

IndusInd Bank

– Analyst Day

27th July 2022



IndusInd Bank – Analyst Day

Presentation-3
Microfinance/BFIL



Introducing Bharat Financial Inclusion

- Founded in 1997, over 24 years experience in serving the underserved
- Started as an NGO, we evolved into an NBFC and later became a part of IndusInd Bank in 2019
- We provide micro-loans and banking services to bottom-of-the-pyramid segment to help them improve their income levels

Our Ethos

- Responsible lending –
 - Customers
 - Investors
- Strong risk culture
- High social impact

Our Strengths

- Deep rural reach
- Clearly articulated processes
- Agile technology & digital infra
- Humane employee practices

We manage

**Rs. 318 Bn
Assets**

**Rs. 15 Bn
Liability balances**



Microfinance

Joint Liability Group (JLG) based lending model

IndusInd Bank

BHARAT SUPER SHOP

Digitally powered by IndusInd Bank

Loans to merchants



Liability servicing point

IndusInd Bank

We serve customers with high aspiration though low on literacy and moderate on tech quotient

Profile of Our Customers

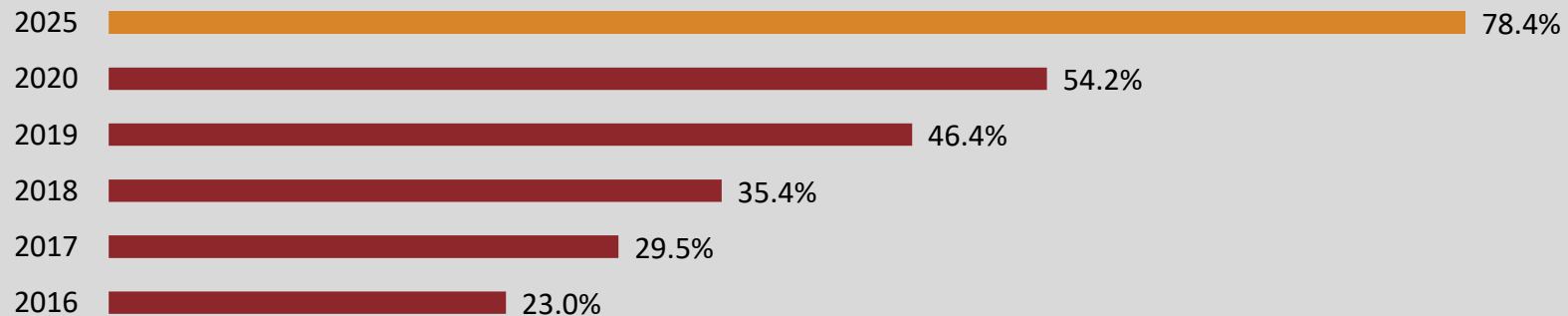
- Rural women entrepreneurs and nano-retailers high on aspiration though low on literacy levels
- Largely bottom-of-the-pyramid segment.
- We are the only financier for 56% of our customers

Where are our customers from?

- Predominantly rural base ~80%
- Spread across 23 states, 517 districts and 132000 villages
- Involved in Agri and allied activities, animal husbandry, handloom & handicrafts, rural trade etc.,

Leveraging the J-A-M Trinity

Smartphone penetration in India* (%)



*Source: Statista;



Customer base that requires assisted banking services



Physical Sourcing

Physical sourcing of customers given the understanding of banking services is low



Phygital On-Boarding

Assisted on-boarding by feet-on-street given the low levels of literacy and willingness to adapt to technology



Phygital Servicing

Customers are serviced Phygitaly. Approximately 2m transactions are carried out seamlessly each day



Highly phygital customer journey

BFIL's unique capabilities to serve this customer base

A

AGILITY - Agile and flexible operations that can serve the last mile customer at their door-step

C

COST EFFICIENT OPERATIONS - One of the most cost-efficient operator in the industry

E

EXECUTION CAPABILITY - Can quickly convert plans into actual business opportunities



Microfinance



High customer connect



Peer Group Lending

- Exclusive women borrowers
- Group selects members and underwrites loan
- Progressive loans - Ticket Size increases with customer vintage

Asset & Liability Solutions

- Core lending is for income generation activities
- Loan Utilization Checks done to ensure discipline
- Liability products (SB, RD,FD) being offered to promote savings

Repayment & Delivery Framework

- Small, weekly repayments mimic cash flows - and make it easy to "carry" if needed
- Product solution offered at the customers door-step

Process Orientation

- Intensive customer financial literacy training conducted periodically
- Rigorous employee training and process orientation

High customer connect

Center Meeting (Distribution Channel)

High Engagement
40 mins Avg. Center meeting;
Attendance compulsory



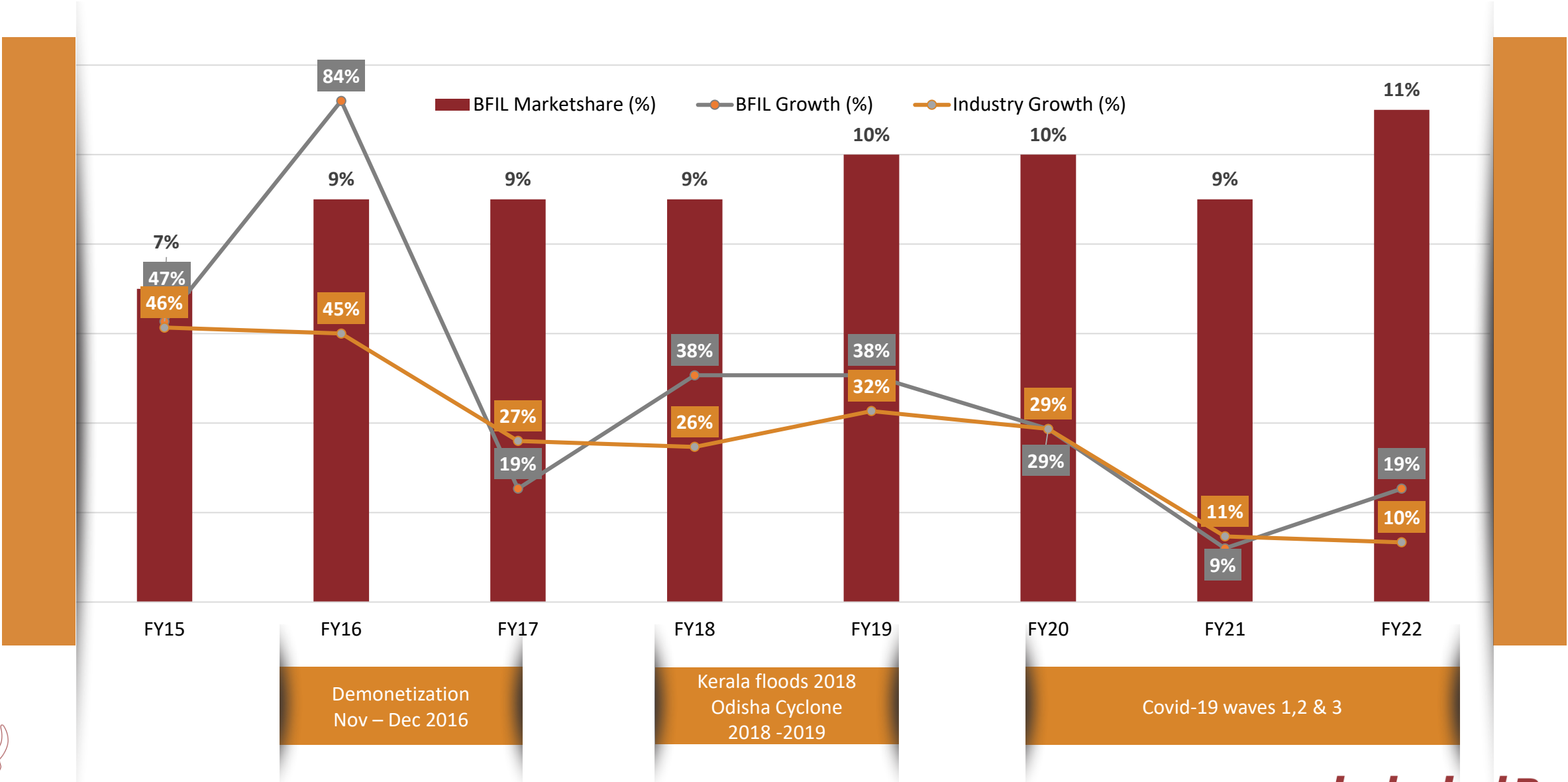
Center meeting days
Monday to Friday

Doorstep Delivery

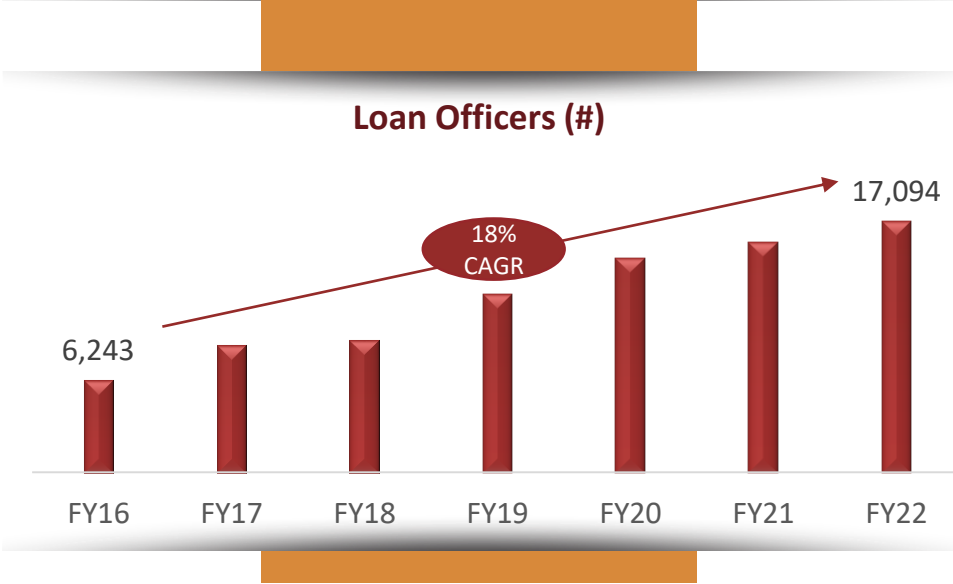
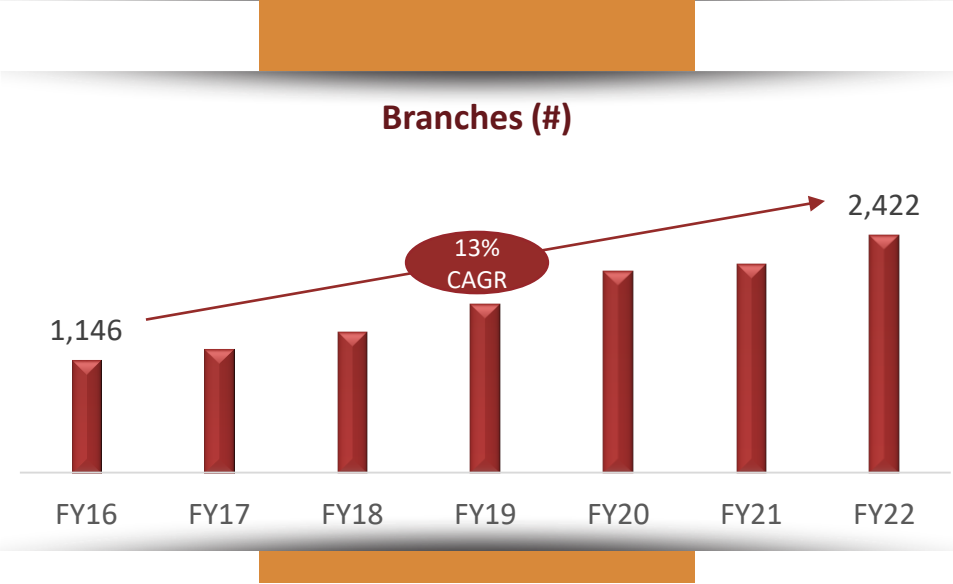
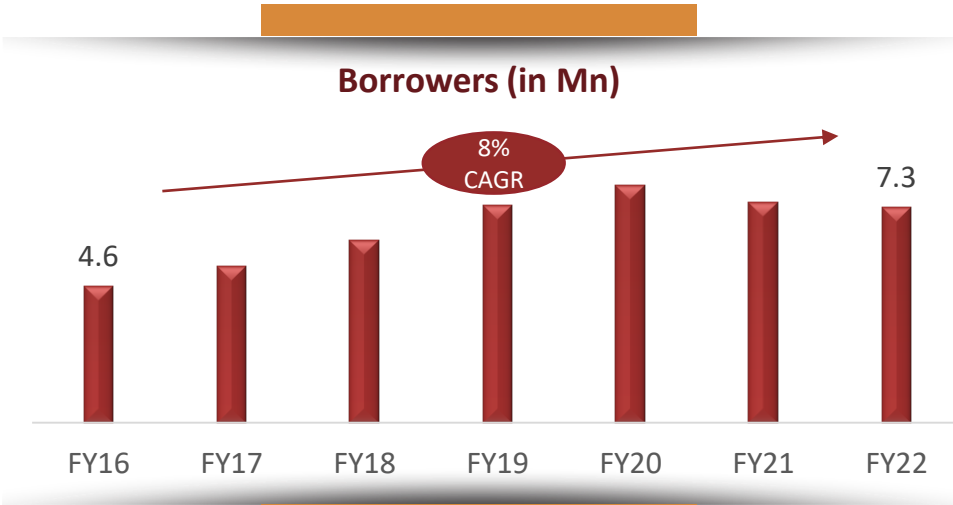
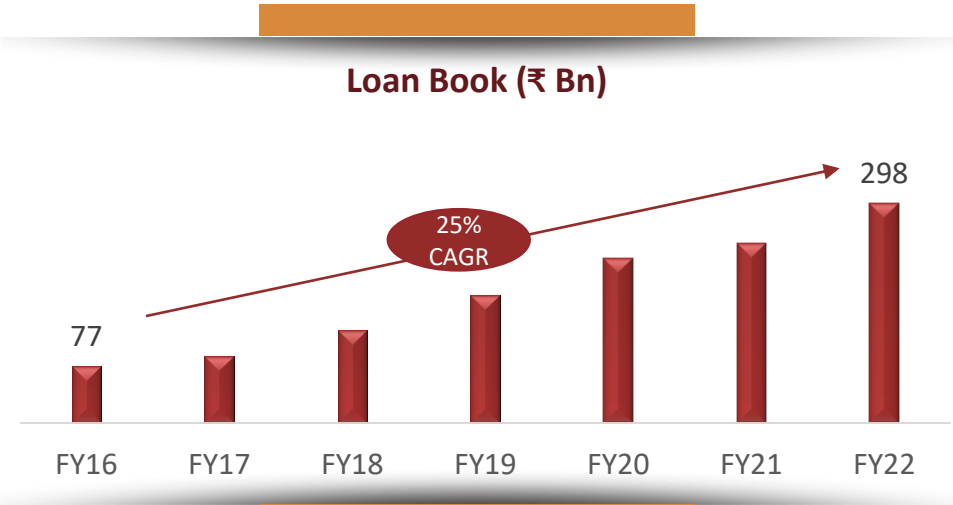
Financial services -
Microloans, Consumer Durable
loans & deposits



Sustained growth amidst macro shocks



Sustained growth amidst macro shocks

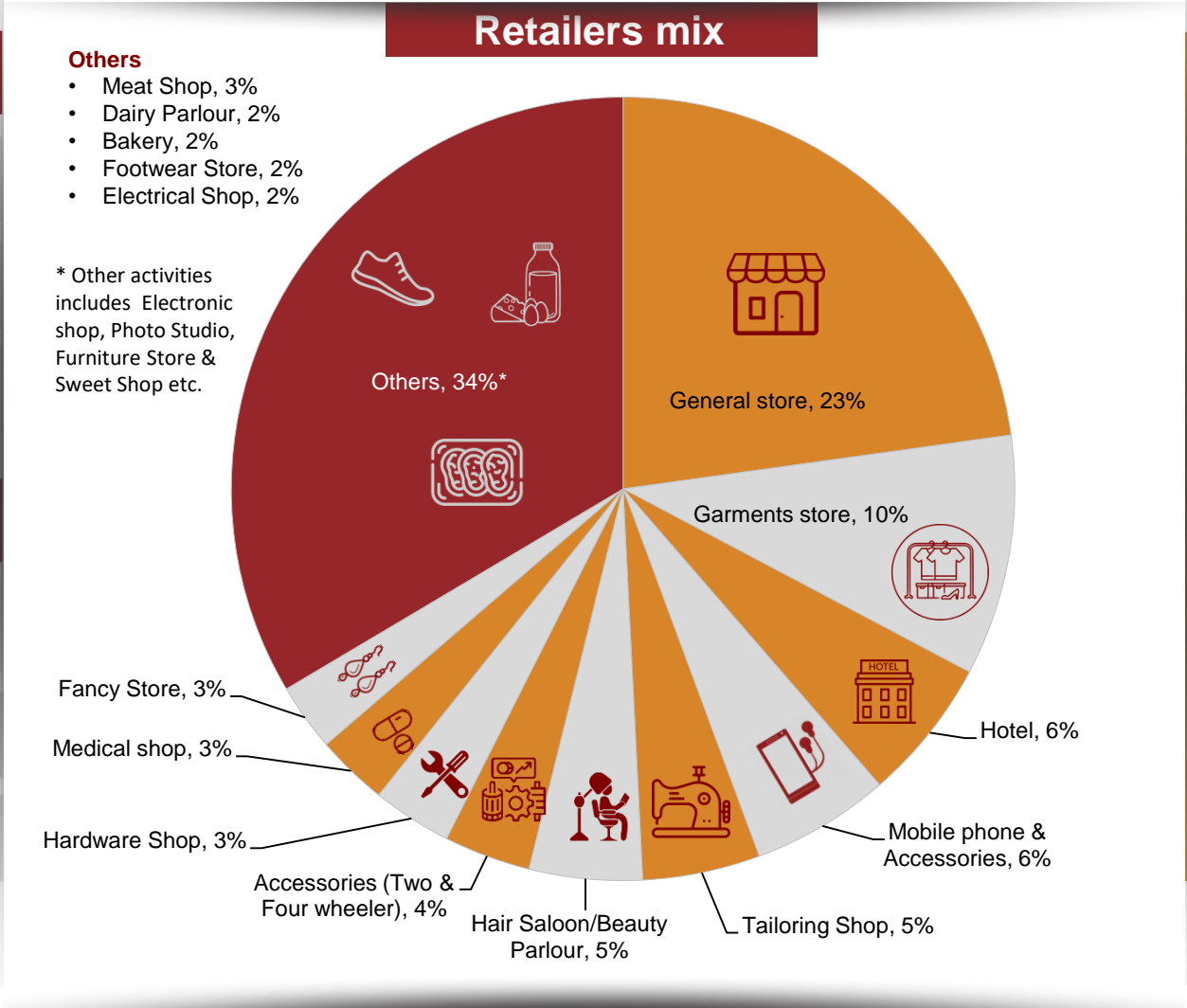


Bharat Super Shop



Giving wings to nano retailers – ~550,000 retailers across 300 towns

We lend to 38 identified trades	
Opportunity	Nano retailers who have no access to institutional credit
Identified trades	38 trades where risk is low; in Tier II & III cities
Growth	Plans to grow the book ~2.5x in FY23
Services Offered	
Doorstep Banking	Zero Bal. Current Account Recurring Deposit
Product Features	Unsecured Business Loans Tenure upto 104 Wks.
Payment solutions	QR / UPI Handle



Giving wings to nano retailers – ~550,000 retailers across 300 towns

We lend to micro-retailers in Tier II & Tier III cities (300+)



Medical Store



Tailoring Shop



Kirana Store



Fancy Store



Garment Retailer



Footwear Retailer



Scaling up FY2020 – FY2022

Scale FY2022

- Locations 306 | Branches 382
- Retailers - ~5.5 lakh | Active Borrowers 3.2 lakh
- No. of loans disbursed 6.2 lakh | Amount disbursed Rs. 3,252 cr.
- Advances Rs. 1,943 cr | Liability Bal. Rs. 487 cr

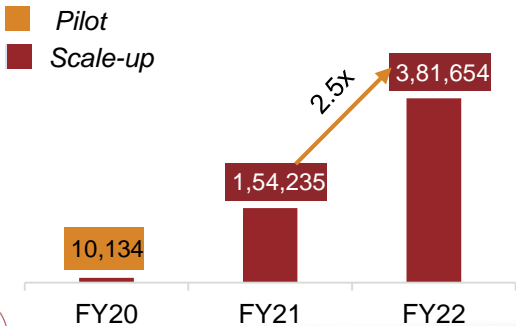
Stable Credit costs

- 99% paying customers
- 0.6% GNPA
- Managed Covid events with <1.5% credit cost

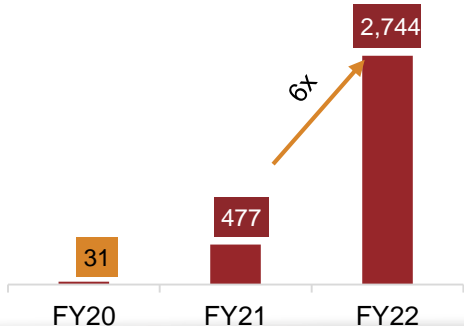
The book is maturing

- Completed 4 loan cycles

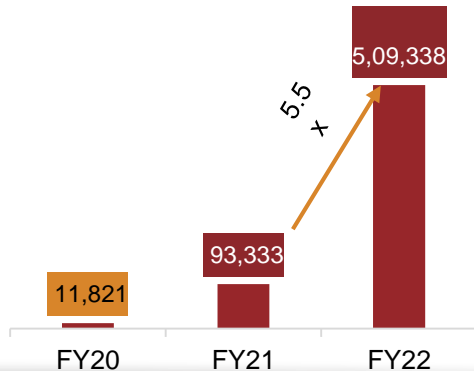
Customer Acquisition (A/Cs opened)



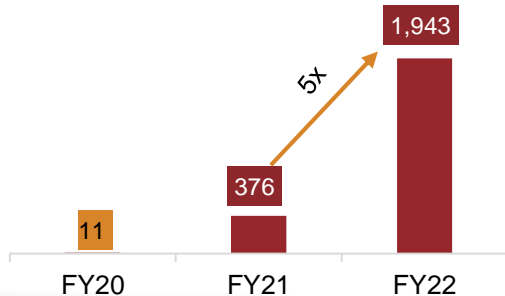
Amount Disbursed (Rs. Cr)



No. of loans disbursed



Advances ENR (Rs. Cr)



Bharat Money Store



Solving the last mile question



(Rural IndusInd
Customers &
walk-in clients)

Travels



5 - 8 Kms & invests upto 2 hours for cash deposit and withdrawal at Bank / ATM



2 - 5 kms, spending upto 1 hour for electricity bill payment



1 - 5 kms to Municipality office for water bill payment spending up to 30 minutes



1 - 5 km and spending up to 30 minutes to visit electronics store for DTH / mobile recharge



<0.5 km, investing up to 15 minutes to visit Kirana store for ration items



Online shopping, only 5% customer reported access to this



Deposit &
Withdrawal Point



Bill Payment
& Recharges



Allied & OTC
Financial Services



Assisted
E-Commerce

BMS 1.0 since 2017

FY18

Enrolled Merchants:
244

Active BMS: 156

Transaction value
(₹ Cr): 1.6

Services offered

- AEPS

FY19

Enrolled BMS Merchants: 1,376

Active BMS: 1,070

Transaction value
(₹ Cr): 56.8

Services offered

- AEPS
- Utility Bill payments

FY20

Enrolled BMS Merchants: 23,286

Active BMS: 13,953

Transaction value
(₹ Cr): 1,531

Services offered

- AEPS
- Utilities BBPS
- mPoS

FY21

Enrolled BMS Merchants: 51,379

Active BMS: 23,600

Transaction value
(₹ Cr): 2,245

Services offered

- AEPS
- Utilities BBPS
- mPoS

FY22

Enrolled BMS Merchants: 86,027

Active BMS: 46,976

Transaction value
(₹ Cr): 4,060

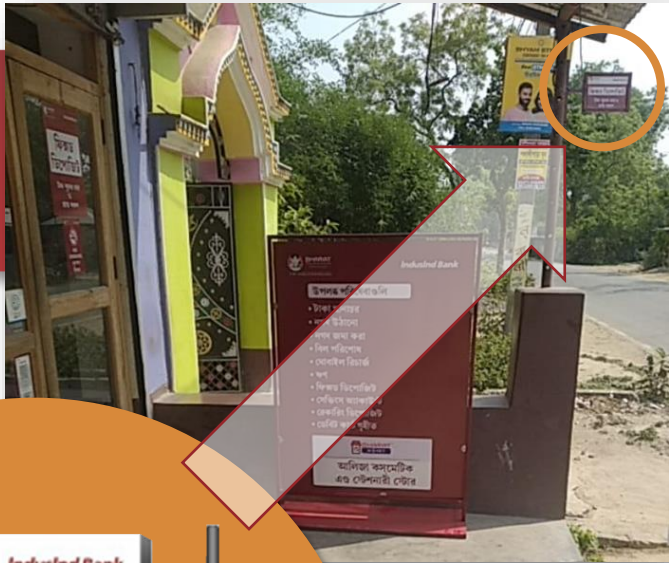
Services offered

- AEPS
- Utilities BBPS
- mPoS
- Tata Power Savings, FD/RD Ac Savings A/c: 2,35,532
- FDs: 10,841
- RDs: 18830



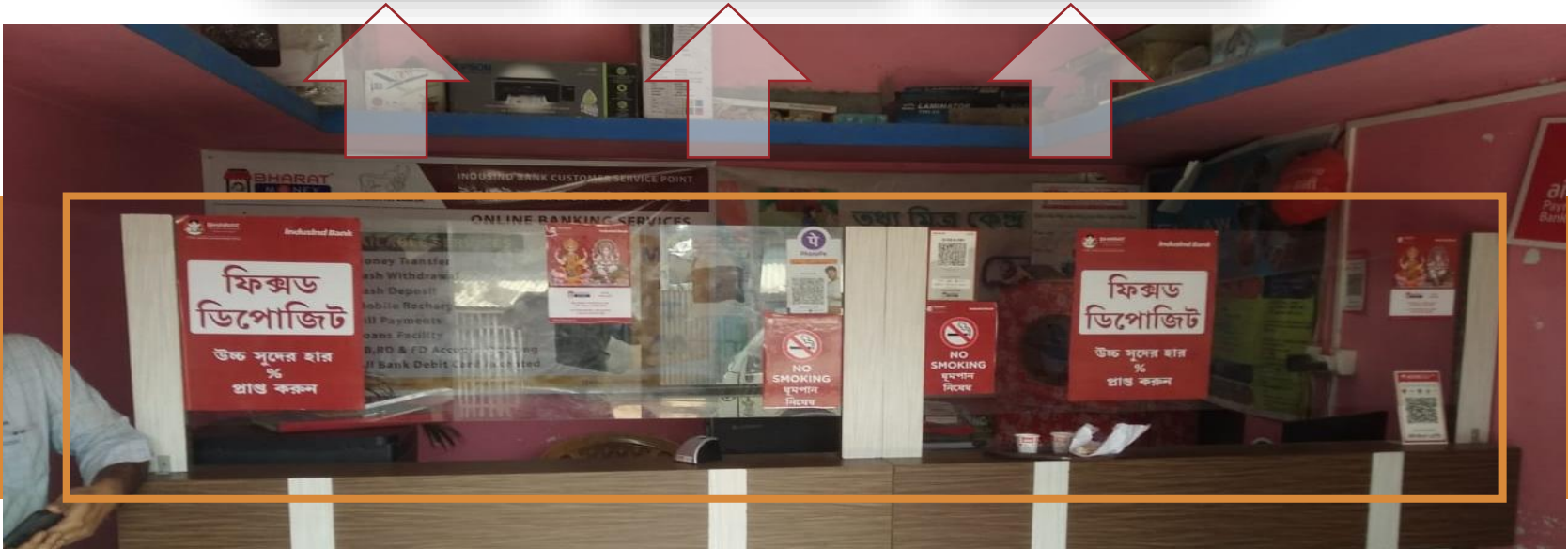
BMS 2.0 – Strong rural branding focus

Flanges & Standee at the main entrance



BMS 2.0 – Strong rural branding focus

Posters on the glass



IndusInd Bank's rural touch points, highly visible

BHARAT MONEY STORE

BMS 1.0



Current Account
Welcome Kit with
Debit card



Store Display

- BC Certificate
- Display Boards



Transactions
Deposit, Withdrawal,
IMPS, Bill Payment



BMS 2.0



Current Account
Balances enhanced
with QR code



Transactions
Deposit, Withdrawal,
IMPS, Bill Payment



IndusInd Bank
Branding sharper
focus



Merchant Loan
RD based 1st Cycle Loan,
Non-RD Based Loan



Liability Services
SA, RD & FD Account
opening



Plan & Roadmap



mATM Transactions
Cash Withdraw
Balance Enquiry



Domestic Money
Transfer (DMT)



MPOS Card
withdrawal

A strong risk culture



A strong risk culture

Credit Risk

- Stringent Credit norms in comparison to Industry to mitigate risk of unsecured lending
 - Number of Other Lenders
 - Existing customer ≤ 2
 - New Customers ≤ 1
 - Client exposure
 - Existing platinum center customer ≤ 1.25 L
 - Other Existing Customers ≤ 1.0 L
 - New Customers ≤ 80 K
 - High customer connect through weekly repayment (100% weekly vs 35% weekly Industry)
- Geographical Concentration Norms –
 - 5 categories of states with differential norms based on Asset Quality, Market Size, Growth Potential & Competition Parameters (*Ranging from 0.5 % to 16%*)
 - District level cap – 2%
- Risk based Segmentation
 - Customer/ village level segmentation based on repayment behaviour to mitigate risk of defaults
 - Disbursement Restriction in branches with performance below set threshold levels

Operational Risk

- JLG continues to mitigate risk for micro-credit portfolio.
- Savings & extended banking services to strengthen client relationship
- Robust Consumer Grievance redressal mechanism
- Fraud & Transaction Monitoring
- Branch risk assessment to identify specific branch-level parameters
- New Products & Services –
 - Scale subject to satisfactory performance of controlled pilots
 - Customized process controls
- Incident Reporting
- Alert system for Key exceptions

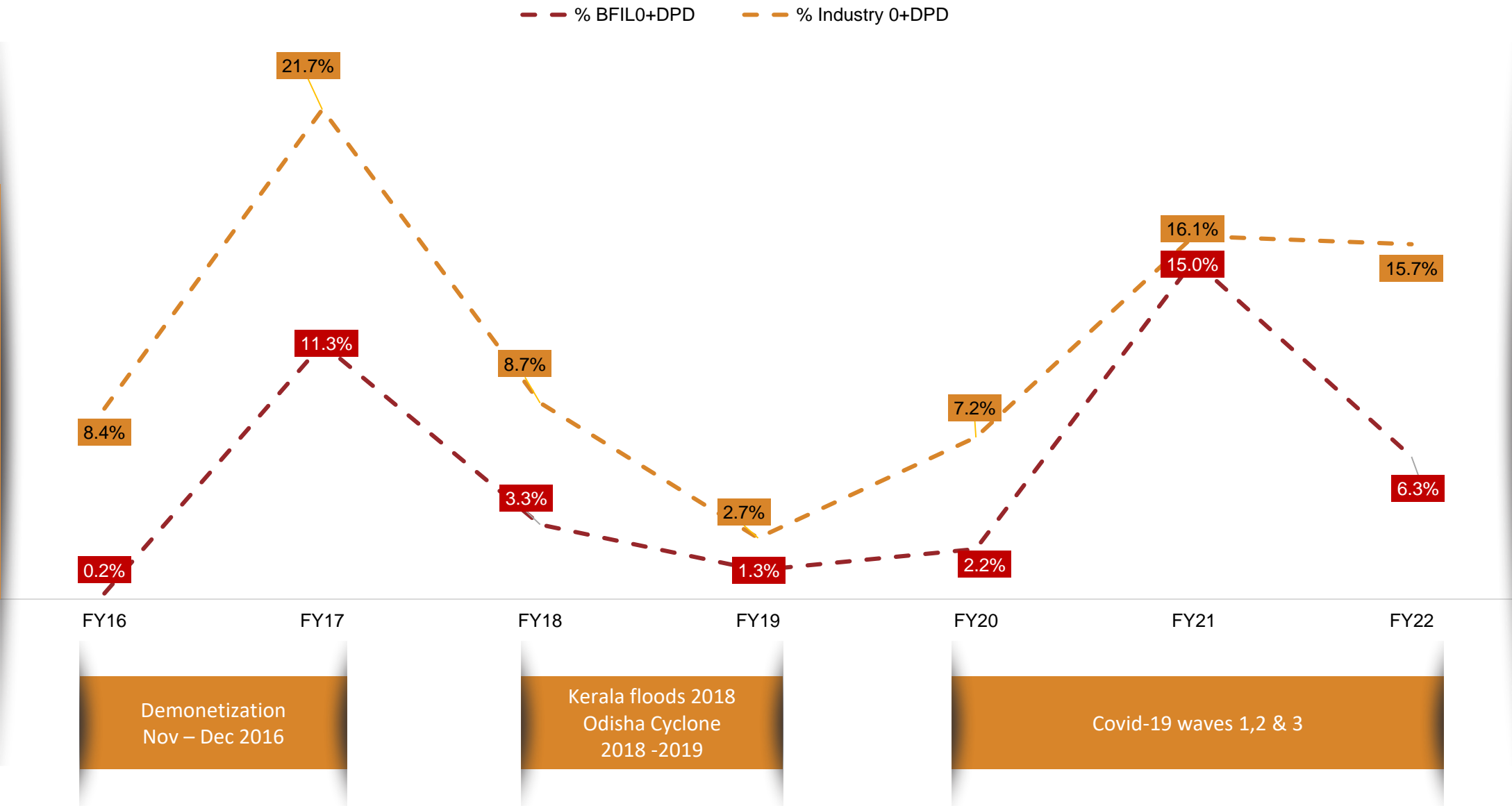
Data led insights

- **Customer Risk Profiling**
- **Market intelligence** by identifying specific industry trends
 - Macro – sectoral trends
 - Micro – at pincode level
- Effective Risk Monitoring through **customized & versatile BI**
 - Daily performance tracking of KPIs
 - Aggregate & granular analysis capabilities
 - Automated Alerts to key stakeholders

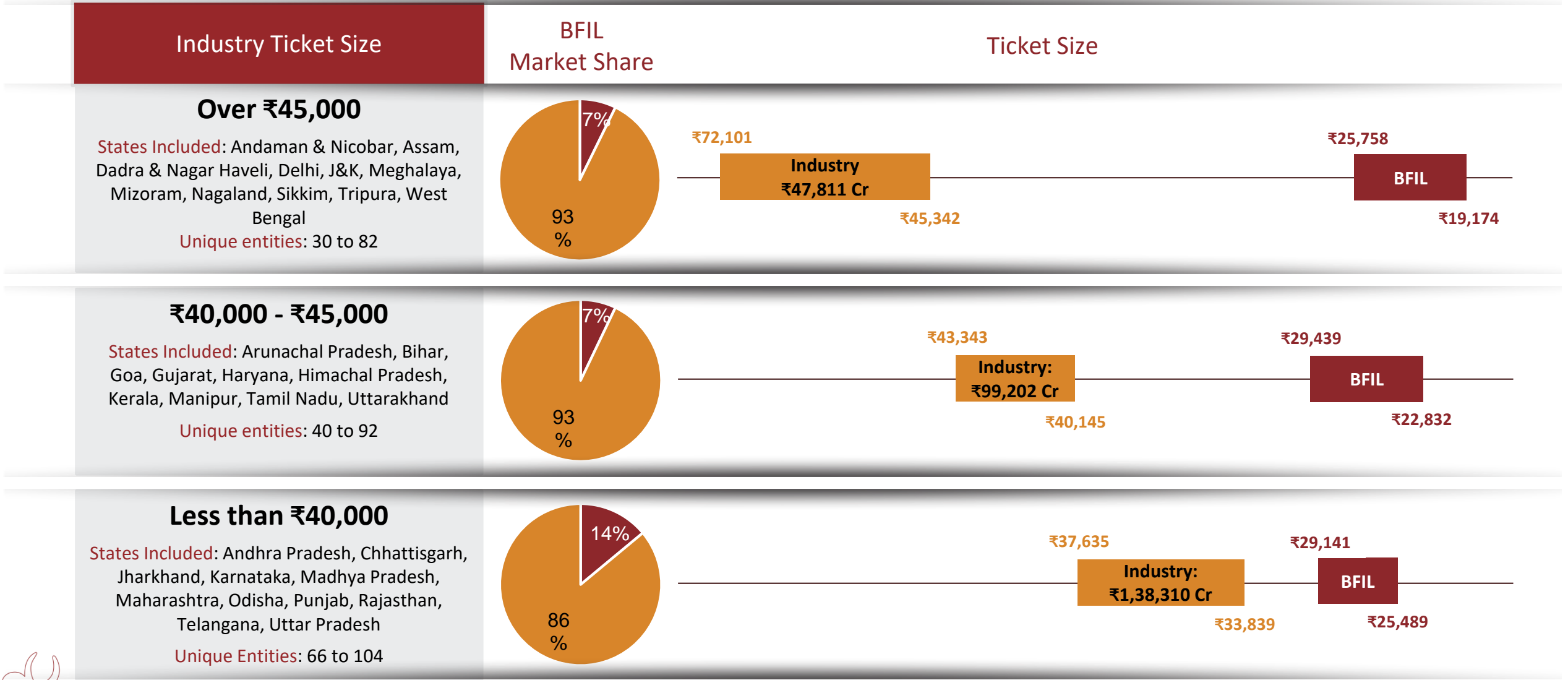
Outcome

- New Product development
- Continuous enhancement in Credit criteria
- Growth Market identification
- Early warning signals
- Comparison with industry on KPIs

Delinquency trend – BFIL vs. Industry



BFIL has conservative ticket sizes

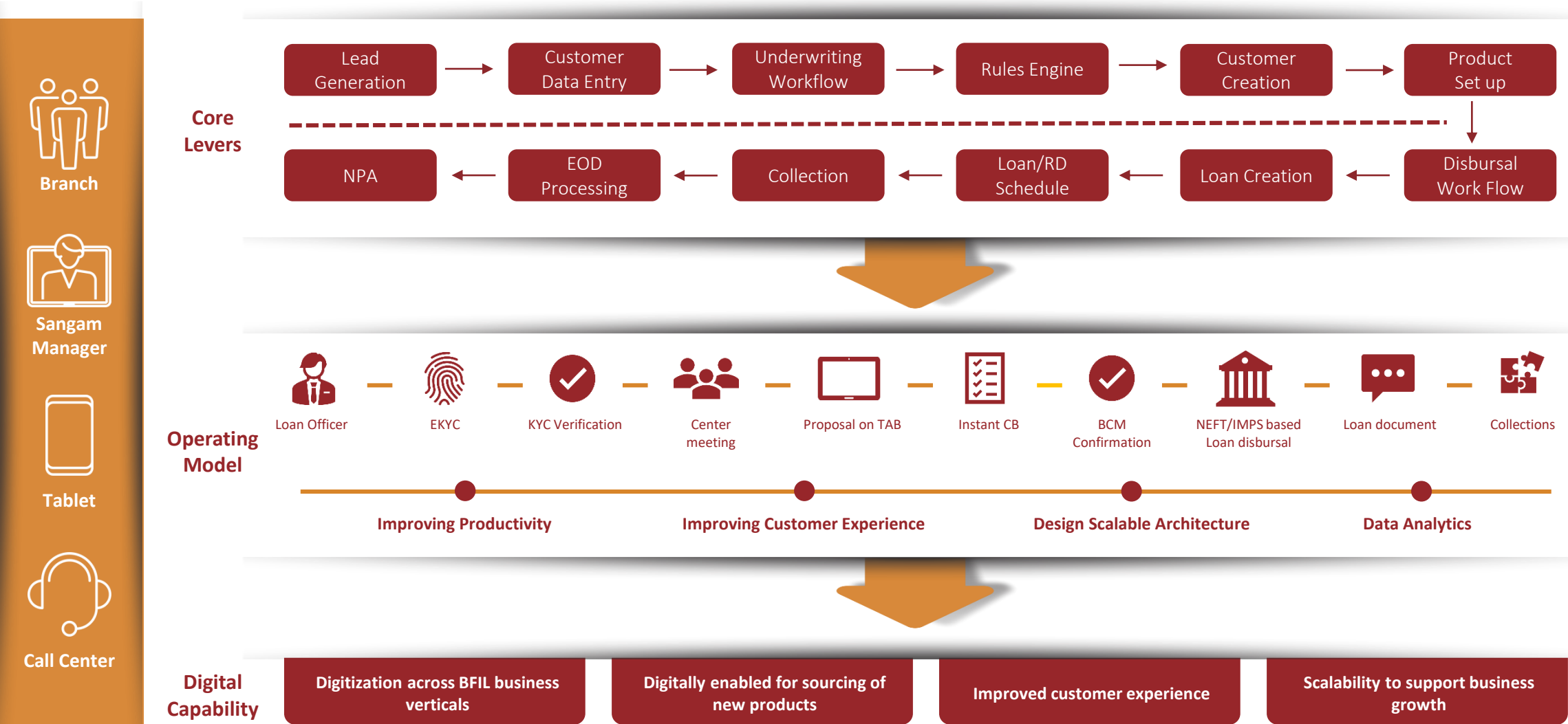


Note: Industry Data is as of Mar'22 from Equifax

Agile Technology



Agile technology, capability to handle large volumes



Employer of Choice



Strong foundation of People – Culture - Performance

Very high degree of internal talent sourcing

- For the field staff, talent is hired ONLY at the Sangam Manager (entry) Level. Internal talent development process ensures growth for the next 5 levels till GM.
- This has proved to be a high success factor in building the organizational culture and ethos.

Employer of choice

- Consistently ranked in Top 100 Great Places to work in India for last eight years.
- 91% of our employees said – “I would strongly endorse my company to friends & family as a great place to work”.

Training program

- Strong mix of class-room and On-The-Job training with well defined certification process.
- Continuous communication with the field staff at all levels
- In FY21-22, 2.75-million-man hours of training was provided.



Internal Audit

– Ensuring process controls



Internal Audit – Critical role in ensuring process control

Strength

- ISO 9001:2015 certified process
- All branches are inspected monthly based on a 4-tier grading system
- Communication of Audit Findings at all levels – Branch, Region and Senior Management
- Branch Grading linked to incentives/appraisals of field staff
- Internal Audit of branches – highly automated

Coverage

- Total Branches – 2422 (MFI), 404 (BSS), 45,368 (BMS), 76 (Regional Offices)
- Risk Based Audit Methodology by Onsite and Offsite monitoring mechanism
- Branches per Internal Audit staff - 10

Scope of Audit

Audit area	Frequency	Client Acquisition	Center Meeting Process	Document verification	Monitoring process by supervisors	Adherence to Process / Policies	Regulatory Requirements (CB, FPC)	Client Visits	Fraud Investigation
MFI Branches	Monthly	√	√	√	√	√	√	√	√
BSS Branches	Monthly	√	-	√	√	√	√	√	√
Regional Offices	Quarterly	-	-	-	-	√	√	-	√
Head office	Quarterly	-	-	-	-	√	√	-	-

Member Helpline



High customer connect – Member helpline evolving with times



Member calls MHL Helpline

Agent wishes the caller and takes brief on query / complaint / request

Agents check details in CRM and other applications. Provides resolution and closes the call

If unable to resolve, select status as open and closes call by giving tickets no. and TAT and ends call

Follow up team extracts open tickets from CRM and escalates to concerned SPOCs for resolution

Follow up team shares resolutions received from concerned SPOCs with MHL team

Agent makes out call to the member and informs about the resolution and closes the call

MHL PROCES

Effective system in place to receive and resolve client complaint on time

Proposed service initiatives to improve information access

IVR in 8 vernacular languages

- Enquiries
- Resolutions
- FAQ's
- Product updates

Customer outreach

- Voice blast to customers
- Jingle through voice blast / IVR
- Traditional village announcements
- Wall paintings

Loyalty Programs

- Customer profiling
- Value based segmentation
- Customized programs

Towards becoming a Micro-banker



Towards becoming a Micro-banker from a Micro-lender

RBI framework

Wind under the wing

- Comprehensive Principle-based RBI regulations announced in March 2022
- Microfinance loan is defined as an unsecured loan given to a household with an annual income less than ₹300,000
- Cash flow-based lending envisaged – assessment of household income, household expenditure and cap on loan repayment obligations put in
- Industry will move towards cash flow assessment-based lending as against exposure size
- JLG lending may get saturated but there is a large scope for lending to individual borrowers graduating from JLG model

Near term growth strategy

Playing to strengths

- Evolving from a micro-lender to a micro-banker offering a wider suite of products to meet evolving customer needs –
 - Individual loans to graduating JLG customers
 - Scaling up of Consumer durable loans, cattle loans & two-wheeler loans
 - Launch of Rural affordable housing, rural LAP
 - Liability & Insurance products
- Building on loyal and sustainable customer relationships



Leveraging BFIL's distribution to diversify offerings to Bharat

Building on BFIL's deep rural distribution in Bharat and acquiring new customers

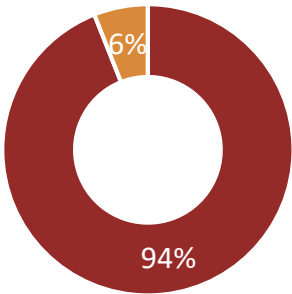
Scaling up loans to nano retailers

Graduating women entrepreneurs from JLG based loans to individual loans

Affordable housing and rural LAP

Two wheelers and other consumer durable loans in deep rural geographies

Current Loan Book

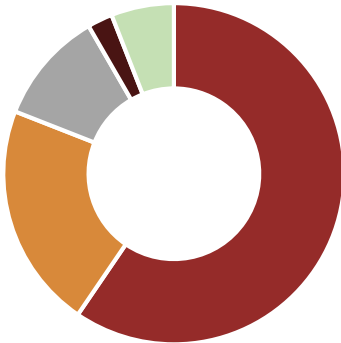


JLG Loans

Loans to Merchants

Individual Loans

Our FY26 Ambition



Two Wheeler Loans

Affordable LAP



Sambhav Hai!

It's possible!



BHARAT
Financial Inclusion Ltd
Prayaas se pragati

A 100% subsidiary of IndusInd Bank Limited

IndusInd Bank

IndusInd Bank



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