Management discussion and analysis

Global economic review

One year into the COVID-19 pandemic, the accumulating human toll continues to raise concerns, even as growing vaccine coverage lifts sentiment. In the second half of fiscal 2021, global financial markets remained largely buoyant, fueled by optimism around a speedy vaccine-led recovery. The COVID-19 induced disruptions aggravated the situation and the operating environment turned more challenging in FY 2020-21.

The global economy reported a de-growth of 3.3% in 2020 compared to a growth of 2.9% in 2019, the worst contraction since World War II. This sharp decline in the global economic growth was largely due to the outbreak of the novel coronavirus and the consequent suspension of economic activities due to the pandemic-induced lockdown. This led to supply chain disruptions, resulting in the de-growth of some of the largest global economies.

Region	2020	2019
World output	(3.3)	2.9
Advanced economies	(4.9)	1.7
Emerging and developing economies	(2.4)	3.7

(Source: IMF)

Performance of some major economies

The strength of the recovery is projected to vary significantly across countries, depending on access to medical interventions, effectiveness of policy support, exposure to cross-country spillovers, and structural characteristics entering the crisis.

United States: The country witnessed a GDP de-growth of 3.4% in 2020 compared to a growth of 2.3% in 2019, the worst year since World War II. Despite recording an impressive growth rate of 33.4% in the third quarter, it slumped to a growth rate of 4% in the final quarter mainly due to increasing coronavirus cases in the country.

China: The country's GDP grew 2.3% in 2020 compared to 6.1% in 2019 despite being the epicenter of the outbreak of the novel coronavirus. It was the only major economy able to avoid GDP contraction in CY2020.

United Kingdom: Britain's GDP shrank 9.9% in 2020 compared to growth of 1.4% in 2019, the biggest decline since the Great Frost in 1709 and twice the annual contraction recorded in the aftermath of the financial crisis in 2009. The second wave of the virus and extended lockdown were some of the biggest factors responsible for the economic weakness.

Japan: Japan economy witnessed a contraction of 4.8% in 2020, the first instance of contraction since 2009. Having started the year with a quarterly contraction of 2.1%, it was followed by an increase in the contraction in Q2, 2020 on account of the COVID-19 crisis, which stood at 10.3% and then further followed by 5.8% and 1.1% GDP growth rates recorded in Q3 and Q4, 2020, respectively. This revival in the country's economy could be attributed to the increase in exports.

(Source: CNN, IMF, Economic Times, trading economics, Statista, CNBC)

Global economic growth

Year	2016	2017	2018	2019	2020
Real GDP growth (%)	3.1	3.8	3.6	2.9	(3.3)

(Source: IMF; E: Estimated)

Outlook

The global economy is projected to report stronger recovery in 2021 and 2022 – 6% in 2021 and 4.4% in 2022 largely due to the successful roll-out of vaccines across the globe, coupled with additional policy support in the large economies. (Source: IMF)

Indian economic review

The COVID-19 pandemic has impacted most countries, including India. This resulted in countries announcing lockdown and quarantine measures that sharply stalled economic activity. Several countries took unprecedented fiscal and monetary actions to help alleviate the impact of the crisis. The Indian economy passed through one of the most volatile periods in living memory in 2020-21.

The Indian Government announced a complete lockdown in public movement and economic activity from the third week of March 2020. As economic activity came to a grinding halt, the lockdown had a devastating impact on an already-slowing economy as 1.36 billion Indians were required to stay indoors - one of the most stringent lockdowns enforced in the world.

The outbreak of the novel coronavirus and the consequent suspension of economic activities due to the pandemic-induced lockdown, coupled with muted consumer sentiment and investments, had a severe impact on the Indian economy during the first quarter of the year under review. The Indian economy de-grew 23.9% in the first quarter of 2020-21, the sharpest de-growth experienced by the country ever since the index was recorded.

The Central and State Governments selectively lifted controls on movement, public gatherings and events from June onwards, each stage of lockdown relaxation linked to corresponding economic recovery. Interestingly, the recovery was not merely linear and across-the-board. As controls relaxed what the country observed was a new normal: where individuals were encouraged to work from home; where inter-city business travel was replaced by virtual engagement; where a greater premium was placed on the ownership of personal mobility modes (cars and two-wheelers); there was a sharp increase in home purchase following the need to accommodate an additional room for home working.

The result is that India's relief consumption, following the lifting of social distancing controls, translated into a full-blown economic recovery. A number of sectors in India – real estate, steel, cement, home building products and consumer durables, among others - reported unprecedented growth. The result is that India de-grew at an improved 7.5% in the July-September quarter and reported 0.4% growth in the October-December quarter and a 1.6% growth in the last quarter of the year under review.

The result is that India's GDP contracted 7.3% during 2020-21, largely on account of a sharp fall in the first two quarters. This sharp Indian recovery – one of the most decisive among major economies – validated India's robust long-term consumption potential.

India began to report improving Goods and Services Tax (GST) collections month-on-month following the relaxation of the lockdown.

The per capita income was estimated to have declined by 5.4% from ₹1.35 lakh in 2019-20 to ₹1.27 lakh in 2020-21.

India attracted its highest total FDI inflow (USD 81.72 billion) during the financial year 2020-21, 10% higher than the previous financial year 2019-20 (USD 74.39 billion).

The Government of India announced various measures to support the economy during this period. The Government sustained a number of economic reforms to revive investor sentiment. The Government initiated structural reforms in agriculture, labour laws and medium-small enterprise segments.

The Reserve Bank of India (RBI) also announced several measures to ease the financial system stress, including enhancing system liquidity, reducing interest rates, moratorium on loan repayments for borrowers, asset classification standstill benefit to overdue accounts where a moratorium had been granted amongst others to alleviate the economic stress induced by the pandemic which had an impact across sectors that were already showing signs of a slowdown before the outbreak.

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India extended the Partial Credit Guarantee Scheme by relaxing the criteria and allowing state-owned lenders more time to purchase liabilities of shadow banks.

Under the ₹45,000-crore partial credit guarantee scheme, announced as a part of the Atmanirbhar Bharat package, three additional months were given to banks to purchase the portfolio of non-banking financial companies.

The Government relaxed foreign direct investment (FDI) norms for sectors like defence, coal mining, contract manufacturing and single-brand retail trading.

The Union Cabinet approved the Production-Linked Incentive (PLI) scheme for 10 sectors: pharmaceuticals, automobiles and auto components, telecom and networking products, advanced chemistry cell batteries, textile, food products, solar modules, white goods, and specialty steel. These incentives could attract investments in modern technology, catalyzing India's journey towards becoming a global player.

Y-o-Y growth of the Indian economy

Year	FY18	FY19	FY20	FY21
Real GDP growth (%)	7	6.1	4.2	(7.3)

Growth of the Indian economy, 2020-21

Year	Q1, FY21	Q2, FY21	Q3 FY21	Q4,FY21
Real GDP growth (%)	(23.9)	(7.5)	0.4	1.6

(Source: Economic Times, IMF, EIU, Business Standard, McKinsey)

Outlook

India is projected to grow in the high single-digits percentages in 2021-22 following the second surge of the pandemic in March 2021.

Housing finance sector

Even as India's housing finance sector enjoys a multi-year growth story on account of a growing population, increased aspirations, government incentives and stable real estate prices, there was a setback for a part of 2020-21 on account of the COVID-19 pandemic. There was a decline in non-bank credit growth, which commenced in the second half of fiscal 2019, continuing through fiscal 2020, accentuated first by the ongoing economic slowdown and thereafter by the pandemic.

The COVID-19 induced slowdown affected the performance of Housing Finance Companies (HFCs), which were encountering slow growth as well as liability and asset quality-related challenges. ICRA estimated housing credit growth at 9-12% in FY 2020-21 (lower than the last three years' CAGR of 16%), creditable in view of the lockdown across the first quarter of the last financial year and sluggish conditions thereafter. This validates the long-term health of the sector, whose relevance only increased at a time when individuals were expected to stay at home.

With the gradual pick-up in demand for housing credit in the industry in last two quarters of FY 2020-21, most of the HFCs have already reached near pre-COVID level disbursements and are now striving to achieve higher disbursement targets. This is expected to push up the growth rate for FY 2020-21 to 6-8%. Subsequently, the growth is estimated to be of 8-10% for on-book portfolio of HFCs in FY 2021-22.

Given the stress in cash flows encountered by the borrowers, the overdues of the HFCs rose in FY 2020-21. Moreover, the asset quality indicators were impacted majorly in this financial year. It is anticipated that GNPAs of HFCs for FY 2020-21 could be 50-100 basis points higher than that for FY 2019-20 and the increase can continue to remain in FY 2021-22. A relatively lower business growth than the ones recorded in the previous years and asset quality pressures limited the profitability of the HFCs in FY 2020-21.

From a liquidity perspective, the HFCs are maintained healthy Balance Sheet liquidity for the last few quarters and gradually reduced their reliance on short-term funding sources like commercial paper, which helped improve asset liability mismatches in the near-term buckets. HFCs are expected to maintain healthy liquidity in the near-term given the challenging environment.

On the profitability side, HFCs were affected by increased delinquencies, rise in provisions and moderation in interest income. The moderation in interest income came on account of the weaker growth in the advances given by housing finance companies. The total loan securitization undertaken by housing finance companies, NBFCs and MFIs stood at ₹90,000 crore compared to ₹1.9 lakh crore in FY 2019-20. Moreover, the uncertainty related to incomes translated into a higher incidence of repayment defaults during the year under review. The asset quality in the self-employed segment niche of the affordable housing finance sector worsened more than the salaried segment.

By customer type, India's home loan market was segmented into the salaried and self-employed segments. The salaried segment accounted for ~88% market share in 2020. By tenure, the market was segmented up to 5 years, 6-10 years, 11-24 years, and 25-30 years, with the 11-24 year segment accounting for the highest share (preferred tenure being 20 years). (Source: ICRA, Business Today)

The affordable housing finance segment

The affordable housing finance segment is the largest – and most challenging - within India's housing finance sector. India's typical affordable HFC customer lives in Tier-2 and Tier-3 cities, is new to the concept of credit, earns a low informal income, does not possess income documents and is usually self-employed. These realities warrant the use of specialized expertise in addition to what is used in conventional lending.

The portfolio growth in the affordable segment slowed as well but remained higher than HFCs although on a lower base, supported by robust demand and liquidity support from NHB, leading to a growth of 8% in 9M FY 2020-21 following the growth of 18% in FY 2019-20. With the demand in this segment remaining intact, it is expected to continue growing at a faster pace than the overall industry (Source: ICRA).

The usual characteristics of affordable housing finance niche are captured in the following realities:

Low average ticket size: Nearly 70% of the niche is accounted for by loans of ₹10 lakh or lower.

Self-employed: Nearly 85% affordable HFCs cater to the growing needs of the self-employed where yields are typically higher than the salaried segment.

Format: Much of the financing is for single units and self-occupied houses, indicating that they are for active use and not investment

Low loan to value: More than 60% of the loans made in the affordable housing finance niche have a Loan To Value (LTV) of less than 70%, indicating a higher skin in the game for the borrower and correspondingly lower risk for the lender.

Undocumented income: This segment is marked by a distinctive reality where most of the borrowers are without documented formal income; they are sought by customers who are new to credit and the entire process warrants a cash flow-based assessment.

Outlook

India's home loan market is anticipated to grow at a CAGR of around 22% during 2021-2026.
(Source: Reportlinker).

Housing finance sector catalysts

Housing shortage: India's urban housing shortage is around 10 million units, a majority in Economically Weaker Section (EWS) and Lower Income Group Segment (LIG). To support 40% of the population in the urban area, there would be an additional demand for 25 million additional affordable units.

Mortgage penetration: The mortgage penetration in India from formal lending sources is only 9%, while the remaining 91% of the houses are built using own funds and informal borrowing sources, widening the room for HFCs (Source: Assocham)

Awareness: There is a growing awareness among the salaried/self-employed segments that residential rental payments are equivalent to monthly installments that would be paid against home loans, growing the housing financed market.

Monetary measures: The RBI announced the highest reduction in repo and reverse repo rates to stimulate demand for home ownership and housing finance. RBI also announced ₹5,000 crore to be infused in National Housing Bank (NHB).

Government support: The Government is committed to its 'Housing for all' vision under the Pradhan Mantri Awas Yojana (PMAY). The Credit Linked Subsidy Scheme (CLSS) for the EWS and LIG has been extended till March 2022.

Urbanization: By 2030, 40% of the country's population, or 600 million people, are expected to reside in cities. The country requires 700 to 900 million square meters of residential and commercial space (equivalent to Chicago) to be built annually till 2030 to accommodate this 600 million i.e. 70% of India of 2030 is likely to be built in the coming decade, widening the market for housing finance. This migration means that nearly 90% of the demand is likely to be generated from the bottom of the economic pyramid.

Demographics: Close to 65% of India's population is under 35 years, a class of the population considered economically productive. The number of nuclear families is rising sharply on account of job dispersal and other social realities.

Cost: The cost of housing finance in India is among the lowest across developing economies. Besides, lower fixed deposit /saving accounts returns are incentivizing investments in home ownership. The cost of real estate has remained steady for one of the longest periods in recent times, enhancing home ownership affordability.

Country-wise mortgage to GDP ratio (%)

Sweden	82%
United Kingdom	69%
United States	63%
Singapore	50%
Hong Kong	45%
Germany	36%
Malaysia	34%
Korea	31%
Thailand	20%
China	18%
South Africa	18%
India	10%
India FY23E*	13%

*Estimate

Rise in India's nuclear households

CY11	52%
CY25E*	74%

*Estimate

The indicative Indian affordable housing finance market

Demand by FY22 Housing units (million)	Income category	Annual household income (₹ million)
~14	Low income group	0.3-0.6
~18	Economically weaker section	<0.3

Category	Size (sq. ft.)	Price/unit (₹ million)	Disbursement potential (₹ trillion)
MIG	600-1200	2-4	3.7
LIG	300-600	1-2	2.9
EWS	150-300	<1	1.9

Source: Avendus

Government policies for the housing finance companies

In June 2020, the RBI released draft framework for the regulation of HFCs. The Draft Framework proposed to bring HFCs under the regulatory umbrella of the RBI, putting it on a level playing field with other NBFCs.

The RBI issued a master circular titled 'Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021' on February 17, 2021, which supersedes the previously issued directions by NHB and the RBI. The circular provides a consolidated regulatory framework applicable to HFCs.

- To qualify as HFC, 60% of the total assets (net of intangible assets) should comprise of housing finance, of which at least 50% should be towards individual housing loans
- HFCs to achieve CRAR of 15% by March 2022
- RBI permitted lending to individual home buyers or construction of the same project
- Capital market exposure has been capped at 40% of the net worth for HFCs
- HFCs to achieve minimum Net owned fund of ₹20 crore by March 31, 2023

The Government of India approved a scheme to improve NBFC/HFC liquidity through a SPV to minimize systemic risks. The eligible non-bank lenders were to be provided short-term liquidity through a special purpose vehicle (SPV) that would purchase the short-term papers from eligible NBFCs/HFCs and utilize proceeds for extinguishing existing liabilities. (Source: https://realty.economictimes and ICICI Direct)

Budgetary provisions of Union Budget 2021 on the sector

- Extension of additional tax deduction of ₹1.5 lakh on interest paid on housing loan for purchase of affordable homes by one more year to March 31, 2022. This additional deduction of ₹1.5 lakh over and above ₹2 lakh was introduced in the 2021 Budget. This was allowed for those buying homes for the first time and of up to ₹45 lakh.
- To encourage the supply of affordable houses it was proposed that housing projects could avail of a tax holiday for one additional year till March 31, 2022.

Outlook

The outlook of India's housing finance sector is likely to be robust across the long-term for a fundamental reason: more Indians want to buy houses for enhanced security and asset creation even though renting could be cheaper in the short-term.

As the Indian economy matures, the mortgage-to-GDP ratio of less than 10% (which is significantly lower than other countries) could move towards the mid-teens and make the housing finance a USD 750 billion market over five years, creating a sweet spot for specialized affordable HFCs.

The housing finance sector is expected to grow sustainably on account of sustained population growth, rapid growth coming out of non-metro India, increased per capita incomes, home ownership preference, affordable home prices along with a need for external financing, consistent government support and extensive under-penetration.

Projected Indian housing finance market growth

Year	Loan assets (₹ trillion)
FY13	7
FY14	9
FY15	10
FY16	12
FY17	14
FY18	17
FY19	19
FY20E*	22
FY21E*	26
FY22E*	31
FY23E*	37
FY25E*	54

*Estimate
Source: Avendus

Urban housing needs (million units)

CY11	19
CY16	29
CY22E*	46

*Estimate

Rural housing need (million units)

CY11	29
CY16	34
CY22E*	46

*Estimate

Government initiatives for the overall sector

Atmanirbhar Bharat 3.0: Income tax relief measures for real estate developers and homebuyers for primary purchase/sale of residential units of value (up to ₹2 crore from November 12, 2020 to June 30, 2021).

Affordable Housing Fund: Created in NHB with an initial corpus of ₹10,000 crore using priority sector lending short fall of banks/financial institutions for micro financing of housing finance companies

Alternative Investment Fund: Approved by the Union Cabinet for setting up a ₹25,000 crore fund to revive ~1,600 stalled housing projects

Pradhan Mantri Awas Yojana (Urban): Around 1.12 crore houses were sanctioned in urban areas.

RERA: In October 2020, the Government announced the application of Real Estate (Regulation & Development) Act, 2016 to Jammu & Kashmir, which paved the way for any Indian citizen to buy non-agricultural land and property in that state.

Tax moderation: GST Council cut tax to 5% from 12% on premium houses and to 1% from 8% for affordable houses. (Source: IBEF)

About Aavas Financiers

Aavas Financiers Limited (Aavas) is a housing finance company based in Jaipur, Rajasthan. The Company is primarily engaged in providing housing loans in rural and semi-urban areas. It is present in 11 states in north, west and central India with a branch network of 280 (as on March 31, 2021) and assets under management of ₹9,454.29 crore as on March 31, 2021.

SCOT analysis of Aavas

Strengths	Challenges	Opportunities	Threats
▪ Ability to appraise the informal segment with better asset quality ▪ Focused market presence with deep branch network ▪ Strong reliance on technology ▪ Positive ALM; no Commercial Paper ▪ Low Balance Sheet leverage	▪ Overall economic downturn ▪ Slowdown in the real estate sector	▪ Lower mortgage penetration ▪ Growing urbanization requiring more residential units ▪ Growing aspiration levels in the rural and semi-urban regions ▪ Continuous focus on affordable housing segment	▪ Economic vulnerability owing to pandemic situation ▪ Reduced credit flow following NBFC fiasco ▪ Growing competition

Aavas' performance review, FY 2020-21

FINANCIAL PERFORMANCE

Income & Profits

Total Income of the Company for the year ended March 31, 2021 was ₹1,105.34 crore compared to ₹903.09 crore in the previous year, representing a growth of 22%.

For the year ended March 31, 2021, the Company reported a Profit Before Tax of ₹353.33 crore as against ₹302.05 crore for the year ended March 31, 2020, representing a growth of 17%.

The Company reported Total Comprehensive Income of ₹290.33 crore for the year ended March 31, 2021 as against ₹249.07 crore for the year ended March 31, 2020, a growth of 17% over the previous year.

Statement of Profit and Loss

Key elements of the Statement of Profit & Loss for the year ended March 31, 2021 were:

- Profit Before Tax grew 17% as against ₹302.05 crore in the previous year.
- Total Comprehensive Income grew by 17% as against ₹249.07 crore in the previous year.
- Net Interest Margin for the year was 7.71% as against 8.16% in the previous year.
- The Company's Operating Expense ratio (to average total assets) was 3.01% for the year ended March 31, 2021.
- Total Expenses of Company grew by 11.4% during the year under review.

- The Earnings per share (Basic) was ₹36.94 in 2020-21 as against ₹31.86 in the previous year.
- Return on average net worth for the year was 12.91% in 2020-21 as against 12.66% in the previous year.
- Interest coverage ratio for 2020-21 was 1.82 times as against 1.90 times in the previous year.
- Debt-equity ratio for the year was 2.65 times for 2020-21 as against 2.57 times in the previous year.
- Operating profit margin for the year was 37.19% in 2020-21 as against 37.31% in the previous year.
- Net profit margin for the year was 26.27% in 2020-21 as against 27.58% in the previous year.

OPERATIONAL PERFORMANCE

Aavas is a retail affordable HFC primarily serving low and middle-income self-employed customers in semi-urban and rural areas in India. It offers customers home loans for the purchase or construction of residential properties, and for the extension and repair of existing housing units.

As of March 31, 2021, a majority of the home loans that it disbursed were for single-unit properties, almost all of which were to be occupied by the borrowers themselves. A majority of its customers have limited access to formal banking credit.

The Company has a dedicated team who looks after subsidy cases. The Company's presence in the cities with lower credit penetration provides it an opportunity to connect with prospective customers eligible for the scheme. Additionally, the place where Aavas is present matched the pin codes provided under the scheme. The Company addressed several first-time borrowers (approximately 30-40%) living in kuccha houses and aspiring to live in pucca homes. Aavas possessed the quality of assessing people eligible for the scheme. The sales team visited small vendors/businessmen who did not have formal income documentation but were eligible to avail subsidized loans.

Loan products

The Company offers customers home loans for the purchase or construction of residential properties, and for the extension and repair of existing housing units.

In addition to home loans, the Company offers customers other mortgage loans including loans against property, which accounted for 26.52% of our Gross Loan Assets as of March 31, 2021. As of March 31, 2021, 65.16% of our Gross Loan Assets were from customers who belonged to the economically weaker section and low income group, earning less than ₹50,000 per month and 31.46% of our Gross Loan Assets were from customers who were new to credit.

Sanctions

The Company sanctioned ₹2,812.93 crore housing loans during 2020-21. The cumulative loan sanctions since inception of your Company stood at ₹14,459.13 crore until March 31, 2021.

Disbursements

The Company disbursed ₹2,656.85 crore housing loans during 2020-21 as compared to ₹2,930.39 crore in the previous year. The cumulative loan disbursement since inception as of March 31, 2021 was ₹13,754.76 crore.

Assets under Management (AUM)

The AUM of Company stood at ₹9,454.29 crore (including securitization/assignment of ₹2,004.68 crore) as of March 31, 2021 as against ₹7,796.09 crore in the previous financial year, a growth of 21%. As of March 31, 2021, the average loan sanctioned was ₹8.49 lakh and average tenure was 183.53 months in the AUM (on origination basis).

Spread on loans

The average yield on loan assets as on March 31, 2021 was 13.16% per annum compared to 13.63% as on March 31, 2020. The cost of funds was 7.40% per annum as on March 31, 2021 as compared to 8.44% as on March 31, 2020. The spread on loans as on March 31, 2021 was 5.76%.

Non-Performing Assets (NPA)

The Company maintained its gross NPAs at ₹73.91 crore (0.98%) as on March 31, 2021. The Company reviewed its delinquency and loan portfolio on a regular basis.

The Company conformed to a defined policy with procedures to address delinquencies and collections. As a result, Gross NPA and net NPA as of March 31, 2021 were 0.98% and 0.71% respectively (against 0.46% and 0.34% respectively in the previous financial year).

Capital Adequacy Ratio

As per the provisions of the clause 6.1 of Chapter IV- Capital of Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021 dated February 17, 2021, the Company was required to maintain a minimum capital adequacy of 14% on a standalone basis on March 31, 2021.The Company's Capital Adequacy Ratio as of March 31, 2021 was 54.38% (previous financial year 55.86%), far above the minimum required level of 14%.

Lending operations

The Company's lending operations continued to be robust, given the strong demand for housing loans. During the year, in value terms, loans to the EWS and LIG segment grew by 23.81% and 25.14% respectively compared to the previous year. The average home loan to the EWS and LIG segment stood at ₹4.66 lakh and ₹8.89 lakh, respectively.

Branch network

Aavas engaged in contiguous on-ground expansion across regions; as of March 31, 2021, the Company conducted operations through 280 branches covering 11 (eleven) States, of which it accounted for a significant presence in four states (Rajasthan, Gujarat, Maharashtra and Madhya Pradesh).

The Company has its registered office in Jaipur, Rajasthan.

RESOURCE MOBILIZATION

Share Capital

The issued and paid-up Equity Share Capital of the Company as on March 31, 2021 stood at ₹78,50,45,510 (Rupees seventy eight crore fifty lakh forty five thousand five hundred and ten) consisting of 7,85,04,551 (seven crore eighty five lakh four thousand five hundred and fifty one) Equity Shares of ₹10/- each as compared to ₹78,32,26,610 (Rupees seventy eight crore thirty two lakh twenty six thousand six hundred and ten) consisting of 7,83,22,661 (seven crore eighty three lakh twenty two thousand six hundred and sixty one) Equity Shares of ₹10/- each in previous year.

ESOP allotment

The Company issued and allotted 1,81,890 Equity Shares during the year pursuant to the exercise of stock options by the eligible employees of the Company under ESOP plans.

Term loans from banks and financial institutions

During the Financial Year, the Company received aggregate fresh loan sanctions amounting to ₹1,550 crore and has availed loans aggregating to ₹840 crore. The outstanding term loans from Banks and Financial Institutions as at March 31, 2021 were ₹2,818.98 crore with average tenure of 9.12 years.

Securitization/Assignment of Loan Portfolio

During the year under review, the Company received a purchase consideration of ₹549.59 crore from assets assigned in pool buyout transactions. The pool buyout transactions were carried out in line with RBI guidelines on securitization of standard assets and securitized assets have been de-recognized in the books of the Company.

Refinance from National Housing Bank (NHB)

During the Financial Year, the Company received fresh sanction of refinance assistance of ₹850 crore under the NHB refinance scheme and ₹366 crore under Special Refinance Scheme.

The Company availed funds of ₹1,161 crore under various Refinance Scheme such as for Affordable Housing Fund, Regular Refinance Scheme and Special Refinance Facility. Total outstanding refinance at the end of the current Financial Year stood at ₹1,872.39 crore (previous year ₹951.29 crore).

Non-Convertible Debentures (NCDs)

NCDs were issued to Banks, Domestic Financial Institutions and Multilateral/ Development Financial Institutions During the year under review, the Company added Central Bank of India and Kotak Mahindra Bank Limited as new lenders for NCDs. The NCDs of the Company are listed on Wholesale Debt Market segment of the BSE Limited.

The Company redeemed secured NCDs amounting to ₹50 crore before their maturity and made a part-principle repayment of ₹5 crore during the financial year under review.

As on March 31, 2021, the Company's outstanding NCDs from:

- Multilateral/Development Financial Institutions stood at ₹911.38 crore as compared to ₹909.86 crore as on March 31, 2020.
- Domestic Financial Institutions stood at ₹109.41 crore as compared to ₹59.92 crore as on March 31, 2020
- Banks stood at ₹244.9 crore as compared to Nil as on March 31, 2020.

The subordinated debt in the form of NCDs stood at ₹99.74 crore as compared to ₹99.66 crore as on March 31, 2020.

Masala Bonds issued to Multilateral/ Development Financial Institutions

As on March 31, 2021, the outstanding balance of Masala Bonds issued to Multilaterals stood at ₹198.97 crore.

Commercial Paper (CP)

The Company had not issued any Commercial Paper and Short-Term Instrument during the Financial Year 2020-21 and as on March 31, 2021, the Company's Commercial Paper outstanding was nil.

Credit rating

India's renowned rating agencies have assigned ratings to the Company. During the year under review, ICRA Limited has upgraded the Long term ratings of the Company from ICRA A+/Positive to ICRA AA-/Stable. The other credit ratings assigned to the Company were reaffirmed by respective credit rating agencies.

The details of the same are mentioned below:

Rating Agency	Rating Type	Nature of Borrowing	External Credit Rating
CARE	Long Term Rating	Long Term Banking Facilities, Non-Convertible Debentures and Instrument-Subordinated Debt	CARE AA- / Stable
	Short Term Rating	Commercial Paper	CARE A1+
ICRA	Long Term Rating	Long Term Banking Facilities and Non-Convertible Debentures	ICRA AA- /Stable
	Short Term Rating	Commercial Paper	ICRA A1+
India Ratings	Short Term Rating	Commercial Paper	IND A1+

The ratings continue to reflect Company's healthy earnings profile, adequate capitalization, strong net worth base and steady improvement in its scale of operations.

Human resources

Aavas believes that its competitive advantage lies in its people. The Company's people bring to the stage multi-sectoral experience, technological experience and domain knowledge. The Company's HR culture is rooted in its ability to subvert age-old norms in a bid to enhance competitiveness. The Company always takes decisions in alignment with the professional and personal goals of employees, achieving an ideal work-life balance and enhancing pride in association. The Company's employee count stood at 5679 as of March 31, 2021.

Internal control systems and their adequacy

The Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company's internal financial control over financial reporting includes those policies and procedures that:

(1) Pertaining to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company

(2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of the Company are being made only in accordance with authorizations of Management and Directors of the Company and

(3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

The Company has a robust internal audit programme, where the internal auditors, an independent firm of Chartered Accountants, conduct a risk-based audit with a view to not only test adherence to policies and procedures but also to suggest improvements in processes and systems. Their audit program is agreed upon by the Audit Committee. Internal audit observations and recommendations are reported to the Audit Committee, which monitors the implementation of such recommendations.

Cautionary statement

This statement made in this section describes the Company's objectives, projections, expectation and estimations which may be 'forward looking statements' within the meaning of applicable securities laws and regulations. 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 realized by the Company. Actual result could differ materially from those expressed in the statement or implied due to the influence of external factors which are beyond the control of the Company. The Company assumes no responsibility to publicly amend, modify or revise any forward-looking statements on the basis of any subsequent developments.