

# AAVAS FINANCIERS LTD.

**RECOMMENDATION : BUY**

**MARKET PRICE : Rs.1713.75 (As on 22<sup>nd</sup> Mar 2023)**

**TARGET PRICE : Rs.2143.00**

**FACE VALUE : Rs.10**

**BSE CODE : 541988**

**NSE CODE : AAVAS**







Aavas Financiers Ltd. was incorporated as a private limited Company in Jaipur, Rajasthan, under the Companies Act, 1956 on February 23, 2011. It formally started its operations in March 2012. The Company is primarily engaged in the business of providing housing loan to customers belonging to low and middle income segment in semi-urban and rural areas. These are credit worthy customers who may or may not have the income proof documents like IT return, salary slip and hence are financially excluded by other large housing finance companies and banks. AAVAS uses unique appraisal methodology to assess these customers individually. The financing solution need to be appropriated and suitable to them.

## ABOUT THE COMPANY

The Company is engaged in 3 types of products under its housing finance business; Finance for Purchase, Finance for Construction and Finance for Home Extension. AAVAS caters the needs of various small families in rural areas, towns, and a city's peripheral area and other semi-urban areas to meet their life time dream to own their own house. Presently AAVAS is operating in 13 states namely Rajasthan, Gujarat, Maharashtra, Madhya Pradesh, Delhi, Uttar Pradesh, Chhattisgarh, Haryana, Uttarakhand, Himachal Pradesh, Punjab, Odisha and Karnataka.



# Our Background



Commenced operations in 2011  
from Jaipur, Rajasthan



Regulated by Reserve Bank of India ("RBI")  
Supervised by National Housing Bank ("NHB")



Currently being run by professional  
management team backed by  
marquee private equity players  
Kedaara Capital and Partners Group



Recognized by NHB for refinance  
facility



Listed on BSE & NSE in October 2018

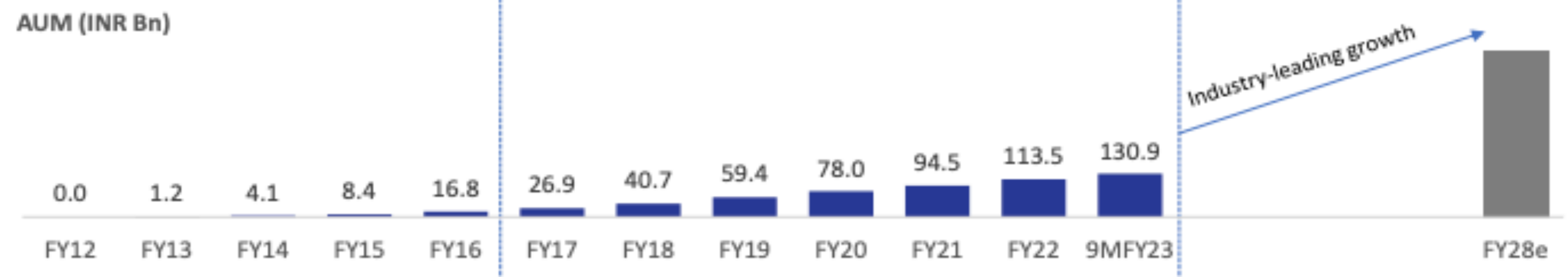


Retail network of 321 branches

# Aavas 3.0: Continued Journey of Becoming India's Most Respected Affordable Housing Finance Business



Evolution	Proof of concept of the affordable housing finance model under AU's ownership	Perfecting the model and building a foundation to scale under private equity ownership	Scaling and institutionalisation
No. of CXOs	1	4	10+





# In-house Execution Model

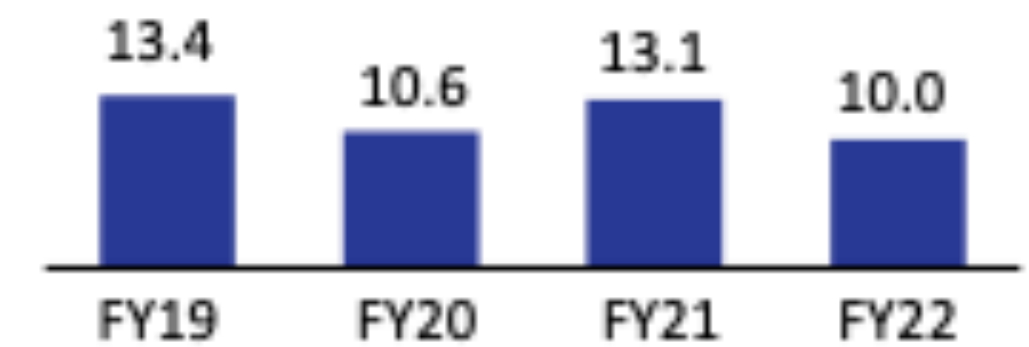
In-house execution model – Replicated across the states

Lead generation and sourcing	Risk management	Collections
<ul style="list-style-type: none"> <li>▪ Focused approach to directly source the business leads</li> <li>▪ Leveraged technology &amp; data-analytics to generate leads through alternate channels</li> <li>▪ Application scorecard to evaluate risk profiles: Streamlined approval process and reduced incidence of error</li> </ul>	<ul style="list-style-type: none"> <li>▪ In-house underwriting team for income assessment &amp; risk-based pricing of customers</li> <li>▪ In-house legal team overseeing external legal verification</li> <li>▪ Two valuation reports generated beyond a certain ticket size threshold</li> <li>▪ Risk-testing of files by in-house risk containment unit</li> </ul>	<ul style="list-style-type: none"> <li>▪ Four-tiered collection architecture with a high focus on early delinquencies</li> <li>▪ Call centers in multiple languages: Initiate collection process in a timely fashion</li> <li>▪ Real-time tracking of collections</li> </ul>

Superior Business Outcome

## 1. Reduction in average TAT (days)

Turn around time is a key metric for employee incentives



2. Better ability to price risk effectively resulting in yields of more than 12.5%

3. High collection efficiency and low GNPA



# Technology and Data Analytics

## Lead Generation



- Majority of the leads are logged in through the sourcing app
- Application scorecard: For Auto-rejection / fast tracking leads
- Mobile app to leverage proponents of housing ecosystem

## Underwriting



- Platform integration with credit bureaus
- Quarterly scrub of credit bureau information
- 60+ profiles to evaluate customers in SENP segment

## Operations



- E-disbursement & E-repayment facility at all the branches
- CRM system for better customer servicing
- Customer Service App catering to 80% of customer requests

## Collections



- Route optimization for collection personnel
- Analytics model for bounce prediction and assessment of warning signals
- Geotagging for smart customer allocation



# IT Transformation – Project GATI and UNNATI

(End to End digital journey from origination to servicing)

## Guiding Principles

1

Linear Growth with  
Non-Linear Inputs

2

Be a “Bank” by  
Technology Capability

3

Create Remarkable  
Customer Experience

## Partners in the Journey

**Deloitte.**

salesforce

 MuleSoft

**ORACLE**  
FLEXCUBE

**ORACLE**  
FUSION CLOUD

## Key Objectives

- Be a digital first, technologically advanced & agile organization
- Transform loan origination & customer service processes leveraging Salesforce platform to achieve 10x scale
- Enable seamless collaboration & information sharing across various teams
- Minimize TAT for loan application processing through automated workflows & end-to-end integration
- Improve team productivity by equipping users with digital tools & enable processing of more applications
- Enable assisted, un-assisted & hybrid digital journeys for customers

**Rolled out first pilot phase of LOS system (SFDC)  
in Jan-23**



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# AUM Break-up

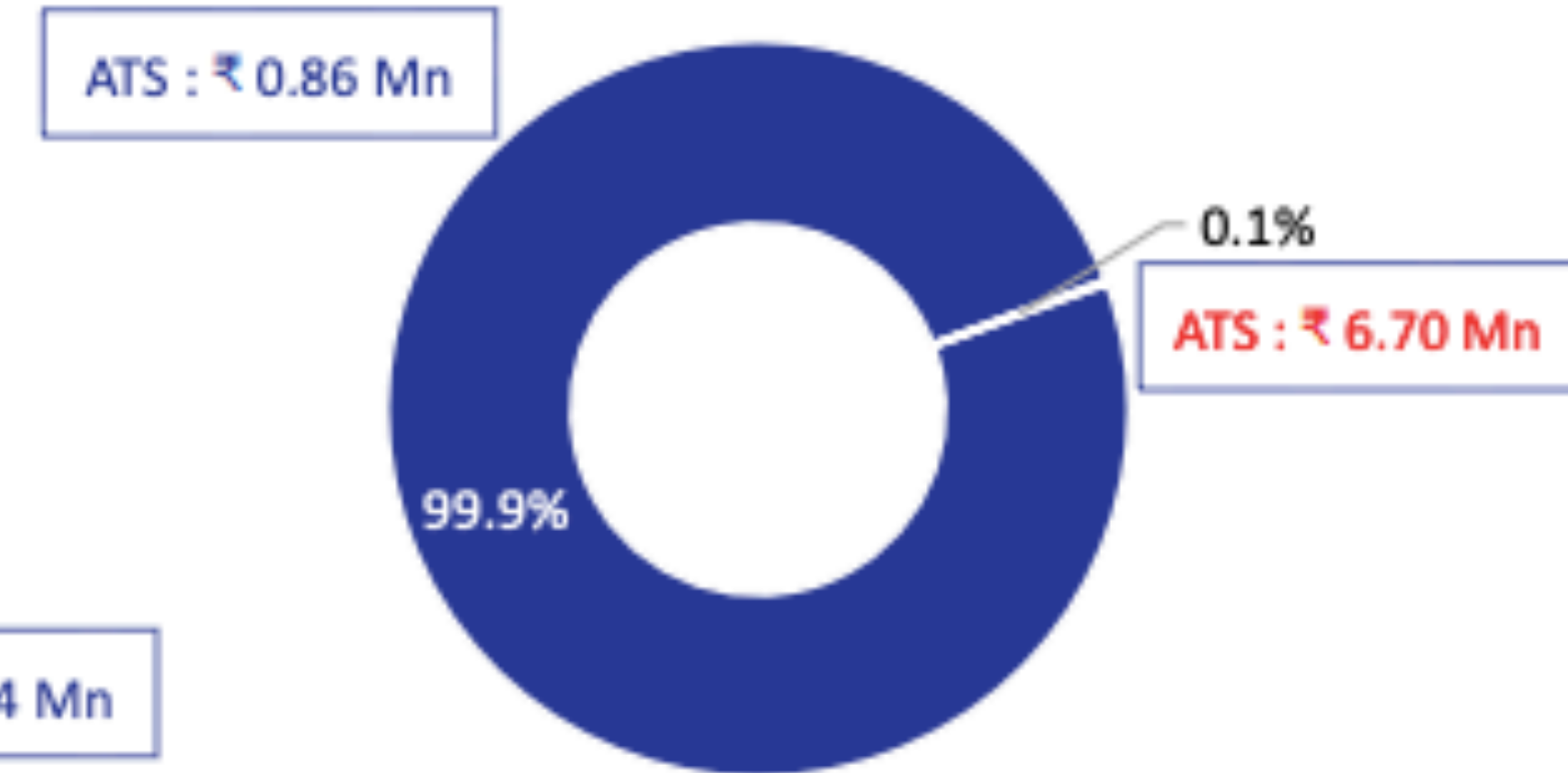
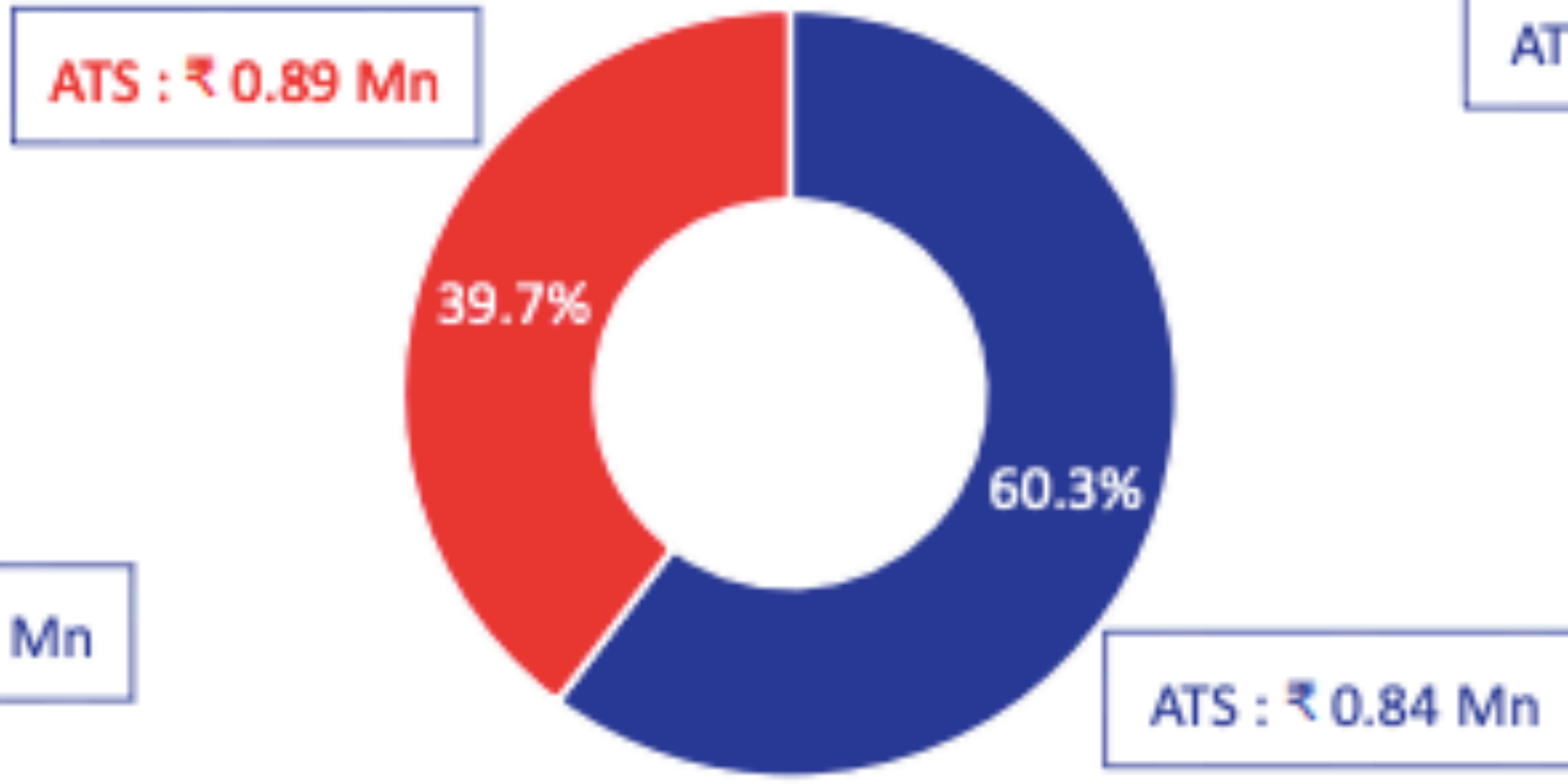
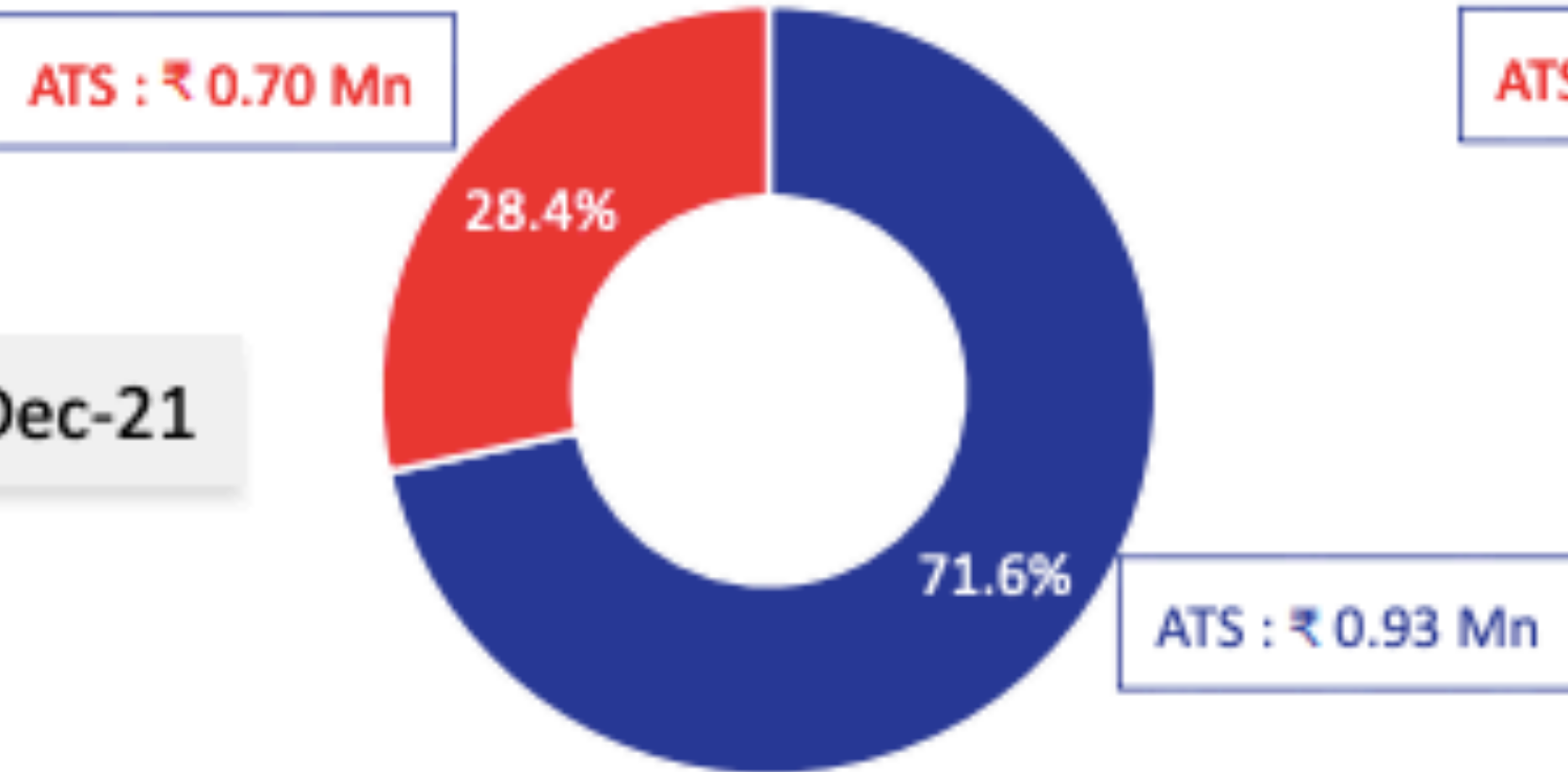


Product Category

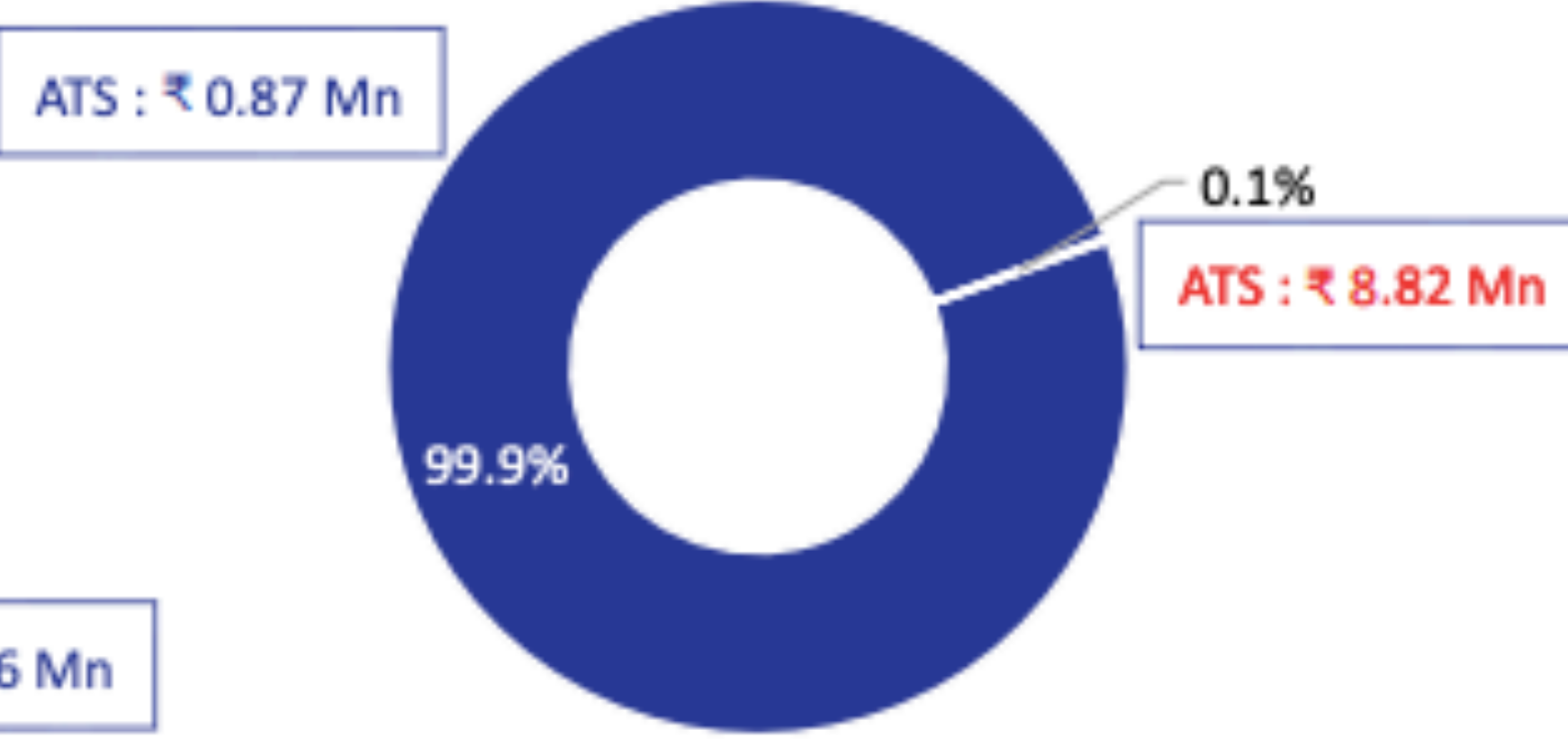
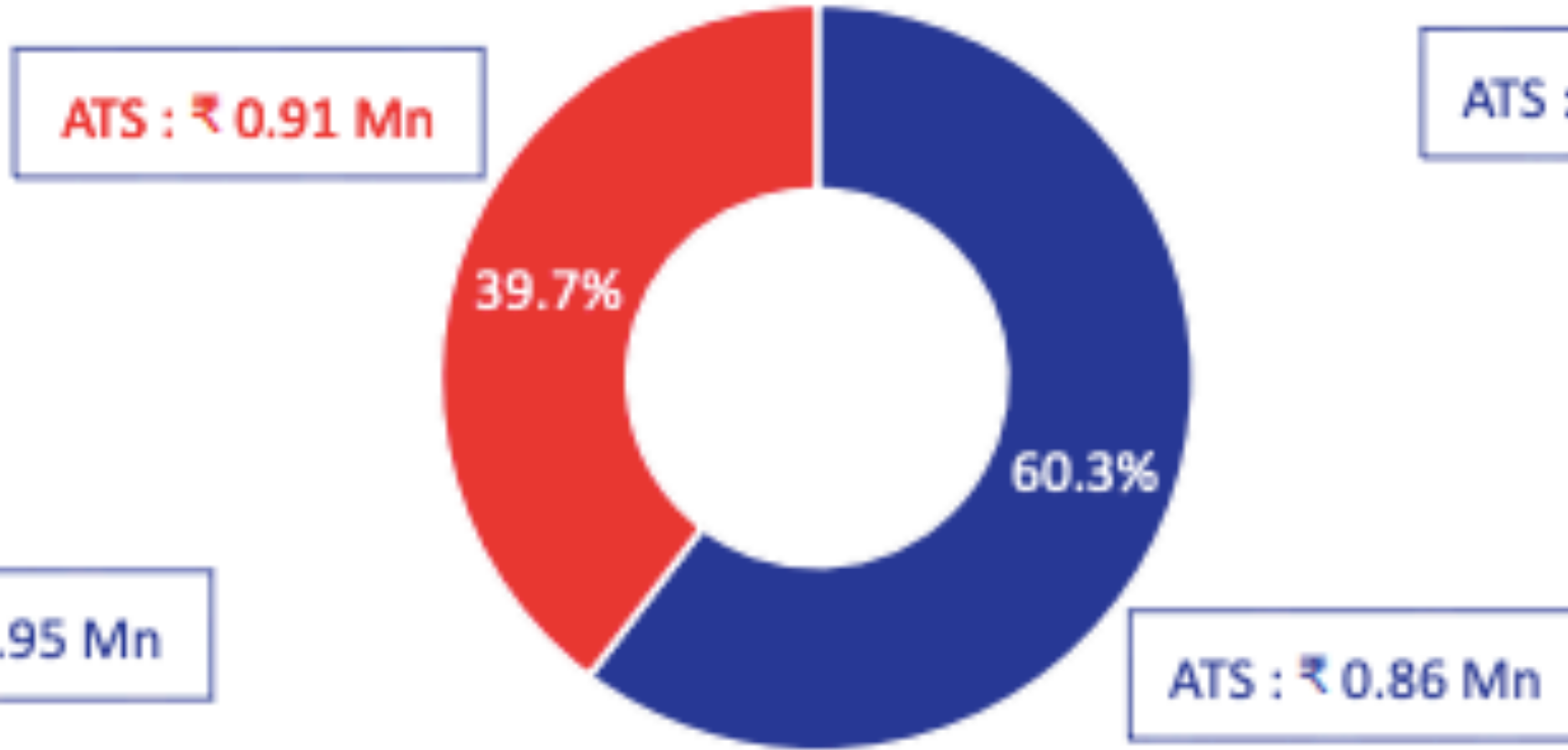
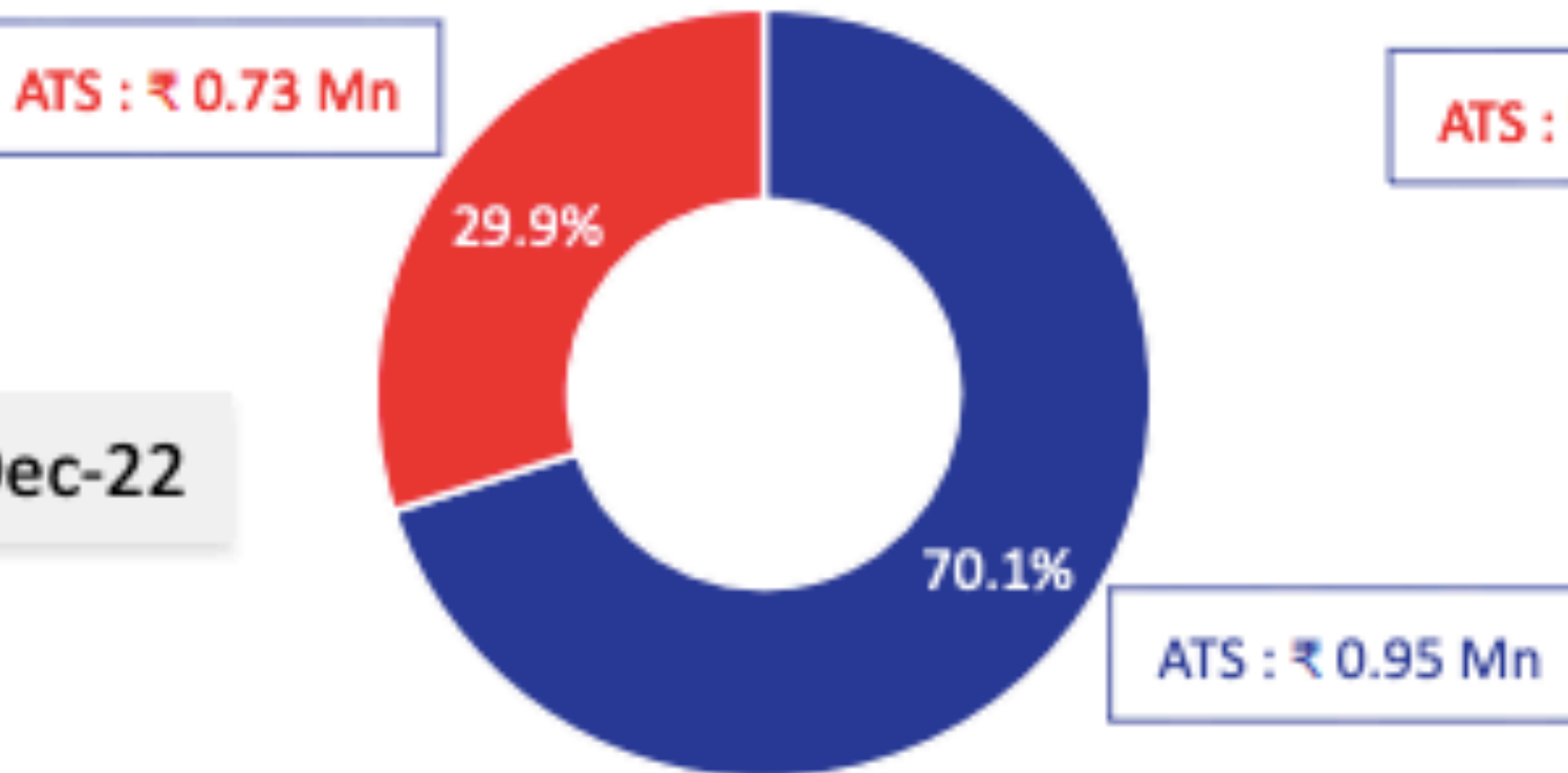
Occupation Category

Customer Category

31-Dec-21



31-Dec-22



Home Loan Other Mortgage Loan

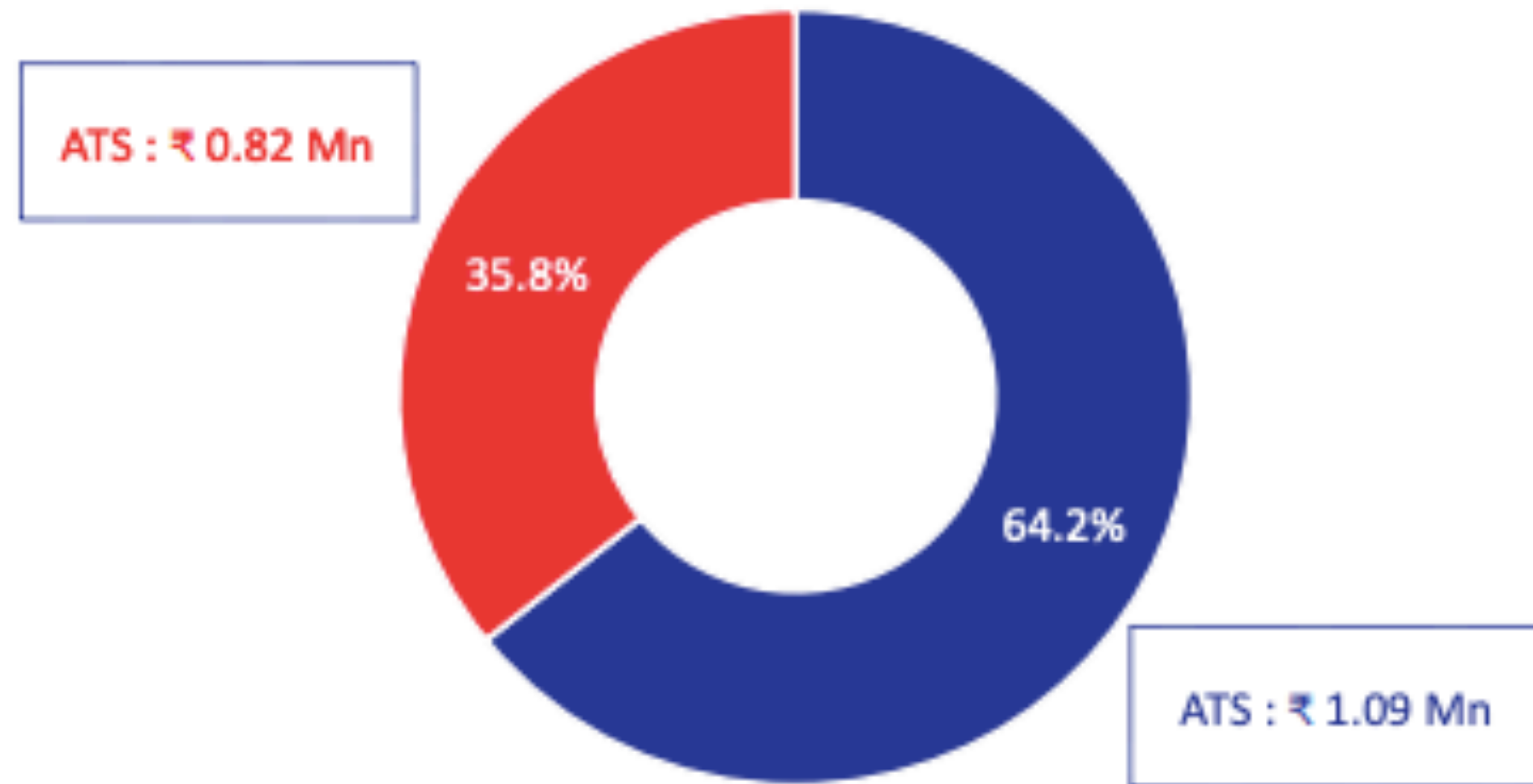
Self-Employed Salaried

Retail Corporate



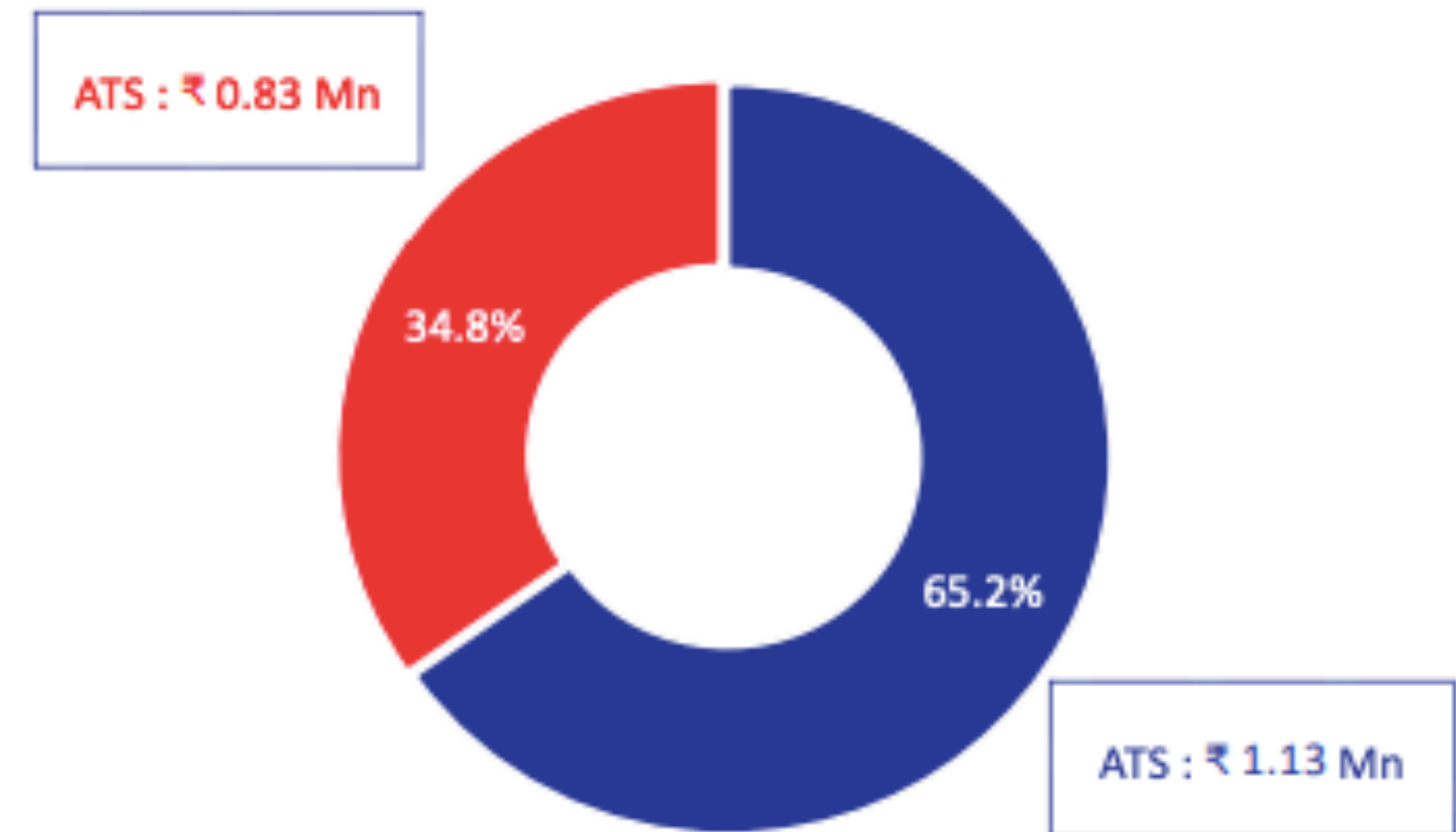
# Disbursement Break-up – Product Category

9M FY22



Disbursement include 12.7% of mortgaged-backed MSME Loans classified under Other Mortgage Loans

9M FY23



Disbursement include 14.2% of mortgage-backed MSME Loans classified under Other Mortgage Loans



# Geographical Distribution

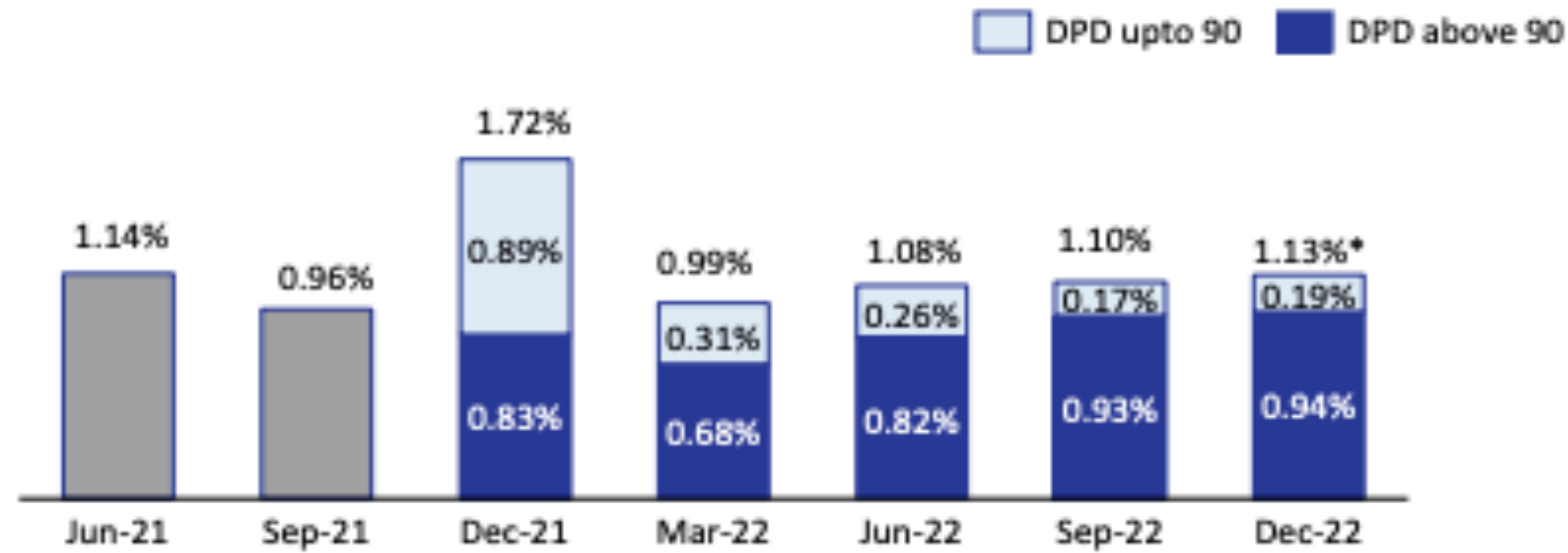


State	Branches	Operations Commenced in
Rajasthan	100	2012
Maharashtra	48	2012
Gujarat	44	2012
Madhya Pradesh	46	2013
Delhi	6^	2013
Haryana & Punjab	18	2017
Chhattisgarh	8	2017
Uttar Pradesh	23	2018
Uttarakhand	9	2018
Himachal Pradesh	4	2020
Orissa	4	2021
Karnataka	11	2021
<b>Total</b>	<b>321</b>	

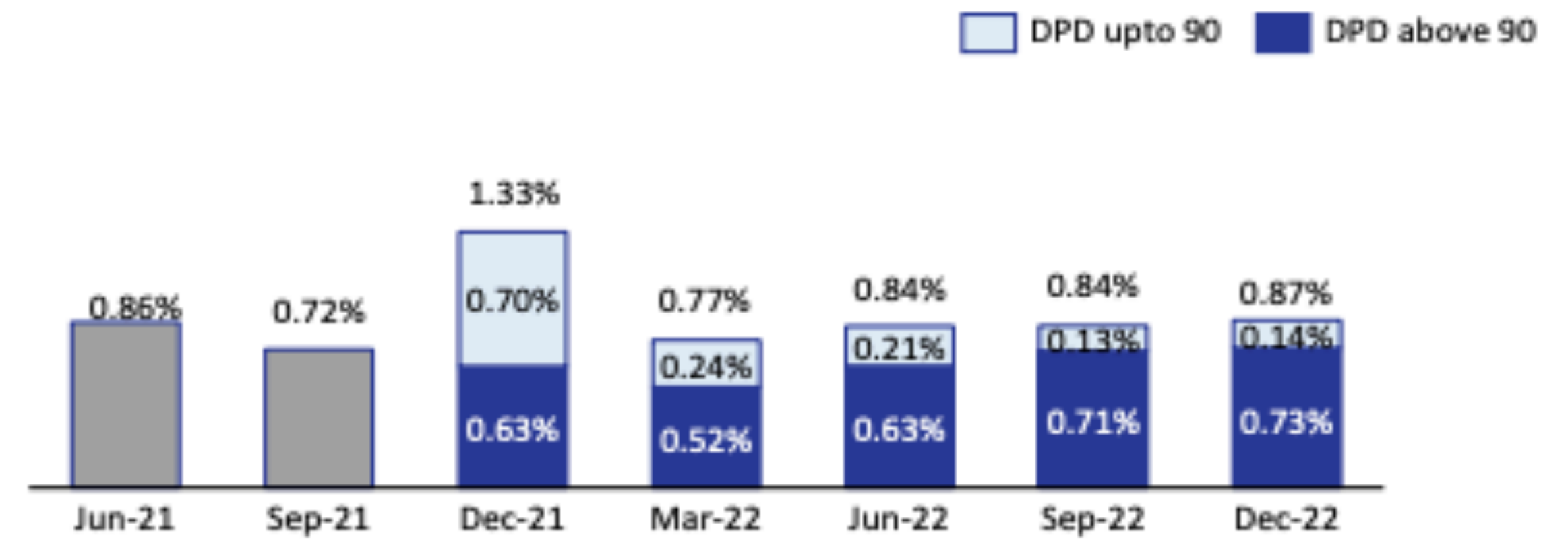


# Asset Quality

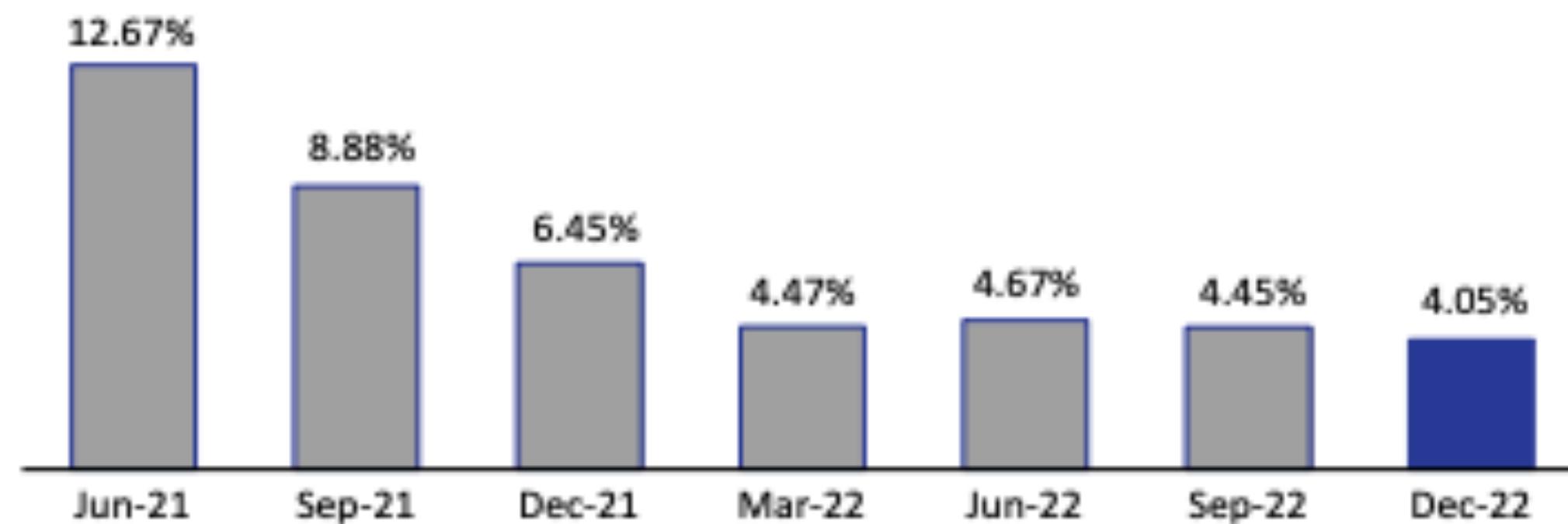
## Gross Stage 3 (%)



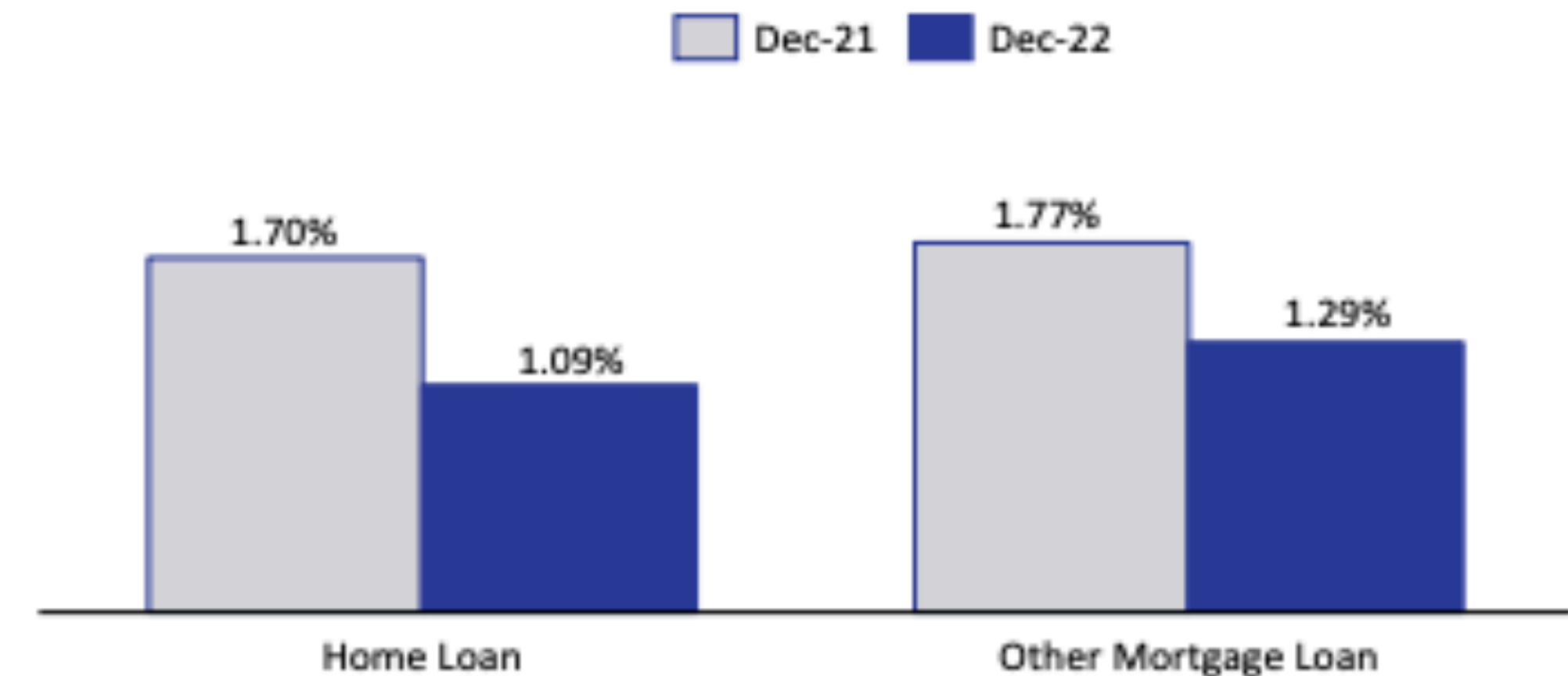
## Net Stage 3 (%)



## 1+DPD (%)



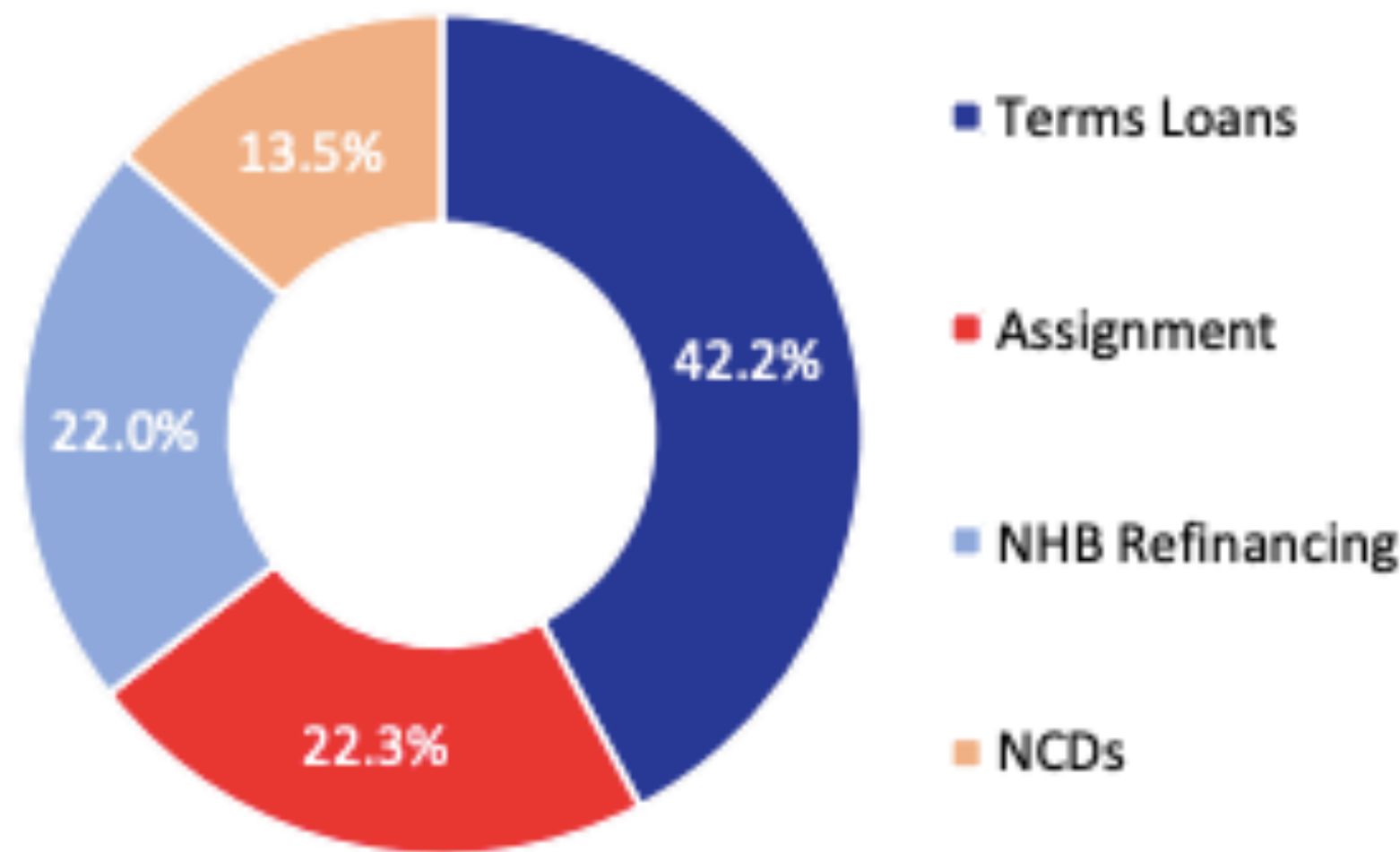
## Segment-wise Gross Stage 3 (%)





# Robust Liability Management

## Diversified Funding Mix As on Dec-22



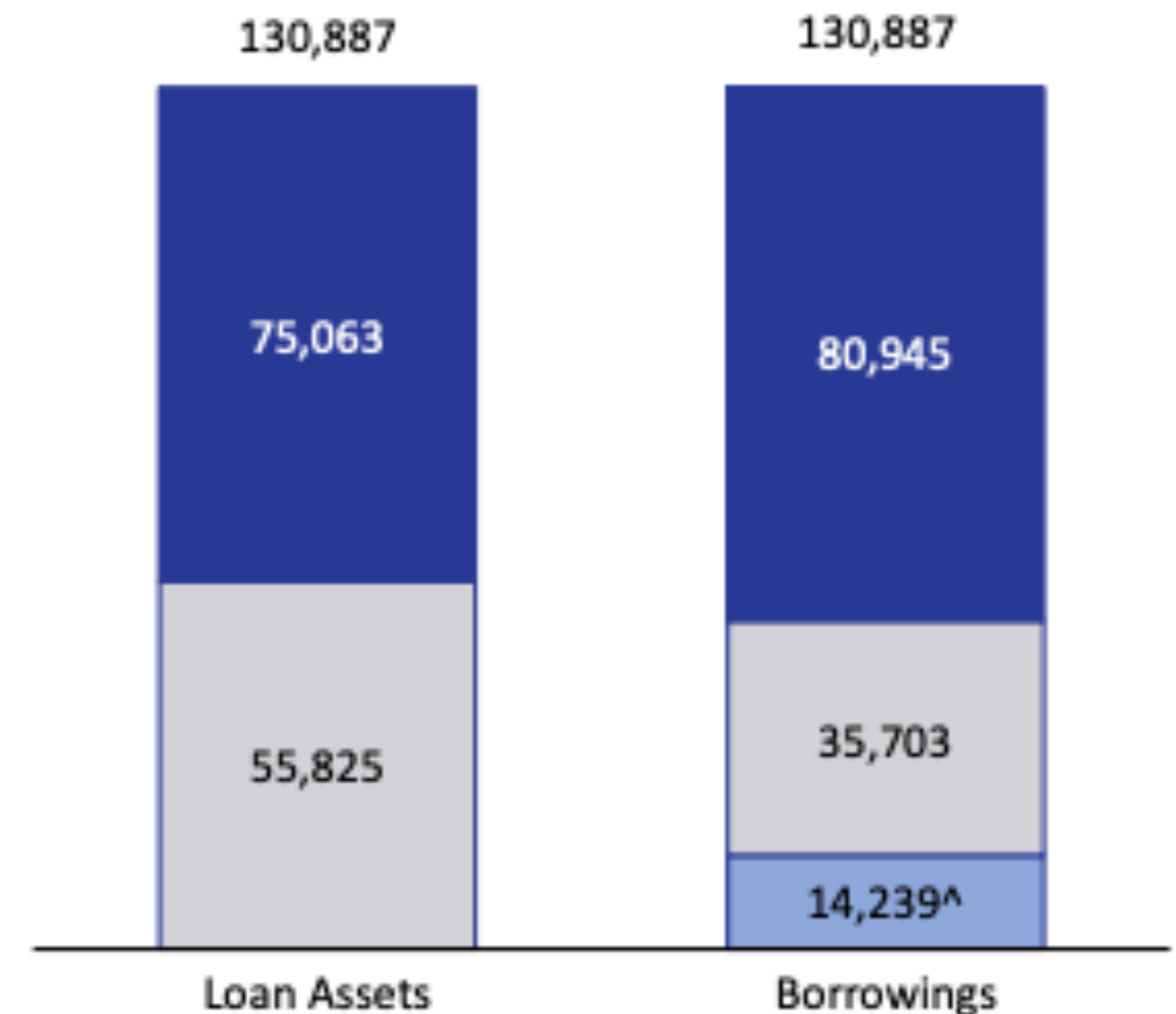
**Prime Lending Rate hiked by 125 bps in 9M FY23**  
**Further increase of 35 bps w.e.f. 05<sup>th</sup> Jan 2023**

**30 Lenders**  
**Diversified Mix**  
**No exposure to Commercial Papers**

**Incremental Borrowings -**  
**Q3 FY23 - ₹ 13,364 Mn at 7.15%**  
**9MFY23 - ₹ 31,815 Mn at 6.84% for 130 months**

## Loan Assets & Borrowings (₹ Mn) As on Dec-22

 Floating  Fixed  Equity

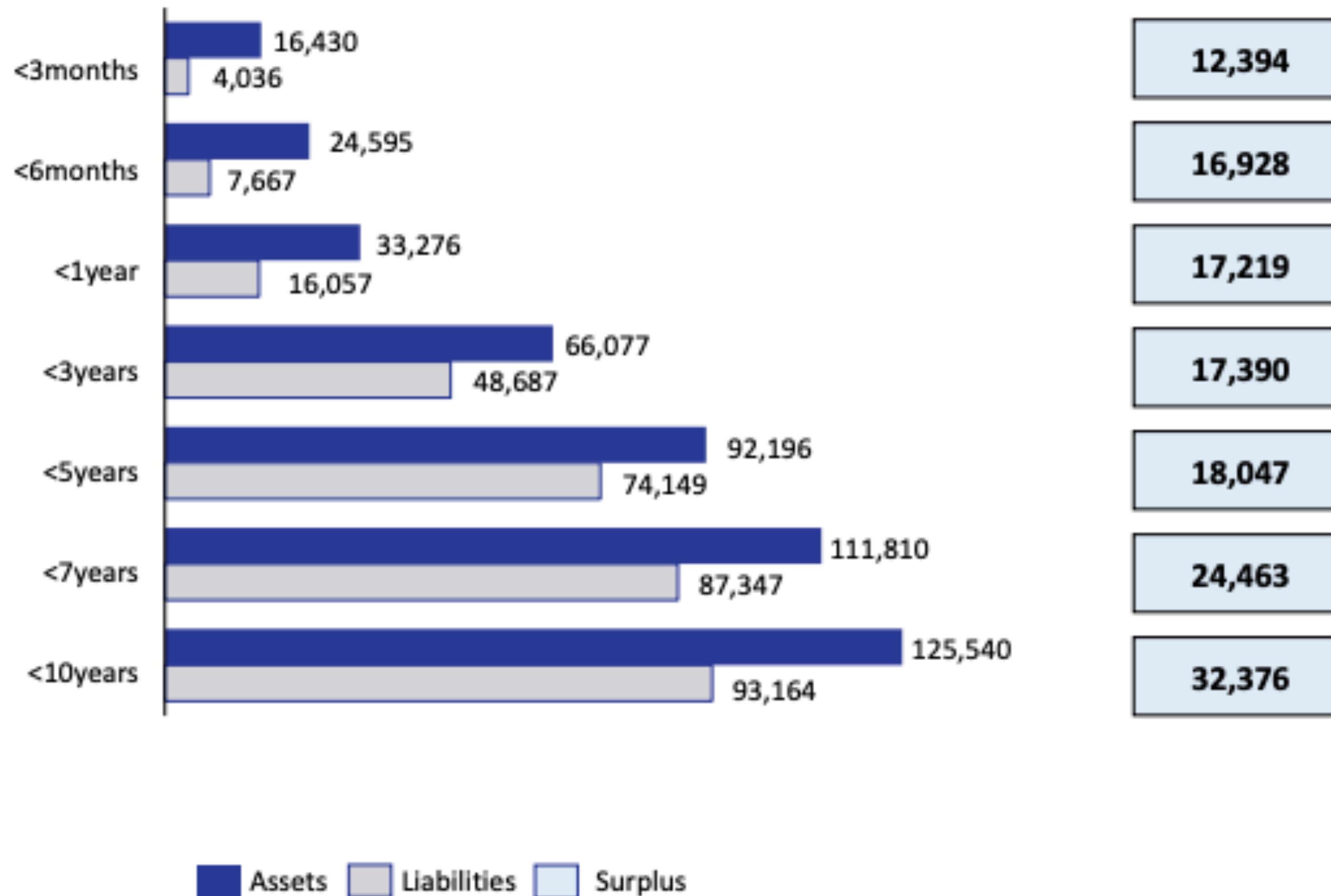


## Payment Schedule of Debt Capital Market Exposure

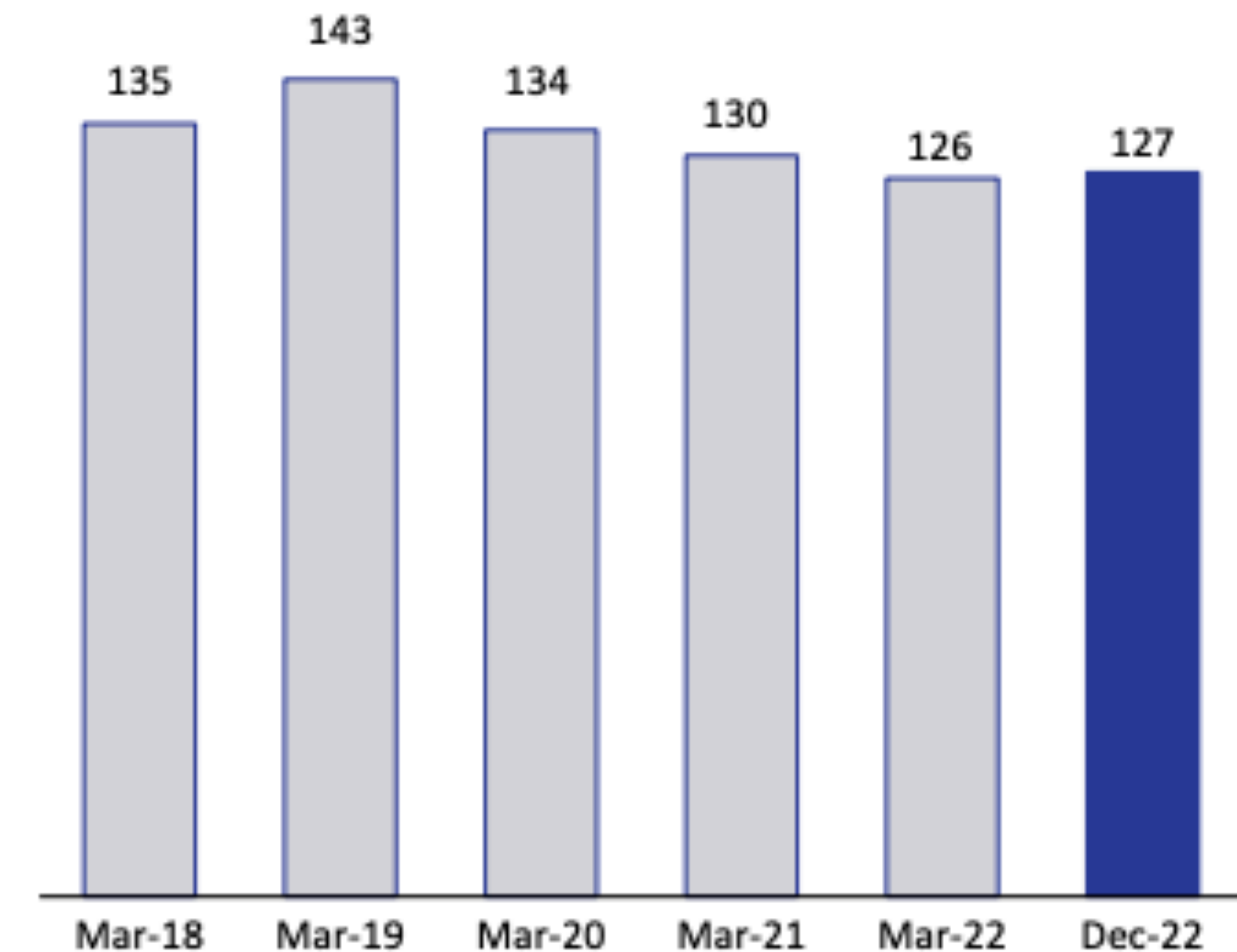
NCD Investor	Exposure (₹ Mn)	Payment Schedule (₹ Mn)							
	31-Dec-22		FY23	FY24	FY25	FY26	FY27	FY28	FY29
IFC	3,450		-	-	3,450	-	-	-	-
ADB	4,102		342	684	684	684	684	684	684
Bill (erstwhile CDC)	5,100		-	500	500	1,400	900	900	900
Domestic Bank	2,300		100	1,150	400	350	200	-	-
Mutual Fund	1,240		-	250	-	-	990	-	-
<b>Total (Mn)</b>	<b>16,192</b>		<b>442</b>	<b>2,584</b>	<b>5,034</b>	<b>2,434</b>	<b>2,774</b>	<b>1,584</b>	<b>1,584</b>

# ALM Surplus

## Surplus Management\* (₹ Mn) As on Dec-22



## Average tenor of outstanding borrowing (months)





# Comfortable Liquidity Position

Particulars (₹ Mn)	As on Dec-22
Cash & Cash Equivalents	14,682
Un-availed CC Limits	1,100
Documented & Un-availed Sanctions from NHB	-
Documented & Un-availed Sanctions from other Banks	12,100
<b>Total Liquidity Position</b>	<b>27,882</b>



**High Quality  
Liquidity of  
₹ 15,782 Mn**

Particulars (₹ Mn )	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24
<b>Opening Liquidity</b>	<b>27,882</b>	<b>31,246</b>	<b>32,840</b>	<b>34,556</b>
Add: Principal Collections & Surplus from Operations	5,386	5,127	5,316	5,277
Less: Debt Repayments	2,021	3,534	3,600	4,715
<b>Closing Liquidity</b>	<b>31,246</b>	<b>32,840</b>	<b>34,556</b>	<b>35,118</b>

**₹ 35,118 Mn of Surplus Funds\* available for business**

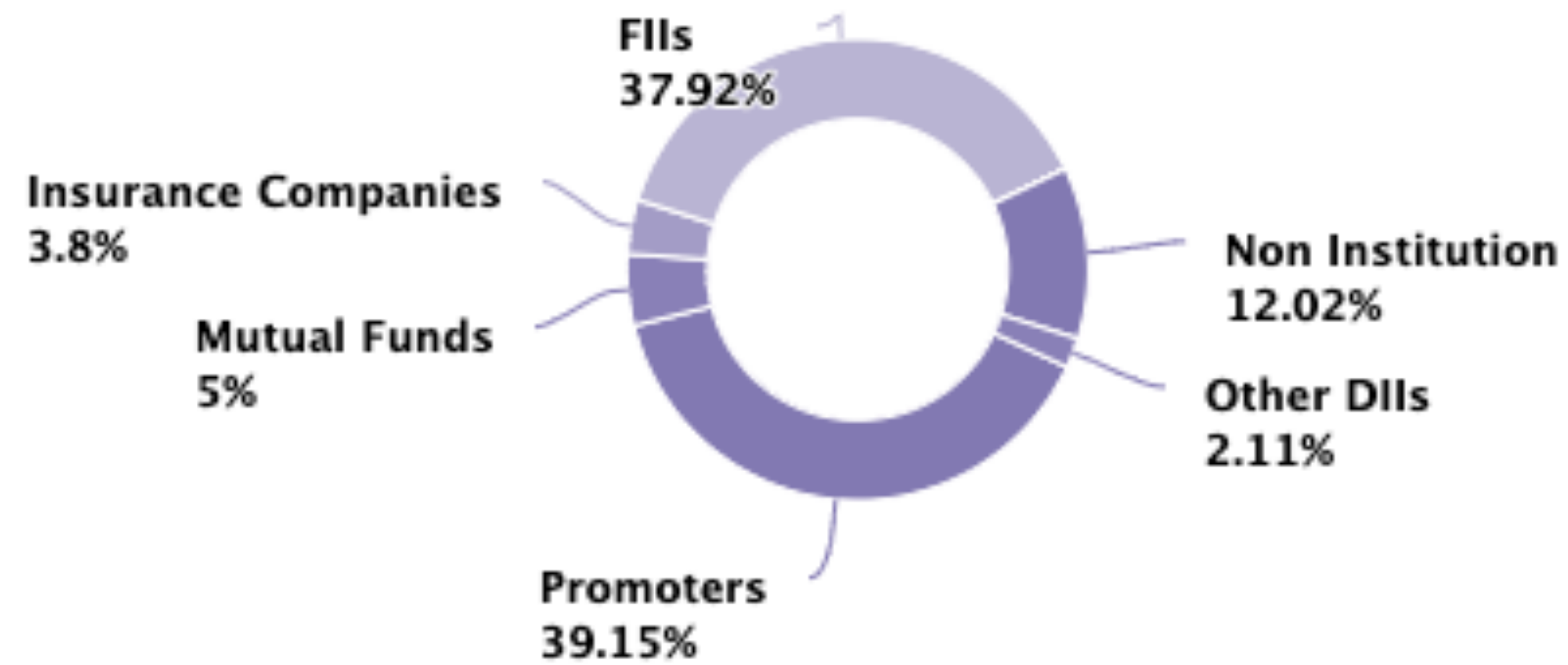
<div> <div>  <div> <div>Amiteshwar.in</div> </div> </div> <div> <div>Yearly Results</div> </div> </div>	YEARLY RESULTS OF AAVAS FINANCIERS (in Rs. Cr.)					MAR '22	MAR '21	MAR '20	MAR '19	MAR '18
	Net Sales/Income from operations					1,304.45	1,103.36	902.55	710.17	456.37
	Total Income From Operations					1,304.45	1,103.36	902.55	710.17	456.37
	EXPENDITURE									
	Employees Cost					234.29	173.05	147.41	117.24	73.36
	Depreciation					23.76	20.61	19.56	9.72	5.63
	Provisions And Contingencies					22.61	37.14	15.34	8.90	1.90
	Other Expenses					94.80	63.92	63.03	62.10	45.63
	P/L Before Other Inc., Int., Excpt. Items & Tax					928.99	808.64	657.21	512.21	329.84
	Other Income					1.20	2.16	0.80	1.00	0.91
	P/L Before Int., Excpt. Items & Tax					930.19	810.80	658.01	513.22	330.75
	Interest					477.50	458.24	356.07	255.37	189.05
	P/L Before Exceptional Items & Tax					452.69	352.55	301.94	257.85	141.70
	P/L Before Tax					452.69	352.55	301.94	257.85	141.70
	Tax					97.51	63.63	52.89	81.82	48.82
	P/L After Tax from Ordinary Activities					355.18	288.92	249.04	176.03	92.87
	Net Profit/(Loss) For the Period					355.18	288.92	249.04	176.03	92.87
	Net P/L After M.I & Associates					355.18	288.92	249.04	176.03	92.87
	Equity Share Capital					78.94	78.50	78.32	78.11	69.17
	Reserves Excluding Revaluation Reserves					2,727.09	2,322.31	2,019.59	1,758.91	1,120.43
	EPS BEFORE EXTRA ORDINARY									
	Basic EPS					45.10	36.86	31.85	23.66	15.86
	Diluted EPS					44.81	36.54	31.48	23.10	15.20
	EPS AFTER EXTRA ORDINARY									
	Basic EPS.					45.10	36.86	31.85	23.66	--
	Diluted EPS.					44.81	36.54	31.48	23.10	15.20



Key Financial Ratios

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# Shareholding Pattern an on Dec'22





# Summary

- ❖ On quarterly basis, the Company delivered robust performance in Q3 of FY'23, with Net Sales up by 20.07% i.e. Rs.411.37 crs in Dec'22 as compared to Rs.342.58 crs in Dec'21. However, the Net Profits increased by 20.68% i.e. Rs.107.12 crs in Dec'22 versus Rs.88.76 crs in Dec'21. In addition to this, the Statement of Changes in Equity witnessed an increase in the Equity Capital i.e. Rs.79.04 crs in Dec'22 juxtapose to Rs.78.93 crs in Dec'21.
- ❖ Viewing healthy valuations and fine fundamentals, the Company is available at a good price of Rs.1713.75 with its 52 week low at Rs.1614.65 and 52 week high at Rs.2634.95.
- ❖ Since the Promoters are holding majority stake around 39.15% as well as its consistent performance, anticipates that the Management is committed to growth of the Company.
- ❖ The Shareholding Pattern as on Dec'22, shows the FIIs and the Other DIIs altogether stood with 40.03% stake. Whilst, the Mutual Fund Houses own 5.00% holdings in the Company.
- ❖ It is reassuring to see that Aavas Financiers Ltd. is held by UTI MF, KOTAK MF, SUNDARAM MF, IIFL MF, HDFC MF, PGIM MF and a few more.
- ❖ On consolidated basis, Return on Equity (ROE) and Return on Capital Employed (ROCE) were registered around 12.65% & 8.58% respectively as on Mar'22.



# Disclosure

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## **Disclosures as required under SEBI (Research Analyst) Regulations, 2014**

### **Introduction:**

I, Amiteshwar Singh, am the proprietor of M/S Amiteshwar.in. I am a Research Analyst registered with SEBI having registration no. INH100010013. I provide services through my website [www.Amiteshwar.in](http://www.Amiteshwar.in) which is primarily focused on research of Multi-Cap stocks of India.

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1. My spouse, Mrs. Prabhjash Kaur
2. My daughter, Ms. Palvit Kaur

Note: Subject Company is a company on which buy/sell recommendation or target price is given or changed in the research report.



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2. **Sell Recommendation:** The subscribers can sell the shares of the subject company when they receive a return of 25% on the market price when the subject company was recommended.