AGENDA

1. Update from Previous Webinar
2. Two-Wheelers Market
3. Demand for 2W Finance
4. 2W Finance Market
5. Asset Quality
6. Is 2W lending a secured asset class
7. Risk associated with 2W Finance
8. Outlook on Growth, Asset Quality and Profitability
Update from Previous Webinar
**Updates from Previous Webinar**

**Operating model**
- At least 20% through online platform in the next two years
- NBFCs would be check out option
- Dealer locations would be service points

**Market share**
- Increase in number of NBFCs financing two wheelers
- Increase in NBFC market share
- Sector consolidation

**Profitability**
- Compression in yields
- NIM constant
- Reduction in Opex
- Reduction in credit cost
- Increase in ROA

**Capital**
- Increase in PE interest

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**Traditional dealer-based model continue**

**Players like Paytm and Droom provide online purchase options**

**Slowdown in overall 2W industry:** Volume growth down to 5% in FY19 from 15% assumption

**Finance penetration increase led by Captive NBFCs**

**Yields have been stable/ increased**

**Credit cost may increase with increasing competition in the face of lower growth**

**Rs 100 crs raised from Elevar Equity and Faering Capital in FY19 by WheelsEMI**

**Orange Retail Finance India Private Limited raised more than Rs 80 crs through various investor groups**
Two Wheelers Market
Post coming off growing economy and favourable financing environment till FY 12, the two wheeler domestic sales continued muted growth for the years FY 13 to FY 16 on account of weak consumer sentiment, unfavourable monsoons and lower GDP growth.

Post FY 16, on account of near normal monsoons and revival in rural consumer demand, two wheeler sales have shown a steady growth which has continued till FY 19 (Dec). The growth rate was slightly muted in FY 17 on account of demonetization which impacted the liquidity for buyers for a brief period.

Two wheeler sales have witnessed contraction in Q1 FY 20 across all segments on account of multiple factors like muted rural demand owing to low crop realization and delayed monsoon, liquidity squeeze, increased on-road price to insurance premium hikes over last year.
Motorcycles have been steadily losing market shares to scooters since FY 12 and the share has shrunk from 75.12% in FY 12 to 62.46% in FY 18.

However FY19 & Q1 FY 20 data suggests motorcycle regaining the market share on account of new model launches, strong rural demand despite subdued festive seasons and increase in on-road prices on account of increase in insurance premiums.

Scooters, post their continuous years of growth showed some signs of stagnation on account of demand shifting towards entry level motor cycles and key changes in regulation in West Bengal (major scooter market) on account of buyers requiring driving license to purchase two wheelers.
Two wheeler segment displayed healthy growth from FY 18 on account of above average marriage season; healthy rural demand and aggressive pricing at entry level segment by motorcycle OEMs.

However the segment witnessed degrowth in Q1 FY 20 on account of muted demand and one-off factors combining
Motorcycles with sub-segment (75-110 cc) continue to dominate the market share largely driven by upbeat rural demand on account of factors like MSP hikes on crops, near normal monsoon for past 3 years and loan waivers in select states.

Significant degrowth has been observed in 110-125 cc segment on account of lack of new model launches and demand shifting to 125-150 cc segment.

However impact on uneven monsoon in FY 2019 and muted crop realization for kharif crop seasons could play dampeners in the growth pattern of the overall industry.
All segments showed degrowth in Q1 FY 2020 on account of multiple factors- liquidity squeeze, flattish demand, lower crop realization.

On account of flattish festival demand, there was growth revival witnessed in all segments especially 125-150cc subsegment which had earlier seen degrowth. The growth was on account of new model launches and aggressive pricing strategies from OEMs.

Two segments saw degrowth in current FY 2019: 110-125 cc (due to lack of new models) and 250 cc (due to plant issues at Eicher Motors which is dominant player in this segment).
**2 Wheeler: Motorcycle Segment : Market Share: OEM**

- **Hero Motors** continues to dominate the market share of overall motorcycle sales over the years and has continued with nearly 50% market share as of FY2019 supported by renewed rural demand and marriage season.

- **Bajaj** has shown considerable growth in sales and has grown by approximately 200 bps in FY 2019 on account of aggressive pricing and new model launches especially due to launch of stripped down version of Pulsar 150 in 125-150 cc subsegment.

- **Honda Motors** retains the third position in market share primarily on account of dominance of its models in 110-125 cc subsegment while **TVS** retains fourth spot in market share.
Scooter segment displayed consistent double digit growth from FY 12 till FY 18 on account of sales post BS III, good monsoon and festive demand.

This segment witnessed degrowth in FY 2019 despite new model launches on account of Kerala floods (key market for scooters), tight liquidity conditions for financiers, increase in on road prices due to insurances and muted demand in urban areas.
### 2 Wheeler: Scooter Segment: Quarter Wise Growth Rate

#### Source: SIAM Data

<table>
<thead>
<tr>
<th>Engine Capacity</th>
<th>Q2 FY 2018</th>
<th>Q3 FY 2018</th>
<th>Q4 FY 2018</th>
<th>Q1 FY 2019</th>
<th>Q2 FY 2019</th>
<th>Q3 FY 2019</th>
<th>Q4 FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 90cc</td>
<td>2.15%</td>
<td>1.98%</td>
<td>2.06%</td>
<td>2.18%</td>
<td>2.40%</td>
<td>2.11%</td>
<td>2.26%</td>
</tr>
<tr>
<td>90-125cc</td>
<td>97.23%</td>
<td>97.39%</td>
<td>97.46%</td>
<td>97.36%</td>
<td>97.06%</td>
<td>97.41%</td>
<td>97.43%</td>
</tr>
<tr>
<td>125-150cc</td>
<td>0.62%</td>
<td>0.62%</td>
<td>0.48%</td>
<td>0.46%</td>
<td>0.53%</td>
<td>0.48%</td>
<td>0.31%</td>
</tr>
</tbody>
</table>

### Scooter Segment Wise Growth Rate

- The largest sub segment in scooter is 90-125 cc and the segment witnessed highest degrowth in Q4 FY 2019 leading to degrowth in overall scooter sales.
- < 90 cc subsegment has increased the fastest albeit on account of a lower base.
- With overall demand for scooters on decline during the period and new launches by OEMs in 125 cc category; the 125-150 cc segment saw sharp degrowth during FY 2019.
- This trend is expected to continue on account of relatively high cost and less fuel efficiency and the demand may be muted in absence of diversified presence of OEMs.
Honda has been the dominant OEM and has maintained its market share in FY 19 as well on account of healthy scale up in sales of Dio and Grazia models. The growth of its flagship model Activa reported a degrowth of 4.6% in FY 2019.

TVS strengthened its market position with new model variants of Jupiter and Ntorq gaining incremental volumes and market share and witnessed a growth of 12.9% in FY 2019.

Suzuki also gained considerable market share on account of growth shown in new model Burman Street and steady performance of its established model Access.

Share of Hero has been consistently declining on account of growth in competitors models and losing volumes in models like Duet & Maestro.
Scooter Sales & Top Model - No of Units % - (From Mar’18- Mar’19)

- **Dominant Player**

Source: SIAM Data

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Scooter Sales Growth - No of Units % - (Q4 FY 18- Q4 FY 19)

Source: SIAM Data
### Regulatory Development

<table>
<thead>
<tr>
<th>Change</th>
<th>Impact</th>
<th>Description</th>
</tr>
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</table>
| **BS VI Emission Requirement** | Negative – Increase in Prices post implementation | • The Government of India has decided to leapfrog from the exiting BS – IV emission norms to the BS- VI, thereby skipping the BS - V norms.  
• BS - VI norms will come to effect from 1st April 2020. The cost of better engines conforming to BS VI emission norms is expected to increase the costs by 10-15%. Although some estimates are lower.  
• While first half of FY19 will see flat growth, there could be some recovery in the second half due to pent-up demand on festivals and pre-buying of BS IV vehicles (Similar spike was seen before transition to BS IV norms in April 2017. That period saw a deep discounting on older models just before April 2017 for inventory clearance. Better preparation expected from OEMs and dealers this time.)  
• Hero may consider exporting more of its BS IV inventory, especially to countries such as Nepal, Bangladesh and Sri Lanka. |
| **5-year TP insurance** | Negative – Increase in Prices | • The Supreme Court mandated 5-year third-party (TP) insurance post Sep-18, shooting up the premiums.  
• Honda estimated an impact of 6% on the price of its products due to insurance ruling  
• Insurance premium for 100-125 cc bikes have increased from ~ Rs 1800 to ~ Rs 5,000 |
| **ABS and CBS requirement** | Negative – Increase in Prices | • 2Ws having an engine capacity higher than 125cc are mandatory to have anti-lock braking system (ABS) and for two-wheelers below that capacity are mandatory to have combined braking system (CBS) from April 1, 2019. So cheaper models will not be available in FY20, impacting demand. |
| **Driving License requirement in West Bengal** | Negative | • The WB government introduced stringent rules from Jun-18 barring sale and registration of two-wheelers in the name of people without driving licences.  
• This saw a decline of ~60% in 2W sales in WB which earlier had a demand of ~ 1 lac units a month  
• There have since been relaxations to the rules like payment of fee for learning license while buying 2W, but purchases have been delayed for more clarifications. |
Two Wheelers: Demand Drivers

- General commute to fulfill business requirement
- Necessity for entry level jobs
- Last mile connectivity for delivery requirements of E-Commerce and Food delivery companies
- Commitment towards electric fleet
- Rural demand for multiple use cases

Business need

- Higher disposable income
- Demand during festive season in October and November
- Good monsoon helps with rural demand
- Urban demand from youth and women
- High end bike as status symbol

Consumption need

2W is more of a necessity – growth expected to pick up again along with recovery in the economy
## Two Wheelers: Push for Electric Vehicles

### Uncertainty regarding development of Electric Two Wheelers

#### Push from Government
- Set up a deadline for transition to all electric two wheelers by 2025 up to 150cc
- All major OEMs have raised concerns over such mandatory shift in a very short time.
- Incentives provided through tax relief and more steps expected to support EV sales

#### Opportunity for new players
- EVs may require new business models and will be an opportunity for start-ups.
- Many new local players coming up with tech research and manufacturing setup
- Flipkart declared intentions of converting 40% its delivery fleet to EV by Mar 2020
- Ola Electric Mobility has raised funds to support its ambition of operating 1 million EVs by 2021

#### Infrastructure Bottlenecks
- Battery: Major cost component – may see tech updates related to capacity and charge time
- Charging network to be put in place. Will need government support
- Production and Ancillary chain to be set up in place
- Lack of standardization across players

#### Dealer Network
- OEM offers needed to support sales
- Servicing and repairs network to be updated
- Financial viability and business model to be re-assessed
- Online sales may pick up with e2W

#### Financiers
- Will need initial support from OEMs
- Larger players like captives and banks may lead the financiers
- Impact on LTVs based on depreciation and used market to be a key consideration
- New Dealer tie-ups for e2Ws may be required

#### Risks
- Hurried transition
- Timely Scaling of support infrastructure
- Technological developments and hence obsolescence risk
- Disruption of existing business model
- Factoring in risk in pricing considering limited ecosystem and understanding of the:
  - Life of e2W & components
  - Resaleability
Demand for Two Wheeler Finance
Two Wheeler Finance: Demand and Growth

2W Finance growth to exceed the volume growth of 2W industry

Factors contributing to higher growth

- Higher prices: ATS increased by c. 8-10%
- Higher finance penetration

The 2W Finance market expected to reach ~Rs.90,000 crores by 2024 with:

- 10% annual volume growth in 2W
- Average price of Rs 55,000 per unit
- Increased penetration of 60%

Demand for used 2W finance to increase

- Increased cost and lower affordability of new 2W
- OEM efforts to make used 2W an organized market like Best Deal from Honda (Certified Pre-owned outlets)
- More organized players to take up used 2W finance with lower ticket size and lower tenure
NBFC 2W Portfolio Concentration (As of March 19)

Private Bank 2W Portfolio Concentration (As of March 19)

Source: Equifax 2W Report
NBFC : New Sourcing (Last 12 Months - March 19)

Source: Equifax 2W Report

Private Banks : New Sourcing (Last 12 Months - March 19)

Source: Equifax 2W Report
2W Non Captive : New Sourcing (Last 12 Months - Mar 19)

Source: Equifax 2W Report

2W Captive : New Sourcing (Last 12 Months - March 19)

Source: Equifax 2W Report
Two Wheeler Financiers
2W Finance: Key features for Major Players

**Banks**
- Cross sell to existing customers with pre-approved limits
- Focus on Salaried individuals or with income proof
- Bank payments required
- High LTV and low IRR
- Inventory funding of the dealers

**Captive Financiers**
- Schemes to support sales of OEMs
- Better credit quality customers targeted
- High LTV and low IRR
- Mandatory leads from the dealers
- Incentives given to dealers

**Large Pan India NBFCs**
- Lower credit checks
- Aggressive schemes for customers with better credit quality
- Focus on collection effectiveness
- High IRR and average LTV
- Trade advance and incentives for dealers

**Regional NBFCs**
- Customers with limited documentation
- Rural focus - Farmers, no income proof
- Reliance on local knowledge
- Collection mechanism (including cash collection)
- High IRR and average LTV
- Trade advance and incentives for dealers

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### Similar range of product offering by various financiers

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Average Ticket Size</th>
<th>LTV</th>
<th>IRR</th>
<th>Tenure</th>
<th>Processing fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Captive NBFCs</td>
<td>10k – 150k</td>
<td>Up to 95%</td>
<td>22-31%</td>
<td>1 – 4 yrs</td>
<td>1 – 3%</td>
</tr>
<tr>
<td>Other NBFCs</td>
<td>15k – 200k</td>
<td>Up to 95%</td>
<td>22-28%</td>
<td>1 – 3 yrs</td>
<td>1 – 6%</td>
</tr>
</tbody>
</table>
2W Finance: Key emerging characteristics

For walk-in customers at dealers, first point of contact defines acquisition

Higher Risk

- Key focus on models and geography
- Credit policy with model-wise grid defining acceptable risk (LTVs)

Faster TAT

- LTV would be the key differentiator
- Asset quality not directly related to LTV; collection efficiency is the key driver for asset quality

- FI/CPV being done away with
- No CB checks
- No central oversight/ control on disbursement decision
2W Finance: Role of Technology

Increased use of Technology

- App-based solutions on mobile and tabs for all operations
- Use of APIs to verify Bureau, UID and PAN data
- Credit decisions being based on models with help of bureau data
- Use of geo-tagging for negative areas - defined at more granular level now
- Capturing latitude-longitude data during FIs and collection visits
- Data analytics being used for targeted collection efforts
- Use of photos and videos for assessing value of used or repossessed assets
- Better data integration with improved MIS capabilities and automation of reports
- System based checks and measures being built for policy adherence
## 2W Finance: Salient features

<table>
<thead>
<tr>
<th>Process</th>
<th>Activities</th>
<th>Comments</th>
</tr>
</thead>
</table>
| **Sourcing**       | • Field team along with dealers and sub-dealers. Dedicated sales executive at these locations  
                    • Customer comes to dealer/sub-dealer location  
                    • KYC documents collected from the client | • Dealers and sub-dealers provided incentive to refer clients through commission and trade advance  
                    • Relation with local dealers critical for sourcing  
                    • Agents of financiers helps with sales at dealer locations |
| **Appraisal and approval** | • LTV and pricing list available for 2W models  
                    • Income check either through documentary evidence or assessment by field officer  
                    • Some of the credit terms seen are as below:  
                        o CIBIL checks  
                        o Owned home or long presence at same address  
                        o Local reference check  
                    • Approvals may vary from model based or HO based to branch level authority | • FI being done away by many players if comfort available through documentary evidence to reduce TAT  
                    • Some players have integrated IT systems to manage the entire lead origination, documentation and approval process  
                    • Branch staff recruited from local areas – they have a deeper understanding of the customers.  
                    • Salaried customer granted loans at favorable terms |
| **Collateral**     | • Reliance is placed on the security of the 2W model being financed  
                    • Leading models with better secondary market are financed at higher LTVs  
                    • Guarantee is generally compulsory for student profiles and customers without permanent residence | • Valuation of used 2Ws a key determinant for LTVs  
                    • Models with better secondary market financed at more aggressive terms |
| **Collection**     | • Cash collection is seen in this segment, though the companies are shifting to non-cash models depending on the target customers  
                    • Collection teams may be in house or outsourced collection agencies.  
                    • The collection may also be divided between in-house team and agents based on PAR status  
                    • Local connections may be used to facilitate collection process in rural areas  
                    • Repossession is done where client is not expected to pay back | • Given the weaker credit profile of the borrowers, collections constitute the most critical function for 2W finance companies  
                    • Repossession activity involves cost related to repossession agent, yard charges, loss on sale of repossessed assets, etc. |
RoA and Capital raised

- 2W finance yields are high to cover for high opex and weaker credit profile. Yields expected to remain stable with increased ticket size.
- Cost of funds to be impacted by market liquidity conditions
- Opex ratio to reduce with more use of technology. However, 2W finance is an opex heavy model with sourcing commission to dealers and cost related to collection team.
- Credit costs may rise with increased competition and relaxed sourcing norms. Collection efficiency will be critical
- RoA to remain stable

Recent equity investments in the 2W Finance sector

- Rs 100 crs raised by WheelsEMI from Elevar Equity and Faering Capital in FY19
- Orange Retail Finance India Private Limited raised more than Rs 80 crs through various investor groups
- Many of the smaller players saw equity infusion from their promoters
- Multiple players in talks to raise funding from PE players
- PE investments received by diversified financiers
- Easier to start 2W Finance with low capital base due to small ticket size and targeting few regions
- Market big enough to absorb new players
Asset Quality
2 Wheeler Finance Market: Key Performance Trends - March 2019

2W Portfolio Performance: Lender Category: Mar 19

- 2 Wheeler finance market is dominated by NBFC and the market share is slightly higher for captive NBFCs (c. 32%) in comparison to non captive NBFCs (c. 28%); while private banks have a market share of (c.37%).

- The portfolio performance of the private banks has been relatively more robust in comparison to NBFCs. Amongst NBFCs, the captive NBFCs have display relatively stronger portfolio performance in comparison to non captive financiers.

- Other players like PSU Banks and other banks (SFB, DCCB, RRB etc) which have been clubbed under the category “Others” don’t have significant market share.

2W Portfolio Share: Amount Outstanding: Mar 19

Source: Equifax 2W Report
NBFC 2W Portfolio - PAR 90% (As of March 19)

Source: Equifax 2W Report

Private Bank 2W Portfolio - PAR 90% (As of March 19)

Source: Equifax 2W Report
2W Non Captive Financier Portfolio - PAR 90% (Mar’19)

Source: Equifax 2W Report

2W Captive Financier Portfolio - PAR 90% (Mar’19)

Source: Equifax 2W Report
2W NBFC Roll Forward Rate (0-90) (Mar'19)

Source: Equifax 2W Report

2W Private Bank Roll Forward (0-90) (Mar'19)

Source: Equifax 2W Report
2W NBFC Roll Backward Rate (90 to <90) (Mar’19)

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</tr>
<tr>
<td>GJ</td>
<td>4.55%</td>
</tr>
<tr>
<td>AP</td>
<td>13.54%</td>
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<tr>
<td>HR</td>
<td>3.4%</td>
</tr>
<tr>
<td>HP</td>
<td>3.37%</td>
</tr>
<tr>
<td>J&amp;K</td>
<td>28.97%</td>
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Source: Equifax 2W Report

2W Private Bank Roll Backward (90 to <90) (Mar’19)

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Source: Equifax 2W Report
Is 2W lending a secured asset class?
Financiers name in the RC book of the vehicle

- Many instances in rural areas where the vehicle remains unregistered for a long time
- Registration may take 2-3 months

Focus on resolution without repossession

- Arresting the portfolio at initial buckets important
- Roll forward rates increase from ~8% in X bucket to ~44% in 2 bucket and to ~66% in higher buckets
- Only 6-7% of the cases in higher buckets may go for repossession. Repo loss seen ~35-40%

2Ws may not be traceable post default on account of following factors:

- Skip customer
- Accident
- Legal hinderance due to involvement in crime like theft
- Mortgage/ sale of 2W for small amount (but customer is still traceable)

But Non-traceability not an issue for 2W financiers

- Based on feedback, these cases are negligible (less than 1% of cases where bounce is seen)
- It is even less of an issue in rural areas where most customers are reachable at permanent address
- No visible difference in traceability across types of lenders

This is substantiated by using write-offs as a proxy for assets not being traced

- Write-offs were at ~1% of the average AUM on overall basis for the smaller 2W NBFCs and even lesser for the large players

Relaxed FI and credit norms may lead to higher non traceable cases in future
Repossession dump from our partner entities was analyzed to arrive at behaviour of various models and resale values of these models in order to determine recovery rates.

Hero and Honda; on an average have higher resale value in comparison to other models; in contrast to models like Bajaj and Yamaha whereby the average outstanding is nearly the same.

Additionally, the time taken to sale from date of repossession is also lower in Hero & Honda vehicles in comparison to other vehicles indicating higher demand for resale for these models.
Risks associated with Two-Wheeler Finance
Emerging Risks

Product

- Increasingly an off-the-shelf loan product: Talks of extending loans without vehicle hypothecation
- Top-up loans (loan against vehicle) to retain customer with no defined end use
  - Very limited book
  - Offered to existing customers, with established track record
  - Defined LTVs considering the current and expected market value

Process

- No underwriting, despite increasing loan amounts. To become more acute going into FY21, with BS VI jacking up prices and hence finance amount
  - Being managed by focussing on key models, strong local knowledge

Portfolio

- Increasing ticket size even for entry level vehicles with price rise and higher LTVs

Collection

- Repossession as a collection strategy to further lose steam due to higher LTVs
  - Bank transactions with stronger customer and connect on field/ feet-on-street
  - Social pressure (guarantors) points being created
Key challenges

On-boarding

- Lack of discipline/ process during sanction
  - Unlike other operating models of finance, no customer awareness process
  - Absence of importance of financier in the customer’s lifecycle

Loan repayment

- High bounce and soft delinquency
  - Borrowers wanting to follow 30 day repayment cycle from date of purchase irrespective of EMI date
  - Slippages allowed for bounce charges and penal interest
- Inability to quickly resolve higher buckets of delinquency
  - Borrowers are not able to clear multiple installments in one go
  - Continue to remain at risk even if they pay one installment every month after skipping few months
- Limited borrower knowledge in accident cases
  - Claims to be filed within 90 days post accident
  - Borrowers dump the vehicle and stop paying, thereby leading to default and very low recovery on repo
Outlook – Two Wheeler Finance
# Outlook – Emerging NBFCs

<table>
<thead>
<tr>
<th>Emerging Non-Captive Players</th>
<th>Outlook</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Two-Wheeler OEM Sales</td>
<td>Subdued</td>
<td>➢ 2W sales have reduced in recent months after years of sustained growth</td>
</tr>
<tr>
<td></td>
<td>Growth</td>
<td>➢ Hike in prices have impacted demand. Further price hike seen from Apr-20 with implementation of BS VI emission norms.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>➢ 2W demand expected to bounce back – being a necessity product</td>
</tr>
<tr>
<td>Two-Wheeler Finance – AUM</td>
<td>Healthy</td>
<td>➢ 2W Finance to have higher growth than 2W volumes with higher prices</td>
</tr>
<tr>
<td>Growth</td>
<td></td>
<td>➢ High growth on a relatively smaller base with increasing geographical presence</td>
</tr>
<tr>
<td></td>
<td></td>
<td>➢ Emerging NBFCs to target 40-50% growth in AUM at the least</td>
</tr>
<tr>
<td>Asset Quality</td>
<td>Moderate</td>
<td>➢ Asset quality to deteriorate with more seasoning and expansion of operations</td>
</tr>
<tr>
<td></td>
<td></td>
<td>➢ High growth rate to keep credit cost in check with increasing denominator</td>
</tr>
<tr>
<td></td>
<td></td>
<td>➢ Credit cost rise of ~1% to be seen gradually as it moves towards industry average with increase in AUM</td>
</tr>
<tr>
<td></td>
<td></td>
<td>➢ Focus on collection efficiency and local knowledge</td>
</tr>
<tr>
<td>Profitability</td>
<td>Relatively</td>
<td>➢ Improvement in profitability on achieving optimum operating efficiency as they continue to expand to new geographies</td>
</tr>
<tr>
<td></td>
<td>Healthy</td>
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### Outlook – Large NBFCs

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<th>Outlook</th>
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<tbody>
<tr>
<td>AUM Growth</td>
<td>Relatively Healthy</td>
<td>➢ Growth to outpace 2W volume growth with higher ticket size, to reach up to 20% over next couple of years</td>
</tr>
</tbody>
</table>
| Asset Quality               | Moderate       | ➢ Higher credit cost as focused efforts required to manage a granular portfolio  
|                             |                | ➢ Credit cost seen to be ~2.5%                                           |
| Profitability               | Moderate       | ➢ Profitability from 2W portfolio to be stable with RoA ~3.8%             
|                             |                | ➢ Support from diversified business lines and better funding profile |

<table>
<thead>
<tr>
<th>Captive Financiers</th>
<th>Outlook</th>
<th>Remarks</th>
</tr>
</thead>
</table>
| AUM Growth                  | Healthy       | ➢ Increasing finance penetration to help growth                         
|                             |               | ➢ Expect to grow 20-25% over next couple of years                      |
| Asset Quality               | Moderate      | ➢ May deteriorate if customer selection weakened to push for higher sales of OEM    
|                             |                | ➢ Credit cost for 2W finance seen between 2.0% to 2.25%                |
| Profitability               | Moderate      | ➢ To be under pressure with primary objective to support OEM growth    
|                             |                | ➢ Better positioned in terms of funding profile                         |
Thank You!