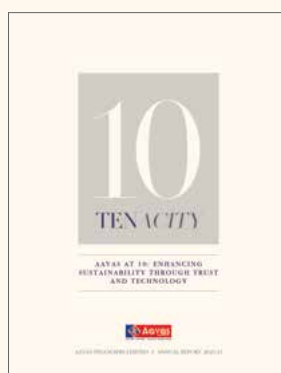


AAVAS AT 10: ENHANCING
SUSTAINABILITY THROUGH TRUST
AND TECHNOLOGY



CONTENTS

02	Corporate snapshot
10	Our report card
12	Strategic overview
14	A story of trust and technology
18	Operational review
22	Sustainability Report, 2020-21
27	Glimpses of Corporate Social Responsibility, 2020-21
28	Integrated value creation at Aavas
40	Our employee capital
42	Our technology capital
44	Risk management
46	Credit Profile Management
47	Supply Chain Management
48	Marketing
49	Our awards and recognition, 2020-21
50	Glimpses of Ten years celebration, 2020-21
52	Profile of Board of Directors and Management Team
58	Corporate information
60	Management discussion and analysis
69	Statutory reports
141	Financial statements
278	Notice



The theme of this report

This is the third annual report of Aavas Financiers Limited following its initial public offer in 2018.

The company has selected to focus on how the various shock absorbers that it invested in across the ten years of its existence helped resist sectorial headwinds and grow in a sustainable manner.

Aavas' forward-looking investments in customer engagement and technology helped to create a platform that should translate into sustainable growth across the coming years.

Forward-looking statement

This document contains statements about expected future events and financial and operating results of Aavas Financiers Limited, which are forward-looking. By their nature, forward-looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties. There is a significant risk that the assumptions, predictions and other forward-looking statements will not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as a number of factors could cause assumptions, actual future results and events to differ materially from those expressed in the forward-looking statements. Accordingly, this document is subject to the disclaimer and qualified in its entirety by the assumptions, qualifications and risk factors referred to in the Management Discussion and Analysis of the annual report.

‘Despite the challenges in the sector during the last decade, the company was able to survive in a dynamic environment and now possesses a foundation to sustain its fast-paced growth journey across the foreseeable future.’

Sushil Kumar Agarwal
Managing Director and Chief Executive Officer



CORPORATE SNAPSHOT

10

Aavas Financiers has completed a decade in serving customers.

The decade has been marked by a complement of customer obsession, customer service, customer delight and customer retention.

Vision

Enriching lives of people by enabling them to achieve their dream of owning a home: SAPNE AAPKE, SAATH HAMAARA

Mission

To empower and upgrade lives of low and middle income customers by providing them accessible home loans and setting pioneering benchmarks in unserved and underserved markets.

Values

- Create customer delight with focus on ease and speed.
- Blend traditional ethics with modern outlook to create an environment of trust and transparency.
- Be responsive, professional and ethical in our approach towards customers.
- Nurture employees to perform passionately with a sense of ownership.



Journey

Incorporated as AU Housing Finance Private Limited on 23rd February, 2011, the Company was registered with National Housing Bank as a housing finance company. It was converted into a public limited company in 2013 and was renamed as Aavas Financiers Limited in 2017. Aavas Financiers Limited has been listed on Bombay Stock Exchange Limited and National Stock Exchange since October 2018.

Professional leadership

The management team is led by qualified and experienced visionaries, who are supported by competent professionals. Aavas is chaired by Mr. Sandeep Tandon, an industry expert with more than 21 years of experience in the technology industry; Mr. Sushil Kumar Agarwal is Managing Director and Chief Executive Officer possessing more than 20 years of experience in retail financial services, business development, financial management; Mr. Ghanshyam Rawat is Co-Founder and Chief Financial Officer with



more than 25 years of experience in the retail financial services and other sectors.

Human capital

Aavas comprises of dedicated and qualified professionals like Chartered Accountants, Civil engineers, Lawyers, IT professionals, Company Secretaries and MBAs qualified from reputed business schools, enhancing a culture of knowledge-driven outperformance. The Company comprised 5679 employees as on March 31, 2021.



Geographic footprint

Aavas launched its first branch at Jaipur in 2012. Across the decade thereafter, Aavas has grown to 280 branches in the States of Rajasthan, Maharashtra, Gujarat, Madhya Pradesh, Haryana, Uttar Pradesh, Chhattisgarh, Delhi, Punjab, Uttarakhand and Himachal Pradesh (as on March 31, 2021), adding 30 branches during the year under review.



Differentiated Model

Aavas selected to serve the needs of housing finance customers in the low and middle income segments of sub-urban and rural India, contrary to the industry preference of servicing customers in metro cities and urban clusters.

Aavas could have addressed large, visible and conventionally credit worthy loan seekers instead the company chose to focus on customers excluded from the country's formal banking system on account of their inadequate documents for income validation.

Performance

Aavas reported yet another year of growth in 2020-21. Revenues strengthened 22%, while profit after tax increased 16%. The company's net interest margin was 7.71% and gross non-performing assets of 0.98% as on March 31, 2021.

50.08

Promoter and Promoter Group holding, March 31, 2021 (%)

19,000

(Approx.) Market Capitalization, March 31, 2021 (₹ crore)

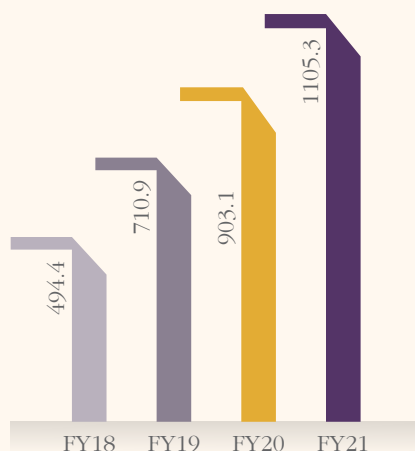
5,679

Team size, March 31, 2021

Aavas has grown
in every year of its
existence.



Total revenue (₹ crore)

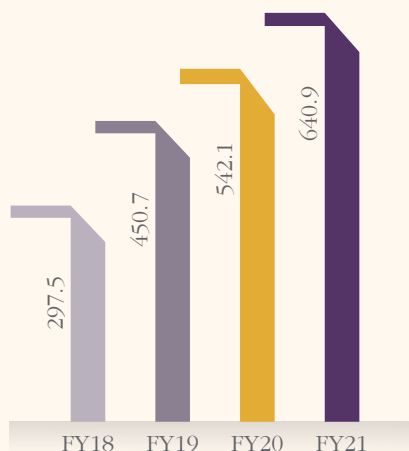
**What it means**

This indicates the ability of the Company to leverage its distribution network and grow revenues.

Result

Despite COVID disruptions, aggregate disbursements were ₹2,656.85 crore in FY 2020-21 due to a widening customer base and geographic footprint, strengthening revenues.

Net total income (₹ crore)

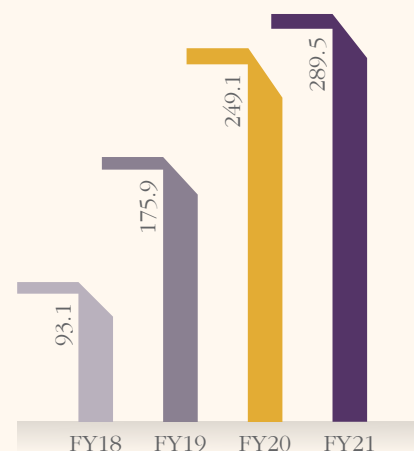
**What it means**

At Aavas, we strengthen our net total income through superior underwriting and collection capabilities. We able to raise funds from our domestic and international lending partners at competitive rate and focus on providing customers with a risk-adjusted interest rate.

Result

The Company's net total income grew by 18% in 2020-21.

Profit after tax (₹ crore)

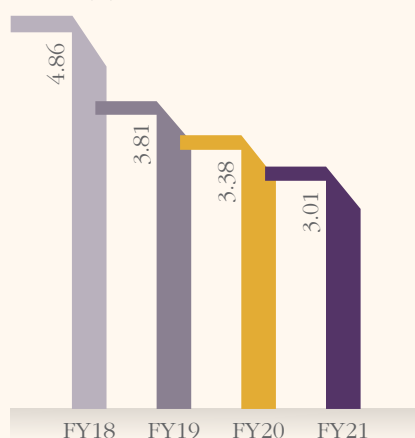
**What it means**

Ensures that adequate profit is available for reinvestment, sustaining the Company's growth engine.

Result

The Company's net profit grew 16% in FY 2020-21.

Operating cost to average total assets (%)

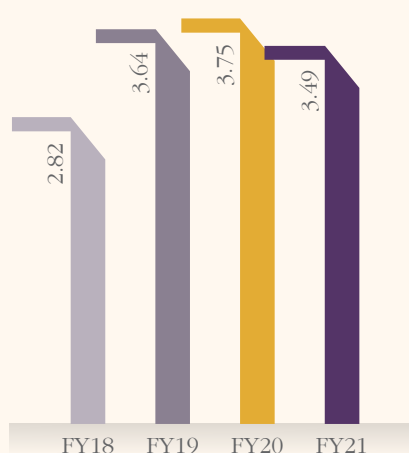
**What it means**

At Aavas, we focus on the moderation of our cost-to-income ratio by leveraging economies-of-scale, increasing productivity and enhancing the use of technology.

Result

The Company's operating cost to average total assets stood at 3.01% in 2020-21, strengthening competitiveness against market cycles.

Return on Assets (RoA) (%)

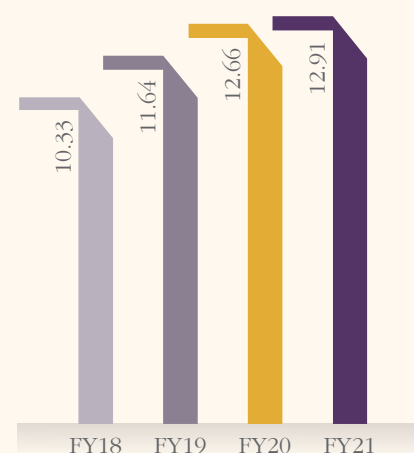
**What it means**

This indicates the profitability of the Company proportionate to its total assets. A higher RoA reflects on a higher asset efficiency.

Result

The Company's maintained RoA at 3.49%.

Return on Equity (RoE) (%)

**What it means**

The Company's growing RoE validates its ability to reward stakeholders. On the back of sustained growth, improved spread and consistent profitability, the Company's return on equity is likely to grow sustainably.

Result

The Company's RoE increased by 25 bps in 2020-21.

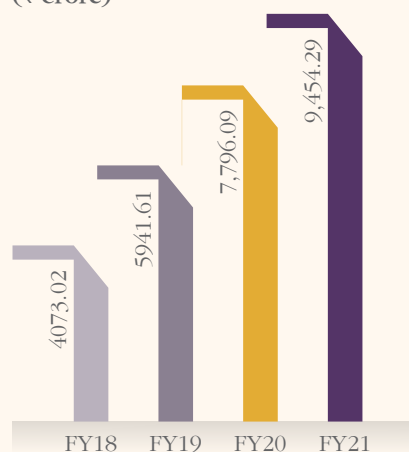
At Aavas, when
you aggregate
satisfaction across
every customer,
what you get are
credible indicators
of the health of
the company's
business.



Active number of loan accounts



Achievement: The Company significantly diversified its customer base, making it possible for them to access diverse funding avenues through unique and customized products at progressively better terms and risk-adjusted rates at the locations where formal funding is limited.

Assets Under Management (AUM)
(₹ crore)

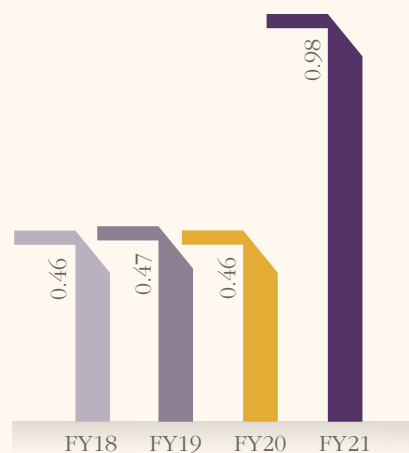
Achievement: Despite a challenging past, the Company consistently grew its AUM without compromising its loan book and at a risk-adjusted price.

Delinquency - One-day pass due (%)



Achievement: The Company maintained a lower delinquency percentage with a higher seasoning of the loan book. Besides, FY 2020-21 needs to be viewed in the context of disruptions caused by COVID-19.

Gross non-performing assets (%)



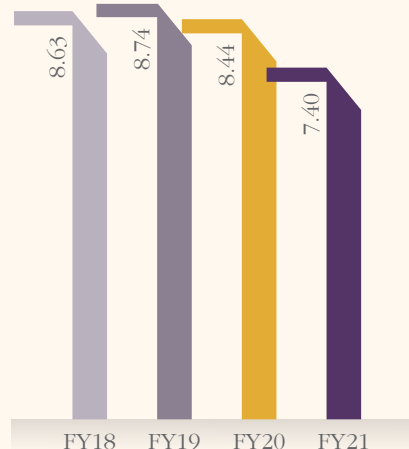
Achievement: This low percentage validates the company's underwriting skills, customer selectivity (majorly single unit self-occupied homes), low construction tenure (often less than a year) and in-house teams (underwriting/collection/valuation/mortgage risk). The industry average, more particularly in the affordable segment, is higher than the Company's average.

Average lending rate (%)



Achievement: The handsome return reported by the Company is the result of the company's competence in being able to price the loans as per the risk-adjusted rate while operating in a growing niche segment.

Average cost of borrowings (%)



Achievement: Over the years, the company leveraged the strength of its Balance Sheet and credit rating to mobilize progressively lower cost long-term funds from banks and financial institutions.

Spread (%)



Achievement: Aavas strengthened its position across the mortgage finance sector by maintaining its spread across increasing scale. There are two things that need to be pointed out: One, a risk-adjusted price due to our reach, understanding of niche customers, continuous efforts and negotiations helping bring down the cost of borrowing. Two, the company's credit rating improved, which helped to reduce costs.

Credit rating

2017-18	2020-21
For long term credit A+/Positive from CARE A+/Positive from ICRA A+/Stable from CRISIL	For long term credit: AA-/Stable from CARE AA-/Stable from ICRA
For Short-term credit A1+ from ICRA and CARE	For Short-term credit A1+ from ICRA, CARE and India Ratings

Achievement: The company's improved fundamentals translated into an improved rating for long-term credit: from A+/Positive from CARE and ICRA in 2017-18 to AA-/Stable from CARE and ICRA in 2020-21. This provided the company with a platform to diversify and negotiate progressively lower costs from fund providers.