

### **Brief Profile**

The company is a **Systemically Important** Non - Banking finance Company registered with RBI as “NBFC-ND-SI-AFC” incorporated on November 21, 1994 engaged in the business of providing financing for income generation activity (Mainly Commercial vehicle supporting agricultural segment and MSME – Priority segment (secured by self-occupied property). The target customer base is self-employed individuals from rural and semi-urban areas. We truly believe we have created a product which serves the need of self-employed individuals and small businesses in India. Traditional underwriting methods in India exclude majority of creditworthy individuals and SME’s. It is this fundamental premise on which our business was built and we have a mission to bring a social impact in this segment. We cater to this under-served market by adopting an innovative approach and validating the creditworthiness of the individuals and small business. We do so by looking at variety of factors such as performance, stability, social net etc instead of just focusing on financial history. Not only do we have modern underwriting methods, but we have also made our loan repayment extremely flexible by making it in tune with your business cycles. Behind the functioning of the organization, is the belief that each customer is an asset in the growth of our business.

The company is backed by marquee private equity fund such as TPG Capital, Norwest Venture Partners X – Mauritius, Baring Private Equity India AIF, Karma Holdings Mauritius Limited and Evolve India Fund II Limited which together cumulatively hold 58.75 % of equity in the company.

The Company currently has geographical footprint / operations spread across 329 branches as on Sep 30, 2020 in the state of Rajasthan, Gujarat, Madhya Pradesh, Maharashtra, Haryana and Punjab. The company had achieved total revenue of Rs. 582 Crore for FY 2020 as against the total income of Rs. 365 Crore for the FY 19 further total revenue for half year ended FY21 is Rs. 317 crore.

**Brief highlights of its financial performance are detailed below:**

**(Rs. in Crore)**

Particulars	FY-2019	FY-2019	FY-2020	H1FY 2021
	Audited (As per IGAAP)	Audited (As per IND AS)	Audited (As per IND AS)	Limited Reviewed
Fresh Disbursement	1,551	1,551	2194	264.22
AUM (as per IGAAP)	2002	2002	2986.47	2830.62
Own Books	1530	1810.04*	2948.33*	2833.73*
Interest Income	312.40	366.98	545.45	303.60
Finance Cost	138.46	143.38	232.48	141.93
Total Revenue	364.93	380.90	582.40	316.95
PAT	52.23	63.26	78.54	47.78
TNW Including Tier II Capital	595.18	603.34	918.73	966.71
Total Debt	1299.17	1543.10	2561.78	2387.63
CRAR (%)	33.02	33.02	31.66	34.96
CRAR- Tier- I (%)	31.17	31.17	30.62	34.03
CRAR- Tier-II (%)	1.85	1.85	1.04	0.93
GNPA (%)	3.83%	4.20%	4.04%	3.96%

NNPA (%)	2.87%	2.60%	2.42%	2.28%
Provision Coverage Ratio (%)	25.09%	38.14%	40.06%	42.31%
Presence – States	6	6	6	6
Footprint – Branches	262	262	325	329

\* As per IND AS

#### Key Highlights & Developments as on September 30, 2020 vis-à-vis as March 31, 2020:

- ✓ AUM grew to Rs. 2986 Cr as on March 31, 2020 as against Rs. 2002 crore as on March 31, 2019 further as on Sep 30, 2020 AUM stood at 2831 Crore.
- ✓ Cumulative lending till date through books of the company since its inception crossed Rs. 9,700 Crs.
- ✓ Employee base stood at 3928 employees as against employee base of 2753 employees on March 31, 2019
- ✓ Footprint in terms of branch network of the company stood at 329 branches vis-à-vis 262 branches.
- ✓ The company has also expanded its presence to 6 states as on date.
- ✓ Customer base has grown to over 3,50,000 with active base of approximately 1,60,000 as on September 30, 2020 as against customer base of approximately 118779 as on March 31, 2019.
- ✓ Average ticket size of loans is approx 2.66 lacs which reduces risk of the company.
- ✓ The Company has raised additional primary equity from existing shareholders by way of a preferential issue of Rs. 235.00 crores, constituting approximately up to 8.07% of share capital of the Company. The money was wired on November 21, 2019.

#### Loan Product Details

Product Name	Loan Amount (In Rs. Crore)	Avg. Ticket Size (In Rs.)	Avg. LTV	Avg. Tenure (Month)	Repayment mode	Security/ collateral	RoI (%) (Flat/ Reducing)
Agriculture Equipment	473.76	2,74,681	79.98	38	NACH/ECS	Vehicle	22.22% (Reducing)
Car	453.94	3,03,230	79.31	44	NACH/ECS	Vehicle	18.96% (Reducing)
Commercial Vehicle	1,561.64	3,34,126	82.51	42	NACH/ECS	Vehicle	20.66% (Reducing)
MSME	281.80	5,74,646	36.85	91	NACH/ECS	SORP/SOCP	20.29% (Reducing)
Two Wheeler	59.47	49,772	77.78	24	NACH/ECS	Vehicle	23.04% (Reducing)

\***SORP:** Self Occupied Residential Property, **SOCP:** Self Occupied Commercial Property

**List of Directors**

S. NO	DIRECTOR'S NAME	DOB	PAN	Director of the company since	DIN	ADDRESS
1.	Rajendra Kumar Setia	01.07.1969	AGWPS0094A	21.11.1994	00957374	2 Cha 12 Jawahar Nagar , Jaipur
2.	Shalini Setia	04.06.1972	ABXPS3855K	01.01.2010	02817624	2 Cha 12 Jawahar Nagar , Jaipur
3.	Amar Lal Daultani	13.03.1955	AKDPD8573G	01.04.2016	05228156	703, Dev Plaza, Near Tejaswani Hospital Kadri, Temple Road, Mangalore, Karnataka.
4.	Munish Dayal	03.04.1966	AAFPD7954D	26.02.2018	01683836	H.N. LCG804A, Sushant Lok-1, Laburnum Apartment Gurgaon, Teh – Gurgaon
5.	Anand Raghvan	04.06.1961	AACPA1877D	07.04.2018	00243485	22/1, Warren Road, Mylapore, Chennai 600004
6.	Akshay Tanna	20.11.1982	ADQPT5502K	03.06.2020	02967021	A/72, Darshan Apts, Mount Pleasant Road, Malabar Hill, Near Chief Ministers Bungalow, Mumbai-400006

**Shareholding Pattern:**

Shareholder Name		
	No. of Share	% Holding
Rajendra Kumar Setia	1,03,27,547	40.98%
Shalini Setia	650	0.00%
Yash Setia	650	0.00%
Bhajan Devi Setia	650	0.00%
Rajendra Kumar Setia (HUF)	62,500	0.25%
Norwest Venture Partners X-Mauritius	62,76,482	24.91%
Baring Private Equity India AIF	15,40,400	6.11%
Karma Holdings Mauritius Limited	4,64,850	1.84%
Evolvece Coinvest I	18,99,647	7.54%
TPG Growth IV SF Pte Limited	43,89,035	17.42%
Evolvece India Fund III Ltd.	2,31,778	0.92%
Atul Arora	650	0.00%
ESOPs	3750	0.01%
<b>Total</b>	<b>2,51,98,589</b>	<b>100.00%</b>

**Credit Rating upgraded and assigned:** Based on our performance review and future outlook our external credit has been upgraded as below by both the rating agencies as below:

- CRISIL has assigned “**A**” (with stable outlook) for our long term credit facilities in **May 2019**
- CARE has Upgraded our rating to “**A**” (with stable outlook) in **December 2019**.

#### **Asset Quality**

Particulars	30.09.2020		31.03.2020		31.03.2019		31.03.2018	
Total outstanding balance associated with loans that are:	Amt in crore	%	Amt in crore	%	Amt in crore	%	Amt in crore	%
a. current	2,063.27	72.9%	2,273.26	76.1%	1,388.78	69.4%	846.41	66.0%
b. 1 – 30	570.98	20.2%	330.65	11.1%	265.39	13.3%	183.67	14.3%
c. 31 – 60	68.29	2.4%	173.28	5.8%	147.64	7.4%	110.7	8.6%
d. 61 – 90	41.93	1.5%	111.91	3.7%	138.29	6.9%	99.01	7.7%
e. 91 – 120	23.39	0.8%	14.33	0.5%	8.68	0.4%	4.82	0.4%
f. 121 – 150	6.88	0.2%	14.29	0.5%	7.4	0.4%	6.58	0.5%
g. 151 – 180	2.98	0.1%	11.41	0.4%	9.09	0.5%	5.16	0.4%
h. 181 – 365	26.86	0.9%	41.49	1.4%	23.61	1.2%	17.97	1.4%
j. 365>	26.02	0.9%	15.87	0.5%	12.96	0.6%	7.68	0.6%
Total Outstanding	2,830.62	100%	2,986.47	100%	2001.84	100%	1281.98	100%

#### **Business Model & Operational Methodology**

<b>Origination / Sourcing</b>	<ul style="list-style-type: none"> <li>• ESS KAY FINCORP operates through branch network where customer relationship is initiated and managed. Presently the company has 329 branches present in 6 states</li> <li>• Company has an excellent team of experienced direct marketing executives and relationship officer employed who move in the field and source business. A company has direct sales executives which helps ESS KAY FINCORP to grow their loan portfolio. Relationship Officer (RO) does the marketing activities and with the help of executives/ DSA source the business from the market.</li> <li>• Apart from origination of loans through branch network, company also gets business through following ways: <ul style="list-style-type: none"> <li>○ Referral network</li> <li>○ Response to Business Promotion Activities</li> <li>○ Tele-callers generating leads through RO database created through</li> </ul> </li> </ul>
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	marketing activities
<b>Initial Assessment / Verification</b>	<p>Company follows following filtration processes to appraise the credit worthiness of the borrower before providing the loans.</p> <p><b>(i) Check by Local Field Investigation (FI) at each location or Branch manager:</b></p> <ul style="list-style-type: none"> <li>• Company's local field investigation officer or branch manager does the following checks before forwarding the report to credit officer for further process.</li> <li>• Collection of application form along with required documents (i.e. identity proof, address proof, income proof, identity and income proof of guarantor, details of immovable properties, details of Bank account etc.)</li> <li>• Understanding customers background &amp; overall profile,</li> <li>• Assessment of synergy &amp; viability between products, customer profile and proposed use</li> <li>• Reference check from existing customers and various other sources like Branch manager or disbursement officer at the Branch level put all the details at the LOS.</li> <li>• Further CIBIL and legal check also get done from the respective departments.</li> </ul> <p><b>(ii) Approval/Visit by Branch Manager:</b></p> <p>Every file before going to head office for credit approval and disbursement is checked and approved by branch manager. Branch manager conducts following checks:</p> <ul style="list-style-type: none"> <li>• Personally, meeting the customer at his residential address</li> <li>• Verifying source of margin money, if any and confirming receipt of margin money from dealers</li> <li>• Confirming completion of pre-disbursement conditions</li> <li>• Confirming Insurance Authentication</li> </ul> <p><b>(iii) Check by Credit Officer:</b></p> <p>Files moves from LOS to Credit personal and Company's credit team verifies all the documents and conducts following checks:</p> <ul style="list-style-type: none"> <li>• Rechecking all the customers details</li> <li>• Personal Meeting the customer and guarantor and other related persons (PD)</li> <li>• Personal visit to customers house, if required</li> <li>• Inspection of old vehicle to be purchased (if any)</li> <li>• Preparing Credit Appraisal Memo/Credit Financial analysis</li> </ul> <p><b>(iv) Approval by HO Credit team:</b></p> <p>Every file is forwarded with complete documentation and feedback from credit team and branch manager at branch levels to Head office for final approval. Head office performs the following additional checks before giving the approval:</p> <ul style="list-style-type: none"> <li>• CIBIL Check</li> <li>• Documents verification</li> <li>• Telephone Verification</li> </ul>

	Then after finalisation and verification of all the details, company has approval mechanism and finalise the same according to the approval mechanism.
<b>Valuation</b>	Further, company takes valuation report for old vehicle from third party independent valuers. Company has appointed 2 valuer in each district in which it operates.
<b>Credit Appraisal System</b>	<p>The key factors considered before taking a loan decision are:</p> <ul style="list-style-type: none"> <li>• Place of the customer – only applicants who are permanent residents of that place or are having a substantially long stay are considered.</li> <li>• Sources of income – Only customers who are having regular source of income are being considered i.e. the applicant must be employed in certain occupation. Further alternate source of income and income of family members/guarantor is also taken into consideration.</li> <li>• Market credibility – feedback of the referral, FI executive and marketing executive regarding conduct of the applicant is considered for taking the lending decision.</li> <li>• Guarantor details – As Guarantor is compulsory in each case</li> <li>• Active Bank Account – As company disburse loan amount through account payee cheques only</li> <li>• Assets of the applicant – Generally applicants with own residence and/or agriculture land are preferred.</li> </ul>
<b>Disbursement</b>	<p>After receiving the final approval from HO credit team, file is send to the concerned person according to the loan amount.</p> <p>After collection of pre-disbursement documents and fulfilment of all the conditions like RC book hypothecation, amount is disbursed through account payee cheques to the customer and dealer respectively. After disbursement, all cases are checked by Credit team and the team has close monitoring on quality of the cases and thereby maintaining the credit quality. Company also sends regular updates to customers about the account's position through SMS system delivered through server.</p>
<b>Collection</b>	ESS KAY FINCORP has a very sound disbursement and collection system which has helped to maintain the asset quality over the years. The company has a software application made solely for its own use to maintain records of loans and monthly receipts, generating overdue report, delinquency, prepayment report and filtering reports using various criteria.
<b>Delinquency Management</b>	<p>ESS KAY FINCORP has an experienced and efficient recovery team on the payroll who ensures timely action for recovery of over dues.</p> <p>Recovery Procedure followed is as follows:</p> <ul style="list-style-type: none"> <li>• From 1st to 4th of every month collection executive / TL prepare their analysis report on pending collection cases of last month.</li> <li>• Outstanding due EMI's are allocated to collection team members in following manner on 5th of every month &amp; on basis of allocation. Collection team carries out collection of EMI till end of month.</li> </ul> <p>SOP for sale of repossessed vehicles</p> <ul style="list-style-type: none"> <li>• Release two paper ads (1.English 2.Local Language) for sale (auction) of the</li> </ul>

	vehicle. <ul style="list-style-type: none"> <li>• Valuation of the repossessed vehicle has to be done before the auction of vehicle.</li> <li>• Get at least three written quotations from prospective buyers.</li> <li>• Sell the vehicle to the best quote obtained.</li> </ul>
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	Days past due	Days past due
	0 to 60 days	>60/>90/ >120/>150 days
<b>Follow up</b>	Tele caller and recovery executive follows up with borrowers for payment of loan installment. Loan originating team receives intimation on default in servicing of the installment.	Collection team physically visits the borrower to collect installment due (significant proportion of the installments are received in cash.
<b>Action</b>	Multiple calls made at pre decided intervals by a senior member reminding borrower on outstanding installment.	Field collection executives visit with RO & BM as required by collection executives
<b>Internal Management</b>	The tele-calling team co-ordinates with the loan origination team and collection team in order to collect dues	Team leader commences co-ordination with the legal team to recover the amount due.
<b>Legal</b>	Default notice issued	Repossession of vehicle if customer has not paid for two consecutive months

## BRANCH IDENTIFICATION CRITERIA

### Location

- ✓ Located in Tier II/ Tier III towns or villages
- ✓ Min. population of ~8,000 – 10,000

### Target Catchment

- ✓ 35 - 40 km for small towns / rural villages
- ✓ Up to 60 km for semi-urban locations

### Business Activity

- ✓ Area to have good business activity, with some agriculture business income

### Credit Quality

- ✓ Repayment track record of other institutional lenders in the area

- ✓ Checks for community dominance /political interference related defaults

#### **Commercial Vehicle Market**

- ✓ 1,000 -1,500 MUV + LCV (nos); or
- ✓ 2,000 MUV + LCV + Tractors (nos.)

#### **Competitor Landscape**

**Does not enter location which are hyper-competitive**

#### **MIS AND ACCOUNTING**

Ess Kay Fincorp has moved to cloud based Finnone IT Platform which assists NBFC in following ways:

1. Rationalization of sales force
2. Real time data capturing leading to faster turnaround
3. Cloud based back up providing real time updates
4. E-KYC updates on a real time basis
5. On the spot data capturing through mobile application for the customer sourcing and credit decision
6. Real time tracking of collections field team

#### **Finnone IT Platform has three modules**

- ✓ Customer Acquisition System (CAS)
  - Enables sales team and Credit and Operational Personal (CROP) for faster file processing
  - Maintains all customer records like loan details, property details, family income etc.
- ✓ Loan Management Systems (LMS)
  - Details on various loan parameters like EMI, IRR, repayment schedule and etc. Maintained here
- ✓ Collections
  - Enables collections team to monitor delinquent cases
  - mCollect-mobile app with collection FOS for on-field collection processing and updation