



MBA (FULL TIME) 2020 - 22
SUMMER INTERNSHIP FINAL REPORT

Summer Internship 2021

in

"Aavas Financiers Ltd."

Submitted to:- Prof. Chetan Jhaveri

Name:- Raj Kotecha

Roll number:- 201236

Batch: MBA FT (2020-2022)

Acknowledgement

Aavas Financiers Ltd. presented the perfect internship opportunity for any Finance and/or Marketing student. It opened doors to a new world for me, a world full of brainstorming, Market research, and helped me learn various financial concepts. I consider myself lucky to have been given this opportunity. This internship has prepared me for a job in any company from Financial Industry and has truly taught me a lot. Thus, I would first and foremost like to thank Mr. Sachinder Bhinder, CEO Aavas Financiers Ltd., for providing me with this opportunity, the experience gained there will prove to be truly useful in guiding me in any future roles.

I would like to thank Mr. Sachinder Bhinder, CEO and my mentor at Aavas Financiers Ltd., for taking me under his wing despite his busy schedule and for guiding me. Without him I wouldn't have learned as much as I have, and wouldn't have gained as much exposure.

I would like to extend the most profound feeling of appreciation to each worker of Aavas Financiers Ltd. for their leadership and valuable directions which were remarkably important for my project both practically and theoretically. I see as this open door as a major achievement in my vocation advancement. I will endeavor to utilize picked up aptitudes and information in the most ideal manner, and I will keep on working in their improvement, to accomplish wanted profession targets.

DECLARATION

I, Raj Kotecha, hereby declare that this project titled “Credit Research Analyst” submitted at Institute of Management, Nirma University is an original work done by me under the guidance of Mr. Sachinder Bhinder, CEO Aavas Financiers Ltd., and Prof. Chetan Jhaveri my faculty coordinator.

This project work is submitted in the partial fulfilment of the requirements for the award of the degree of Masters of Business Administration. I also declare that this project has neither been submitted to any other universities nor done by any other student earlier for the award of degree, diploma, associate ship or any other similar title.

SUMMER PROJECT REPORT 2021: “Credit Research Analyst”

AUTHOR OF THE REPORT:	Raj Kotecha (201236)
SUBMITTED TO:	Institute of Management, Nirma University, Ahmedabad
COMPANY NAME & ADDRESS:	“Aavas Financiers Ltd.” Amola Complex, 3 rd Floor, Chimanlal Girdharlal Rd., Opp. Girish Cold Drink, Ahmedabad, Gujarat - 380009
DATE OF REPORT:	12 th July 2021
SUBMITTED TO:	Prof. Chetan Jhaveri
PROJECT DURATION:	May 1 st - June 30 th 2021
CORPORATE MENTOR:	Mr. Sachinder Bhinder

EXECUTIVE SUMMARY

This report is a summation of my internship at Aavas Financiers Ltd. I interned at Aavas Financiers Ltd. from 1st May 2021 to 30th June 2021. As a Credit Research Analyst. The project aims to analyse the investment done by the MSME, which source they prefer more and other financial facts which are related to Investment Analysis.

Creatively disrupting Credit markets by starting a Lending Revolution targeting untapped, underserved, and unbanked Retail MSME segments in AC (After Covid) India.

PRIMARY TASK - In this task I was supposed to conduct extensive market research during the initial days. Also, every Wednesday and Saturday, the company organized a review meet and we were supposed to update them. The market research was done keeping in mind to create a completely new financial product keeping in mind the MSME sector.

The product I created belonged to the wholesale business.

SECONDARY TASK - This was pretty much like task 1, just that this time we were supposed to cater to the needs of trader and manufacturer sector. The work on this began on May 29th and we were working on this along with the first task.

Also, simultaneously we were supposed to contact distributors and diagnostic labs that were dealing with radiology machines, generate the leads for the same and make sales.

In this work, I gathered information on several radiology machine distributor and conducted telephone calls to determine whether their consumers require a financing facility to purchase the machines. Also, what types of machines they offer, whether new, used, or reconditioned.

PART-A
About the Company

AAVAS FINANCIERS LIMITED (Formerly known as Au HOUSING FINANCE LIMITED) was incorporated as a private limited company at Jaipur Rajasthan under the name of Au Housing Finance Private Limited under the Companies Act 1956 on February 23 2011 IN March of 2012, it officially began operations.

AAVAS is mainly in the business of offering home loans, Non-Home Loans and MSME to un- served and unreached markets which include the States of Rajasthan, Maharashtra, Gujarat, Madhya Pradesh, Haryana, Uttar Pradesh, Chhattisgarh, Uttarakhand, Punjab, Himachal Pradesh and Delhi.

VISION –

Enriching people's lives by allowing them to realize their dream of owning a home:
SAPNE AAPKE, SAATH HAMAARA

MISSION –

By offering low- and moderate-income consumers with affordable house loans and setting pioneering benchmarks in unserved and underserved markets, we want to empower and better their lives.

SERVICES OFFERED BY THE AAVAS FINANCERIES: -

The Company Provides the service as follows: -

- A. HOME LOAN
 - * Purchase loan
 - * Land Purchase Construction loan
 - * Repair Renovation and extension loan
 - * Balance Transfer
- B. NON- HOME LOAN
 - * Top up
 - * Refinancing
 - * Home Equity (LAP)
- C. MSME

Source- <https://www.aavas.in/>

About the Sector

FINANCE SECTOR

Finance Sector: The finance sector is a segment of the economy that includes a variety of businesses and institutions that provide financial services to both commercial and retail consumers. This industry includes a variety of businesses such as banks, investment firms, and real estate firms. This industry generates money by providing loans, mortgages, and interest to a variety of business and retail consumers. Furthermore, any country's economy is primarily dependent on its financial sector; if this sector is strong, the economy will be strong; if this sector is weak, the economy will be weak.

Finance Sector in INDIA: Capital markets, insurance, NBFCs, commercial banks, co-operatives, and other minor financial enterprises make up India's finance sector. The Reserve Bank of India, which regulates financial services, has permitted online payment merchants to operate in this area. However, India's financial sector is primarily a banking sector, with commercial banks accounting for 64 percent of the financial industry's total assets.

The finance sector in India can be divided into three major parts which are as follows:

1. Banking Sector
2. Insurance Sector
3. Financial Services

- A. **Banking Sector-** There are 12 public sector banks, 22 private banks, 46 foreign banks, 56 regional rural banks, 1485 urban cooperative banks, and 96000 rural cooperative banks in India's banking system. The Reserve Bank of India regulates all of these financial institutions. According to them, India's banking sector is adequately financed and highly regulated.

Market Size-

As of November 2020, India had 209282 ATMs.

Public sector bank assets were valued at Rs. 107.83 lakh crore in FY20. By FY20, Bank credit had grown at a CAGR of 3.57 percent, reaching USD 1698.97 billion. By FY20, deposits had grown at a CAGR of 13.93 percent to USD 1.93 trillion.

Developments-

- As of February 2021, the number of bank accounts opened under the Pradhan Mantri Jan Dhan Yojna had reached 41.93 crores, with a deposit of USD 23.07 billion.

PART-B
Project Work

PRIMARY TASK : -

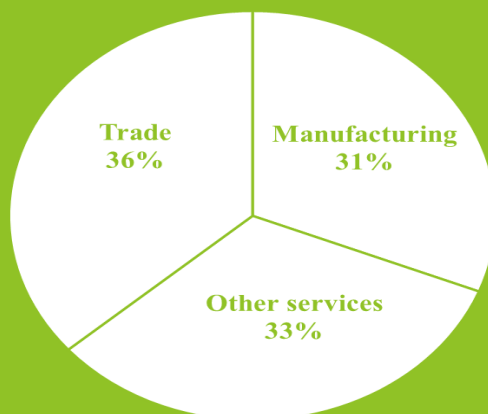
MSME Sector Overview India & Gujarat: -

- With a vast network of around 30 million units, 70 million people working, and over 6000 products manufactured, the MSME, SME and Micro industries sector is an important pillar of the Indian economy, contributing significantly to its growth.
- Approximately 45 percent of the manufacturing output and 40 percent of exports are contributed directly and indirectly. This sector will become even more critical as the country moves toward a faster and more inclusive growth agenda.
- It is currently contributing for 16 % of the country's share of GDP.
- This share of 16% in country's GDP is expected to grow to nearly 25% in the near future.
- In India, there are approximately 6.3 crore MSMEs. The number of registered MSMEs increased by 18.5 percent year on year, from 21.21 lakh units in 2019 to 25.13 lakh units in 2020.
- The number of registered MSMEs increased to 2.5 million in 2020 as a result of the introduction of the Udyog Aadhaar Memorandum scheme.
- According to data shared by the MSME Minister in the Rajya Sabha, micro enterprises account for 22.06 lakh (2.2 million) registered MSME units in 2020, up from 18.70 lakh (1.8 million) units in 2019, while small enterprise units increased from 2.41 lakh (0.24 million) units to 2.95 lakh (0.29 million). Whereas the number of medium enterprises MSME units only increased from 9,403 to 10,981 units.

Distribution of MSME's in India : -

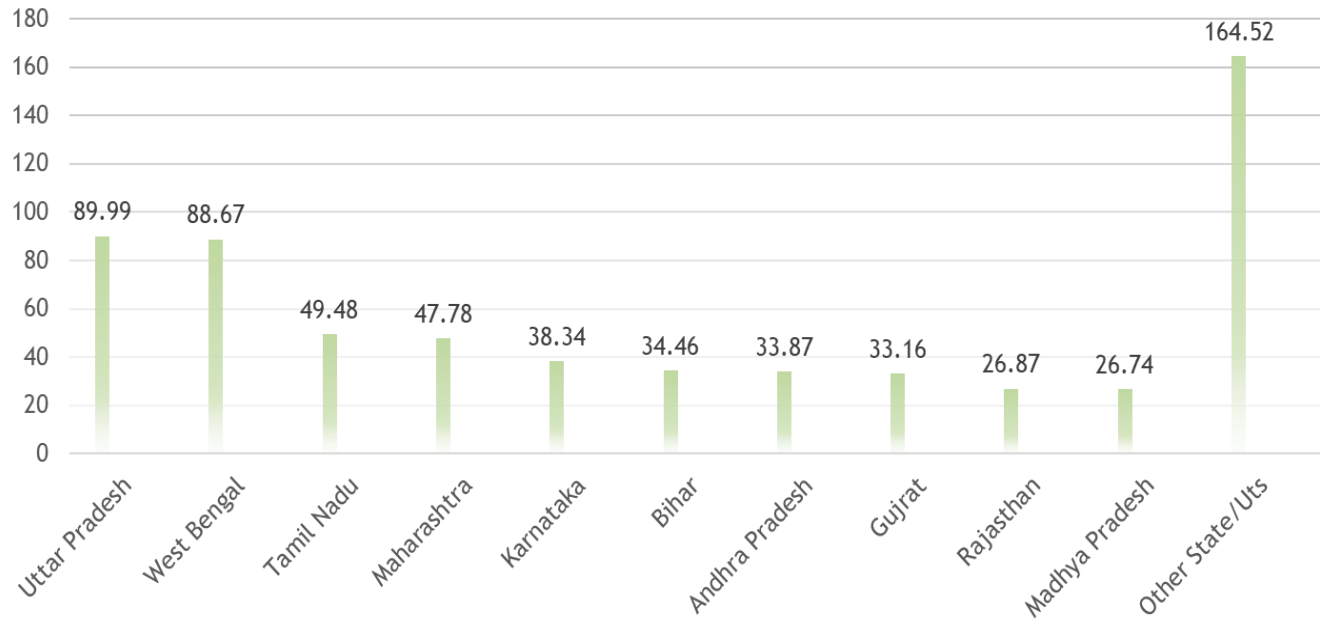
Activity Category	Rural	Urban	Total	Share (%)
Manufacturing	114.14	82.50	196.65	31
Electricity	0.03	0.01	0.03	0
Trade	108.71	121.64	230.35	36
Other services	102.00	104.85	206.85	33
All	324.88	309.00	633.88	100

DISTRIBUTION OF ESTIMATED MSME BY NATURE OF ACTIVITY



Area	Micro	Small	Medium	Total	Share (%)
Rural	324.09	0.78	0.01	324.88	51
Urban	306.43	2.53	0.04	309.00	49
All	630.52	3.31	0.05	633.88	100

STATE WISE DISTRIBUTION OF MSME ENTERPRISES



Source: - Annual Report 2020-21 Ministry Of MSME

Importance of MSME's in Indian Economy :-

- Micro, Small, and Medium Enterprises (MSMEs) have made significant contributions to the growth of today 's global economy through business creation.
- MSMEs are expanding their economic clout by supplying a wide range of products and services to meet the needs of both domestic and foreign markets.
- According to the data, the MSME sector contributes significantly to the country's economy, as measured by variables such as Gross Value Added (GVA) and Gross Domestic Product (GDP) at current prices from 2014-15 to 2018-19.

Year	Total MSME GVA	Growth (%)	Total GVA	Share of MSME in GVA (%)	ALL India GDP	Share of MSME in all india GDP (%)
2014-15	3658196	-	11504279	31.80	12467959	29.34
2015-16	4059660	10.97	12574499	32.28	13771874	29.48
2016-17	4502129	10.90	13965200	32.24	15391669	29.25
2017-18	5086493	12.98	15513122	32.79	17098304	29.75
2018-19	5741765	12.88	17139962	33.50	18971237	30.27

Source: Central Statistics Office (CSO), Ministry of Statistics

Major Challenges faced by MSME Sector in India: -

- Accelerating development and making formalization possible.
- Identifying and resolving infrastructure bottlenecks.
- Inadequate financial knowledge.
- Inadequate Access to Financing Solutions.
- Concerns about labor.
- A lack of trust.

- Interventions at the policy and structural levels.
- Technology continues to be a big deterrent.
- Lack of collateral in the loan.

Major Opportunities for MSME Sector in India: -

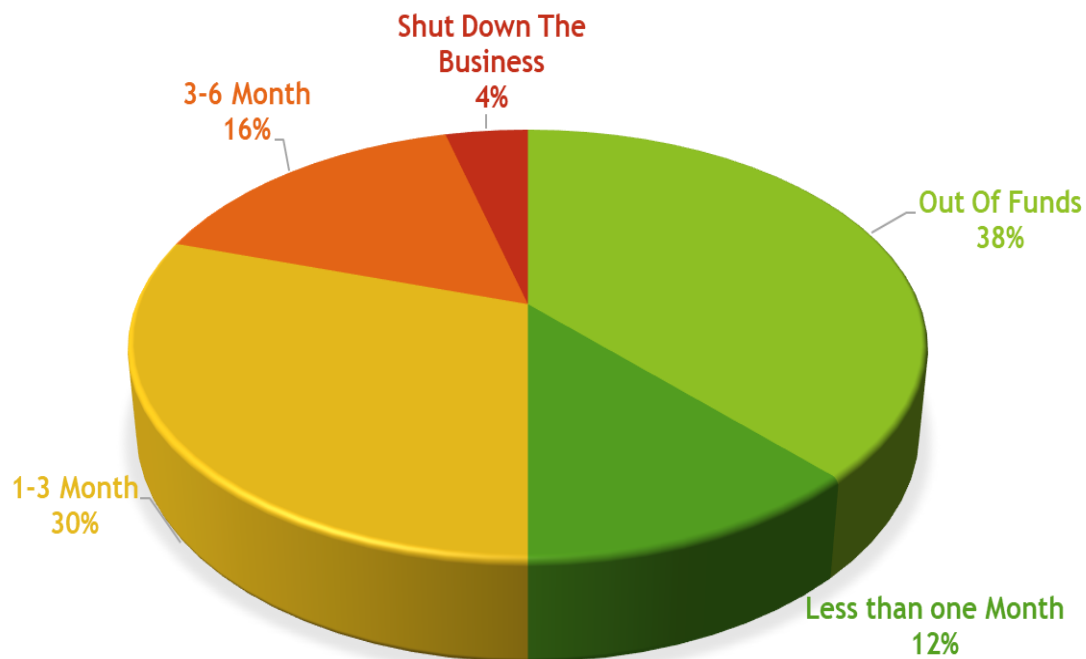
- Taking advantage of the e-commerce trend.
- Technology adoption.
- Taking advantage of government programs.
- A plethora of Fintech companies.

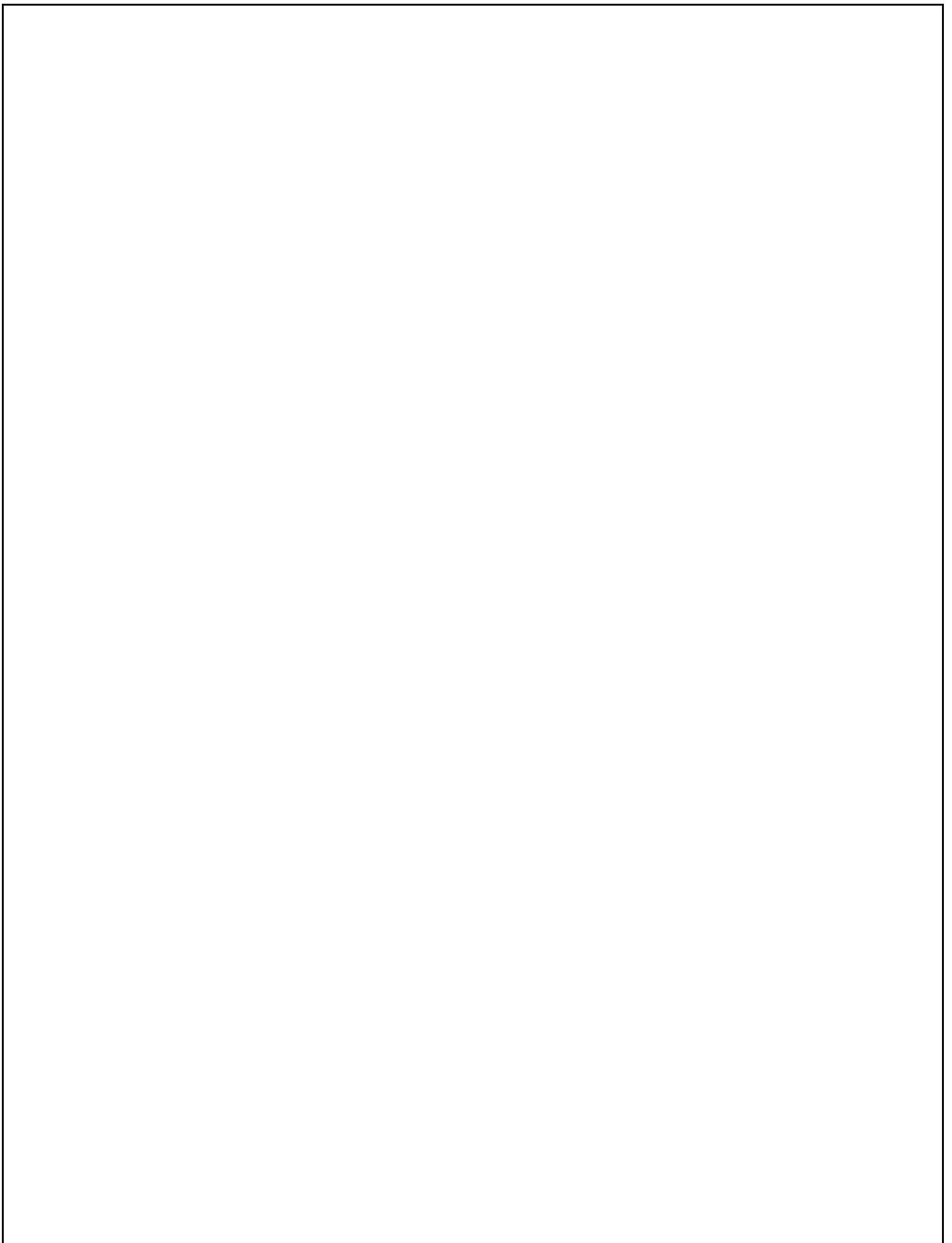
Impact of “Covid – 19” on MSME Sector in India: -

- As a result of the Covid-19 pandemic, MSME earnings have been reduced by 20-50 percent.
- Due to a lack of liquidity, micro and small companies bore the brunt of the scrutiny.
- Some companies have thrived in tough times by shifting their focus from non-essential commodities to essential commodities, such as hand sanitizer and toiletries, PPE kits, masks, and so on.

- According to an Endurance International Group survey, many micro, small, and medium-sized businesses have temporarily closed their doors as a result of the COVID-19 crisis.
- Nearly 500 Indian micro, small, and medium businesses replied to the survey in the first two weeks of June.
- One-third of those surveyed said they are temporarily closing their business before things return to normal.

MANY OF INDIAN START - UPS IN DANGER DUE TO COVID 19





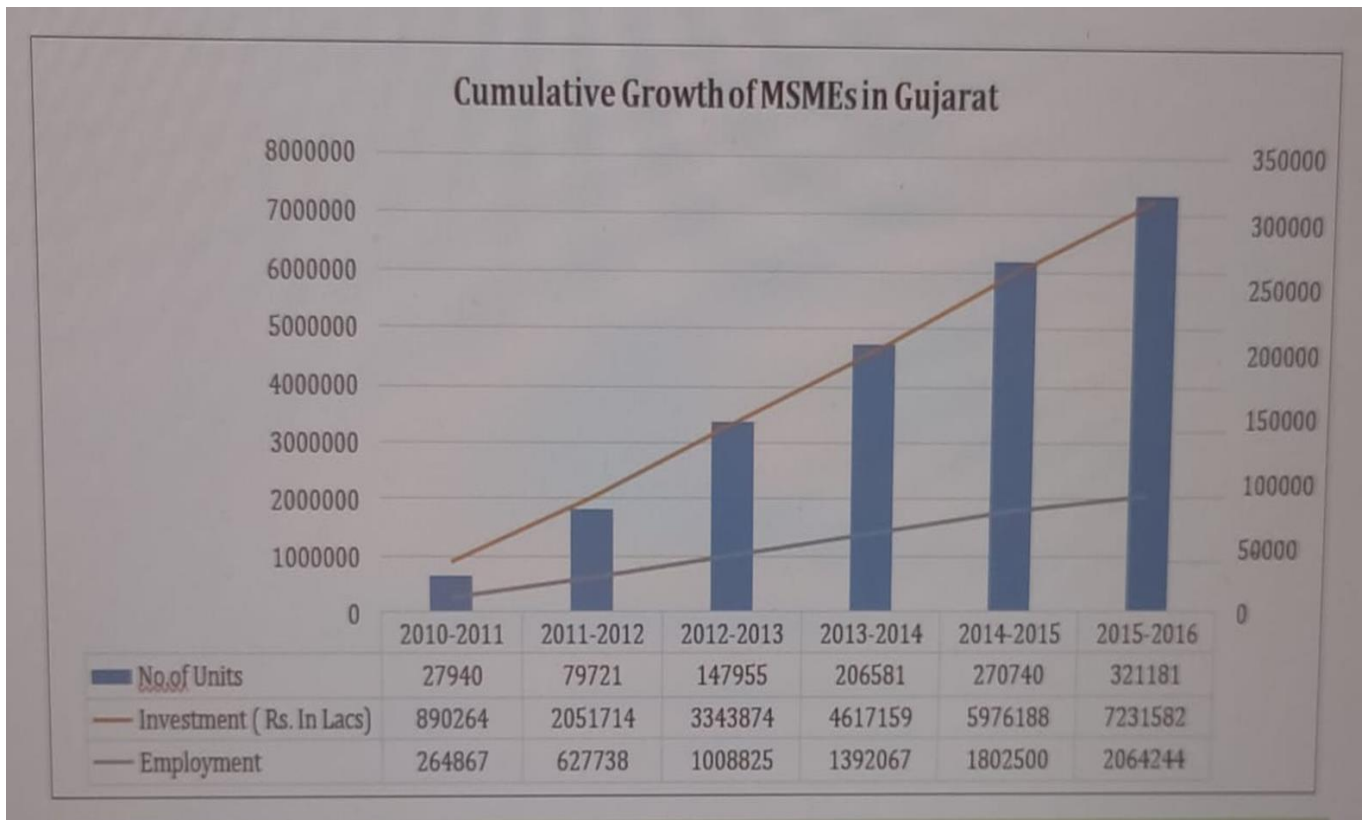
Gujarat : MSME Sector Overview: -

- According to the ISED Small Enterprise Observatory, Gujarat ranks first at the national level in integrated overall production of MSMEs (As per Gujarat MSME Report 2013).
- As of 2013-14, Gujarat had the second highest share of entrepreneur's memorandums filed by MSMEs in India, accounting for more than 16.2 percent of the total.
- Gujarat has earned 193 percent more MSMEs entrepreneur memorandums, rising from about 20,000 in 2009-10 to over 58,600 in 2013-14.
- The state's main Multi-Product MSMEs clusters are Ahmedabad, Surat, Rajkot, Vadodara, Bharuch, Jamnagar, Bhavnagar, and Valsad.

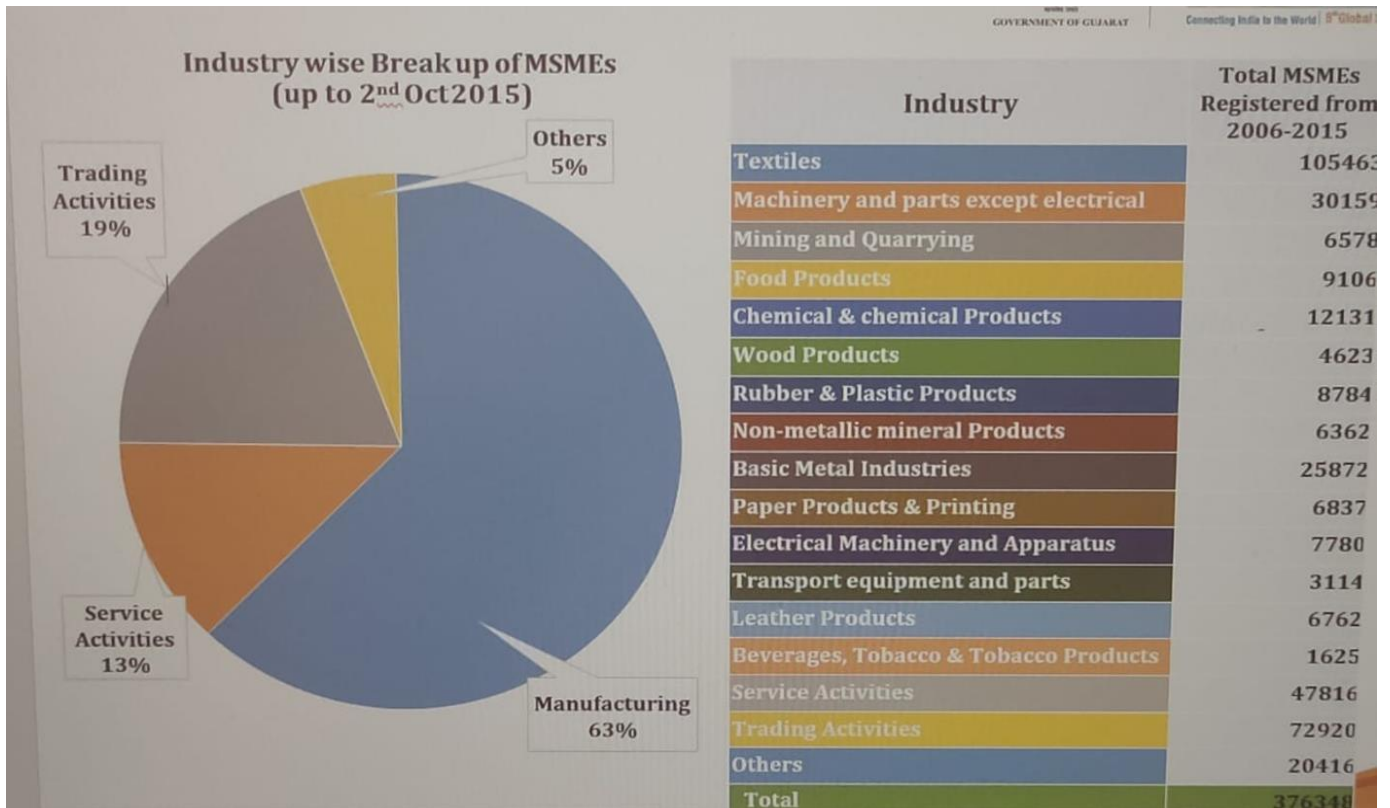
Seven areas / sectors have been listed as having the potential to attract further investment from MSMEs: -

- Forests and the Environment.
- Energy.
- Revenue from food and health care.
- As well as revenue from urban development.
- Finance and Industry.
- Transportation Industry.

- Total number of MSME(s) registered in Gujarat from 2006 to Oct.2015: 3,76,357.
- Since, 20-Oct-2015 new MSMEs are registered under Udhyog Aadhar Memorandum (UAM) instead of EM-II.
- Total 42,817 MSMEs have been registered under UAMs in Gujarat till 5th March 2016 Micro – 32,837; Small – 9551; Medium – 429.



Sector wise distribution of MSMEs in Gujarat: -



Positioning of the New Product Developed : -

- Primary User: - Wholesaler of Auto parts,
- Secondary User: - All Wholesalers,
- Tertiary User: - Retailer and Manufacturers.
- Problem of the User: - Loan required for working capital requirements /Expansion/Emergency situation in unorganized sector.

Product Design of the New Product Developed : -

	Low End
Types Of Parts	Gears, Side Stand, Kick Lever, Kick Ratchet, Fork Cone set, Front Sprocket, Air Filter, Clutch, Brake, Foot Rest, Main Stand, Control Cables, Coils, Tail Light, Head Light, Silencer, Carburetor, Auto valve, Cam Shafts, etc.
Cost	Upto 2 - 5 Lakh
Tenure	Maximum 3 - 4 years
LTV	40% of SOCP, 50% of SORP
ROI	14%
Collateral	SOCP, SORP
Income Documents	2 Year ITR/Financial Statement/Assesed Income, Bank details of Current account
Additional Documents	Udhyog Aadhar, GST Registration, Adress Proof
Type	Capital & Working Capital requirements
Disbursement	To the Supplier

Medium End	
Types Of Parts	Gears, Side Stand, Kick Lever, Kick Ratchet, Fork Cone set, Front Sprocket, Air Filter, Clutch, Brake, Foot Rest, Main Stand, Control Cables, Coils, Tail Light, Head Light, Silencer, Carburetor, Auto valve, Cam Shafts, etc.
Cost	Upto 5 - 10 Lakh
Tenure	7 - 10 years
LTV	60% of SOCP, 65 % SORP
ROI	14 - 16%
Collateral	SOCP, SORP
Income Documents	2 Year ITR/Financial Statement/Assesed Income, Bank details of Current account
Additional Documents	Udhyog Aadhar, GST Registration, Adress Proof
Type	Capital Requirement & New Setup
Disbursement	Supplier

High End	
Types Of Parts	Gears, Side Stand, Kick Lever, Kick Ratchet, Fork Cone set, Front Sprocket, Air Filter, Clutch, Brake, Foot Rest, Main Stand, Control Cables, Coils, Tail Light, Head Light, Silencer, Carburetor, Auto valve, Cam Shafts, etc.
Cost	10 - 15 Lakh
Tenure	7 - 10 years
LTV	60% of SOCP, 65% SORP
ROI	14 - 18 %
Collateral	SOCP, SORP
Income Documents	2 Year ITR/Financial Statement/Assesed Income, Bank details of Current account
Additional Documents	Udhyog Aadhar, GST Registration, Adress Proof
Type	Capital Requirements & New Setup
Disbursement	Supplier

SECONDARY TASK : -

This was pretty much like task 1, just that this time we were supposed to cater to the needs of trader and manufacturer sector. The work on this began on May 29th and we were working on this along with the first task.

Also, simultaneously we were supposed to contact distributors and diagnostic labs that were dealing with radiology machines, generate the leads for the same and make sales.

In this work, I gathered information on several radiology machine distributor and conducted telephone calls to determine whether their consumers require a financing facility to purchase the machines. Also, what types of machines they offer, whether new, used, or reconditioned.

PART- C

LEARNINGS FROM SUMMER INTERNSHIP PROJECT

- To conduct Market Research of a Particular Sector in Economy
- To identify the needs of the customer,
- To detect underserved and untapped MSME segment,
- To effectively communicate our product to the customer,
- To design a Product for a particular customer based on their needs,
- To maintain various data of the customer contacted for future reference,
- To communicate with business contacts and to recognize their needs in order to develop a product specifically for their business segment for e.g.: - Wholesalers of Auto parts, in our case.

Bibliography: -

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- <https://www.ibef.org/industry/financial-services-india.aspx>
- Annual Report 2020-21 Ministry Of MSME
- <http://www.vibrantgujarat.com/>