Capital Trust

INVESTOR PRESENTATION Q2 FY21

Enriching Lives

Empowering Enterprises

35 YEARS
1985-2020

COMPANY OVERVIEW

COVID-19 UPDATE
MARKET SEGMENT
UNIQUE SELLING PROPOSITION
PRODUCT OFFERINGS
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ABOUT CAPITAL TRUST

Capital Trust

STORY

CTL pioneers the **digitalization of the rural financing model.**

While maintaining the robustness of a decade-old disciplined lending model, CTL supplements it with advanced technologies to create a one-of-a-kind business that finds the perfect balance between technology and traditional financing

ORIGINS

Capital Trust is a publicly listed **Systematically Important Non Banking Finance Company with 35 years of rich legacy**.

Initial promoters of the company include former Governor Reserve Bank of India, Deputy Governor Reserve Bank of India and the Chief Justice of India

MISSION

To provide financial assistance to the **unbanked in deep interiors of rural India using "low-cost, high-tech" digital processes**

VISION

To become the first fully digital and cashless, technology-enabled lending model in rural India that **redefines the rules of MSME financing**

PERFORMANCE MILESTONES

Capital Trust

- ₹ 600Cr Co-Lending Partnership with PFPL

- Capital Digital Loans Initiative
- On-Tap Borrowing Partnership with IDFC Bank

- ₹ 71Cr Promoter infusion
- ₹ 65Cr PE investment
- Listing on NSE
- Acquisition of Microfinance subsidiary

- Ventured into MSME funding

- Started rural lending operations

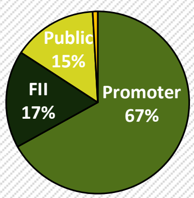
- Incorporation
- Advisory to foreign banks
- Listing on BSE

1985 | **2008** | **2012** | **2016** | **2019** | **2020**

Company Position as on 30.09.2020

Portfolio:	Clients:	Branches:	States:	Employees:	Q2 FY21 PAT:	HY21 PAT:	Net Worth:
₹ 429 Cr	1,45,180	233	10	2699	₹ 0.9 Cr	₹ 3.0 Cr	₹ 157 Cr

Shareholding:



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BUSINESS UPDATE

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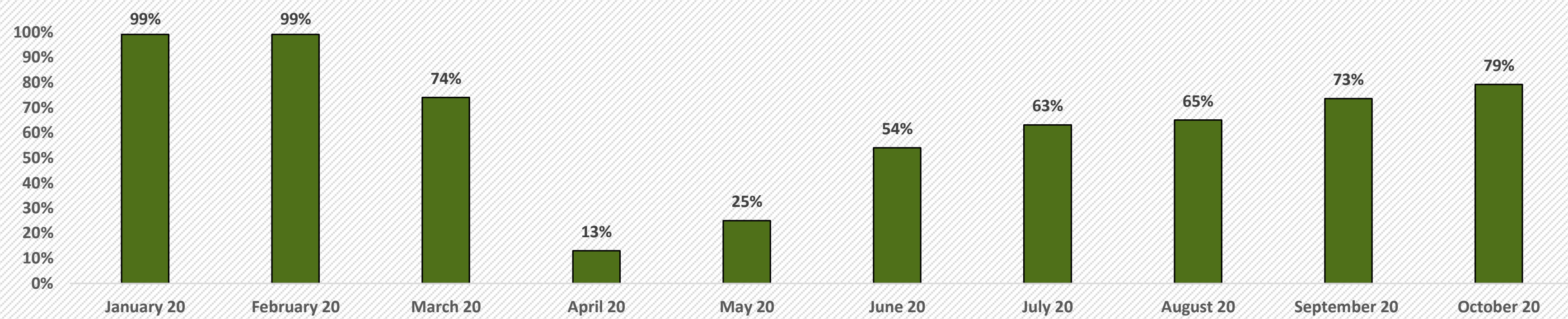
Disbursement

- Higher than Pre-Covid times
- Subject to newly developed automated disbursement engine and algorithmic credit scorecard

Collection *

- Increased month-on-month



* Without factoring Moratorium given to clients

LIQUIDITY UPDATE

CapitalTrust

High Liquidity Buffers (Actual and Systematic)

Actual

- ₹ 42Cr Opening Cash Balance in October
- Capital Adequacy of 50%
- Leverage Ratio of 1.6 x

Systematic

- Positive ALM
- Business Correspondent Relationship with IDFC First Bank
- Co-Lending Agreement Signed with Poonawalla Finance

Low Cost Funds Raised		
	Average ROI	Amount (Cr)
Term Loan	11.5%	10
Non-Convertible Debenture	11.5%	30
Others (PTC / AFF)	10.5%	25
Total	**11.1%**	**65**

High Cost Funds Paid Off		
	Average ROI	Amount (Cr)
Term Loan	13.4%	50
Non-Convertible Debenture	16.5%	48
Others (PTC / AFF)	14.0%	8
Total	**14.9%**	**106**

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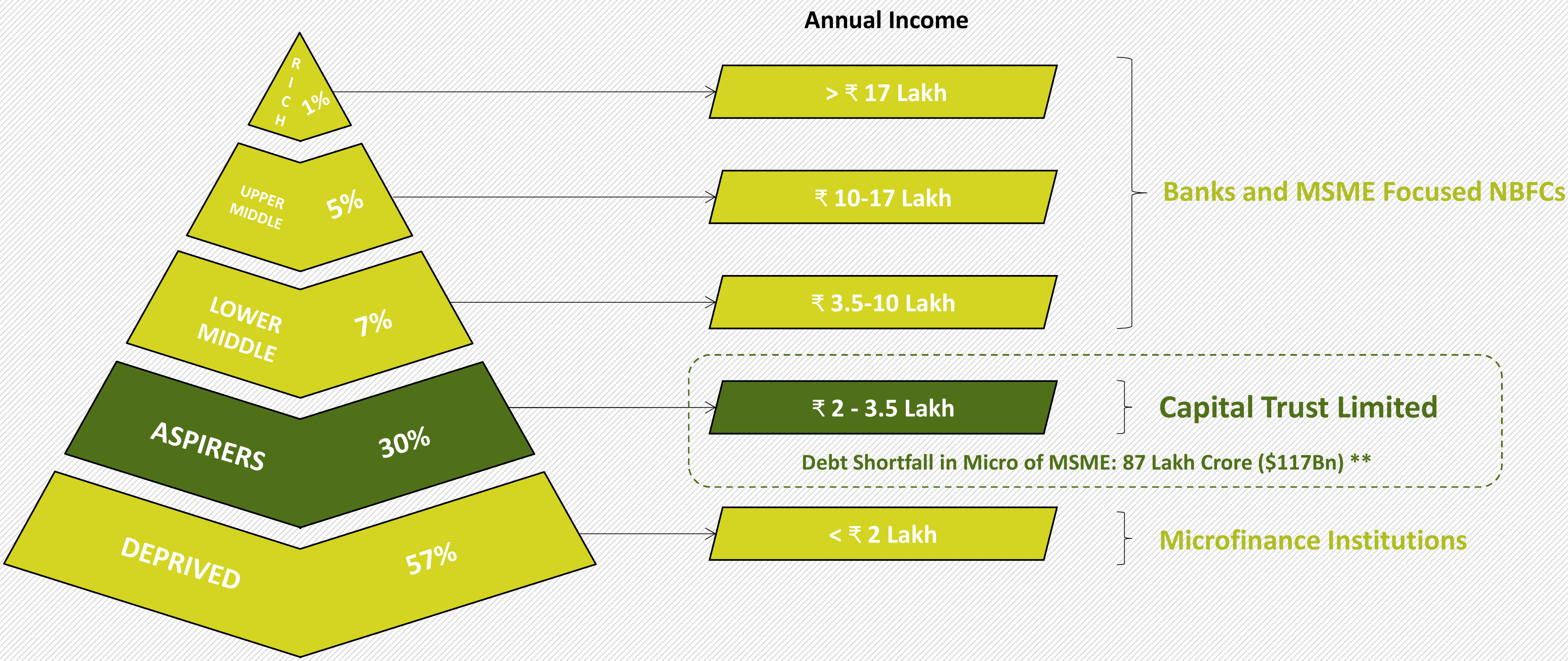
SERVING THE UNSERVED MISSING MIDDLE



*NCAER-CMCR Annual Income Data
**IFC Report on MSMEs (Nov 2018)

TARGET CLIENTELE

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MISSING MIDDLE

Graduated from Microfinance

8% of the Microfinance clients graduate yearly from the Microfinance sector

New to Organized Credit

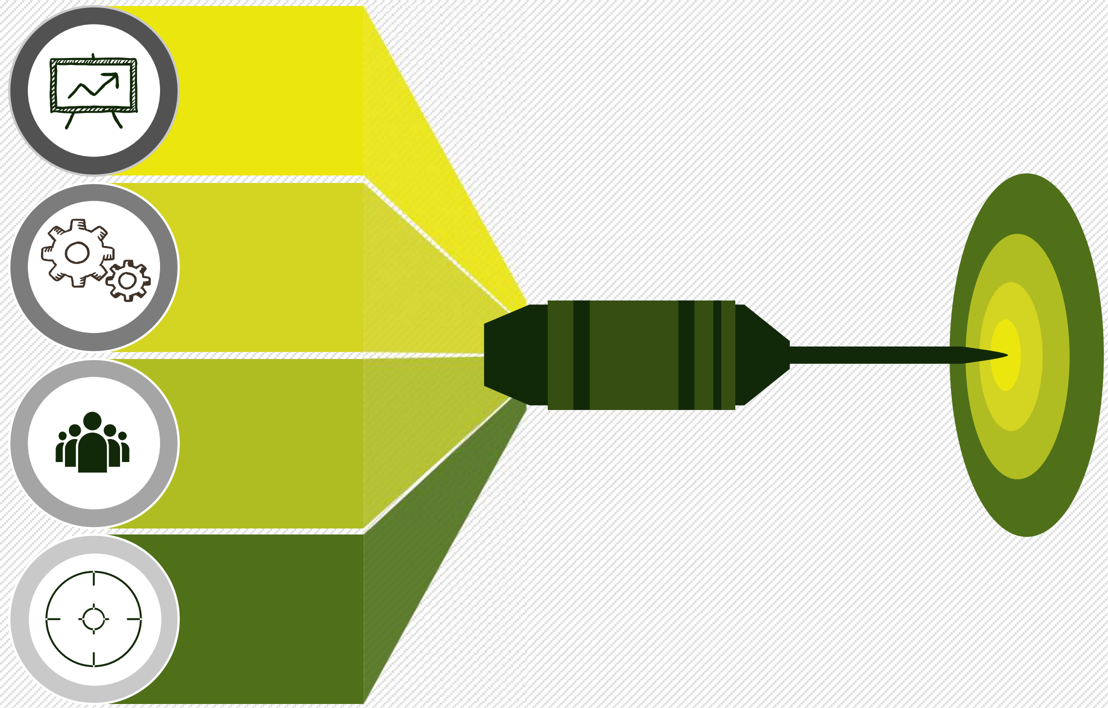
Replacing traditional informal sources of financing (local moneylenders)

‘Micro’ of the MSME

Unserved by MFIs (owing to RBI guidelines) and banks / large NBFCs (owing to no formal income documentation)

Instant Credit

With 100% digital processes, company is able to disburse loans in a matter of hours from onboarding



CUSTOMER SEGMENT

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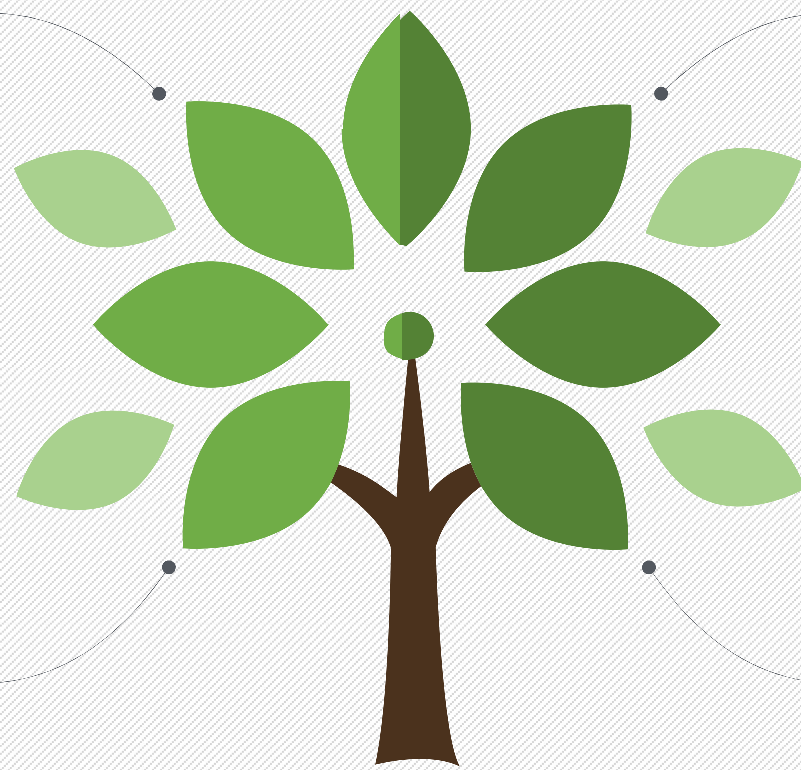
73% of clients are part of Essential Services
Fresh disbursements only to clients in Essential Services

Linked To Local Economy

Businesses which are not part of larger supply chain economies but depend on local demand

Non-Seasonal Businesses

Businesses which are active throughout year and not seasonal



Self-Run Businesses

Businesses which are run by family members and are not affected by labor shortage

Essential Services

Businesses which provide services that are required for everyday needs

TYPICAL CLIENTELE


Kirana Stores


Dairy and Livestock Farmers


Grocery Vendors


Small Eateries


Textile Stores


Local Handicraft Producers


Utensil Stores


Hair Salons


Flower Sellers

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UNIQUE SELLING PROPOSITION

RURAL DOORSTEP-FINTECH COMPANY:

One-of-a-kind business that finds the perfect balance between technology and traditional financing

Hybrid Fintech-Physical Credit Model

Use of a credit decision scorecard that merges automated credit (credit bureau and alternate data) with physical credit (on-site cash flow analysis)

Deep Rural Penetration

241 brick-and-mortar branches in 63 districts and 10 states allowing company to reach where other NBFCs cannot

Business Intelligence

Use of advanced statistical models and predictive analysis before sanctioning a loan and after for performance evaluation

Digitally Assisted Rural Collection Model

Incentivized digital repayment with cashback for clients and staff. Followed up by physical visit for cash collection in case of non-clearance

Transparency For Clients

Use of client facing app (Capital Connect) to see real-time loan information

RURAL DOORSTEP-FINTECH PROCESS

Capital Trust

1. LEAD GENERATION

Generate lead by door to door canvasing
Geotagging of business and residential premise
Mobile number verification through OTP
Handholding of client through digital onboarding
Financial literacy of client
QR Code scan of Aadhaar Card

2. HYBRID CREDIT UNDERWRITING

Automated credit bureau check
Alternate data check
Physical Verification of business and residence premise
Business and cash flow analysis
Check whether Essential Services provider

3.DIGITAL DISBURSEMENT

E-Sign / Signing of Terms and Conditions
E-NACH
Disbursement

4. COLLECTION

Automated client allocation based on client geo-tagged residence
Automated outbound dialling, installment reminder message
Monthly NACH payment
Payment enabled through company app
Cash collection if digital payment not received

DIGITAL PROCESS PHYSICAL PROCESS

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EVOLUTION PRE-LOCKDOWN

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MOVE TO DIGITAL COLLECTION

Group Loan

Cash Collection

Safety

Efficiency

Individual Loan

Digital Collection

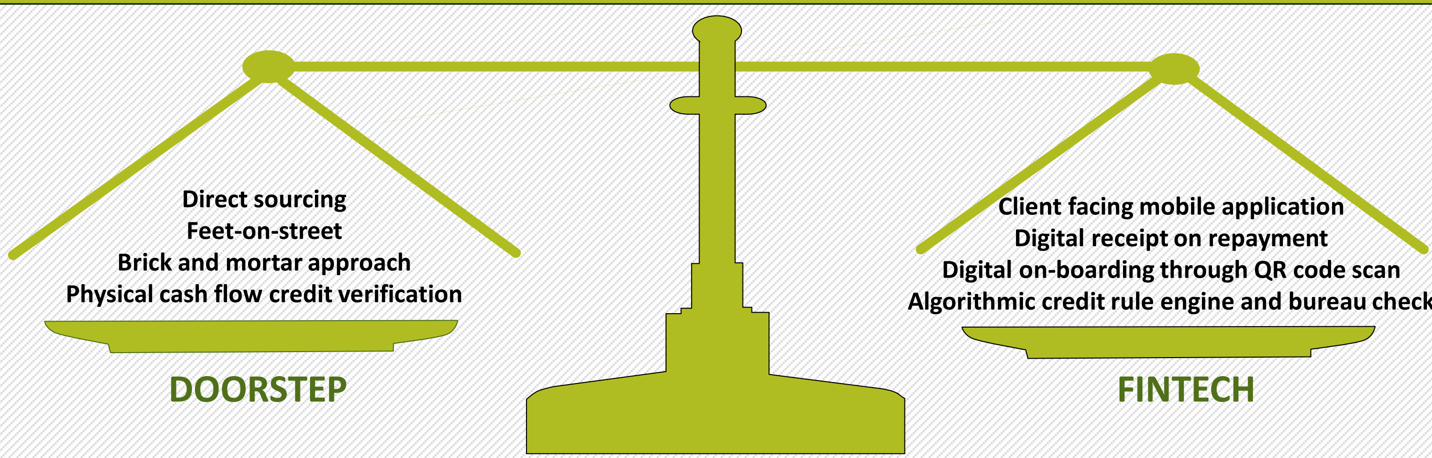
DISBURSEMENT

- One of the first rural NBFCs to start 100% cashless disbursement in 2015

COLLECTION

- Pioneered digital collection in rural lending in 2019
- Loans given since January 2019 have online collection mode
- Enabled all forms of online payment modes: NACH + Payment Gateway

TRADITIONAL LENDING PLUS TECHNOLOGICAL INNOVATION



EVOLUTION POST-LOCKDOWN 1.0

1. Credit Engine:

We have developed a credit engine for internal rating of every client. The Credit Engine uses Artificial Intelligence and Machine Learning in an automated self-learning credit model that covers parameters on client demographics, financial condition and environmental factors

2. Physical Visit Engine

Our PV Engine is an automated grid-based evaluation tool for field credit visits. It standardizes income evaluation based on pre-assessed industry classifications by our credit team. This engine also ensures that all parameters are covered by the staff

3. Alternate Data Analysis

We have started a pilot on alternative data analysis with a third-party platform which evaluates data from the client phone to get banking, transaction and behavioral information. We will integrate it in the Credit Engine and collection setup

4. Location Based Clustering & Cluster Based Client Allocation

Using geotagged locations of all clients, we have developed an automated method to allocate clients to staff. All clients allocated to a staff reside in one geographical cluster leading to increased efficiency

5. AI Based Client Grading Before Due Date

We segregate clients into 3 categories before due date and take different action based on category client falls into

EVOLUTION POST-LOCKDOWN 2.0

CapitalTrust

A — Staff Engine

Our staff engine is an integrated tool for real time monitoring of current staff availability and projected staff sufficiency at branch level. By looking at past attendance, this engine predicts staff shortfall in times to come

B — Disbursement Engine

We have developed a real-time system of automated controls on disbursement to avoid risk build up in branches. This engine helps monitor internal and external parameters and ensures automatic stoppage of branch / staff disbursement where collection parameters fall below a prescribed level

C — Performance Management Engine

Real time use of data to segregate branch and staff into different tiers based on their operational productivity

D — Portfolio Risk Management Engine

Early warning signals to monitor real time delinquency trends in actual portfolio and factors that can have potential portfolio impact

PRODUCTS OFFERED

CapitalTrust

<u>Capital Magic Loan</u>

Unsecured Digital Business Loan

Ticket Size (₹): 30,000 – 50,000

Tenure: 12-18 months

ROI: 40%

Repayment: Digital followed by physical cash collection

<u>Micro Business Loan</u>

Unsecured Digital Business Loan

Ticket Size (₹): 60,000

Tenure: 24 months

ROI: 32%

Repayment: Digital followed by physical cash collection

WHY CTL?

- Branch banking
- Ease of getting loan
- Unsecured loan
- Multiutility business loan
- Human connect
- Quick turnaround time
- Transparency with Capital Connect app
- Paperless processes

PRODUCT OPTIMIZATION

- Small ticket size
- Short tenure
- Optimal EMI amount
- Short Turn-Around-Time
- High yield
- Digital collection enabled
- Full cash collection setup
- Geo-tagged and Analytics backed

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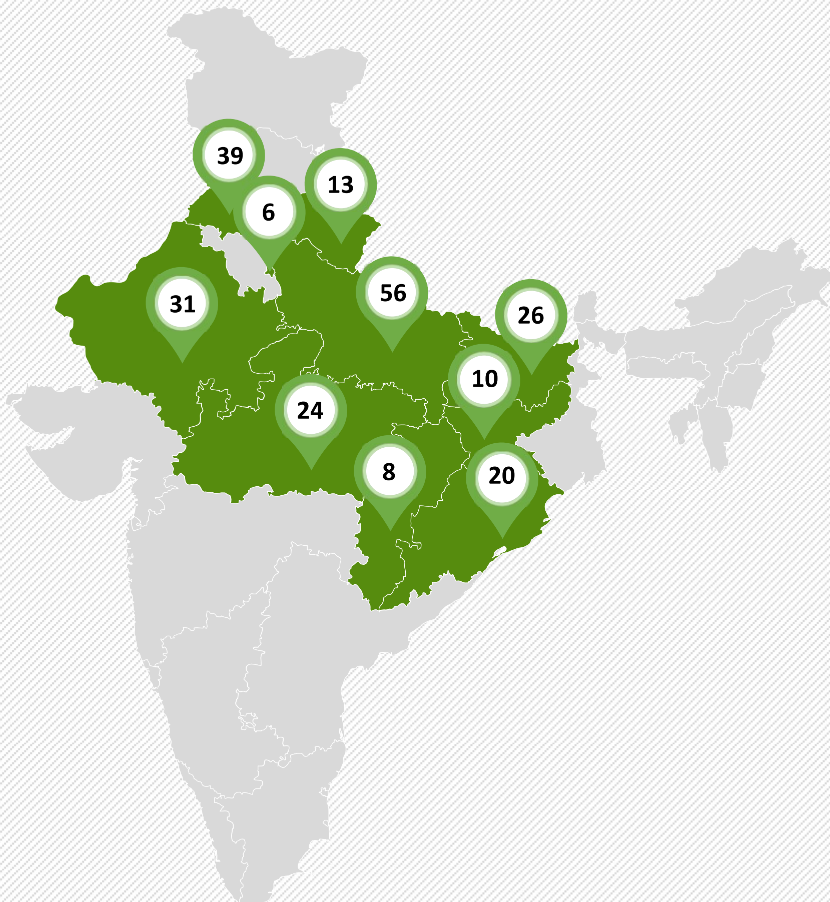
BRANCH NETWORK



Branches: 233
Districts: 63
States: 10

SMART CREDIT

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Instant in-principal approval by automated credit decisioning system with no manual intervention at client doorstep. Final approval subject to positive physical verification of cash flow and disposable income

QR Code Scanning of Aadhaar By Field Team

Automatic uploading of client data into system. Location geo-tagged and case rejected if client residence is beyond 25kms from branch

Automated Credit Bureau Check

Link-up with Equifax to review past credit history. Hard rejection in case of negative credit bureau history

Algorithmic Credit Rule Engine

Automatic rejection in case of any deviation from prescribed credit policies. System provides in-principal approval at this stage

Physical Verification by Field Credit Team

Ground level authentication by physical verification of home, business and income. All details uploaded into app

Telephonic Verification by HO Credit Team

Verification of documents uploaded into system and re-assessment of cash flow of client during call

Disbursement

No exceptions or manual intervention permitted

- Decision communication flow and all processes are automated
- Technology used at all stages of loan cycle eliminating requirement of physical movement of documents
- All processes time stamped and tracking of cases available on live basis

INFORMATION TECHNOLOGY PROWESS

Capital Trust

Cashless Disbursement & Collection

One of the first NBFCs to start cashless disbursement of all loans since 2015. Also started process of cashless repayment for all loans (expect Microfinance) in 2019

Automation of Daily Cash Book Through Digital Receipts

Automated closing of company and all branch books at 6PM daily through collation of issued Digital Receipts (SMSs sent to client on collection of any repayment)

Capital Connect

Client application with access to all details regarding the loan to promote transparency and authenticity

Staff Empowered with Company App

All staff have access to Capital Sales, the company application, that provides real-time information in even the most remote locations. All warehousing of information on cloud

Automated Client On-Boarding Through App

Smart credit enabling client on-boarding and in-principle approval from scanning of client's Aadhar card at his doorstep. No manual entry allowed for any clients

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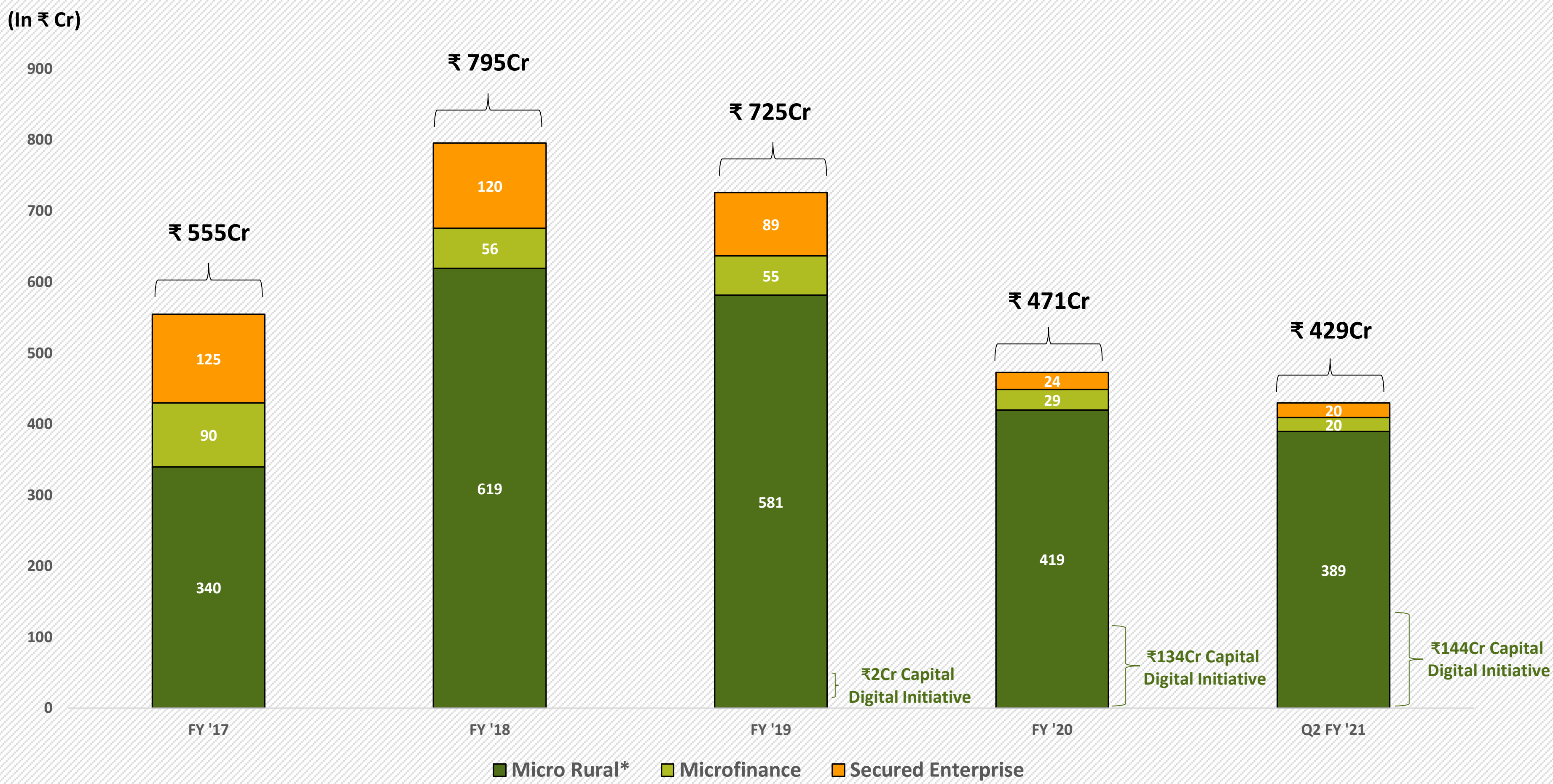
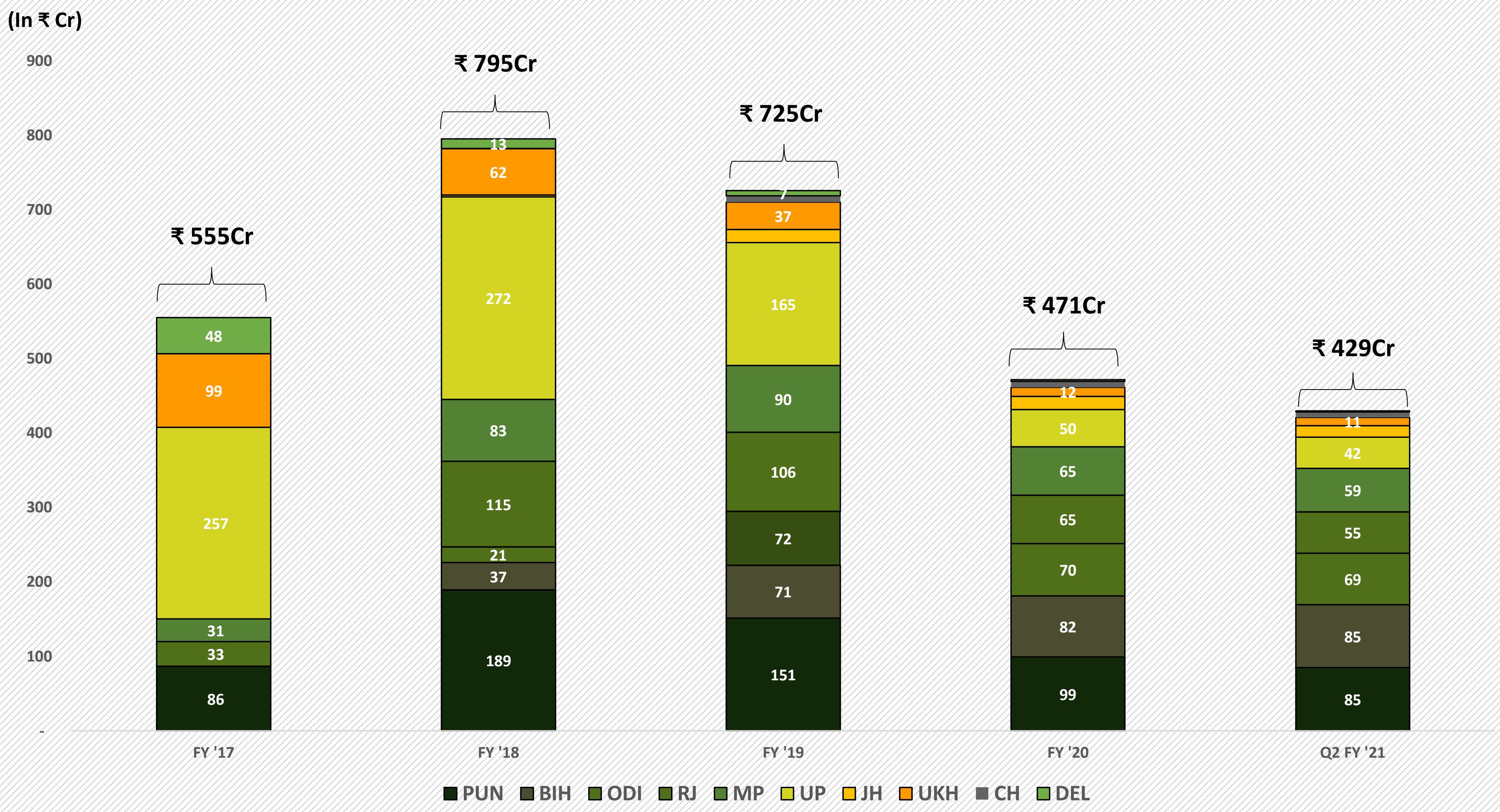
PRODUCTWISE PORTFOLIO



*Further Classified into Micro-Enterprise, Micro-Business and Capital Magic Loan

STATEWISE PORTFOLIO



PORTFOLIO QUALITY

CapitalTrust

CAPITAL DIGITAL LOANS (CAPITAL MAGIC + MICRO BUSINESS)			
As on 30.09.20	Non Demonetization Impacted States*	Demonetization Impacted States**	Total
AUM (₹ Cr.)	144.1	0.1	**144.2**
NPA (₹ Cr.)***	1.1	0.0	**1.1**
NPA (%)	0.8%	0.0%	**0.8%**

RUNDOWN LOANS (MICROFINANCE + MICRO-ENTERPRISE + SECURED ENTERPRISE)			
As on 30.09.20	Non Demonetization Impacted States*	Demonetization Impacted States**	Total
AUM (₹ Cr.)	231.0	54.2	**285.2**
NPA (₹ Cr.)***	14.0	18.0	**32.0**
NPA (%)	6.1%	33.1%	**11.25**

COMPANYWIDE			
As on 30.09.20	Non Demonetization Impacted States*	Demonetization Impacted States**	Total
AUM (₹ Cr.)	375.1	54.3	**429.5**
NPA (₹ Cr.)***	15.1	18.0	**33.1**
NPA (%)	4.0%	33.0%	**7.7%**

***Punjab, Rajasthan, Madhya Pradesh, Bihar, Odisha, Chhattisgarh, Jharkhand**
**** Uttar Pradesh, Uttarakhand, Delhi**
***** In line with latest SC ruling not to tag new NPAs**

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ANNUAL CHANGE (Q2 FY20 vs Q2 FY21)

Assets Under Management (in Cr):
577
(-26%)
429

Capital Digital Initiative (in Cr.):
144
(115%)
67

Net Worth (in Cr):
157
(1%)
155

Book Value Per Share (in Rs):
97.1
(1%)
95.6

Capital Adequacy Ratio (in %):
50
(35%)
37

Provision Coverage Ratio (in %):
81
(19%)
68

Borrowings (in Cr):
386
(-33%)
258

Cost Of Borrowings (in %)
14.2
(-8%)
13.1

Staff Strength (in #):
2699
(52%)
1772

QUARTER OVER QUARTER CHANGE (Q1 FY21 vs Q2 FY21)

Metric	Q2 FY21	Q1 FY21	Change
Assets Under Management (in Cr):	467	429	(-8%)
Capital Digital Initiative (in Cr.):	144	136	(6%)
Net Worth (in Cr):	157	157	(1%)
Book Value Per Share (in Rs):	97.1	96.6	(1%)
Capital Adequacy Ratio (in %):	50	48	(4%)
Provision Coverage Ratio (in %):	81	71	(13%)
Borrowings (in Cr):	258	255	(1%)
Cost Of Borrowings (in %)	13.4	13.1	(-8%)
Staff Strength (in #):	2699	2010	(34%)

KEY FINANCIALS

Capital Trust

Line Item	Q2 FY20	Q2 FY21	(YoY)	Q1 FY21	Q2 FY21	(QoQ)
Total Income	52.1	27.0	-48%	28.2	27.0	-4%
Total Expense (excluding tax)	31.9	25.9	-19%	25.4	25.9	2%
Profit / (loss) before tax	**20.2**	**1.1**	-95%	**2.8**	**1.1**	-62%
Profit / (loss) after tax	**13.8**	**0.9**	-94%	**2.1**	**0.9**	-59%
Net Worth	**155.1**	**157.5**	2%	**156.6**	**157.5**	1%
Micro-Enterprise Loan	422.1	245.1	-42%	280.5	245.1	-13%
Micro-Business Loan	17.5	91.0	421%	97.8	91.0	-7%
Capital Magic Loan	49.5	53.3	8%	38.3	53.3	39%
Total Micro-Rural Loan	489.0	389.3	-20%	416.7	389.3	-7%
Secured Enterprise Loan	32.4	20.3	-37%	22.6	20.3	-10%
Microfinance Loan	55.8	19.8	-64%	27.6	19.8	-28%
Total Assets Under Management (AUM)	**577.2**	**429.5**	**-26%**	**466.8**	**429.5**	**-8%**
On-Book Portfolio	461.6	317.3	-31%	328.4	317.3	-3%
Off-Book Portfolio	115.6	112.2	-3%	138.4	112.2	-19%
Total Assets Under Management (AUM)	**577.2**	**429.5**	**-26%**	**466.8**	**429.5**	**-8%**

KEY RATIOS

Line Item	Q2 FY20	Q2 FY21	(YoY)	Q1 FY21	Q2 FY21	(QoQ)
Net Interest Margin*	12.1%	9.6%	-21%	12.1%	9.6%	-21%
Operating Cost to AUM Ratio*	10.8%	13.0%	20%	9.2%	13.0%	41%
Earning Per Share (Rs.)*	34.1	2.2	-94%	5.2	2.2	-59%
Book Value Per Share (Rs.)	95.6	97.1	2%	96.6	97.1	1%
Return on Assets*	9.2%	0.8%	-91%	1.8%	0.8%	-57%
Return on Equity*	40.0%	2.2%	-94%	5.5%	2.2%	-59%
Gross NPA (%)	4.7%	7.7%	63%	8.0%	7.7%	-3%
Net NPA (%)	2.2%	2.5%	11%	3.6%	2.5%	-32%
Capital Adequacy Ratio	37.1%	49.8%	34%	47.9%	49.8%	4%
Provision Coverage Ratio	68.5%	80.6%	18%	71.3%	80.6%	13%
Cost of Borrowing	14.2%	13.1%	-8%	13.4%	13.1%	-2%
Leverage	2.5	1.6	-34%	1.6	1.6	1%

***Annualized**

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BENEFITS OF LONG-TERM FUNDING

Capital Trust

IDFC FIRST Bank

Poonawalla Finance

MSME Client (Capital Magic Loan and Micro Business Loan)

- Business Correspondent relationship
- **On-tap funding**
- ₹46Cr Disbursed under this arrangement

- Co-Lending relationship
- **₹600Cr limit for 1st year**

Benefits of Long-Term Funding Secured:

- On-Tap Funding
- Enables raise of equity at right time
- Increase of ROE
- Leveraging bigger partner's balance sheet

DEBT & DIRECT ASSIGNMENT PARTNERSHIPS

Capital Trust

Public Sector Banks: 5

State Bank of India | Bank of India | UCO BANK | Union Bank of India | SIDBI SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Private Banks: 2

IDFC FIRST Bank | HDFC BANK

NBFCs: 6

POONAWALLA FINANCE | NABKISAN FINANCE LIMITED A Subsidiary of NABARD (Formerly Agri Development Finance (Tamilnadu) Limited) | MAGMA | SHRIRAM City MONEY WHEN YOU NEED IT MOST

smc Moneywise. Be wise.

THANK YOU

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