

Partners Group

Aavas Financiers brought new products to new customers in new states as Partners Group overhauled the management and focused on digitalisation

Partners Group took Jaipur, India-based Aavas Financiers from a single-state operator to a pan-regional best-in-class business. Partners first invested in June 2016, when it acquired a controlling equity stake from parent company Au Small Finance Bank, which was carving Aavas out to comply with regulatory requirements.

When the affordable housing finance company, which focuses on low- and middle-income customers with informal sources of income, was listed on the Indian stock exchange in October 2018, it allowed Partners Group to sell a 24 percent stake for a 3.8x return on its original investment. The stock has continued to do well post-listing and, as of July, was trading at 4.5x Partners Group's average purchase price.

Aavas' remarkable growth was achieved by pulling a series of levers: new products, branch expansion and digitalising its sourcing, rating and CRM.

Under Partners Group's ownership, Aavas expanded its product range with the introduction of a home equity product to go alongside its traditional home loan product. It also entered six new states and increased expansion into a number of new districts, which also allowed for significantly increased client sourcing.

One of the key pillars of the value creation strategy was hiring the right team. Strengthening the management was fundamental to increasing customer service and sales.

A new vice-president for operations and head of distribution were hired to drive better branch service, higher profitability and operating leverage. Heads of analytics and IT were recruited to drive a 'digital first' model, and head of HR and recovery were

hired to protect the core and preserve the company's culture.

Partners Group pioneered digital efforts on data and risk management and enhanced ratings, which both improved liquidity and lowered the cost of borrowing. Aavas quadrupled its branch network between 2016 and 2019 and grew assets at 69 percent CAGR, which is the highest among housing finance companies.

The 'digital first' approach saw Partners Group rigorously assess opportunities and risks from digital solutions, and the team worked closely with management to make digitalisation a key priority and a sustainable

competitive advantage for the business. A key part of the digital approach can be seen in sourcing, where new leads are now logged via a mobile app, there is a live application scorecard and predictive analytics, which has increased customer retention and up-selling.

The digitalisation extends to collections as well, with real-time tracking of collections and GPS-based route optimisation. Bounce prediction models are also employed, which has contributed to a reduction in non-performing assets from 0.79 percent in 2017 to 0.47 percent in 2019 – particularly impressive for the market it serves. ■

69%

Total revenue growth (2015-19),
which is the highest among housing
finance companies

49%

Total disbursement (2015-19)

3.8x

Exit multiple

210

Branches as of 2018,
up from 53 at entry

0.47%

Non-performing assets in 2019,
down from 0.79 percent in 2017