



CAPITAL FIRST

Corporate Presentation – Q2-FY15



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Agenda

-  **Overview of the Company**
-  Changing Asset Composition
-  Product Offering
-  Credit Processes
-  Credit Rating and Capital Position
-  Board of Directors
-  Shareholding Pattern
-  Financial Results

Company's Vision



To be a leading financial services provider- admired and respected for ethics, values and corporate governance.



To primarily provide Micro, Small and Medium Enterprises in India with debt capital to support the growth of the MSME sector.



To finance the growing aspirations of the low and middle income group people in India.

Overview

- Capital First is a Non-Banking Finance Company listed on NSE and BSE, with a record of consistent growth & profitability.
- The company has consistently increased its MSME and Retail financing from 10% on March 31, 2010 to 84% as on September 30, 2014.
- CAPF has loan Asset Under Management of Rs. 110.47 bn as on September 30, 2014.
- CAPF has a strong distribution setup across India covering customer at 222 towns with an employee base of 1071 as on September 30, 2014
- The Capital Adequacy is 21.0% as on September 30, 2014.
- The Gross and Net NPA of the Company stood at 0.56% and 0.01% respectively as on September 30, 2014.
- The Company's long term credit rating (Bank Facilities, NCD and Subordinated Debt) is rated highly at AA+ by rating agencies.

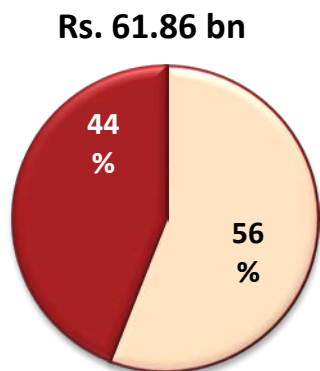
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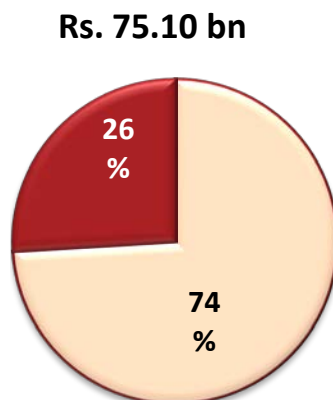
Milestones for the Company

Wholesale Assets
 MSME and Retail Assets

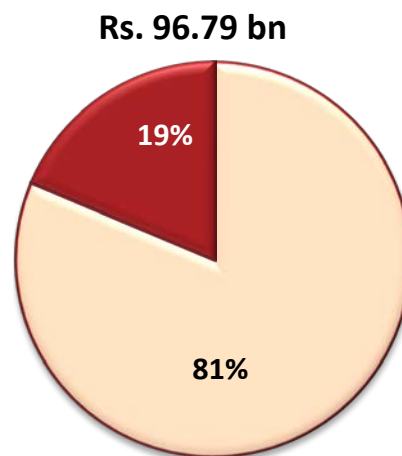
Consistent growth in proportion of MSME and Retail Businesses



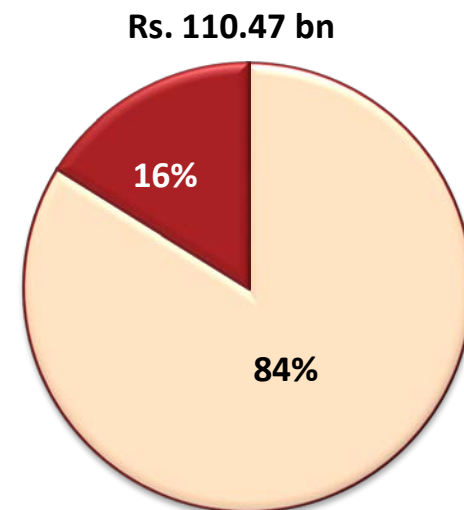
- Long Term Credit Rating (Bank Credit, NCD & Sub-Debt) upgrade from A+ to AA-
- Amalgamated NBFC subsidiary with Holding Company*



- Warburg Pincus acquired majority stake*
- Infused Rs. 1.00 bn as primary equity*
- Capital First is formed
- Long Term Credit Rating (Bank Credit, NCD & Sub-Debt) upgrade from AA- to AA+



- Company raised Rs. 1.78 billion as fresh equity from Warburg Pincus (Rs. 1.28 bn) and HDFC Standard Life (Rs. 0.50 bn)*
- Company's housing finance subsidiary acquired HFC license from NHB*
- Closed Broking Business*



- Company's Assets under Management crossed Rs. 110.00 billion
- Number of customers financed since inception crossed 1 million.
- Capital (Tier1+Tier2) crosses Rs. 18.90 billion

*Corporate actions

FY12

FY13

FY14

Q2-FY15

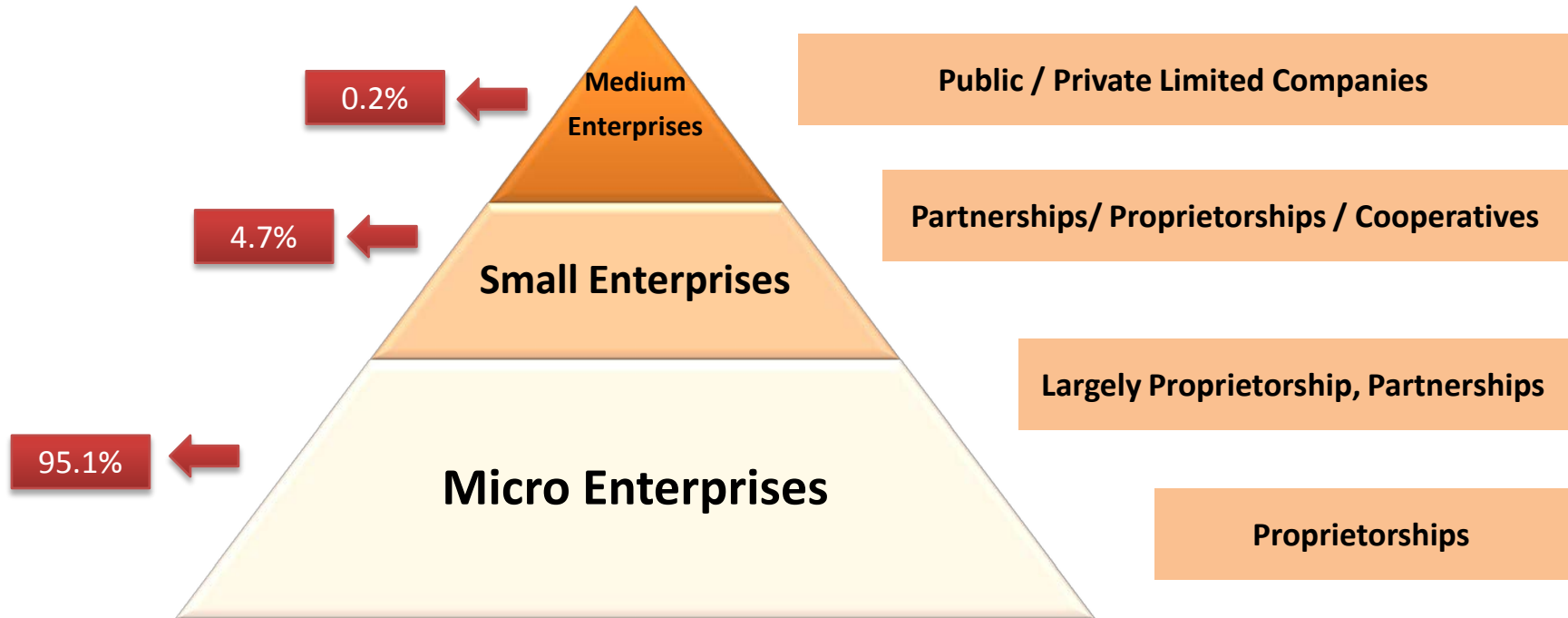
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MSME Segment in India

- Micro, Small and Medium enterprises form a large part of the Indian Economy. They generate employment and act as a catalyst for socio-economic transformation in India
- There are more than 29 million MSME enterprises across India employing more than 69 million people

% of total number of MSME players in India*



- MSMEs account for 45% of the Indian Industrial output and 40% of the total exports.

Source: "Micro, Small and Medium Enterprise Finance in India – A Research Study on Needs, Gaps and Way Forward" by IFC, Nov 2012

Challenges faced by MSMEs in India

- MSME sector, especially the unorganized micro and small enterprises, lack in support from the existing ecosystem, owing to their small scale which in turn is an impediment to their growth. Some of the key challenges faced by MSMEs are mentioned below –

FINANCE

- Absence of adequate and timely supply of finance for working capital
- High cost of credit
- Collateral Requirements
- Limited Access to Equity Capital

INFRASTRUCTURE & PEOPLE

- Low Production Capacity and lack of Advanced Technology to cater to rise in demand
- Limited ability for expansion and modernization
- Lack of proper transportation and warehouse
- Lack of Skilled Manpower

LEGAL, TAX & COMPLIANCE

- Limited knowledge of legal structuring
- Complexity of labour laws (PF, ESIC, Factories Act)
- Taxation issues related to export and import
- Limited resources to meet reporting requirements of large number of compliances like Income Tax returns, Service Tax returns, VAT returns, Central Excise returns, Cess Returns etc.

OPERATIONS

- Local Disturbances (dealing with interested parties)
- Cost and quality of Power (Fluctuations, consistent outages, self financed generators)
- Poor roads, efficient transportation of raw material
- Packaging, pricing and marketing of goods
- Squeezed by larger customers (principals) on delayed payment terms.

Financing Need of MSMEs

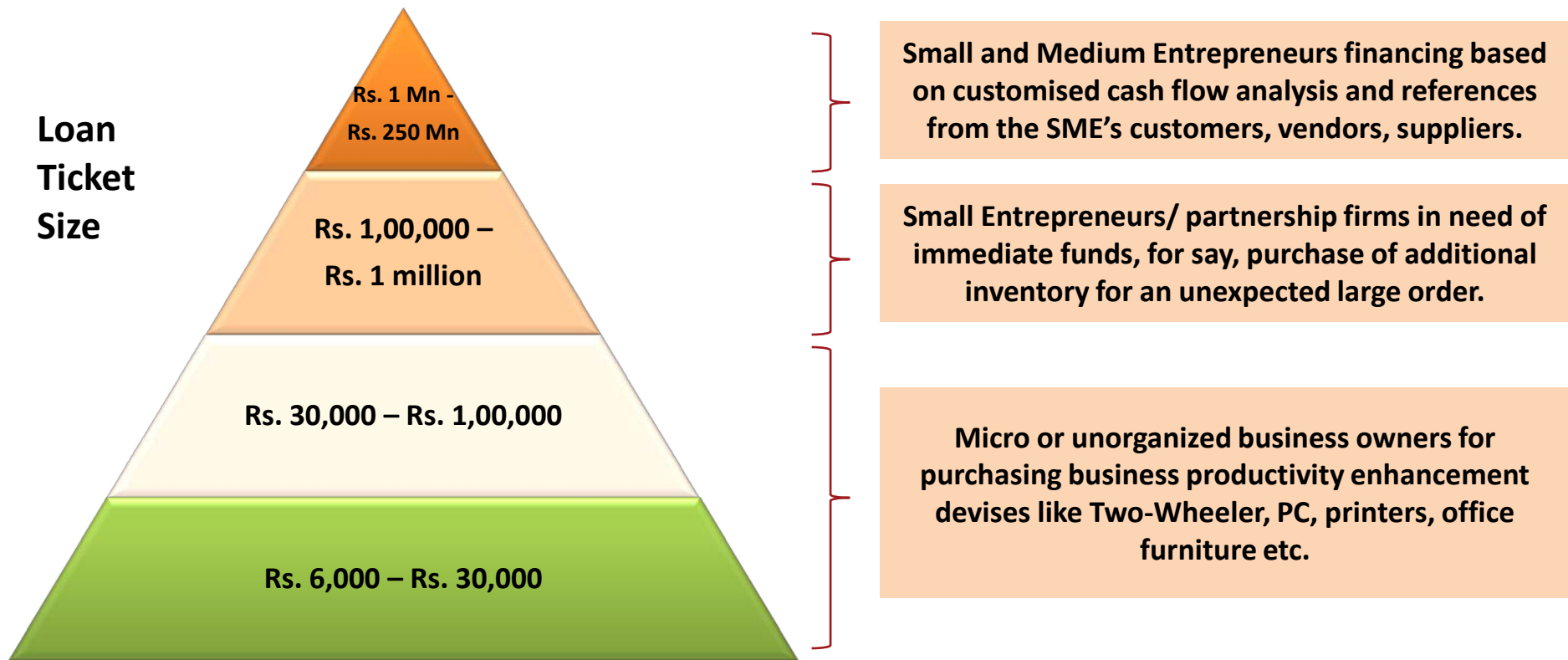
- MSMEs require timely capital through short and long term loans, apart from the seed capital
- IFC has estimated the financing (debt) demand for the MSME segment to be more than Rs. 26 Trillion for India per year*.
- MSMEs generally rely on their own funds like savings, retained earnings, sale of assets, loan from family members, relatives, community as well as unconventional and unregulated money lenders for their entrepreneurial ventures.
- Access to formal bank finance is difficult for SMEs, but this is particularly so for small, micro and unorganized players.
- Lenders too face challenges in lending because of informal business practices, large cash/parallel economy in this segment, difficulty in evaluating credit worthiness, lack of proper financial reporting and relatively high cost of credit appraisal for low ticket loans.
- The conventional credit approach may not be effective while assessing the creditworthiness of these MSME players

**Source: "Micro, Small and Medium Enterprise Finance in India – A Research Study on Needs, Gaps and Way Forward" by IFC, Nov 2012*

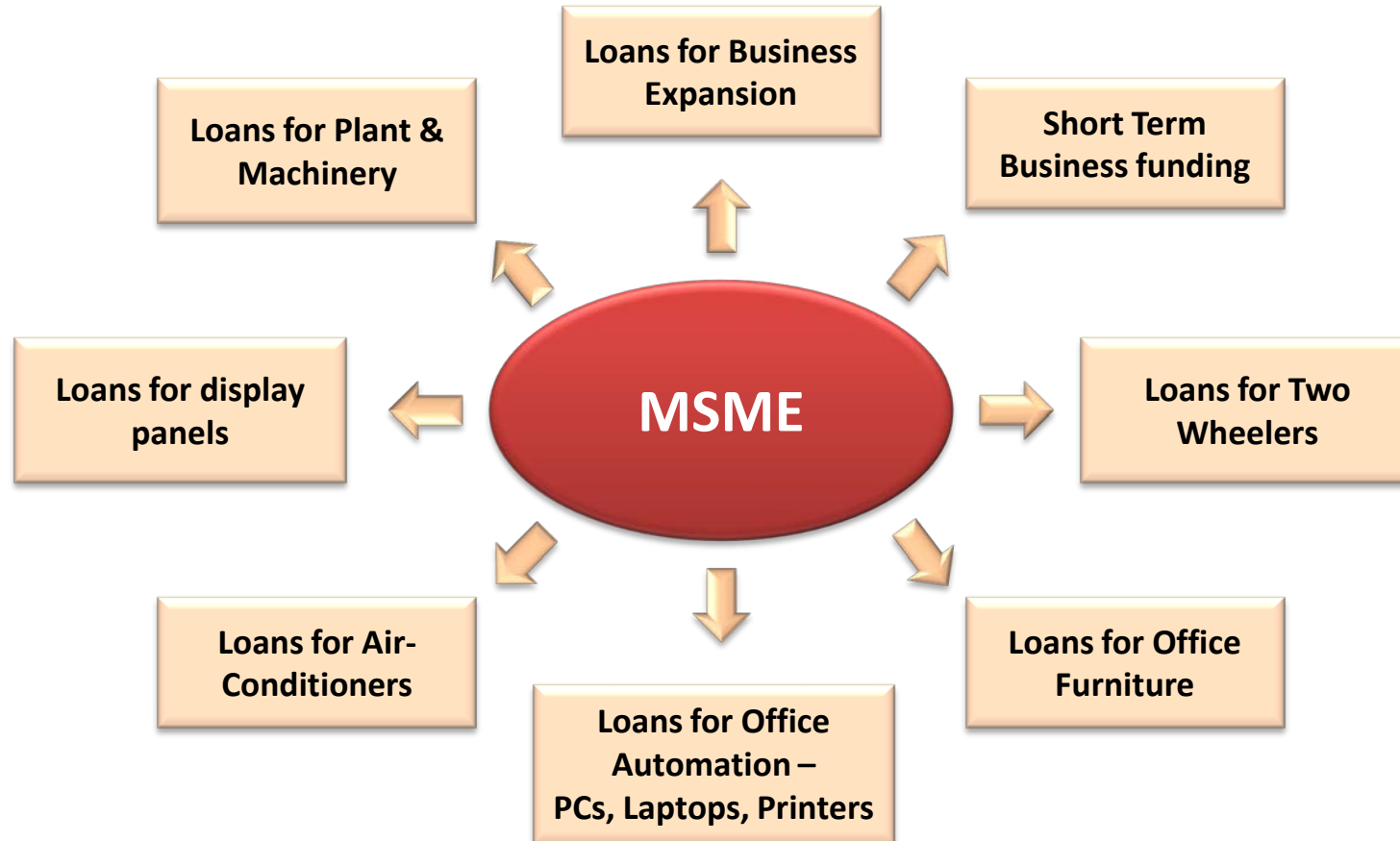
CFL – A Specialized Player in MSME Financing

- CFL is a specialized MSME Financing player with credit evaluation methodology for this segment.
- Capital First offers different financing options to different categories of MSMEs catering to their financing needs at different stages of the business lifecycle.

Note: The figures are for the period Jan-Sep, 2014



CFL Financing Offerings for MSME Segment



CFL Financing Offerings for MSME Segment



- CAPF Provides financing to MSMEs like small traders, suppliers, shop keepers. for purchase of Two-Wheelers
- These loans are relatively small ticket size of about Rs. 43,000.
- The tenor of the loan is about 24 months.
- The LTV is about 69% for the mentioned period.
- Collection effort and cost involved for collecting small EMIs from customers is a key challenge.

- CAPF provides long-term secured loans to MSMEs by proper evaluation of cash flow of the MSME, and backed by collateral of property. The average LTV at origination was approximately 42% for the period mentioned below.
- These are monthly amortising products with no moratorium for Interest or Principal repayment. The actuarial tenor of the loans is usually about 6 years. SMEs usually prepay these facilities before time based on their cash accruals.
- Average ticket size is about Rs. 9.5 Mn
- Evaluation of cash flow is a key challenge in such lending



Note: All the loan product related figures are for the period H1-FY15

CFL Financing Offerings for MSME Segment



- CAPF provides financing against Gold Jewellery to MSMEs like traders and small business owners to finance short-term business requirements.
- The Average Ticket Size is about Rs. 1,20,000
- At origination, the Loan to Value is about 68% on the value of the jewellery
- Any sudden significant drop in Gold prices can trigger collateral value risk.

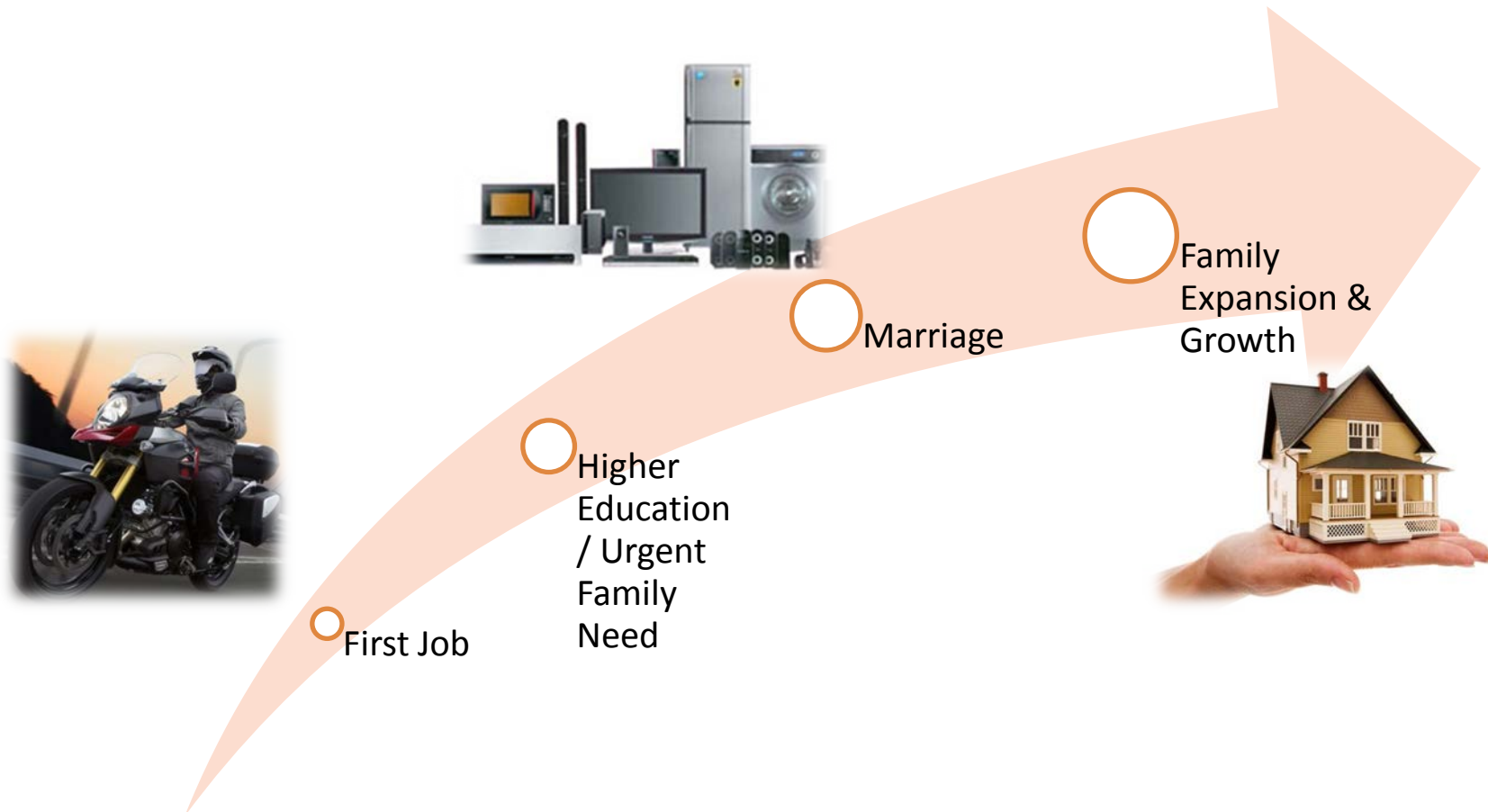
- CAPF provides financing to MSMEs for purchase of Laptops, Furniture, Air Conditioners and other such office equipments for their businesses.
- The Average Ticket Size is about Rs. 30,000.
- The Loan to Value ratio is about 76%.
- The tenor of this loan is about 8-9 months
- Collection effort and cost involved for collecting small EMIs from customers is a key challenge.



Note: All the loan product related figures are for the period H1-FY15

CFL Financing Offerings..

- The company also offers Home Loans, Two Wheeler Loans and Durable Loans to entry and mid level salaried employees of corporates.



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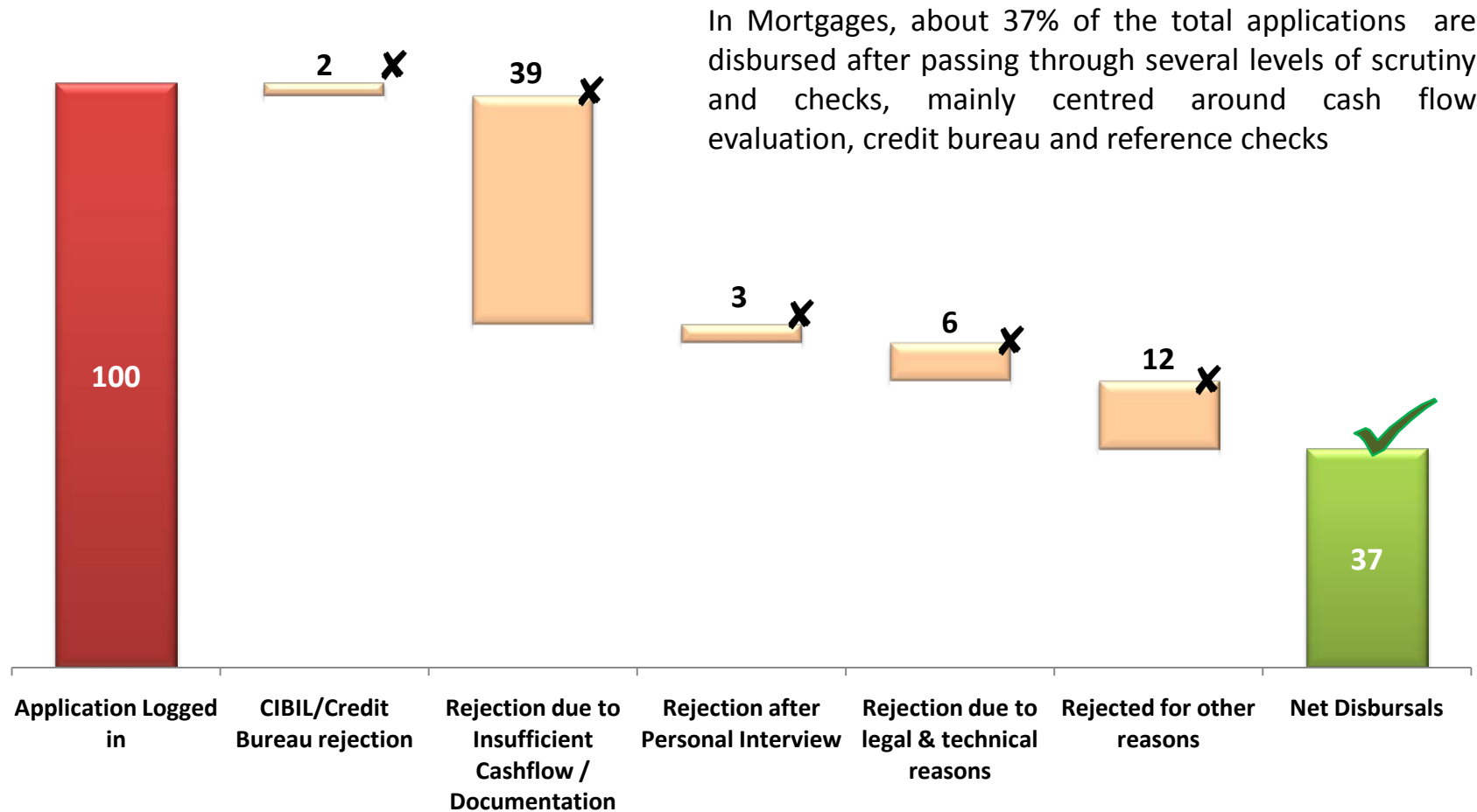
Credit Processes



Sales, credit, operations and collections are independent of each other, with independent reporting lines for checks and balances in the system.

Mortgages – Credit Underwriting Process

Rigorous and robust credit assessment processes in Capital First help in maintaining the high asset quality and low NPA levels



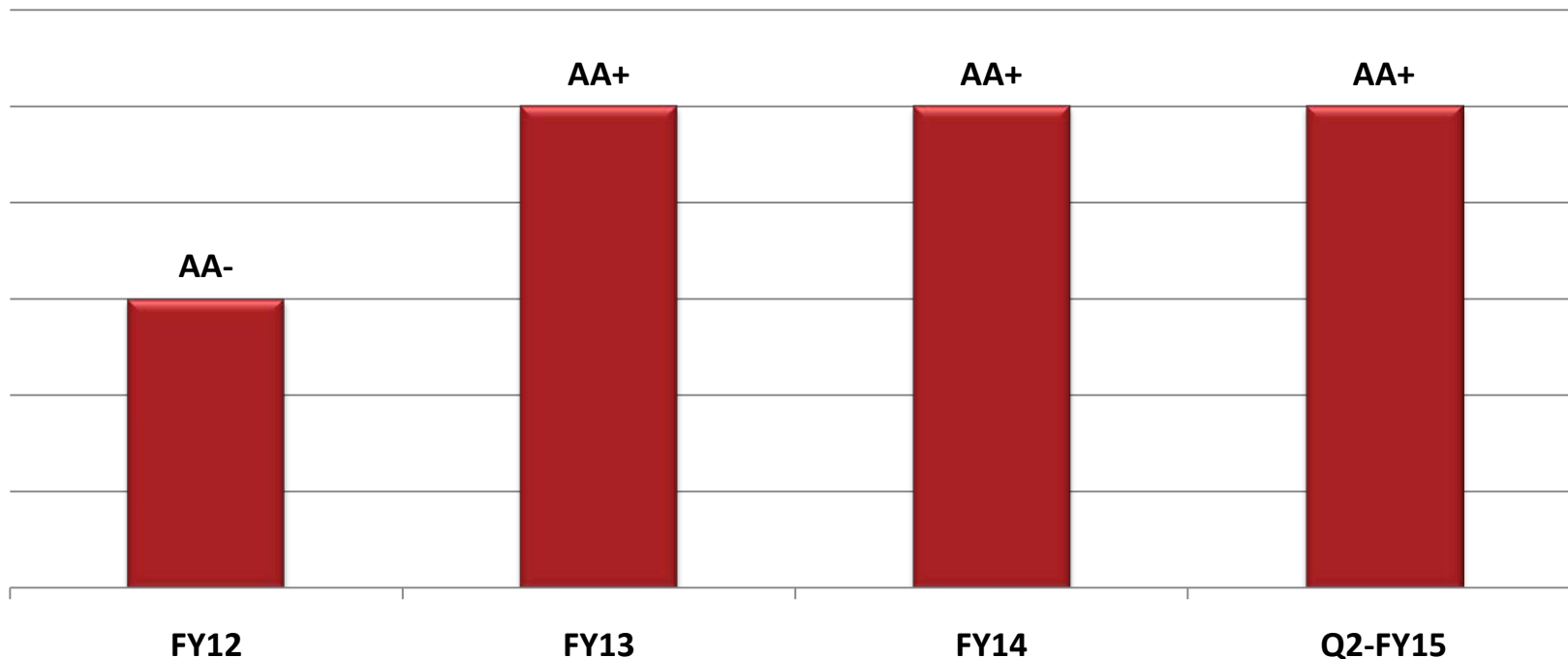
Note: The data is for the period October, 2012 to September, 2014

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Credit Rating

Long term Credit Rating (Bank Facilities, NCD & Subordinated Debt)



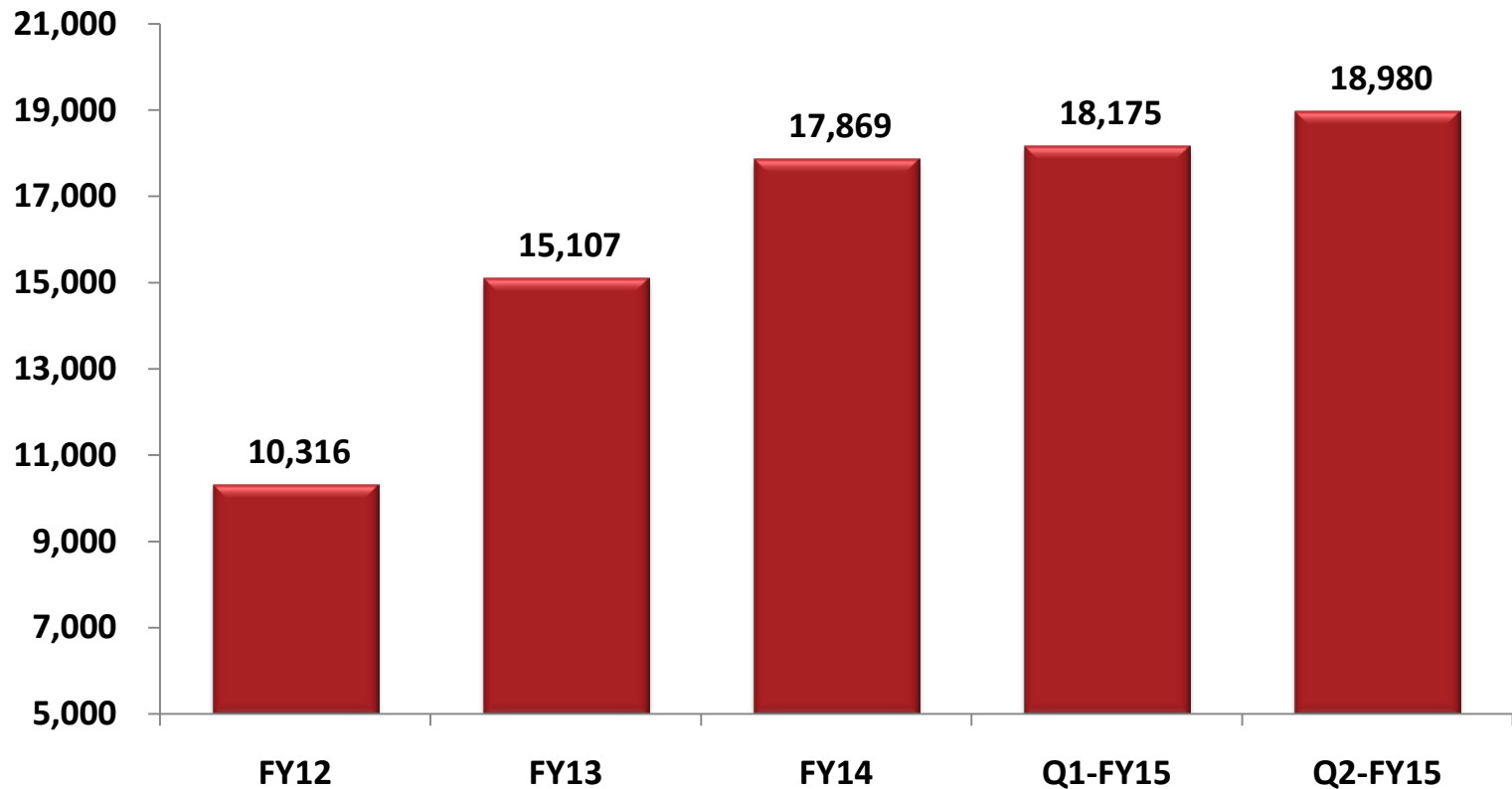
- The long term credit rating of the company is AA+ for Bank Facilities, NCD & Subordinated Debt, which recognizes its strong promoter, Warburg Pincus, experienced management team, comfortable capitalization levels, comfortable asset quality parameters and liquidity position.

Capital – (as on 30 September 2014)

Capital Adequacy Ratio (%)



All figures are in Rs. Mn unless specified



Note: Capital includes Networth, Perpetual Debt and Sub-Debt

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Chairman & Managing Director



Mr. V. Vaidyanathan is the Chairman and Managing Director of Capital First Limited. Prior to his role he was the MD and CEO of ICICI Prudential Life Insurance Company and Executive Director on the Board of ICICI Bank.

In order to take an entrepreneurial role, he acquired a stake in an existing NBFC, and later got a 150 m\$ equity backing from Warburg Pincus and formed Capital First (NSE Code : CAPF) in 2012. Warburg Pincus is one of the world's reputed Private Equity players, with funds of over US\$ 40 billion. This transaction is India's largest Management Buyout of a listed company and is one of his significant professional achievements. He holds shares and options totaling about 14% of the company on a fully diluted basis through personal holdings and related entities.

Under his leadership, the company's long term credit rating has been re-rated thrice from A+ to AA+

In 2010, CAPF was a Mumbai focused wholesale lending NBFC with a Capital of Rs. 7.00 billion with loan assets of Rs. 9.35 billion. Since then, he has converted the company to a Retail focused NBFC, grown the company's assets to Rs. 110.47 billion (Sep '14), built a capital base of Rs. 18.98 billion with over 1000 employees, 1 million customers in 222 locations in India. He has implemented latest cutting edge technologies and scoring solutions in the company. He believes that financing India's 30 million MSMEs and India's emerging middle class, with a differentiated model, offers a unique opportunity in India.

He joined ICICI Group in early 2000 when it still a DFI (Domestic Financial Institution) and was one of the Senior Management responsible for transition of ICICI to a Universal Bank from a DFI. During his decade long stint at ICICI, he launched and built the Retail Banking Businesses for ICICI including 1400 ICICI Bank branches across 800 cities, 25 million customers, a vast retail deposit base with branch, internet, digital and new-age banking, and built a retail loan book of US\$ 30 billion in Mortgages, Auto loans, Commercial Vehicles, Consumer loans, Credit Cards, Personal Loans, SME business and the Rural Banking. These businesses helped the conversion of the institution to a universal bank renowned for retail banking.

He was appointed as Executive Director on the Board of ICICI Bank at the age of 38. He was also the Chairman of ICICI Home Finance Co. Ltd, and served on the Board of ICICI Lombard General Insurance Company and CIBIL, India's first Credit Bureau. He started his career with Citibank India in 1990 and worked there till 2000 where he learnt the retail banking concepts and skills.

His contribution won many domestic and international awards including "Best Retail bank in Asia 2001", "Excellence in Retail Banking Award" 2002, "Best Retail Bank in India 2003, 2004, and 2005 from the Asian Banker", "Most Innovative Bank, 2007", "Leaders under 40" from Business Today in 2009, "Young Entrepreneur Award, 2012", "Greatest Corporate Leaders of India, 2014", and was nominated "Retail Banker of the Year" by EFMA Europe for 2008 and 2009. He is an alumnus of Birla Institute of Technology and Harvard Business School.

He is a regular marathoner and has run 7 marathons and 10 half marathons. He lives in Mumbai with his family of father, wife and three children.

Board of Directors



Vishal Mahadevia
Non-Executive
Director



Anil Singhvi
Independent Director



N.C. Singhal
Independent Director



Hemang Raja
Independent Director



M S Sundar Rajan
Independent Director



Dr. Brinda Jagirdar
Independent Director

Mr. Vishal Mahadevia joined Warburg Pincus in 2006, is co-head of the firm's Mumbai office. Previously, he was a principal at Greenbriar Equity Group, a fund focused on private equity investments. Prior to that, Mr. Mahadevia worked at Three Cities Research, Inc., a New York-based private equity fund, and with McKinsey & Company

Mr. Anil Singhvi is the Chairman of Ican Investments Advisors Pvt Ltd. Prior to establishing Ican Investments, he was the Advisor to Reliance ADA Group. Mr. Singhvi was the Managing Director of Ambuja Cements Ltd. He played a key role in the growth of the company from 0.7 million tonnes to 17 million tonnes.

Mr. N. C. Singhal was a Banking Expert to the Industrial Development Bank of Afghanistan, for the World Bank project and a Consultant and Management Specialist with the ADB. He was the founder Chief Executive Officer of The Shipping Credit & Investment Corporation of India Limited.

Mr. Hemang Raja has a vast experience of over thirty three years in financial services encompassing Project Finance and Corporate Banking with IL&FS. He has been involved in the Private Equity and Fund Management business with Credit Suisse and Asia Growth Capital Advisers in India as MD and Head-India

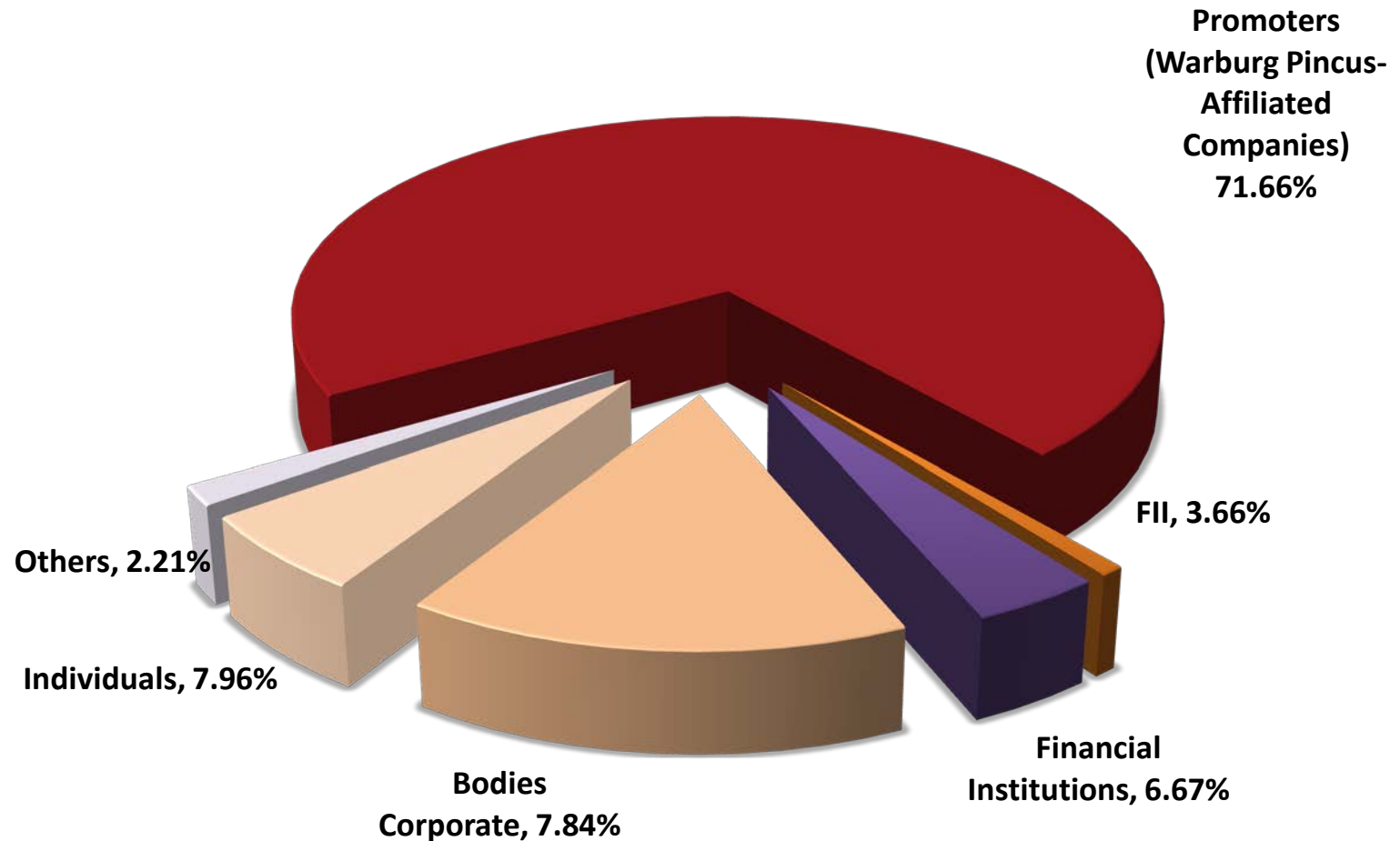
Mr. Sundar Rajan was Chairman and Managing Director (CMD) of Indian Bank and has total experience of over 38 years in the Banking Industry. He has also earlier worked with Union Bank of India for over 33 years. During his Stewardship as CMD of Indian Bank, the Bank has won many accolades and awards

Dr Brinda Jagirdar is an independent consulting economist with specialization in Indian economy and financial intermediation with more than 38 years of Banking experience. She retired as Chief Economist, State Bank of India. She was associated with the Raghuram Rajan Committee on Financial Sector Reforms in India.

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Equity Shareholding Pattern *(as on 30 September 2014)*



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Significant Changes in Accounting Policy

The company changed the accounting policy for recognition of income from certain income lines during the last financial year. These changes and its impact on the P&L are described below.

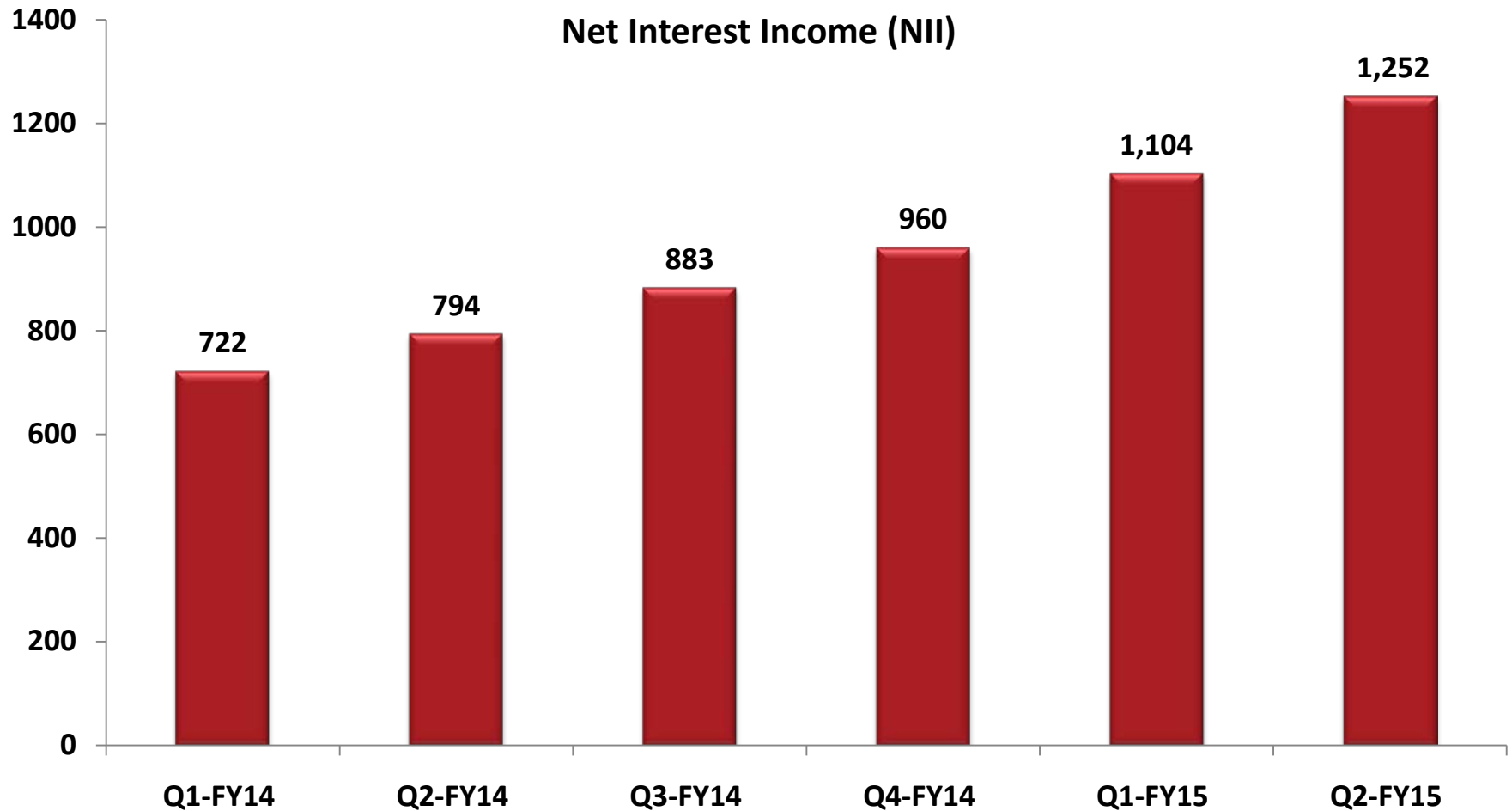
- Earlier, the company had followed a policy of booking income from Processing Fees received from customers and other such income as upfront income. As per the changed policy, this income is being amortized over the average tenure of loans.
- Hence, in the initial quarters after this change of accounting policy, the company reported lower profits compared to quarters prior to this change.
- The financials of the Company is already reflecting the effect of this change as the PBT over the last 6 quarters has sequentially increased as shown in the subsequent slides.

Key Financials

Trailing 6 quarters



All figures are in Rs. mn unless specified



Key Financials

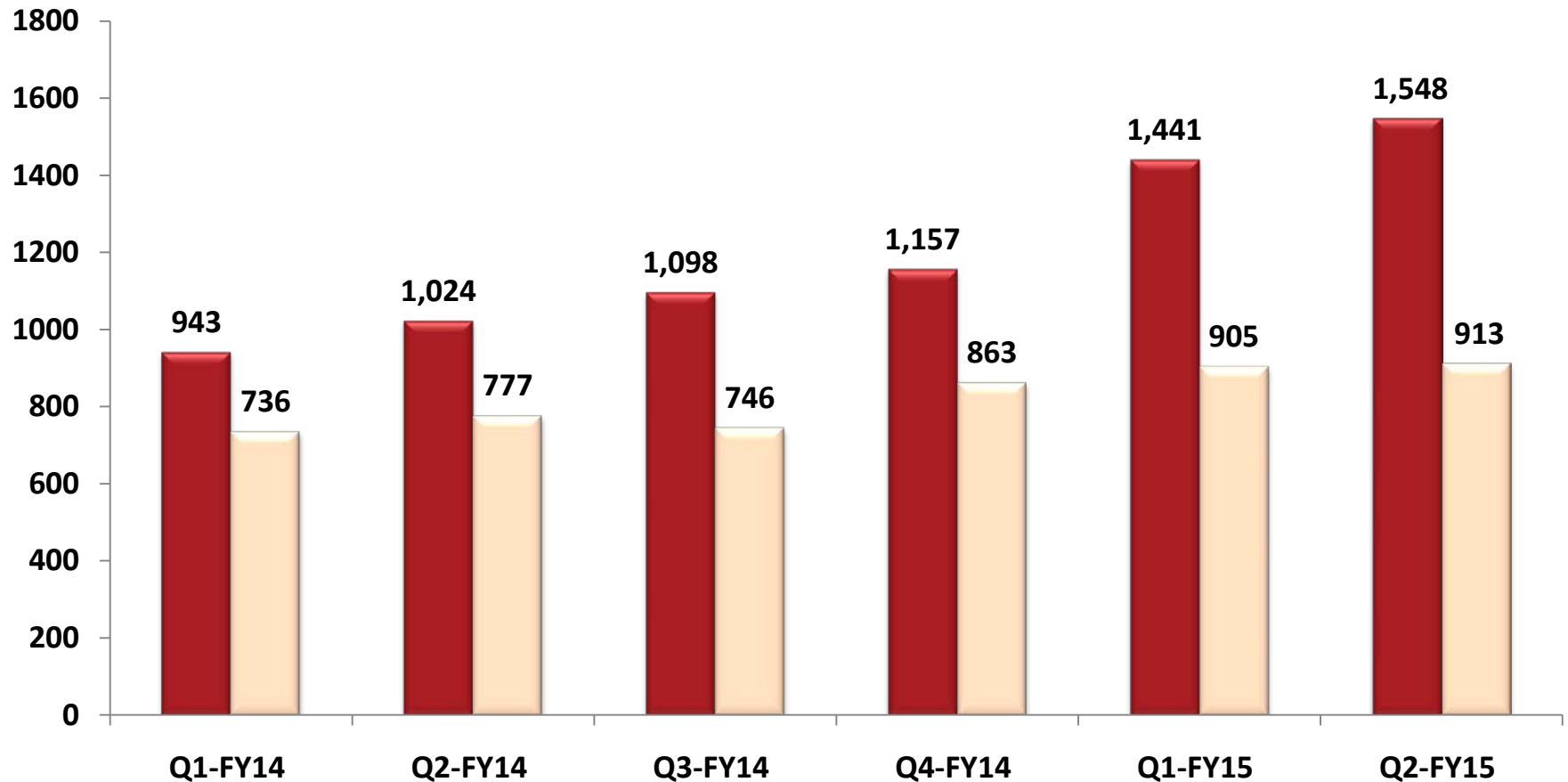
Trailing 6 quarters



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Total Income & Opex

■ Total Income ■ Opex

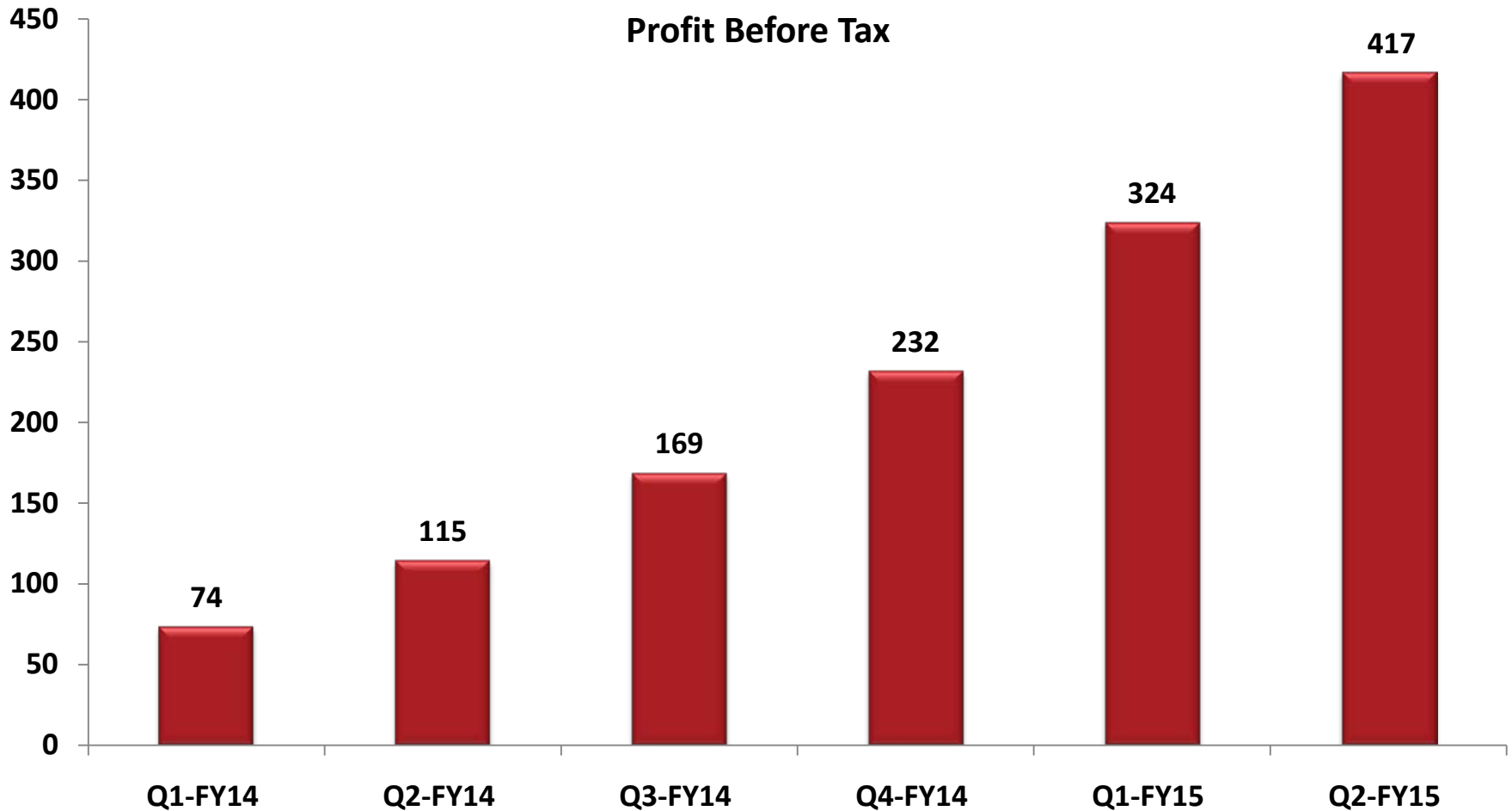


Key Financials

Trailing 6 quarters



All figures are in Rs. mn unless specified



Consolidated Profit & Loss

Corresponding quarter (Q2-FY15 vs. Q2-FY14)



All figures are in Rs. mn

Particulars	Q2-FY15	Q2-FY14	% Change
Interest Income	3,180	2,381	34%
Less: Interest Expense	1,928	1,587	21%
Net Interest Income (NII)	1,252	794	58%
Fee Income	296	230	29%
Total Income	1,548	1,024	51%
Opex	913	777	18%
Provision	218	132	65%
PBT	417	115	263%
Tax	146	43	241%
PAT	270	72	276%

The Net Interest Income was up 58% over the corresponding quarter in previous year reflecting a healthy growth of key lines of businesses.

Consolidated Profit & Loss

Corresponding Half-Year (H1-FY15 vs. H1-FY14)



All figures are in Rs. Cr unless specified

Particulars	H1-FY15	H1-FY14	% Change
Interest Income	618.0	458.4	35%
Less: Interest Expense	382.3	306.8	25%
Net Interest Income (NII)	235.7	151.6	55%
Fee income	56.6	43.3	31%
Other Income	6.7	1.8	274%
Total Income	299.0	196.7	52%
Opex	181.8	151.3	20%
Provision	43.1	26.5	63%
PBT	74.1	18.9	292%
Tax	26.2	6.2	323%
PAT	47.9	12.7	277%

The Net Interest Income was up 55% over the corresponding quarter in previous year reflecting a healthy growth of key lines of businesses.

Consolidated Profit & Loss

Sequential quarter (Q2-FY15 vs. Q1-FY15)



All figures are in Rs. mn unless specified

Particulars	Q2-FY15	Q1-FY15	% Change
Interest Income	3,180	2,999	6%
Less: Interest Expense	1,928	1,895	2%
Net Interest Income (NII)	1,252	1,104	13%
Fee income	296	337	-12%
Total Income	1,548	1,441	7%
Opex	913	905	1%
Provision	218	213	2%
PBT	417	324	29%
Tax	146	116	26%
PAT	270	208	30%

The Net Interest Income was up 13% over the sequential quarter reflecting a healthy growth of key lines of businesses. The quarterly Consolidated Profit Before Tax grew 29% from Rs. 324 million in Q1-FY15 to Rs. 417 million in Q2-FY15.

Consolidated Profit & Loss

Trailing 6 quarters



All figures are in Rs. mn

Particulars	Q1-FY14	Q2-FY14	Q3-FY14	Q4-FY14	Q1-FY15	Q2-FY15
Interest Income	2,203	2,381	2,551	2,692	2,999	3,180
Less: Interest Expense	1,481	1,587	1,668	1,732	1,895	1,928
Net Interest Income (NII)	722	794	883	960	1,104	1,252
Fee income	221	230	215	197	337	296
Total Income	943	1,024	1,098	1,157	1,441	1,548
Opex	736	777	746	863	905	913
Provision	133	132	183	62	213	218
PBT	74	115	169	232	324	417
Tax	19	43	68	-66	116	146
PAT	55	72	101	298	208	270

The total income of the company has steadily grown over the last 6 quarters from Rs. 943 million in Q1 FY14 to Rs. 1,548 million in Q2 FY15.

This has resulted in steady increase in Profit before Tax (PBT) of the Company from Rs. 74 million in Q1 FY14 to Rs. 417 million in Q2 FY15.

Consolidated Balance Sheet

All figures are in Rs. mn unless specified

Particulars	As on September 30, 2014	As on March 31, 2014
<u>SOURCES OF FUNDS</u>		
Net worth	12,330	11,719
Loan funds	82,751	84,220
Total	95,081	95,939
<u>APPLICATION OF FUNDS</u>		
Goodwill	-	64
Fixed Assets	232	276
Deferred Tax Asset (net)	281	171
Investments	364	3,474
Current Assets, Loans & Advances		
Loan Book	83,101	69,444
Other current assets and advances	16,209	27,890
<i>Less: Current liabilities and provisions</i>	(5,106)	(5,380)
Net current assets	94,204	91,953
Total	95,081	95,939

THANK YOU

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