



Ref: SSFL/Stock Exchange/2022-23/034

Date: July 11, 2022

To  
BSE Limited,  
Department of Corporate Services  
P. J. Towers, 25<sup>th</sup> Floor,  
Dalal Street,  
Mumbai - 400001  
Scrip Code: 542759

To  
National Stock Exchange of India Limited,  
Listing Department  
Exchange Plaza, C-1, Block G  
BandraKurla Complex, Bandra (E)  
Mumbai - 400051  
Symbol: SPANDANA

Dear Sir/Madam,

**Sub: Investor presentation on the audited financial results of the Company for the quarter and year ended March 31, 2022**

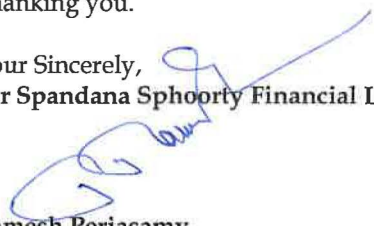
**Ref: Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.**

Pursuant to Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 please find enclosed herewith a copy of Investor Presentation of the Company on the Audited Financial Results for the quarter and year ended March 31, 2022.

We request you to take the above information on record.

Thanking you.

Your Sincerely,  
For Spandana Sphoorty Financial Limited

  
Ramesh Periasamy  
Company Secretary and Compliance Officer



Encl: as above

**Spandana Sphoorty Financial Limited**

CIN: L65929TG2003PLC040648

Plot No.31 & 32, Ramky Selenium Towers, Tower A,  
Ground Floor, Financial Dist, Nanakramguda, Hyderabad -500 032,  
Ph: 040-4547 4750

contact@spandanasphoorty.com, www.spandanasphoorty.com

# Spandana Sphoorty Financial Limited

....Committed to low-income households



*Q4, 2022 Update*

# Safe Harbor

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## Q4 FY22 – Consolidation and Strengthening the Fundamentals



Microfinance industry is poised to grow 4x over the next 8 years; Spandana best positioned to capitalize



Tenured new leadership well placed to drive the business guided by highly experienced Board of Directors

**2.0**

Spandana 2.0 – Vision for next 3 years



Appendix

# Strengthening the business pillars- Q4 FY22

## Core team in place

- Core team including CEO, CFO, CTO & CBO in place. Significant progress made in augmentation of bandwidth at senior & middle management
- CEO has 26+ years experience in Consumer Banking and Life Insurance industry. Prior to Spandana, he was the CEO of Bharat Financial Inclusion Limited - the largest MFI business in the industry
- CFO has a 20+ year career in microfinance industry. In his previous role at BFIL, he handled balance sheet led borrowing program of ₹12,000 crore
- CEO and CFO have experience of growing the book through multiple industry cycles while maintaining industry leading asset quality and operational efficiency
- CTO has 20+ years experience in the field of technology, digital platforms & new age applications. His last stint was at ICICI Bank Ltd where he led successful IT initiatives focused on Digitization & Customer interface enhancement

## Disbursement Update

- Total disbursement for Q4 was ₹1,385 crore and for FY22 was ₹3,373 Crore
- Ended the quarter strongly with ₹864 crore of disbursement in Mar'22 – return to pre-Covid levels
- Scalability of the new Loan Management System and Loan Origination System was successfully demonstrated during the quarter

## Asset Quality and Collection Update

- Consolidated AUM at the end of Q4 was ₹6,581 crore; ~44% (₹ 2,878 crore) of the book is FY22 new disbursement which has a CE of 107% and 110% in Q4 2022 and for March 2022 respectively
- ~15%# of AUM is restructured but no moratorium provided to customers. Collection efficiency of this book was 64% for the quarter ended Mar'22 and 74% for the month of Mar'22
- Non-restructured portfolio collection efficiency (including arrears) was 100.3% for quarter ended Mar'22 and 107% for the month of Mar'22
- Total provisions of ₹648 crore on balance sheet – sufficient to cover any risk in the portfolio as of March'22
- GNPA at 15%, PAR 31 – 60 @ 3.7% and PAR 61-90 @ 2.9%. Non-restructured book NNPA of 2.7%\*

## Strong Liquidity position

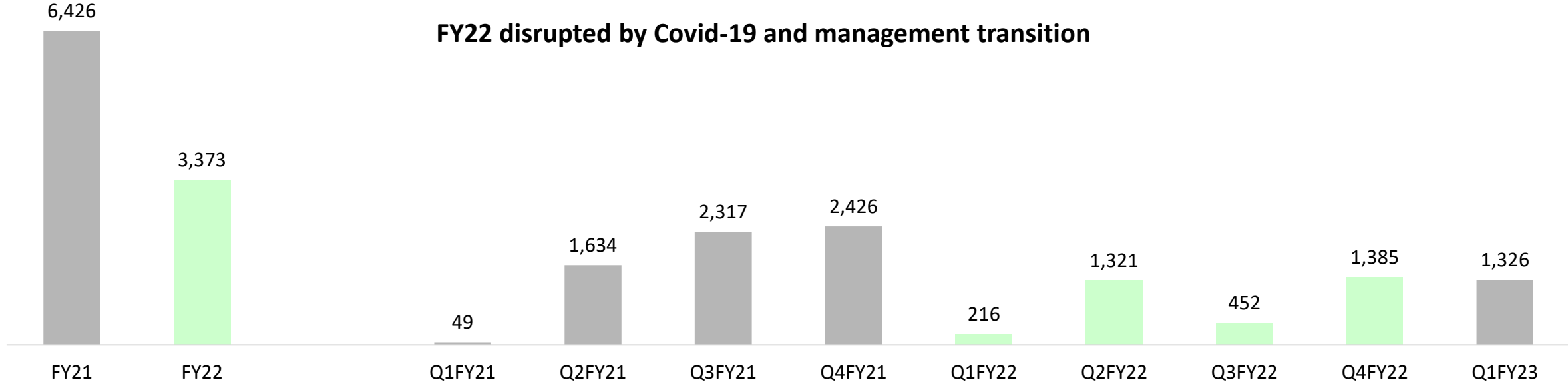
- Fresh capital of ₹290 crore infused by existing shareholders in March 2022 with further ₹10 crore infused in Q1 FY23
- Cash balance as on 30<sup>th</sup> June was ₹420 crore. The business generates net cash of over ₹150 crore per month (pre-disbursement)
- Robust CRAR of ~50% +; ~₹3,088 crore net worth – one of the strongest balance sheets across the MFI industry

## Amicable settlement

- Amicably settled all issues with the erstwhile MD&CEO
- Collectively all Promoters have agreed to contribute to the growth journey of the Company going forward

# Management Transition done successfully at the end of Q4. Focus on consolidation & meeting existing customer demand...

FY22 disrupted by Covid-19 and management transition



Lockdowns announced in large number of states owing to wave 2 of Covid-19

Pace of disbursement reached pre-Covid levels as restrictions were eased across states

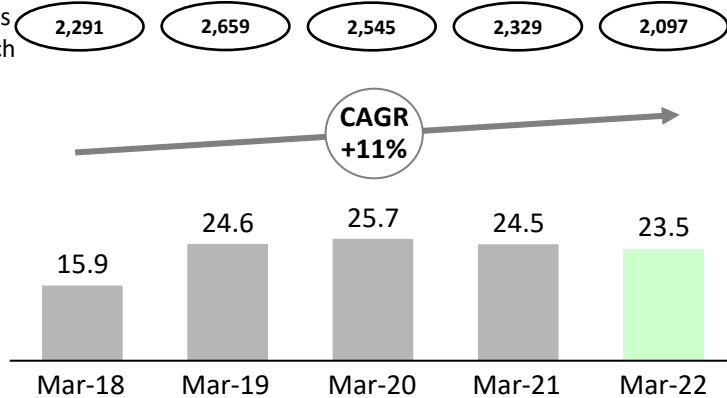
Disbursements were stopped in November'22 & December'22 following resignation of erstwhile MD & CEO and disruption of IT systems

₹1,385 Cr disbursed. New LMS up and running. Operations stabilized. Systems in place to drive accelerated growth

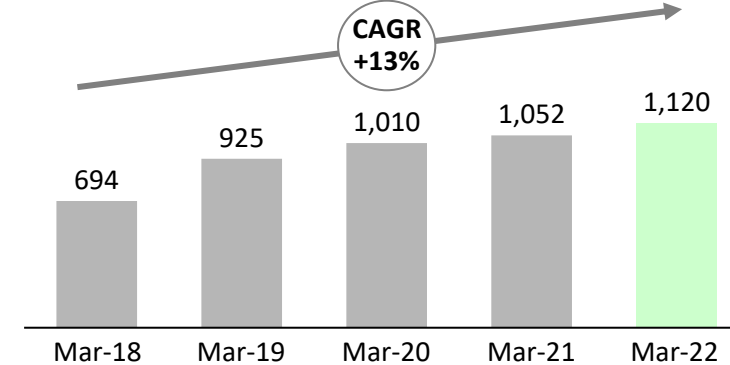
# ... Through strong existing branch and field force infrastructure

**Borrowers (In lakhs)**

Borrowers Per Branch



**No. of Branches<sup>^</sup>**

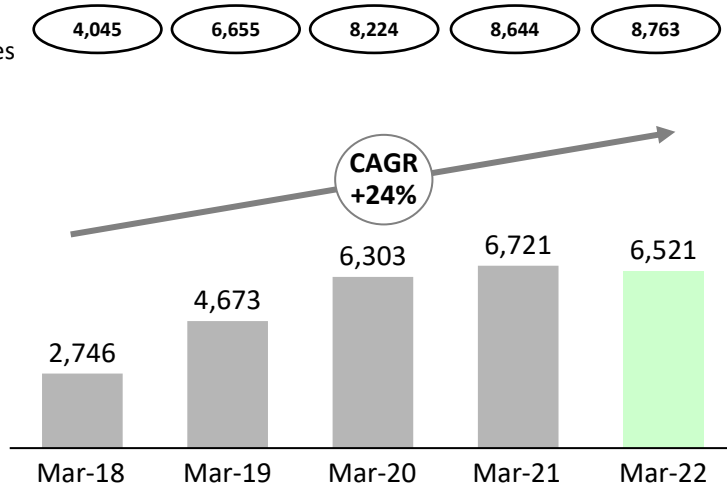


**State-wise Concentration**

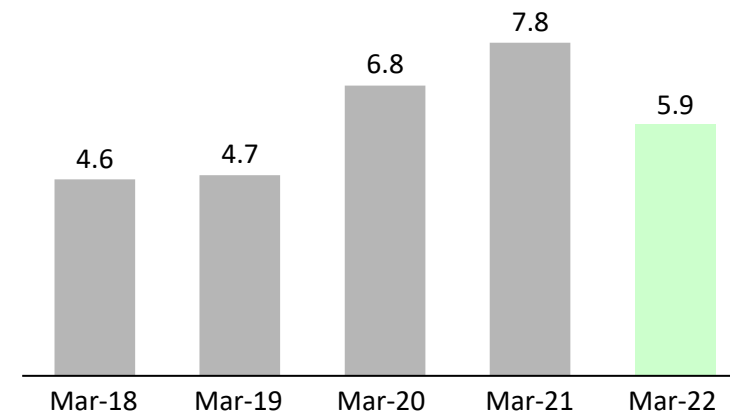
Top States	AUM Concentration @
Madhya Pradesh	17.5%
Orissa	15.8%
Karnataka	11.4%
Andhra Pradesh	11.8%
Maharashtra	10.2%
Chhattisgarh	6.7%
Other States	26.5%

**No. of Loan Officers**

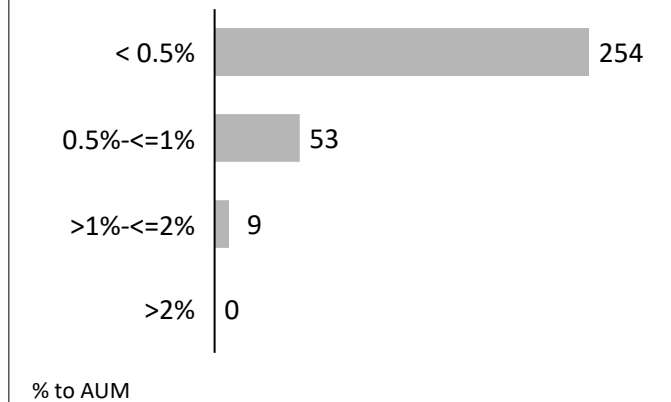
No. of Employees



**AUM/Branch (Rs. crore)**



**District wise Concentration**

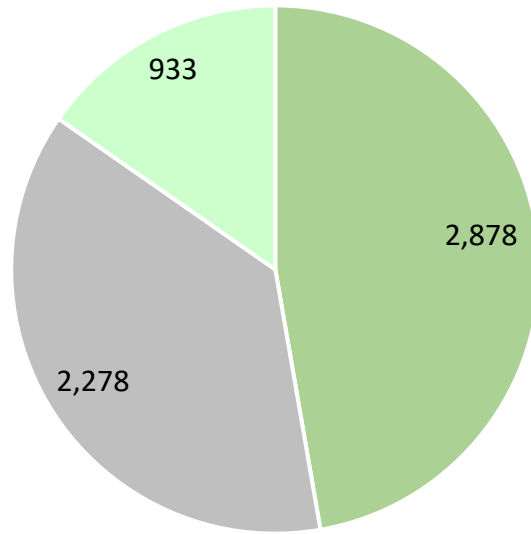


**Well dispersed district level exposure ensures low impact from region-specific issues**

**Note:** <sup>^</sup>No branches have been closed. Inactive branches have been excluded from the count  
@ AUM on a consolidated basis

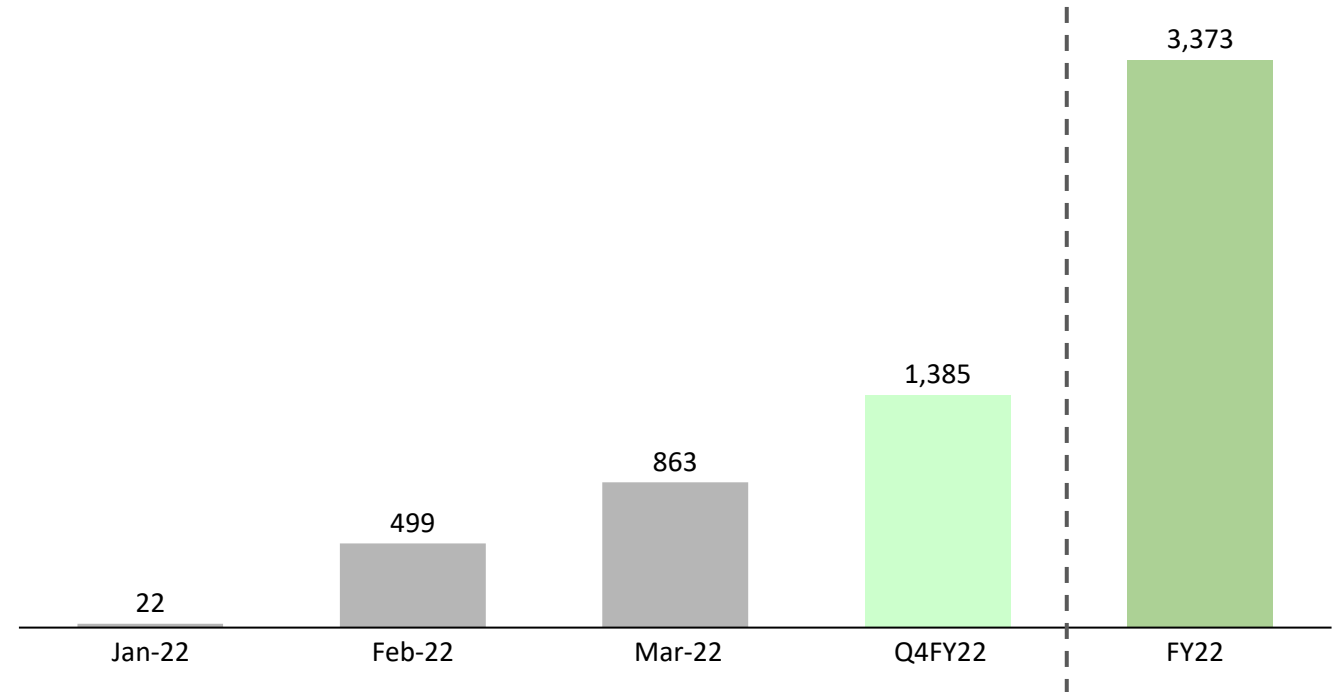
# FY22 disbursement constitutes 44% of AUM – Good quality portfolio, tracking 110% collection efficiency in March

On-book AUM Breakup



- FY22 Disbursement
- Pre-FY22 Non-Restructured Book
- Pre-FY22 Restructured Book

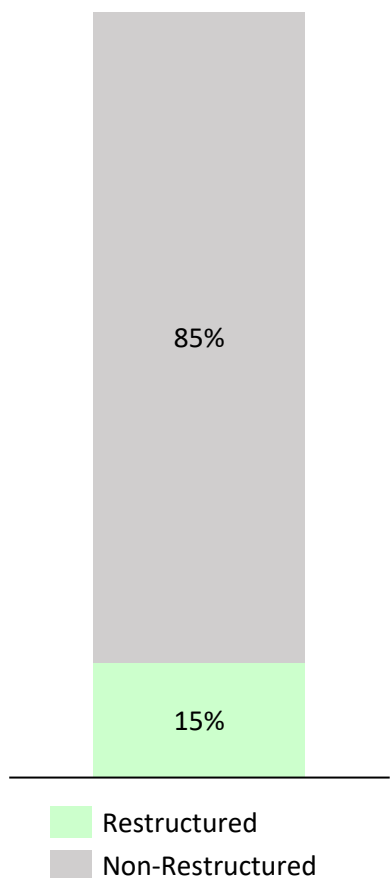
Month on Month Disbursement Trends (₹ crore)



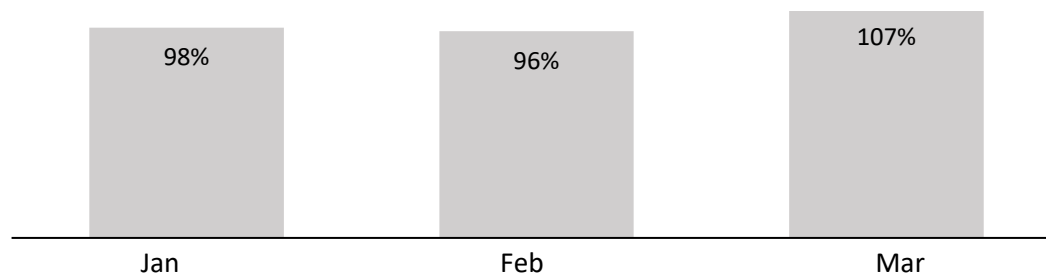


# Non-Restructured book has shown robust collection efficiency – 107% in March; Restructured book collections are showing encouraging results – 64% in the Quarter...

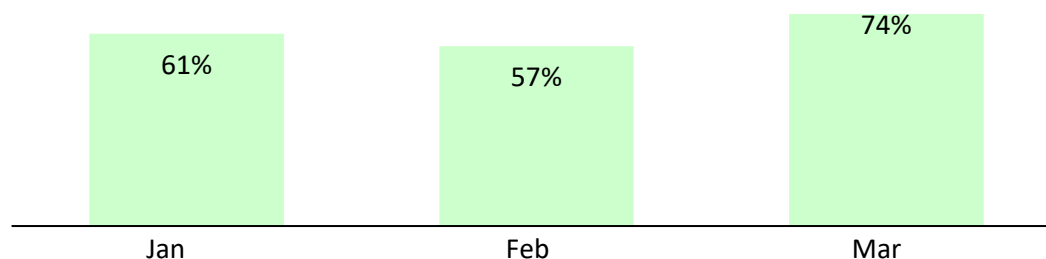
Consolidated AuM Split



Non-Restructured Book



Restructured Book (No moratorium)



- Non-restructured book (~INR 5,408 crs) **performing well at 100.3% CE for the quarter**
- **New book disbursed in FY 22 (~3,373 crs) which is 44% of the book at 107% CE in Q4FY22**
- We expect current quarter (Q1FY23) to be BAU on collections delivering >98% CE

- Restructured book (~INR 995 crs) **performing at 64% CE for the quarter and 74% for March.**
- **60% of customers have paid 1 installment in last 3 months**
- While restructuring, no moratorium was given to the customers (as permissible per the Covid 2.0 guidelines). Since microfinance customers need time for regularizing their income cycles, we saw the stress much early
- **We have total provisions worth 648 crores which is sufficient to cover any risk that may arise in the historical portfolio.**

- Non-Restructured Portfolio ageing: 1-30: 9.0% of AUM, 31-60: 2.9%, 61-90: 1.8%, 90+: 7.8%
- 90+ book is 912 crore against which 648 crore provision is made, no significant incremental provisions expected.
- Overall collection efficiency of 94.1% in Q4 FY22

# ...With adequate provisions existing on the balance sheet

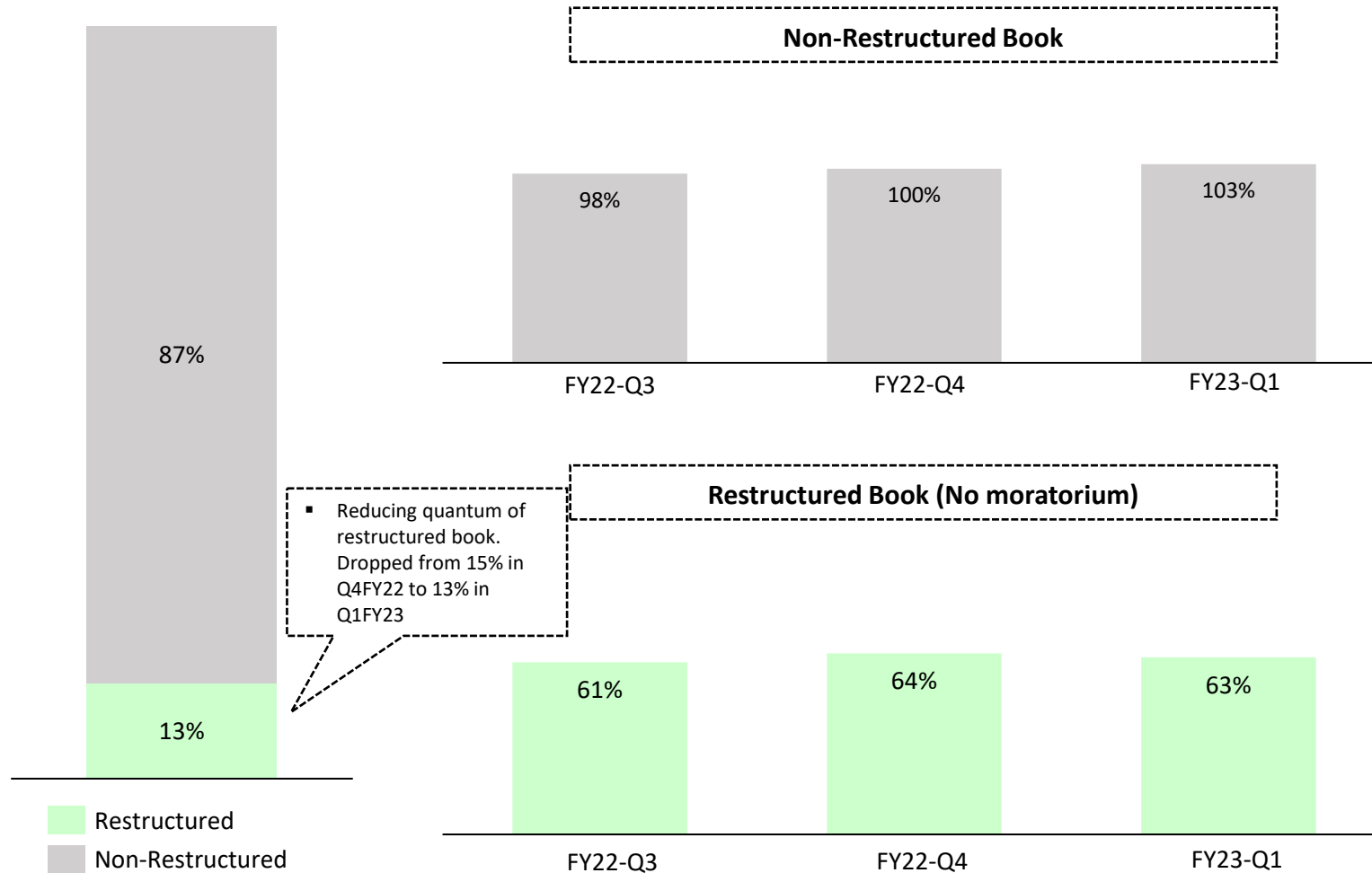
Total provisions on balance sheet of Rs.648 crore, accounts for 10.6% of the portfolio\*

Balance Sheet Particulars (Rs. crore)	Q4FY22
Standard Provisions	34
Other than standard provision	614
<b>Total Provisions on Balance Sheet</b>	<b>648</b>

P&L Particulars (Rs. crore)	YTD FY22	Q4FY22
Incremental Provisions for FY22	288.9	(67.6)
<b>Write-offs during the year</b>	<b>191.6</b>	<b>87.6</b>
Interest income recognized net of provision	28.3	25.8
Interest de-recognition on Stage III loans	8.8	3.6
<b>Cumulative Provisions &amp; Write-offs (as per profit &amp; Loss Account)</b>	<b>517.6</b>	<b>49.4</b>

- The Company has written off loans to the tune of 103 crores in Q3 FY22. All the loan accounts which were outstanding for more than 365 days as at 31 December 2021 and has not paid any installment in the past 3 months period (Oct-Dec)
- The Company has written-off loans to the tune of 87.6 crores; 57.9 crores from non-restructured book ( outstanding for more than 365 days and collection is less than INR 1,500 in last three months) and 30 crores from restructured book in Q4 FY22 ( June 2022 and March 2022 DPD>90; and has not paid any installment in the past 3 months period (Jan-March)).

# Q1 FY23 has witnessed an improvement in collection efficiency and asset quality



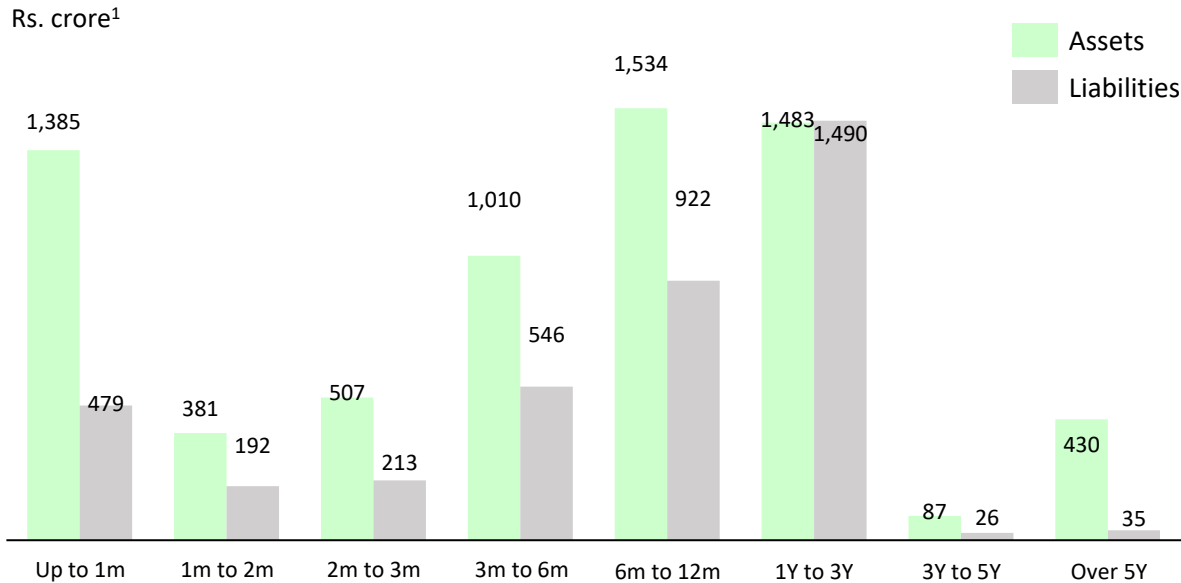
- Non-restructured book (~INR 5,603 crs) **performing well at 103% CE for the quarter**

- Restructured book (~INR 844 crs) **performing at 62.5% CE for the quarter and 62.5% for June.**
- While restructuring, no moratorium was given to the customers (as permissible per the Covid 2.0 guidelines). Since microfinance customers need time for regularizing their income cycles, we saw the stress much early

**Overall collection efficiency of 96%+ in Q1 FY23 vs. 94% in Q4 FY22**

# Comfortable liquidity position driven by strong track record

Positive ALM (Rs. crore)



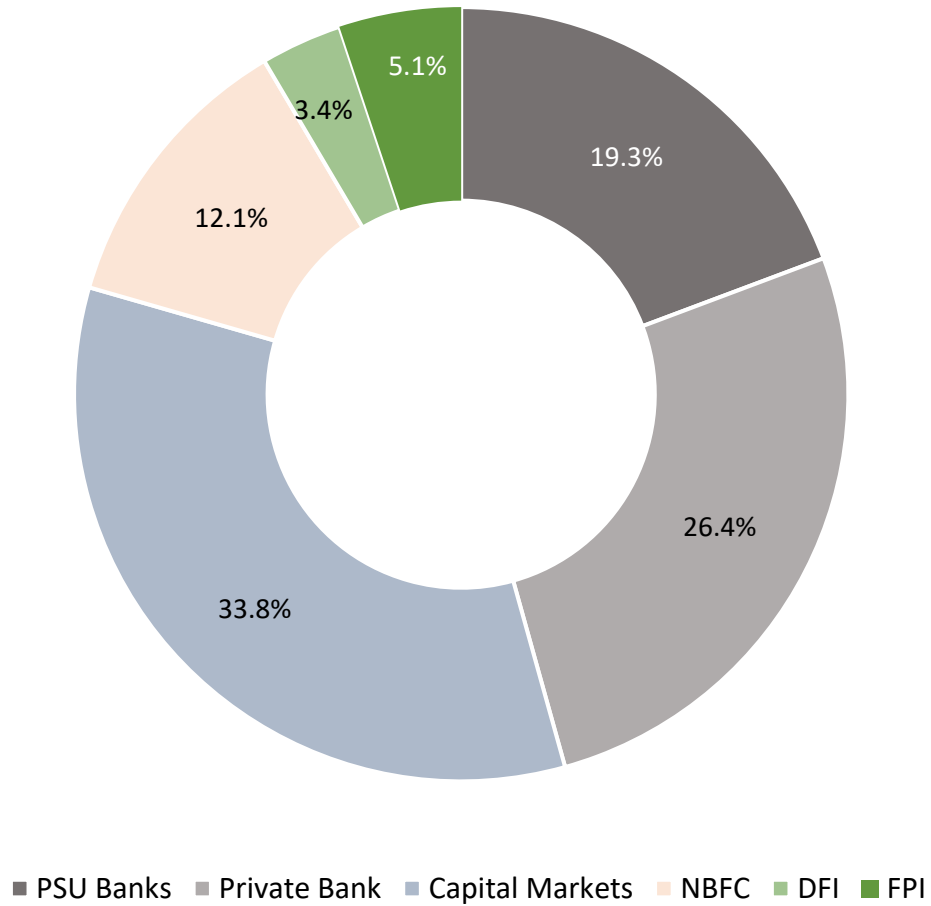
- Positive ALM across all buckets on cumulative basis with assets maturing faster than liabilities
- All ongoing lender repayments/commitments continue to be fulfilled on the scheduled dates
- Current closing cash balance (INR 420 cr as on 30 June) is sufficient to meet future liquidity needs for lender repayments and embark on new disbursements

High level of engagement with rating agencies by the Company

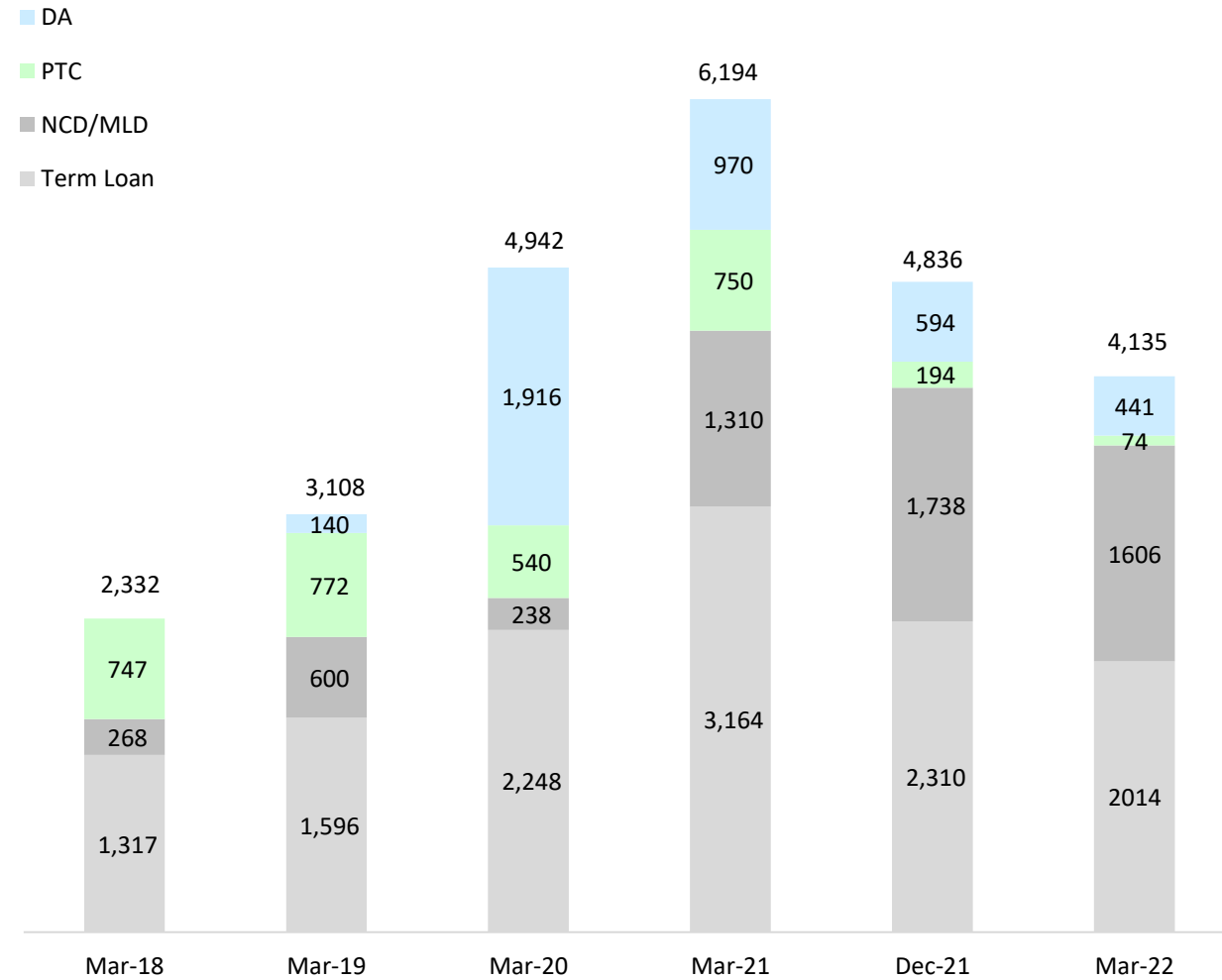
Rating Instrument	Rating Agency	Rating	Year
Bank Facilities / NCD's / MLD's	Ind-Ra/ICRA	A / A-*	Mar 2022
Bank Facilities / NCD's / MLD's	Ind-Ra	A / A-	Dec 2021
Bank Facilities / NCD's / MLD's	CRISIL/ ICRA	A / A-*	Nov 2021
Bank Facilities	CRISIL	A	July 2021
Bank Facilities / NCD's / MLD's	Ind-Ra	A	Dec 2020
Bank Facilities / NCD's	ICRA	A-	Mar 2019
Bank Facilities / NCD's	ICRA	BBB+	May 2018
Bank Facilities / NCD's	ICRA	BBB	Feb 2018
Bank Facilities / NCD's	ICRA	BBB-	Aug 2017

# Diversified Borrowing Profile

Diversified Funding Mix (As on Mar-22)

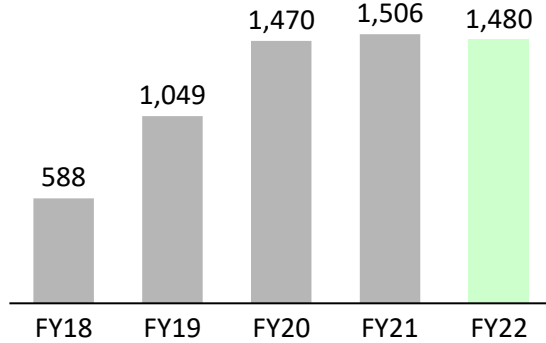


Borrowings (Rs. crore)

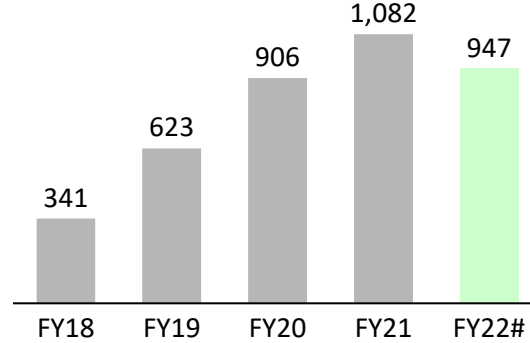


# Financial Performance – FY 2022

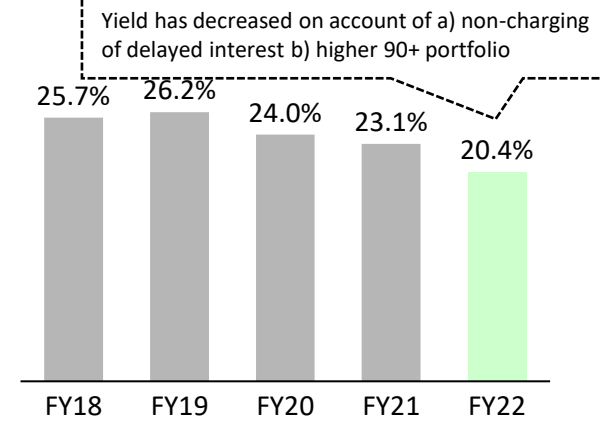
Total Income (Rs. crore)



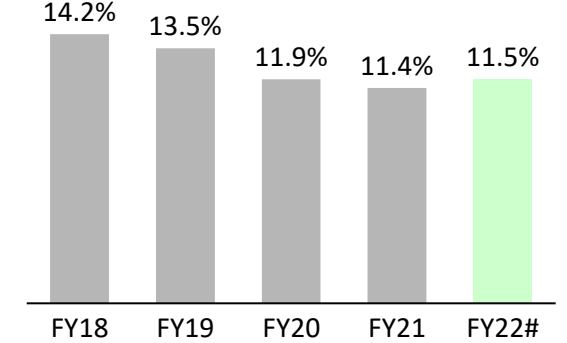
Net Interest Income (Rs. crore)



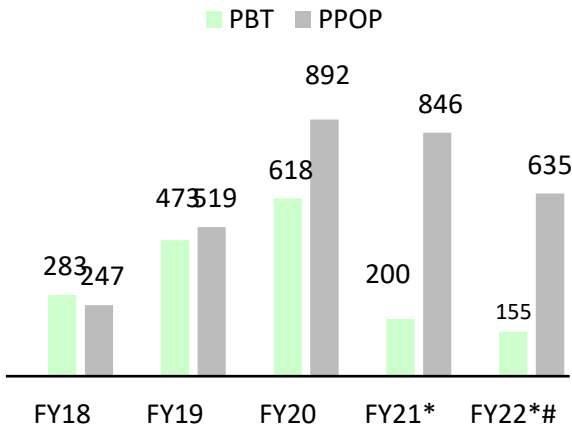
Yield (%)



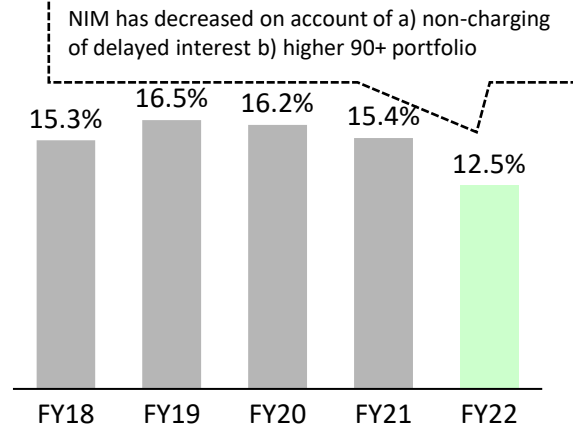
Cost of Borrowings (%)



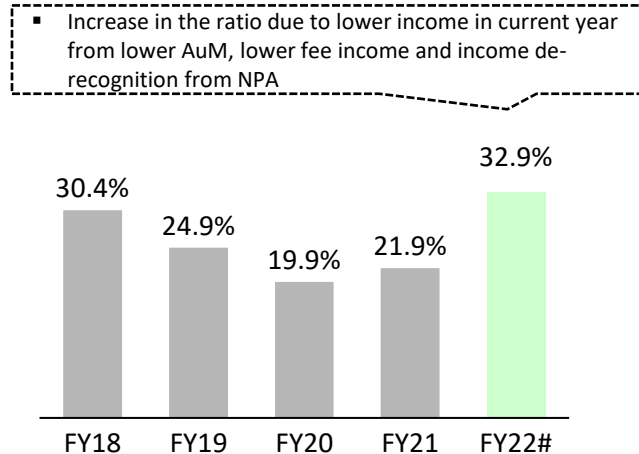
PPOP & PBT (Rs. crore)



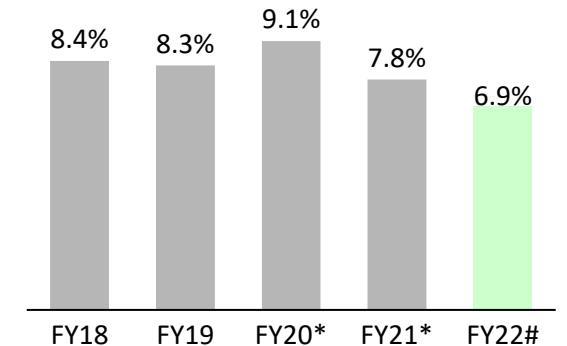
NIM (%)



Cost to Income Ratio (%)



ROA (%)



\*Normalized figures (excluding Covid related provisions, provision on restructuring accounts & one-time deferred adjustments)

# Excludes one time payment of interest on income tax of 7.1 crore, 40 crores settlement fees and 10.5 crore one-time transition expenses ; for consol portfolio excl DA. All ratios calculated on average monthly AuM or cost of borrowing where applicable

# Consolidated Profit & Loss Statement – Profit before credit costs continue to improve on quarterly basis

Particulars (Rs. crore)	FY22	FY21	Q4 FY22	Q3 FY22	Q4FY21
<b>Revenue from Operations</b>					
Interest income	1,336.5	1,362.7	260.8	328.5	403.0
Commission and incentive income	6.5	9.7	6.5	-	8.8
Net gain on fair value changes	78.2	76.1	8.3	10.1	37.2
Other Income	41.6	34.2	11.2	7.5	25.0
<b>Total income from operations</b>	<b>1,462.8</b>	<b>1,482.6</b>	<b>286.8</b>	<b>346.1</b>	<b>473.9</b>
Non-operational Income	17.2	23.0	12.2	3.7	6.4
<b>Total income</b>	<b>1,480.0</b>	<b>1,505.6</b>	<b>299.1</b>	<b>349.9</b>	<b>480.3</b>
<b>Expenses</b>					
Finance cost	540.1	423.2	107.9	139.0	138.1
Net loss on financial assets and liabilities designated at fair value through profit or loss	0.1	2.7	0.0	(0.0)	2.7
Impairment on financial instruments and other provisions	289.0	63.5	(67.6)	(38.8)	59.0
Employee benefit expense	228.4	171.5	64.1	61.3	44.1
Depreciation and amortization expense	9.2	7.6	2.7	2.4	2.5
Other expenses	74.3	55.0	20.5	18.9	14.1
<b>Total Expenses</b>	<b>1,141.0</b>	<b>723.6</b>	<b>127.6</b>	<b>182.8</b>	<b>260.5</b>
<b>Profit before Tax</b>	<b>339.0</b>	<b>782.0</b>	<b>171.5</b>	<b>167.1</b>	<b>219.8</b>
Tax expense	27.0	55.0	9.2	14.4	17.9
<b>Normalized Profits</b>	<b>312.0</b>	<b>727.1</b>	<b>162.3</b>	<b>152.7</b>	<b>201.9</b>
Provision and write-off related to Covid-19 and others	191.6	581.6	87.6	103.1	152.6
<b>Profit before exceptional item</b>	<b>120.4</b>	<b>145.5</b>	<b>74.7</b>	<b>49.6</b>	<b>49.3</b>
Exceptional expense	50.6	-	46.1	4.5	-
<b>Net Profit (as reported)</b>	<b>69.8</b>	<b>145.5</b>	<b>28.6</b>	<b>45.1</b>	<b>49.3</b>

# Consolidated Balance Sheet – Networth of 3,088 Cr and capital adequacy of 50+%

ASSETS (Rs. crore)	Mar 31, 2022	Mar 31, 2021
<b>Financial Assets</b>		
Cash and cash equivalents	727.2	1,135.2
Bank Balances other than cash and cash equivalents	475.1	245.8
Trade Receivables	20.1	12.1
Loan Portfolio	5,518.4	6,933.0
Investments	2.4	2.3
Other financial assets	74.6	75.7
<b>Total Financial Assets</b>	<b>6,817.7</b>	<b>8,404.1</b>
<b>Non-Financial Assets</b>		
Current tax assets (net)	18.8	15.3
Deferred tax assets (net)	184.2	104.7
Property, Plant and Equipment	6.8	19.9
Intangible assets	7.1	0.8
Goodwill	17.4	17.4
Other non-financial assets	24.3	14.7
<b>Total Non-Financial Assets</b>	<b>258.6</b>	<b>172.8</b>
<b>Total Assets</b>	<b>7,076.3</b>	<b>8,576.9</b>

LIABILITIES & EQUITY (Rs. crore)	Mar 31, 2022	Mar 31, 2021
<b>Financial Liabilities</b>		
Debt Securities	1,778.2	2,034.6
Borrowings (Other than Debt Securities)	1,973.7	3,318.4
Subordinated Liabilities	20.2	20.2
Other Financial liabilities	131.2	269.7
<b>Total Financial Liabilities</b>	<b>3,903.3</b>	<b>5,642.9</b>
<b>Non-Financial Liabilities</b>		
Current Tax Liabilities (net)	28.2	146.3
Provisions	4.0	1.7
Other Non-Financial liabilities	50.9	34.9
<b>Total Non-Financial Liabilities</b>	<b>83.1</b>	<b>182.9</b>
<b>Equity</b>		
Equity Share Capital	69.1	64.3
Other Equity	3,018.5	2,684.8
<b>Equity attributable to shareholders of the company</b>	<b>3,087.6</b>	<b>2,749.1</b>
Non-Controlling Interest	2.4	2.0
<b>Total Equity</b>	<b>3,089.9</b>	<b>2,751.1</b>
<b>Total Liabilities and Equity</b>	<b>7,076.3</b>	<b>8,576.9</b>





Q4 FY22 – Consolidation and Strengthening the Fundamentals



**Microfinance industry is poised to grow 4x over the next 8 years; Spandana in best position to capitalize**



Tenured new leadership well placed to drive the business guided by highly experienced Board of Directors

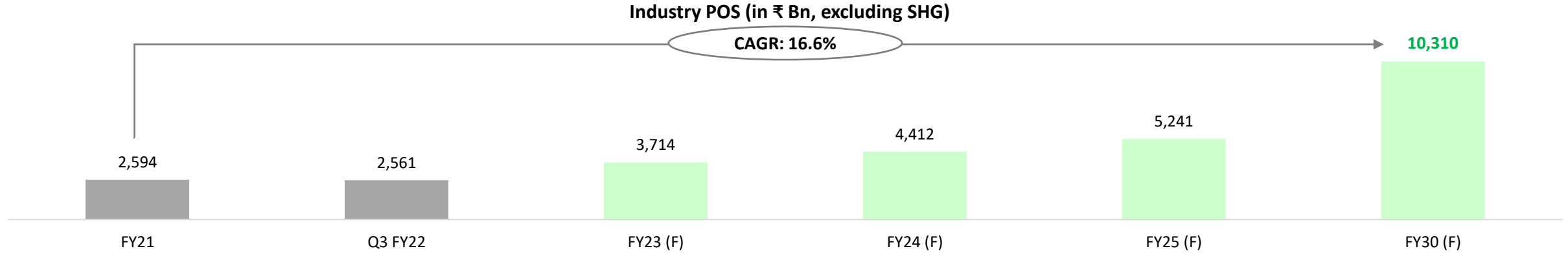
**2.0**

Spandana 2.0 – Vision for next 3 years



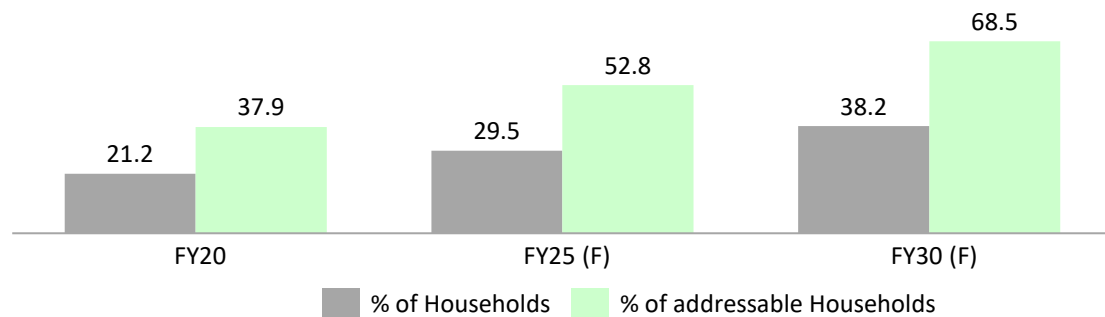
Appendix

# Industry is poised to grow 4x over next 8 years aided by strong macro tail winds & economic growth

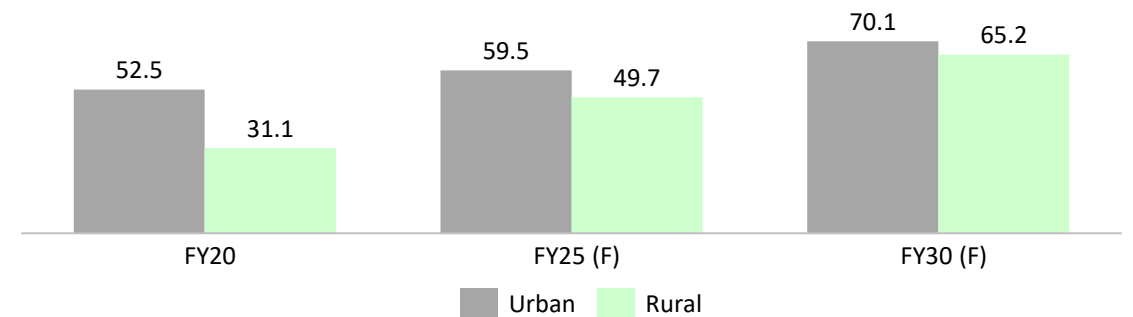


*There are a lot of whitespaces for Spandana to grow profitably*

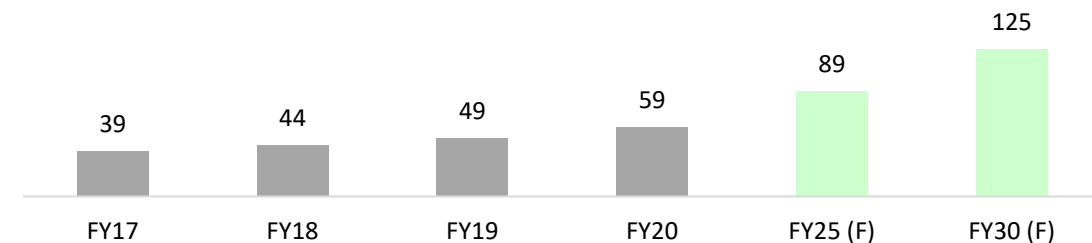
Microfinance Penetration (%)



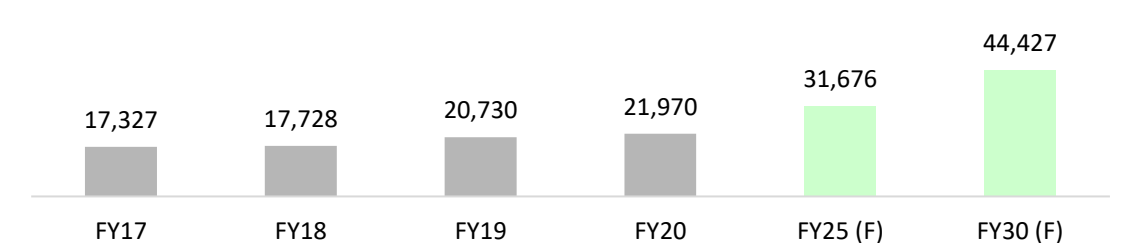
Urban vs. Rural penetration (%)



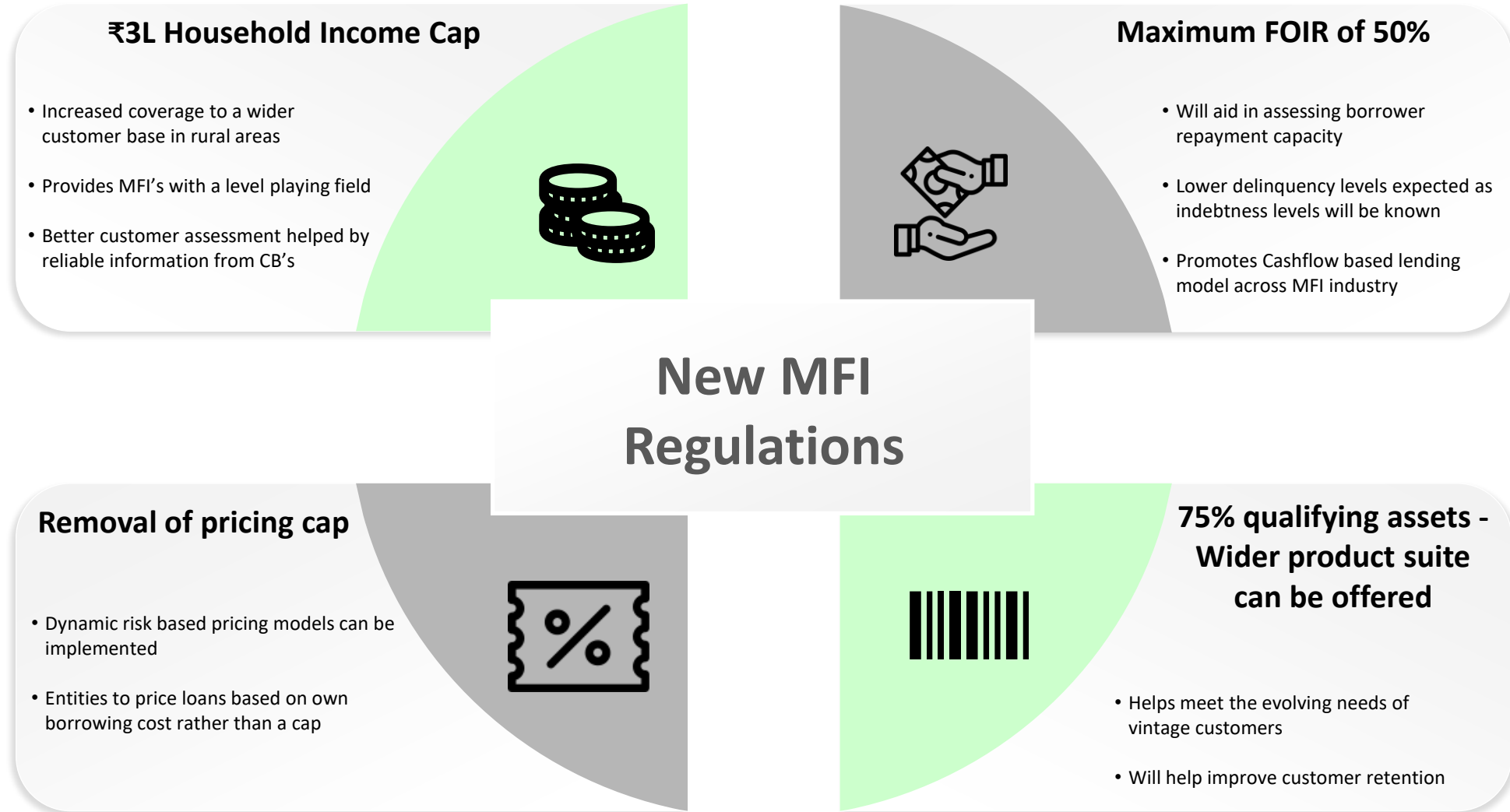
Unique Clients (in mn)



Avg. Outstanding (in ₹)

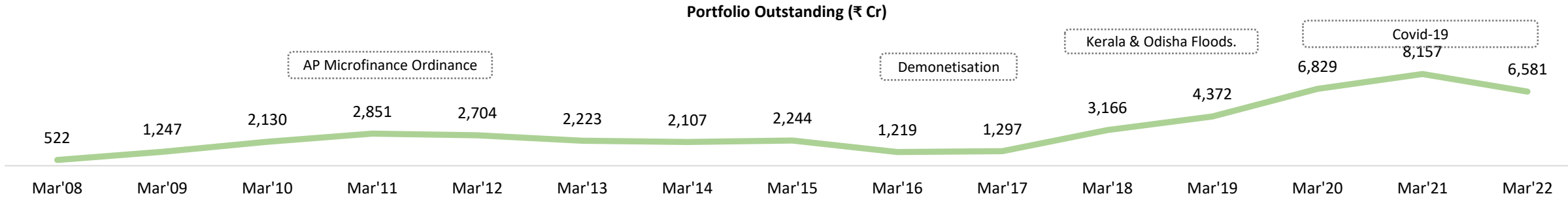


# New MFI regulation to give strong tail wind to Spandana



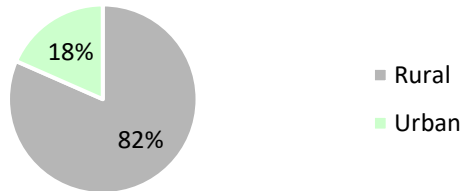
# Resilient DNA along with rural focus since inception positions us well

*Weathered multiple storms over the years*



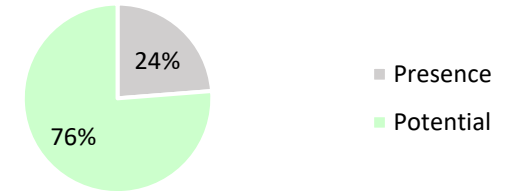
*Spandana has penetrated rural geographies with 3x expansion opportunity*

AUM from rural geographies



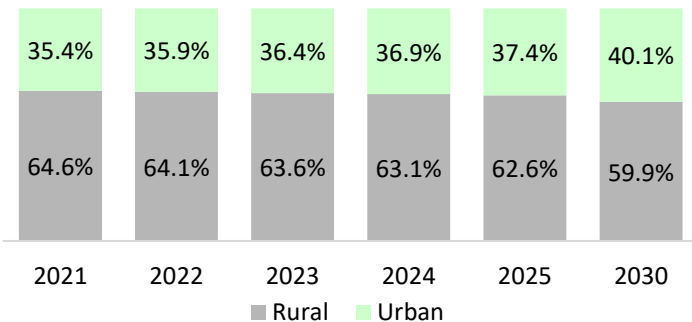
- Spandana has built a strong foothold in key rural geographies and has a deep insight into customer behaviour in these geographies
- Our rural focus presents a massive expansion opportunity through deeper penetration in adjacent districts
- Spandana has followed an agile risk management strategy and avoided over-leveraged states

Village coverage of Spandana

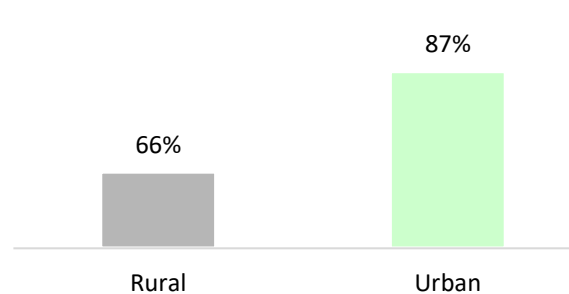


*A large portion of India's population still live in rural areas*

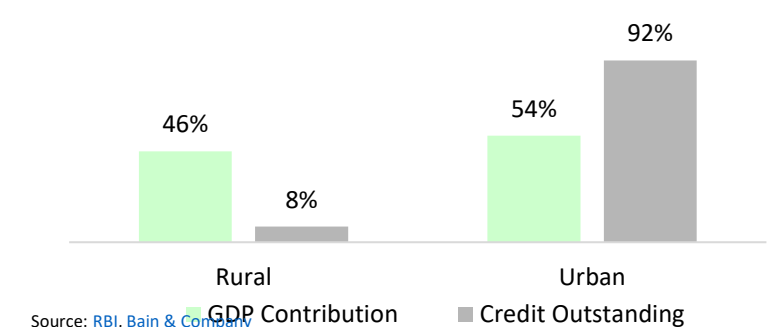
Population distribution in India



Share of Institutional Credit in Rural India



Share of Rural in GDP & Credit Outstanding



Source: World Bank

Source: All India Debt & Investment Survey, NSO, MOSPI

Source: RBI, Bain & Company



Q4 FY22 – Consolidation and Strengthening the Fundamentals



Microfinance industry is poised to grow 4x over the next 8 years; Spandana in best position to capitalize



**Tenured new leadership well placed to drive the business guided by highly experienced Board of Directors**

**2.0**

Spandana 2.0 – Vision for next 3 years



Appendix

# Spandana is being run by an Experienced Management Team

Key Hires including CEO, CFO, CTO Completed..

## Shalabh Saxena | Managing Director and CEO



- 26+ years in Consumer Banking and Life Insurance industry
- Last assignment was as MD & CEO of Bharat Financial Inclusion Limited (BFIL). During his tenure AUM grew from ₹12,000 Cr to ₹28,000 Cr in a span of 4 years. Maintained industry leading asset quality through out this period.
- Prior experience includes running large profit centers and SBU's in HSBC Life Insurance, ING Life Insurance & Standard Chartered Bank

## Ashish Damani | Chief Financial Officer



- With Bharat Financial Inclusion Ltd for over 20 years, last 8 years as CFO
- Has seen every disruption that has impacted microfinance over this period
- Led borrowing ₹12,000 Cr program prior to BFIL's merger with IndusInd Bank

## Amit Ranjan Biswal | Chief Business Officer



- Amit had previously worked between 2010-17 and re joined in May 2020
- He has 17 years of expertise in leading field operations across diverse geographies.
- In his most recent role, he was CEO of Swarna Pragati Housing Microfinance. In the past, he has also worked with organizations such as Navdhan Capital, Adhikar Microfinance, and Bharat Financial Inclusion

## Vinoth Shivam | Chief Technological Officer



- 20+ years experience in Banking industry
- Was Head of Technology at ICICI Bank prior to joining Spandana. Lead ICICI Bank to become a digital powerhouse through apps like Imobile & Instabiz
- Already driving IT upgradation to new system and new innovations at Spandana like eKYC

## Ramesh Periasamy | Chief Compliance Officer



- Qualified Company Secretary and graduate in Law
- 15 years of experience in corporate laws, legal, listing, M&A and regulatory compliance
- Worked with Embassy Office Parks REIT, Manappuram Finance Limited, Kalyan Jewellers and NeST Technologies

Management well experienced in optimizing cost structures and managing complex organizational transitions; Successfully led through various transitions including managing People, Process & System Integration seamlessly across enterprises

# Guided by a highly experienced Board of Directors

## Abanti Mitra | Non-Executive Chairman & Independent Director



- Over a decade of rich experience in mass market, microfinance, credit ratings & consulting
- Engaged in consulting assignments with institutions focused on Bottom-of-the-pyramid clients, marketing research and advisory for wholesale insurance companies and microfinance institutions.

## Bharat Shah | Independent Director



- Has been with HDFC Bank Ltd since its inception and has played a key role in the formation of the bank
- Presently he is Chairman of HDFC Securities Ltd, 3M India Ltd and Exide Industries Ltd. He is also on the Boards of prominent companies including Tata Sky Ltd, Mahindra Lifespaces & Developers Ltd etc.,

## Jagdish Capoor | Independent Director



- Served as Deputy Governor of RBI and was part of Boards of several banks such as Bank of Baroda, State Bank of India, NHB, NABARD and Exim Bank.
- Currently serves on Boards of Manappuram Finance Ltd, LIC Pension Fund Ltd, LIC Housing Finance Ltd, AGS Transact Technologies Ltd, Banyan Tree Bank Ltd Mauritius etc.,

## Deepak Calian Vaidya | Independent Director



- Was Country Head of Schroder Ventures' India operations. Spent much of his career in industry holding variety of positions in Singapore, Indonesia & India. Also served on the International Advisory Board of NASDAQ for 8 years.
- He is Chairman of Strides Shasun Ltd. He is a Director in Apollo Hospital Enterprise Ltd, UTI Capital Pvt. Ltd, Suntec Business Solutions Pvt. Ltd etc.,

## R K Kamath | Nominee Director of Kedaara Capital



- Former Chairman & Managing Director of Punjab National Bank. Also served as Chairman of PNB Housing Finance and oversaw the transformation and rapid growth of the business.
- Mr. Kamath was with Corporation Bank for 30 years before moving to Bank Of India as Executive Director and then to Allahabad Bank as Chairman & Managing Director.

## G Padmaja Reddy | Non-Executive Director



- Started Spandana in 1998. Microfinance became her calling as she went searching for a scalable, viable, sustainable model of social development – especially focused at low-income women. Over time, she has built Spandana Sphoorty into an organization with 8,000+ employees and borrower base of 2 million+
- Currently she is Founder & CEO of Keertana Financial Ltd

## Sunish Sharma | Nominee Director of Kedaara Capital



- Is the Managing Partner and co-founder of Kedaara Capital, a private equity investment firm focused on India.
- Has served as Managing Director of the global private equity firm, General Atlantic where he joined from McKinsey & Co in 2004. Has invested in technology, financial services, consumer and pharmaceutical businesses through his career.

## Amit Sobti | Nominee Director of Kedaara Capital



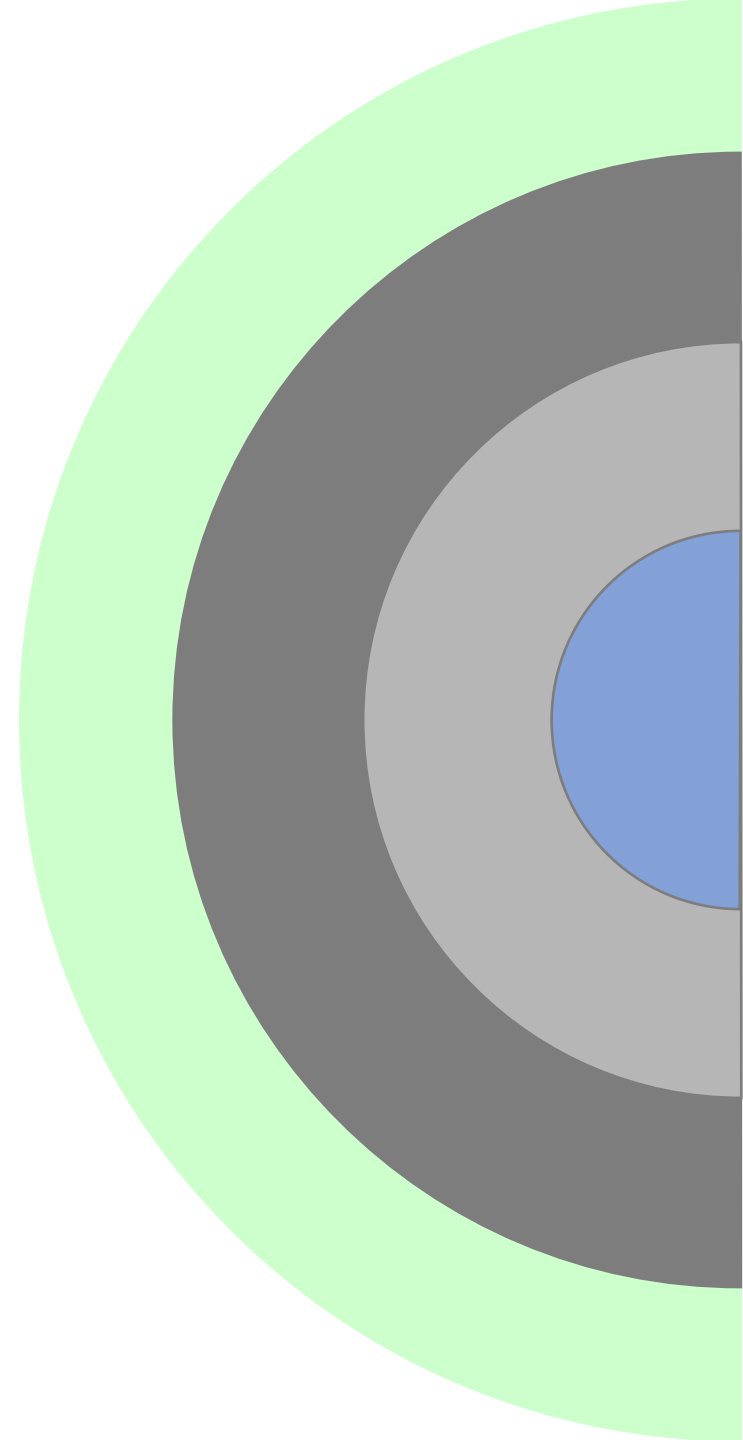
- Is a Director in the Private Capital division of Ontario Teachers' Pension Plan and is part of senior team responsible for direct and co-investing activities across Asia-Pacific region.
- Has 20 years of experience in private equity and investment banking. Has worked in large organizations including Unitas Capital, Warburg Pincus, Rhone Capital & Merrill Lynch.

## Kartikeya Dhruv Kaji | Nominee Director of Kedaara Capital



- Is a Director at Kedaara Capital
- Prior to Kedaara, Mr. Kartikeya worked as an Associate Director in the Mumbai Office of the Global investment firm Temasek Holdings. Has also worked as an Investment Banker at Merrill Lynch and Perella Weinberg Partners.

And a collective vision for the next 3 years.







Q4 FY22 – Consolidation and Strengthening the Fundamentals



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**2.0**

**Spandana 2.0 – Vision for next 3 years**



Appendix

# Spandana 2.0



# Vision 2025



*Fulfilling dreams of an Aspirational India*

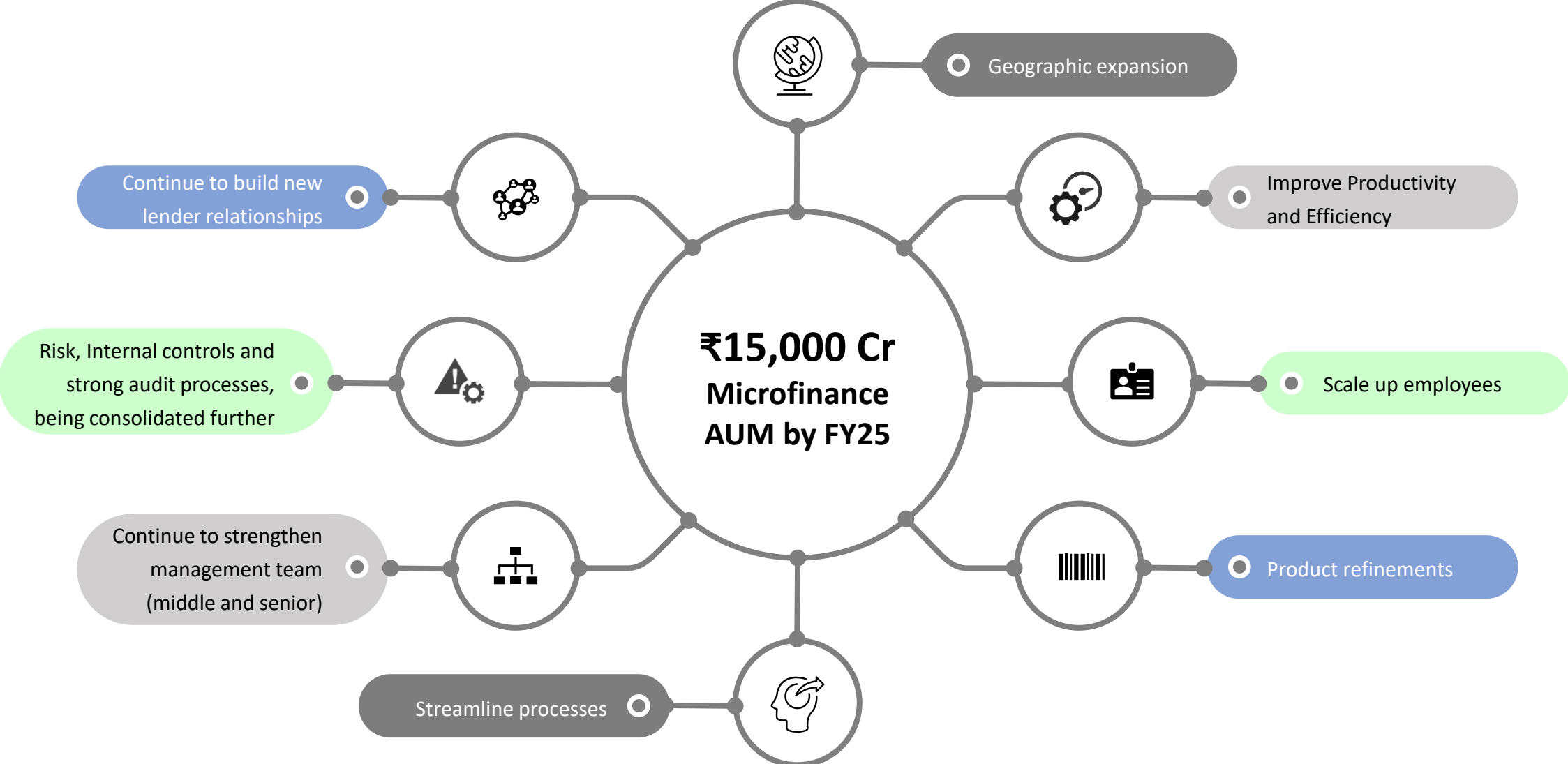


*Growing the micro finance portfolio...*



*...fulfilling other financial product needs (secured & unsecured) of the customer*

# Spandana to focus on growing its microfinance book. Will deliver AUM of ₹15,000 Cr by FY25



# Key priorities in the growth journey



Strengthen Managerial Team



Focus of Field Operations



Consolidate Governance, Control, Risk management & Processes



Explore partnership models



Meet customer needs



Audit, controls & monitoring



Technology upgrades

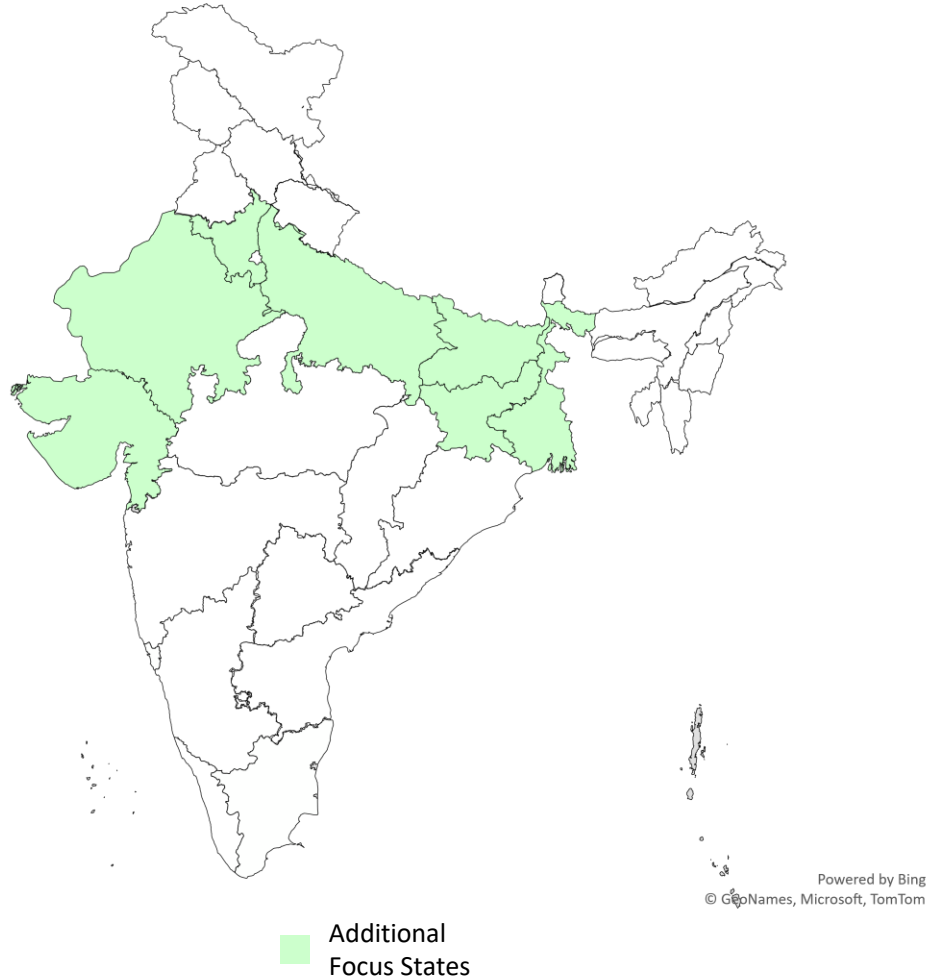


Lending partners

Technology to drive Efficiency & Productivity

# Identified 7 additional states with favorable metrics for quick scale up of microfinance book. Will continue to grow organically in the existing states

Proposed expansion states

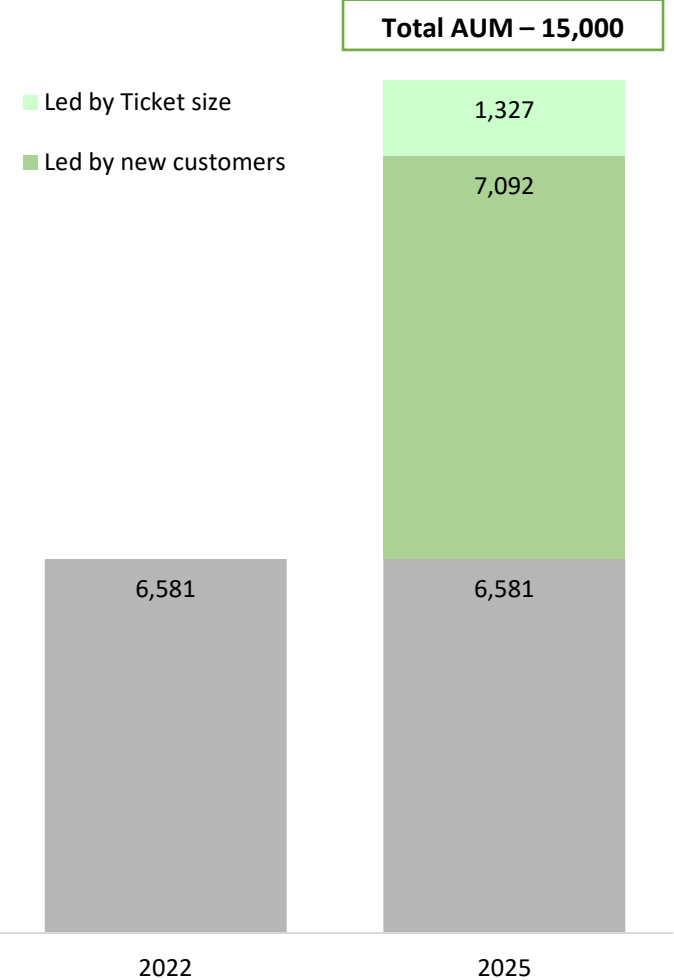


Focus on few states for accelerated growth by FY25, while avoiding concentration

Branch count	~1,500
Credit Assistant	9,500 – 9,800
Employee count	12,500 – 13,000
Loan clients	~40 Lakhs
AUM/branch	10 crs

# Well defined strategy of new customer acquisition to deliver AuM Growth

AUM growth FY22-FY25



## New Customer Acquisition Strategy

- Focus to be on customer acquisition both through organic business operations and through BC / Co-lending model
- Source customers from deep rural and semi-urban locations where the reach of formal financing channels is relatively weak
- Build a ~10% secured book which includes products like affordable housing, LAP, Gold loans, Tractor loans, Two-wheeler loans etc.,
- Meet funding requirements of Nano enterprises including through Working capital loans, LAP etc.,

## Existing Customer Engagement

- Spandana will explore possibility to graduate existing microfinance customers to higher ticket individual loan products
- Product suite to be refined to ensure that Spandana meets the life cycle requirements of all our customers, including secured products
- Look for cross-sell opportunities through partnerships that are a win-win-win for Customer, Partner and Spandana
- Develop fin-tech partnerships that enable Spandana to provide investment avenues to its long term customers
- Build partnership with a banking organization that will help Spandana mobilize low cost deposits for its banking partners

# Steering Progress through Technology

## Current State

### Overall System Architecture

- ✓ Web & mobile based technologies with Anytime + Anywhere access
- ✓ Compliance to all Regulatory requirements
- ✓ Comprehensive audit trail with robust maker-checker systems
- ✓ Tightly integrated system from Loan Origination to General Ledger
- ✓ Cloud based scalable infrastructure

### Loan Origination System

- ✓ Implemented FIMO – Disbursement started from Q4
- ✓ Flexible workflow management and seamless integration with Credit Bureaus (CIBIL, HiMark, Equifax);
- ✓ Implemented business process with CGT (Compulsory Group Training) and GRT (Group Recognition Test); Streamlined process for KYC document uploads
- ✓ Fully automated sanction process with tight workflow from CB investigation and document printing to sanction

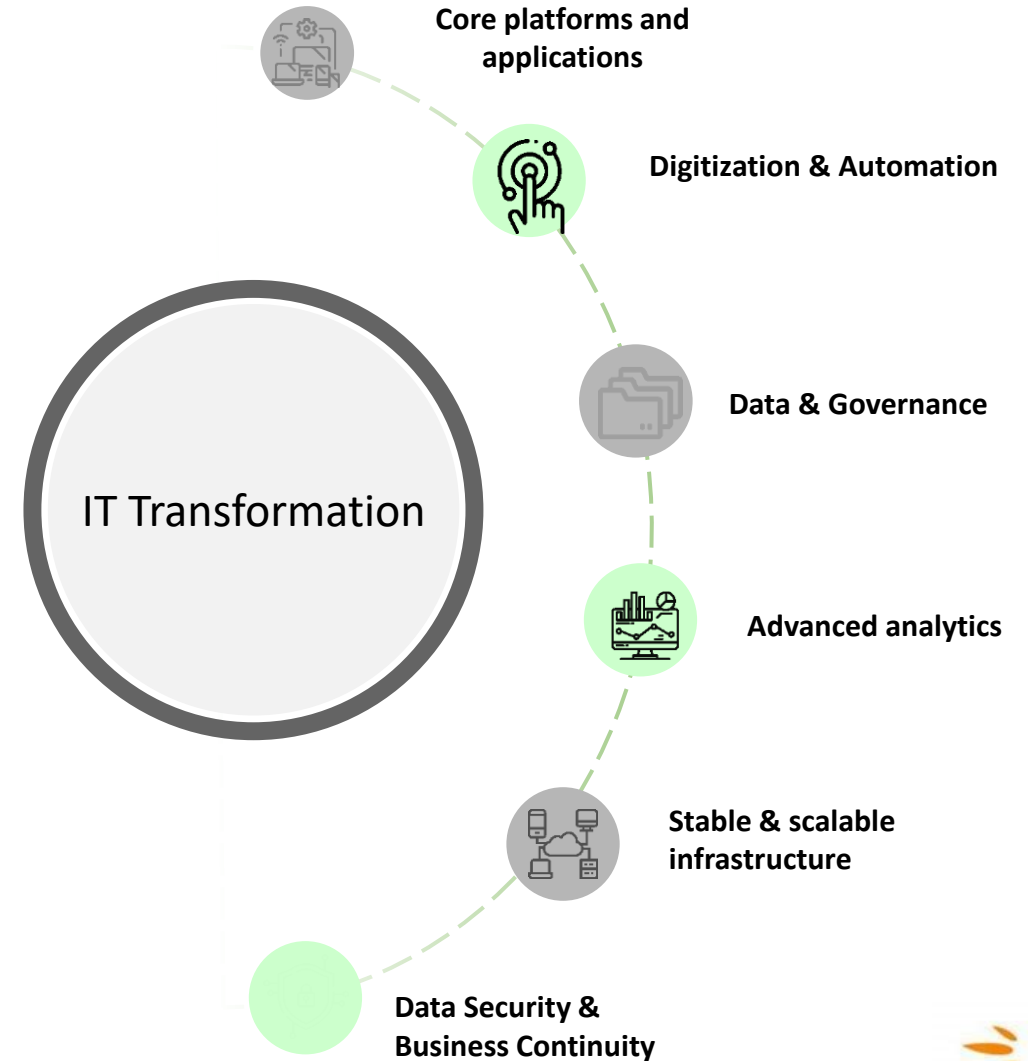
### Loan Management System

- ✓ Regular advance and overdue collections; Enabled all required MIS
- ✓ Provisions for Claims settlement, Write-offs and other nuances already built into the system; Configurable product schemes and fee structures
- ✓ MIS reports on portfolio with drill down facilities enabled; Configurable Chart of Accounts with no requirement for a dedicated ERP

### HRMS

- ✓ Implementing HRMS to streamline and automate all payroll processes
- ✓ Attendance and leave management processes to be standardized and conducted completely via the system

## Future State



# To build ₹15,000 crore on-book Microfinance AUM by FY25...

Particulars	FY22	FY23	FY25
No. of Branches	1,120	1,120	1,500
Customers (in L)	23.5	28	40
Disbursement	3,373	8,100	18,000
Average Ticket Size	32,000	33,000	47,800
AUM	6,581	9,243	18,164
NIM	12.5%	10.0%	10%
Cost to Income	32.9%	43.7%	35.7%
Opex to ANR	4.3%	6%	5.2%
Credit Cost	7.0%	2%	1.5%
Return on Assets <sup>#*</sup>	2.8%	4.0-4.75%	4.5 -5.25%
Return on Equity <sup>#*</sup>	6.9%	11.0-14.0%	22.0-24.0%
Debt / Equity <sup>^</sup>	1.2	2.1	3.1

NIM has decreased on account of a) decreased in interest rate charged b) non charging of delayed interest c) higher 90+ portfolio. The cost to income ratio is expected to rise in FY23 due to increases investments towards growing the business

*\*Normalized figures (excluding Covid related provisions, provision on restructuring accounts & one-time deferred adjustments)*

*# Excludes one time payment of interest on income tax of 7.1 crore, 40 crores settlement fees and 10.5 crore one-time transition expenses ; for consol portfolio excl DA. All ratios calculated on average monthly AuM or cost of borrowing where applicable*

*^ Debt/equity is for on-book borrowings. Including off-book, debt/equity is 4.4x*



# We will also explore partnerships for Co-lending & Banking Correspondent Models\*

## Co-lending Opportunities

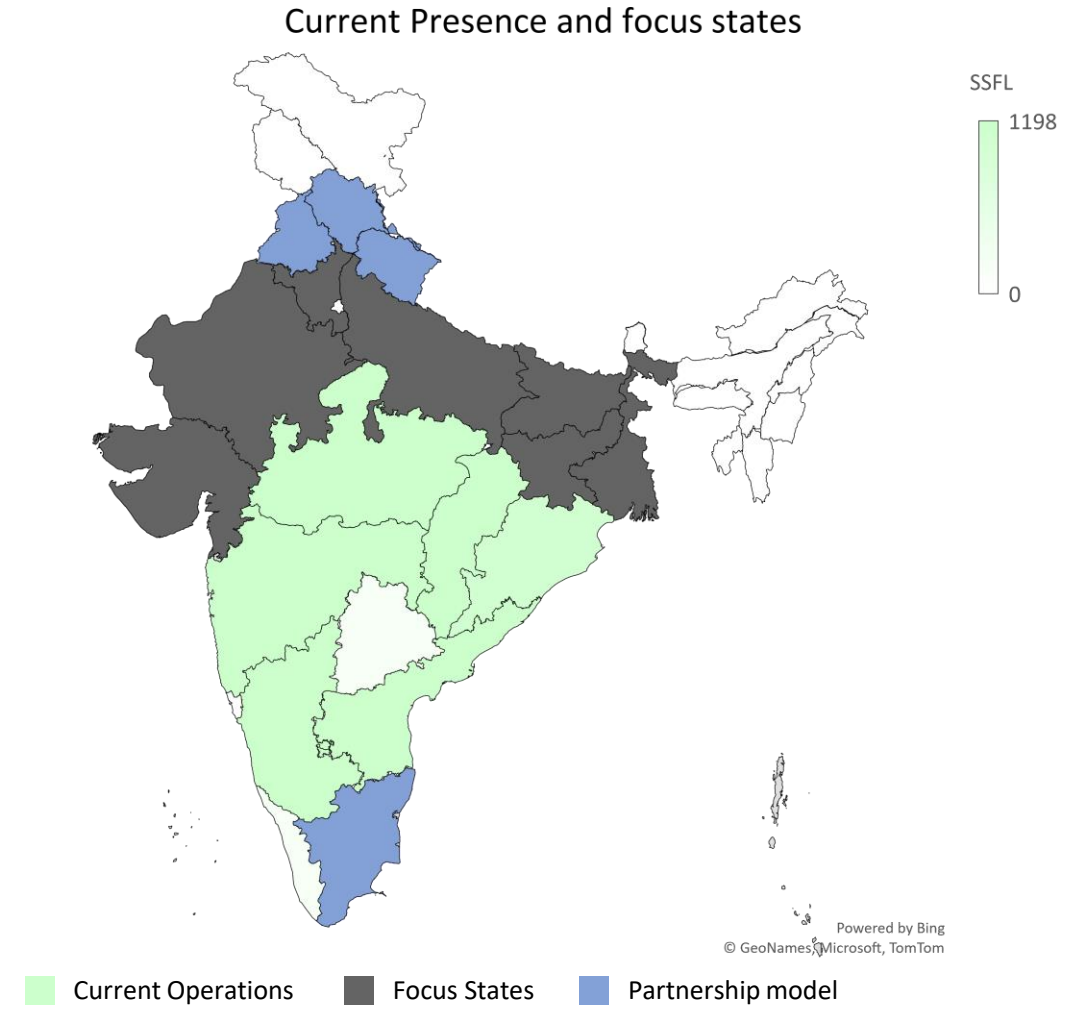
Enables quick scale-up of operations with some transfer of risk between lending partners

Allows synergy of resources, efficiencies and fastens distribution scale up

Will facilitate healthy growth of priority sector loans for banking partners

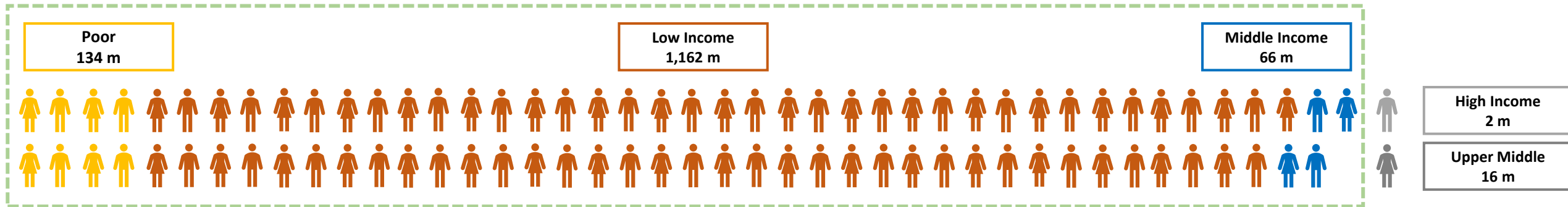
## Banking Correspondent Model

Spandana can earn BC fees from banking partners with very limited risk exposure

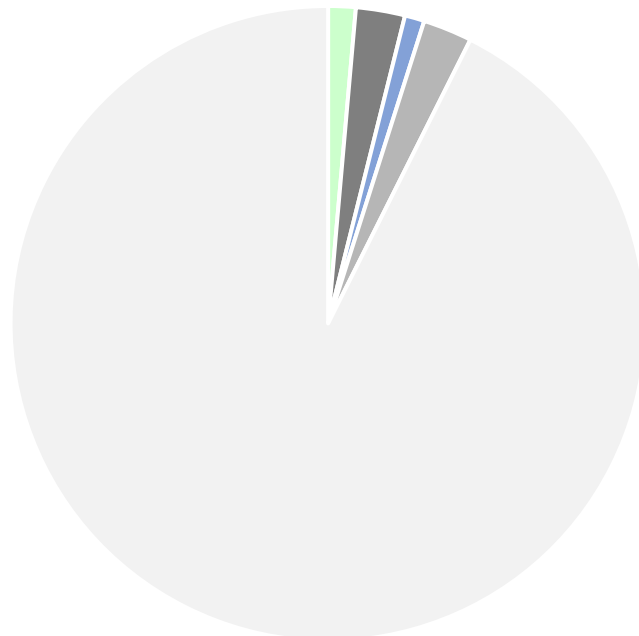


**\*Target opportunity of ₹2,000 crore - ₹3,500 crore by FY25.**

# India has a large aspirational population waiting to be served



Share of Gross Bank Credit



Segment of Banking Industry	Share of Gross Bank Credit (%)	Gross Bank Credit (in ₹ Crore)	FY25 Ambition
Microfinance (excluding credit to Nano Enterprises)	1.4%	1,67,000	15,000
Affordable Housing (ticket size less than ₹10 Lakh)	2.5%	2,98,818	2,000 Cr – 3,000 Cr
Nano Enterprises (ticket size less than ₹10 Lakh)	1.0%	1,20,928	
Personal Loans (only Tier III and beyond)	2.5%	2,92,793	
<b>Total Current Market Size</b>	<b>9.9%</b>	<b>11,72,376</b>	
<b>AUM</b>			<b>17,000 Cr – 18,000 Cr</b>

Source: PEW Research, RBI (As of March 2022), CRIF Highmark, SIDBI & Internal estimates

Income Brackets as defined by PEW Research – High Income (>\$50 per day), Upper Middle (\$20.01 - \$50), Middle (\$10.01 - \$20), Low (\$2.01 - \$10) & Poor (<\$2 per day)

# We will explore products that meet aspirations of rural India; building a 10 – 15% secured portfolio



## Products To be Pursued



**Nano Enterprise (Micro loan to retailers)**



**Affordable Housing, Home Improvement & LAP**



**Vehicle (2-Wheeler)**



**Gold Loan**



**Individual Loans to Existing Borrowers (Micro-finance customers)**



**Essential consumer product loans (Solar lamps, mobile phones, sewing machines etc.)**



**2,000 Cr – 3,000 Cr**

**Opportunity**

Thank You