



## **EQUITAS HOLDINGS LIMITED**

*FOR IMMEDIATE PUBLICATION*

**PRESS RELEASE**

**October 21, 2016**

### **Equitas Holdings Consolidated Q2FY17 Net Profit grows by 50% before reckoning bank transition cost**

Equitas Holdings Limited, a diversified financial service provider, announced today the Unaudited & Consolidated financial performance for the quarter ended September 30, 2016.

- **Consolidated AUM as of September 30, 2016 Rs.7,079 Crore; growth of 45% over Q2FY16**
- **Net Interest Income grows by 40% over Q2FY16**
- **Equitas Small Finance Bank Limited, wholly owned subsidiary, commenced operations as a Bank on September 5, 2016**
- **Strong Operating performance despite NPA recognition period change from 4 months to 90 day norms effective September 16**
- **Consolidated Financials of Q2 impacted by One-time bank transition costs**
- **Consolidated PAT for the quarter grows by 50% over Q2FY16 before reckoning the transition costs and by 16% on reported basis**
- **RoA @ 2.32% and RoE @ 8.67% for Q2FY17**

The growth has been led by healthy disbursements in key focus asset products such as Microfinance, Used Commercial Vehicle finance [UCV] and Micro & Small Enterprise [MSE] loans. Gross NPA and Net NPA at Consolidated level have shown increase due to migration of NPA recognition from September 16 to 90 day norms from earlier 4 months norms.

#### **Q2FY17 Consolidated Results**

Net Interest Income increased by 40% at Rs.200.6 Crore for the quarter ended September 30, 2016 as against Rs.142.8 Crore in the corresponding quarter last year. Profit after Tax [PAT] grew by 16% to Rs.46.4 Crore for the quarter ended September 30, 2016 as against Rs.39.4 Crore for the corresponding quarter last year. PAT without reckoning transition costs represents an increase of 50% YoY.

#### **Banking operations commencement**

Equitas Small Finance Bank Limited [ESFBL] commenced its banking operations on September 5, 2016 with 3 branches in Chennai. It is the first Private Sector Bank from Tamil Nadu to commence operations post Indian Independence.

### **About Equitas Holdings Limited [EHL]**

Equitas Holdings Limited ('the Company') is a Non-Deposit Taking Systemically Important - Core Investment Company – (CIC-ND-SI) registered with The Reserve Bank of India. The activity of the Company is making investment in subsidiary companies and providing loans to them. It has no other operations.

The Company has the following Wholly Owned Subsidiaries:

- Equitas Small Finance Bank Limited, licensed under Section 22 of the Banking Regulations Act, 1949 to carry on the business of small finance bank;
- Equitas Technologies Private Limited [ETPL], a Company registered under the Companies Act, 2013 engaged in the business of freight aggregation.

### **About Equitas Small Finance Bank Limited [ESFBL]**

Equitas Small Finance Bank Limited is a Small Finance Bank (SFB), licensed by Reserve Bank of India under Section 22 of the Banking Regulation Act, 1949 to carry on the business of Small Finance Bank. We have commenced the business of SFB on 5<sup>th</sup> September 2016. It is the first Private Sector Bank from Tamil Nadu to commence operations post Indian Independence.

Equitas Small Finance Bank is a diversified financial services provider focused on individuals and micro and small enterprises (MSEs) that are underserved by formal financing channels, thereby enabling livelihoods and elevating lives. The focus customer segment includes low income groups and economically weaker individuals operating small businesses, as well as MSEs with limited access to formal financing channels on account of their informal, variable and cash-based income profile. We also offer customized savings products with a focus towards giving children, youth, families and business people across India, a new and a fun way to bank.

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### Consolidated Unaudited Financial Performance for the quarter ended September 30, 2016

- Consolidated AUM as of September 30, 2016 Rs.7,079 Crore; growth of 45% over Q2FY16
- Net Interest Income grows by 40% over Q2FY16
- Equitas Small Finance Bank Limited, wholly owned subsidiary, commenced operations as a Bank on September 5, 2016
- Strong Operating performance despite NPA recognition period change from 4 months to 90 day norms effective September 16
- Consolidated Financials of Q2 impacted by certain One-time bank transition costs
- Consolidated PAT for the quarter grows by 50% over Q2FY16 before reckoning the transition costs and by 16% on reported basis
- RoA @ 2.32% and RoE @ 8.67% for Q2FY17

### Equitas Holdings Consolidated Q2FY17 Net Profit grows by 16% YoY

Equitas Holdings Limited, a diversified financial service provider, announced today the consolidated unaudited financial performance for the quarter ended September 30, 2016.

#### Performance Highlights

##### Growth in Assets

AUM as of September 30, 2016 grew 45% YoY to Rs.7,079 Crore as compared to Rs.4,892 Crore as of September 30, 2015. The growth has been led by healthy disbursements in key focus asset products such as Micro Finance, Used Commercial Vehicle finance and Micro & Small Enterprise [MSE] loans.

##### Q2FY17 Consolidated Results

Net Interest Income increased by 40% at Rs.200.6 Crore for the quarter ended September 30, 2016 as against Rs.142.8 Crore in the corresponding quarter last year. Profit after Tax [PAT] grew by 16% to Rs.46.4 Crore for the quarter ended September 30, 2016 as against Rs.39.4 Crore for the corresponding quarter last year. PAT without reckoning One-time transition costs represents an increase of 50% YoY.

**Performance - Product nature-wise**

| Particulars     | AUM [Rs. Cr] |              |            |
|-----------------|--------------|--------------|------------|
|                 | Q2FY16       | Q2FY17       | YoY (%)    |
| Micro Finance   | 2,555        | 3,614        | 41%        |
| UCV             | 1,321        | 1,758        | 33%        |
| MSE             | 803          | 1,443        | 80%        |
| Housing Finance | 213          | 264          | 24%        |
| <b>Total</b>    | <b>4,892</b> | <b>7,079</b> | <b>45%</b> |

**Asset quality trends**

Rs. Cr

| Particulars                | Q2FY16 | FY16   | Q1FY17 | Q2FY17 |
|----------------------------|--------|--------|--------|--------|
| Gross NPA *                | 64.03  | 68.14  | 91.77  | 143.70 |
| Net NPA                    | 46.88  | 47.80  | 65.17  | 66.31  |
| Gross NPA % *              | 1.43%  | 1.34%  | 1.61%  | 2.54%  |
| Net NPA %                  | 1.05%  | 0.94%  | 1.14%  | 1.17%  |
| Provision Coverage Ratio % | 26.79% | 29.84% | 28.98% | 53.85% |

\* NPA recognition moved to 90 days for UCV and MSE portfolio from September 16 on becoming a Bank while it was on 4 months for Q1FY17 vs. 5 months in FY16 as an NBFC. On earlier norms, GNPA as of Q2FY17 would have been 1.63%. Apart from the above, the difference is due to impact of Securitisation of portfolio, Repo stock reckoned as part of NPA.

Additional NPA provision & Floating provision created in Q2FY17, out of reversal of excess Standard Assets provision, increasing PCR to 54%.

**Equitas Holdings Limited - Consolidated - Key parameters – Q2FY17**

| Particulars   | (Amount in Rs. Cr, except as otherwise stated) |        |              |        |              |        |        |              |        |              |
|---|--|--------|--------------|--------|--------------|--------|--------|--------------|--------|--------------|
|   | Consolidated                                   |        |              |        |              | ESFBL  |        |              |        |              |
|   | Q2FY16   | Q2FY17 | YoY Growth % | Q1FY17 | QoQ Growth % | Q2FY16 | Q2FY17 | YoY Growth % | Q1FY17 | QoQ Growth % |
| AUM   | 4,892  | 7,079  | 45%          | 6,559  | 8%           | 4,892  | 7,079  | 45%          | 6,559  | 8%           |
| NII   | 143  | 201    | 40%          | 204    | -2%          | 141    | 197    | 40%          | 202    | -2%          |
| Operating cost (%)                                      | 7.31%  | 8.53%  | 17%          | 7.15%  | 19%          | 7.35%  | 8.20%  |              | 7.05%  | 16%          |
| PAT- reported   | 40   | 46     | 16%          | 61     | -24%         | 39     | 47     | 20%          | 62.82  | -25%         |
| PAT ex. One time  | 40   | 60     | 50%          | 61     | -2%          | 39     | 61     | 54%          | 62.82  | -4%          |
| GNPA (%)  | 1.43%  | 2.54%  |              | 1.61%  |              | 1.43%  | 2.54%  |              | 1.61%  |              |
| NNPA (%)  | 1.05%  | 1.17%  |              | 1.14%  |              | 1.05%  | 1.17%  |              | 1.14%  |              |
| Standard Assets Charge (%) [A]                          | 0.29%  | -0.09% |              | 0.26%  |              | 0.29%  | -0.09% |              | 0.26%  |              |
| NPA Provisioning & Loan loss Charge (%) [B]             | 0.90%  | 0.77%  |              | 0.84%  |              | 0.90%  | 0.77%  |              | 0.84%  |              |
| Additional NPA & Floating Provision to increase PCR [C] | 0.00%  | 2.52%  |              | 0.00%  |              | 0.00%  | 2.52%  |              |        |              |
| Total Charge (%) [A] + [B] + [C]                        | 1.18%  | 3.20%  |              | 1.11%  |              | 1.18%  | 3.20%  |              | 1.11%  |              |
| RoA (%)   | 3.25%  | 2.32%  |              | 3.69%  |              | 3.24%  | 2.40%  |              | 3.88%  |              |
| RoA ex. One time (%)                                    |  | 2.99%  |              |        |              |        | 3.08%  |              |        |              |
| Gearing (No. of times)                                  | 3.00   | 2.74   |              | 2.85   |              | 3.41   | 3.08   |              | 3.18   |              |
| RoE (%)   | 13.00%   | 8.67%  |              | 14.21% |              | 14.29% | 9.79%  |              | 16.19% |              |
| RoE ex. One time (%)                                    |  | 11.17% |              |        |              |        | 12.58% |              |        |              |

**Notes:**

NPA Ratio - calculated on Loan outstanding i.e., 'On Book' only.

Standard Assets charge and Provisioning & Loan loss charge calculated as proportion of average AUM.

### **Management Commentary**

Commenting on the results and financial performance, Mr S Bhaskar, Executive Director & Chief Executive Officer, Equitas Holdings Limited, said,

“We had a reasonable quarter. AUM as of September 16 grew by 45% on a YoY basis along with a 16% growth in profits for the quarter on a YoY basis. However, if we calculate PAT ex. One time impact of bank transition costs, the growth in PAT is 50% on a YoY basis.

As we have transformed into the Bank, we continue to remain focussed on the segments not sufficiently serviced by the mainstream financial system. To a large percentage of our borrowers, we are the only lenders.

Our Bank goes by the tagline ‘It’s Fun banking’. It will be our whole hearted endeavour to bring a wave of freshness into banking through our focus on making normal banking transaction ‘Fun’ for the customers and through spreading fun and joy, we hope to impact about 5% of Indian Households by 2025.

To enable physical support to its millions of customers, we plan to have a network of Business Correspondents (BC) at branch level taking banking services right to the doorstep of its clients.

We have deployed cutting edge IT and digital solutions to make our banking experience a great experience for our mass and mass affluent customers.”

### **Social initiatives**

The Group continues its various social initiatives, as part of the Corporate Social Responsibility program. During the quarter, the Group reached out to 2.07 lakh beneficiaries through the health camps, 0.09 lakh beneficiaries through training on cottage livelihood skills, 0.07 lakh beneficiaries through job fairs and around 110 families rehabilitated through the Equitas Bird Nest program. The seven English Medium schools managed by the Group has a strength of over 5,040 students as of September 2016. The various social initiatives undertaken is tabled below:

| <b>Particulars</b>                                 | <b>FY 16</b> | <b>Q1FY17</b> | <b>Q2FY17</b> | <b>Cumulative from beginning</b> |
|--|--------------|---------------|---------------|----------------------------------|
| No. of beneficiaries in health camps               | 8,64,384     | 1,99,024      | 207,156       | 41,51,289                        |
| No. of spectacles provided [free of cost]          | 11,690       | 2,582         | 2,595         | 87,827                           |
| No. of cataract operations [free of cost]          | 1,563        | 370           | 573           | 26,995                           |
| No. of people trained on cottage livelihood skills | 41,268       | 8,704         | 9,405         | 427,598                          |
| No. of unemployed youth placed in jobs             | 26,320       | 4,865         | 7,334         | 71,828                           |
| No. of families living on pavements rehabilitated  | 362          | 84            | 107           | 902                              |
| No. of children studying in the 7 Equitas schools  | 4,142        | 5,043         | 5,043         | N.A.                             |

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The Bank was formed by the Merger of two wholly owned erstwhile subsidiaries of EHL viz., Equitas Micro Finance Limited [EMFL] and Equitas Housing Finance Limited [EHFL] with Equitas Finance Limited [EFL].

By Q1FY18, ESFBL plans to have a network of 412 bank branches spread across 12 States in India. Of these 412 branches, 50% will be in South, 30% in West and the remaining 20% in North. About 25 per cent of the bank branches will be located in rural, unbanked villages. Currently, the bank has an AUM of around Rs.7,080 Cr, of which about 50% is Micro Finance, 25% is Used Commercial Vehicle Finance and the remaining MSE and affordable Housing Finance.

### **For further details contact:**

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