

# Spandana Sphoorty Financial Limited

Refer to important disclosures at the end of this report

## A diversified rural-focused MFI

**Price Band**  
**Rs853-856**


Click here to: [Asiamoney Brokers Poll 2019](#)

- **Robust AUM growth backed by low customer leverage:** Spandana Sphoorty Financial Ltd. (SSFL) has seen ~85% CAGR in gross AUM from FY17 to FY19 post its exit from the Corporate Debt Restructuring (CDR) scheme during the Andhra Pradesh MFI crisis in 2010. Interestingly, SSFL has witnessed similar growth trends in its total active loan accounts which saw ~61% CAGR during FY17-19 and reached 2.97mn customers. The active borrower base also witnessed ~52% CAGR in FY17-19 to reach 2.46mn customers. Thus, unlike other MFIs, the company is relatively less engaged with over-leveraged customers. This provides major comfort on future asset-quality trends for the company.
- **Diversified geographic penetration avoids concentration risk:** Unlike most of the other MFIs, SSFL faces limited concentration risk with its portfolio spread across 17 states in India. To address the geographic concentration risk, SSFL management has maintained stringent exposure caps at the state, district and branch levels. With this adopted norm, the company's operations are geographically well-diversified with no single state contributing more than 20% of AUM, no district contributing more than 1.8% of AUM and no branch contributing to more than 0.3% of AUM as of March 31, 2019. Management has indicated its intention to restrict contribution from any state to ~15% of AUM over a mid- to longer-term time horizon.
- **Balanced Liability franchise; pool of securitization on the rise:** SSFL, after its exit from the CDR scheme in 2017, has consistently diversified its overall liability franchise with incremental borrowings being obtained from the capital markets (through NCDs) instead of remaining highly dependent on bank borrowings. We believe that the current listing, along with a sizeable rise in AUM and a gradual improvement in system liquidity, will provide more ways for the company to obtain funds from the capital markets. SSFL more recently has been fairly active in securitized markets as well. Being a pure MFI player does provide decent demand from banks (Private/PSUs) for their PSL requirements. With a rising pool of securitized assets, the cost of funds for the company should ease further.
- **Asset quality under check with robust collection efficiency:** Apart from the legacy portfolio from the AP crisis, the overall addition to Stage-3 NPAs in recent years had been fairly muted. Further, overall collection efficiency trends also remain fairly encouraging in recent years (~99.7% in FY19). The company maintains a healthy adequacy ratio (Tier I 38.6% for FY19) which should strengthen further after the fresh issue. This adequacy ratio provides some comfort over any cyclical downtrend in the industry.
- **Comfortable Valuations; superior return ratios:** SSFL has announced an IPO price band of Rs853-856. At the upper price band of Rs856, the stock is available at ~2.4x P/FY19 Book (post money) and ~14.6x P/FY19 EPS with RoA of ~8.1% and RoE of ~18.8% for FY19 (before dilution). The best peer comparison for SSFL would be CreditAccess Grameen which is currently trading at ~3.2x FY19 P/Book. Compared with SFBs such as Equitas and Ujjivan, the stock is being offered at a premium.

Please see our sector EAP (Page 15): [Emkay Alpha Portfolio – BFSI-NBFCs](#)

### Financial Snapshot (Standalone)

(Rs mn)	FY15	FY16	FY17	FY18	FY19
Net income	2,164	2,226	2,292	3,557	6,852
Net profit	1,073	2,465	4,434	1,880	3,088
EPS (Rs)	53.0	120.9	216.9	42.5	52.9
BVPS (Rs)	-13.4	96.4	453.8	314.6	323.3
RoE (%)	-682.3	291.1	78.9	16.2	18.8
PE (x) – at issue price Rs853/share	42.1	41.9	41.7	19.3	14.6
PB (x) – at issue price Rs853/share	-63.8	8.9	1.9	2.7	2.6

Source: Company, Emkay Research

### Issue Details

Price Band	Rs 853-856
Issue Open	August 05, 2019
Issue Closes	August 07, 2019
Issue Size (mn shares)	14-14
Issue Size (Rs bn)	11.98-12.01
No. of shares Pre-issue (mn)	59.6
No. of shares Post issue (mn)	64.3-64.3
Post issue mkt cap (Rs bn)	54.87-55.06

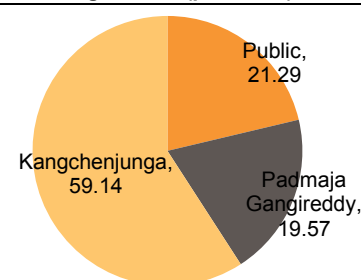
### Issue Structure (mn shares)

Fresh Issue of Rs400mn	4.67-4.69
OFS	9.36
<b>Total</b>	<b>14.03-14.05</b>

### Objects of the Issue

The objects of the issue are to achieve the benefits of listing on stock exchanges and to carry out the sale of equity shares offered for sale by the promoters. In addition, the company proposes to utilize the net proceeds from the fresh issue towards augmenting its capital base to meet future capital requirements.

### Shareholding Pattern (pre-issue)



Source: Bloomberg

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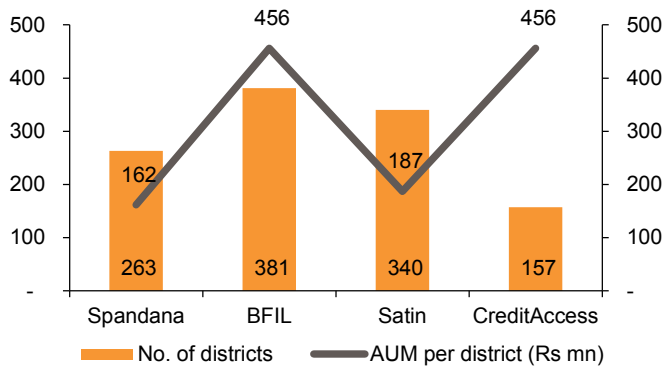
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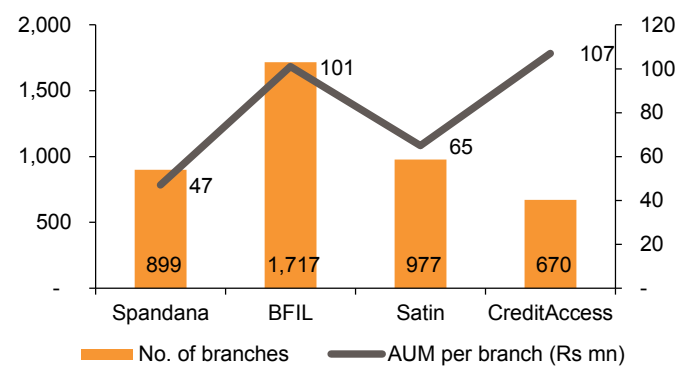
## Comparative analysis

**Exhibit 1: AUM exposure per district**



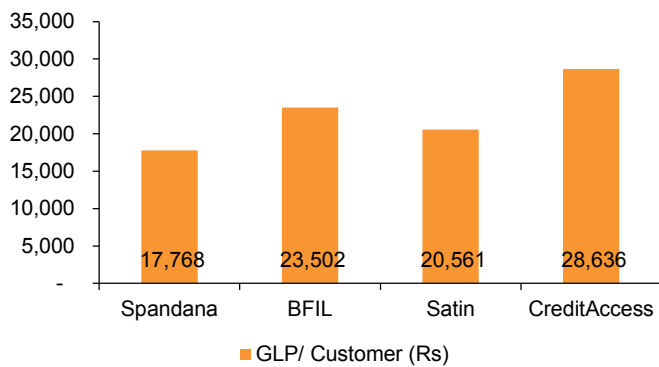
Source: Company, Emkay Research

**Exhibit 2: AUM exposure per branch**



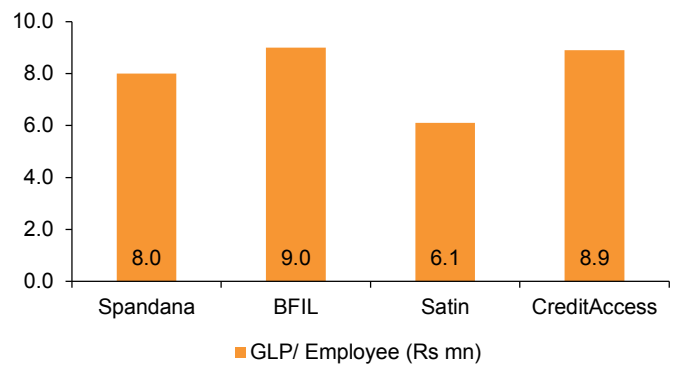
Source: Company, Emkay Research

**Exhibit 3: Average ticket size per customer**



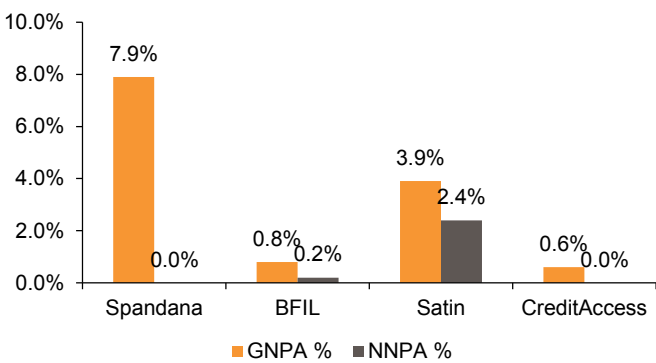
Source: Company, Emkay Research

**Exhibit 4: Average ticket size per employee**



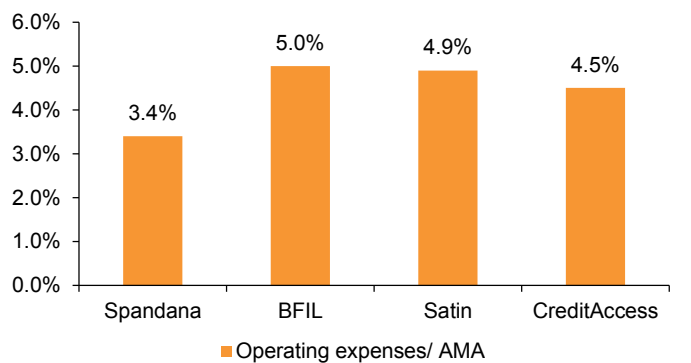
Source: Company, Emkay Research

**Exhibit 5: Asset Quality trends**



Source: Company, Emkay Research

**Exhibit 6: Operating expense to Assets**



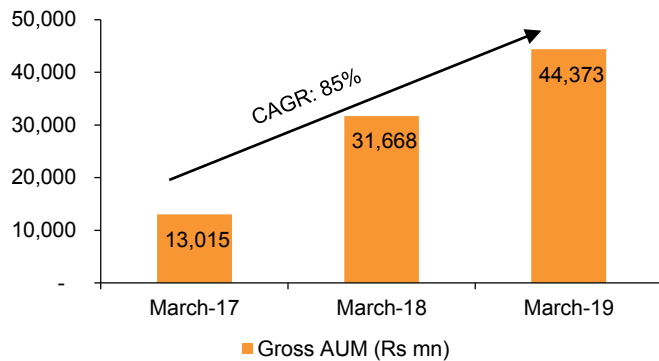
Source: Company, Emkay Research

## Investment Argument

### Robust AUM growth backed by low customer leverage

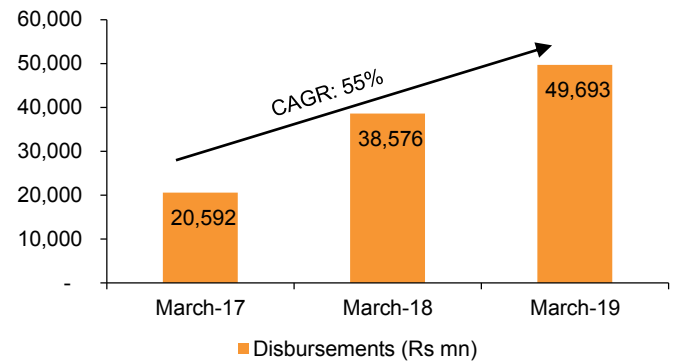
Spandana Sphoorty Financial Ltd (SSFL) has reported ~85% CAGR growth in Gross AUM from FY17-19 post its exit from Corporate Debt Restructuring Scheme (CDR) during Andhra Pradesh MFI crisis in 2010. Prior to their exit from CDR in 2017, SSFL had limited access to capital, due to which the company was able to offer loans in lower ticket sizes. Post exit from CDR, SSFL was able to optimize the ticket sizes and also acquire new clients at existing and new branches. Overall disbursement for the company has also witnessed robust growth of CAGR ~55% from FY17-19.

**Exhibit 7: Trend in Gross AUMs**



Source: Company, Emkay Research

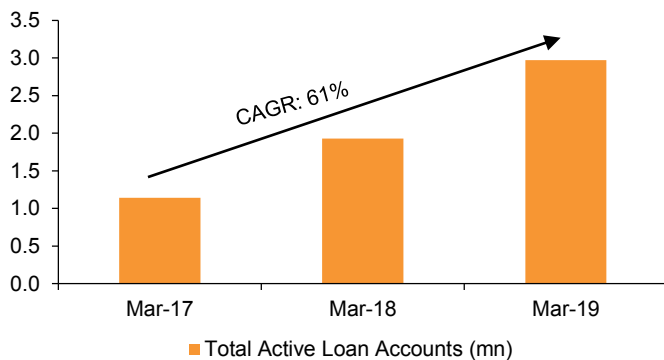
**Exhibit 8: Trend in Disbursements**



Source: Company, Emkay Research

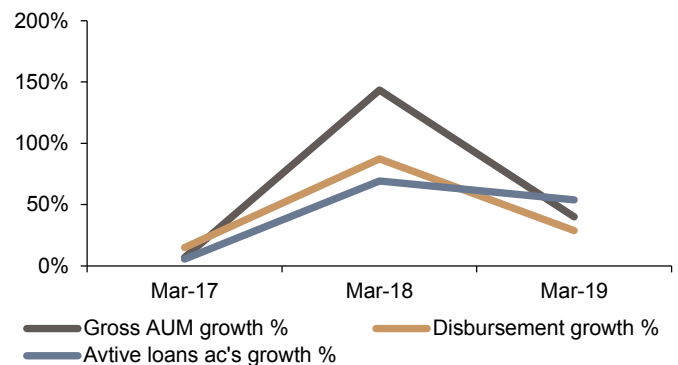
Interestingly, SSFL has witnessed similar growth trends in Total active loan accounts which grew by ~61% CAGR for FY17-19 to 2.97mn customers. Total active borrower base has also increased by ~52% CAGR for FY17-19 to 2.46mn customers. Thus, unlike other MFIs, the company is not being engaged in to over leveraging to similar set of customers.

**Exhibit 9: Trend in total active loan a/cs**



Source: Company, Emkay Research

**Exhibit 10: Loan a/c growth directly correlated with AUM growth**



Source: Company, Emkay Research

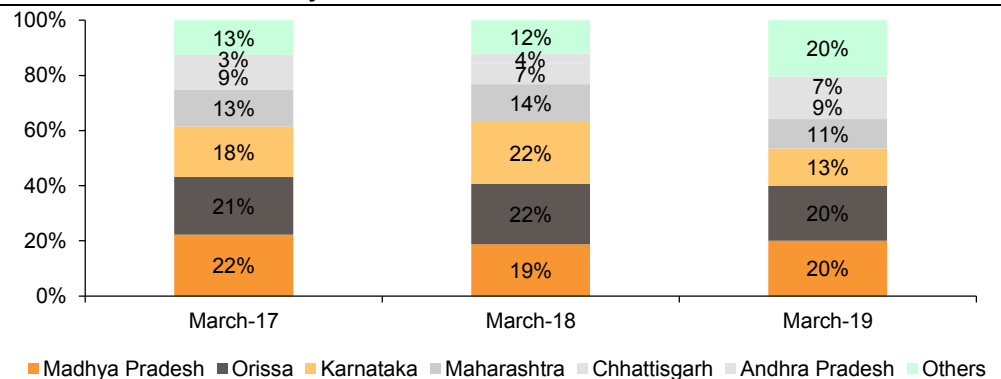
This is further reflected in the average lending ticket size for the company which stands at Rs18,037/- for AUM (standalone) and Rs20,200/- for Disbursements (standalone) for FY19 which is lowest compared to peers. This provides major comfort towards future asset quality trends for the company. With overall leverage being low on existing customer base, future risk of default is relatively capped. Also this provides more room for growth as existing set of customer base starts maturing and completes couple of proper repayment cycles.

### Diversified geographic penetration avoids concentration risk; district level spread encouraging

Spandana Sphoorty (SSFL) unlike most of its other MFI peers faces limited concentration risk with portfolio spread across 17 states in India. SSFL is well diversified geographically in terms of spread; covering more than 250 districts. Demonetization highlighted the need for geographical diversification at both state and district levels, to reduce the adverse impact of local issues and events on an MFI's overall asset quality.

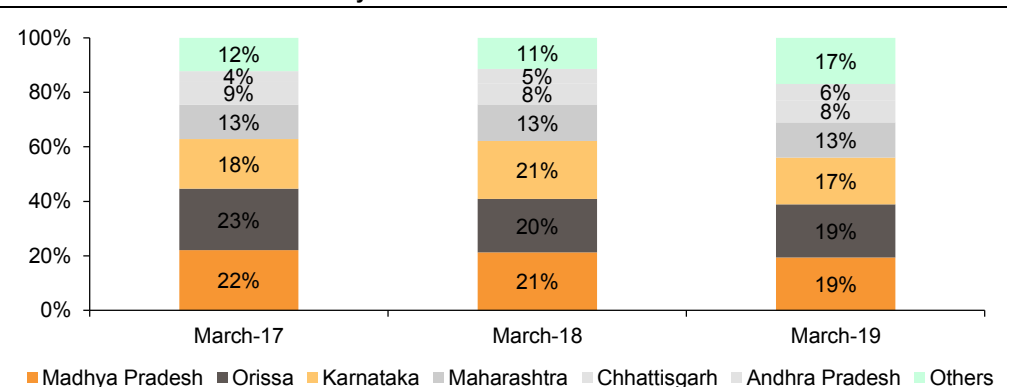
To address geographic concentration risk, SSFL management has maintained stringent exposure caps at the state, district and branch levels. With this adopted norm, the company's operations are geographically well-diversified with no single state contributing more than 20% of AUM, no district contributing more than 1.8% of AUM and no branch contributing to more than 0.3% of AUM as on March 31, 2019.

**Exhibit 11: Gross AUM mix – by state**



Source: Company, Emkay Research

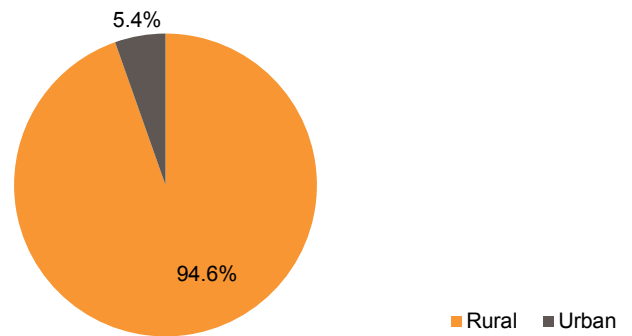
**Exhibit 12: Number of accounts – by state**



Source: Company, Emkay Research

At a state level, Madhya Pradesh and Orissa constitutes ~40% of total AUM (~20% each) and 38.9% of active customer accounts as on March 31, 2019. Balance portfolio is spread across various states across India. The management has indicated their intention of restricting contribution from any state to ~15% of AUM over mid to longer tenure horizon.

Rural Areas in India are a highly under-served market for formal banking services in terms of access, availability and suitability of products and services. According to ICRA Research, while rural India accounts for approximately 68% of India's population, it accounted for only 34% of total deposit accounts and 23% of the loan accounts in scheduled commercial banks as on March'18. Therefore, SSFL has strategically focused on clients in the rural sector. As of March 31, 2019, 94.6% of company's portfolio was located in Rural Areas.

**Exhibit 13: Rural Urban Customer Mix as on March 31, 2019**

Source: Company, Emkay Research

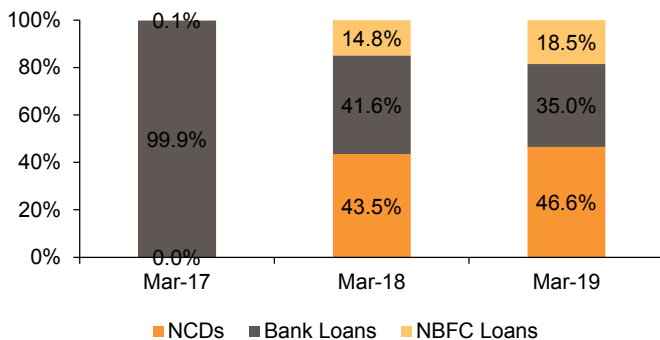
The product profile of the company is also largely concentrated towards MFI loans – Income generation loans (~96% of AUM) which has been rising over years. Considering rising competition from SFBs and other MFIs, product diversification for the company would remain challenging and any aggression may remain pressurize yields and margins. Owing to SSFL's track record of over 10 years, its portfolio vintage is better than industry, with over 25% of the portfolio in the fourth cycle. However, the share of portfolio in the first cycle has increased with new customer additions.

### Balanced Liability franchise; further improvement in cost of funds likely

SSFL, post its exit from CDR scheme in 2017, has consistently diversified its overall liability franchise with incremental borrowings being obtained from Capital markets instead of remaining highly dependent on bank borrowings (leading to a reduction in Average Effective Cost of Borrowing from 16.3% for FY17 to 12.8% for FY19). The company intends to further diversify their lender base by raising financing through lower cost avenues such as capital markets instruments such as NCDs, commercial paper and securitizations and through term loans from banks under priority sector lending.

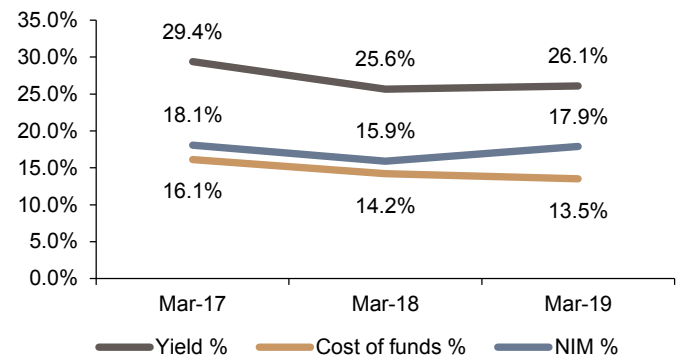
SSFL has increased their lender base from three lenders as of March 31, 2017 to 22 as of March 31, 2018 and further to 28 as of March 31, 2019. The company's credit rating (by ICRA) improved from BBB- (Stable) as of August 2017 to BBB (Positive) as of February 2018, BBB+ (Stable) in May 2018 and A- (Stable) in March 2019.

**Exhibit 14: Diversified Borrowing profile**



Source: Company, Emkay Research

**Exhibit 15: Movement in Yield, Cost of funds, NIMs**



Source: Company, Emkay Research

The company more recently has been fairly active in securitized markets as well. Being pure MFI player does provide decent demand from Banks (Private as well as PSU Banks) for their PSL requirements. With rising pool of securitized assets, overall cost of funds for the company would ease further. Current listing along with sizeable rise in AUM as well as gradual improvement in system liquidity would pave more ways for the company to obtain funds from capital market players. This diversification will enable SSFL to further optimize Average Cost of Borrowings.

**Exhibit 16: Securitization activities already on the rise (Rs mn)**

Securitization	Mar-18	Mar-19
Total number of loans securitized	658,431	778,911
Total book value of loans securitized	9,573	11,015
Total book value of loans securitized including loans placed as collateral	10,927	12,407
Sale consideration received for loans securitized	9,573	11,015
Outstanding value of loan securitized	6,846	6,638
Excess interest spread recognized in the statement of profit and loss	435	1,205
<b>Credit enhancements provided and outstanding (Gross)</b>		
Interest subordination	874	632
Principal subordination	1,354	1,614
Cash collateral	479	990

Source: Company, Emkay Research

### Asset quality trends stable with robust collection efficiency; higher adequacy provides cushion over any macro adversity in the business

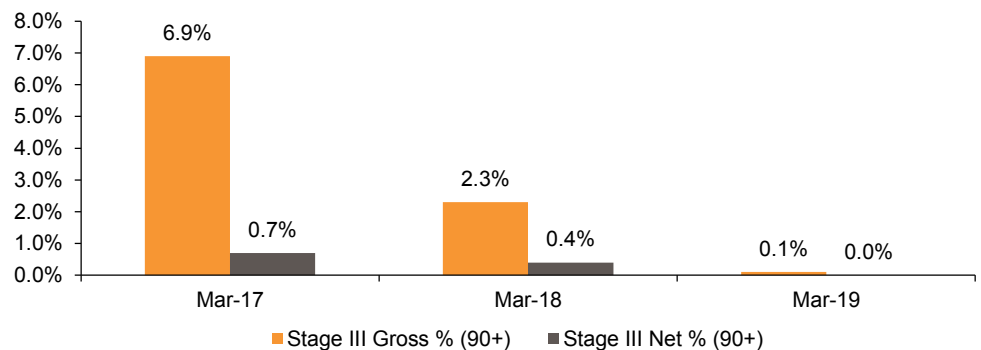
In October 2010, the MFI industry was severely impacted due to external regulatory action, as the government of the formerly unified Andhra Pradesh promulgated the AP Microfinance Ordinance 2010, which enforced several restrictions on the operations of MFIs. This severely impacted SSFL's collections and the consequent cash-flow shortage impacted company's ability to service their debt, which in turn impaired growth and profitability of the company.

The lenders referred SSFL to the corporate debt restructuring ( "CDR" ) mechanism of the RBI to develop a plan to restructure their borrowings and revive the business. SSFL agreed on a CDR plan with the lenders, which allowed them to get cash-flow relaxations and enabled them to continue with portfolio diversification, process improvement and cost rationalization.

Further during the time that SSFL were under CDR, the company deployed efforts to recover dues in AP, such as continuing to keep their branches open and continuing to engage with borrowers. SSFL turned profitable in the year ended March 31, 2014 and the company made profits for four consecutive years while operating under the CDR mechanism.

Post AP crisis in 2010, the company has gradually written off entire AP portfolio over years and could manage to recover sizeable portion of the same over recent years. However the company has maintained the portfolio under Stage 3 NPAs for IND AS largely to claim tax benefits over the same. Apart from this legacy portfolio, overall addition to Stage 3 NPAs in recent years had been fairly muted.

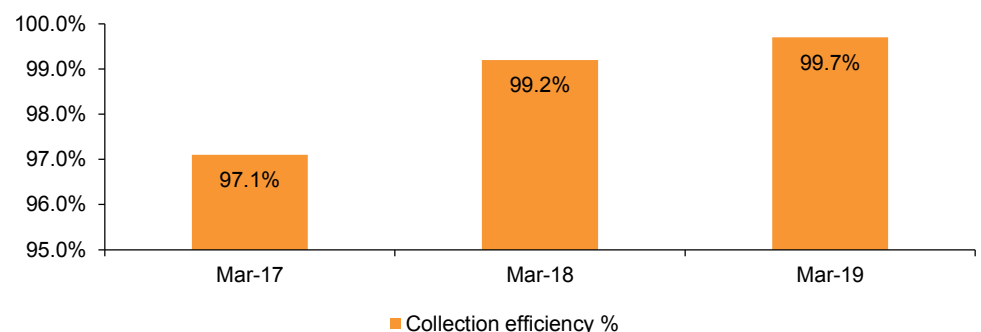
**Exhibit 17: Resilient asset quality trends**



Source: Company, Emkay Research

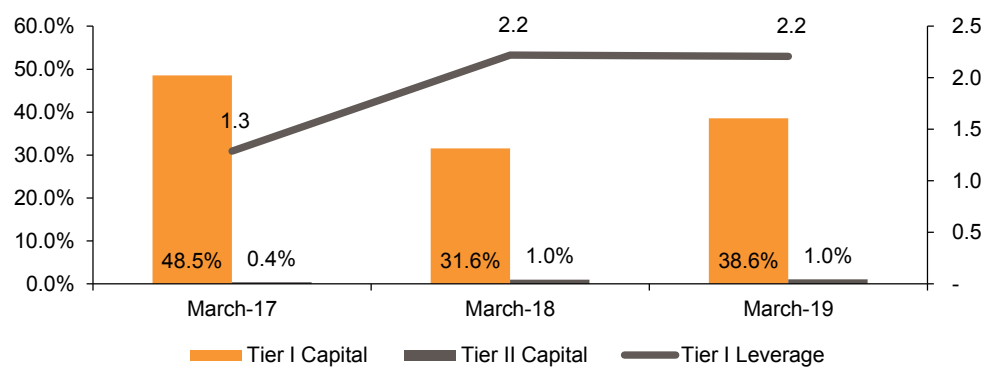
Additionally overall collection efficiency trends for the company also remains fairly encouraging in recent years (~99.7% for FY19). SSFL's performance has been superior to that of the industry, supported by higher rural focus, lower share of portfolio in affected districts and a geographically diversified portfolio. An analysis of the portfolio performance of the pools generated pre and post demonetization reflects better collection efficiencies and asset quality.

**Exhibit 18: High collection efficiency %**



Source: Company, Emkay Research

As highlighted earlier, SSFL's well diversified geographical presence along with low ticket size does provide necessary cushion against any future default risks. However MFI industry in general has seen adverse cyclical trends in past either through natural calamities else through political intervention etc. The company manages to maintain healthy adequacy since past few years which would strengthen further post the fresh issues. This adequacy provides some comfort over any cyclical downtrend either through natural calamity else through political interference to absorb losses or create buffer provisions as and when required.

**Exhibit 19: Capital adequacy remains way ahead of norms**

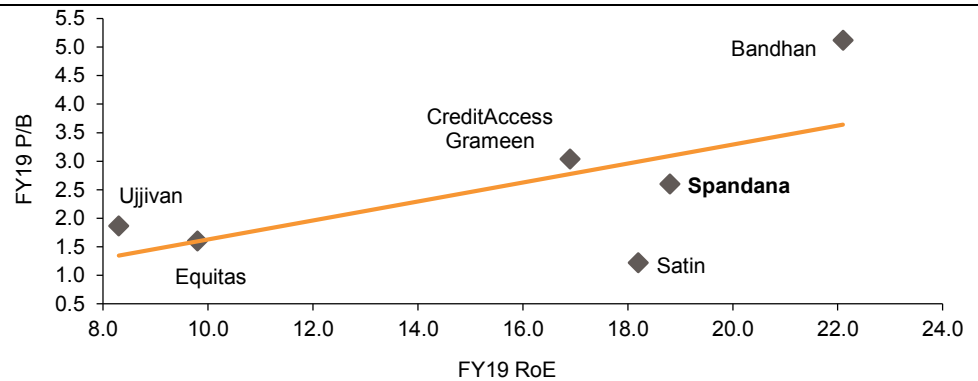
Source: Company, Emkay Research



## Valuation

SSFL IPO comprises a fresh share sale for Rs4bn and an offer for sale for about Rs 8bn. The company has announced an IPO price band of Rs853-856. At an upper price band of Rs856, the stock is available at ~2.4x P/FY19 Book (post money) & ~14.6x P/FY19 earnings with RoAs of ~8.1% and RoEs of ~18.8% for FY19 (before dilution). Post fresh issue, Tier I capital adequacy of the company would improve to ~47% against ~39% as on March 31, 2019.

**Exhibit 20: P/B to RoE matrix**



Source: Emkay Research

The best peer comparison for SSFL would be CreditAccess Grameen which is currently trading at ~3.2x P/Book FY19 numbers. However CreditAccess does possess higher concentration risk (majority portfolio in the state of Karnataka) as well as relatively higher ticket size lending (overleveraged pool of customers) which provides further comfort towards SSFL. On comparing to SFBs like Equitas, Ujjivan, the stock is being offered at a premium.

**Exhibit 21: Trends in key parameters of MFI peers**

Parameters	FY19 Gross Loan Portfolio (Rs bn)	3 yr CAGR of GLP (FY16-19)	Presence in no. of districts	No. of branches	No. of clients (mn)	GNPA %	Opex/AMA %	ROAA %	ROE %
<b>NBFC-MFIs</b>									
Bharat Financial Inclusion	173.9	31%	381	1,717	7.4	0.80%	5.00%	5.60%	26.70%
Satin	63.7	25%	340	977	3.1	3.90%	4.90%	2.60%	18.20%
CreditAccess Grameen	71.6	41%	157	670	2.5	0.60%	4.50%	5.00%	16.90%
Muthoot Microfin	NA	112%	NA	NA	NA	NA	5.10%	5.00%	26.80%
Asirvad	NA	56%	NA	NA	NA	0.50%	5.00%	3.60%	25.00%
Spandana	42.7	52%	263	899	2.4	7.90%	3.40%	6.10%	18.80%
Annapurna	30.2	48%	174	570	1.5	3.70%	5.10%	0.50%	4.60%
<b>SFBs</b>									
Jana SFB	62.2	-17%	NA	NA	NA	8.10%	11.40%	-19.60%	-177.00%
Ujjivan	110.5	27%	221	524	4.0	0.90%	8.60%	1.30%	8.30%
Equitas	29.6	-3%	NA	800	NA	2.50%	6.90%	1.40%	9.80%
Utkarsh	NA	41%	NA	NA	NA	1.90%	6.50%	-1.70%	-8.50%
<b>Bank</b>									
Bandhan	347	41%	NA	999	11	2.02%	3.60%	3.90%	22.10%

Source: MFIN, Company Reports, CRISIL, Emkay Research

## NBFC MFI vs Small Finance Banks (SFBs)

There has been series of discussions around preference for SFBs over NBFC MFIs and vice versa. Highlighting key Positives and Negatives of both the formats in order to understand the overall viability of the business dynamics in relatively simpler terms.

### Exhibit 21: SFB, NBFC-MFI comparison

#### Advantage SFB over NBFC-MFI

SFBs	NBFC-MFIs
Can accept deposits – source of low cost funding	Not permitted to accept deposits
Pricing not controlled	Works under Controlled pricing framework
Third party distribution permitted	Can distribute only insurance products
Access to wider range of funding sources	Relatively limited funding avenues

#### Advantage NBFC-MFI over SFBs

SFBs	NBFC-MFIs
Branch expansion controlled by RBI	No such restrictions over branch expansion
Required to maintain SLR and CRR – (drag over margins)	No such requirement
Higher Operating expenses	Low cost model
Can not operate as Business correspondent	Can act as Business correspondent

Source: Company, Emkay Research

## Key risks

### High exposure in the state of Orissa possess elevated risk of defaults in the event of cyclone 'Titli' and floods in the state

The 482km long coastline of Orissa exposes the state to floods, cyclones and storm surges. Heavy rainfall during the monsoons causes floods in the rivers. Flow of water from neighboring states Jharkhand and Chhattisgarh also contributes to flooding. The flat coastal belts with poor drainage, high degree of siltation of the rivers, soil erosion, breaching of the embankments and spilling of floodwaters over them cause severe floods in the river basin and delta areas.

As of March 31, 2019, ~20% of SSFL's gross AUM and ~19.4% of active customer base is originated from the state of Orissa. While SSFL endeavors to manage and monitor concentration risk at the district level, it is susceptible to risks relating to such natural calamity to affect overall collection efficiency in the coming quarters which could further result in major NPA risk for the company.

### Promoter running this business since inception could pose major key man risk

SSFL is highly dependent on the continued services of its management team, including the Individual Promoter. Ms. Padmaja Gangireddy has been the founder promoter and managing director of the company. Future performance of the company is largely dependent on the continued service of Ms. Gangireddy.

The rate of attrition of management team starting from branch manager and above, who are critical for the business, was 25.04% for FY19. The loss of key personnel may restrict the company's ability to grow, to execute strategy, to raise funding, to make strategic decisions and to manage the overall running of operations, which would have a material adverse impact on results of operations and financial position.

### The business involves high-volume cash transactions, making it exposed to operational risks, including fraud, petty theft and embezzlement.

As the company personnel handles large amounts of cash through a high volume of transactions taking place across branches, it is exposed to the risk of fraud or other misconduct by employees, third-parties or any outsiders. In addition, it does not have a cash-in-transit insurance policy, which also exacerbates the risk. In the past, SSFL has discovered a few cases of theft and fraud by either third-parties or employees. In FY19, there were instances of cash embezzlement amounting to Rs2.16mn and fake loans amounting to Rs18.26mn.

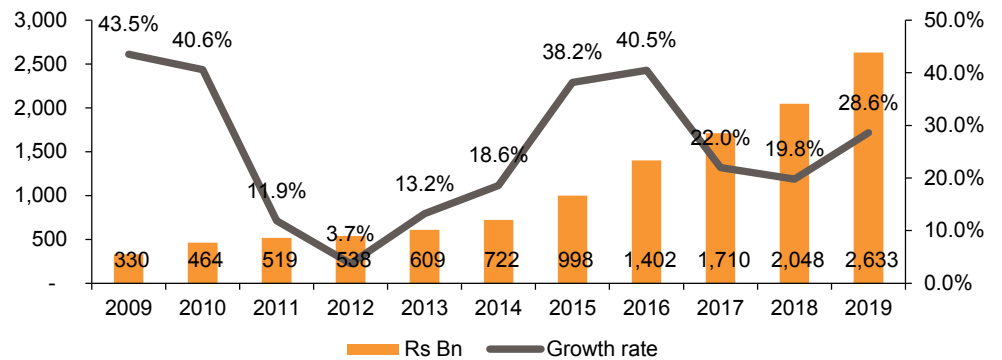
Given the high volume of transactions, the company process on a daily basis, certain instances of fraud and misconduct may go unnoticed or may only be discovered and successfully rectified after substantial delays. Even when discovered, such instances of fraud or theft, there can be no assurance that the company will recover any of the amounts involved in these cases. In addition, reputation could be adversely affected by fraud committed by employees, clients or outsiders.

### Outstanding litigations against the company could affect the operations

The company, including its directors, one of the promoters and subsidiaries, are involved in certain legal proceedings. These legal proceedings are pending at different levels of adjudication before various courts and tribunals. Any change in applicable Indian law or any rulings against SSFL by appellate courts or tribunals, the company may need to make provisions that could increase expenses and current liabilities. Any adverse decision in any of these proceedings may have an adverse effect on the business, results of operations and financial condition.

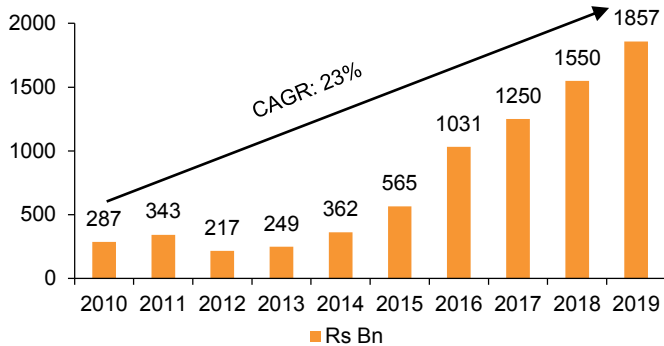
## MFI industry in India

**Exhibit 22: Market size and growth**



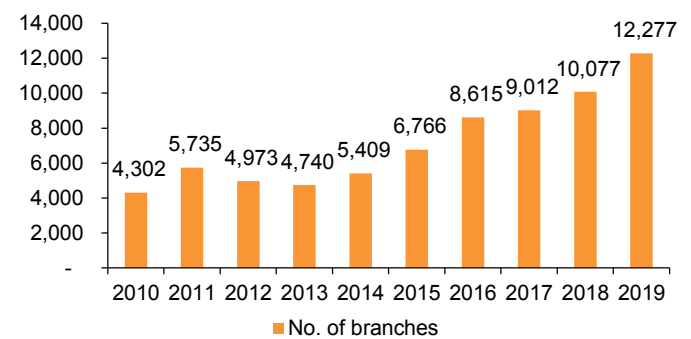
Source: ICRA Research, MFIN, CRISIL, Status of Microfinance in India, Emkay Research

**Exhibit 23: Trend in MFI Disbursements**



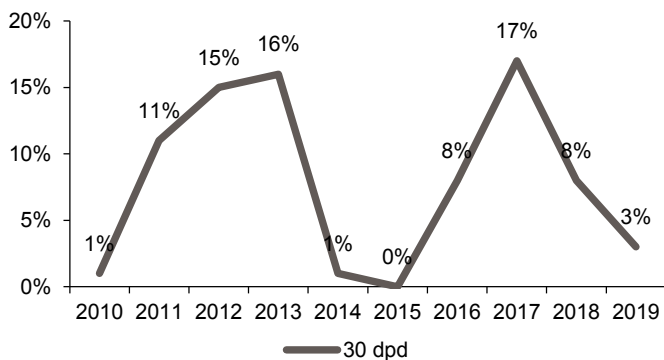
Source: MFIN, CRISIL, Emkay Research

**Exhibit 24: Trend in MFI branches**



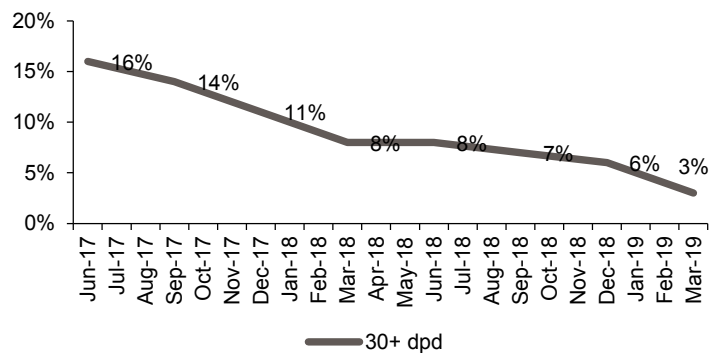
Source: Industry, Emkay Research

**Exhibit 25: Trend in asset quality of MFIs (30 dpd)**



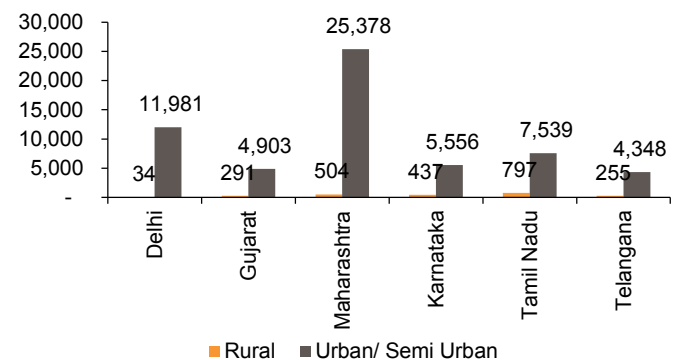
Source: Industry, Emkay Research

**Exhibit 26: Trend in asset quality (30+ dpd)**



Source: MFIN, CRISIL, Emkay Research

**Exhibit 27: Rural areas still highly under penetrated**



Source: MFIN, CRISIL, Emkay Research

## Company Background

Spandana Spoorthy Financial Limited (SSFL) is a leading, rural focused NBFC-MFI with a geographically diversified presence in India. The company offers income generation loans under the joint liability group model, predominantly to women from low-income households in Rural Areas. As of March 31, 2019, SSFL was the fourth largest NBFC-MFI and the sixth largest amongst NBFC-MFIs and SFBs in India, in terms of AUM (*Source: ICRA Research*).

SSFL has developed an in-depth understanding of the borrowing requirements of the low-income client segment. The company's business model involves regular client meeting processes through its employees, who maintain contact with clients across the districts that under coverage. As of June 30, 2019, the company had 7,062 employees (including 5,051 credit assistants) operating out of 929 branches in 269 districts across 16 states and 1 union territory in India. Through their loan products and client-centric approach, the company endeavours to strengthen the socio-economic well-being of low-income households by providing financing on a sustainable basis in order to improve livelihoods, establish identity and enhance self-esteem.

## About the promoters

Padmaja Gangireddy and Kangchenjunga are the Promoters of the Company. As of the date of the Red Herring Prospectus, the Promoters hold an aggregate of 46,940,336 Equity Shares, comprising 78.71% of the pre-offer issued, subscribed and paid up equity share capital of the Company.

Kangchenjunga is promoted by Kedaara Capital I Limited ( "Kedaara Capital" ), which holds and 54.99% and 83.20 % of class A and class B equity shares, respectively, of Kangchenjunga,. Kedaara Capital is regulated by the Financial Services Commission of Mauritius and is licensed to operate as a closed-end fund, categorized as a professional collective investment scheme. Other than Ontario Teachers' Pension Plan Board (through Classroom Investments Inc.), no other person has contributed to 15% or more of the total funds of Kedaara Capital.

### Exhibit 28: Prospectus Management background

#### Management Team

<b>Managing Director</b>	Padmaja Gangireddy, aged 52 years, is the Promoter and Managing Director of the Company. She holds a bachelors' degree in science and a bachelors degree in communication and journalism. She attended a course on credit and micro enterprise development from Durham University, UK, a microfinance training program from Naropa University, USA, the HBS-Accion program on strategic leadership for microfinance from Harvard Business School and an executive education programme from Indian School of Business, Hyderabad. She has been a director on the board since April 19, 2003 and holds other directorships in Abhiram Marketing, Caspian Financial and Criss Financial.
<b>Deepak Calian Vaidya Non Execute Chairman and Independent Director</b>	<b>Deepak Calian Vaidya</b> is a Non-Executive Chairman and Independent Director of the Company. He is a fellow of the Institute of Chartered Accountants in England and Wales since 1979. He has served as a director on the board of the directors of Capricorn Securities India Private Limited, Arc Advisory Services Private Limited and Chaityadeep Investments Private Limited. He has been a Director on the Board since June 6, 2018.

*Source: Company, Emkay Research*

## Issue Details

### Objectives of the issue

The objective of the issue is to achieve the benefits of listing on stock exchanges and to carry out the fresh issue, sale of equity shares offered for sale by the promoters. In addition, the company proposes to utilize the net proceeds from the fresh issue towards augmenting its capital base to meet future capital requirements and general corporate purposes.

#### Exhibit 29: Issue Details

Issue Details	
Price Band (Rs)	853 - 856
Issue Opens	August 5, 2019
Issue Closes	August 7, 2019
Issue Size (in mn Shares)	14 - 14
Issue Size (in Rs bn)	11.98 - 12.01
Shares o/s pre-issue (mn)	59.6
Shares o/s post-issue (mn)	64.3 - 64.3
Post issue market cap (in Rs bn)	54.87 - 55.06

Source: Company, Emkay Research

#### Exhibit 30: Issue details

The Offer	At Rs853 per share		At Rs856 per share	
	Size (mn shares)	Size (Rs m)	Size (mn shares)	Size (Rs m)
Fresh issue	4.67	4,000.0	4.69	4,000.0
Offer for sale	9.36	8,009.4	9.36	7,981.3
<b>Total</b>	<b>14.03</b>	<b>12,009.4</b>	<b>14.05</b>	<b>11,981.3</b>

Source: Company, Emkay Research

#### Exhibit 31: Promoters shareholding pattern pre and post issue

Name of the Selling Shareholder	No. of Equity Shares held (Pre- Offer) (mn)	% holding of the pre- Offer capital	No. of Offered Equity Shares (mn)	No. of Equity Shares held (Post- Offer) (mn)	% holding of the post- Offer capital – at Rs856/share	% holding of the post- Offer capital – at Rs853/share
Kangchenjunga Limited	35.3	59.1%	6.0	29.3	45.6%	45.6%
Padmaja Gangireddy	11.7	19.6%	1.4	10.2	15.9%	15.9%
Vijaya Siva Rami Reddy Vendidandi	1.5	2.5%	0.8	0.7	1.1%	1.1%
Valiant Mauritius Partners	4.6	7.8%	0.8	3.8	6.0%	6.0%
Helion Venture Partners II, LLC	0.8	1.3%	0.1	0.7	1.0%	1.0%
Kedaara Capital Alternative Investment Fund	0.8	1.3%	0.1	0.6	1.0%	1.0%
Helion Venture Partners	0.7	1.2%	0.1	0.6	0.9%	0.9%

Source: Company, Emkay Research

#### Exhibit 32: Top 10 shareholders

Name of shareholder	No. of Equity Shares (in mn)	% of pre- Offer equity share capital
Kangchenjunga Limited	35.27	59.1%
Padmaja Gangireddy	11.67	19.6%
Valiant Mauritius Partners FDI Limited	4.63	7.8%
JM Financial India Trust II - JM Financial India Fund II	3.31	5.6%
Vijaya Siva Rami Reddy Vendidandi	1.49	2.5%
Helion Venture Partners II LLC	0.78	1.3%
Kedaara AIF 1	0.77	1.3%
Helion Venture Partners LLC	0.73	1.2%
JM Financial Products Limited	0.54	0.9%
Spandana Employee Welfare Trust	0.27	0.5%

Source: Company, Emkay Research

## Key Financials (Standalone)

### Income Statement

Y/E Mar (Rs mn)	FY15	FY16	FY17	FY18	FY19
<b>Net interest income</b>	<b>1,929</b>	<b>2,177</b>	<b>2,277</b>	<b>3,555</b>	<b>6,798</b>
Other income	234	49	16	2	54
<b>Net income</b>	<b>2,164</b>	<b>2,226</b>	<b>2,293</b>	<b>3,557</b>	<b>6,852</b>
Operating expenses	1,032	893	958	1,084	1,704
<b>Pre provision profit</b>	<b>1,131</b>	<b>1,333</b>	<b>1,335</b>	<b>2,473</b>	<b>5,148</b>
<b>PPP excl treasury</b>	<b>1,131</b>	<b>1,333</b>	<b>1,335</b>	<b>2,473</b>	<b>5,148</b>
Provisions	51	107	984	-354	454
<b>Profit before tax</b>	<b>1,081</b>	<b>1,226</b>	<b>351</b>	<b>2,827</b>	<b>4,694</b>
One off gains	0	1,239	105	0	0
Tax	8	0	-3,978	948	1,606
Tax rate	1	0	-873	34	34
<b>Profit after tax</b>	<b>1,073</b>	<b>2,465</b>	<b>4,329</b>	<b>1,880</b>	<b>3,087</b>

### Balance Sheet

Y/E Year End (Rs mn)	FY15	FY16	FY17	FY18	FY19
Equity	8,280	8,114	284	298	596
Reserves	-8,551	-6,150	8,991	13,609	18,267
<b>Net worth</b>	<b>-271</b>	<b>1,964</b>	<b>9,276</b>	<b>13,907</b>	<b>18,864</b>
Borrowings	3,752	0	9,335	23,313	29,451
Others	20,017	19,014	676	423	666
<b>Total liabilities</b>	<b>23,498</b>	<b>20,978</b>	<b>19,286</b>	<b>37,643</b>	<b>48,980</b>
Cash and bank	591	353	2,924	2,058	3,482
Investments	1	1	1	21	646
Loans	11,473	8,515	11,945	30,896	41,654
Others	11,434	12,109	4,415	4,668	3,198
<b>Total assets</b>	<b>23,498</b>	<b>20,978</b>	<b>19,286</b>	<b>37,643</b>	<b>48,980</b>

### Key Ratios (%)

Y/E Year End	FY15	FY16	FY17	FY18	FY19
NIM	NA	18.0	17.5	15.0	16.4
RoA	4.6	11.7	22.4	5.0	6.3
RoAE	NA	125.5	46.7	13.5	16.4
GNPA (%)	NA	NA	42.1	25.9	7.9
NNPA (%)	NA	NA	2.9	0.3	0.0

Per Share Data (Rs)	FY15	FY16	FY17	FY18	FY19
EPS	1.3	3.0	152.2	63.2	51.8
BVPS	-0.3	2.4	326.0	467.4	316.3
ABVPS	-0.3	2.4	326.0	467.4	316.3

Valuations (x) – at issue price Rs853/share	FY15	FY16	FY17	FY18	FY19
PER	42.1	41.9	41.7	19.3	14.6
P/BV	-63.8	8.9	1.9	2.7	2.6
P/ABV	-63.8	8.9	1.9	2.7	2.6

**Note:** FY19 valuation is pre-money

Growth (%)	FY15	FY16	FY17	FY18	FY19
NII	NA	12.8	4.6	56.1	91.2
PPOP	NA	17.8	0.2	85.3	108.2
PAT	NA	129.7	75.6	-56.6	64.3
Loans	NA	-25.8	40.3	158.6	34.8

Source: Company, Emkay Research

## Emkay Alpha Portfolio – BFSI-NBFCs



### Analyst: Jignesh Shial

#### Contact Details

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#### Sector

NBFCs/AFCs

#### Analyst bio

Jignesh Shial is a CA and has total 12 years of research experience. His team currently covers 11 NBFCs/AFCs.

### EAP sector portfolio

Company Name	BSE200 Weight	EAP Weight	OW/UW (%)	OW/UW (bps)	EAP Weight (Normalised)
<b>BFSI-NBFCs</b>	<b>9.07</b>	<b>8.98</b>	<b>-1%</b>	<b>-9</b>	<b>100.00</b>
Bajaj Finance	1.35	1.54	14%	19	17.00
Cholamandalam Investment	0.17	0.23	36%	6	2.50
Edelweiss Financial Services	0.14	0.05	-67%	-9	0.50
HDFC	6.39	6.53	2%	14	72.00
HDFC AMC*	0.10	0.10	0%	0	1.14
L&T Finance Holdings	0.11	0.02	-79%	-8	0.25
LIC Housing Finance	0.28	0.05	-84%	-23	0.50
Magma Fincorp	0.00	0.00	NA	0	0.00
Mahindra Finance	0.16	0.20	29%	5	2.25
Muthoot Finance*	0.11	0.11	0%	0	1.22
Reliance Nippon	0.02	0.03	30%	1	0.35
Shriram City Union Finance	0.00	0.00	NA	0	0.00
Shriram Transport Finance	0.25	0.12	-53%	-13	1.29
<b>Cash</b>	<b>0.00</b>	<b>0.09</b>	<b>NA</b>	<b>9</b>	<b>1.00</b>

Source: Emkay Research

\* Not under coverage: Equal Weight

■ High Conviction/Strong Over Weight ■ High Conviction/Strong Under Weight

### Sector portfolio NAV

	Base		Latest	
	1-Apr-19	30-Apr-19	1-Jul-19	1-Aug-19
EAP - BFSI-NBFCs	100.0	99.1	111.9	102.6
BSE200 Neutral Weighted Portfolio (ETF)	100.0	98.1	108.6	99.6

\*Performance measurement base date 1<sup>st</sup> April 2019

Source: Emkay Research

### Please see our EAPs:

[Emkay Alpha Portfolio – Nifty](#)

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Ratings	Expected Return within the next 12-18 months.
<b>BUY</b>	Over 15%
<b>HOLD</b>	Between -5% to 15%
<b>SELL</b>	Below -5%

Completed Date: 02 Aug 2019 19:29:18 (SGT)

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