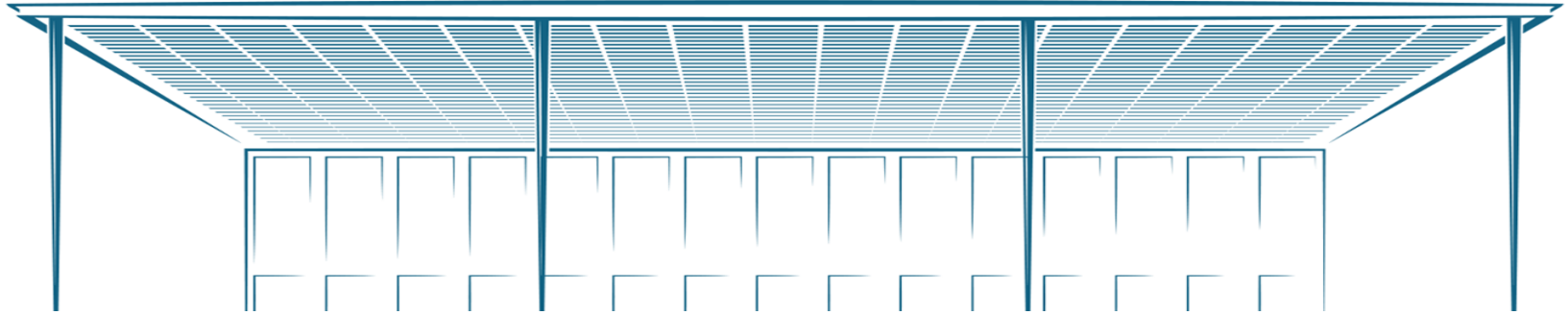


**VOLKSWAGEN FINANCE**  
PRIVATE LIMITED

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# Investor Update

September 2018

## Company History

- Incorporated in January 2009
- Wholly owned subsidiary (directly and indirectly) of Volkswagen Financial Services AG
- Commenced activities as Corporate Agent of Bajaj Allianz General Insurance Company Limited in March 2009 to distribute insurance products to retail customers of Volkswagen Group Brands
- Captive NBFC – Financing Retail customers and dealers of Volkswagen Group Brands
- Non-Deposit taking NBFC registered with the Reserve Bank of India. Obtained NBFC license in March 2011
- Commenced Retail Financing business from March 2011
- Commenced Wholesale (Dealer Funding) Financing business from January 2012
- Commenced Truck and Bus financing business; MAN Finance from December 2013 and Scania Finance from March 2015
- Product - Operational Lease launched on a pilot basis only for group companies in October 2016
- Added insurance partners Reliance General Insurance Company Limited and United India Insurance Company Ltd in 2017

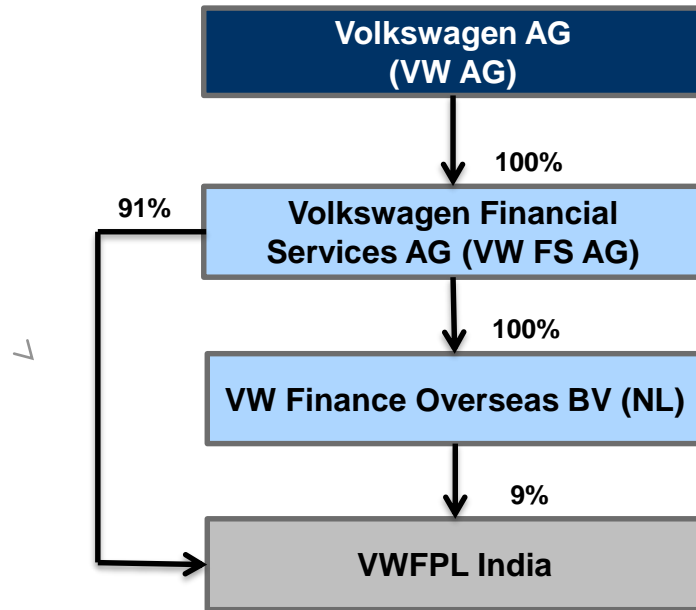
## Brand Coverage in India



VOLKSWAGEN FINANCE  
PRIVATE LIMITED



## Share Holding Structure

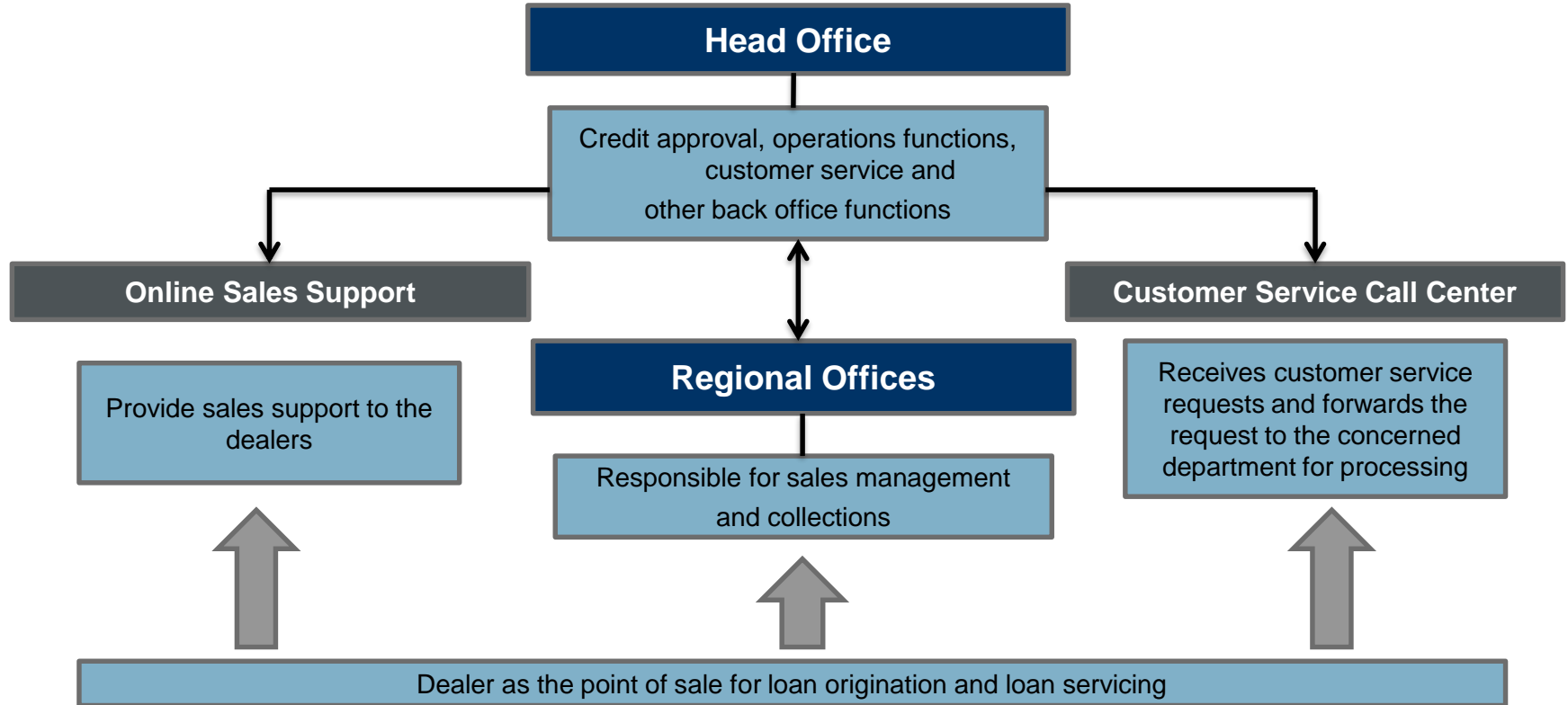


# Creating Value

Our business model interfaces Customers, Automotive Brands and Dealers



## Company set up in India – Operating Model





## **Closely Integrated with Parent and Strong Parental Support**

## Strong Parental Support

➤ 100% Equity Ownership by VW Financial Services AG

➤ Equity infusion commitment of parent to secure Volkswagen Finance Pvt Ltd (VWFPL) adherence to regulations set by RBI

➤ Executive Board members\ Key Management staff from the parent

➤ Formulation, implementation and execution of business policy approved by the parent

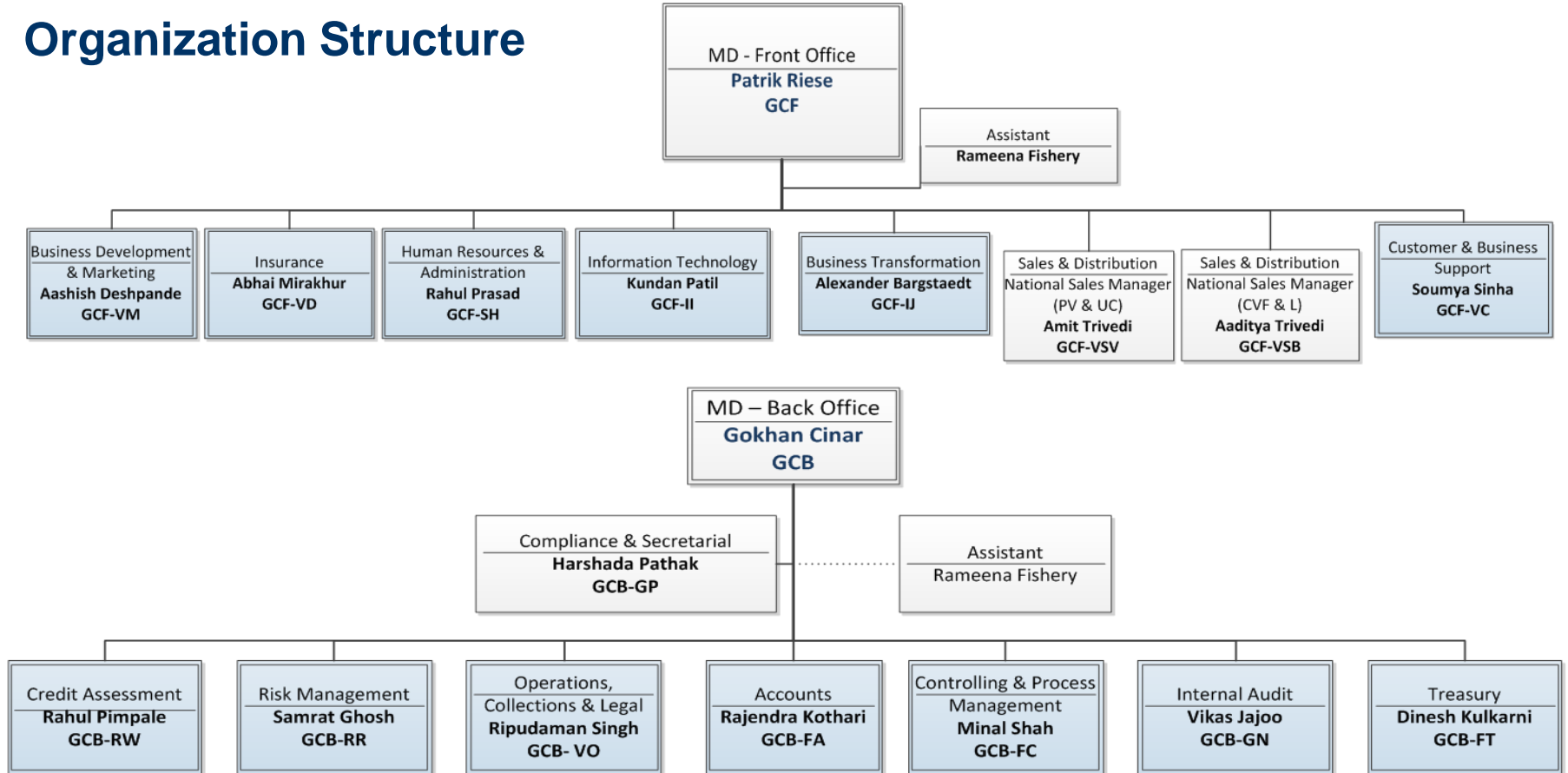
➤ Tacticals - Interest Subsidy from VW Group Brands to support campaign business

➤ Letter of Comfort / Letter of Support / Letter of Awareness from Volkswagen Financial Services AG (Annual Report 2017)

➤ Unconditional and irrevocable guarantee to VWFPL's banking facilities



# Organization Structure



## Board of Directors - Profile

### **Mr. Hans Patrik Riese**

Managing Director Front Office & CEO

- More than 2 decades of experience in Sales and Marketing
- Aged 50 years graduated in Business Administration from Gothenburg School of Economics

### **Mr. Gokhan Cinar**

Managing Director Back Office & CFO

- Over 15 years of experience in Finance and Auditing
- Aged 40 years graduated in Economics and Post graduate in International Finance

### **Mr. Norbert Dorn**

Additional Director

- Over 25 years of experience in controlling and sales within VW Bank/ VWFS AG
- Aged 60 years and has completed Diploma Master of Economics

### **Ms. Rupa Vora**

Non Executive Independent Director

- 30 years of experience in Finance of which more than 10 years in Private Equity and 10 years in Banking
- Aged 56 years holding a Chartered Accountancy degree

### **Mr. Mrinal Chandran**

Non Executive Independent Director

- Over 7 years of experience in NBFC and Banking
- Aged 41 years holds degree of L.L.M. in Banking & Financial Laws and B.A L.L.B. (Honors)

## Volkswagen Finance vs. Banks

### Volkswagen Finance

- ✓ Focus: Customer loyalty for Brand
- ✓ “One-Stop-Shop” philosophy
- ✓ Brand experience VW Group
- ✓ Customer data remain within the Group
- ✓ Wide range of FS products
- ✓ Profit maker & loyalty driver for the VW Group



### Banks

- ✗ Focus: Customer loyalty for the bank & up-selling
- ✗ Only Loan.
- ✗ Independent financial institution
- ✗ Drain of data □ Missing CRM synergies
- ✗ Limited product. No subvention scheme possible
- ✗ Vehicle sale is the only added value for the VW Group

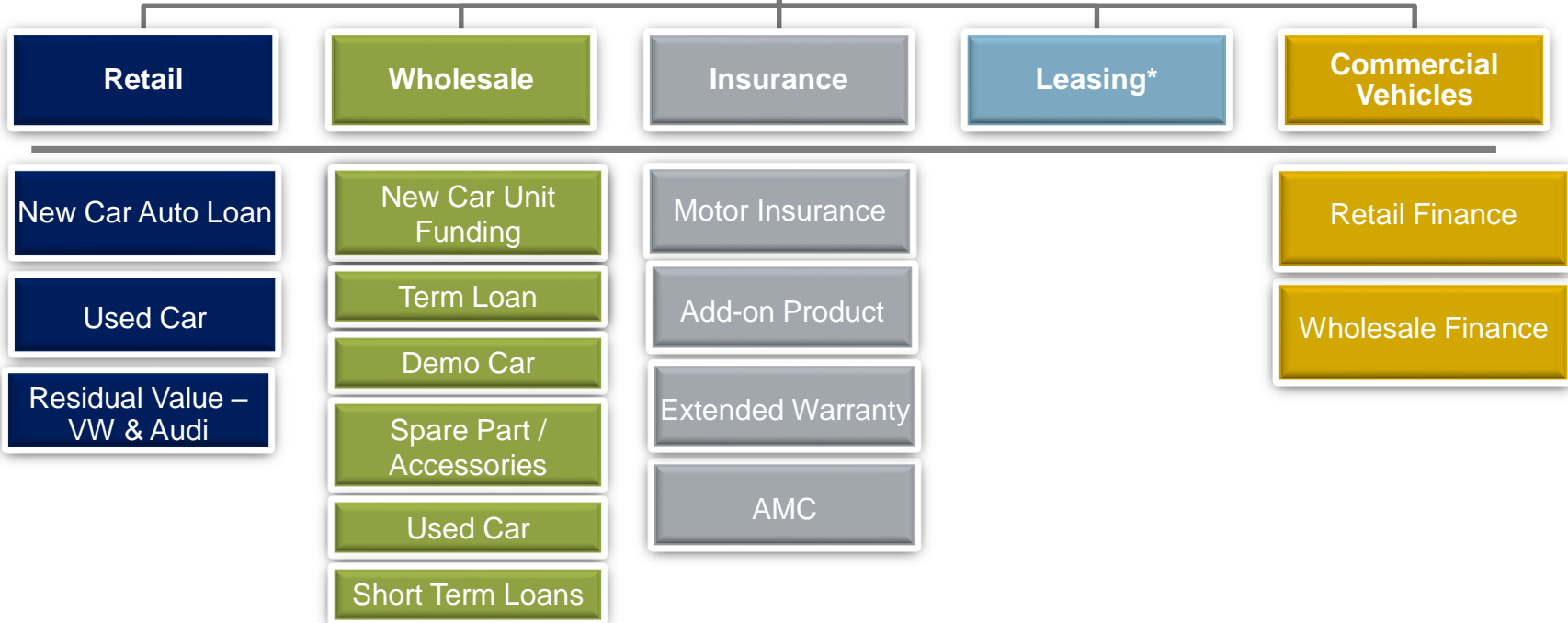


Banks have no loyalty to dealers nor brands

# Product Portfolio Overview

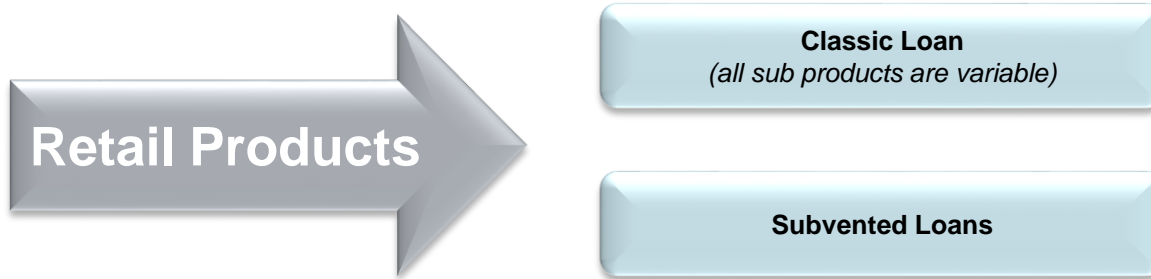
Products & Services by VWFPL in India

## Product Portfolio



\* Product - Operational Lease launched on a pilot basis only for group companies in October 2016  
Volkswagen Finance Private Limited | Investor Update | September 2018

## Product Overview - Retail Finance

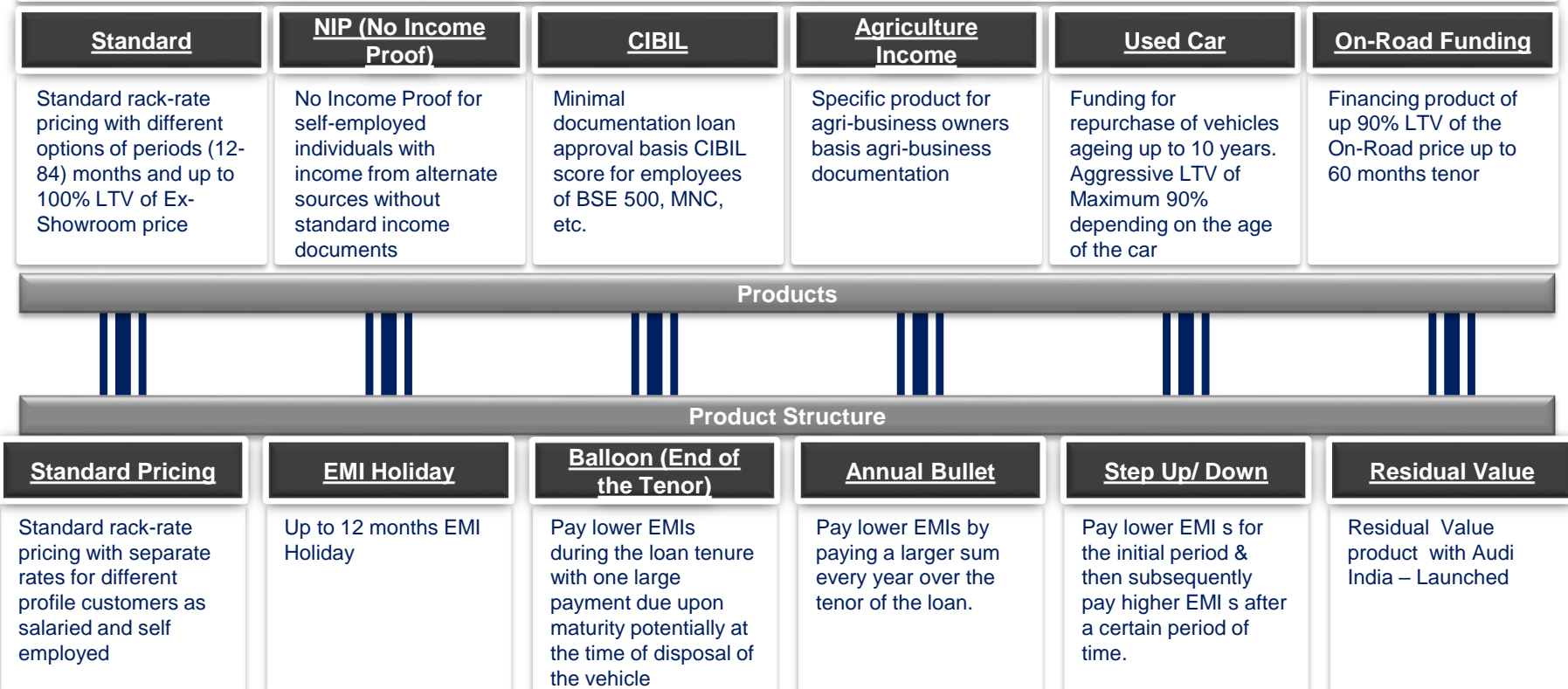


### New Car Auto Loan

- Loan offered for buying new vehicles of Volkswagen Group brands
- Loans offered for tenor ranging from 12 to 84 months with steps of 6 months
- Maximum allowed Loan is 90% of On road car value
- Interest rates will remain fixed for entire tenor of the loan
- Distribution channel for finance contract sourcing is brand authorised dealership network
- Customer groups include salaried customers, self employed, corporate clients
- Allow partial-prepayment and loan foreclosure

## Retail Products – Matching the customer profile

### RETAIL PRODUCTS SPECTRUM



## Retail Finance (continued)

### Used Car Product

- Financing of group brand as well as non-group brand cars
- Loan Tenure ranging from 12 to 60 months
- Car age: 10 years at the end of the contract for group brand car and 5 years for non-group brand car
- Loan amount will range between INR 75,000 to INR 15,000,000
- Distribution channel used for loan is brand authorised dealership network
- Highly sophisticated evaluation tool to set up precise value and eliminate risk of pricing used cars
- Customer groups include salaried customers, self employed customers and corporate clients
- Sub products – Insurance, Maintenance, Warranty available
- Allow partial-prepayment and loan foreclosure

## Dealer Funding (Wholesale) Products



**Inventory  
Funding**



**Term Loan**

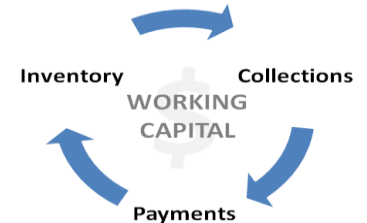


**Demo  
Vehicle  
Funding**

**Spare Parts &  
Accessories  
funding**



**Short Term  
Working Capital  
Loans**



**Used Car Unit  
Funding**





## Product Overview - Wholesale Finance

### New Car Unit Funding (Inventory Funding)

- Credit limit is set for all the dealers.
- Exposure based upon security provided to VWFPL
- Rate of Interest applicable to a dealer depends on the dealer credit rating
- Group brand companies support to this program is extensive, involved and on-going
- Maximum tenor offered under this facility is 365 days
- Dealer will partially decrease the financed value by way of margin billing
- As a process and to ensure transparency, information is shared between VWFPL/ Brand companies/ Dealers
- VIN wise tracking of vehicle with regular audits to ensure effective monitoring
- Special incentives to dealers offering significant retail penetration

## Product Overview - Wholesale Finance

### Term Loan

- Term loan (tenor over 1 year) are extended to dealers for:
  - Greenfield Projects
  - Existing term loan takeovers
  - Correction of working capital gaps
  - Purchase of new property for dealership business
- VWFPL will finance maximum 70% of the Project Finance
- Maximum tenor offered is 10 years
- Dealer wise different payment options
- Moratorium period up to 12 months is available for few dealers
- Additionally, Short Term Working Capital facility up to 1 year is available



Project Finance



Takeover Term Loans



Working Capital Term Loans



Other Term Loans

## Wholesale Finance (continued)

### Demo - Demonstration Car Funding

- Demonstration cars are used by brand authorized dealership for demonstration and test drive to potential car buyers
- Funding upto 100% of the invoice value to dealer
- Finance term available upto 12 months
- Financed amount under the program forms a part of the overall credit limit assigned to the dealer

### Spare Parts and Accessories Funding

- Spare part and accessories funding limit forms a part of the overall limit setup for the dealer
- Dealers maintains at least 45 days of spare part stock on an on-going basis
- VWFPL will finance up to 100% of the funding requirement
- Maximum tenor of spare parts funding is 6 months
- Dealer will gradually decrease the financed value of each tranche
- Rate of Interest applicable to a dealer depends on the dealer credit rating

### Used Car Product

- Used car funding limit forms a part of the overall wholesale credit limit setup for the dealer
- Funding for group brand and non-group brand cars
- Grid amounts decided for Group/ Non Group cars
- VWFPL will finance up to 90% of the grid amounts
- Rate of interest applicable to a dealer depends on the internal dealer credit rating
- Maximum tenor offered is 365 days
- Dealer will partially decrease the financed value by of margin billing

## Product Overview - Insurance

### Insurance Product

- Partner with Bajaj Allianz General Insurance Company Limited, Reliance General Insurance Company Limited and United India Insurance Company Limited.
- Offer motor insurance product to cover the risk of the group brand vehicles and provide peace of mind to customers
- Add-on product: Enhanced or value added products to support customers by protecting their liability under basic motor insurance
- Dealer package policies: Covers the risk associated to the dealer's property and stock

### Annual Maintenance Product

- Fee-based product
- Maintenance product
- AMC financing product
- VWFPL does not bear any risk for pricing of these products

### Extended Warranty Product

- Fee based product
- Involves back-to-back arrangements between the customer – brand and brand – insurance company
- Product structured in cooperation with Bajaj Allianz and brands
- Extended Warranty available for 3<sup>rd</sup>, 4<sup>th</sup> and 5<sup>th</sup> year since the date of car purchase and any time Warranty

## Product Overview – Leasing & Commercial Vehicle Finance

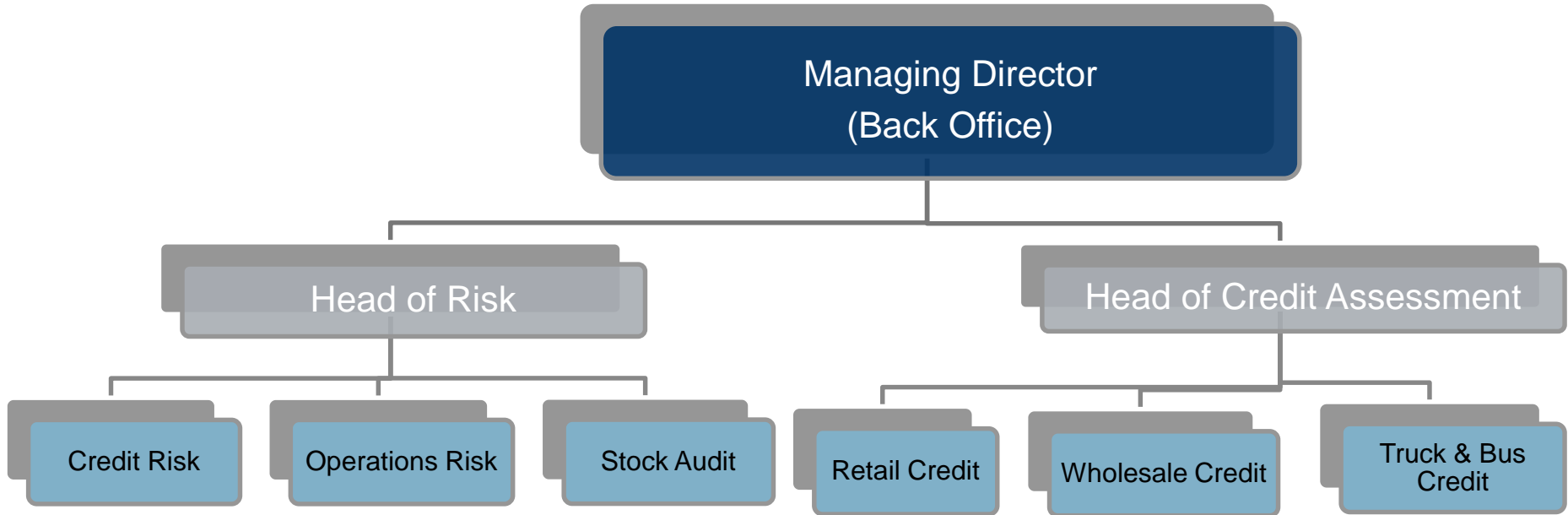
### Leasing

- Operational Lease product launched on a pilot basis in October 2016
- Pilot project undertaken only for Volkswagen group companies
- Lease available for Volkswagen group cars upto tenor of 60 months

### Commercial Vehicle Finance

- Truck & Bus financing (Retail Finance & Wholesale Finance) for group companies MAN and Scania
- Fleet finance option available for MAN and Scania
- Flexible re-payments options available: Standard repayment product, moratorium product and seasonality / business cycle product

# Replicating Global Strong Risk Management System



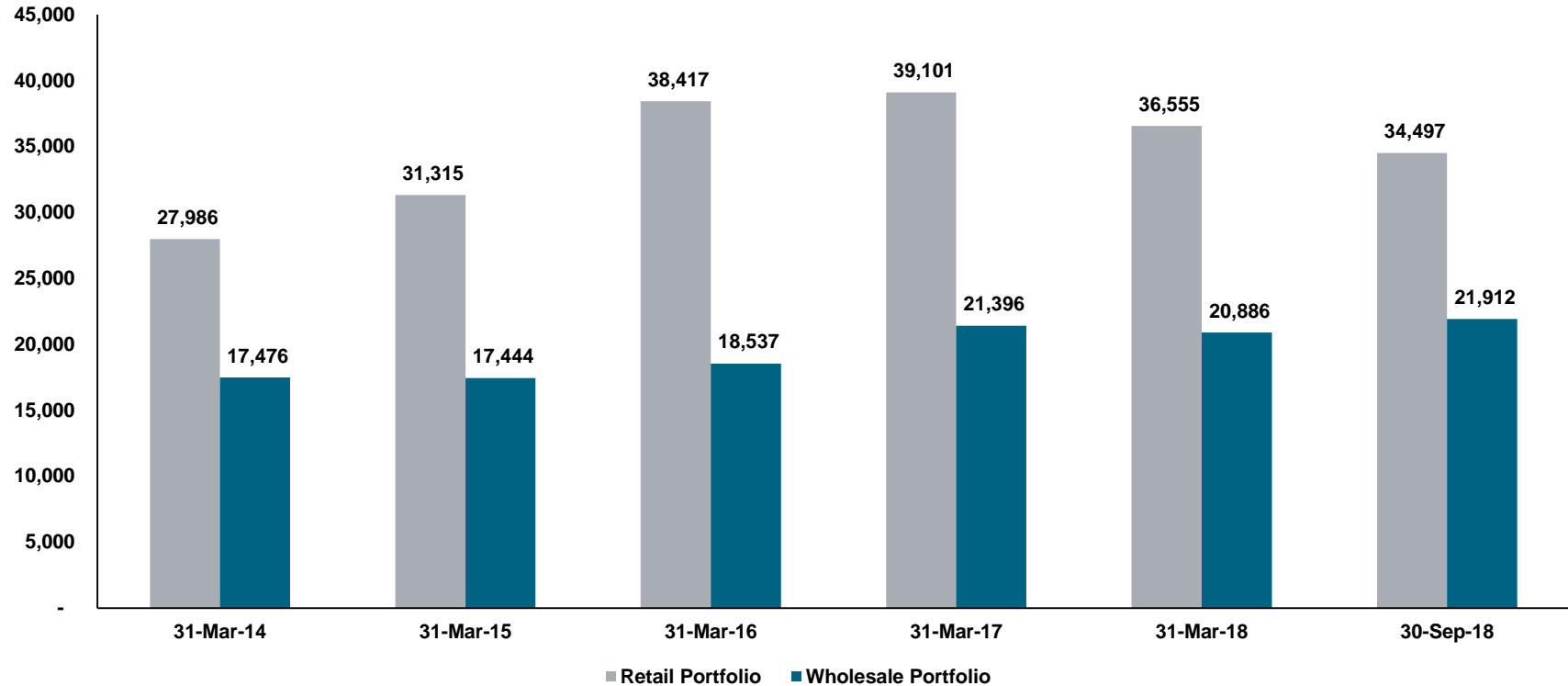
## Replicating Global Strong Risk Management System (continued)

### Identifying Key Risks:

- Counterparty Risks – Credit Risk
  - Industry Risk
  - Concentration Risk
- Market Risks
  - Interest Rate Risk
- Operational Risks
  - Business Continuity Risk
  - Fraud Risk
- Liquidity Risks
  - Funding Risk
  - Asset Liability Management



## Asset Portfolio (INR mn)





## Retail Portfolio Snapshot as on September 30, 2018

Particulars		
Active Cases (Count)	57,418*	
Retail Portfolio (INR Mn)	34,497	
Audi (% volume) / (% value)	12.65%	35.43%
Skoda (% volume) / (% value)	22.34%	20.41%
Volkswagen (% volume) / (% value)	62.83%	38.83%
Porsche (% volume) / (% value)	0.11%	1.20%
Lamborghini (% volume) / (% value)	0.01%	0.19%
MAN (% volume) / (% value)	0.59%	1.11%
Scania (% volume) / (% value)	0.14%	1.57%
Used Car (% volume) / (% value)	1.23%	0.99%
Others (% volume) / (% value)	0.10%	0.27%
NPA cases (count)	2,471	
90 DPD (% of retail portfolio)	4.07%	

Notes :- DPD – Days Past Due

\* excludes retail contracts pertaining to financing Demo Car and Non Dealer Corporate  
Volkswagen Finance Private Limited | Investor Update | September 2018

### Summary of Loan To Value (LTV)

Brand	Average LTV (percent)
Audi	84.67%
VW	80.44%
Skoda	81.19%
Porsche	89.53%
Lamborghini	72.20%
MAN	90.68%
Scania	90.46%
Used Car	72.86%
Others	86.06%
<b>Portfolio LTV</b>	<b>82.51%</b>

### Region-wise Retail Portfolio Contribution

Region	Contribution (%)
East	4%
North	25%
South	43%
West	28%
<b>Total</b>	<b>100%</b>

## Wholesale Portfolio Snapshot as on September 30, 2018

Particulars		
Total Corporate Customer (Dealer + Non dealer) (includes non dealer – 24)	166	
Dealer Portfolio - Inventory Funding (INR mn)	12,683	
Dealer Portfolio - Term Loan (INR mn)	2,176	
Dealer Portfolio - Demo Cars (INR mn)	1,936	
Non Dealer Corporate (INR mn)	5,118	
<b>Total Wholesale Portfolio (INR mn)</b>	<b>21,912</b>	
Audi (% covered) / (% value)	11.45%	28.39%
Skoda (% covered) / (% value)	20.48%	13.88%
Volkswagen (% covered) / (% value)	42.77%	28.60%
Porsche (% covered) / (% value)	3.61%	3.87%
Lamborghini (% covered) / (% value)	1.81%	1.92%
MAN (% covered) / (% value)	6.02%	0.23%
Scania (% covered) / (% value)	13.86%	23.11%
<b>NPA cases (#)</b> (Dealers - 10 & Non Dealers - 2)	<b>12</b>	
90 DPD (% of Corporate portfolio)	7.49%	

Notes :- DPD – Days Past Due

## Product Reach/Dealership Coverage as on September 30, 2018

### Retail and Truck & Bus Product Reach

Brands	Covered Dealer Principals (number)	Covered Dealer Outlets (number)	Coverage (percent)
Volkswagen	72	116	100%
Skoda	56	79	100%
Audi	23	43	100%
Lamborghini	3	3	100%
Porsche	6	6	100%
MAN	NA	NA	NA
Scania	NA	NA	NA
<b>Total</b>	<b>158</b>	<b>248</b>	<b>100%</b>

### Wholesale Product Reach

Brands	Covered Dealers Principal (number Active including NDC)	Coverage (percent)
Volkswagen	70	97%
Skoda	34	67%
Audi	19	83%
Lamborghini	3	100%
Porsche	6	100%
MAN	10	Not Applicable**
Scania	22	Not Applicable**
Other	2	Not Applicable**
<b>Total</b>	<b>166</b>	<b>84%</b>

## ALM Snapshot as on September 30, 2018

### ALM Statement of Structural Liquidity

Time Bucket	Cumulative Mismatch (INR Mn)	Mismatch %
Upto 14 days	(1,806)	(32)
Upto 1 month	(845)	(10)
Upto 2 month	(457)	(3)
Upto 3 month	(864)	(5)
Upto 6 month	1,794	10
Upto 1 year	(2,518)	(9)
Upto 3 year	4,515	11
Upto 5 year	11,746	29
Over 5 year	0	0

## Credit Ratings

- Rating from India Ratings & Research Private Limited (India Ratings) - wholly owned subsidiary of the Fitch Ratings
- Short term ratings from ICRA Limited - subsidiary of Moody's Investors Service

Long Term Issuer Rating	IND AAA; Outlook Stable
Short Term Issuer Rating	IND A1+
INR 32bn Long Term Bank Loan	IND AAA
INR 25bn Secured Redeemable Non-Convertible Debentures	IND AAA
INR 15bn Short Term Bank Loan	IND A1+
INR 30bn Commercial Paper Program	IND A1+ & ICRA A1+

## Key Financial Performance Metrics

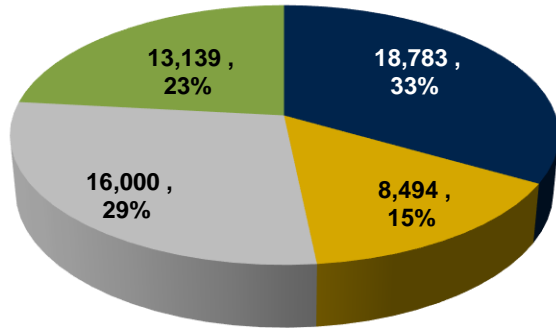
Metrics (INR mn)	FY2018-19 (H1)	FY 2017-18	FY 2016-17	FY 2015-16	FY 2014-15	FY 2013-14
Paid up Capital / Equity	11,688	11,688	11,688	11,688	11,688	11,688
Networth	13,861	13,662	13,139	12,589	11,763	11,129
Retail Portfolio	34,497	36,555	39,101	38,417	31,315	27,986
Wholesale Portfolio	21,912	20,886	21,396	18,537	17,444	17,476
Total Portfolio	56,409	57,441	60,497	56,954	48,759	45,462
Revenue	2,961	6,342	6,493	6,186	5,639	4,766
Expense	3,279	5,486	5,619	5,051	4,700	5,290
Profit Before Tax	(318)	856	875	1,214	939	-524
Tax Expense	112	333	325	387	305	-172
Profit After Tax	(205)	523	549	827	634	-352
Return on Assets (%)	(0.35)	0.88	0.88	1.41	1.26	-0.75

## Key Financial Performance Metrics (contd...)

Metrics (INR mn)	FY2018-19 (H1)	FY 2017-18	FY 2016-17	FY 2015-16	FY 2014-15	FY 2013-14
Gross NPA (%)	5.8	3.70	2.71	2.31	4.14	7.13
Net NPA (%)	2.12	1.84	1.27	1.07	2.41	4.20
NPA Provisioning Coverage (%)	64.46	51.12	53.78	54.23	42.93	42.96
Net Interest Income	1,459	2,882	2,671	2,578	2,270	2,225
Net Interest Income (%)	2.57	5.01	4.41	4.52	4.65	4.88
CRAR (%)	22.57	22.56	20.76	21.07	22.93	23.43
Debt-Equity Ratio	2.82	2.99	3.35	3.29	2.89	2.76

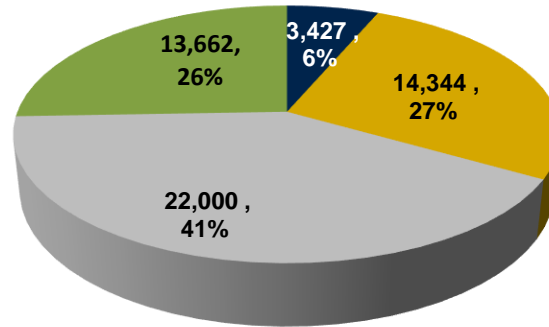
## Funding Mix (INR mn)

March 31, 2017



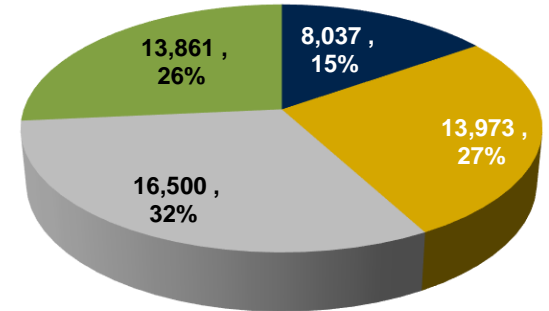
Total = INR 56,416

March 31, 2018



Total = INR 53,429

September 30, 2018



Total = INR 52,371

■ CP ■ Bank Lines ■ Bonds ■ Net Worth



## Available Funding Sources as on September 30, 2018

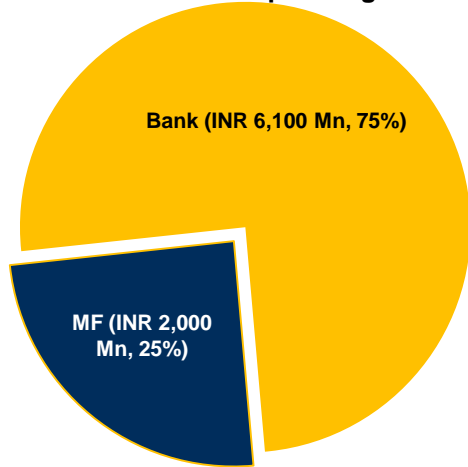
Instrument	Sanctioned / Rated Amount (INR Mn)	Available Amount (INR Mn)
<b>Short Term Funding Sources</b>		
Credit Facilities with banks (overdraft + working capital demand loan)	39,120	20,667*
Money Market – Commercial Paper	30,000	21,900
<b>Sub Total</b>	<b>69,120</b>	<b>42,567</b>
<b>Long Term Funding Sources</b>		
Secured Non Convertible Debentures (private placement basis)	16,500	0
<b>Sub Total</b>	<b>16,500</b>	<b>0</b>
<b>Total Funding Lines</b>	<b>85,620</b>	<b>42,567</b>

\*Net amount available after drawdown of bank loans & investment by banks in Commercial Paper / Bonds

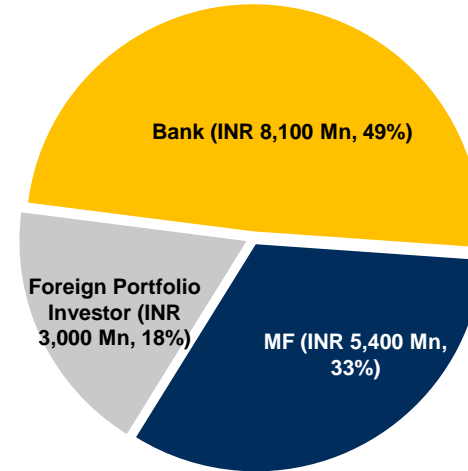
# Capital Market Program

Investor Category Composition as on September 30, 2018

Commercial Paper Program



Non Convertible Debenture Program



Diversified Investor Base for Capital Market Program

Mutual Funds	Banks	FPIs	Corporates	Pension Funds	Total
24	18	8	3	1	54

## Bank Facilities as on September 30, 2018

Sr No	Bank	Nature of Credit Lines	Facility Amount INR mn
1	Citibank	Working Capital Facility / Overdraft Facility	5,000
2	JP Morgan Chase Bank	Working Capital Facility / Overdraft Facility	5,000
3	State Bank of India	Working Capital Facility / Overdraft	5,000*
4	IndusInd Bank	Working Capital Facility / Overdraft	5,000
5	Bank of America Merrill Lynch	Working Capital Facility / Overdraft Facility	3,070
6	DBS Bank Limited	Working Capital Facility	3,000
7	Bank of Tokyo MUFJ	Working Capital Facility / Overdraft Facility	2,000
8	Axis Bank	Overdraft Facility	2,000
9	Standard Chartered Bank	Working Capital Facility / Overdraft Facility	1,800
10	Credit Agricole	Working Capital Facility	1,970
11	BNP Paribas Bank	Working Capital Facility / Overdraft Facility	1,690
12	Scotiabank	Working Capital Facility / Overdraft	1,440
13	Societe Generale	Working Capital Facility	1,350
14	ANZ Banking Group	Working Capital Facility	500
15	Qatar National Bank	Working Capital Facility	300
		<b>Total</b>	<b>39,120</b>

Note: All the above credit facilities are backed or will be backed by corporate guarantee from Volkswagen Financial Services AG.

\* The limit has been increased by INR 2 Bn, Agreement & Payment Guarantee has been executed. Awaiting for Legal opinion on payment guarantee

\*\* Amendatory Agreement issued by Barclays Bank for INR 2,000 Mn is under review.

# Strategic Dimensions, Strategic Targets and Top KPI

**CUSTOMERS**  
**STRATEGIC TARGET**  
Satisfied Customers  
**TOP KPI**  
Customer Satisfaction

**OPERATIONAL EXCELLENCE**  
**STRATEGIC TARGET**  
Compliance & Governance | IT Performance  
IT Benchmark Costs  
**TOP KPI**  
Compliance & Governance | IT Performance  
Index | IT Benchmark Costs

**VOLUME**  
**STRATEGIC TARGET**  
30M Contracts | 50% Extended  
Penetration  
**TOP KPI**  
Total Number of Contracts |  
Extended Penetration

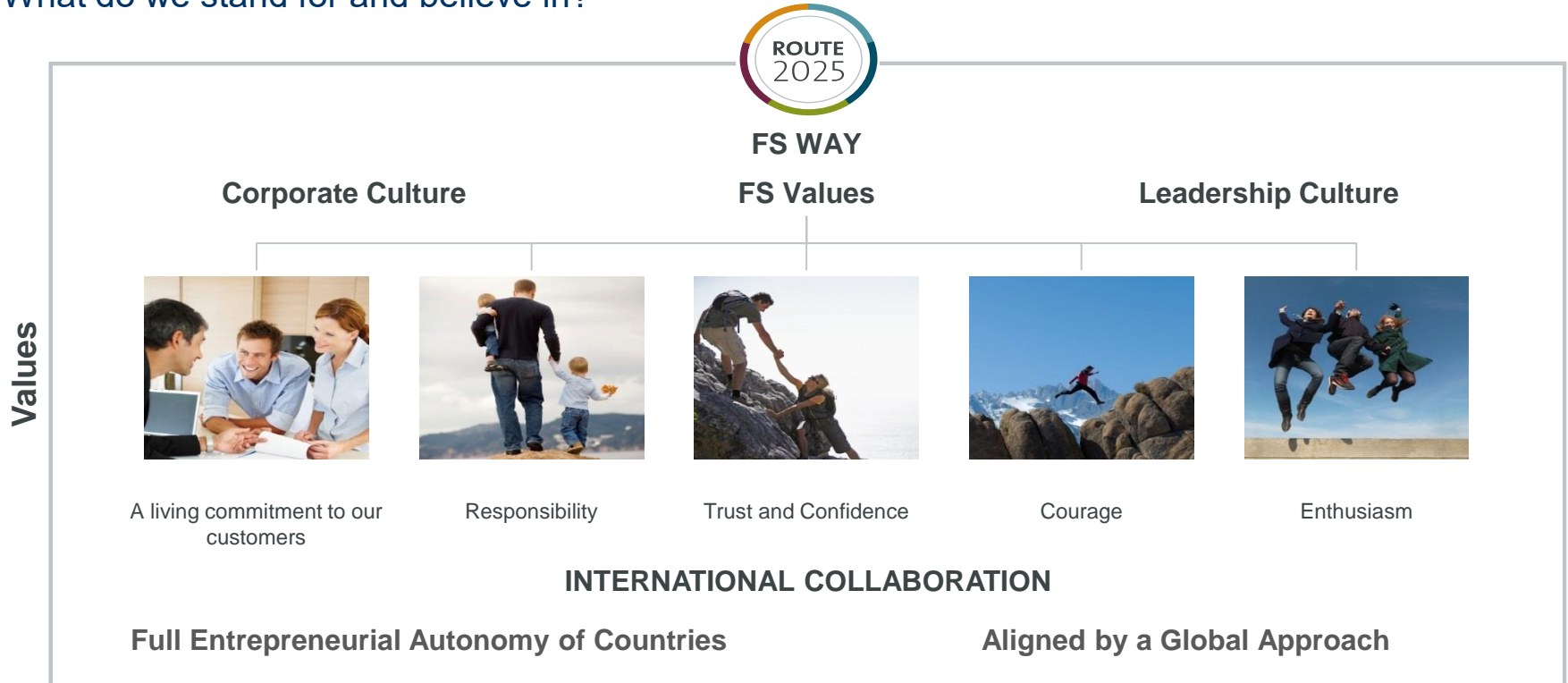
**EMPLOYEES**  
**STRATEGIC TARGET**  
Top Employer | Top Employees  
**TOP KPI**  
External Employer Survey | Customer  
Service Satisfaction

**PROFITABILITY**  
**STRATEGIC TARGET**  
Total Operating Income |  
20% ROE | 50% CIR  
**TOP KPI**  
ROE | CIR



## Our Company Values

“What do we stand for and believe in?”



## Contact

**Dinesh Kulkarni**

**Head - Treasury**

**Volkswagen Finance Private Limited**

3<sup>rd</sup> floor, Wing A Silver Utopia,

Cardinal Gracious Road,

Chakala, Andheri East

Mumbai 400099

India

Tel.: +91 022 3952 1401

[dinesh.kulkarni@vwfs.com](mailto:dinesh.kulkarni@vwfs.com)

**Registered Office**

**Volkswagen Finance Private Limited**

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Chakala, Andheri

Mumbai 400099

India

<http://www.volkswagen-finance-india.co.in>

**Thank You**