



## “Tenth Annual General Meeting of Aavas Financiers Limited Through Video Conferencing”

**July 22, 2020**



**MANAGEMENT: MR. SANDEEP TANDON – CHAIRPERSON &  
INDEPENDENT DIRECTOR  
MR. SUSHIL KUMAR AGARWAL – MD & CEO  
MRS. KALPANA IYER – INDEPENDENT DIRECTOR  
MRS. SOUMYA RAJAN – INDEPENDENT DIRECTOR  
MR. K R KAMATH – NOMINEE DIRECTOR  
MR. VIVEK VIG – NOMINEE DIRECTOR  
MR. NISHANT SHARMA – PROMOTER NOMINEE  
DIRECTOR  
MR. MANAS TANDON – PROMOTER NOMINEE  
DIRECTOR  
MR. KARTIKEYA DHARUV KAJI – PROMOTER NOMINEE  
DIRECTOR  
MR. GHANSHYAM RAWAT – CFO**

**Moderator:** Dear shareholders, good afternoon and warm welcome to you all to the 10th annual general meeting of Aavas Financiers Limited through video conferencing and other audiovisual means.

As a reminder, for a smooth conduct of the meeting, the members will be in the mute and the audio and video will be opened when they will ask at the AGM as per the preregistration.

I now hand over the proceedings of the AGM to Mr. Sharad Pathak – Company Secretary & Compliance Officer of the company.

**Sharad Pathak:** Good afternoon everyone. I welcome you all to the 10th annual general meeting of the company. Dear members, considering the COVID-19 pandemic and continuing restriction on gathering of people at one place, to maintain the social distancing, this meeting has been called at through video conference facility in accordance with the circular issued by the Ministry of Corporate Affairs, Government of India and SEBI.

Before we start the proceedings of this meeting, I request the board members to kindly do the introduction themselves.

**Sandeep Tandon:** Hi, I am Sandeep Tandon. Good afternoon everyone. I am Chairperson of the board, Independent Director of the company, and Chairperson of the stakeholders' relationship committee. I am attending this meeting from Mumbai.

**Sushil Kumar Agarwal:** Good afternoon everyone. I am Sushil Agarwal – Managing Director & CEO of the company. I am attending the meeting from Jaipur.

**Kalpna Iyer:** Hi, good afternoon everybody. I am Kalpna Iyer – Independent Director, Chairperson of audit committee, and Chairperson of the NRC attending this meeting from Mumbai.

**Soumya Rajan:** Good afternoon everyone. I am Soumya Rajan – Additional Director, Independent, of the company. I am attending this meeting from The Nilgiris in Tamil Nadu.

**K R Kamath:** Good afternoon everybody. I am K R Kamath – Nominee Director of the company attending the meeting from Mumbai.

**Vivek Vig:** Good afternoon everyone. I am Vivek Vig – Nominee Director of the company attending this meeting from Mumbai.

**Nishant Sharma:** Good afternoon everyone. I am Nishant Sharma – Promoter Nominee Director, also the Chairperson of the CSR committee. I am attending the meeting from Mumbai.

**Manas Tandon:** Good afternoon everyone. My name is Manas Tandon. I am a Promoter Nominee Director and Chairperson of the risk management committee. I am attending this meeting from Mumbai.

**Kartikeya Dhruv Kaji:** Good afternoon everybody. My name is Kartikeya Kaji. I am a Promoter Nominee Director and I am attending this meeting from Mumbai.

**Ghanshyam Rawat:** Good afternoon everyone. Myself Ghanshyam Rawat – Chief Financial Officer of the company. I am attending the meeting from Jaipur Corporate Office.

**Sharad Pathak:** We also have our statutory auditor Mr. Sarvesh Warty – Partner, S R Batliboi & Associates LLP; our internal auditor Mr. Pramod Patni – Partner, G M Kapadia; and our secretarial auditor and scrutinizer of this meeting Mr. Manoj Maheshwariji – Partner, V M Associates.

Dear members, they all have joined this meeting through VC from their respective locations. Dear members, we have the requisite quorum present through video conference to conduct the proceedings of this meeting. As per the circular issued by MCA and section 103 of the companies act 2013, participation of meeting through video conference is being identified for the purpose of quorum. I confirm that the quorum being present, now I request Sandeep sir, chairperson, to call this meeting to order.

**Sandeep Tandon:** I hereby call this meeting to order.

**Sharad Pathak:** Dear members, the facility for joining this meeting through video conference and other audiovisual means is made available for all the members on a first-come first-serve basis. The register of directors, KMPs, register of contracts and arrangements, statutory auditor certificate on ESOP scheme have been made available electronically for inspection by the members. Members seeking to inspect such documents can send an email to Investors Relations at aavas.in.

As the AGM is being held through video conference, the facility for appointment of proxies by the members is not applicable. Members who have registered themselves as speaker shareholders from July 15th to July 17th to express their views and ask questions during the meeting as provided in the 10th AGM notice will be allowed to express their views and ask questions during the Q&A session.

I would like to inform you that the company has provided its members with the facility to cast their votes electronically through remote e-voting facility provided by NSDL on all the resolutions set out in the 10th AGM notice. The e-voting facility started on Saturday, July 18th, at 9 a.m. and was ended on Tuesday, July 21st at 5 p.m. For the members who have not casted their vote yet and who are participating in this meeting will have an opportunity to cast their votes during this meeting as well through the e-remote voting facility provided by NSDL. Members can cast their e-vote by clicking on e-remote tab on the video conferencing screen to avail this feature. Members can post their queries and questions on communicate section on the video conferencing page during the meeting. Members are requested to keep their questions brief and specific. The same will be replied and answered suitably during the meeting.

Now, I will request Sandeep sir, chairperson, to commence the proceedings of this meeting.

**Sandeep Tandon:**

Dear shareholders, on behalf of the board of directors, I would like to welcome you and thank you for joining us for your company's 10th annual general meeting. This is an unexpected time that forced us to meet virtually; however, I feel the health and safety of all our stakeholders is paramount. On behalf of the board of directors of the company, I want to thank you for taking the time to join us today. Your support and confidence in us even in these uncertain times drive us to find more ways to create greater value for all of us. We believe that trust propels the lifeline of our business. Your company's annual report for the year ended March 31st 2020 along with the directors' report and the audited annual accounts have been circulated to you through electronic mode and I seek your permission to take it as read.

During the fiscal 2020, Aavas grew its loan book by 31%, one of the highest among companies of the same size in the sector. The company has expanded its branch network to 250 branches in 10 states while empowering more than 1 lakh customers to move into their own home.

The board of directors has recommended the appointment of Mrs. Soumya Rajan as an independent director of the company effective August 29, 2019. We believe that Mrs. Rajan on the board will support in broadening the overall expertise of the board and will bring wide experience, particularly in the areas of corporate governance and strategy.

It has indeed been an eventful and challenging year for your company due to the COVID-19 pandemic started in mid-March and the consequent lockdown across the country. The COVID-19 pandemic is an extraordinary unprecedented event. It has impacted the world and every country, business, and individual. These are not easy times for any of us and our customers are dealing with severe challenges as well. We primarily serve low and middle income self-employed customers in semi urban and rural areas of India, who have been hit hard due to this pandemic.

At this point, business continuity and the health of our customers and employees and partners is our primary concern. We are determining measures to minimize its impact on all our operations. This is a great humanitarian crisis but Aavas possesses a great asset. Our customer-first approach which will surely navigate us through this difficult time.

Your company has distinguished itself by creating a best-in-class housing finance company under the professional management of Mr. Sushil Kumar Agarwal. He has more than 19 years of experience in the field of retail financial services. Our board as a whole comprises of individuals of respect and standing who provide a distinctive business direction. The board believes that it is equipped to help the company take it forward in these challenging times through technology adoption and adhering to the highest governance standards. I must emphasize the fact the board's contribution to this phenomenal growth and the contribution has been immense.

At Aavas, we believe that if we want to perform more than ordinary, we need to think differently. Therefore, the company has always believed in aligning business practices with societal expectations. We constantly drive to create a customer-centric organization. It gives great joy to have created a company where we can help our customers fulfill their dreams and provide them financial inclusion and stability. At Aavas, our aim is to transform our customer service from just a transaction to a relationship where we are with our customers throughout the way. I would also like to place my appreciation for the sincerity, hard work, and dedication of the entire Aavas team which is constantly putting their effort for the smooth running of the business, especially during these trying times.

I again thank everyone for being present here at the 10th AGM of your company. We are convinced that we will emerge stronger from this crisis. Now I would request Mr. Sushil Kumar Agarwal – Managing Director & CEO of your company to present the performance of the company for the financial year 2019-2020.

**Sushil Kumar Agarwal:**

Good afternoon dear shareholders. Welcome to the 10th Annual General Meeting of Aavas Financiers Limited. Hope you all are safe and healthy.

The global outbreak of COVID-19 is proving to be a seminal point in the history of modern world. We believe that this development will affect most of humankind's decision including the decision to buy and finance home. I feel quite optimistic to say that with your continued support, the company will steadily navigate the rough waters to deliver a consistent performance and this will happen as Aavas possesses a great asset, our customer-first approach. At Aavas, we believe that the ownership of a house is no less a milestone in the life of any family than say the birth or marriage of children. We put great emphasis on building trust and increasing the confidence that the customer has with Aavas. We believe that the customer experience should be uniform and best in class across all branches and aspire to deliver on this goal even when we have 500 branches some day in future.

On the macro front:

honorable Prime Minister Shri. Narendra Modi indicated the existence of 9000 towns across India. Mortgage penetration in India from formal lending sources is only 9% while the remaining 91% of the houses are built using own funds and from informal sources of borrowing. Nearly, 1 billion people outside India's top SAT cities account for the mortgage of 2 million homes, a 1% penetration. Our objective is to grow our business to the extent that we enhance this penetration to 2%.

On the micro front:

Our processes are scalable and increasingly oriented towards automation, which means that prospective revenue growths from this point may not be accompanied by a proportionate increase in costs. The company has fixed service matrixes across its branches making it

possible to deliver a consistent Aavas services standard irrespective of terrain and remoteness. The company has embarked on a journey to replace a number of its existing benchmarks with more demanding deliverables to our customers.

We, at Aavas, have built a sustainable and robust risk management framework to take care of business risk, credit risk, liquidity risk, and reputation risk. We will continue to further strengthen what we have done till now. We will shortlist and counter decadal risk and we will continue to grow our company in line with our long-term vision. By doing this, we expect to grow higher than the sectoral average in a sustainable way during the foreseeable future.

Now, I will highlight some of the key parameters and achievements of the year 2020:

As on 31st March 2020, total number of live accounts stood at 1,04,700. This is a 35% year-on-year growth number. Total number of branches was 250. We have added 40 new branches during the year FY20. Our asset under management grew 31.2% year-on-year to Rs. 7796 crores as on 31st March 2020. Further breakup product-wise, we have home loan book 73.5% and other mortgage loan book 26.5%. Occupation-wise breakup: We have 35% salaried customers and we have 65% self-employed customers in our book.

Disbursement increased by 9.7% year-on-year to Rs. 2930 crores for FY2020 out of which home loans are 71% and other mortgage loans are 29.9%.

As a company, we were able to maintain a spread above 5% which is 5.19% as on March 31st 2020. Our average borrowing cost of 8.44% against an average portfolio yield of 13.63%.

On the borrowing front:

Aavas has access to diversify and cost-effective long-term financing. We have strong relationships with development financial institutions like IFC which is a world bank arm, CDC which is the UK government arm, and Asian Development Bank. 42.7% of our funding are from term loans, 24.9% from assignment and securitization, 13.7% from NHB which is our regulator, and 18.4% from debt capital market. No exposure to commercial paper despite we have highest short-term rating of A1+.

On the asset quality front, we have 1 day past due stood at 2.43% and gross NPA stood at 0.46% as of March 31st 2020. Our net NPA stood at 0.34% on this date. Product-wise breakup of GNPA: We have home loan book 0.52% NPA and other mortgage loan book 0.27% gross NPA.

On the profitability front:

We have registered a profit after tax growth of 41% year-on-year at Rs. 249.10 crores as per Ind-AS accounting. As per IGAAP accounting, PAT registered an year-on-year growth of 56%

for the financial year 2020. Return on asset was 3.75% and ROE (return on equity) was 12.66% for FY2020. As on 31st March 2020, Aavas is a very well capitalized company with a net worth of Rs. 2097.9 crores. Our book value per share stood at Rs. 267.9.

To summarize:

Although our fundamentals are healthy, yet we cannot ignore the uncertainty prevailing at this point of time in the external environment due to COVID crisis, but while the times are tough, we at Aavas draw comfort from the fact that 100% of our portfolio is secured against mortgage, most of which is self-occupied residential property of the customer. Additionally, the portfolio is very granular in terms of customer profiles with average ticket size of sub 10 lakh rupees. Average loan-to-value ratio is less than 50% on outstanding loan amount. We will continue our approach of consistent and sustainable growth by providing credit facilities to unserved and underserved customers in the semi urban and rural areas. We are confident that our deep understanding of this segment and our inhouse execution model, we will be able to fulfill the aspiration of our customers and the expectation of all stakeholders.

Finally, I would like to thank our customers, ecosystem partners, investors, industry colleagues, our employees and their families for their continuous cooperation and support. Aavas will continue to stay engaged with the community needs and fulfill its role as a responsible corporate citizen.

Thank you so much for your time.

**Sandeep Tandon:**

Dear members, the notice of AGM is already circulated through electronic mode. The statutory auditor's report on financial statements and secretarial audit report which are also circulated are unqualified in the nature. Therefore, with the permission of members, the notice of 10th AGM board auditor's report to be taken as read. We now take up the resolutions as set forth in the notice. Following are the ordinary businesses to be transacted.

To consider and adopt the audited standalone financials of the company for the financial year ended March 31st 2020 together with the reports of the board of directors and auditors thereon, and the audited consolidated financials of the company for the financial year ended March 31st 2020 together with the report of the auditors thereon.

To appoint a director in place of Mr. Manas Tandon who retires by rotation and being eligible offers himself for reappointment.

To appoint a director in place of Mr. Kartikeya Dhruv Kaji who retires by rotation, and being eligible offers himself for reappointment.

Moving further, I would present the special business to be transacted.

To appoint Mrs. Soumya Rajan as an independent director of the company.

To approve increase in the borrowing powers in excess of paid-up share capital, free reserves, and security premiums of the company under section 181(c) of the companies act 2013.

To approve creation of charges on assets of the company under section 181(a) of the companies act 2013 to secure borrowings made to be under section 181(c) of the companies act 2013.

To approve issuance of nonconvertible debentures in one or more tranches issuances on private placement basis.

To approve equity stock option plan for employees 2020 of Aavas Financiers Limited.

Now, I hand over to Sharad to take up the proceedings of the AGM further.

**Sharad Pathak:**

Now, I request the operator to begin with the question & answer session.

**Moderator:**

The company is allowing the shareholders who have registered themselves as speaker shareholders to share their views and ask any questions at this AGM. Further, if any shareholder desires to ask any questions or provide any suggestion, he or she may do so by clicking on the section communicate appearing on the video conferencing page through text. Members are requested to keep their questions brief and specific. The same will be replied by the company suitably during the meeting.

We will be proceeding further. We have also collated all the questions received in advance and in the chat box from the members. Now, I request Mr. Sushil Kumar Agarwal – MD & CEO, to reply.

**Sushil Kumar Agarwal:**

Thank you shareholders for participating in the question & answer session. First of all, I would like to thank Mr. Ravikumar Nareddy for registering himself as a speaker shareholder but we couldn't interact with you during this meeting. Now, on the basis of collated questions and the questions we have got from chat box, I am replying to the questions of shareholders in summarized manner. Key points for reply: One of the things is that COVID impact on the company, how we are dealing with it, and how the company is checking its operation in this time. In response to the lockdown announced as a result of COVID-19 pandemic, at Aavas we swiftly implemented a business continuity process plan to make sure that employees can work from home. Around 150 BCP centers were made live ensuring that critical business operations and essential customer services were not hampered during the lockdown time. We were operating around 60% branches during the lockdown-2 and around 80% branches during lockdown-3 and around 95% branches during lockdown-4 with the help of technology investment at the BCP centers which they have made live.



On the liquidity position of the company, at Aavas, liquidity was the need of the hour. As in the past, we continued to maintain a strong liquidity position of Rs. 2532 crores as of 31st March out of which Rs. 1484 crores is of cash and cash equivalent funding and Rs. 1048 crores of unavailed documented sanctioned amount.

Thank you all for participating, and now I will hand over this call to the operator.

**Moderator:** With this, we conclude the question & answer session. Now, I hand over to chairperson sir.

**Sandeep Tandon:** Members may note that the voting on the NSDL platform will continue to be available for the next 15 minutes after the conclusion of this meeting. Therefore, the members who have not cast their votes yet are requested to do so. The board of directors has appointed Mr. Manoj Maheshwari, practicing company secretary and partner of M/s V M & Associates as the scrutinizer to supervise the e-voting process and affair in a transparent manner and issue a report. Further, I hereby authorize Mr. Sharad Pathak – Company Secretary & Compliance Officer, to declare the results of the voting and place the results on the website of the company at the earliest. I would now declare the proceedings of this annual general meeting as completed and closed. Thank you. Now, I request Mr. Ghanshyam Rawat – Company CFO, to propose the vote of thanks.

**Ghanshyam Rawat:** Good evening everyone. It was a pleasure to meet all of you through video conferencing today. I would like to thank our members, directors, auditors, regulatory authorities, National Housing Bank, Reserve Bank of India, SEBI, NCA, RDI, debenture trustee, debenture holders, bankers, lenders, rating agencies, and other stakeholders for their continued support during this challenging time. The company is confident of coming out stronger in the post COVID scenario on the back of its unique business model and commitment of all the employees. We wish you all the best. Stay safe and healthy. We look forward to see you all in the next annual general meeting. Thank you very much.

**Moderator:** Dear members, e-voting facility will be available for the next 15 minutes from now. We request to please cast your vote if not cast yet.

Dear members, the time for e-voting has been completed and the company is of the view that all members who have participated in the annual general meeting have been given adequate time and opportunity to vote at the AGM and this concludes the proceedings of the AGM. Thank you all for participating in the AGM and e-voting.