



AU INSIGHTS

Secured Business Loans | Commercial Banking

7th December, 2022





In this Presentation

Here's what we'll cover:

1

SECURED BUSINESS LOANS

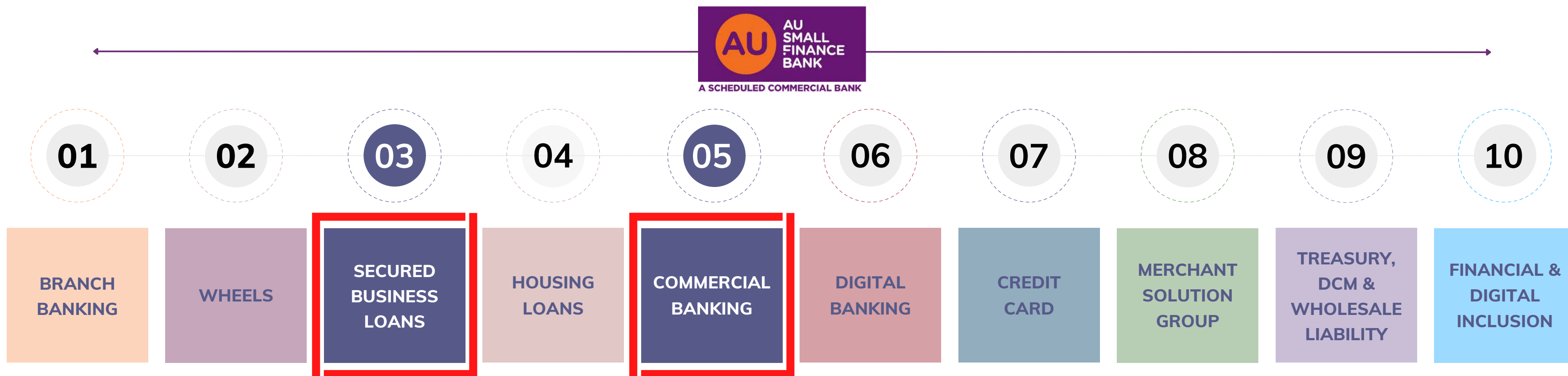
2

COMMERCIAL BANKING

3

Q&A

Building a robust foundation to execute our strategy



- 10 Business Groups (SBU structures) formalized to drive future growth
- Leadership of 7 of the 10 SBUs had earlier, on 10th Feb '22, 10th Mar '22 and 4th Nov '22, presented their strategy and outlook. The respective presentations are available on our website.
- We will cover the 2 SBUs – **Secured Business Loans** and **Commercial Banking** today



SECURED BUSINESS LOANS



Secured Business Loans



Low operating Expenses - High Margins

Business Model & Good Business Knowhow

Lack Formal Documentation - Capacity to Pay

Collateral - various types of Rural & Semi-urban

In-house Local Manpower - Local Nuances

Physical Interaction – Resi & Business Place

MICRO Enterprises - Resilience during Pandemic

Engagement - Counselling - Resolution

“Learnings to be replicated but model needs to be crafted state & area wise”

MSME - The Heartbeat of the Indian Economy



GDP

Contribution of about **30%** in the total GDP of India



Exports

50% share in the total exports of India



Employment

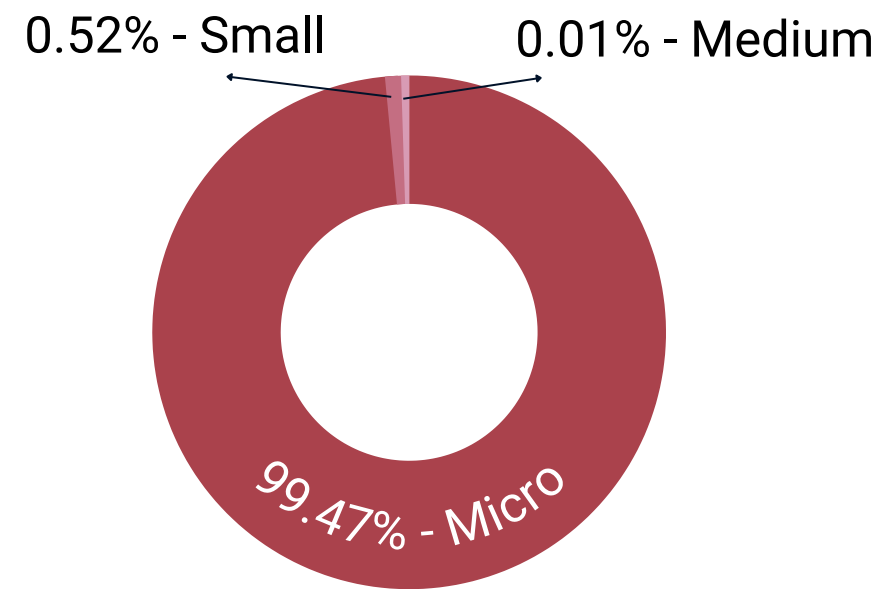
Employment to over **110 million** people.



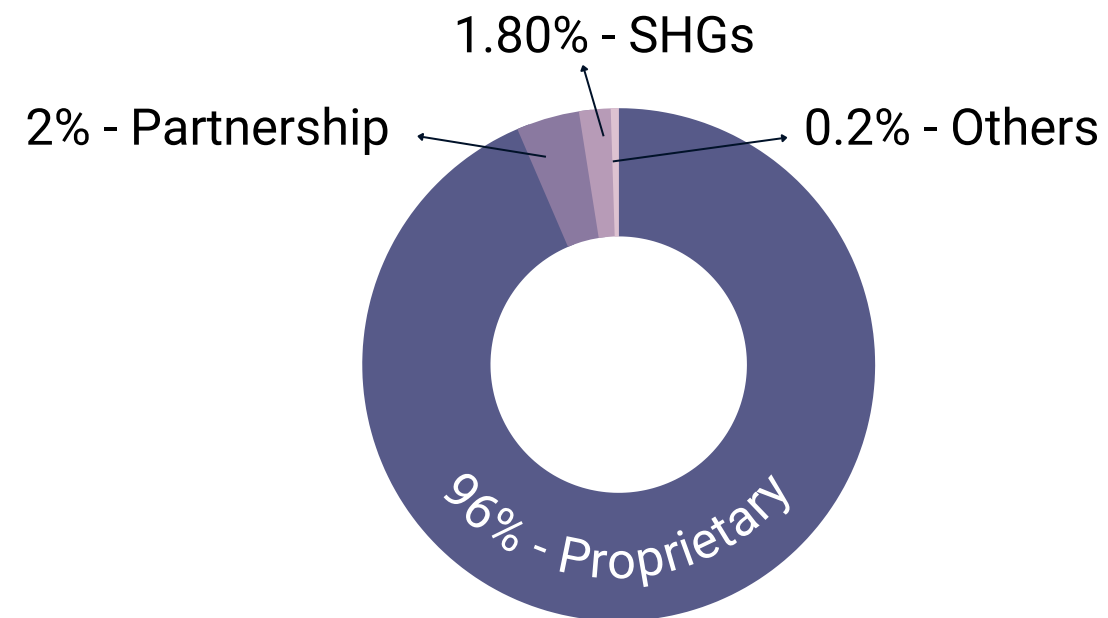
Products

Produces more than **8000** products

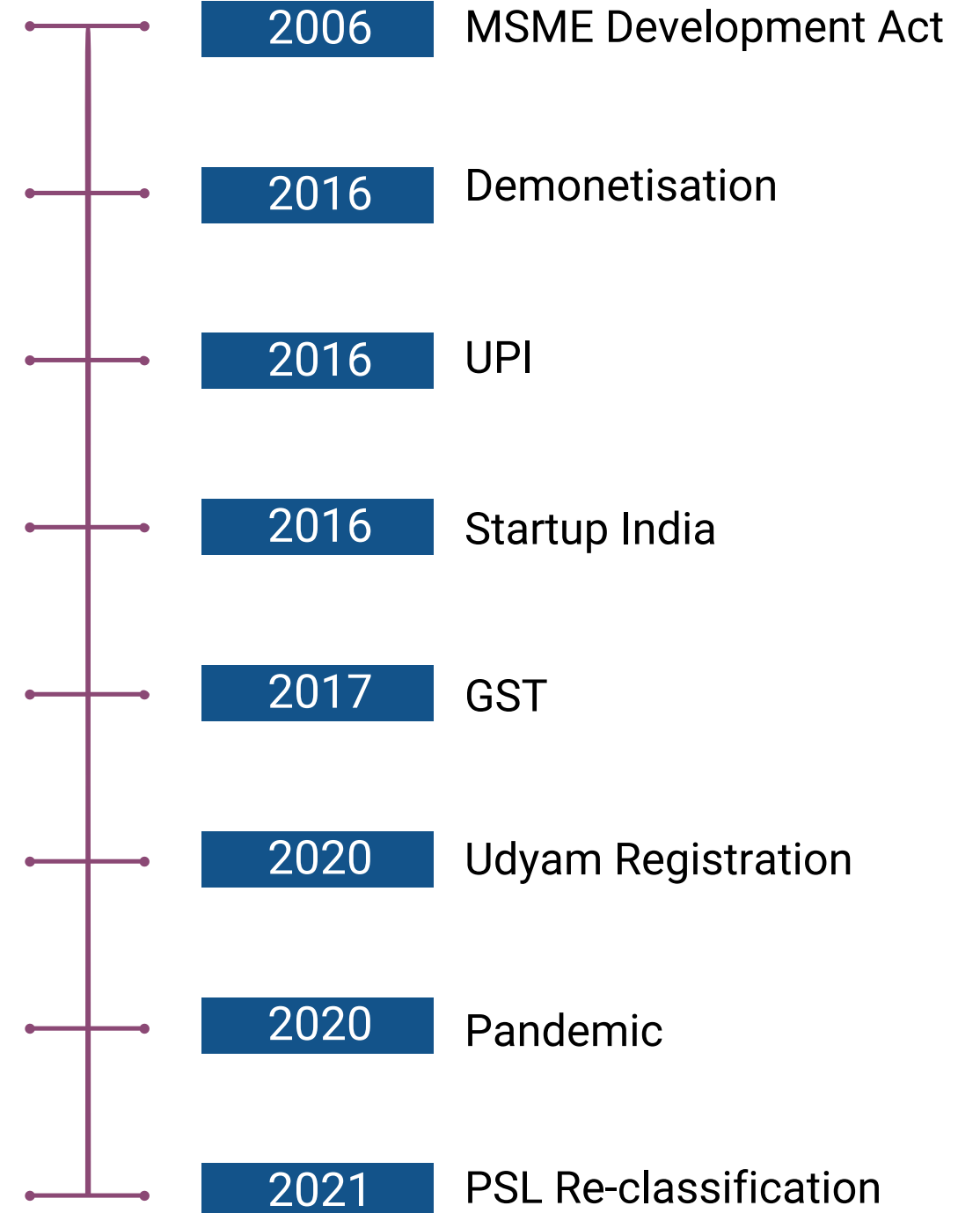
Scale of Business



Form of Business



Major Events

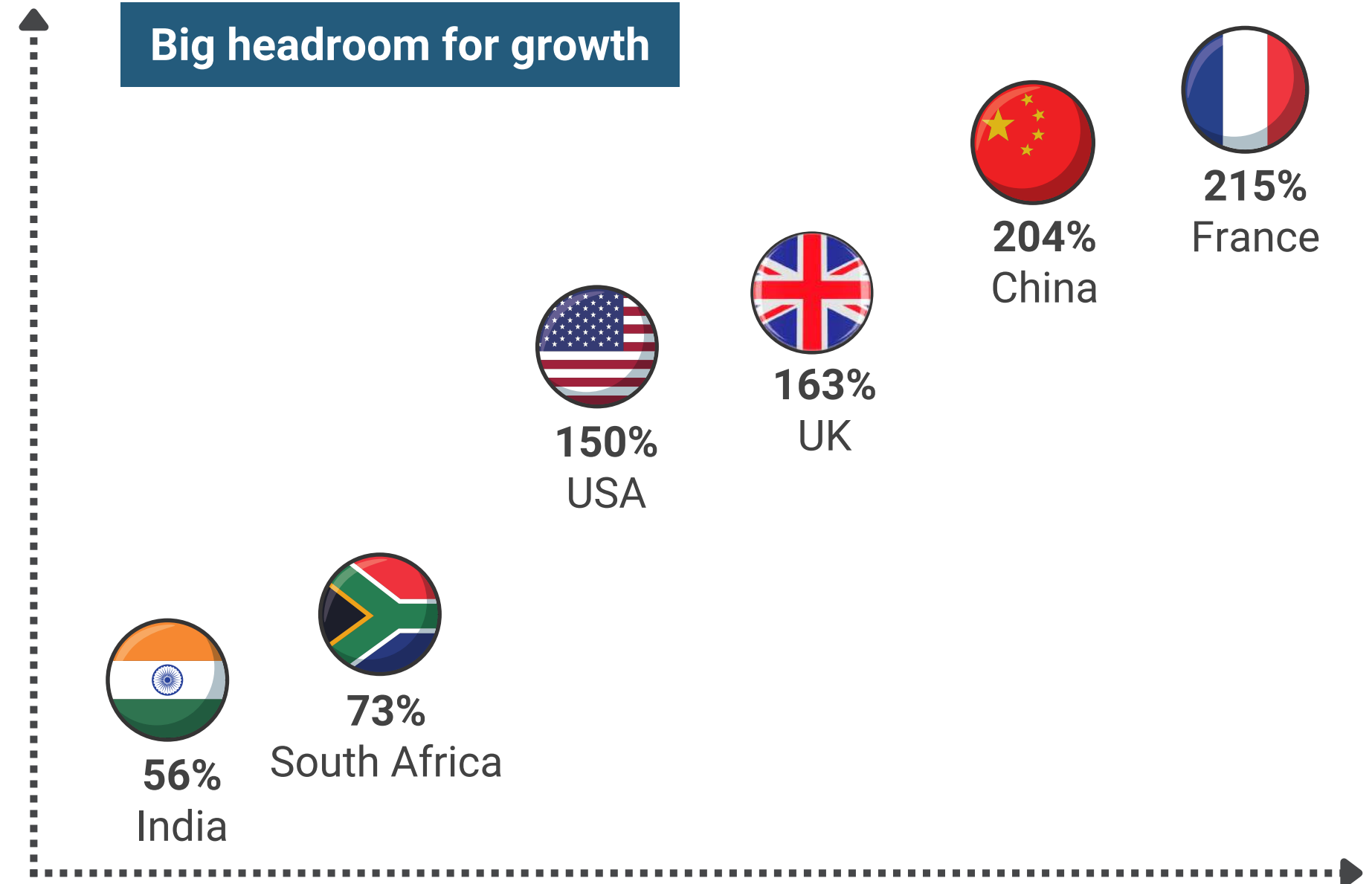


*Source: Industry Reports

Growth Drivers



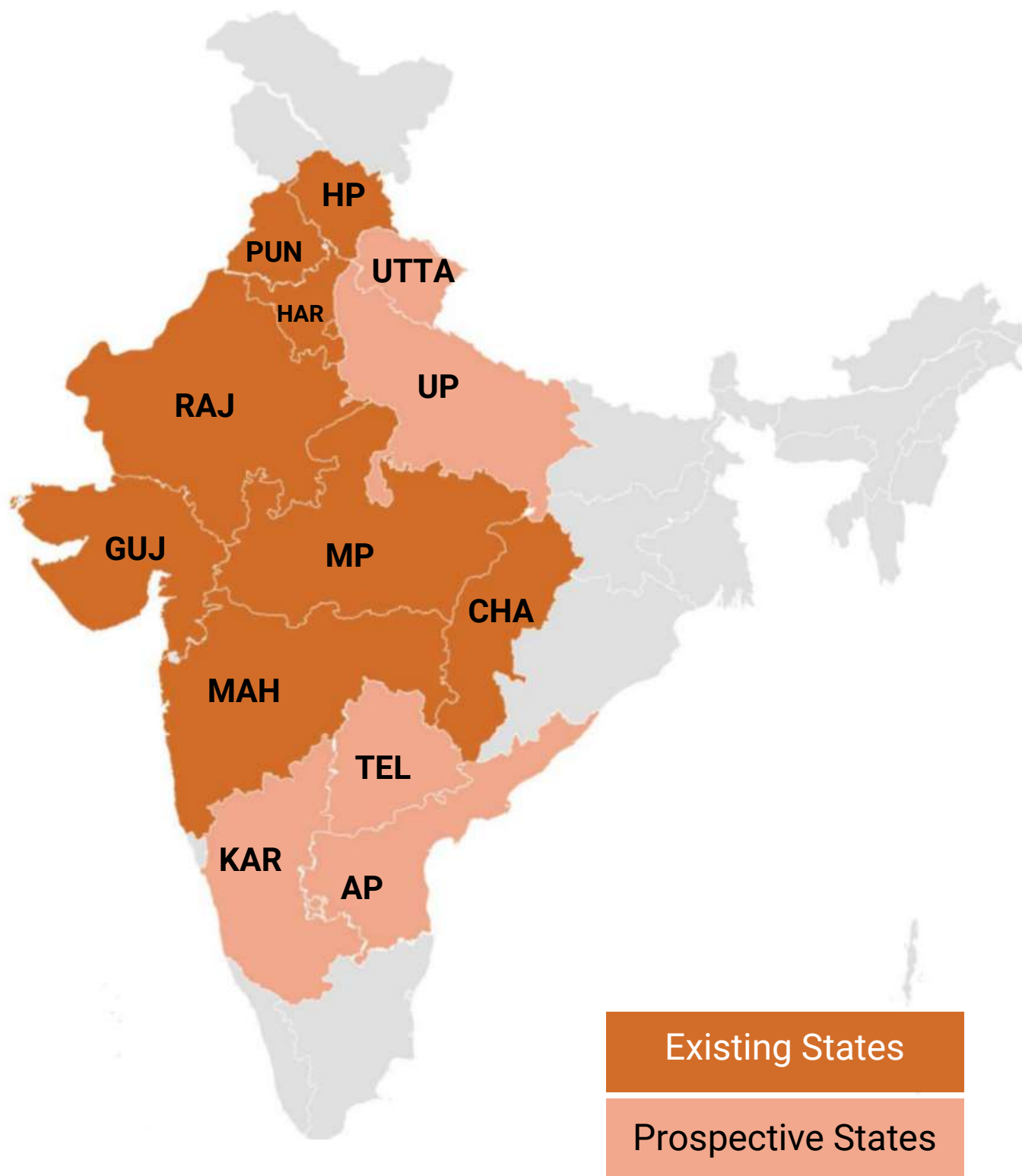
Big headroom for growth



Total Credit to GDP Ratio

- India has one of the **largest young population** in the world, with a median age of 29 years (2021).
- According to a Randstad Work monitor survey, 83% of the Indian workforce prefers to be **entrepreneur**.
- Adult population with bank accounts rose from 53% in 2014 to 80% in 2017 (Global Findex Database).
- In 2020, about 35% of the total population in India lived in cities (according to a report by Statista).

Industry Outlook & Opportunity



Existing States

State	No. of Micro MSME (in lakhs)
Maharashtra	47.6
Gujarat	32.7
Rajasthan	26.7
Madhya Pradesh	26.4
Punjab	14.6
Haryana	9.5
Delhi	9.3
Chhattisgarh	8.5
Himachal Pradesh	3.9

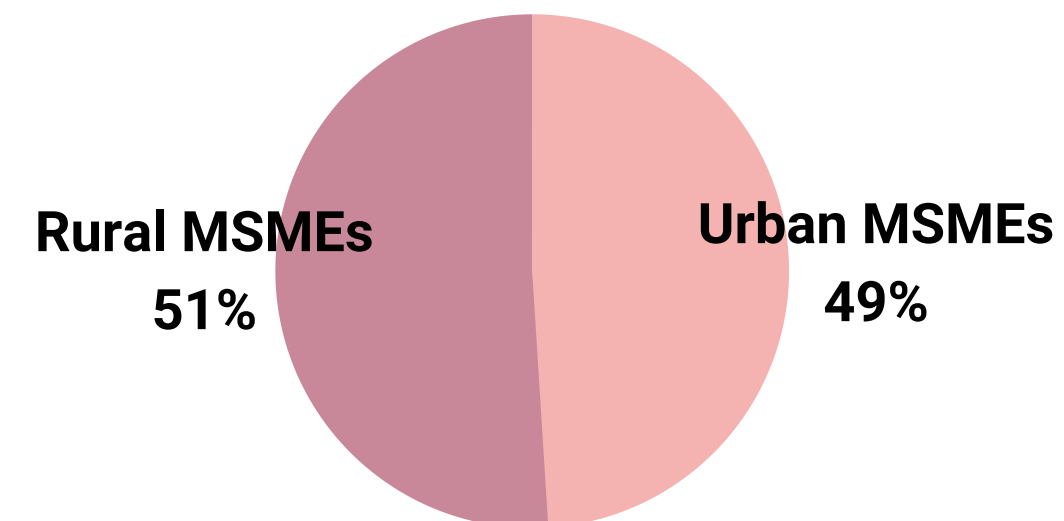
Prospective States

State	No. of Micro MSME (in lakhs)
Uttar Pradesh	89.6
Karnataka	38.3
Andhra Pradesh	33.7
Telangana	25.9
Uttarakhand	4.1

Big Opportunity in MSME Lending

- In India, **~20%** of the loans required by MSMEs are met by the formal sector, **40%** by the informal sector and there is still a **40%** credit gap to be met for the MSMEs
- MSME Credit Gap is estimated to be around **₹ 20 to 25 trillion**. (Report by UK Sinha Committee constituted by RBI in June 2019)

Big Opportunity in MSME Lending



SBL Business Model - Based on First Principles

WHO IS OUR CUSTOMER?



Small Business
Set up



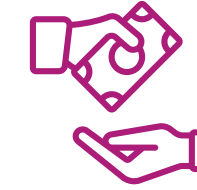
Lack of Formal
Documentation



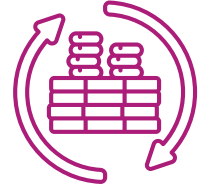
Limited Access
to Credit



Limited
Resources



Limited banking
exposure



Actual
Cashflow

Assessment: Our Core Competence



Deep understanding



360-degree Assessment



Local Manpower

What we offer

Loan Facility

2 lac to 1 Crore

Loan Type

Collateral backed

Loan Tenure

1 to 15 years

Productive End Use



Business Expansion



Working Capital Needs

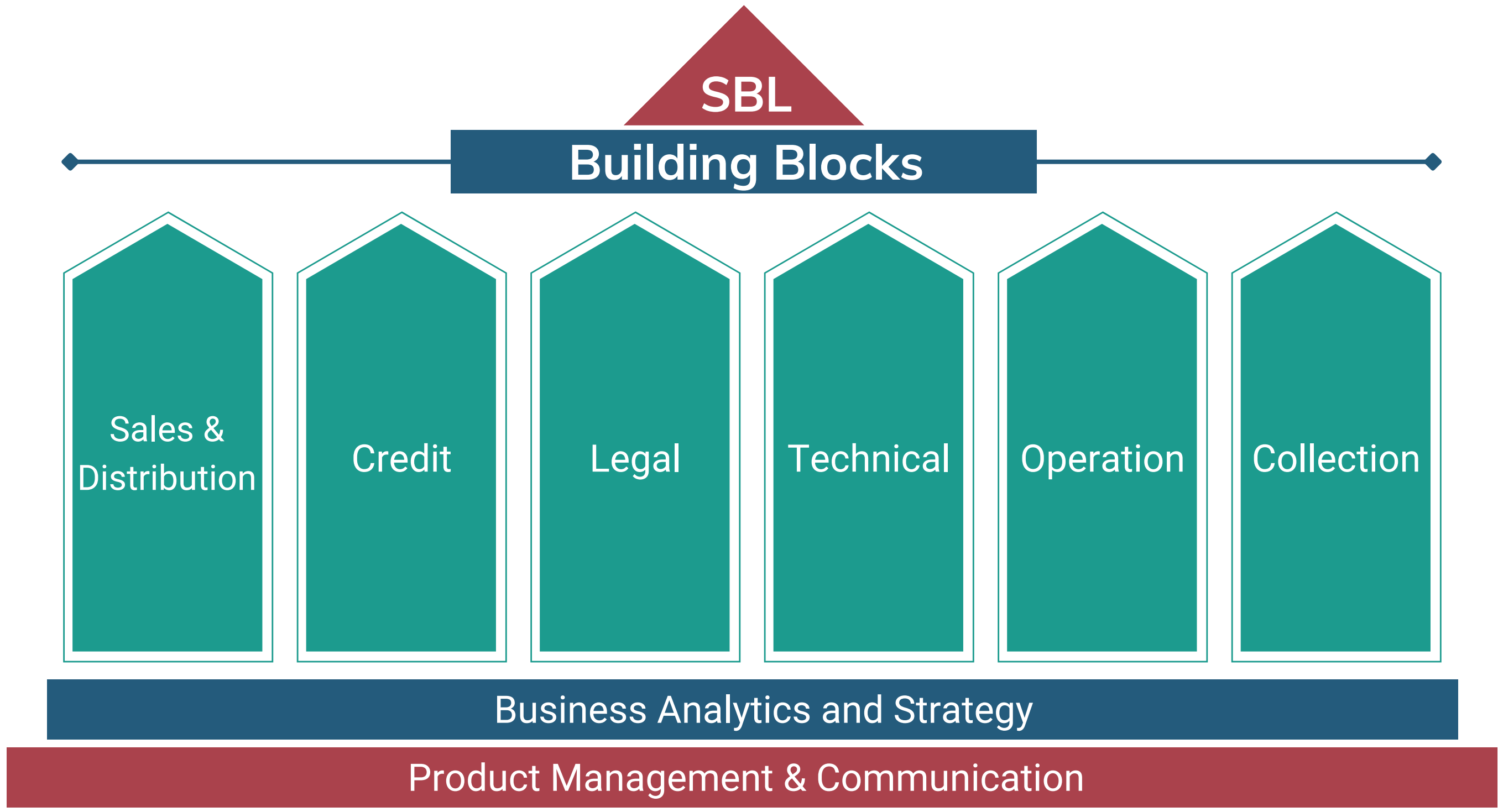


Capital Expenditure

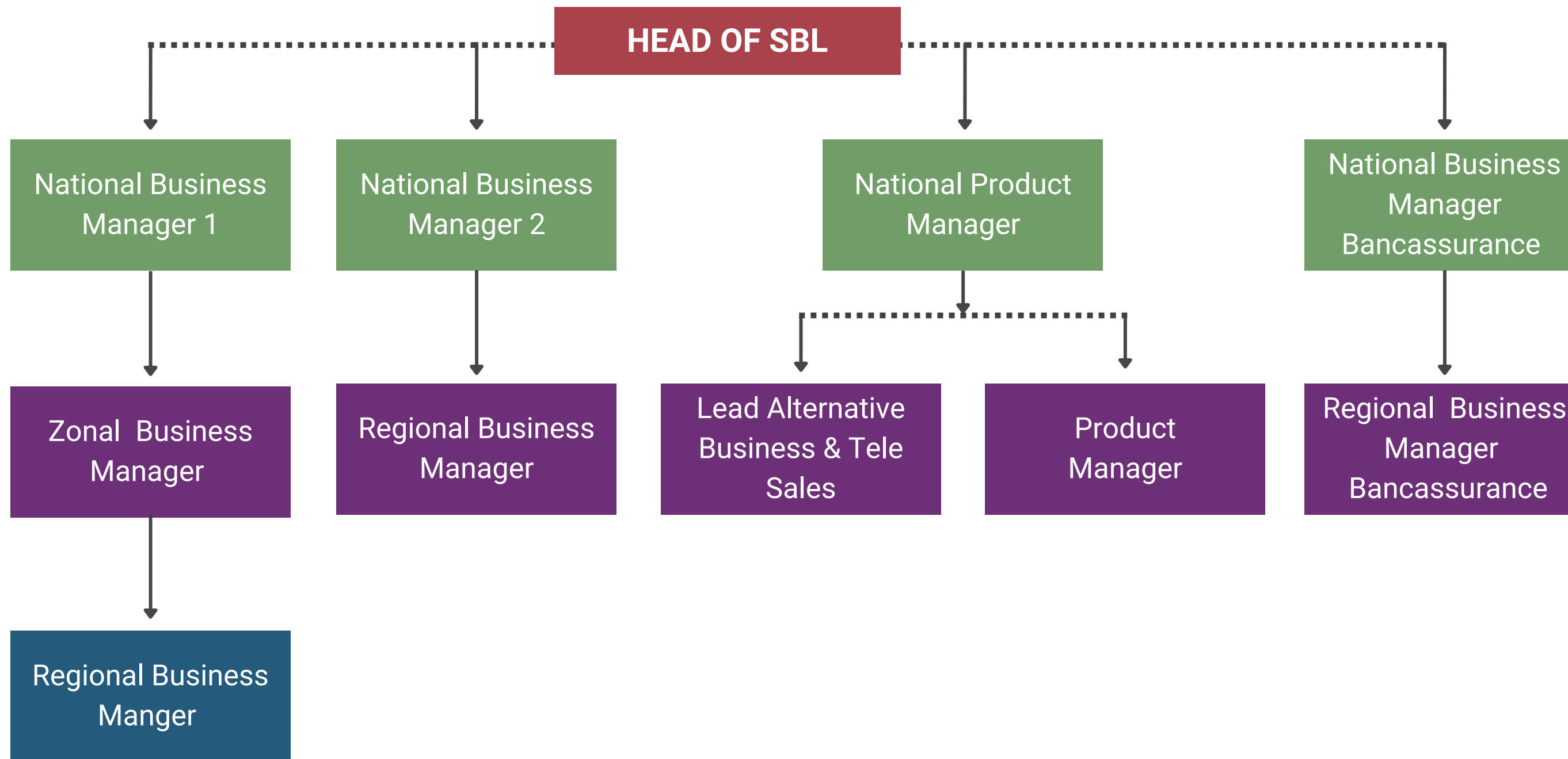


General Business Purpose

An Epitome of Excellent Teamwork!



SBL Sales & Product Structure



Average Vintage of Senior Sales Team

More than 6 Yrs



Dedicated team

Sales & Alternate Business

AU SBL Snapshot

Presence In
India
**9 States
2 UTs**

Average
Tenure
8.5 Years

Average
Ticket Size
Rs. 9.92 Lac

Team
Strength
6,600+

Low LTV
46%

Active Loan
Count
2,08,529

Average EMI
Amount
₹ 16,870

NTB
Acquisition
75%

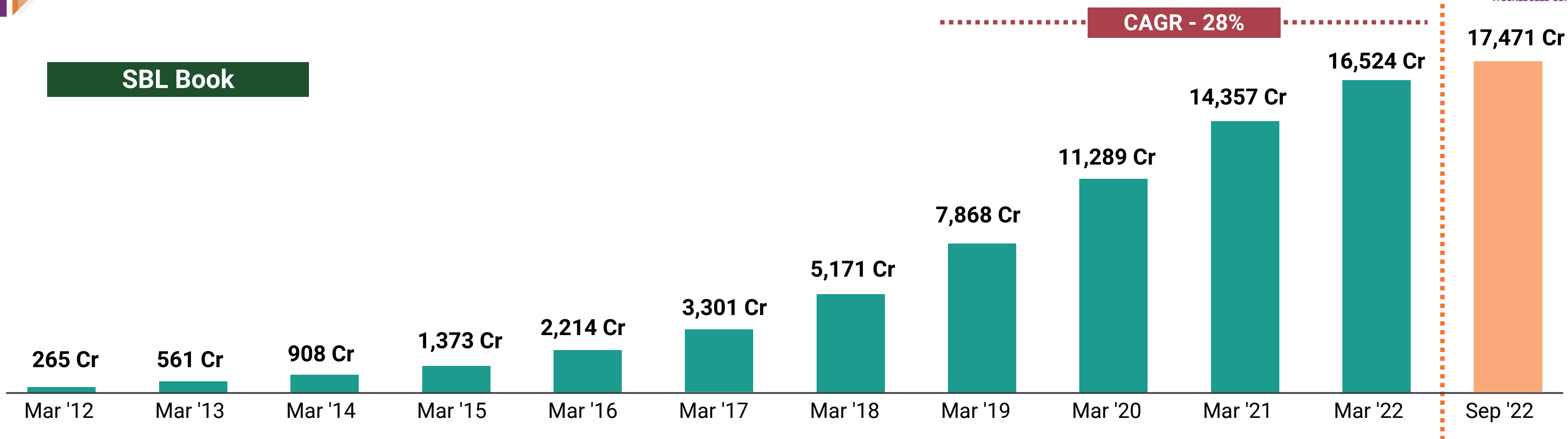
Self Occupied
Properties
85%

Gross NPA
2.69%

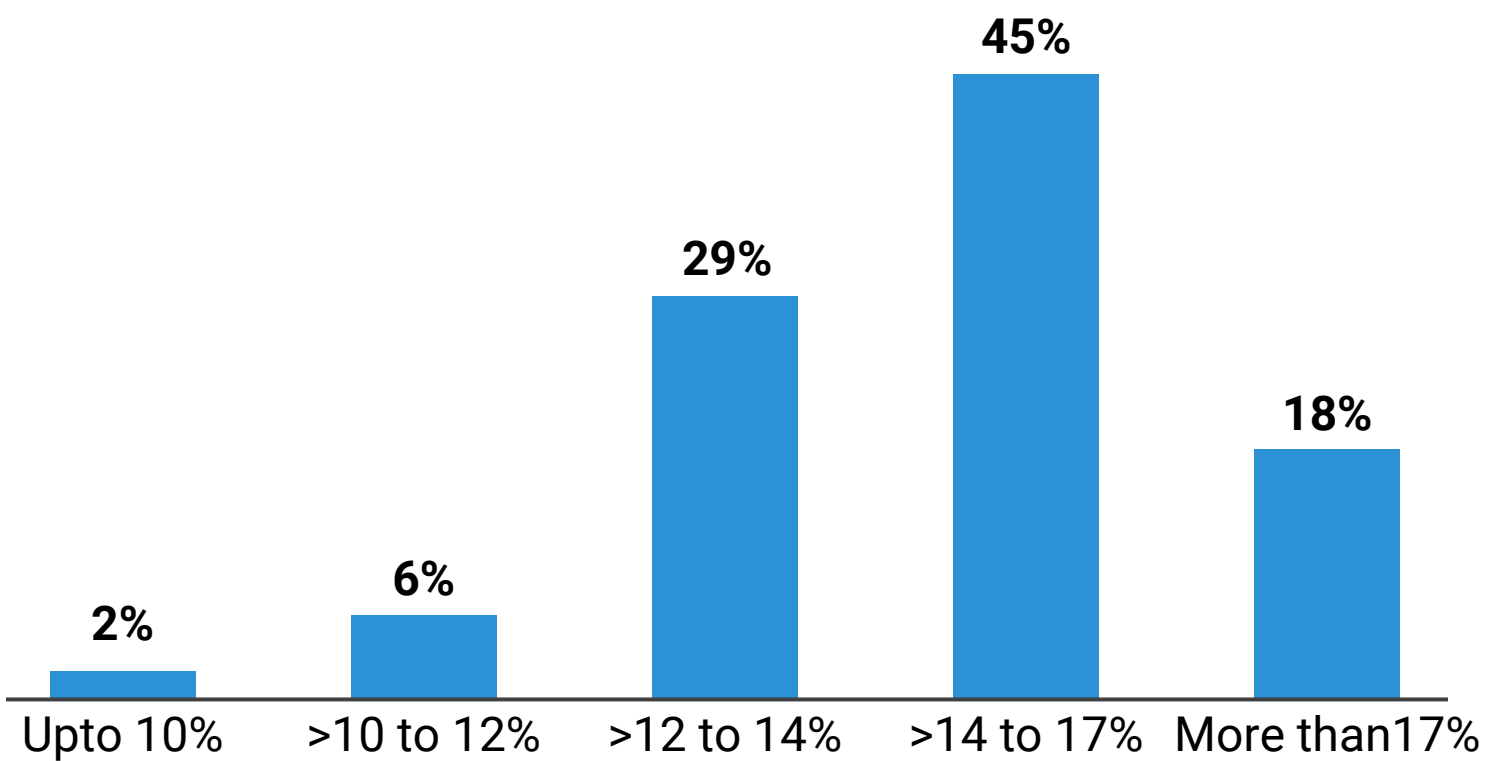


Book Highlights

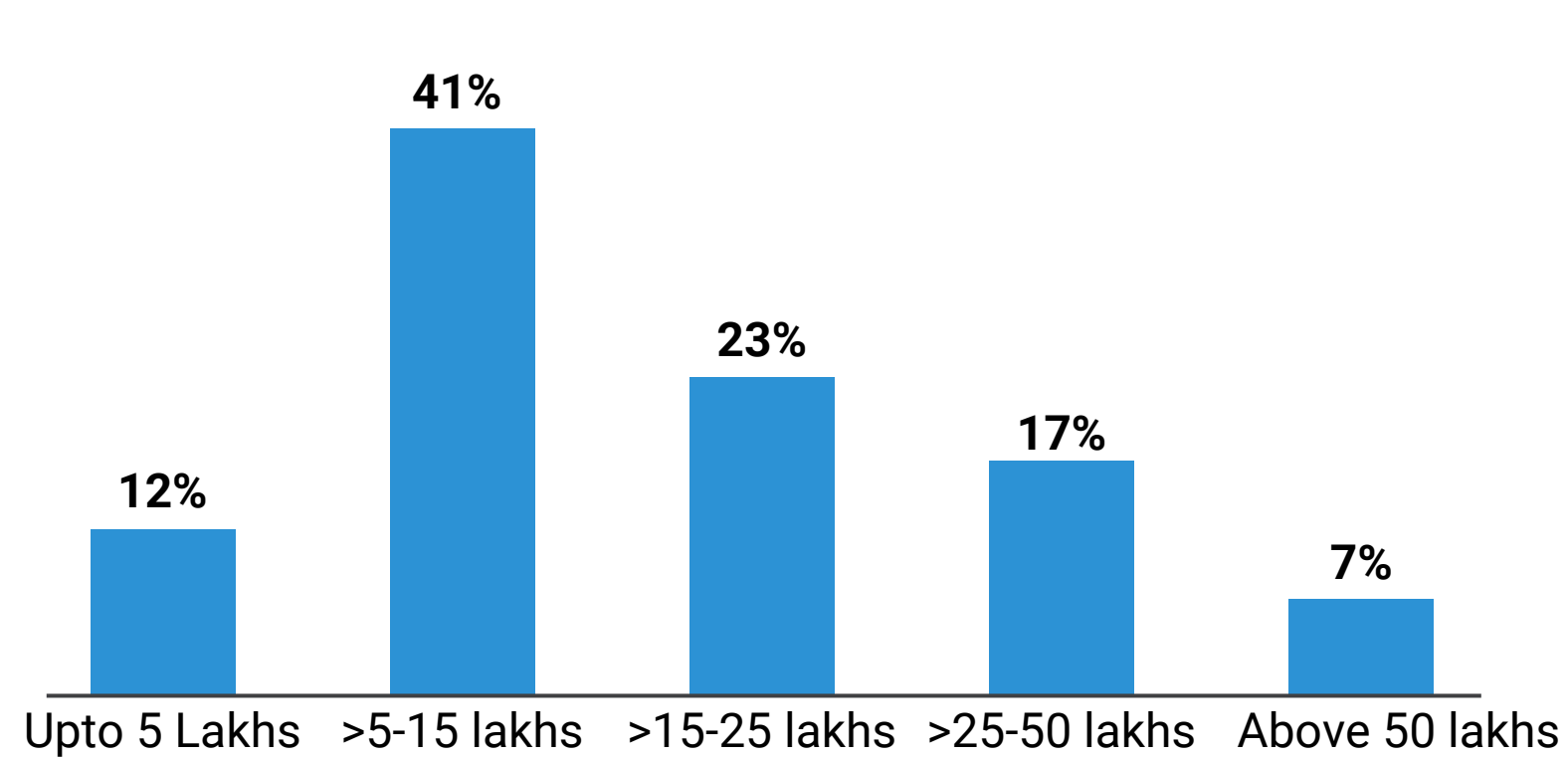
SBL Book



ROI Wise Distribution (Sept'22)



Ticket Size Wise Distribution (Sept'22)



Book Highlights

SBL PRESENCE

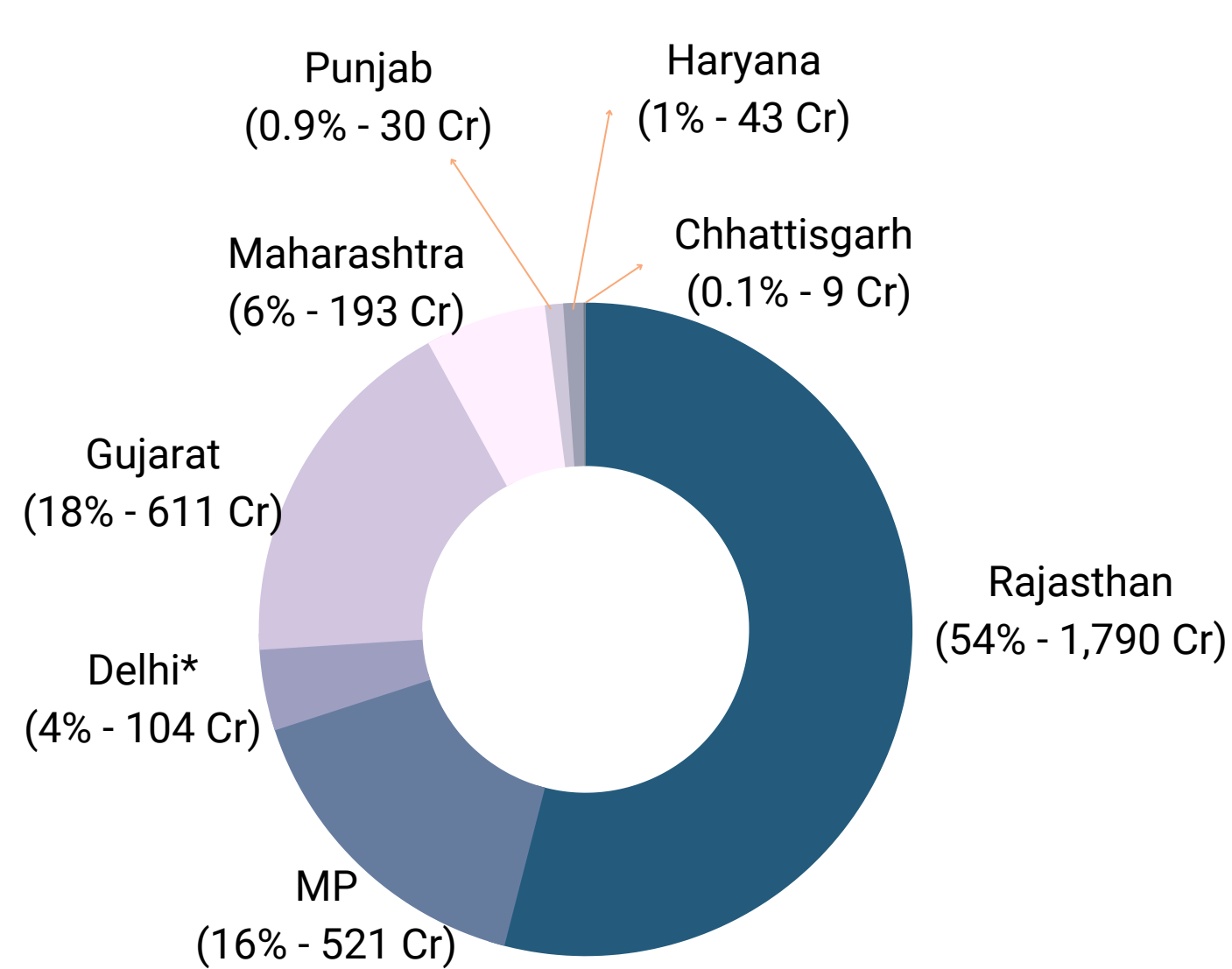
9 STATES + 2 UTs

450+ Branches

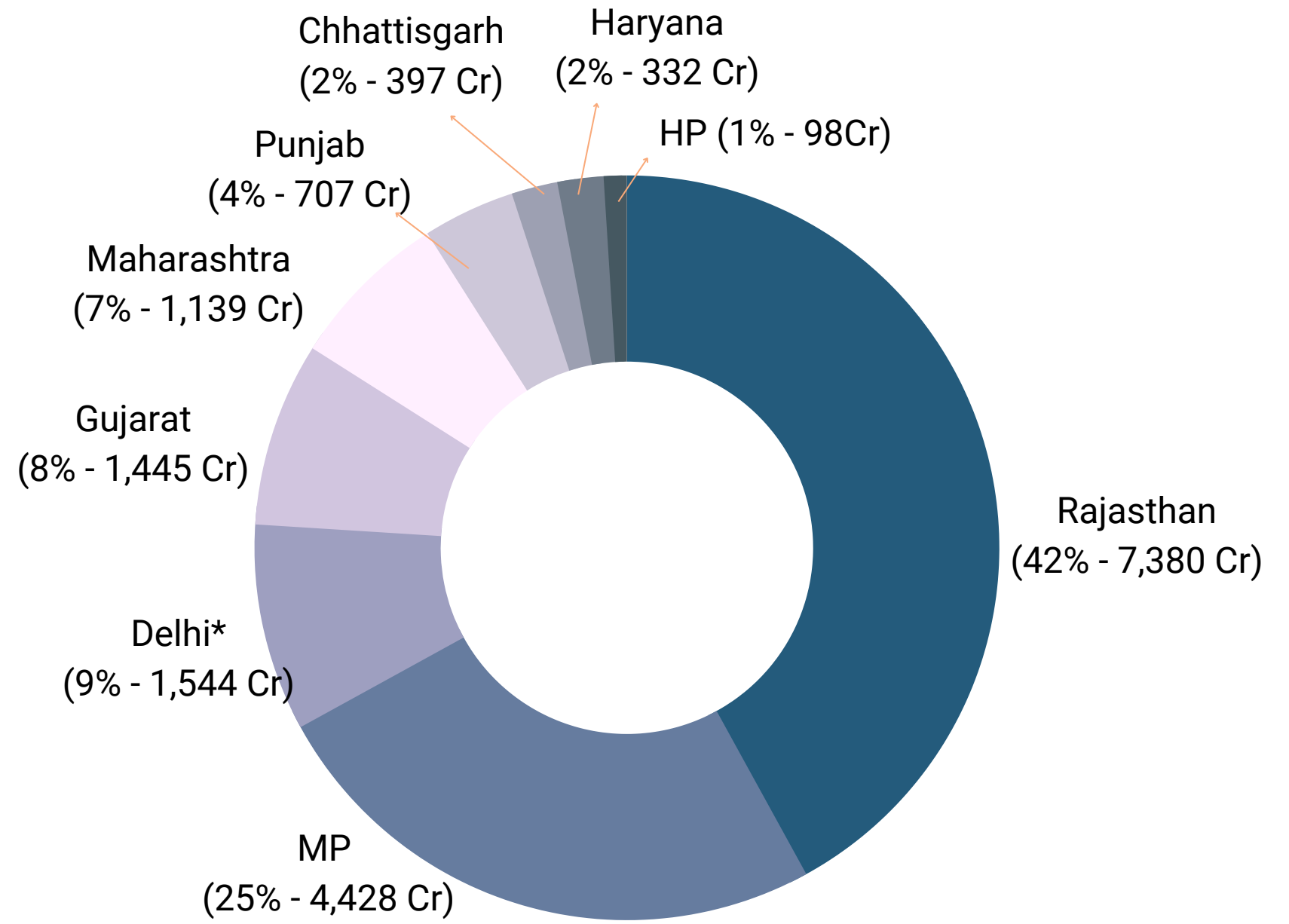
1.68 lakh Customers

CORE 76%

NTB 75%



Book as on Mar '17

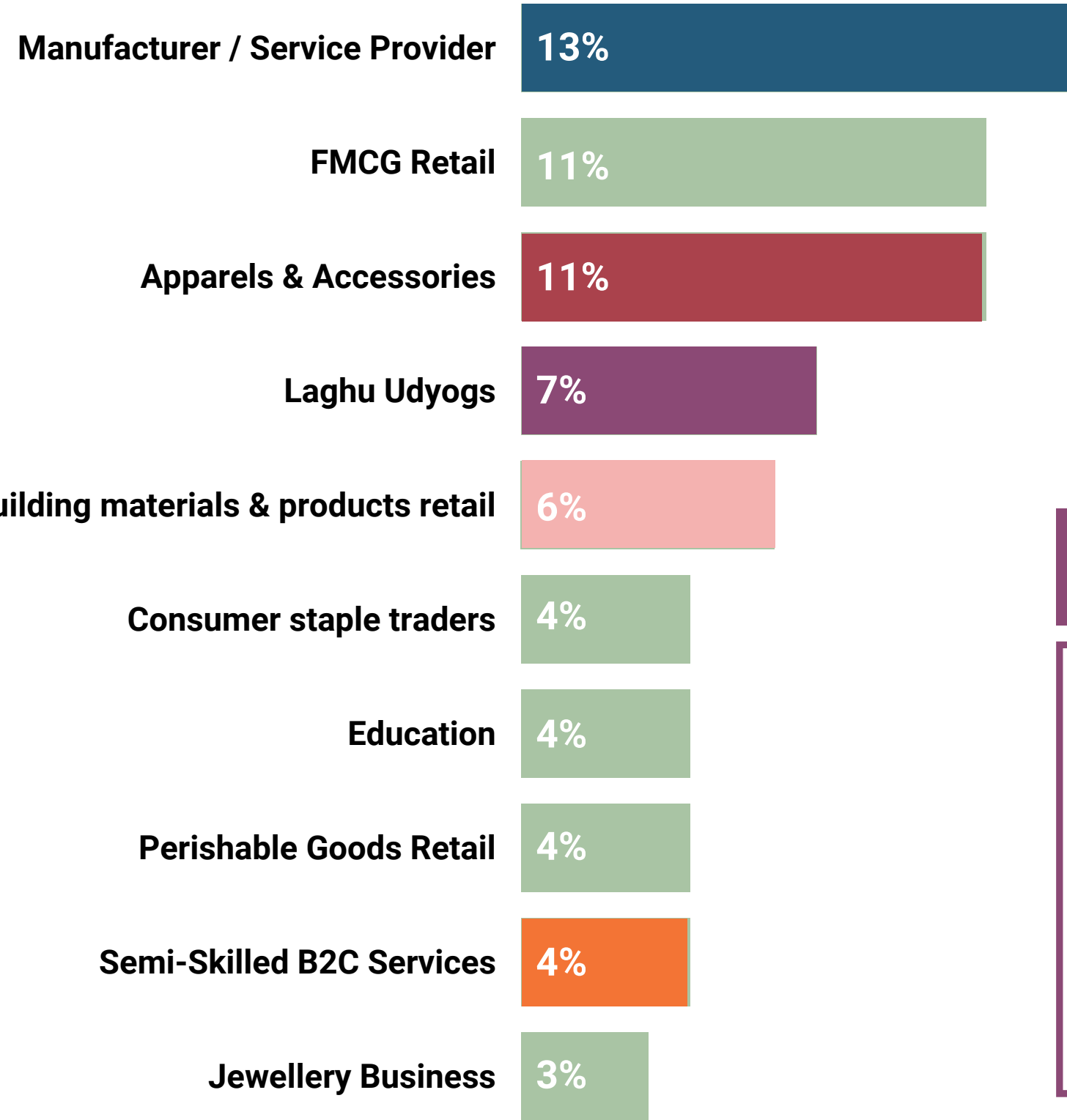


Book as on Sep '22

*inclusive of NCR

Book Highlights

Top 10 Segments



Manufacturer & Service Providers

- Food & Agro Processing
- Building & Civil Contractors
- Industrial & Medical Equipments
- Scrap & Waste Management
- Agri Equipment Traders

Apparels & Accessories

- Readymade Garments
- Suiting, Shirting & Textiles
- Saree Shops
- Fancy Stores
- Footwear Traders
- Garment Manufacturers

Laghu Udyogs

- Engineering & Fabrication Business
- Carpenters
- Stone Cutting & Sizing
- Bangle Manufacturers
- Masala Grah Udyog

Building Material & Products





- Air Conditioner / Mobile / Computer / Electronic Items Repairs
- Automobile Service Centers
- Advertisement Business / Printing Press
- Water Supply

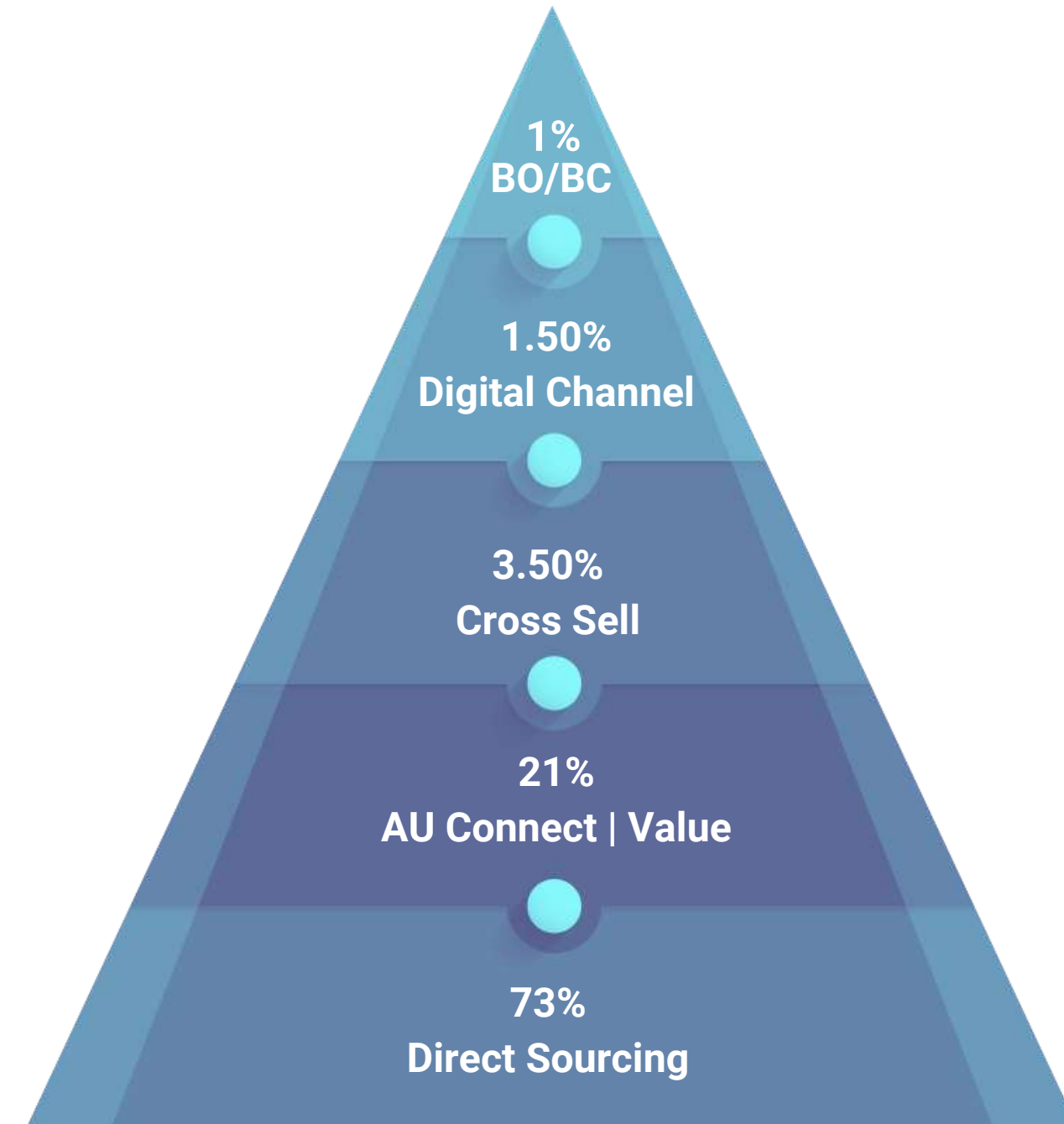
Semi Skilled B2C Services

- Building & Construction Material Trader
- Tiles & Sanitary
- Hardware & Plywood
- Stone / Marble Supplier

Sourcing Mix (H1 FY 2022-23)

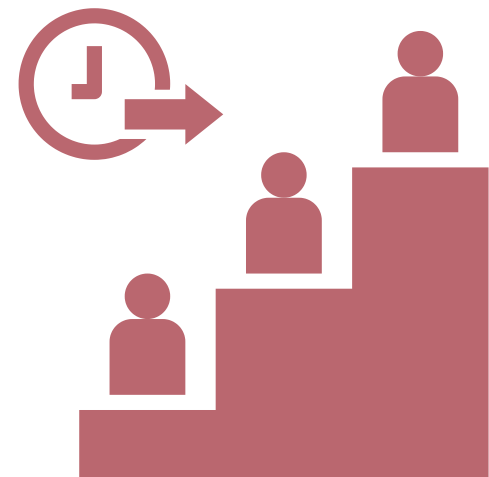
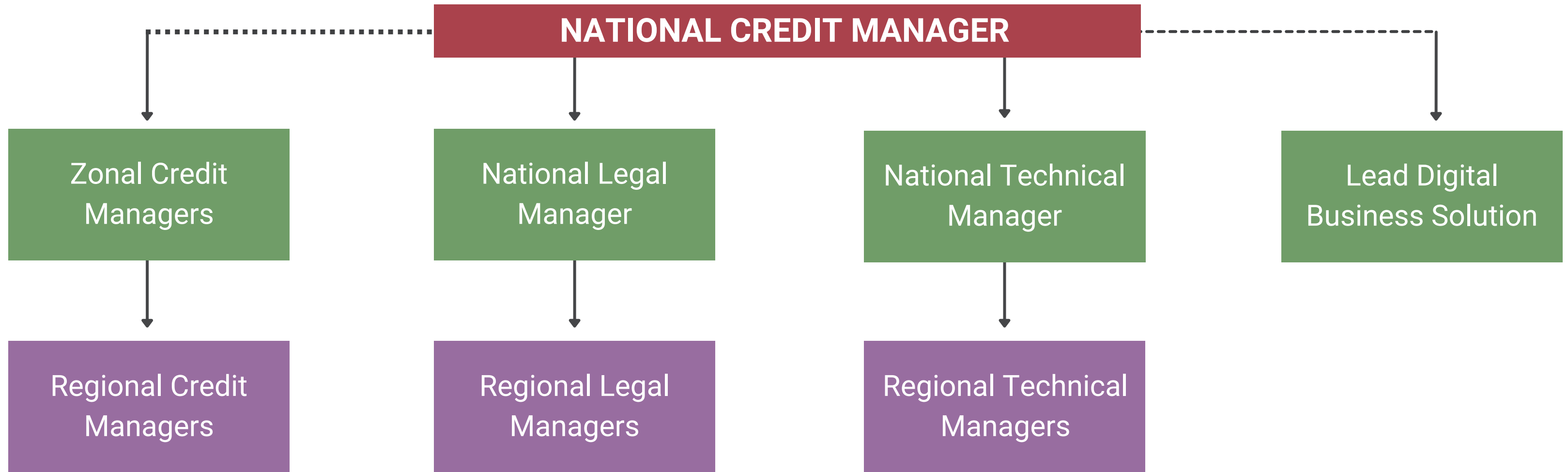
Along with strong direct sourcing we are expanding our sourcing funnel with focus on digital means

 100% Fulfilment by In-house team	 Lead Referral Multiple channels for lead referral
 100% Cases visited by Inhouse Credit	 7562 Connectors onboarded to refer connect details for prospect customers



Disbursement H1 2022-23

SBL Credit, Legal & Technical Structure



Average Vintage of Senior Team		
Credit Team	Technical Team	Legal Team
More than	More than	More than
5.5 Yrs	5.5 Yrs	4.5 Yrs



**Risk
Management**



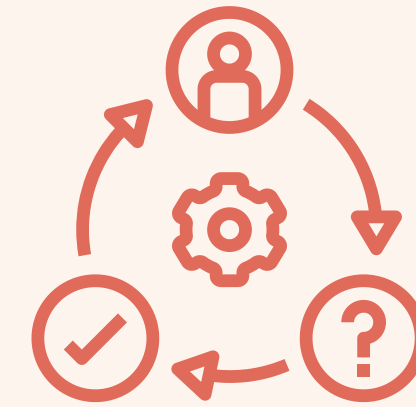
**Customer
Assessment**



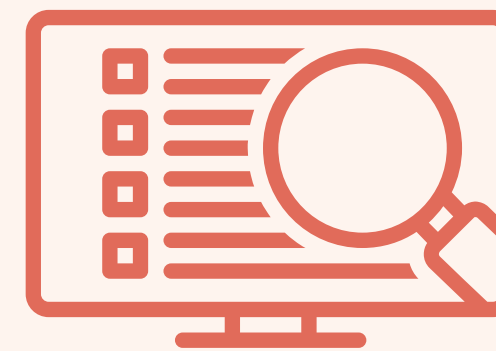
**Collateral
Assessment**



**Collection
Management**

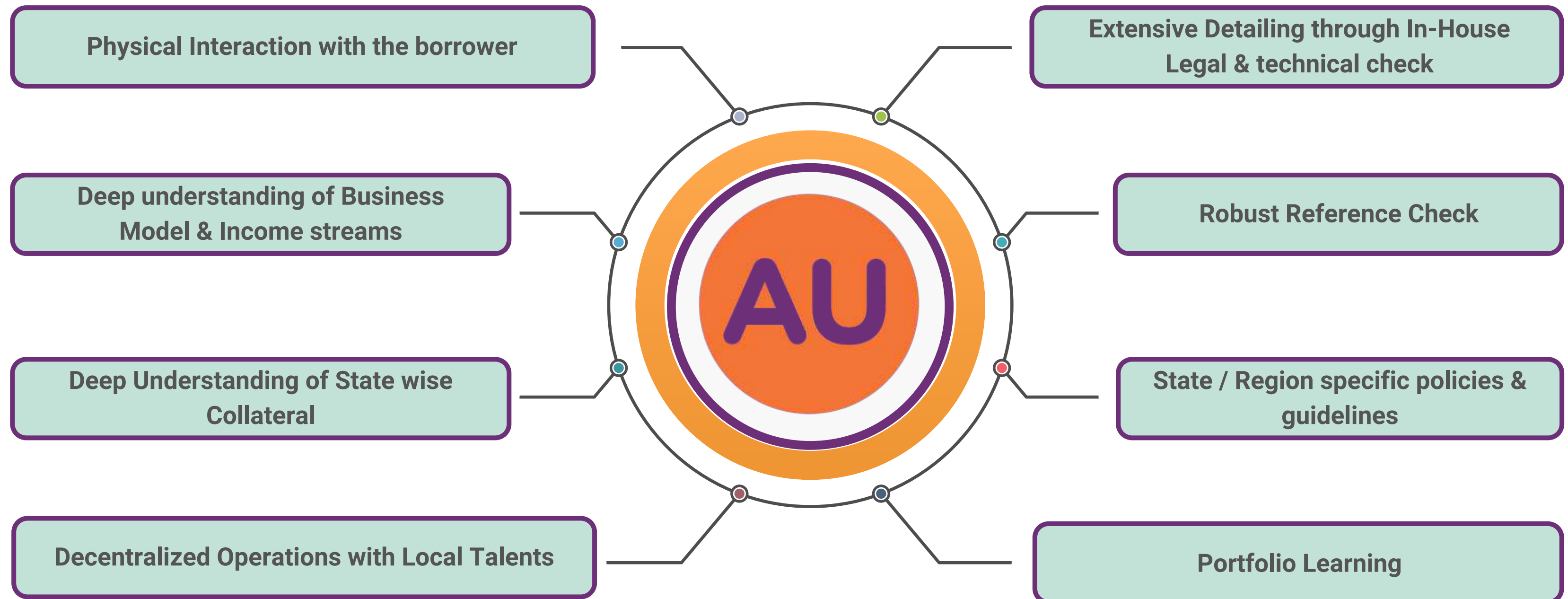


To have a sustainable business model, it is important to have a deep understanding of the business & to assess each factor in detail.



“Attention to Details”
It is also one of our most prominent Dharma.

“Understanding the Customer” over “Knowing the Customer” has been the key Differentiator in our journey.



Most of our customers don't have formal documents to verify Income. That is where our expertise lies.

HOW WE EVALUATE OUR CUSTOMERS



Customer

- CIBIL Score
- Family Structure
- Income & Expenses
- Experience



Business

- Footfall
- Sales & Margins
- Vintage
- Purpose of Loan



Collateral

- Title
- Occupancy
- Value
- Location
- Development

Profile based underwriting



..... **FMCG Retail**



..... **Jewellery Sector**

TransUnion CIBIL® Score Wise Customer Spread


CIBIL Score Bucket <i>(FY 2022-23 Business)</i>		Customers	SBL Book
New to Credit (NTC)		23%	16%
Existing to Credit (ETC)	700 & Above	62%	68%
	650 to 699	11%	12%
	600 to 649	3%	3%
	Less than 600	1%	1%

Score Card Implementation


To enhance risk monitoring during underwriting, we've developed a **Score Card model** in coordination with **CRISIL Limited**, which is under testing & is expected to replace the existing internal rating model from the new fiscal year



Weightages based on Parameters



Profile based Questions

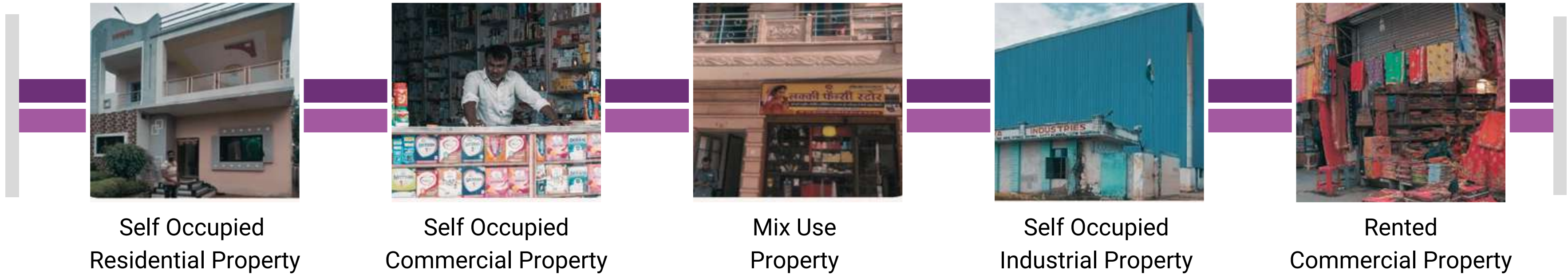


Risk Scoring (0 to 5 scale)



Score based assessment & Pricing

Collateral Assessment



State wise Documentation

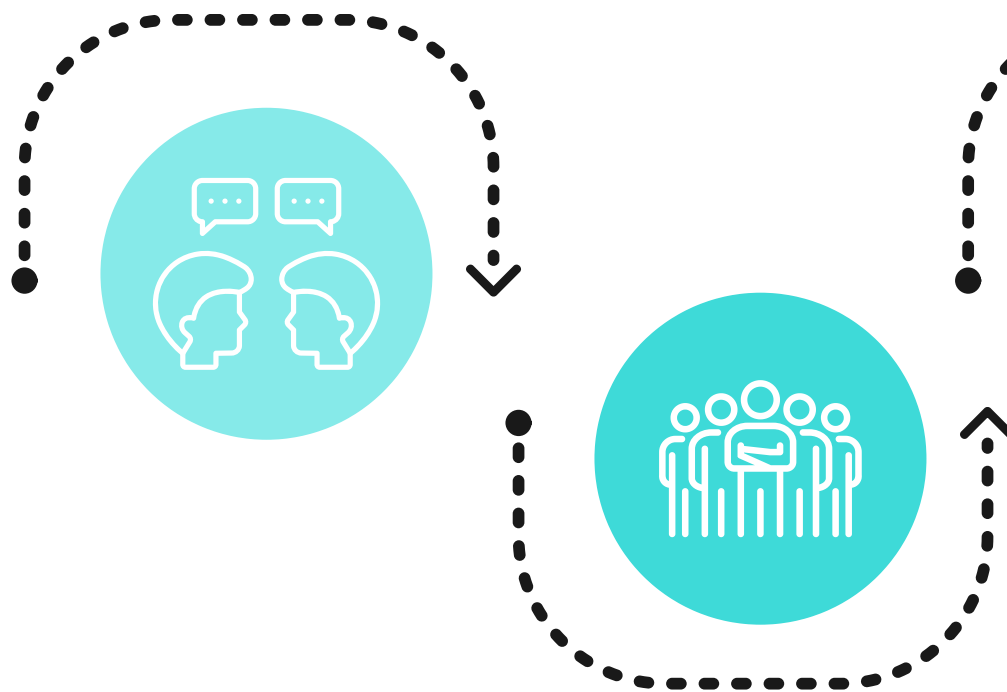


Collection Management

Over the decade, we have nurtured and built a **robust team** of highly-motivated individuals who take the full ownership of collection

Dialogue with the Customer

Around **70%** of legally initiated cases get solved by empathetical counselling.

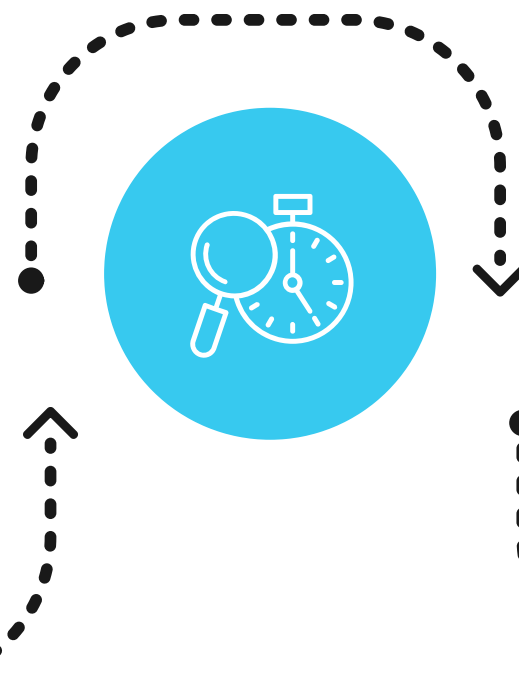


Strong Ground Team

Presence of **highly-motivated** collection officers on the ground.

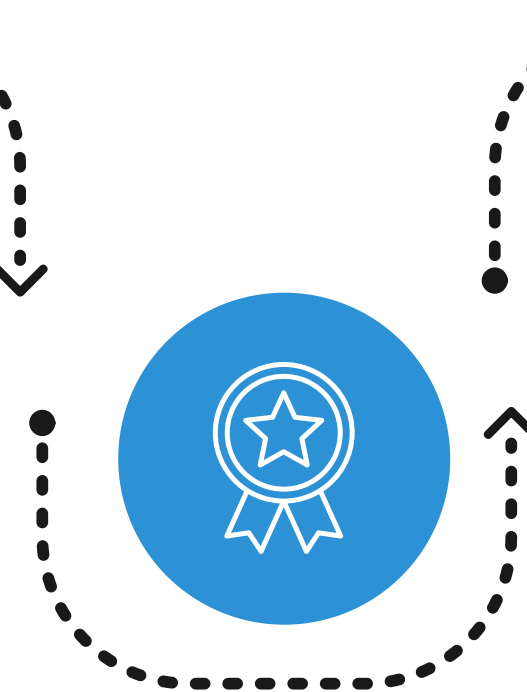
Real-time Tracking

Dedicated **MIS team** for real-time ground support.



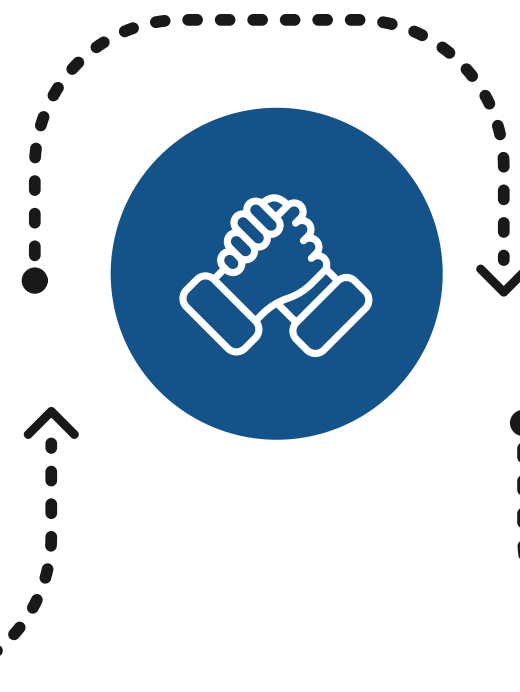
Support from Sales & Credit team

Sales and credit support for resolving fresh bouncing cases.



Acknowledging performers

Motivational culture to appreciate top performers in the team.



Continuous Team Efforts

With the efforts & support of all the teams, we have been able to maintain our Gross NPAs at **2.69%** over a book of **₹17,471 Cr** in Sep'22 against **2.50%** over **₹7,868 Cr** in March'19



Analytics & Strategy

Dedicated team for **Analysis & Strategy** support.



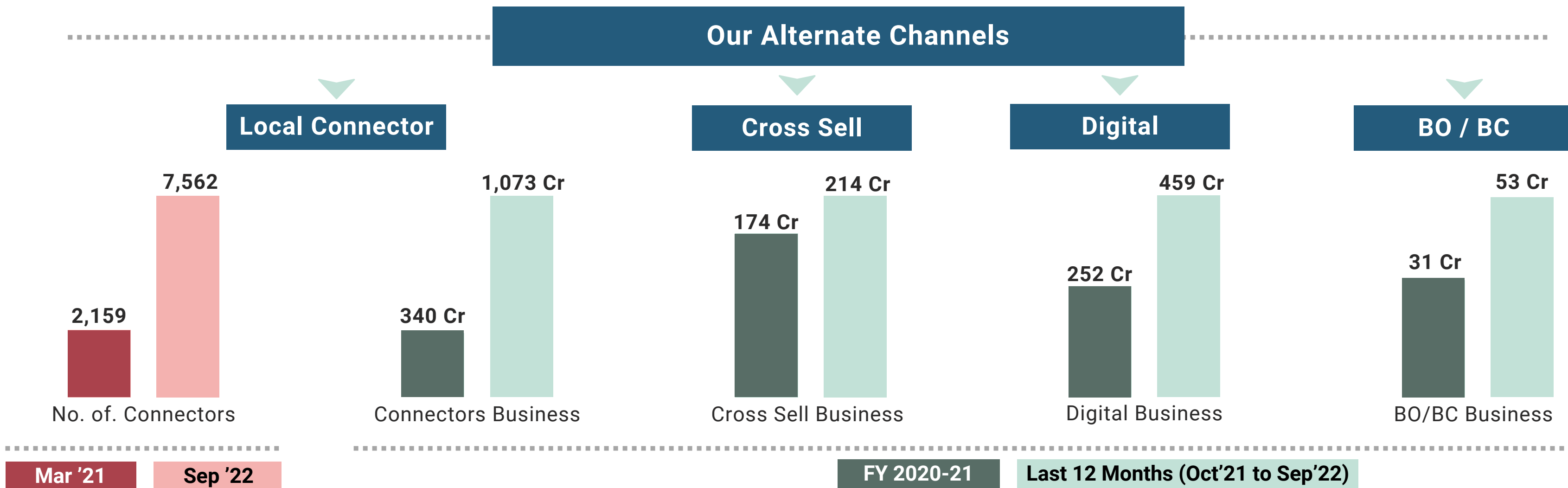
Pandemic Period - Impact

- ▷ Due to the revenue **impact during the pandemic** & restricted growth post-pandemic, it is expected that some of the profiles might take a comparatively **longer recovery period**.
- ▷ Considering this, we had cautiously **monitored exposure** over certain such profiles, such as **Hospitality, Education, Dairy & allied activities**, and **Tours & travels**
- ▷ As a result, the booking proportion into these profiles had been slightly **restricted during this recovery period**, for example, being:

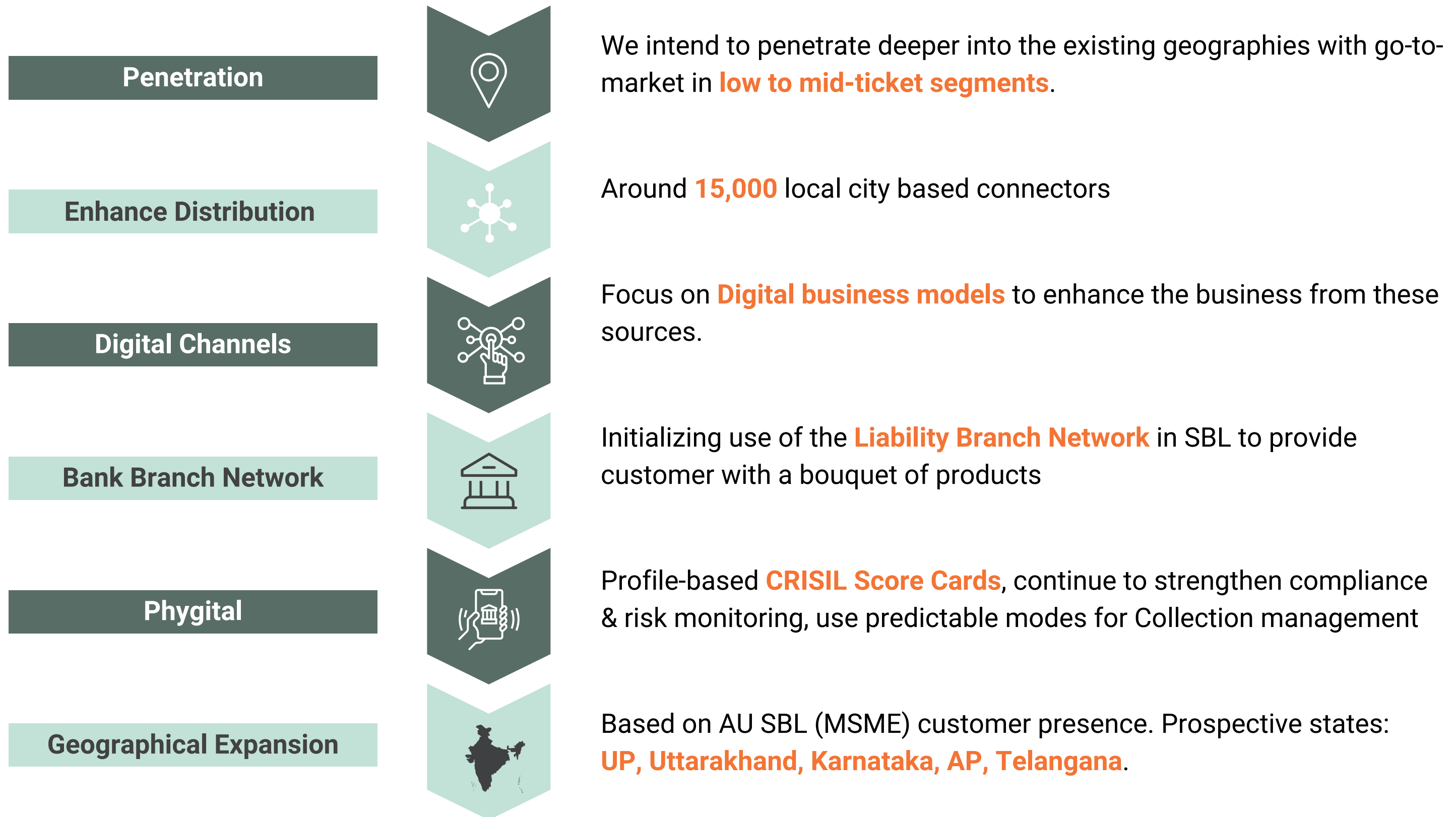
Sector	Additional Due Diligence	Portfolio Concentration (Till FY 20-21)	Portfolio Concentration (April '21 to Sep '22)
EDUCATION	<ul style="list-style-type: none"> • Income assessment basis actual student strength. • Enhanced monitoring over pre covid & post covid student strength. 	6.3 of portfolio	1.5% of bookings
HOSPITALITY	<ul style="list-style-type: none"> • Focus over Pre covid & post covid customer footfall. • Detailing of unaccounted debts. 	2.2% of portfolio	1.3% of Bookings
DAIRY & ALLIED ACTIVITIES	<ul style="list-style-type: none"> • Focus over ownership & validation of number of mitch cattle. • Income revalidation through Dairy statement. 	1.8% of portfolio	0.7% of bookings

Post Pandemic - Strategy

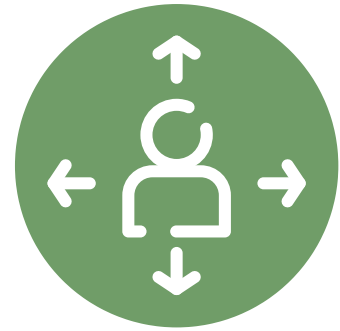
- In the last 3 qtrs., as the economy has been **moving towards stability**, the small businesses with a requirement of working capital of up to ₹ 15 lacs were **still in the recovery phase** & are expected to have an **incline in the new fiscal year**.
- We continue to have a **bullish outlook** over this segment as they generally have a **single property household** with a physical & emotional connect with the property, multiple earning family members & low operating expenses. Also, this segment has a **larger universe with low competition**.
- The mid-ticket segment is comparatively having a **larger number of players** at the regional level, we'll still continue to penetrate with additional **7500+ local city based referrals** (connectors).
- Growth will also be backed by the **branch banking network** & our **digital channels**.



Way Forward



Summary



Evolving MSME Industry resulting in growing opportunities



Deep understanding of Rural & Semi-Urban Businesses



Deep understanding of City & State Collateral



100% processing by In-house & local team



Analysis of Purpose of loan & End Use Verification



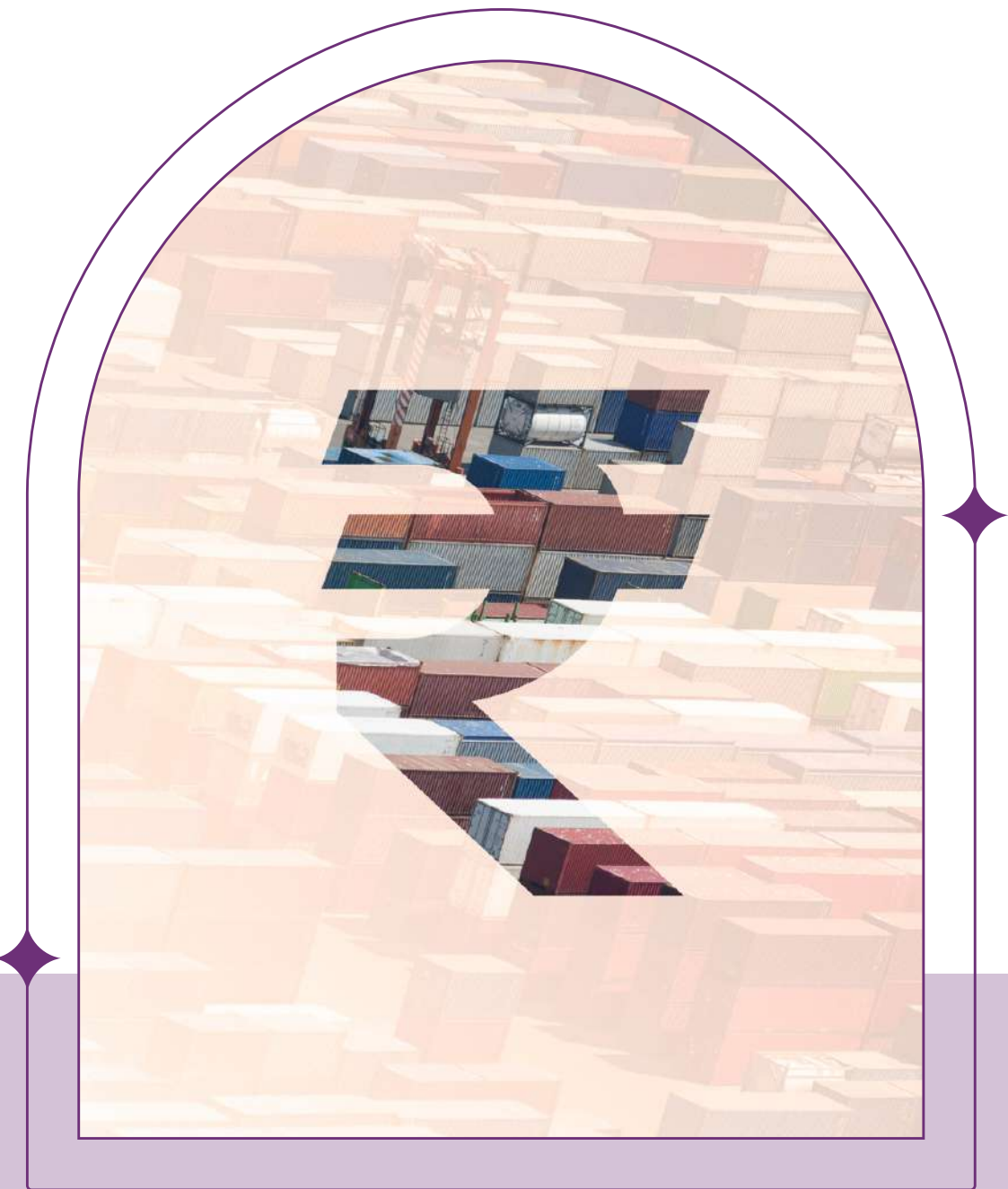
Collection management - Engagement, Counselling, Resolution







Digital & Branch Banking network – An additional boon



COMMERCIAL BANKING



Commercial Banking – Business Segments

Commercial Banking			
			
Business Banking	Agri Banking	NBFC Lending	Real Estate Group
TG: MSMEs engaged in Manufacturing, Trading, EPC and Services	TG: MSMEs engaged in Agri Value Chain	TG: Small and Mid Size NBFCs and HFCs	TG: Small and Mid Size Developers in select T1 Markets
Products: CC/OD, LC/BG for Working Capital & Term Loans for Capex	Products: CC/OD, LC/BG for Working Capital & Term Loans for Capex	Products: Term Loan, Cash Credit / WCDL for Onward Lending Purpose	Products: Construction Linked Project Loan, RERA Collection & Escrow Accounts
Transaction Banking Providing CMS Solutions including Doorstep Banking, API Banking, UPI/QR, and Trade Solutions to Commercial Banking & Current Account Customers			

Commercial Banking – SBU Structure


 Human Resources


 F & A

 Legal & Collections

 Information Technology

 Risk & Compliance

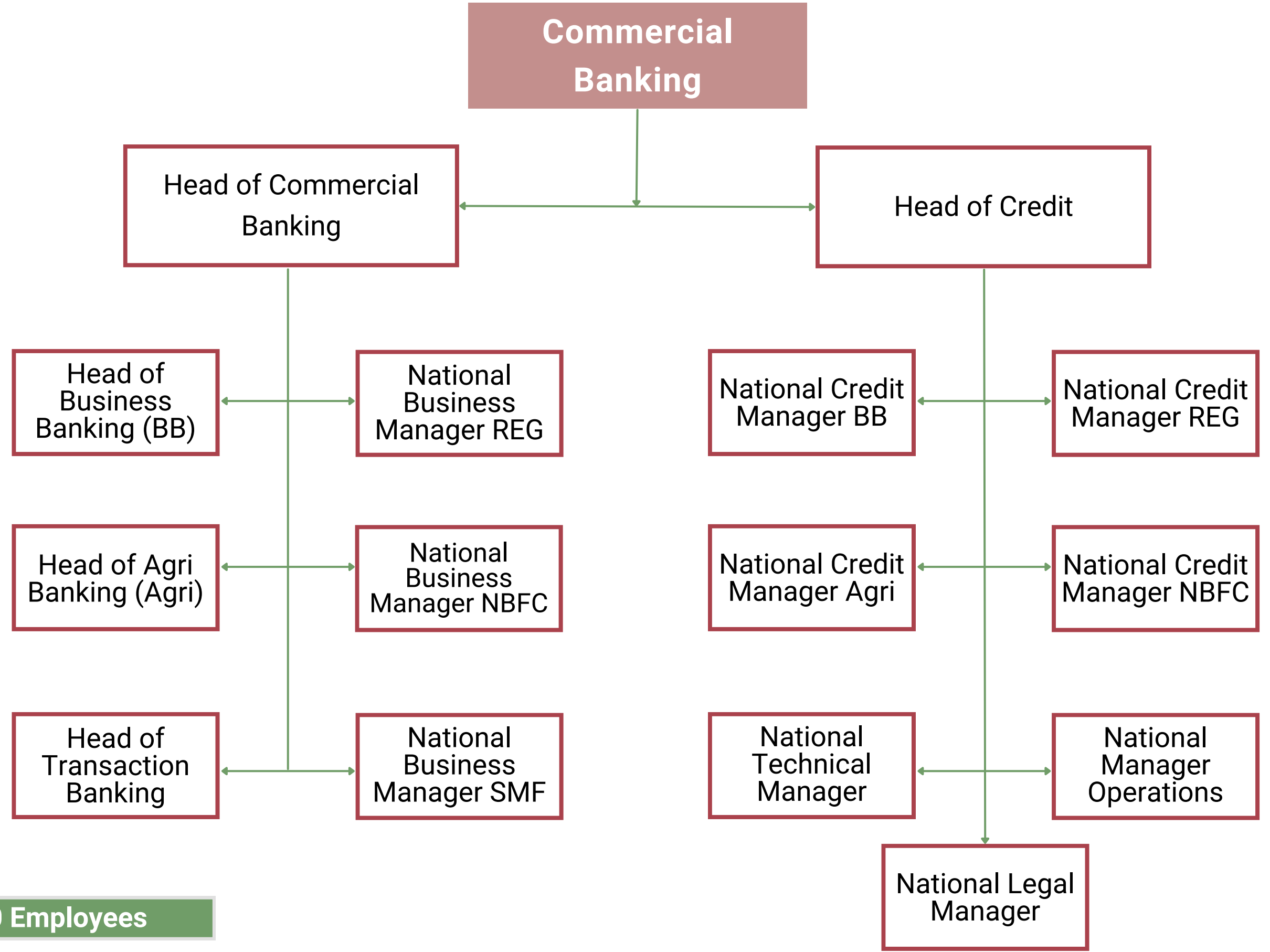
Business Solutions 

Insurance 

Product & Communication 

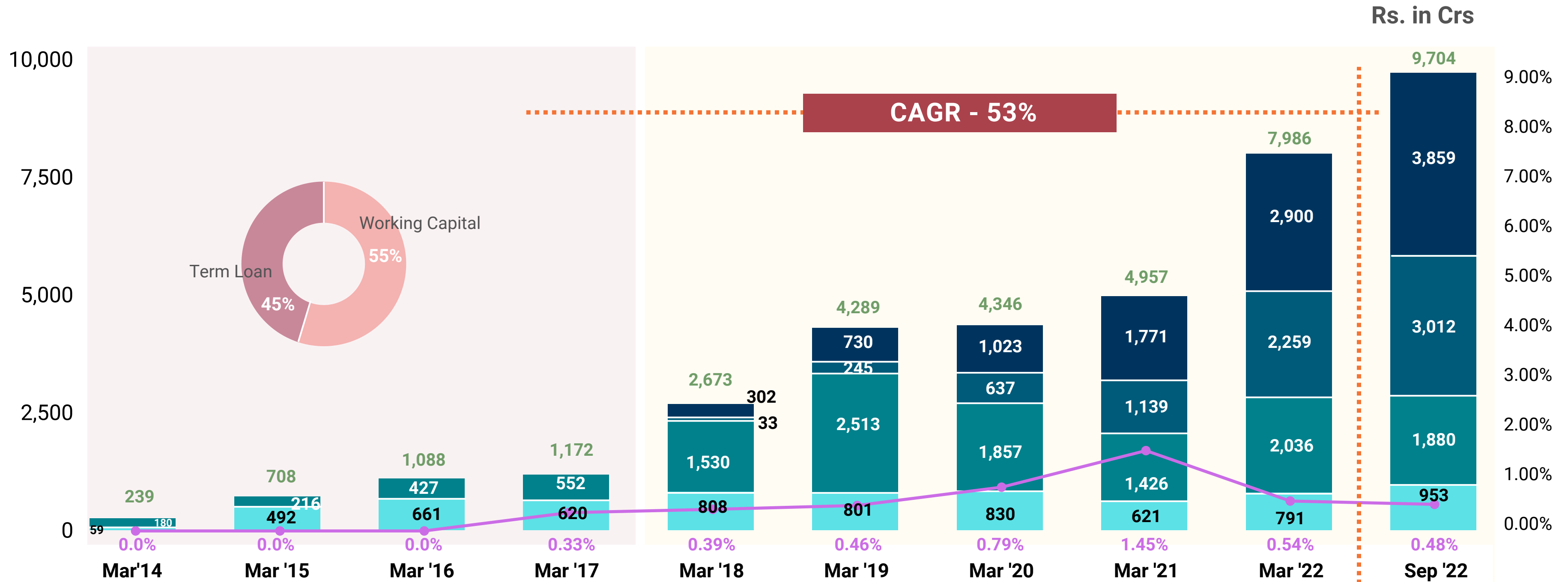
MIS & Data Analytics 

Internal Audit 



Team Strength: ~ 1150 Employees

Commercial Banking – Growth Commenced at Bank Platform



- Business Banking & Agri Banking started on Bank Platform in **FY2018**
- Pristine Asset Quality : **98%** Current Book with **0.48% GNPA**

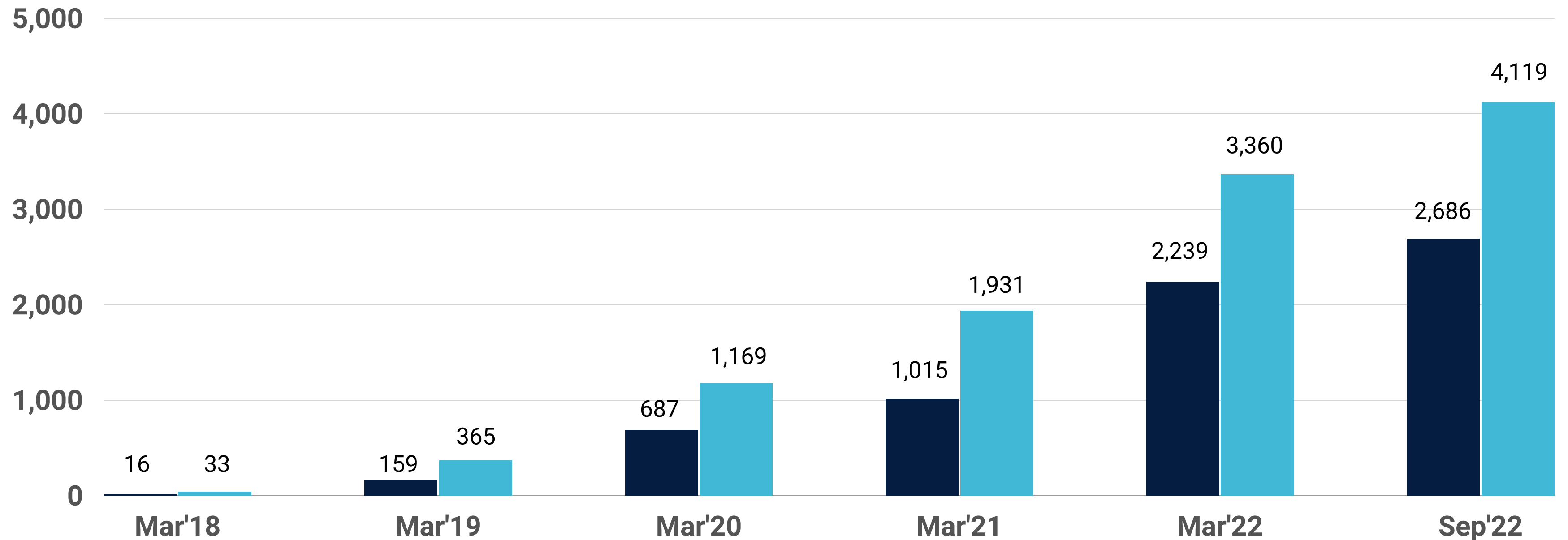
REG NBFC AGRI BANKING BUSINESS BANKING ● % GNPA

Commercial Banking – Trade a Bigger Opportunity

Non-Fund Book

Rs. in Crs

■ Utilization ■ Limit



Increasingly Self Funded Book - Scaling Up Liability Relationship

Deepening : Complete Banking and Investment Needs of Enterprise & Promoters

Balances Build up : Current Accounts Acquisition & CMS Solutioning

Salary Mandates
256

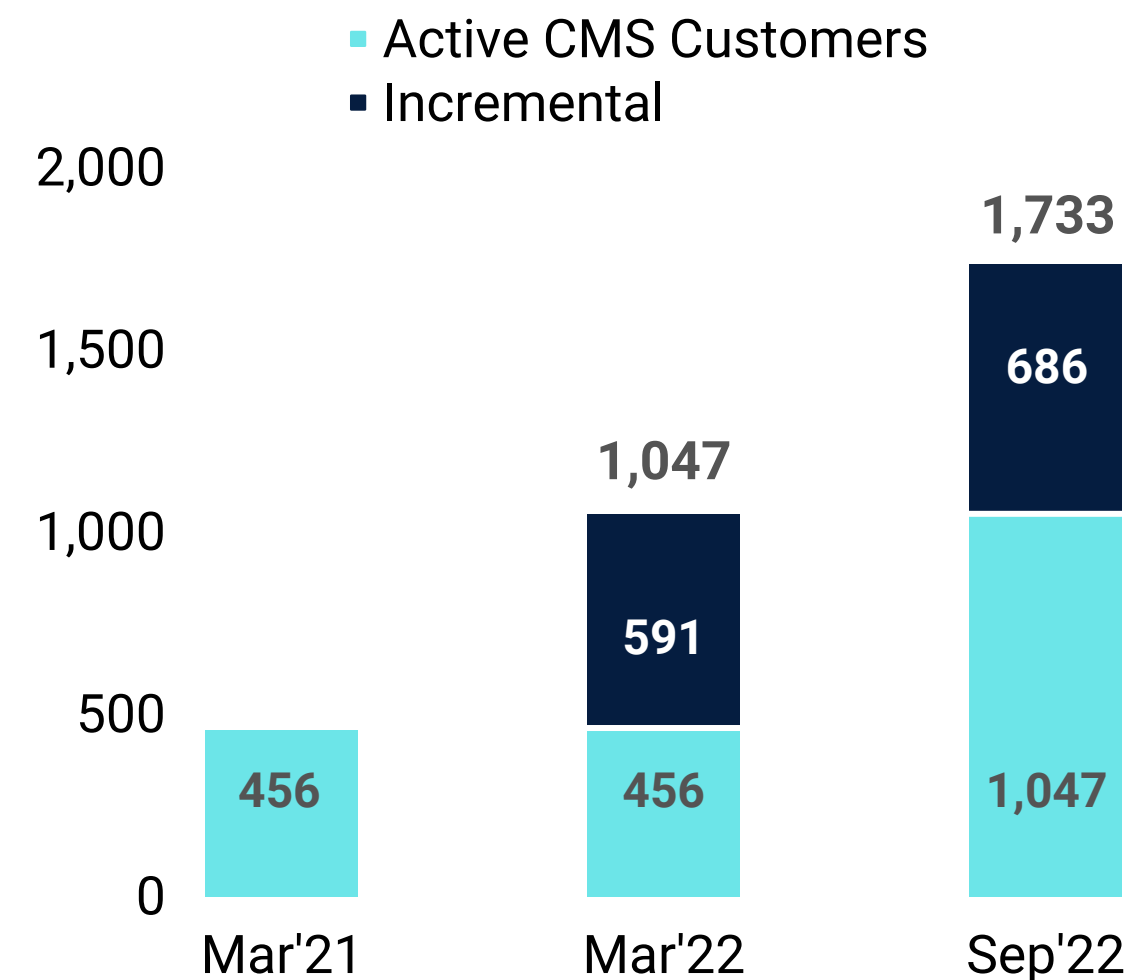
POS
470

QR
4144

Rs. in Crs

ACCOUNT	EOP
Current Accounts (CA)*	~700
Saving Accounts (SA)	~350
Term Deposits (TD)	~4,220
Total	~5,270

CMS Customer Activations

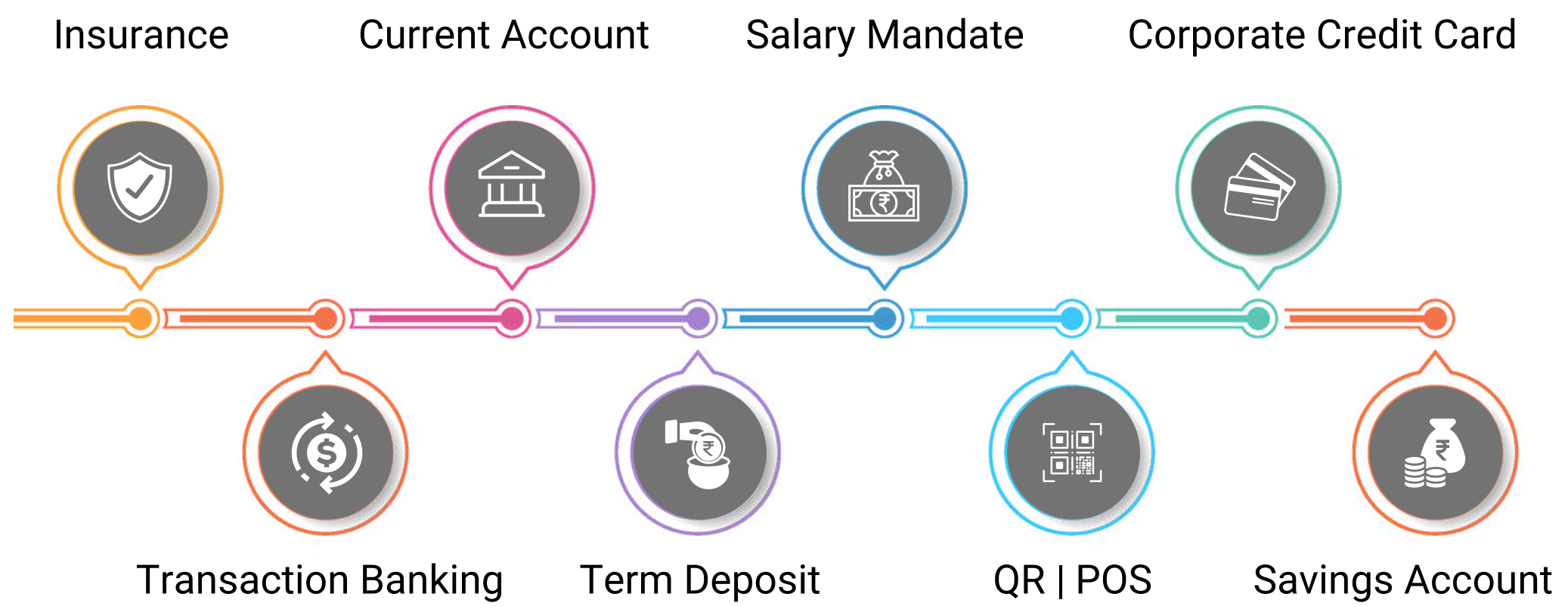


* Including CC/OD accounts credit balances

Commercial Banking – Relationship Based Transactional Lending



360° Opportunities



Commercial Banking – Profitable and Sustainable Book

Low Cost Of Acquisition

- More Sourcing from Branch Banking
- Working Capital Book Grows Organically with Enhancements

Low Opex – Cost to Income ~35%

Lower Credit Cost – GNPA of 0.48%

- Stress Tested During COVID Period

Higher Customer Level Profitability including Liability Relationship

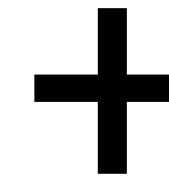
Diversified and Recurring Fee Income Pool (~28% of NIM)

- Recurring Renewal & CMS Fees
- Trade Income to Grow Significantly
- Potential FX Income Linked to AD(I) Transactions

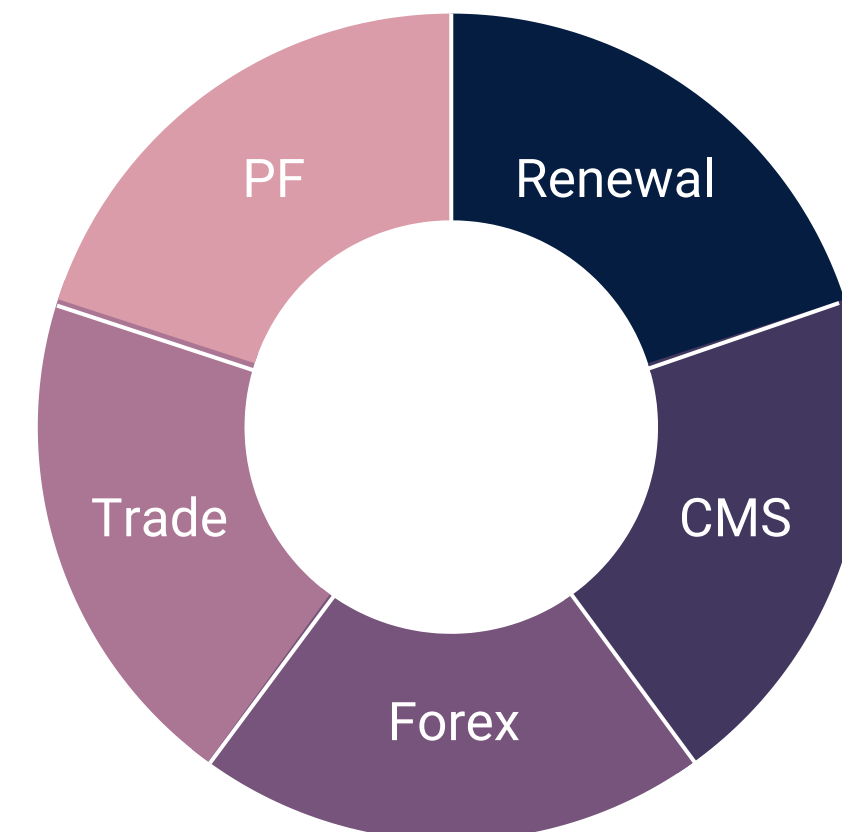
Ability to Reprice - Floating Rate Book Linked to Repo

Aforesaid Factors Resulting into Sustainable ROA

Net Interest Margin (NIM)



Diversified Fee Income



India: Poised for Accelerated Growth

Policy Reforms Driving Growth

- **Gati Shakti Yojana:** - Rs. 100 Lakh Crs on Infrastructure in next 8 years
 - **100 PM Gati Shakti Cargo Terminals** in next 3 years
 - Logistics Cost/GDP % for India is 14% Vs 8-9% for Advanced Economies
 - Warehousing Market Potential - **₹2,243 billion by 2026**, at a CAGR of **10.90%**
- National Monetisation Pipeline: **Rs 6.0 Lakh Cr** Monetisation (FY 22 to FY 25)
- FDI in Manufacturing - **\$21.34 Bn** in FY22 Vs **\$12.09 Bn** in FY21 (76% Growth)
- Manufacturing Companies Profit Surged by **50.2%** in FY'22
- Renewable Energy Capacity to be **500 GW by 2030**

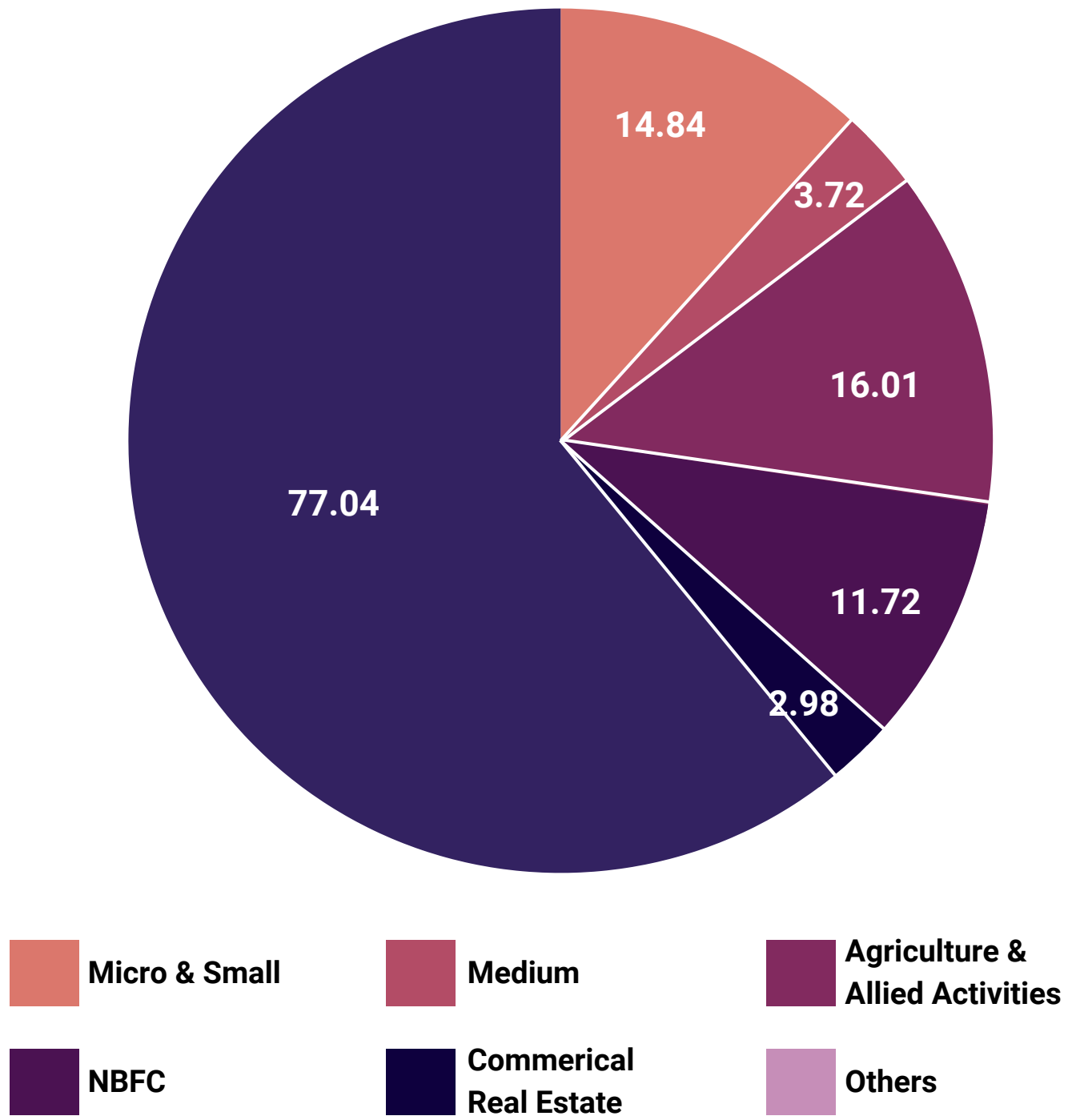
PLI Schemes (Outlay in Rs.)

Drone	0.12k Cr
Aviation	0.12k Cr
White Goods	6.28k Cr
Metals & Mining	6.32k Cr
Textile & Apparel	10.68k Cr
Food Processing	10.90k Cr
Telecom	21.90k Cr
Chemicals	18.10k Cr
Medical Devices	18.42k Cr
Pharmaceuticals	21.94k Cr
Renewable Energy	24k Cr
Auto Components	25.93k Cr
Automobile	25.93k Cr
Electronic System	48.27k Cr

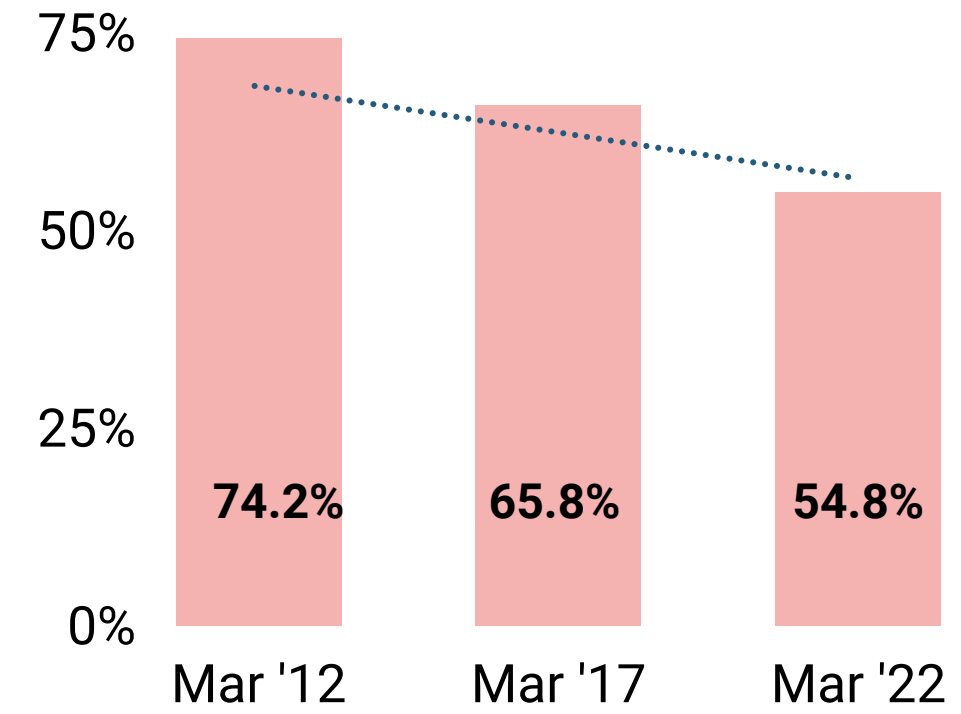
Commercial Banking Opportunity – Size and scope

Gross Bank Credit in Rs.Lakh Cr as on Sept 2022

Source: RBI



Constant Shift in Credit from PSB's to Pvt Sector Banks

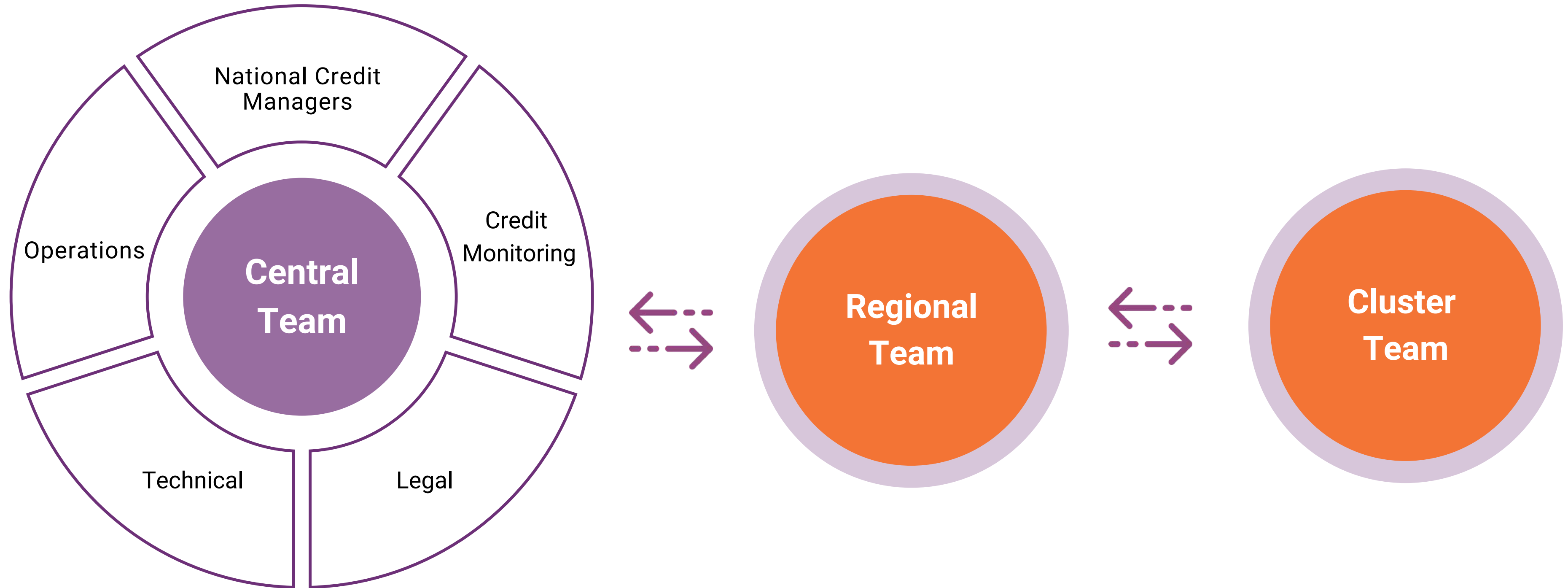


Year-on-Year Credit Growth

- Bank Credit **16.4%** YoY to Rs 126.3 lakh Crs as on Sep'22
- Agri & Agri Allied **13.4%**
- Micro and Small industries **27.1%**
- Medium industries **36.2%**
- NBFC **30.6%**
- CRE **6.7%**

Share of AU's Commercial Banking Book is only 0.20% of Sectoral Credit

Commercial Banking - Credit Framework

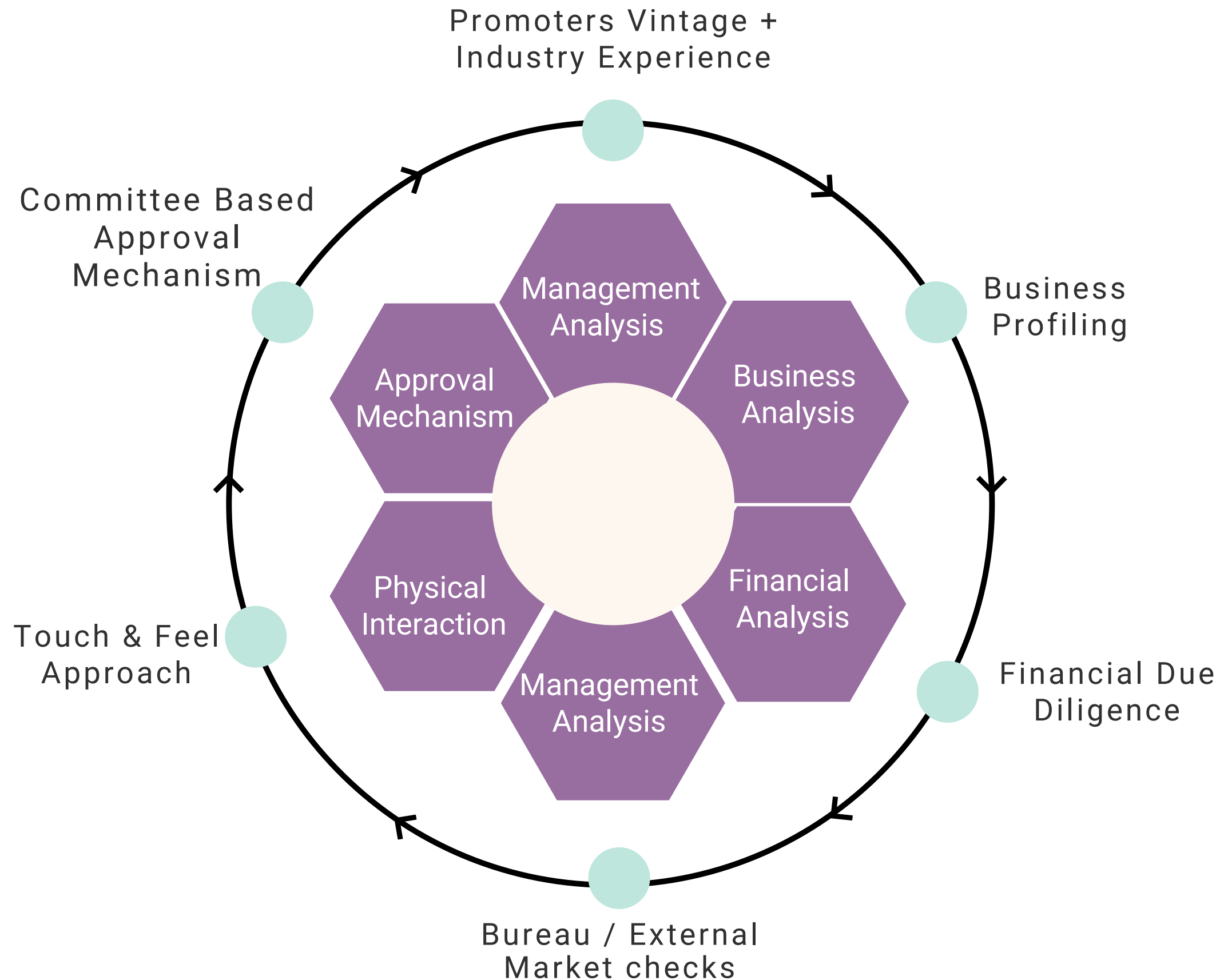


Feedback Based Culture

Localized Technical & Legal Support

Retail Franchise - Ears on Ground

360° Credit Assessment: On-Boarding Framework



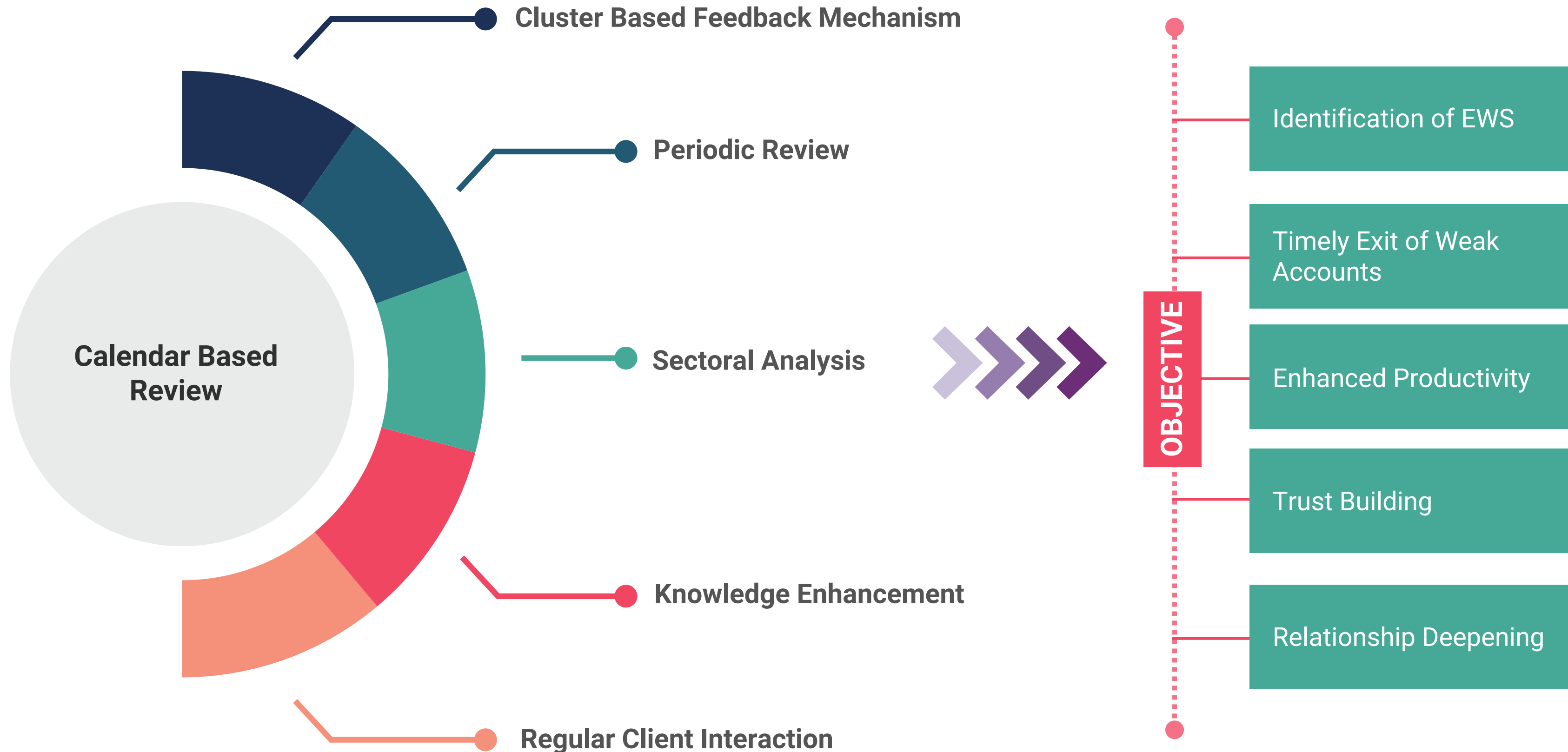
- Adherence to Regulatory Guidelines

- Adoption of Technology for Data Analytics
- Customer Interaction through Digital Platform

- Legal / Technical Support - 2nd Line of Defense

- Differential Assessment Approach
 - Exposure < 5 Cr: Data Analytics
 - Exposure > 5 Cr: Data Analytics plus Enhanced Detailing: Industry/Peer Analysis, Project Assessment, 3rd Party Reports.

Commercial Banking - Housekeeping & Monitoring



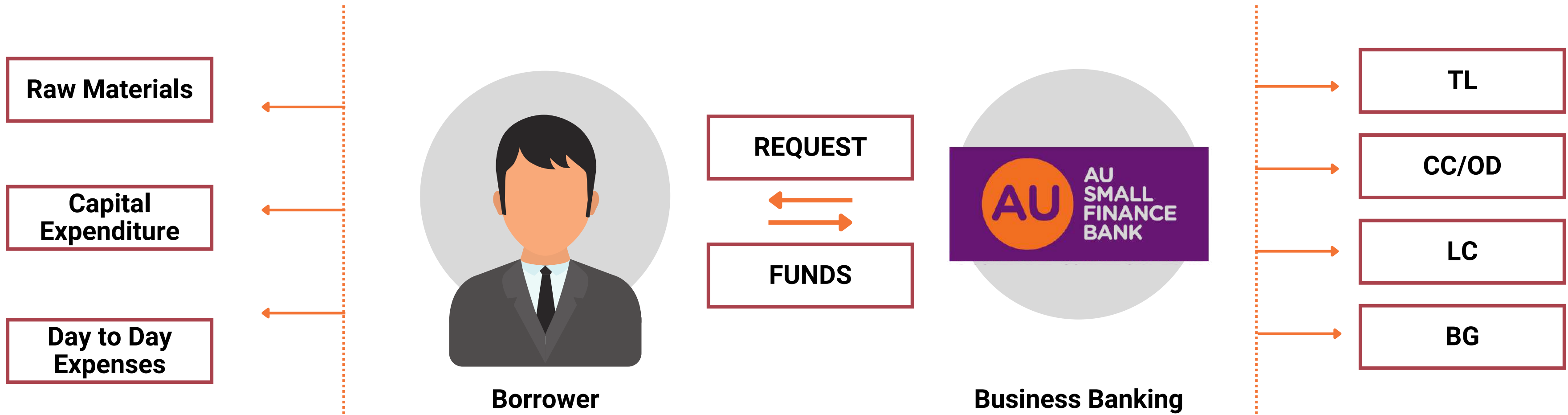


Business Banking

...



What Is Business Banking?



PROVIDING CUSTOMIZED FACILITIES FOR EVERY NEED OF THE CUSTOMER

Our Customers



Manufacturers



Service Providers



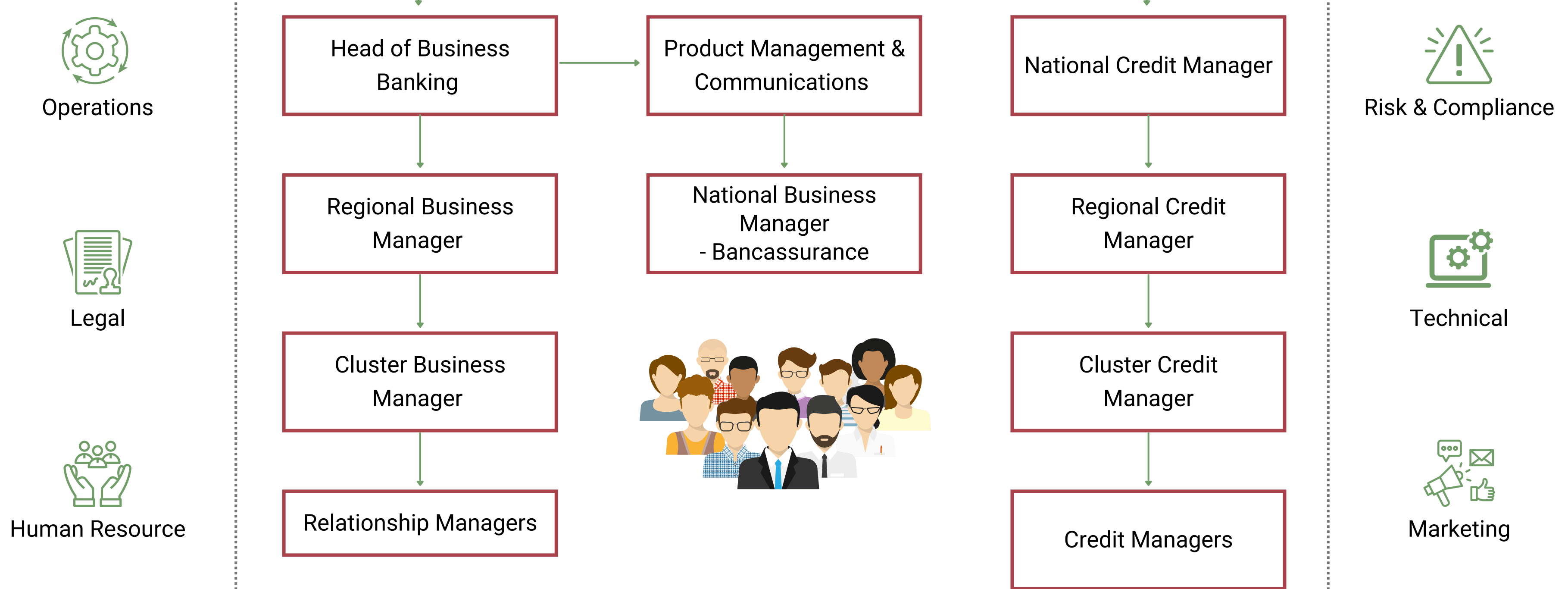
EPC



Traders

Business Banking - Organisation Structure

BUSINESS BANKING

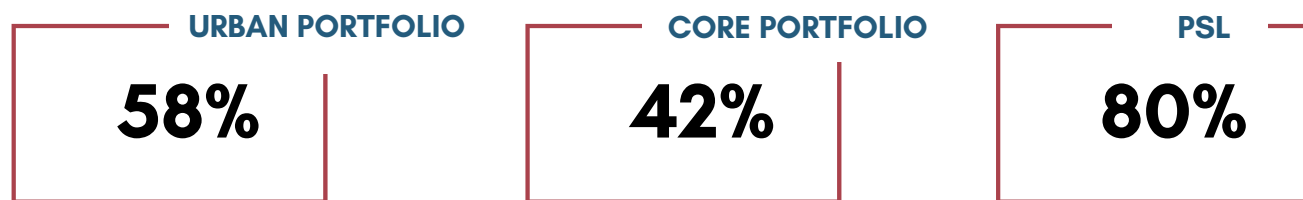


Team Strength: ~475 Employees

Business Banking - Portfolio Details

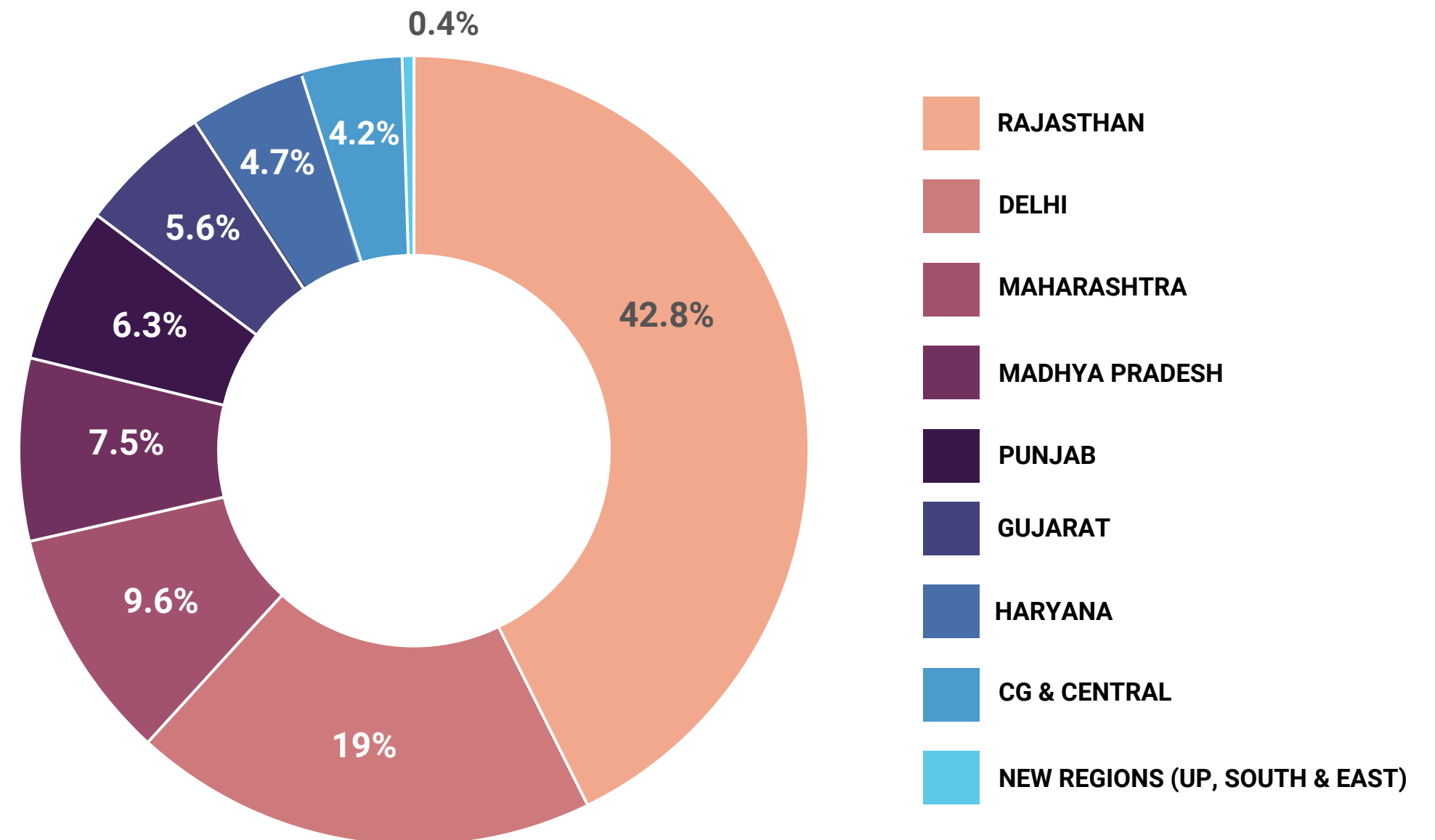
Gross Advances Rs. 3,859 Crs	Total Deposits ~Rs.3100 Crs	Presence 13 States & 2 UTs	Avg. Ticket Size Rs. 0.85 Cr.	Working Capital Book 70%	WIRR* 10.15%	Non-Fund Book Rs. 2,355 Cr.	GNPA 0.17%	Trade Income & Other Fee 1.7%
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- Coverage of **275 locations**
- **Sourcing Channels**
 - Branch Sourced (**32%**)
 - Self Sourced (**29%**)
 - Channel Partners (**39%**)



- **Liability Relationship**
 - **80%** Self Funded Book

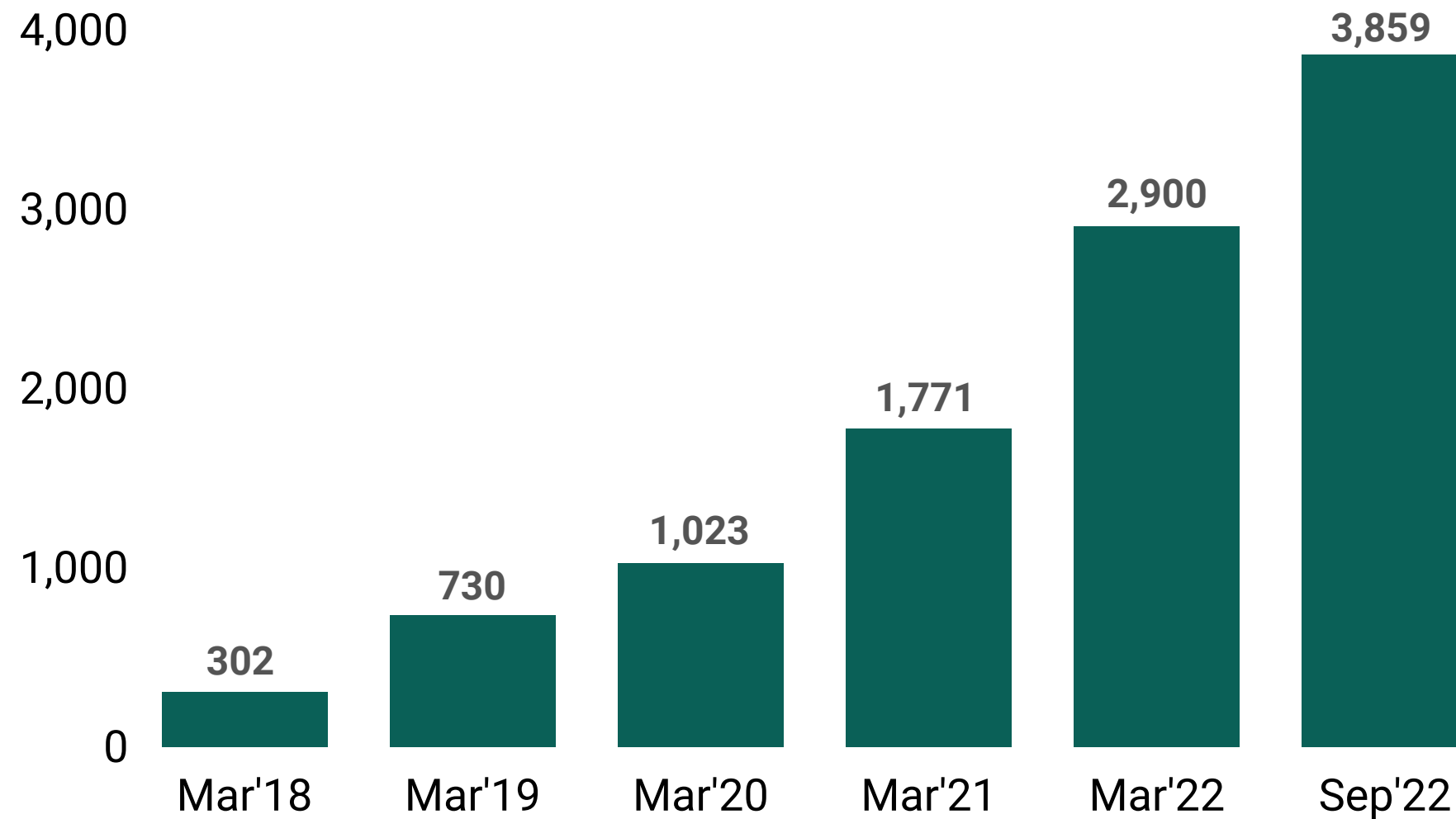
Geographical Distribution



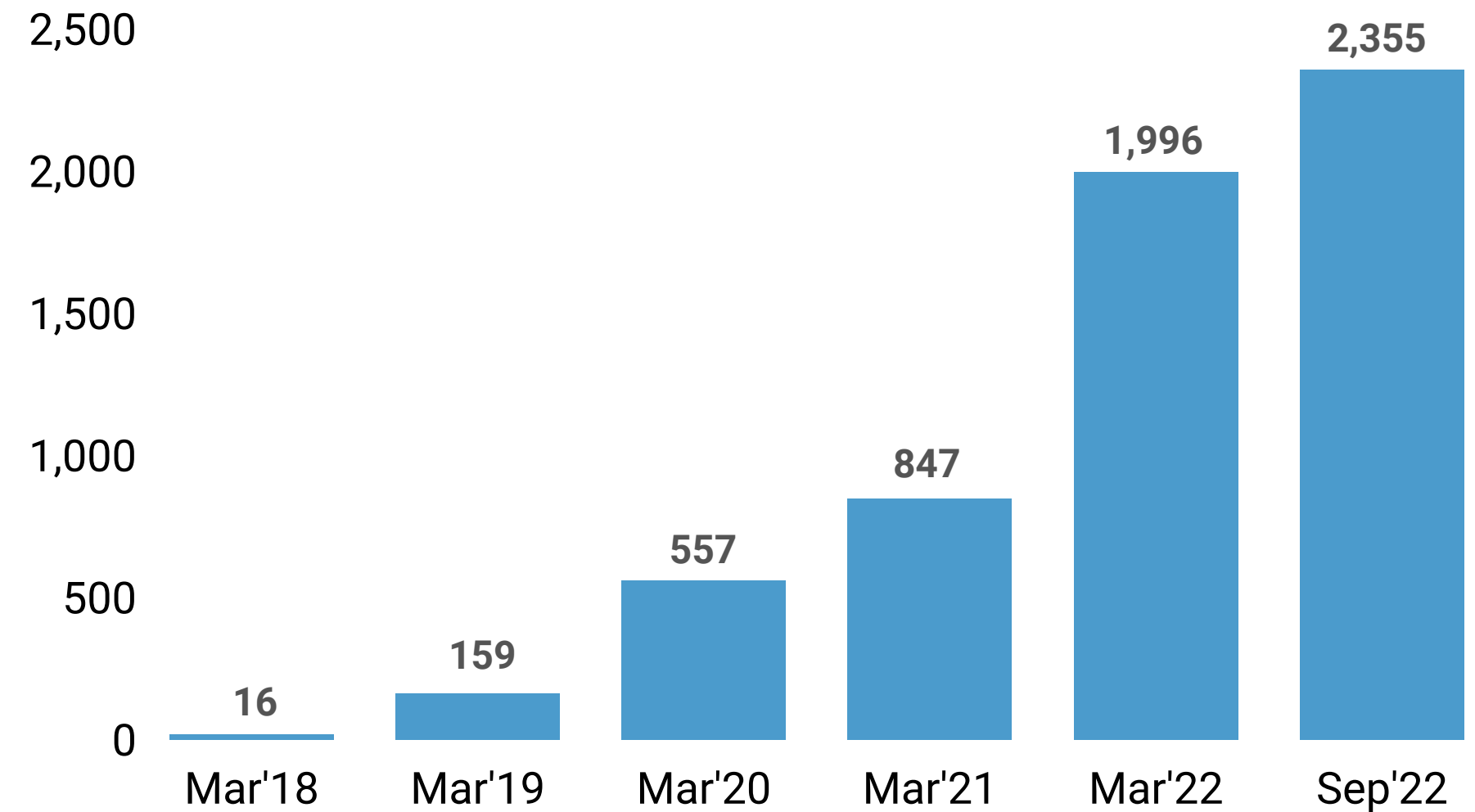
*excluding FDOD (including FDOD - 9.9%)

Business Banking - Journey

Gross Advances (Rs. in Crs)



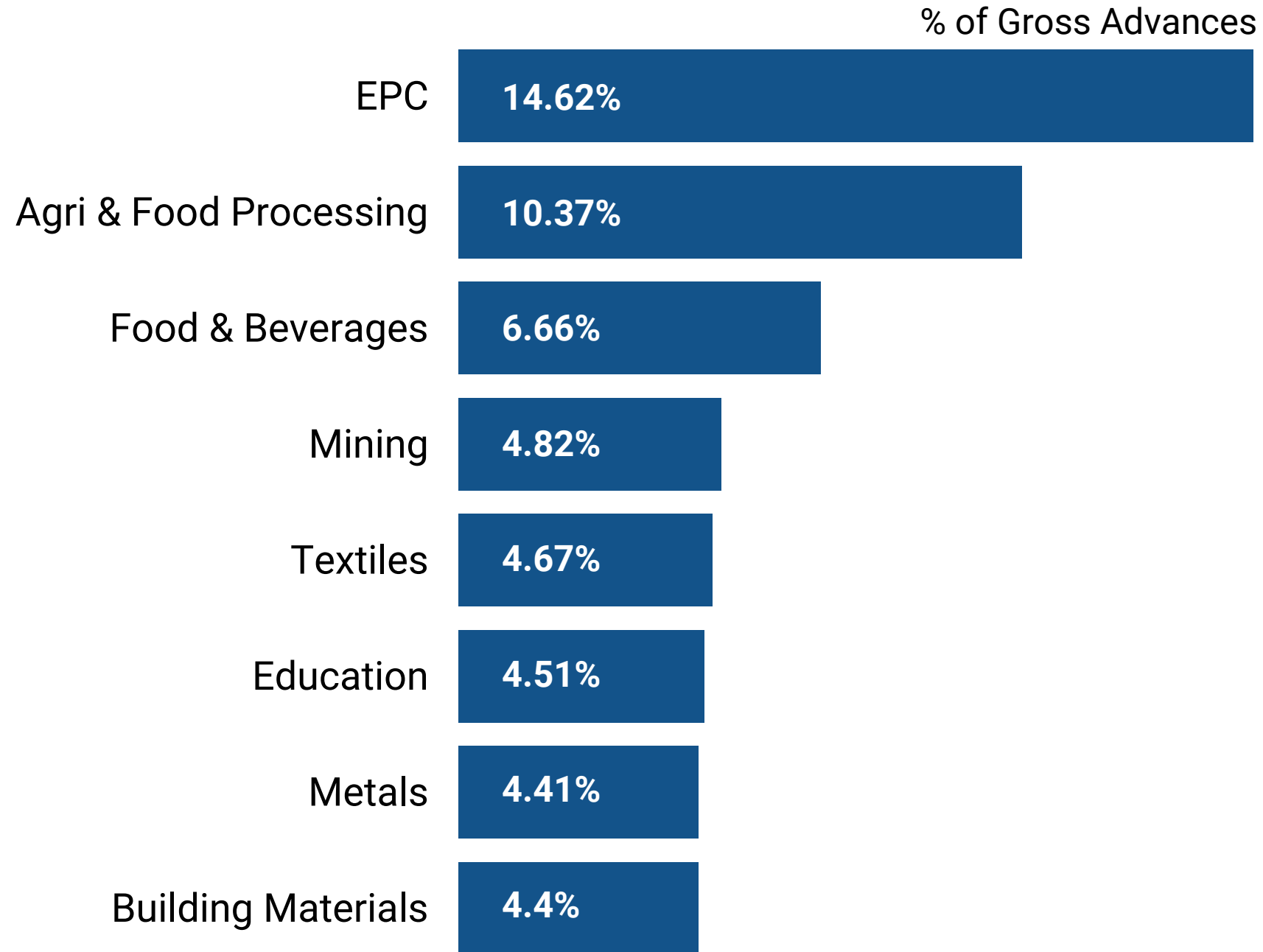
Non-Fund Based Book (Rs. in Crs)



- Floating Rate Book Linked to Repo
- FB Exposure - Rs.4,888 Crs (72% utilized), NFB Limits – Rs.3,548 Crs (66% utilized)

Business Banking - Portfolio Distribution

Top Industries

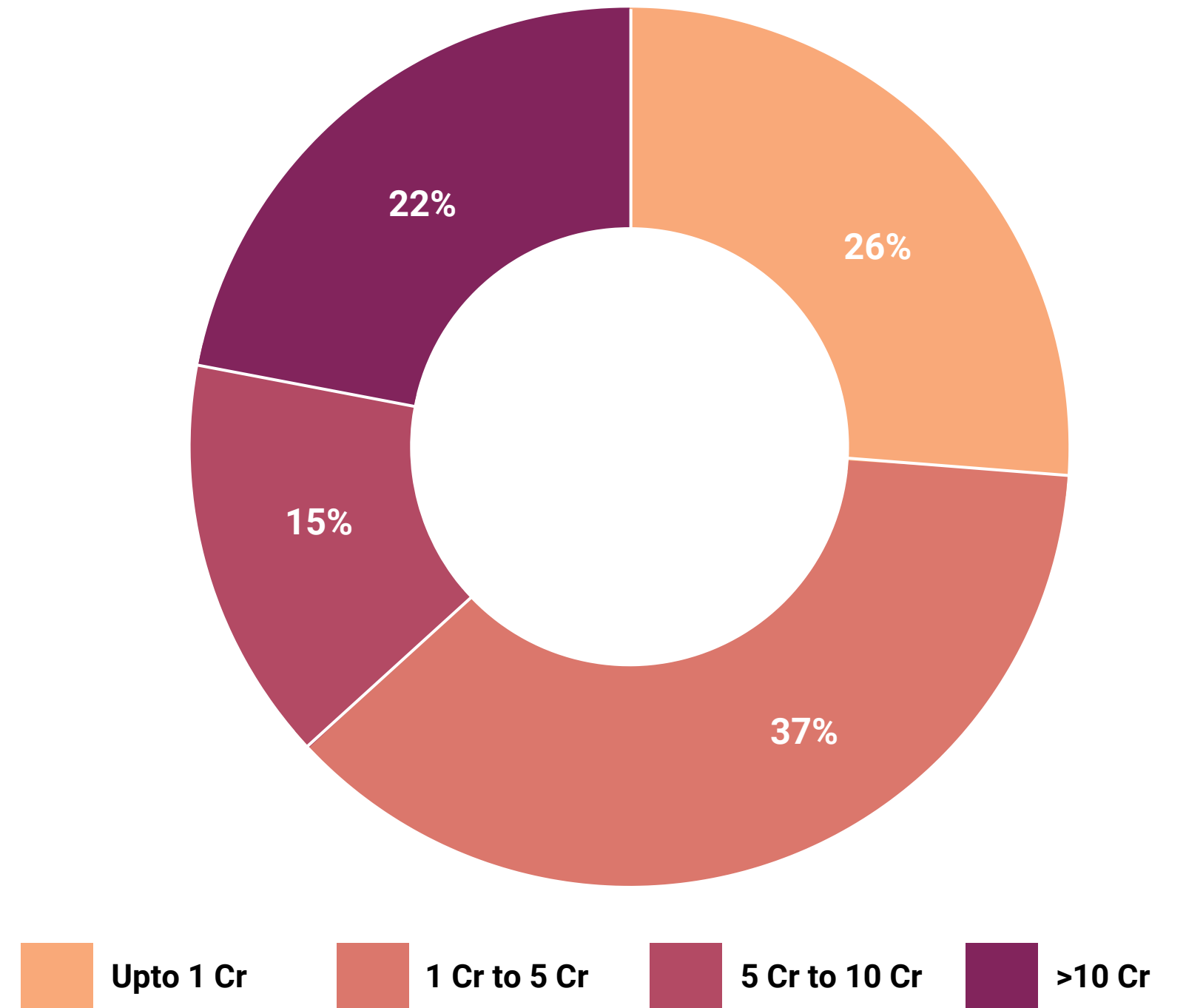


Industry Wise Distribution

Manufacturers – 35% | Services – 37% | Traders – 28%

Granular Fund Based Portfolio

Ticket Size Distribution



Business Banking – Strengths



Ability to source right from multiple channels and create a strong funnel



A stable team, with **95%** of the National & Regional leadership intact since inception



Originator is the Collector - Satisfactory Portfolio Performance which got tested during COVID



Ability to deepen the **customer relationship**



Proactive in enabling right exit & avoiding takeovers



Ability to **source at higher rates** than the market, while competing with peers

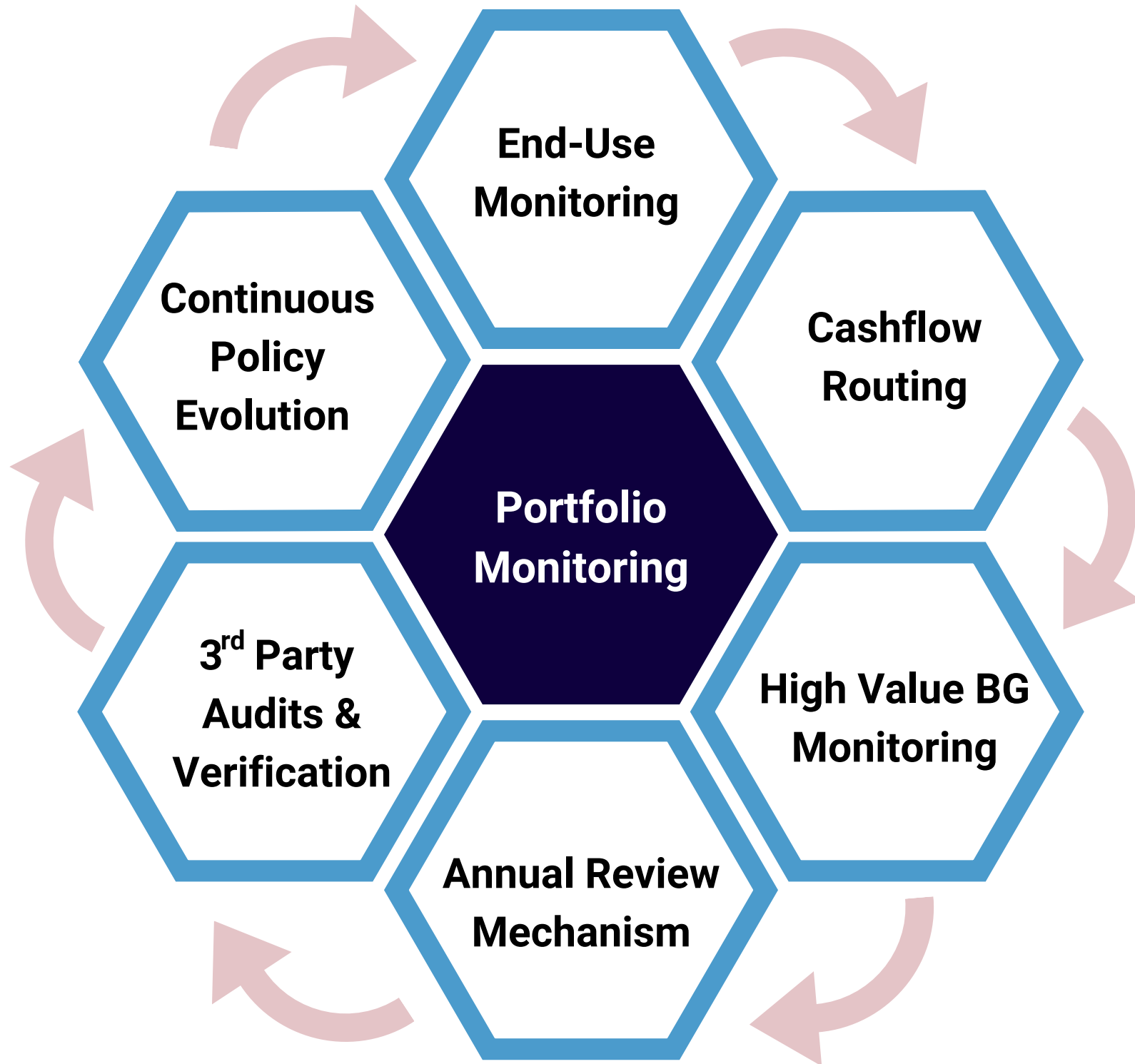
STRONG TEAM BUILDING

- Qualified Professionals
- Credit on Ground – Decentralised Approach
- Local Hiring – Avoiding Geographical & Communication Barriers
- Cross Functional Training & Knowledge Sharing

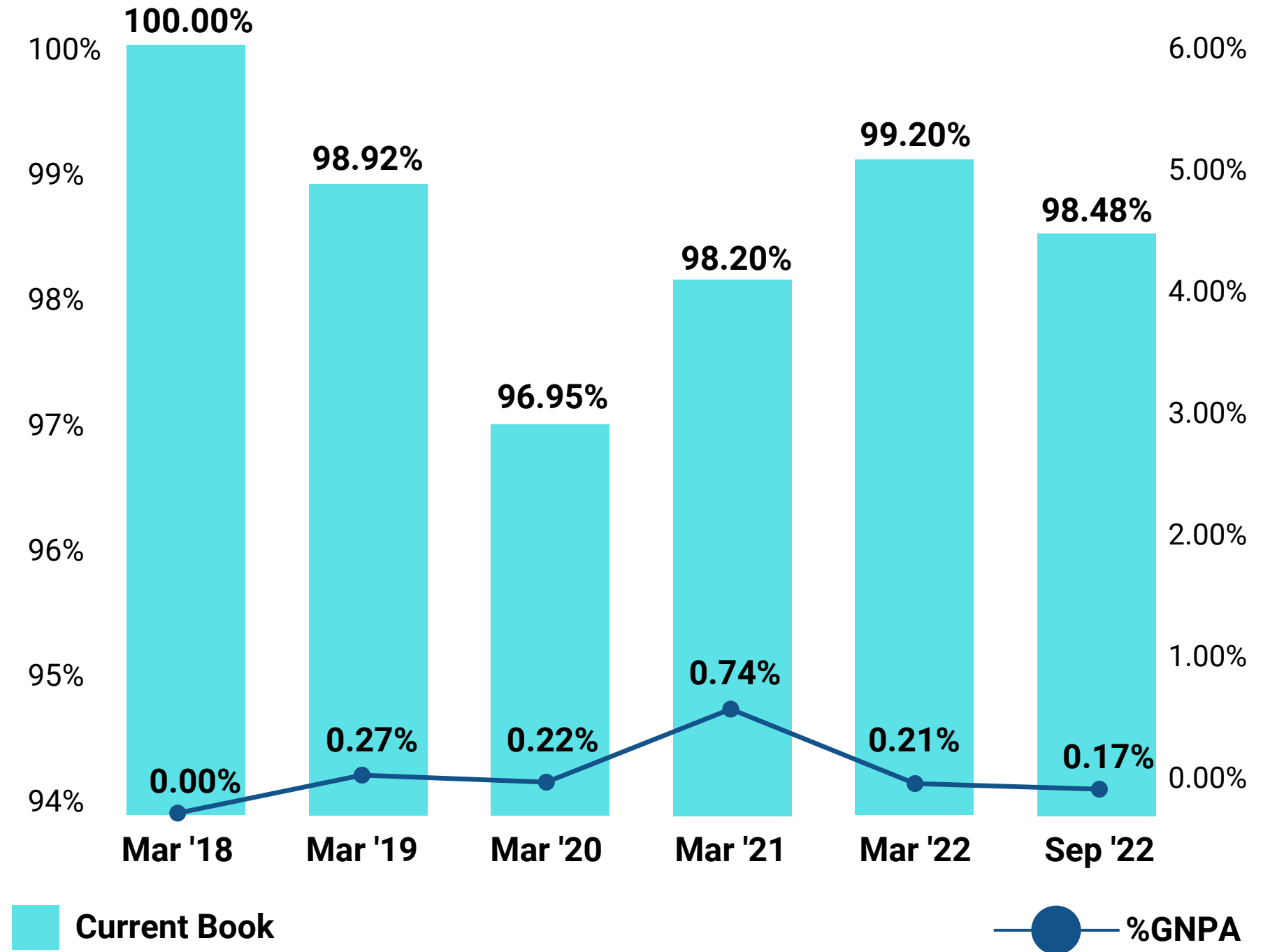
UNDERWRITING APPROACH

- Localised Decisioning – Faster Turnaround
- Comprehensive 360° Evaluation:
 - Cashflow & Sensitivity Analysis
 - Market Feedback
 - Actual End-use of Funds
 - The worthiness of the Customer
- Cashflow Entrapment
- Collateralized Lending Approach
- Bank Guarantees Assessment basis
Beneficiary, Budgetary Allocation & Cashflow Control

Business Banking – Portfolio Quality and Monitoring



Asset Quality



Negligible Credit Cost

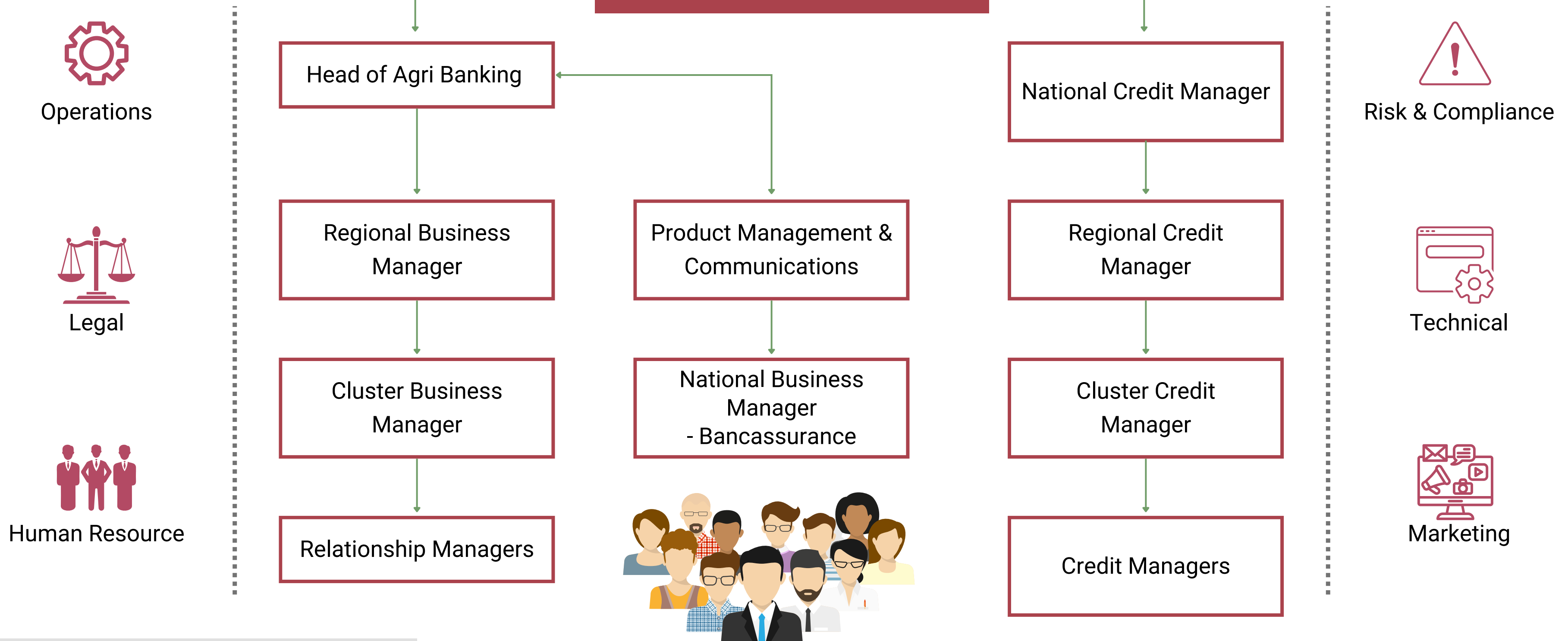


Agri Banking

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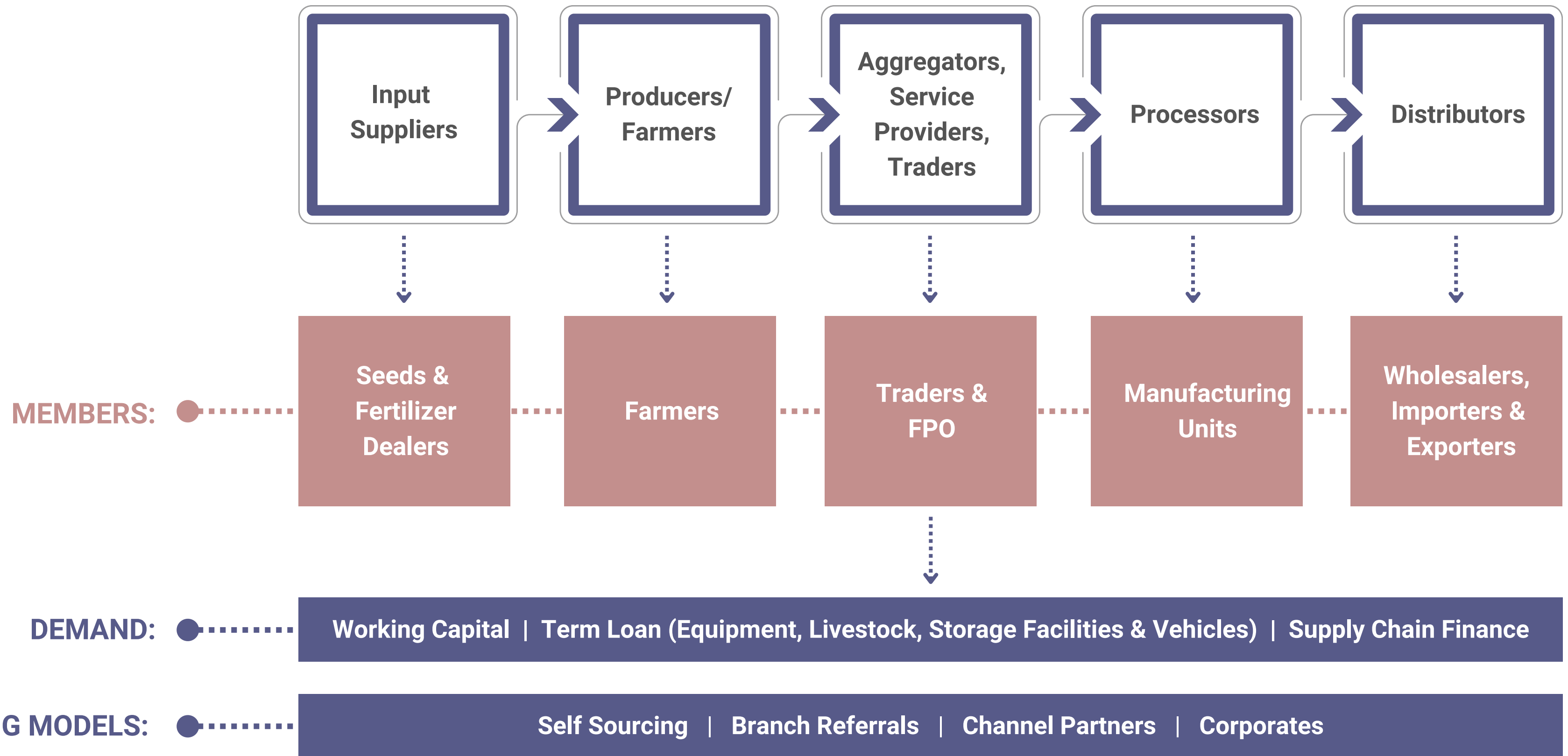


Agri Banking – Organisational Structure



Team Strength: ~400 Employees

Agri Banking – Product Offerings: Agri Value Chain



Agri Banking - Portfolio Detail

Gross Advances Rs. 3,012 Crs	Total Deposits ~Rs. 475 Crs	Presence 13 States & 2 UT	Avg. Ticket Size Rs. 0.98 Crs	Working Capital Book 60%	WIRR* 10.11%	Non-Fund Book Rs. 291 Crs	GNPA 0.74%
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- Coverage of **220** locations

- Sourcing Channels**

- Branch Sourced (**19%**)
- Self-Sourced (**34%**)
- AU Value (**47%**)

URBAN PORTFOLIO

54%

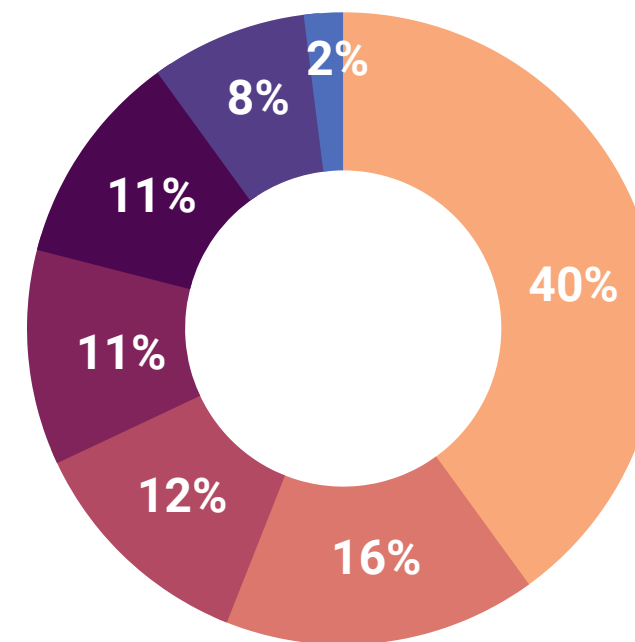
CORE PORTFOLIO

46%

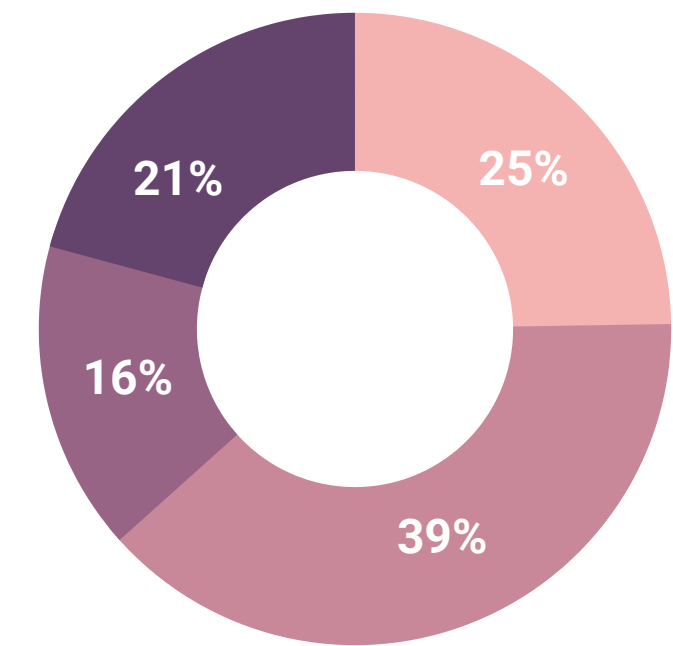
PSL

93%

Geographical Distribution



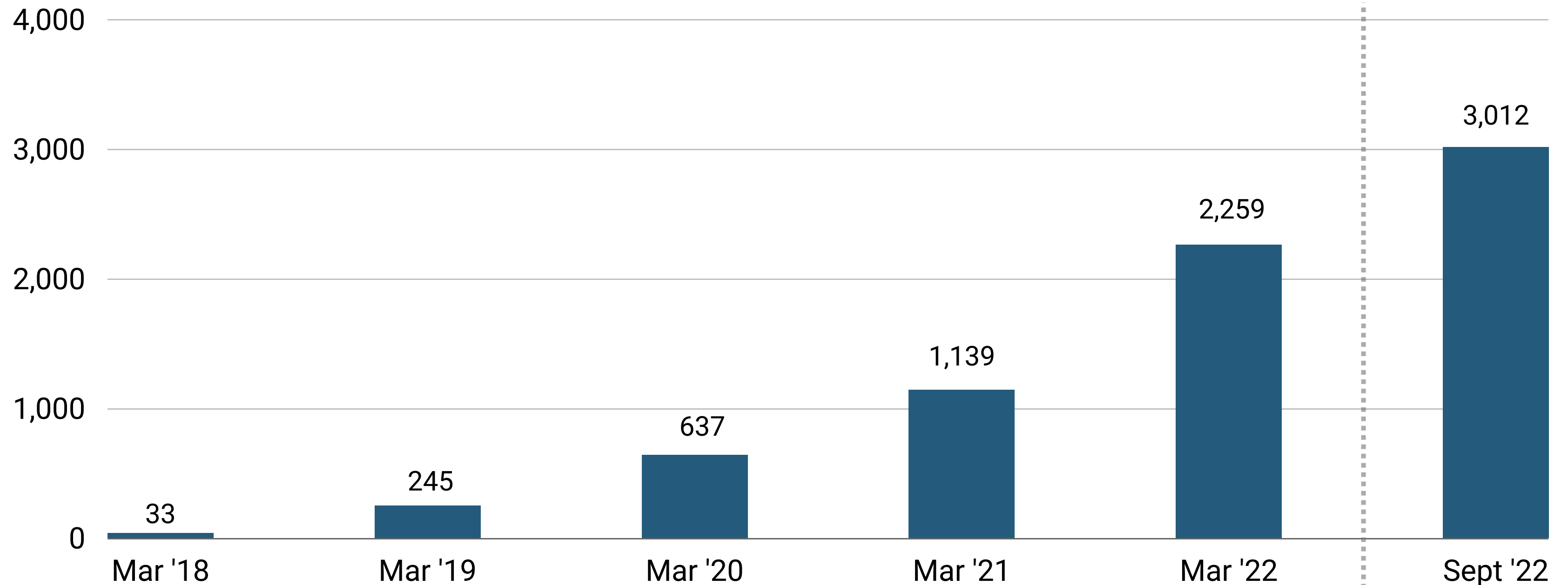
Ticket Size Distribution – Fund Based



*excluding FDOD (including FDOD- 10%)

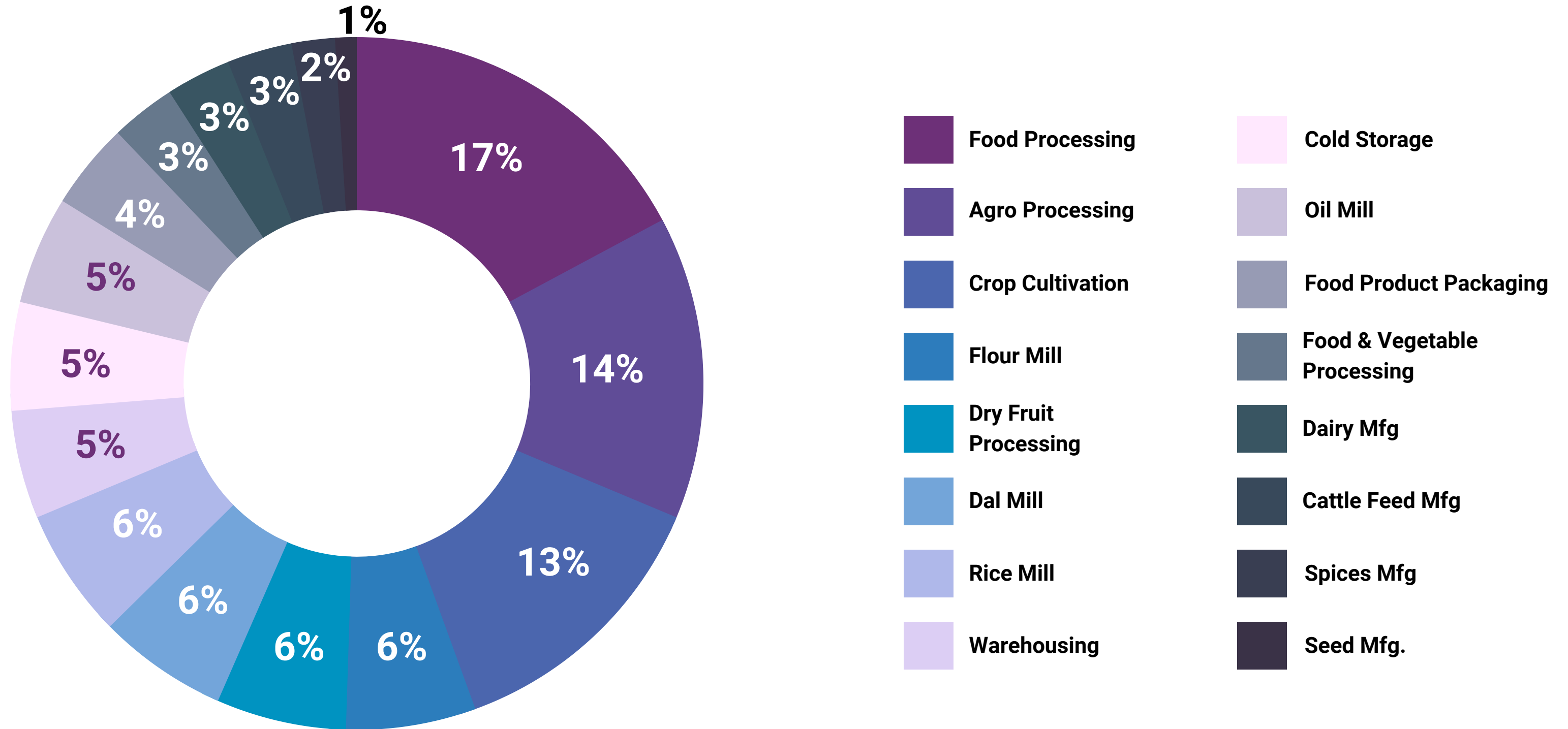
Agri Banking Journey

Gross Advances (Rs. in Crs)



- Floating Rate Book Linked to Repo
- FB Exposure - Rs. 3,515 Crs (78% utilized), NFB Limits – Rs. 530 Crs (55% utilized)

Agri Banking Portfolio – Diversification in Agri & Allied Sectors



- 34% of the Portfolio Qualifies under Agri and Allied Sectors
- Rest of the book includes Agro Based Businesses, Commodity Trading, Food Retailing etc.

Agri Banking – Key Takeaways

Why Agri Banking?

- Agriculture Sector - **18.8%** GVA
- Growth in **Agri Allied sectors** - Major Growth Drivers
- Globally **4th** in Agriculture Production
- Government Schemes Driving **CAPEX** in Food Processing/Agri Infra Projects
- Opportunities across Value Chain – **Farm to Fork**
- Regulatory **18%** Agri-PSL Requirement

What makes us different?

- Deeper Distribution in **Core** Markets
- **Cluster Based** Sectoral Focus
- Assisting Client in Availing Government Subsidies
- **Customized Solutions** & **Faster TAT** to Support Seasonality & Perishability Issue

Way forward...

- **Continue to Focus on:**
 - Agri & Agri Allied Sector
 - Agri Infra Finance
 - Agri-Sectoral Finance
- Farm-Credit to Collectives (FPOs)
- **Sustainable** Finance to Rural/ Agriculture Development
- **Geographical Expansion** in UP, East and South Markets



Agri Banking – Credit Underwriting & Philosophy

Team Strength & Expertise

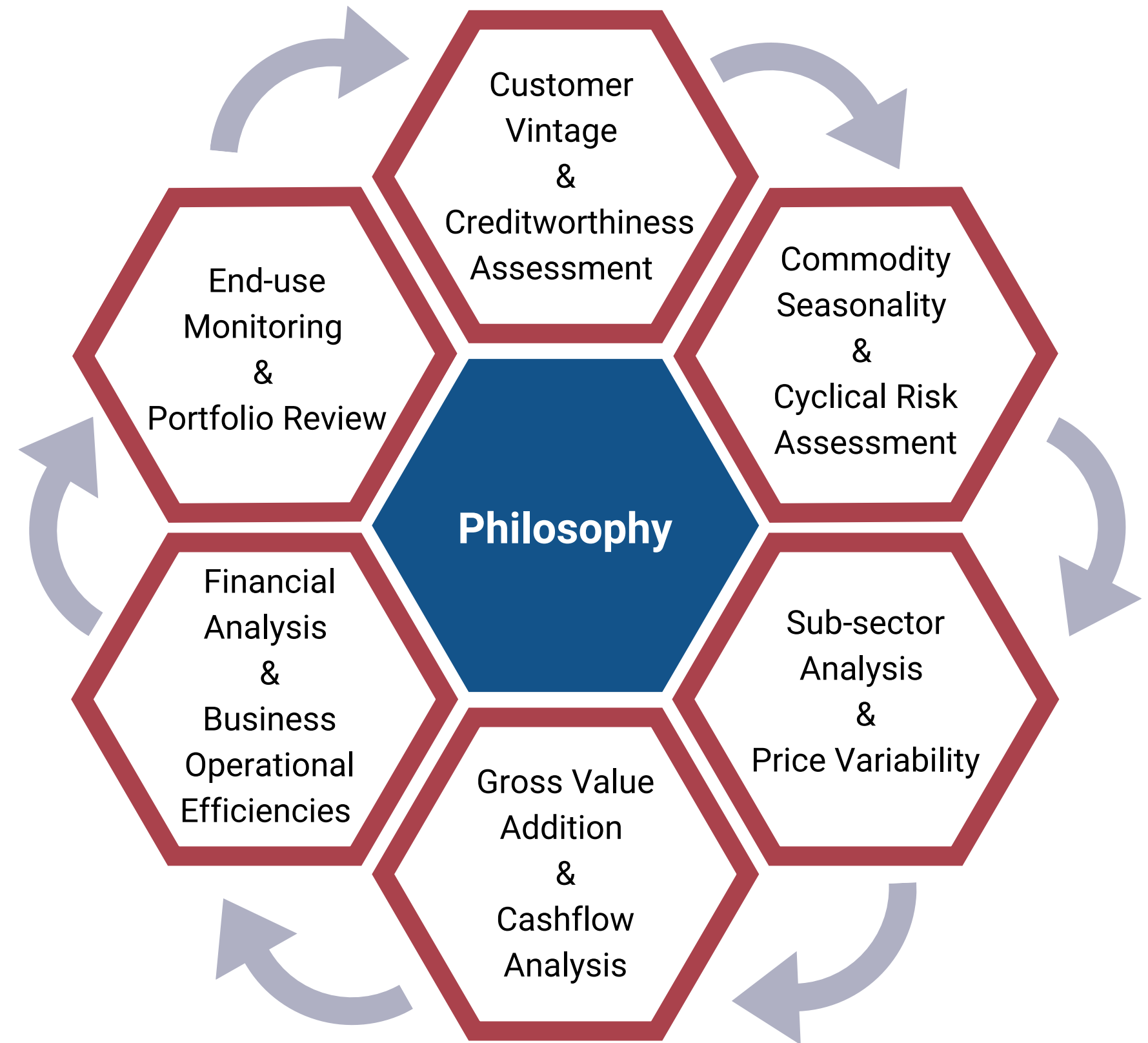
- Localized and Seasoned Team Spread across Agri-Clusters
- Agri Domain Expertise
- Non- Hierarchical Approach

Detailing

- Physical Interaction & Customer’s Business Know-how
- Cashflow Analysis & Ring-fencing
- Local Intelligence & Feedback
- Macro Environment Affecting Commodity Risk
- Peer Comparison & Industry Outlook

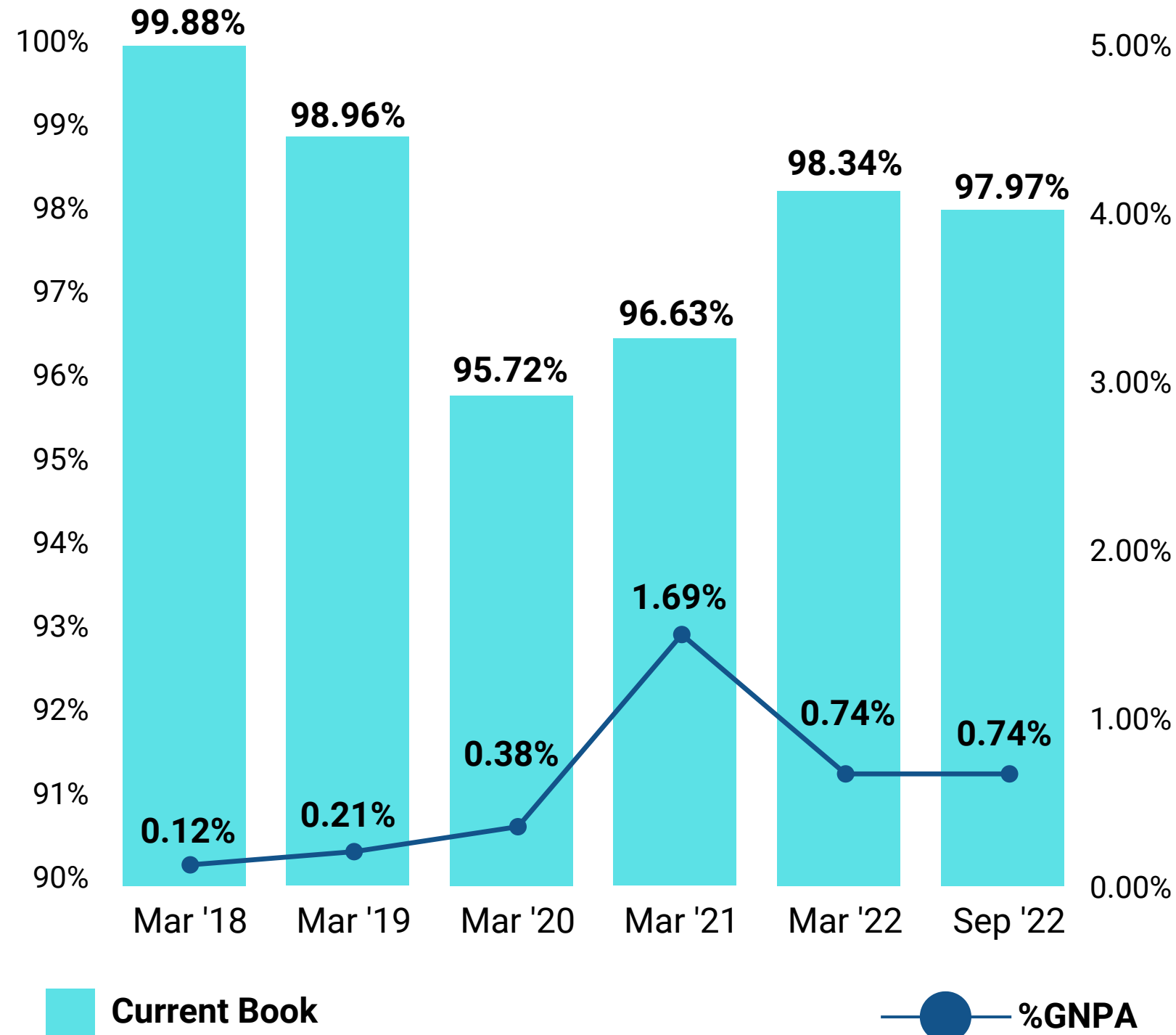
Customized Approach & Faster Decisioning

- Score-Card Based Underwriting for Small Ticket Cases
- Customized Underwriting Solution & Product Offering



Agri Banking – Portfolio Quality and Monitoring

Asset Quality



Portfolio Monitoring

- Dealing Seasonality Through **Product Offering** (Peak/Lean Seasons)
- Monitoring of **Agri Commodity Prices & Climatic Conditions**
- **Macro** Environment Affecting Commodity Risk
- **Cashflow** Routing
- **Periodic** Review & Regular **Client Visits**
- **Risk Identification** Through EWS Monitoring

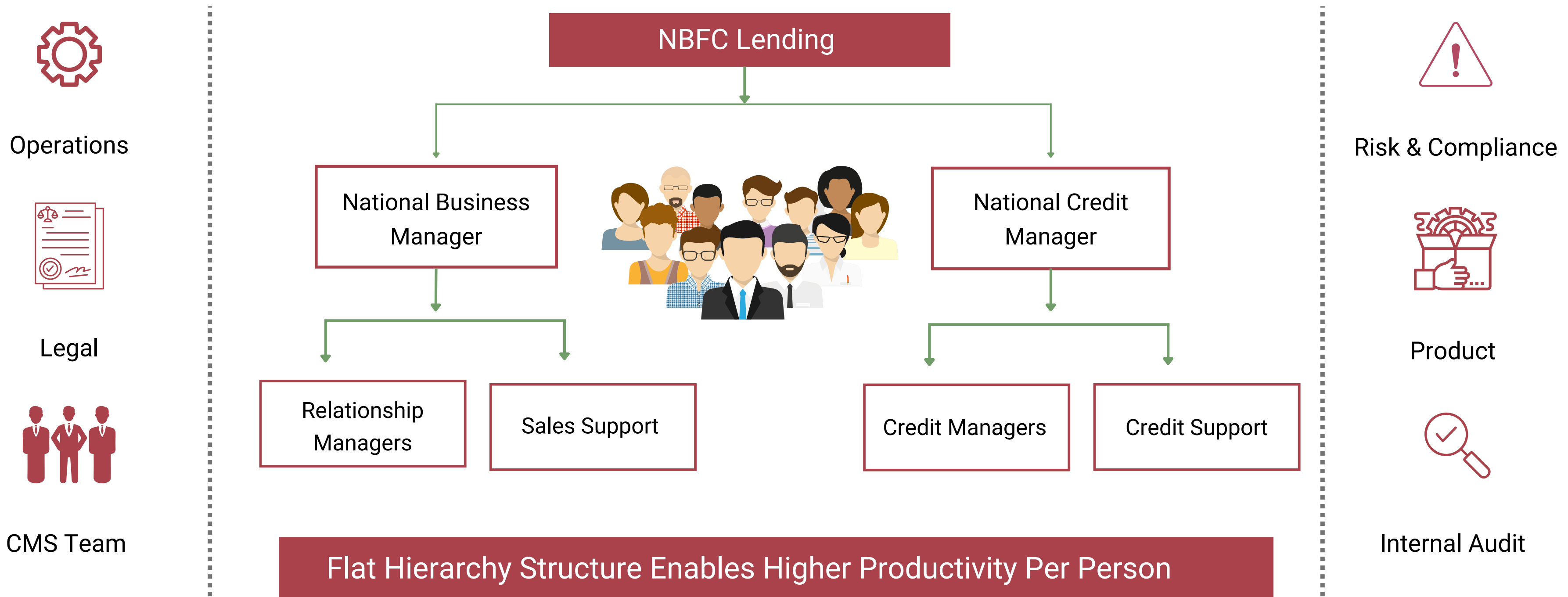


NBFC Lending

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NBFC Lending - Organisational Structure



Team Strength: 16 Employees

WHY

- Transitioning from being NBFC Understood issues
- Understanding and reach made it easier to do on ground Credit Assessment

HOW

- Vast and Varied experience of the team
- Field assessment along with Financial Checks
- Supported by Transaction Banking
- Knowledge of various asset classes

KEY TAKE AWAYS

- Early Lenders for many NBFCs
- Never the largest lender, exposure cap on conservative levels
- Close Monitoring of the portfolio

NBFC Lending - Portfolio Detail

Granular Book
#146 NBFCs

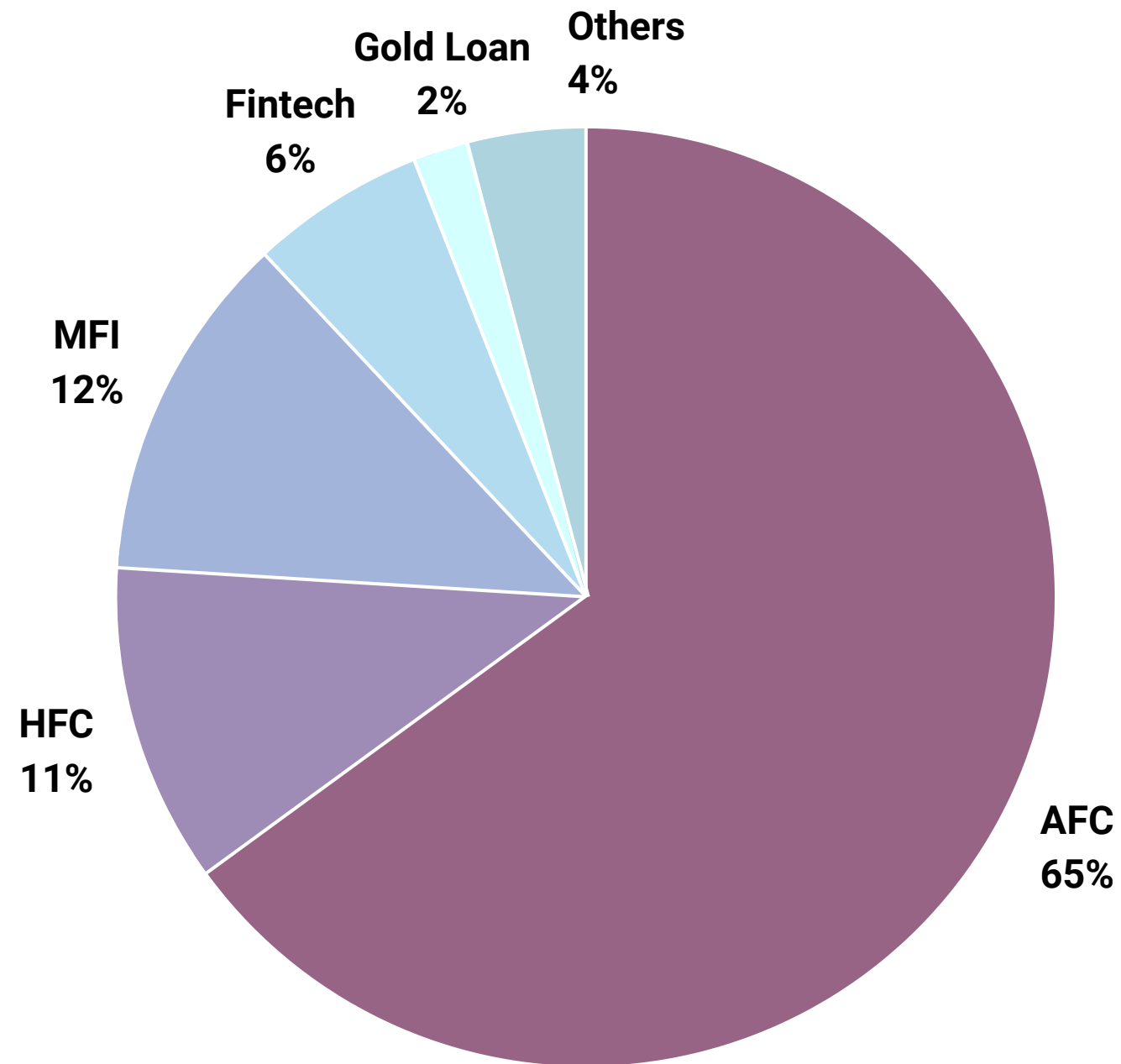
90% of Book is
Investment Grade

Avg Ticket Size
~Rs.13 Crs

78% Exposure to
NBFC in Secured
Lending

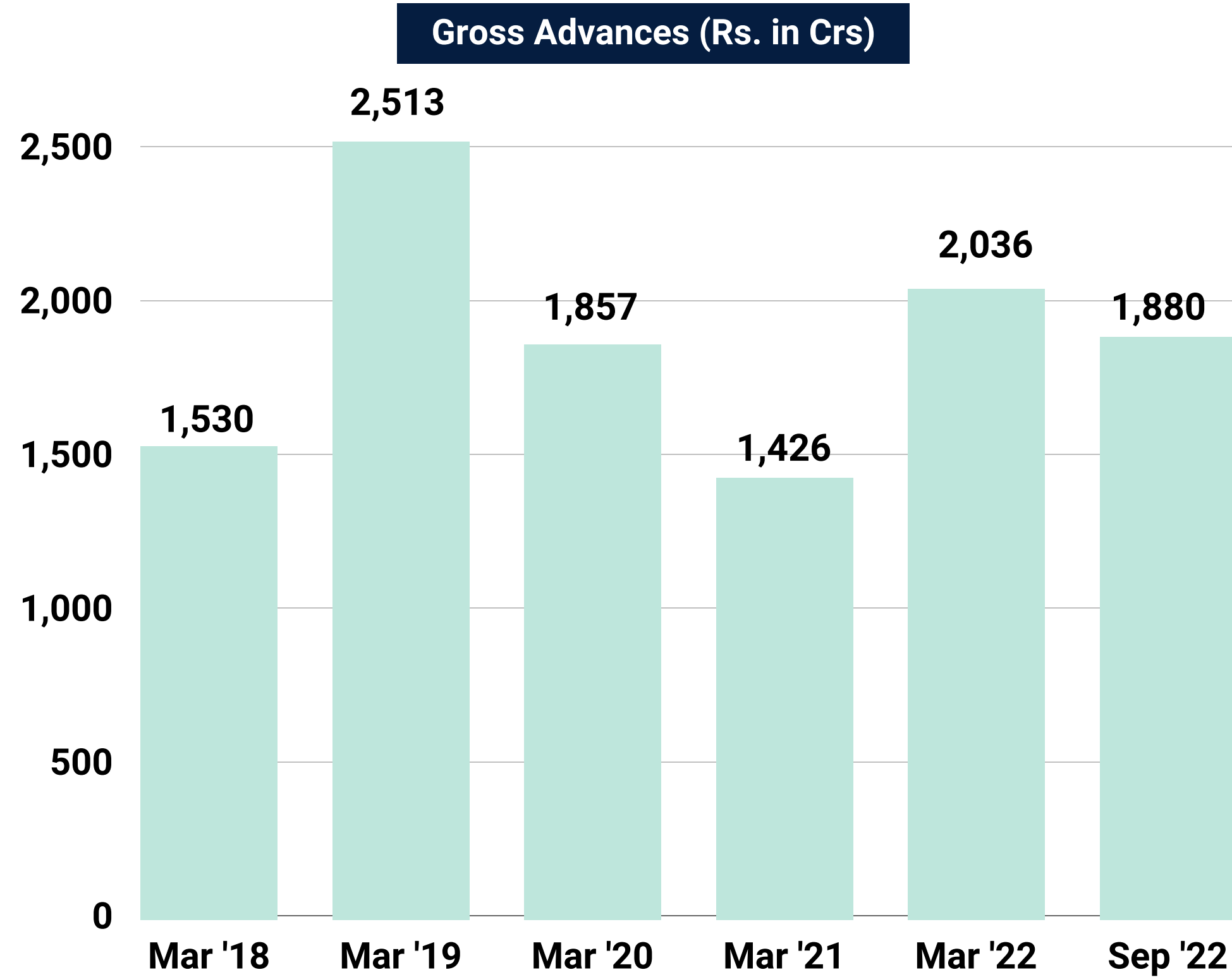
Average Residual
Tenure - ~21 months

Segmental Book



Credit Rating	Gross Advances (Rs. in Crs)	Percentage
Investment Grade	1,691	90%
“AAA”	56	3%
“AA”	185	10%
“A”	929	49%
“BBB”	520	28%
Unrated & Others	189	10%
Total	1,880	100%

NBFC Lending - Portfolio Journey



Floating Rate Book Linked to Repo

Portfolio IRR at 10.8%, Increased by 110 bps over Mar'22

90 New Customers Added since Sep'18

NBFC Lending - Cross Sell Opportunity: Strong & Steady

Self Funded Book

Product	EOP (In Crs)
Current Account (CA)*	~300
Saving Account (SA)	~35
Term Deposit (TD)	~1240
Total	~1575



CMS Mandates

Product	Nos.
CMS Mandates	88

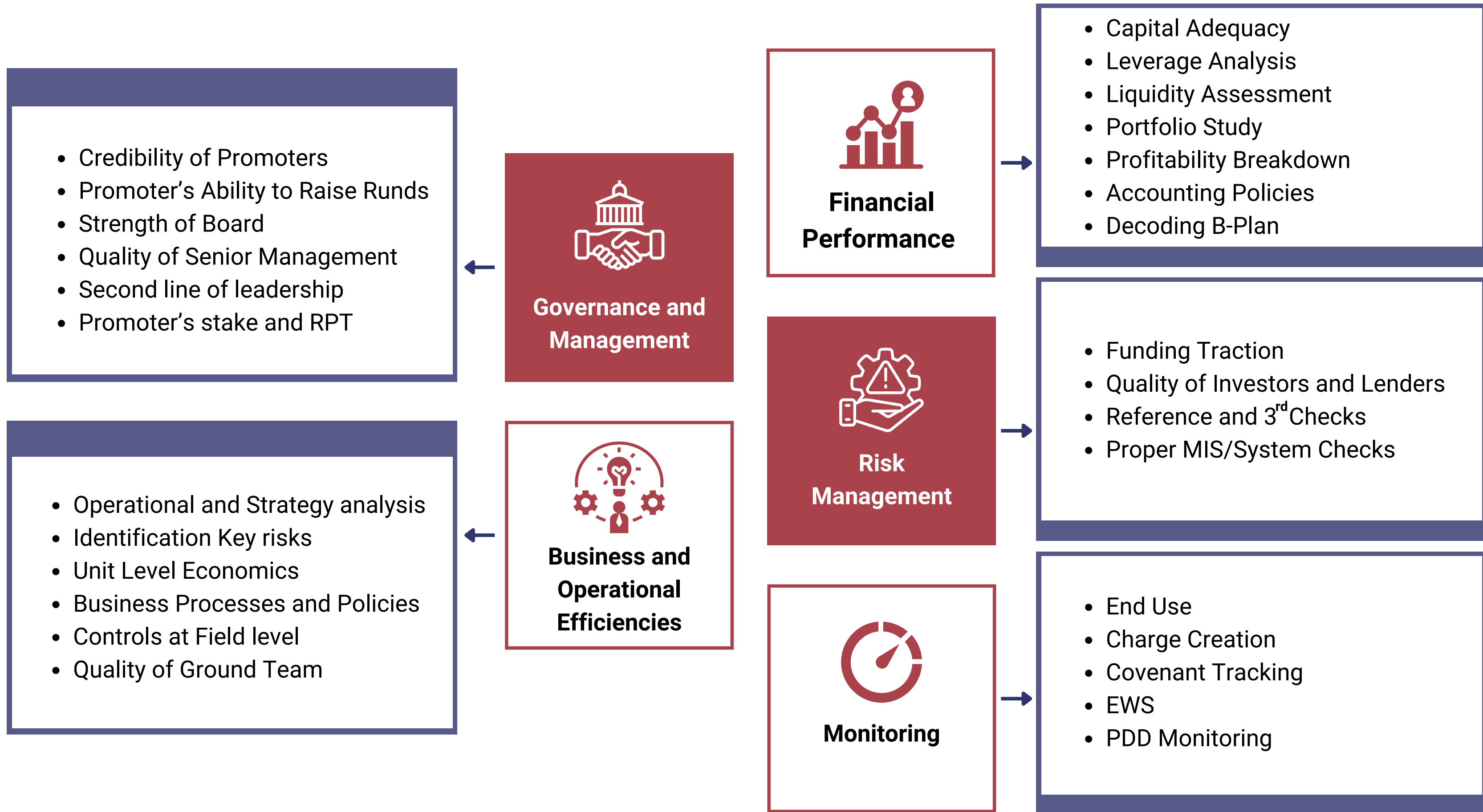
Salary Accounts

Product	Nos.
Salary Mandates	65



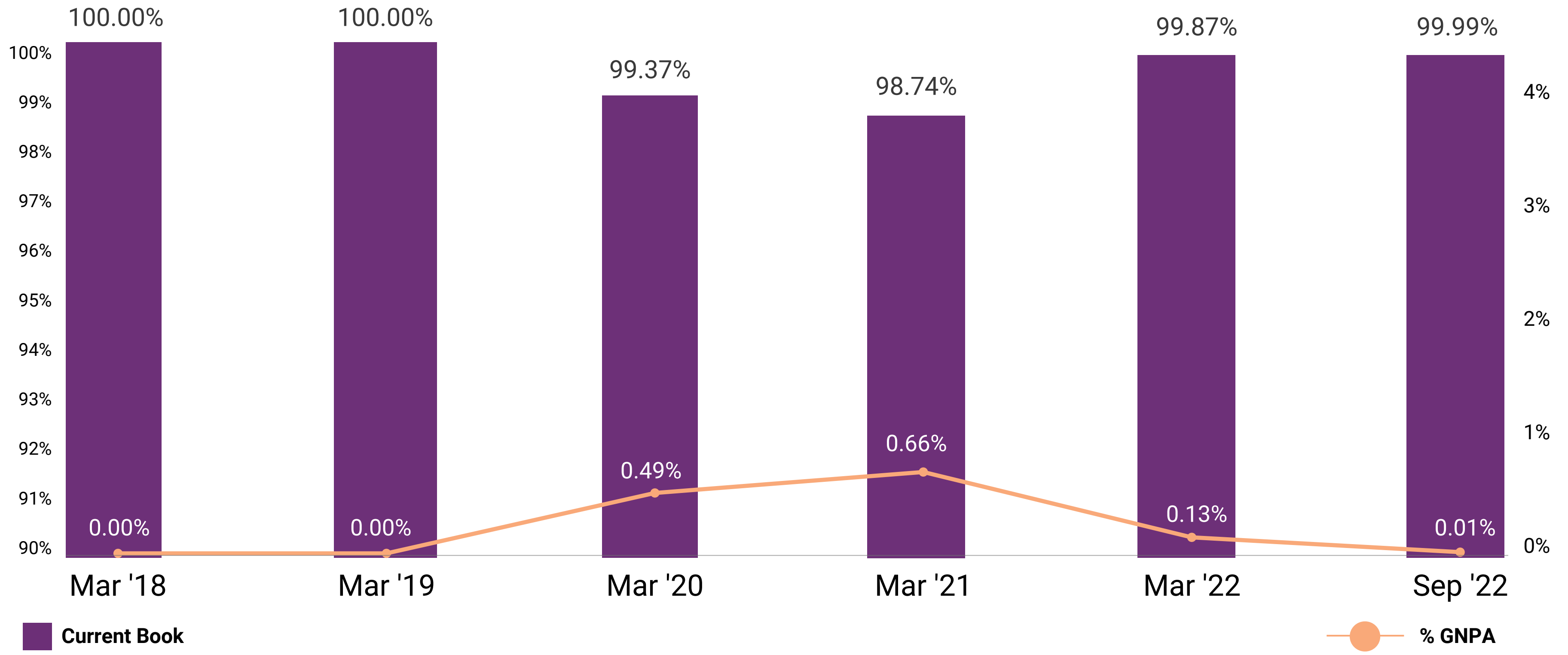
- Sufficient Head Room for **Growth – Internal and External factors**
- Focus on **Segmental Approach**
- Deeper Penetration through **Transaction Banking** – Payment and Collection Solution
- **Cross Sell** – Insurance, TD, Salary Mandate, Corporate Cards, Personal Banking
- Co-lending and BC Arrangements – **Originating Agri & PSL**

Key Pillars of NBFC Lending Credit Underwriting





NBFC Lending - Asset Quality



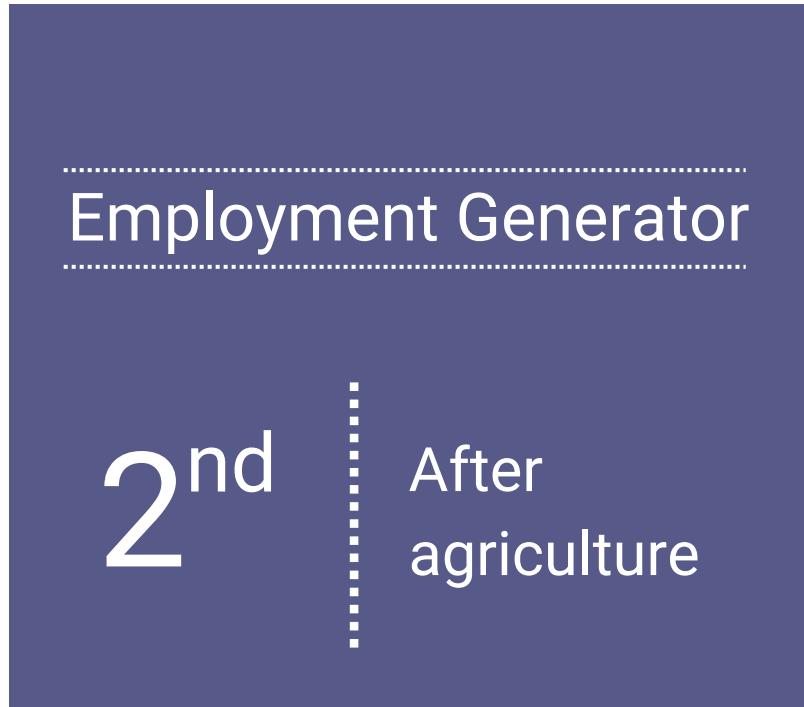
Negligible Credit Cost in Proportion to Cumulative Disbursements



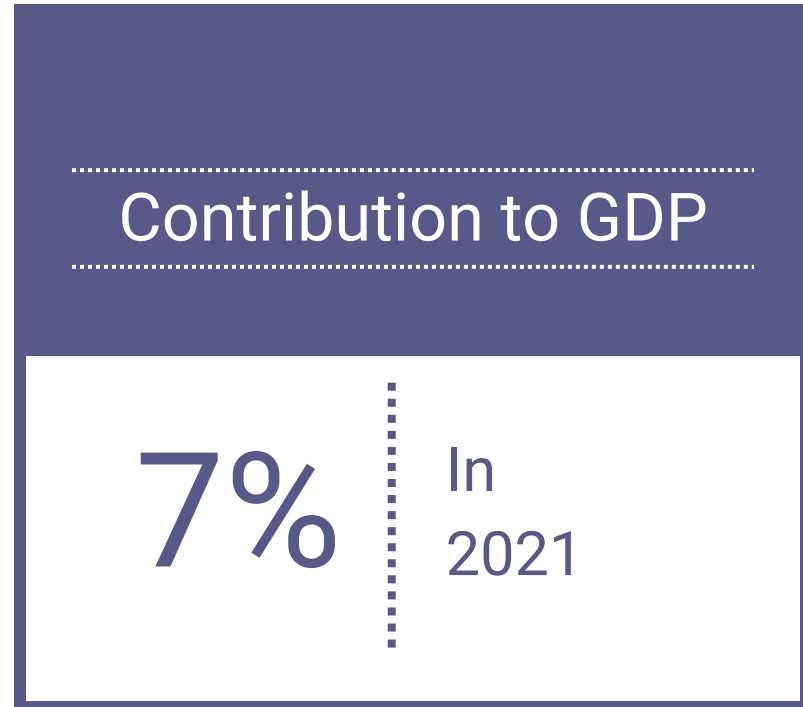
Real Estate Group



Real Estate Contribution and Outlook



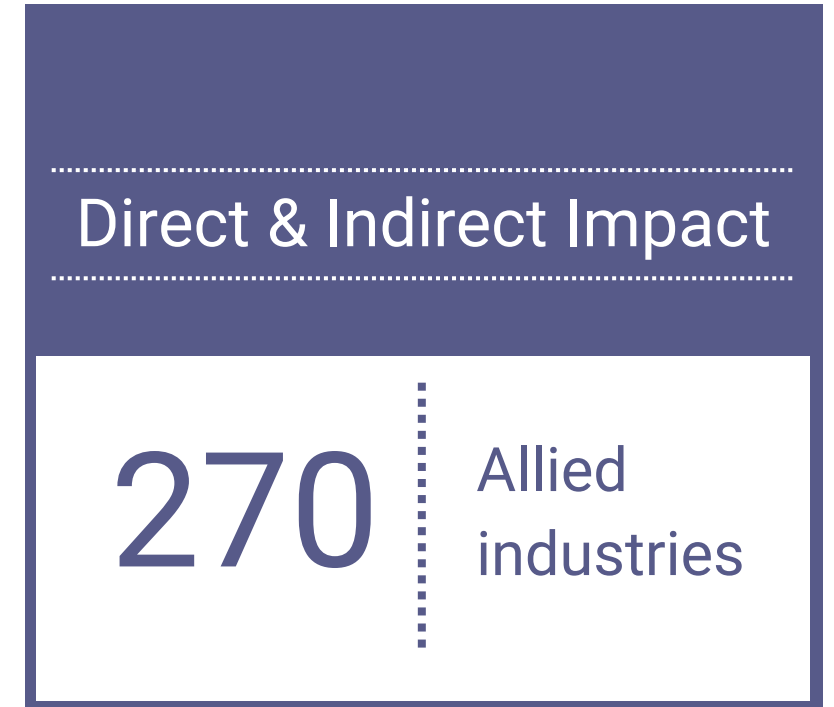
Source: Real Estate Industry report – Aug 2022 by IBEF



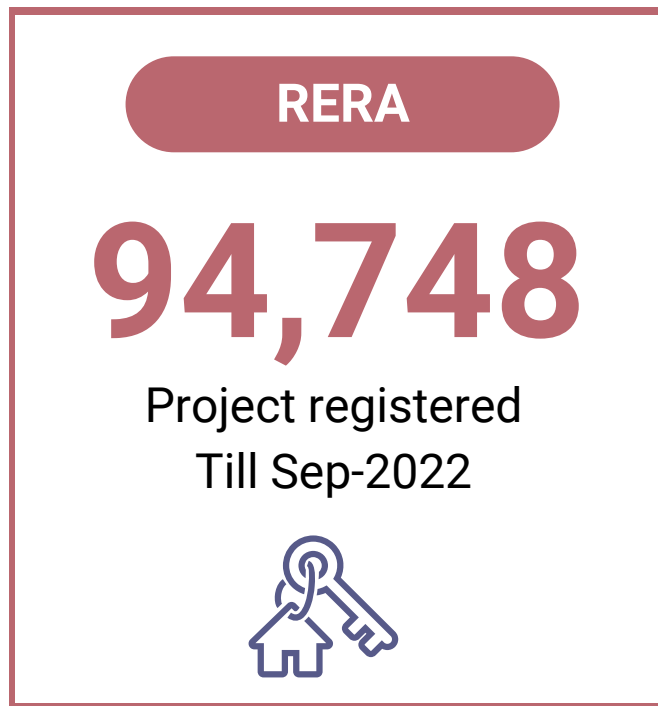
Source: MoHUA Secretary Durga Shanker Mishra at National Urban Digital Mission in May-2021



Source: Report by DPIIT in Dec 2021.



Source: Naredco President Niranjan Hiranandani at the release of Real Estate Sentiment Index Q1 2020 in Jan 2021.



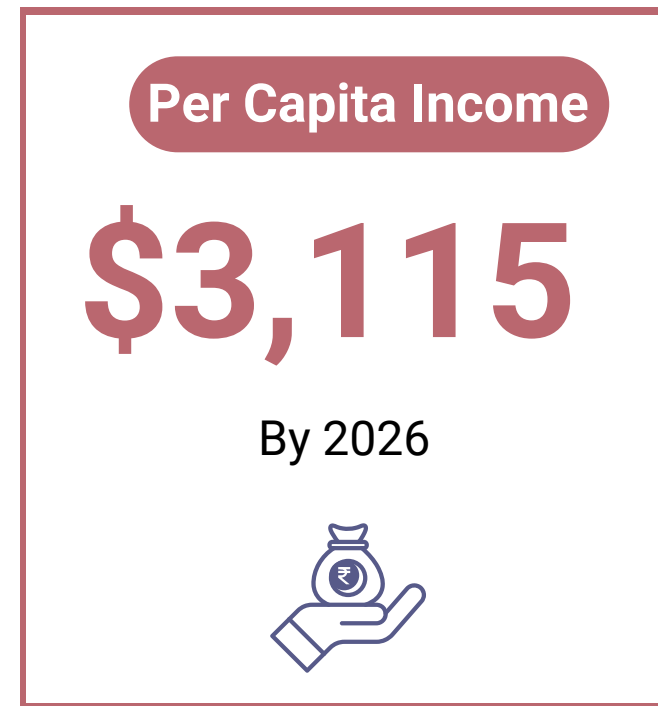
Source: RERA status tracker by MoHUA



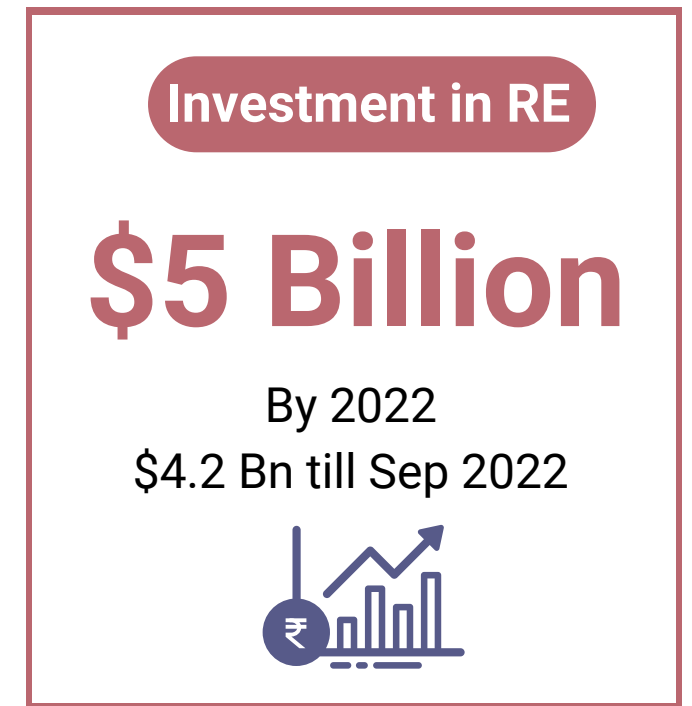
Source: Niti Aayog CEO at CII Event in Oct 2021



Source: Population projection report - MoHFW in Jul 2020

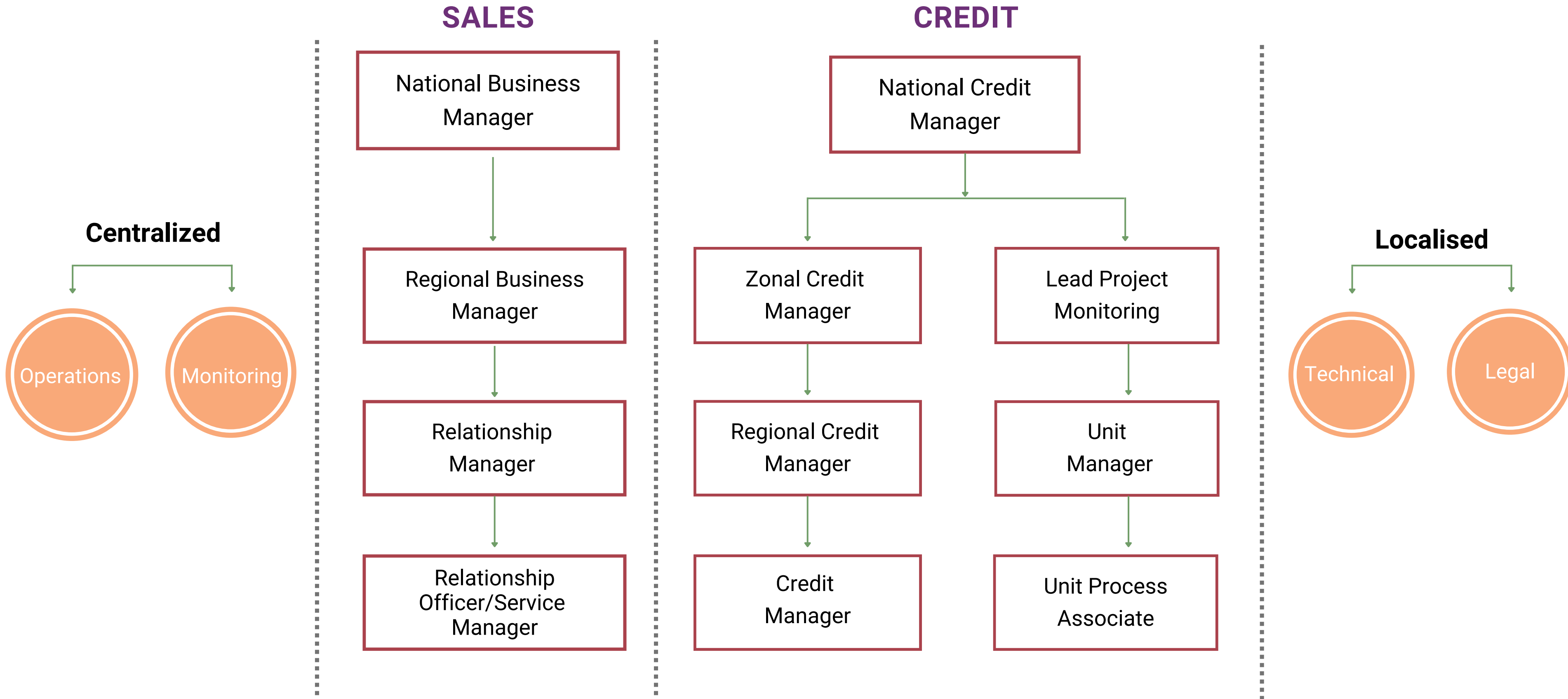


Source: Statista, German-based market database



Source: Investment in RE 2022 Report- Knight Frank India

Real Estate Group - Organisational Structure



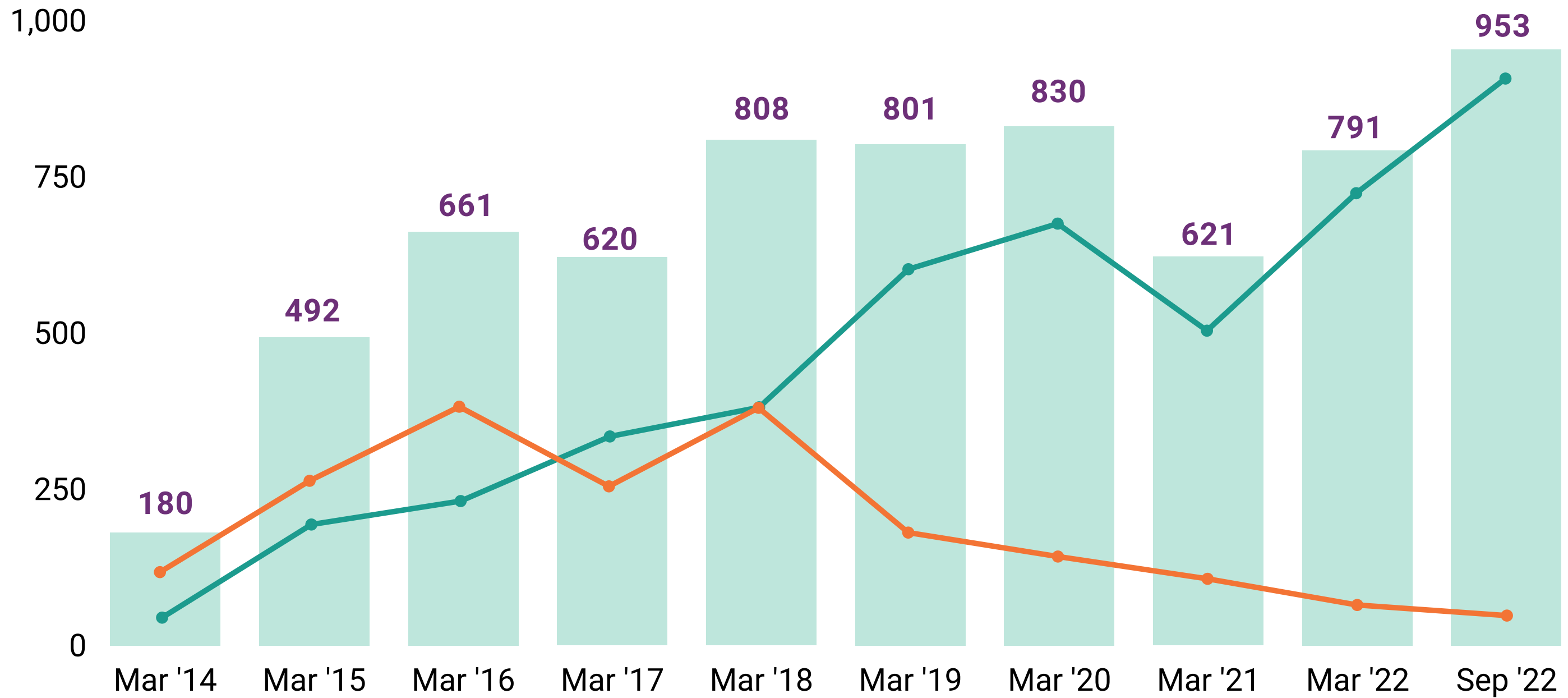
Team Strength: 44 Employees

REG - Portfolio Trend

Gross Advances Movement (Rs. in Crs)

CF

LAP



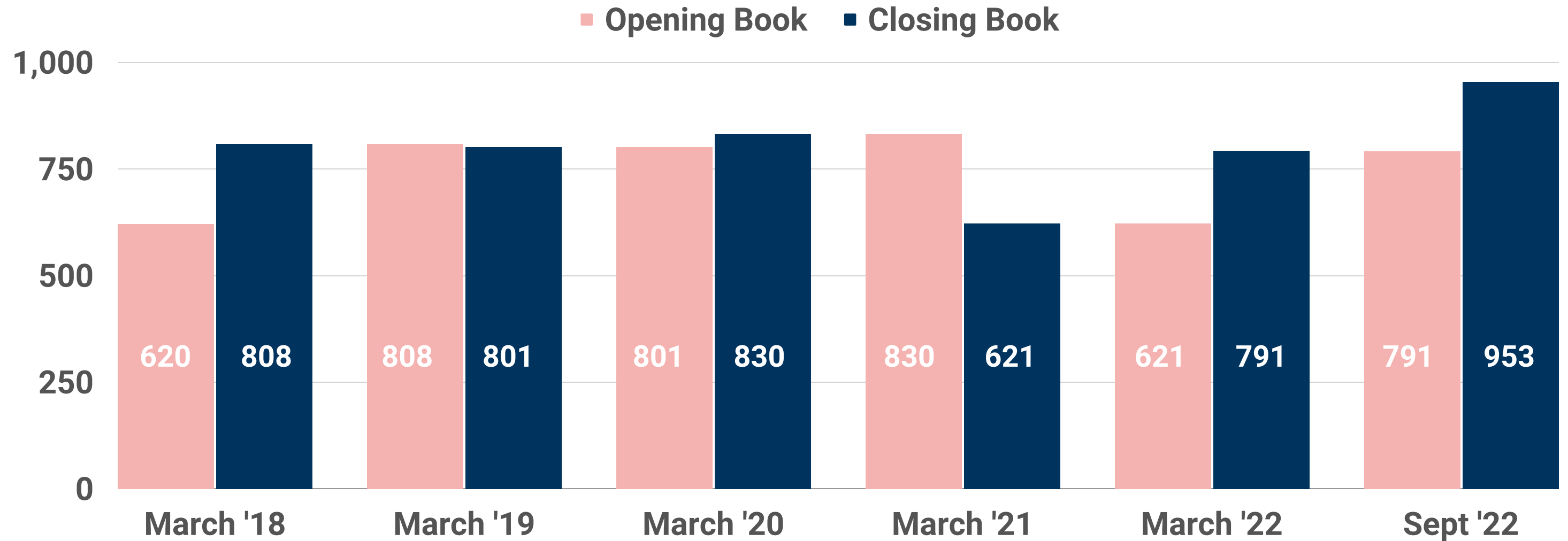
Portfolio

Builder LAP

CF

Note: Data has been regrouped and re-classified as per current reported product wise Gross Advances

REG - Portfolio Movement



Closing Book Movement
(in Rs. Crs)

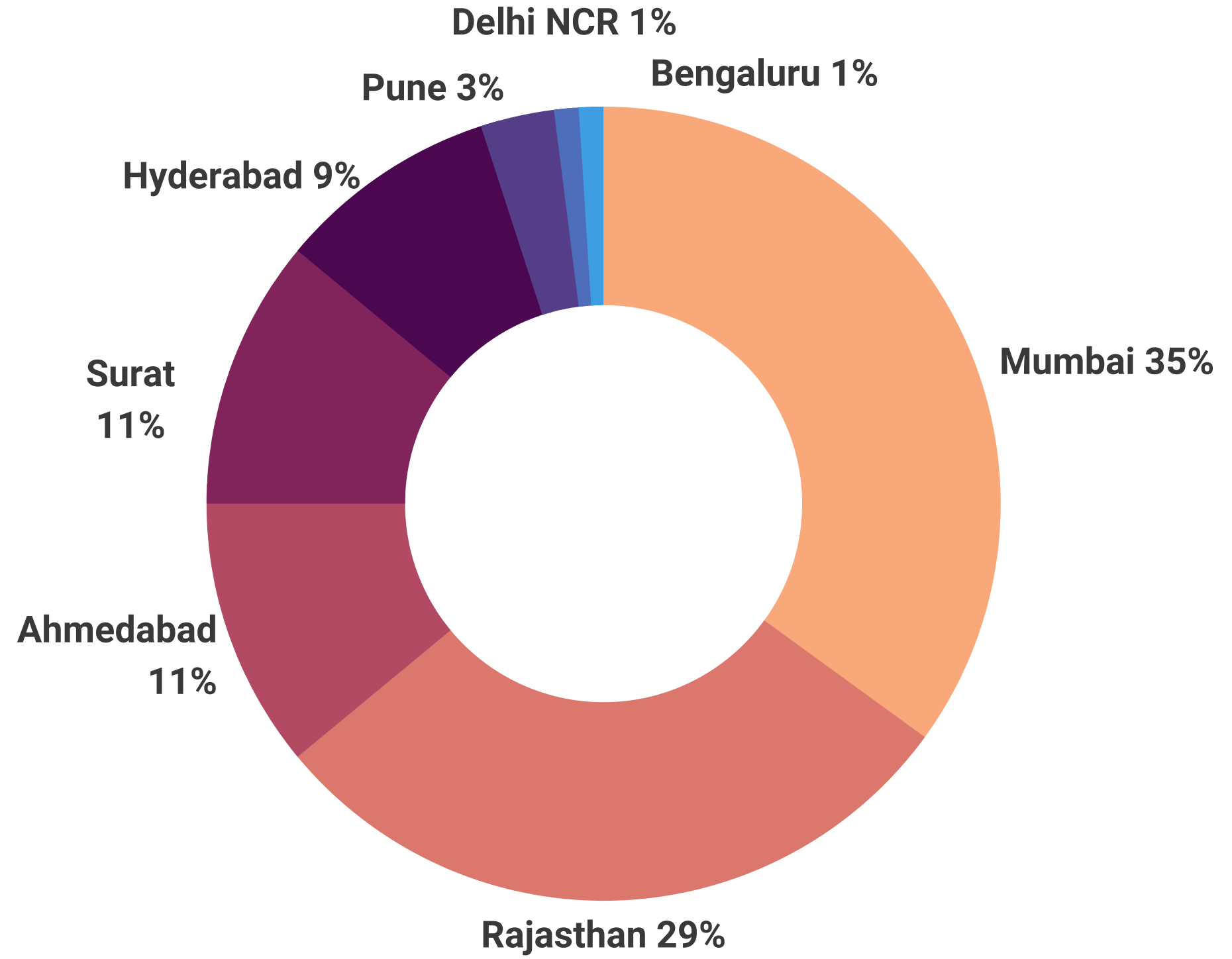
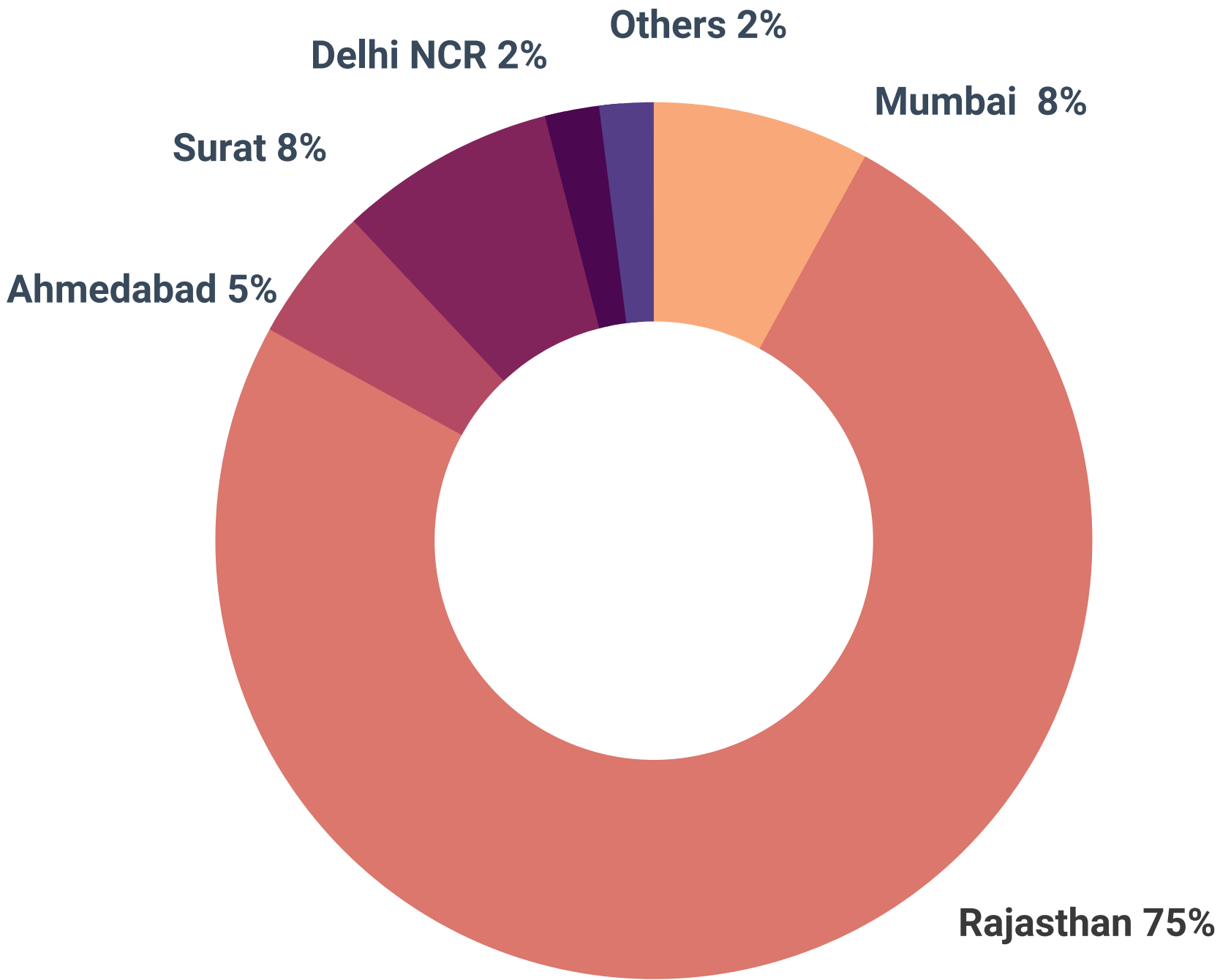
Disbursement (D)	481	439	406	294	852	632
Repayments (R)	294	447	377	503	683	470
R/D	61%	102%	93%	171%	80%	74%

- Cash Flow-Controlled Lending
- Faster Repayment Resulting Sluggish Portfolio Growth

REG - Geographical Distribution

March 2018

September 2022



- Rajasthan's concentration reduced from 75% to 29%
- Penetration in Tier-1 cities increased from 17% to 60%

REG - Portfolio Features

Affordable Housing Projects

42%

Top 10 Customer

22% Exposure (18 Projects)

Active RERA Projects

173 (92% portfolio)

Average Loan Lifecycle

2.5 years

Average RERA Projects Ticket Size

Rs. 14.20 Crs

Average Retail Ticket Size

Rs. 0.9 Crs

Synergy with Liability:

Account	EOP in Crs
Current Accounts including RERA A/cs*	~75
Saving Accounts	~5
Term Deposits	~35
Total Liability Book	~115

(*Includes credit balance in CC/OD)

Thruputs:

Activities	Avg Quarterly Volumes
NOC Issuance	~1,000+
Escrow Transfers	~3,500+
Subsequent Tranches	~350+



Cashflow Controlled Lending

Locations Focus - Tier 1 Cities

Average Ticket Size <15 Crs (RERA Projects)

Priority - Affordable Housing Projects

REG - Underwriting Practices and Philosophy

Philosophy




- No Dependency on Funding
- Towards Asset Creation
- Concentration of Borrower
- Significant Lender to Borrower
- Financial Closure of Project
- Control over Project Cashflows

Practices

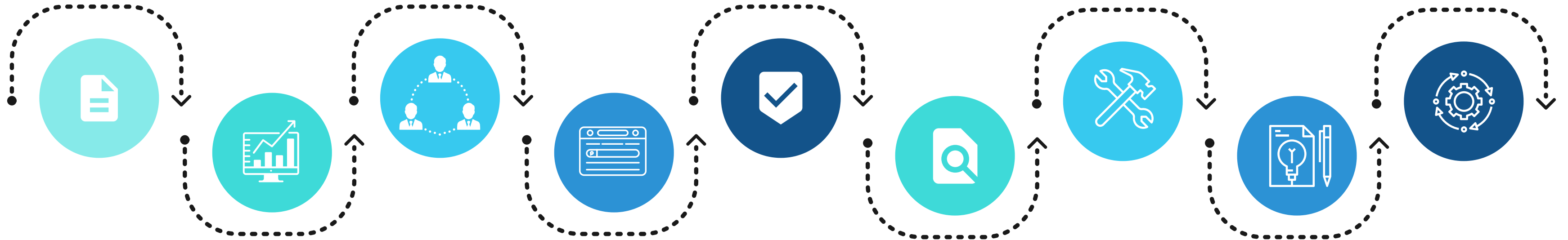
Credit Based Business Sourcing

Pro Active & Continuous Customer Engagement

Direct Liaising with Customer

Construction Activity-Based Disbursement

System Based Post On-Boarding Servicing

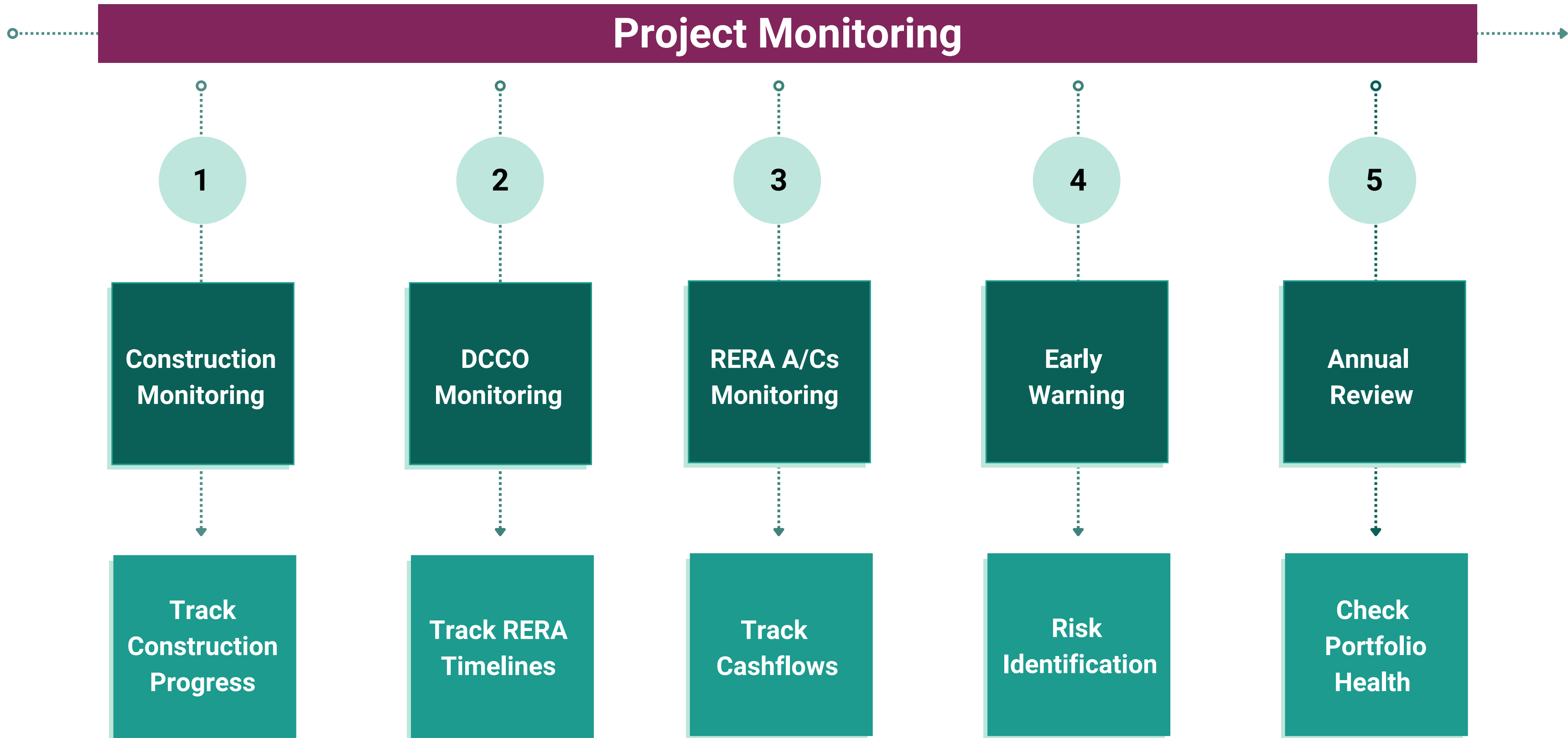


Pre-login Joint PD by Credit & Business

Philosophy Based Underwriting

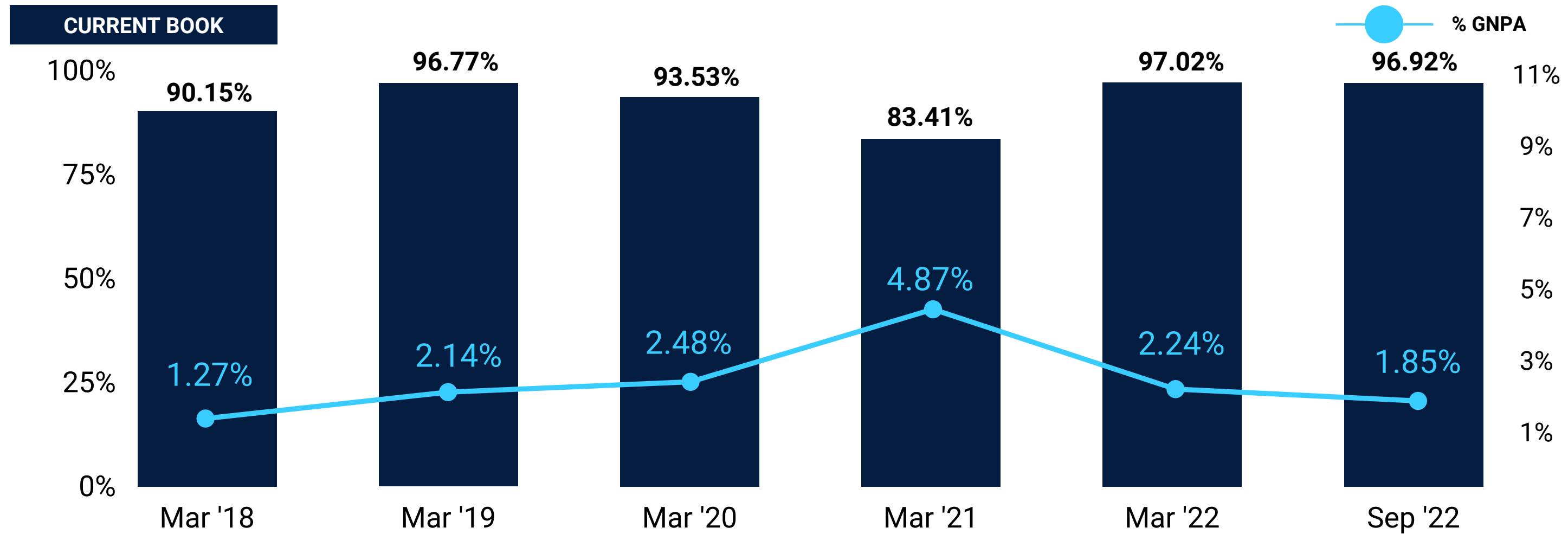
Onsite Due Diligence

Complete Control Over Project Accounts



REG - Portfolio Health & Asset Quality

Asset Quality



- 96.92% Book – Current

- 90+ DPD – Only 3 customers

- No customer on-boarded post April'17 turned NPA

- 100% Gross NPAs – Provided for

- Security Cover Range – 1.5x to 2.0x

- Receivable Cover Range – 2.0x to 2.5x



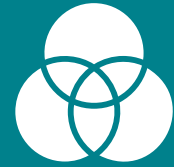
Transaction Banking

● ● ●



Transaction Banking – Enabling Holistic Banking

Synergy with Asset Businesses



- Leverage Lending Relationships for Cross-sell
- Sole Lending Relationships can be Harnessed for Transaction Banking Business

Maximizing wallet share



- Capture More Banking Business Wallet Share – CASA Balances, Trade & Fx Flows
- Ecosystem Banking Provides More Cross-sell Opportunity

Higher RoA



- Maximize Income & Improve ROA
- Low-cost Balances & NFB Fee Income Improves Return on Risk Weighted Assets

Higher Customer Retention



- Transactional relationship and superior customer experience creates loyalty and exit barriers
- Recurring and stable business through transactional product offerings

Core Banker



- Position AU SFB as core bank of customer meeting all customer requirements
- First right of refusal for all future banking business

Risk Mitigation



- Ring fencing customer's cashflows
- Transaction data monitoring provides early warning signals

I. Cash Management Services



- Holistic Integrated Collection and Payment Solutions (**4X increase in CMS customers since Mar 2021**)
 - CMS Cross Sell through Sales Channels and Continuous Product Additions and Upgrades
- Advanced Cash Management Solutions capability – API Banking Services (**Bespoke Implementations**), Enhanced **QR** and **UPI solutions**
- Customized CMS Offerings for large clients/segments (**NBFCs, Govt Banking, Payment Aggregators**)
- Partnerships and alliances for segment specific offerings - **eShiksha, Tally Integration, Govt Banking Solutions**

II. Trade Finance



- Inland Trade Finance Products – Bank Guarantees, Letters of Credit, LC Backed Bill Discounting
- Inland Bill Discounting (Sales/Purchase Invoices) for the working capital needs of clients
- Referral business with partner banks for Cross-border Trade Finance and Remittances

Transaction Banking – Key Priorities

1

BUSINESS SCALE UP

- CASA Scale up – Operative accounts through CMS Cross-Sell
 - Leverage branch network
 - Specialist CMS Sales
- Build & Scale Up New Business:
 - Supply Chain Finance
 - Funded Trade Finance

2

EXPAND PRODUCT SUITE

- CMS Offerings –
 - PF /ESIC/Custom payments
 - Sub-membership for Co-op Bank
 - Aadhar based NACH
 - Nodal Accounts



DIGITAL APPLICATIONS

3

- Superior Digital Channels
 - Upgraded Corp Net Banking
 - Merchant App for SMEs
 - Digital Trade Portal
- Process Digitalization
 - Digital Trade workflow
 - Electronic Bank Guarantee

BUSINESS MULTIPLIERS

4

- Alliances and Partnerships
 - Connected Banking for Accelerating Acquisition of liability relationships
- Leverage Data Analytics for Cross- Sell
 - Right Product Cross-Sell
 - Ecosystem Banking

Commercial Banking – Digitization & Digital Adoption

Digitalization Of Internal Process



Loan Origination
System



Digital Documents
Extraction



Transaction Process
Digitization

Digital Channels For Superior Customer Experience



Advanced Corporate
Net Banking with
Comprehensive
functionalities



Mobile app for
merchants and
SMEs under
development



Digital Trade Portal
for facilitating
online trade
transactions

Building Partnership Across Platforms & Ecosystems

Key Takeaways for Commercial Banking

- **High Synergy** with Branch Banking Franchise & **Lower Cost** of **Customer Acquisition**
- Continued Focus on Opex, Asset Quality, Holistic Banking & Fee Based Income for **ROA Accretion**
- Significant Opportunities to Grow Each Business with **Growth in Economy**
- Balance Sheet-based Lending with **Better Visibility** on Cashflows owing to **GST & Banking Data**
- Potential to **Increase Fee Income** from Trade & Fx once Bank Transition to AD Category (I)
- Continue to Focus on **Transaction Banking** to Build CA Book & **Lower Cost of Fund**
- Focus on **Digitization** to Enhance Customer Experience



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Note: All financial numbers in the presentation are from Audited Financials or Limited Reviewed financials or based on Management estimates.

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Thank You!

