

# Building a Lasting Institution

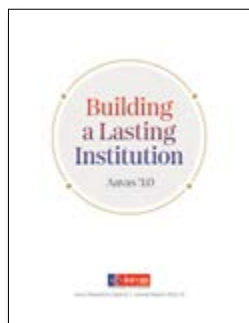
Aavas 3.0



Aavas Financiers Limited | Annual Report 2022-23

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### The theme of this report

The theme of this annual report of Aavas Financiers Limited is '3.0'.

The core Aavas 3.0 theme revolves around the institutionalisation of people, processes and technology.

This is expected to propel the Company to the next orbit, translating into sustainable outperformance on a higher base revenues.

This is expected to lead to value creation for our customers, employees, lenders and investors.

### 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.

“Everything  
begins at the  
beginning, and  
quite often  
the beginning  
begins when  
you shift your  
mind in a new  
direction.”

~

Louie Herron

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## CORPORATE SNAPSHOT

## Aavas Financiers Limited

The Company aspires to become one of India's most trusted affordable housing finance players.

The Company is at an inflection point in its growth journey to build a lasting institution with a committed management.

The starting point in the Company's transition is Aavas 3.0. Its core theme revolves around people, processes and technologies.

The proactive investment in a robust technology backbone will make the Company future-ready, enhancing value for all stakeholders.

### 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 the 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.

## BACKGROUND

**Aavas 1.0:** The Company was incorporated as Au Housing Finance Private Limited on February 23, 2011, as a subsidiary of Au Financiers India Limited (now AU small Finance Bank). Aavas 1.0 was the first phase of our journey where the proof of concept of affordable housing model was tested.

**Aavas 2.0:** The Company was renamed Aavas Financiers Limited in 2017. The Company evolved into a standalone business under the ownership of Kedaara Capital and Partners Group with a professional management team and experienced Board that subsequently went public in 2018.

**Aavas 3.0:** In 2023, the Company embarked on the journey to become India's most trusted affordable housing finance player led by people, process and technology. The aim is to create an institution with progressive mindset and priorities driven by professionals. The Company's investments in technology will help the business deliver sustainable growth and superior customer experience.

## LEADERSHIP

The journey of the Company is guided by an experienced Board under the chairpersonship of Mr. Sandeep Tandon (Chairperson and Independent Director) backed by a strong management team including Mr. Sachinderpalsingh Jitendrasingh Bhinder (Managing Director and Chief Executive Officer), Mr. Ghanshyam Rawat (President and Chief Financial Officer), Mr. Ashutosh Atre (President and Chief Risk Officer) and professionally experienced Chief Experience Officers (CXOs).

## TRACK RECORD

The Company reported impressive growth from ₹1,000 crore in Assets Under Management (AUM) in 2015 to ₹14,166.7 crore AUM as on March 31, 2023. The Company's branch network

has grown from 100 in 2017 to 346 as on March 31, 2023. The Company is expected to sustain performance growth.

## EMPLOYEES

Aavas believes that its competitive advantage lies in its people. The Company's talent pool provides multi-sectoral expertise, technological experience and domain knowledge. Aavas's experienced and talented employees represent a competitive strength and preparedness. The Company's permanent employee strength was 6034 as on March 31, 2023.

## AWARDS AND CERTIFICATIONS

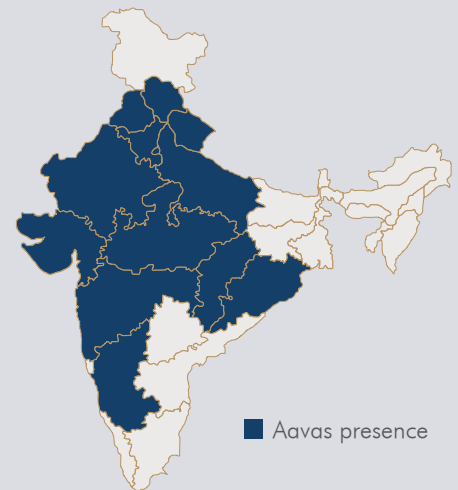
The Company was recognised as one of the best BFSI Brands by ET Edge at The Economic Times BFSI Best Brands 2023 Conclave on March 21, 2023.

## CREDIT RATING

The Company's long-term credit rating was upgraded to AA/Stable by ICRA and CARE. Its Short-term credit rating was reaffirmed to A1+ by ICRA, CARE and India Ratings.

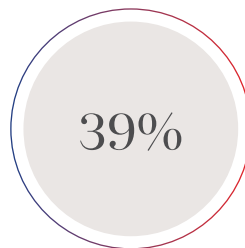
## FOOTPRINT

The Company's 346 branches were spread across 13 States in India as on March 31, 2023, comprising Rajasthan, Maharashtra, Gujarat, Madhya Pradesh, Haryana, Uttar Pradesh, Chhattisgarh, Delhi, Punjab, Uttarakhand, Himachal Pradesh, Karnataka and Odisha. The Company added 32 branches in FY 22-23.

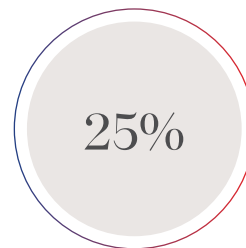


## PERFORMANCE

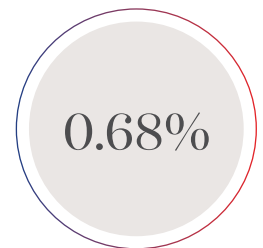
Aavas reported superior business performance in FY 22-23. The Company's revenues grew 23%, while profit after tax grew 21%. The Company's net interest margin was 8.28% and net non-performing assets were 0.68% as on March 31, 2023. The Company is maintaining positive asset liability management and is well capitalised with a capital adequacy of 46.96%.



Disbursement growth,  
March 31, 2023



AUM growth,  
March 31, 2023

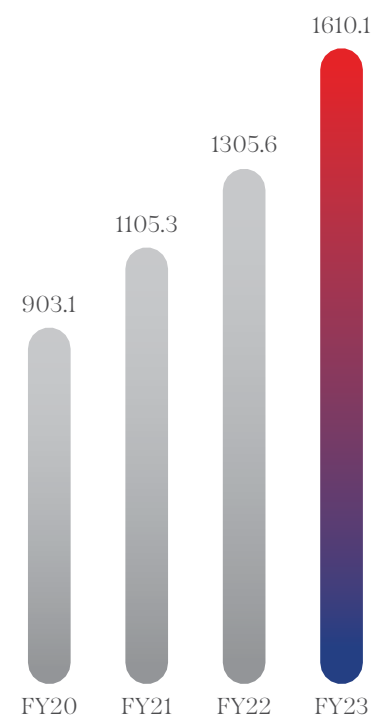


Net NPA,  
March 31, 2023

# Aavas 3.0 enjoys a robust platform that has been created across the years

## TOTAL REVENUE

(₹ crore)



### What it means

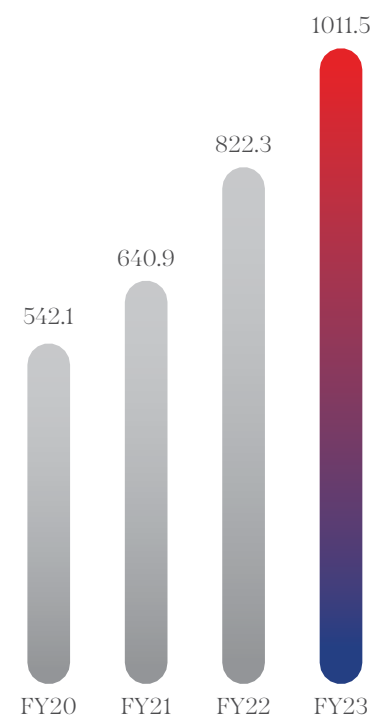
Revenue is earned by housing finance Companies primarily through interest on loans, fees and charges.

### Result

The Company's revenue grew 23% to ₹1,610.15 crore on the back of a wider customer base drawn from a network of 346 branches and strong customer relationships.

## NET TOTAL INCOME

(₹ crore)



### What it means

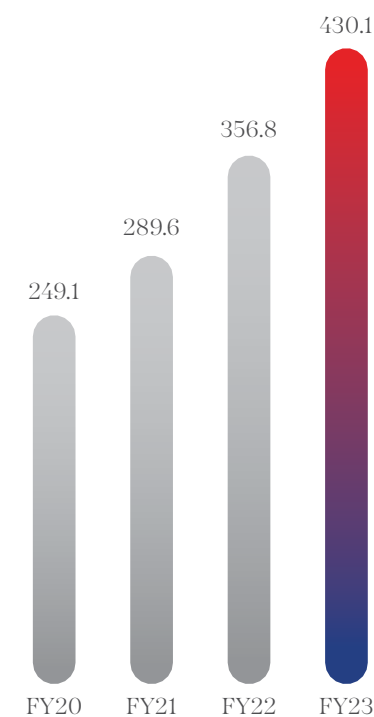
Net total income depicts the surplus of total revenue over finance cost. It ensures that the Company has sufficient funds available to meet operating expenses leading to improved profitability.

### Result

The Company's net total income grew 23% in FY 22-23.

## PROFIT AFTER TAX\*

(₹ crore)



### What it means

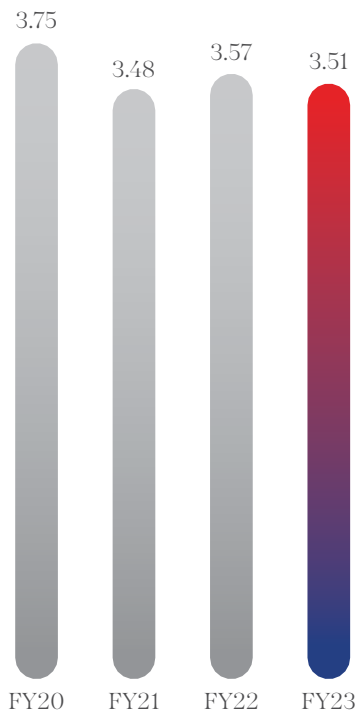
Profit after tax (PAT) is a financial measure that indicates how well a company has performed through core operations, net of expenses and taxes. It ensures that adequate profit is available for reinvestment and sustaining the growth of the Company.

### Result

The Company's net profit grew 20.5% in FY 22-23. The Company has demonstrated a consistent increase in PAT over the last three years.

\*PAT before other comprehensive income

### RETURN ON ASSETS (ROA) (%)



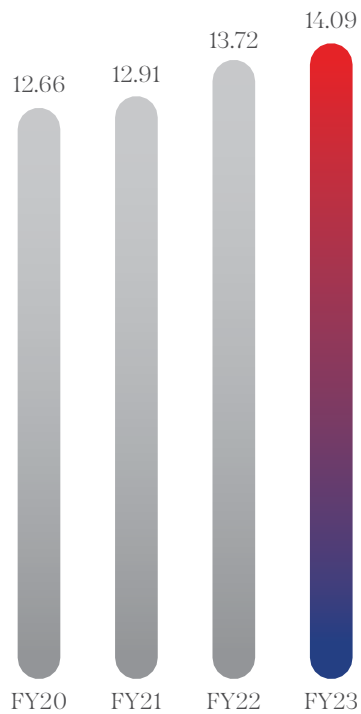
#### What it means

Return on Assets (RoA) is a profitability ratio that determines how much profit a Company can generate from its assets. RoA measures a company's efficiency in generating a profit from assets on the Balance Sheet. A higher RoA is a reflection of rising asset efficiency.

#### Result

The Company maintained its RoA at 3.51%.

### RETURN ON EQUITY (ROE) (%)



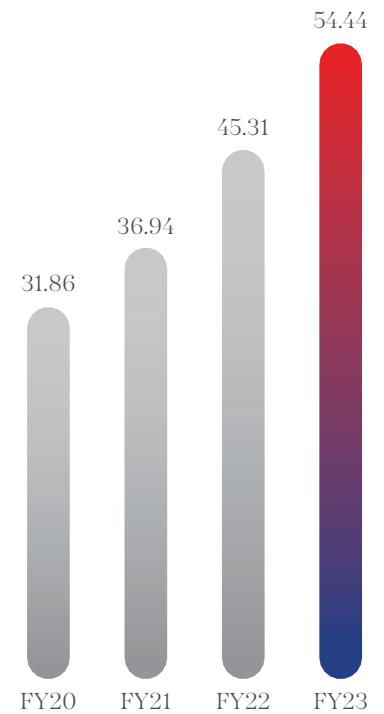
#### What it means

Return on equity (RoE) is the measure of a Company's net profit divided by its shareholders' equity. RoE is a gauge of the Company's efficiency to generate profits against capital invested. The higher the RoE, the better a Company is at converting its equity into profits.

#### Result

The Company's RoE increased by 37 bps in FY 22-23.

### EARNING PER SHARE (BASIC) (₹ per share)



#### What it means

Earnings per share (EPS) is a measure of the Company's profitability. The higher a company's EPS, the greater the profit and value perceived by investors.

#### Result

The Company witnessed a 20% growth in EPS at ₹54.4 per share in FY 22- 23.

Strengthening our risk mitigation, audit and compliance

Building an institution for perpetuity

Investing in upskilling and reskilling employees to sustain personal as well as organisational growth

Building a digital platform to enhance scalability and customer experience ahead of industry peers

**At Aavas,  
we are  
transforming  
our business**

Deepening our IT driven processes and systems, enhancing responsiveness and predictability

Building a scalable platform to grow the business efficiently

Building a lasting platform to deepen market penetration with cost-efficiency

Re-engineering our business processes to ensure streamlined operations



Continuously evolving initiatives including the next level of digital and analytical capabilities

Institutionalisation with enhanced brand and respect

Enhance productivity and work efficiency across functions through integrated system approach

Product deepening with geographical penetration to widen a pan-India presence

## These are some envisaged outcomes of Aavas 3.0

Tune systems, processes and people to provide a superior customer experience

Experiencing scalability through a digital framework to add more products and a wide range of customer segments

Optimise costs and improve operational efficiency by reducing the turnaround time

Improved credit ratings, which helps in expansion, while reducing the cost of borrowings

## STRATEGIC DIRECTION

# How we have deepened our Aavas 3.0 preparedness

## THE CONTEXT

Aavas is investing ahead of the curve by investing in four dimensions. The Company's four dimensions comprise a recognition of challenges coupled with an evolved business strategy, the ability to manage scale by maintaining quality, investing in efficient operational strategies and investments in human capital.

## RIGHT TIME FOR AAVAS 3.0

Aavas 3.0 is an initiative at the right time for the following reasons:

**One**, it represents a timely response to challenges with a decadal goal to reach assets under management of ₹1,00,000 crore.

**Two**, it warrants a proactive investment in people and processes to make the Company future-ready.

**Three**, it warrants investments in futuristic technologies and analytics to enhance the customer's experience.

## MANAGING SCALE

Aavas 3.0 is about the way the Company will need to identify, manage and leverage scale through three priorities.

**One**, the selection of the right human capital, business channels and location will lead to the right customers, right product, right price and right market.

**Two**, understanding the right insight through the development of a comprehensive understanding

of customer behaviour aligned with processes

**Three**, the development of efficient risk controls to identify and mitigate business unforeseens.

The complement of these priorities ensures that the maximum number of right customers are onboarded without compromising asset quality.

## AAVAS 3.0 DRIVERS

Aavas 3.0 is driven by a combination of organic growth and desire to attain scale. Aavas has established competence in customer acquisition and underwriting. Going ahead, it intends to deepen market penetration by entering diverse markets and segments.

## PREPAREDNESS FOR AAVAS 3.0

Aavas is prepared for scale to capitalise on the right opportunity at the right time. The Company's ability to analyse customer behaviour during the onboarding process will be tested. The Company's large data management competence will be validated. The Company's ability to shrink the learning curve, coupled with timely implementation, will be crucial. In a challenging and competitive environment, the Company aims to prepare for balanced growth, profitability, margins and loan quality.



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