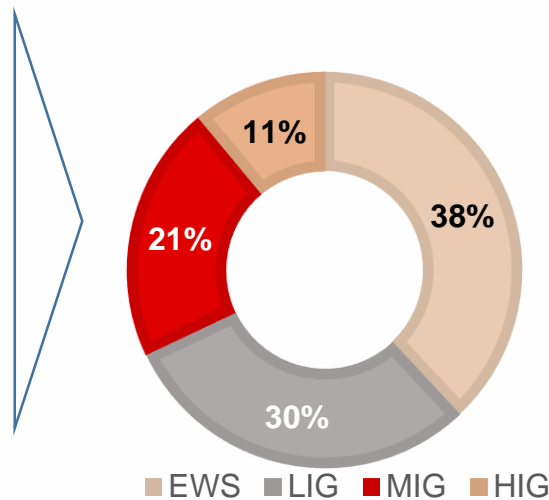
INDIAN HOUSING FINANCE INDUSTRY

Housing shortage in India is expected to widen to 111 mn households by 2022

Housing shortage in India
(mn units)



Income- Wise Housing Shortage



Affordable Housing Finance poised to grow at 30% vis-à-vis industry average of 18%

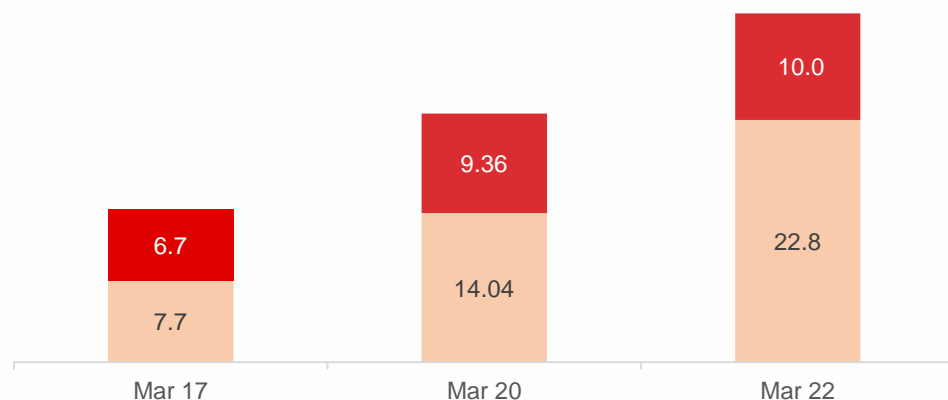
Source: Housing and urban affairs ministry

INDIAN HOUSING FINANCE INDUSTRY

Mortgage penetration in India continues to remain significantly lower than peers and focused on lower ticket size

Mortgage Loan Assets (INR Tn.)

■ Ticket size < INR 25 Lakhs ■ Ticket size > INR 25 Lakhs



Addressable market for ticket size up to INR 25 Lakhs will see ~ 3x Jump by FY 22

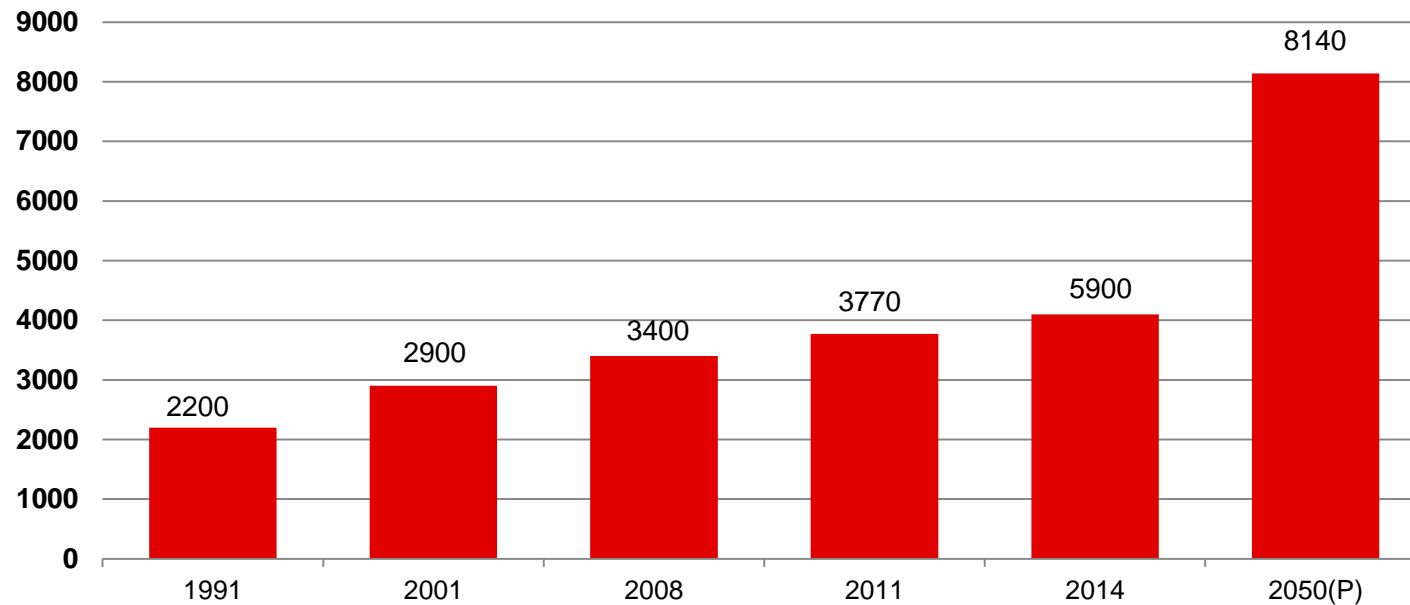
Players focused on smaller ticket size loans will be the largest beneficiary of the expansion in addressable market

Source: Housing and urban affairs ministry

Increase in Urban Population

Urban Population in India

(in lakhs)



Projected Growth in Urban Population @ 1.92% CAGR up to Year 2050

Source: McKinsey Global Institute, India Census 2011

Government Initiatives – Government Focus on affordable housing

Demand Side Incentives:

- Promotion of affordable Housing for Weaker section
- Interest rate subsidy scheme under Pradhan Mantri Awas Yojna (PMAY) for middle income group
- Interest subsidy between INR 2.20 to INR 2.70 Lakhs for first time Home Buyers with annual income up to INR 18 Lakhs
- GST on affordable housing reduced from 12% to 8%
- Tax incentives on interest and principal amount for home loan buyers

Supply Side Incentives:

- 100% Tax deduction on Affordable housing projects for developers, this will increase supply in the affordable segment
- Infrastructure status for affordable housing, easing access to institutional credit
- Higher budgetary allocation, Government projected spending for infrastructure sector between FY 18 to FY 24 – INR 5,60,000 Crore

INDIAN HOUSING FINANCE INDUSTRY

Indian Mortgage Market backed up by strong demand drivers

- Rise in Working Age Population is a favourable sign for Housing Finance Industry
- Increase in disposable income helps people invest in real estate
- Development in urban areas is pulling rural crowd to cities
- Government initiatives – Government focus on Affordable Housing

Consequently, Mortgage/GDP ratio is expected to increase, thereby offering a significant value proposition

Source : Industry Research



HOUSING FOR ALL – 4 VERTICALS

The Mission will be implemented through four verticals giving option to beneficiaries, ULBs and State Governments. These four verticals are as below:

"In situ" Slum Redevelopment

- Using land as a resource
- With private participation
- Extra FSI/TDR/FAR if required to make projects financially viable

Affordable Housing in Partnership

- with private sector or public sector including Parastatal agencies
- Central Assistance per EWS house in affordable housing projects where 35% of constructed houses are for EWS category

Subsidy for beneficiary-led individual house construction

- For individuals of EWS category requiring individual house
- State to prepare a separate project for such beneficiaries
- No isolated/splintered beneficiary to be covered.

Affordable Housing through Credit Linked Subsidy

- Interest subvention subsidy for EWS & LIG, MIG-1 & MIG-2 for new house or incremental housing

Source: NHB - PMAY , Housing for All (Urban), Credit Linked subsidy Scheme, 26th April 2017

LOW AND MIDDLE INCOME (LMI) HOUSING IN INDIA

Affordable housing would be driving the demand in Indian housing sector forming a major portion of required housing units

Customer Segment	Income (₹ p.a.)	Size of unit (Sq Mt)	Housing Type
EWS	< ₹ 3.0 Lakhs	Up to 30	Low Cost / Affordable
LIG	₹ 3.0 Lakhs - ₹ 6.0 Lakhs	Up to 60	Affordable
MIG-1	₹ 6.0 Lakhs - ₹ 12.0 Lakhs	Up to 160	Affordable
MIG-2	₹ 12.0 Lakhs - ₹ 18.0 Lakhs	Up to 200	Affordable

Source : Industry Research, IMF, European Mortgage Federation

LOW AND MIDDLE INCOME (LMI) HOUSING IN INDIA

Key Features of CLSS Scheme for first time owner of House

	Household Income (INR. In Lakhs)	Maximum Loan eligible for subsidy	Interest Subsidy (% per annum)	Loan Tenure	Carpet Area (sq. mtr.)	Max. Interest Subsidy* (INR. In Lakhs)
EWS	3	6	6.50%	20	30	2.67
LIG	6	6	6.50%	20	60	2.67
MIG -I	12	9	4.00%	20	160	2.35
MIG -II	18	12	3.00%	20	200	2.3

* NPV discount rate at 9% for 20 years

EWS – Economically weaker section

LIG – Low Income Group individuals

MIG – Medium income group individuals

Interest rate subsidy on home loan is credited to the beneficiary loan account by reducing amount of equated monthly installments

ABOUT MUTHOOT HOMEFIN

Focused on Affordable Housing

- Muthoot Homefin (India) Limited (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

Operational Framework

- Focus is on Affordable Housing
- Concentrate primarily on retail housing loans
- Would operate on a 'Hub and Spoke' model, with the centralized processing at Corporate Office, to begin with

Experienced Management

- Promoted by Muthoot Finance Ltd (MFIN) – India's Largest Gold Loan company
- 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



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.

Mr. Mangesh Amdekar – Head – Technical

Mangesh Amdekar joined the company in November 2015. He is a Civil Engineering Professional from Pune University and Diploma Holder in Human Resource & Finance Management from L. N. Welingkar Institute, Mumbai is also a Member of Indian Institution of Valuers. He was Head of Technical at Aadhar Housing Finance Limited before taking up the MHIL responsibility. Mangesh brings in over 12 years of Real Estate Appraisal & Valuation experience. He has worked in the similar profiles earlier into ICICI HFC, Kotak Mahindra Bank Ltd., DHFL & Aadhar Housing Finance Ltd.

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.



SEGMENTATION AND PRODUCT OFFERINGS

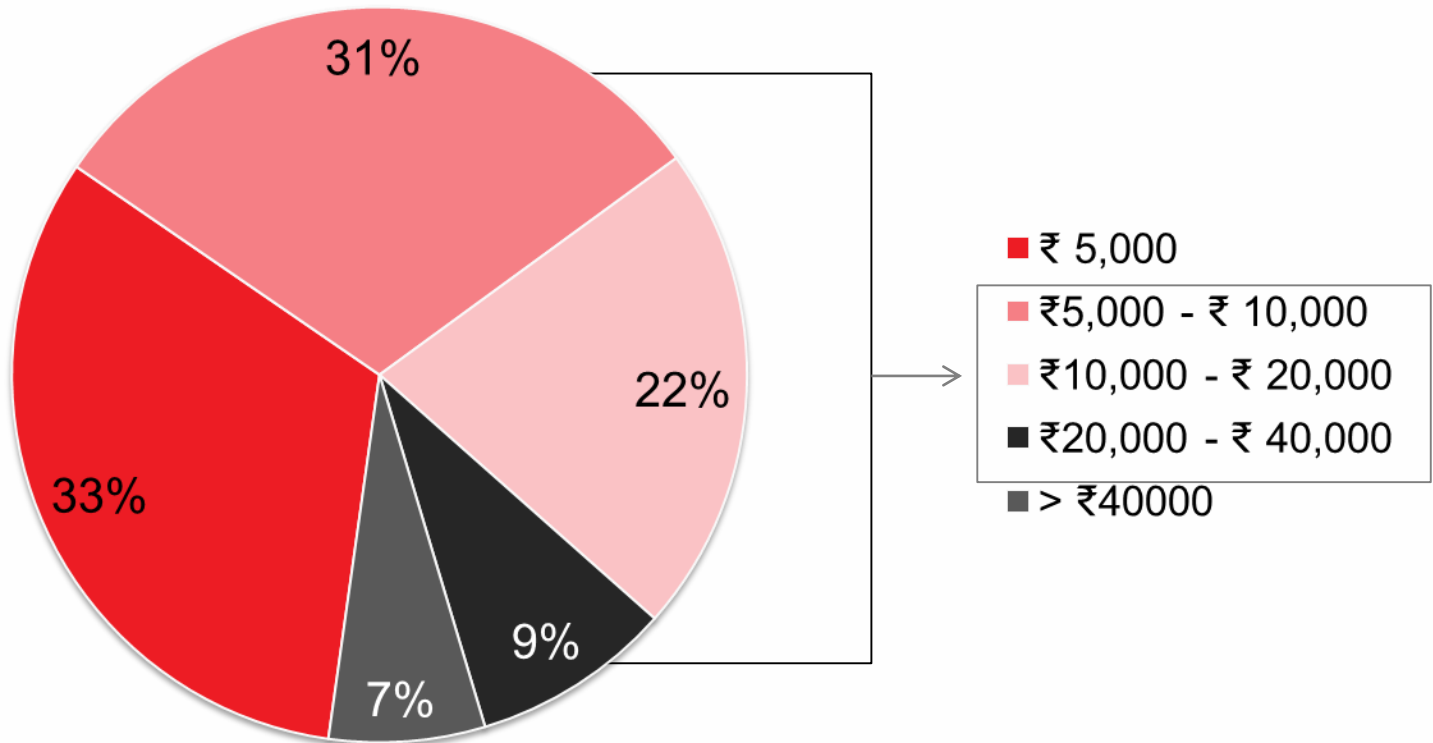
Customer Segment



SEGMENTATION AND PRODUCT OFFERINGS

Customers aspiring to own a home but are underserved by Banks / HFCs due to challenges faced in income assessment and gauging repayment potential

Exclusive focus on retail home loans with maximum loan size up to Rs 30 lakhs

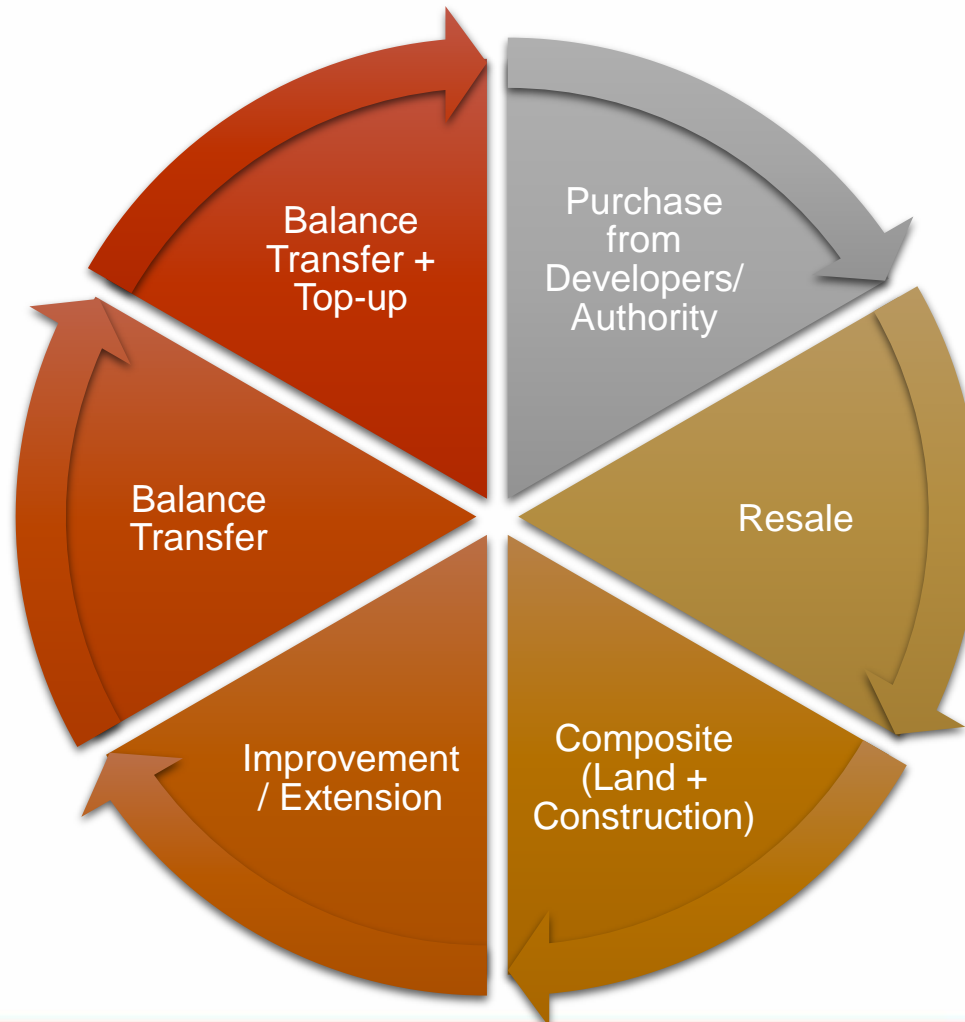


% of Households in given Household Categories¹⁰

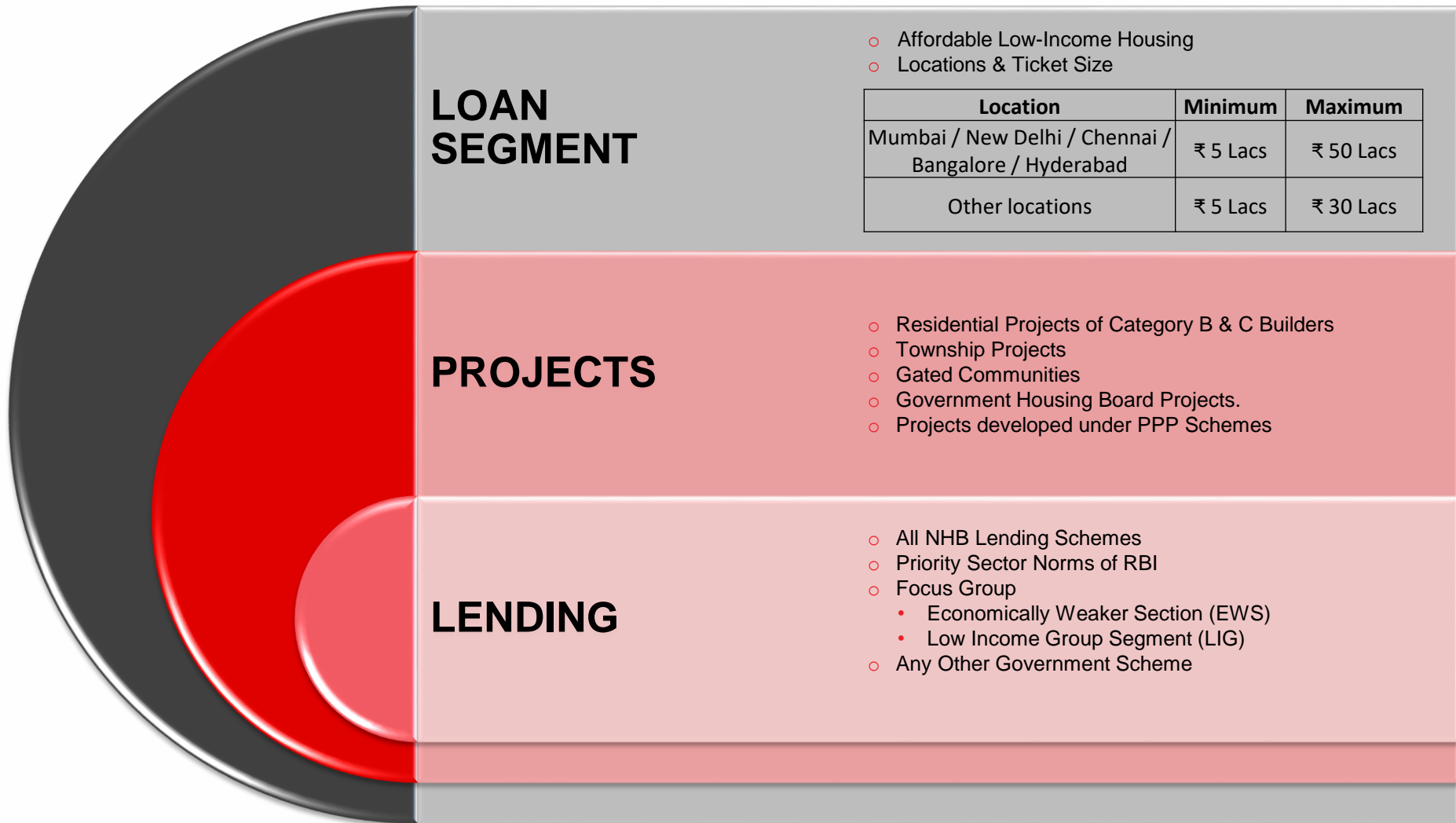
10 Source: Monitor – Deloitte Report

SEGMENTATION AND PRODUCT OFFERINGS

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
- Loan approvals by a Credit Committee
- 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 46 field collectors across locations.

TECHNOLOGY

- Robust Technology Platform for processing of home loans

BUSINESS PERFORMANCE

(Rs in Millions)

Particulars	FY 17	FY 18	Q1 FY 18	Q1 FY 19	Q2 FY 18	Q2 FY 19	H1 FY 18	H1 FY 19
Disbursement (Net of Cancellations)	4,150	10,814	1,584	1,861	2,460	1,894	4,044	3,755
Loan Portfolio	4,408	14,648	5,957	16,209	8,296	17,754	8,296	17,754
Number of Customers	4,024	15,908	5,680	18,287	8,406	20,237	8,406	20,237
Borrowings	2,178	13,477	4,845	14,394	6,346	13,994	6,346	13,994
Total Revenue	242	1,259	192	497	257	562	449	1,059
Total Expense	189	840	132	335	181	412	312	748
Profit Before Tax	53	419	61	162	76	149	137	311
Profit After Tax	29	278	37	111	45	99	81	209
Shareholders Funds	882	2,160	918	2,270	1,963	3,869	1,963	3,869
Total Outside Liabilities	3,624	13,710	5,860	14,683	7,594	14,198	7,594	14,198
Total Assets	4,506	15,869	6,778	16,953	9,557	18,067	9,557	18,067
Capital Adequacy Ratio	36.60%	27.66%	26.87%	28.37%	43.72%	44.90%	43.72%	44.90%
Debt Equity Ratio	2.47	6.24	5.27	6.34	3.23	3.62	3.23	3.62
Yield on Advances	12.74%	12.27%	12.67%	12.09%	12.23%	12.09%	12.23%	12.07%
Cost of Funds	9.43%	8.76%	9.42%	8.56%	8.72%	8.70%	8.72%	8.63%
Interest Spread	3.31%	3.51%	3.25%	3.53%	3.51%	3.39%	3.50%	3.44%
NIM	9.34%	6.01%	6.38%	5.49%	5.62%	5.07%	5.62%	5.24%
Cost to Income Ratio	61%	26.23%	28.93%	17.99%	28.46%	20.61%	28.46%	19.38%
Return on Assets (ROA)	2.42%	3.42%	3.08%	2.97%	2.72%	2.35%	2.72%	2.63%
Return on Equity (ROE)	3.64%	17.26%	16.36%	20.03%	12.44%	17.31%	12.44%	18.45%
GNPA	-	0.42%	0.11%	0.51%	0.50%	0.78%	0.50%	0.78%
NNPA	-	0.36%	0.09%	0.43%	0.43%	0.63%	0.43%	0.63%



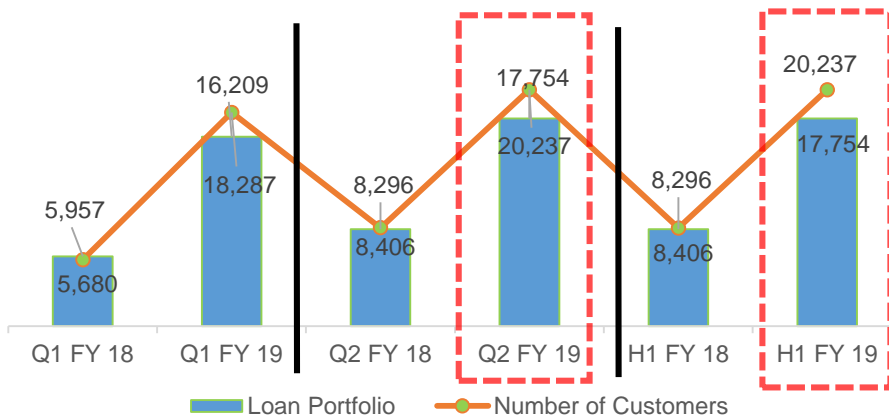
PROFITABILITY RATIOS

Particulars	FY 17	FY 18	Q1 FY 18	Q1 FY 19	Q2 FY 18	Q2 FY 19	H1 FY 18	H1 FY 19
Interest Income to avg. Loan Assets	12.74%	12.27%	12.67%	12.09%	12.23%	12.09%	12.23%	12.07%
Interest Expense to avg. Loan Assets	3.40%	6.27%	6.30%	6.60%	6.61%	7.02%	6.61%	6.83%
Net Interest Margin	9.34%	6.00%	6.38%	5.49%	5.62%	5.07%	5.62%	5.24%
Other Income to Avg. Loan Assets	7.60%	3.19%	3.42%	1.27%	3.34%	1.23%	3.34%	1.24%
Operating expenses to avg. loan assets	10.10%	3.24%	3.78%	2.02%	3.24%	2.14%	3.24%	2.07%
Provisions and write offs to avg. loan assets	1.38%	0.62%	0.70%	0.25%	0.88%	0.46%	0.88%	0.36%
PBDT to avg. loan assets	5.46%	5.33%	5.32%	4.48%	4.84%	3.69%	4.84%	6.12%
Depreciation to avg. loan assets	1.01%	0.19%	0.24%	0.13%	0.22%	0.15%	0.22%	0.14%
PBT to avg. loan assets	4.45%	5.14%	5.08%	4.35%	4.62%	3.54%	4.62%	5.98%
Tax to avg. loan assets	2.03%	1.73%	2.00%	1.38%	1.91%	1.20%	1.91%	1.28%
PAT to avg. loan assets	2.42%	3.42%	3.08%	2.97%	2.72%	2.35%	2.72%	2.63%
Cash Profit to avg. loan assets	4.81%	4.23%	4.02%	3.35%	3.82%	2.96%	3.82%	3.13%
Return on Equity (ROE)	3.64%	17.26%	16.36%	20.03%	12.44%	17.31%	12.44%	18.45%

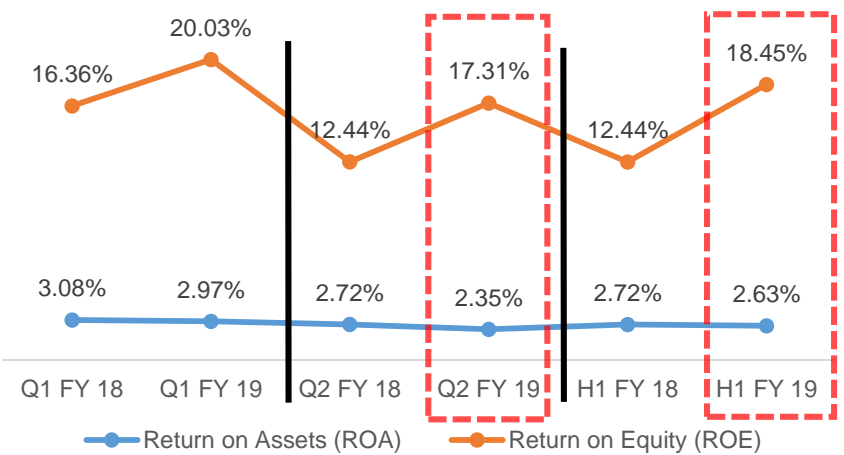
BUSINESS PERFORMANCE & PROJECTIONS

(Rs in Millions)

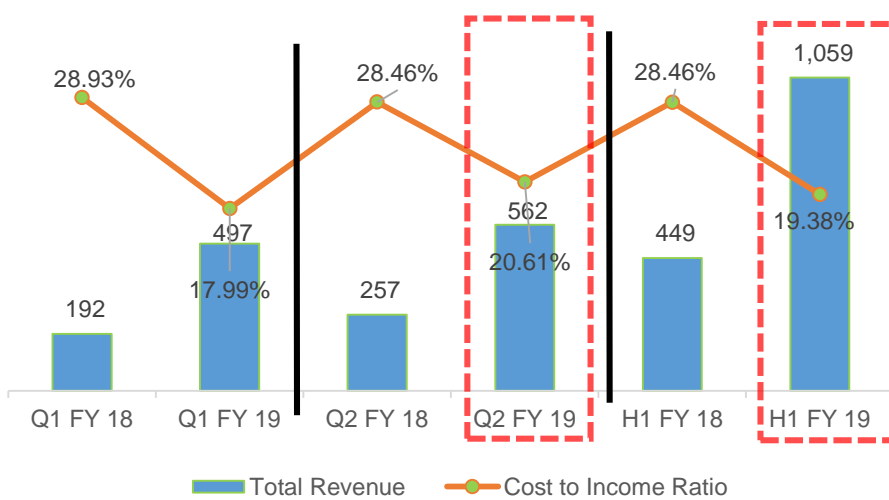
AUM and no of customers



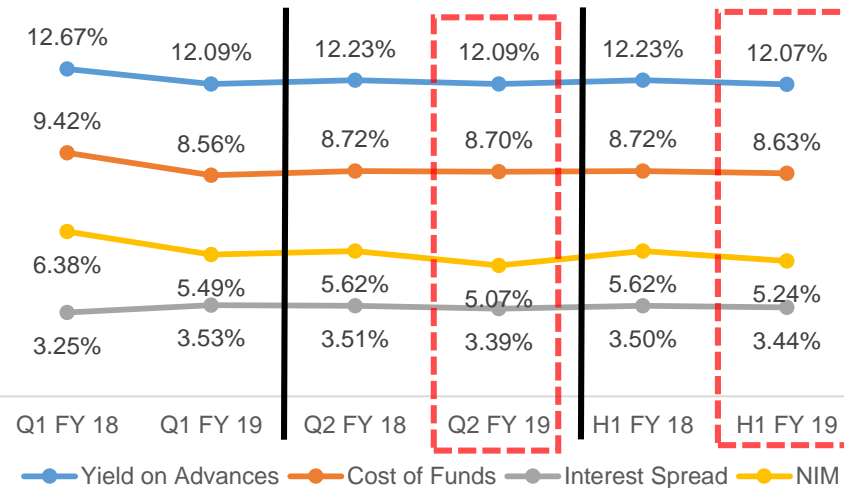
ROA, ROE



Income/Cost

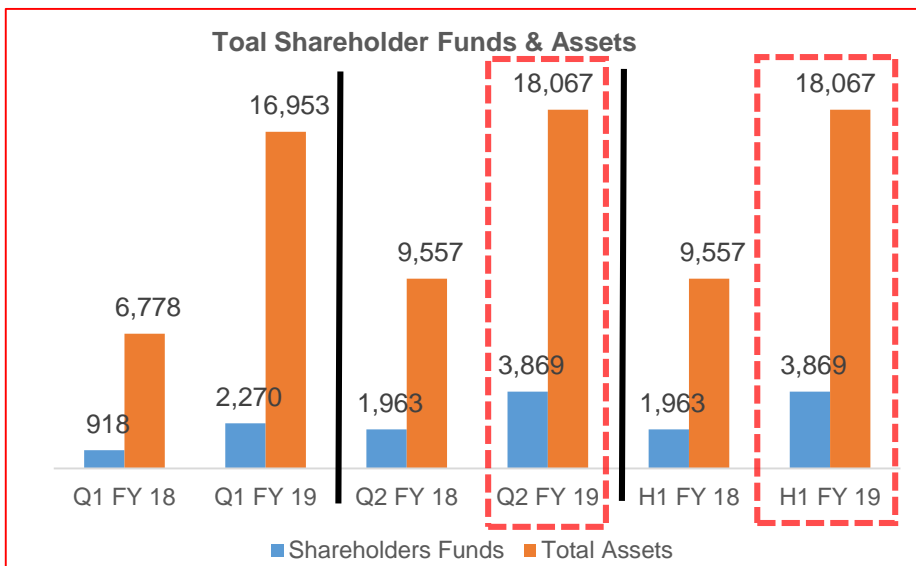
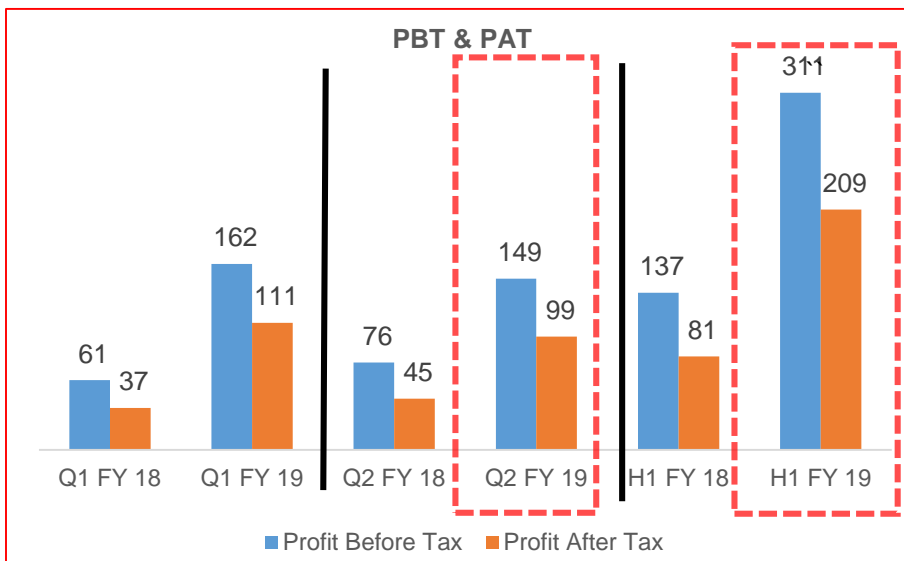


Interest Income and Cost



BUSINESS PERFORMANCE & PROJECTIONS

(Rs in Millions)



Business Presence

Maharashtra, Gujarat,
Rajasthan, MP, Kerala

Northern States



Andhra Pradesh,
Telangana, Karnataka,
Haryana

Eastern States

- Currently present at 70 locations across 11 states of Maharashtra, Gujarat, Madhya Pradesh, Rajasthan, Kerala, Andhra Pradesh, Telangana, Karnataka Uttar Pradesh Haryana and Chandigarh.



KEY DIFFERENTIATORS

Financial Highlights

- Disbursements in H1 FY 19: INR 3,755 mn. Loan Book as on September 30, 2018: INR 17,754 mn
- Average Ticket Size in H1 FY 19: INR 0.95 mn
- Business Presence: Maharashtra, Gujarat, Madhya Pradesh, Rajasthan, Kerala, Andhra Pradesh, Telangana, Karnataka, Uttar Pradesh, Haryana and Chandigarh, Presence in 70 locations.
- ROA for H1FY 2019: 2.63%, ROE : 18.45%
- Average cost of borrowings of 8.63% for H1 FY 19. Capital Adequacy Ratio: 44.90%, Debt Equity Ratio: 3.62
- Average Yield: 12.07%, Interest Spread: 3.44
- Capital Infusion of INR 1,500 mn done in the month of September 2018

Growth Drivers

- Increasing the leverage from 3.62x 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

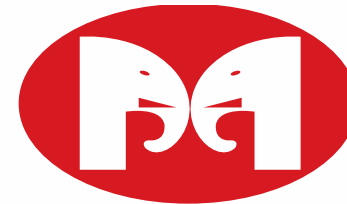
Profitability

- 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 3.62 times as on September 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

REGISTERED ADDRESS

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