



**Ref: SSFL/Stock Exchange/2022-23/52**

**Date: August 04, 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 unaudited financial results of the Company for the quarter ended June 30, 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 unaudited financial results for the quarter ended June 30, 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

....Committed to low-income households



*Q1, 2023 Update*

# Safe Harbor

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# Q1 FY23 – A New Beginning

## Disbursement & New Customer Acquisition

- New Customers Acquired during the quarter 1.06 lacs
- Q1 disbursement : Rs.1,320 crs as against Rs.216 crs in FY22 Q1, growth of 511% YoY
- Strong end to the quarter with Rs.905 crs of disbursement in Jun'22

## Asset Quality and Collection

- Management re-evaluated the asset quality and divided the portfolio in the below buckets:
  - Post-April'21 Vintage Book: 62% of AuM with 107% collection efficiency
  - Pre-March'21 Vintage (Non-restructured Book): 25% of the AuM with 99.6% collection efficiency
  - Pre-March'21 Vintage (Restructured Book): 13% of the AuM with 62.5% collection efficiency
- Proposed a one-time clean-up of the pre-March'21 book: One-time write-off of Rs.702 crs, reducing the NPA from Rs.1,069 crs to Rs.367 crs. This is a one time exercise with no further write-off expected in this FY from this book.
- ~96% of the NPA is from pre-March'21 vintage book, while post-April'21 book has exhibited strong asset quality
- Post write off- GNPA at 6.7%, NNPA @ 3.4%. PAR 31–90 @ 3.5%
- Retained book has strong asset quality: In the Pre-March'21 retained book, 86% of the AuM have paid atleast 2 out of last 3 installments. Post Apr-21 asset book quality has a strong collection efficiency of 107%
- Total provisions of Rs.274 crs (5%) on balance sheet – sufficient to cover any risk in the portfolio. Incremental upside from write-off collections based on prior history.

## Liquidity Position

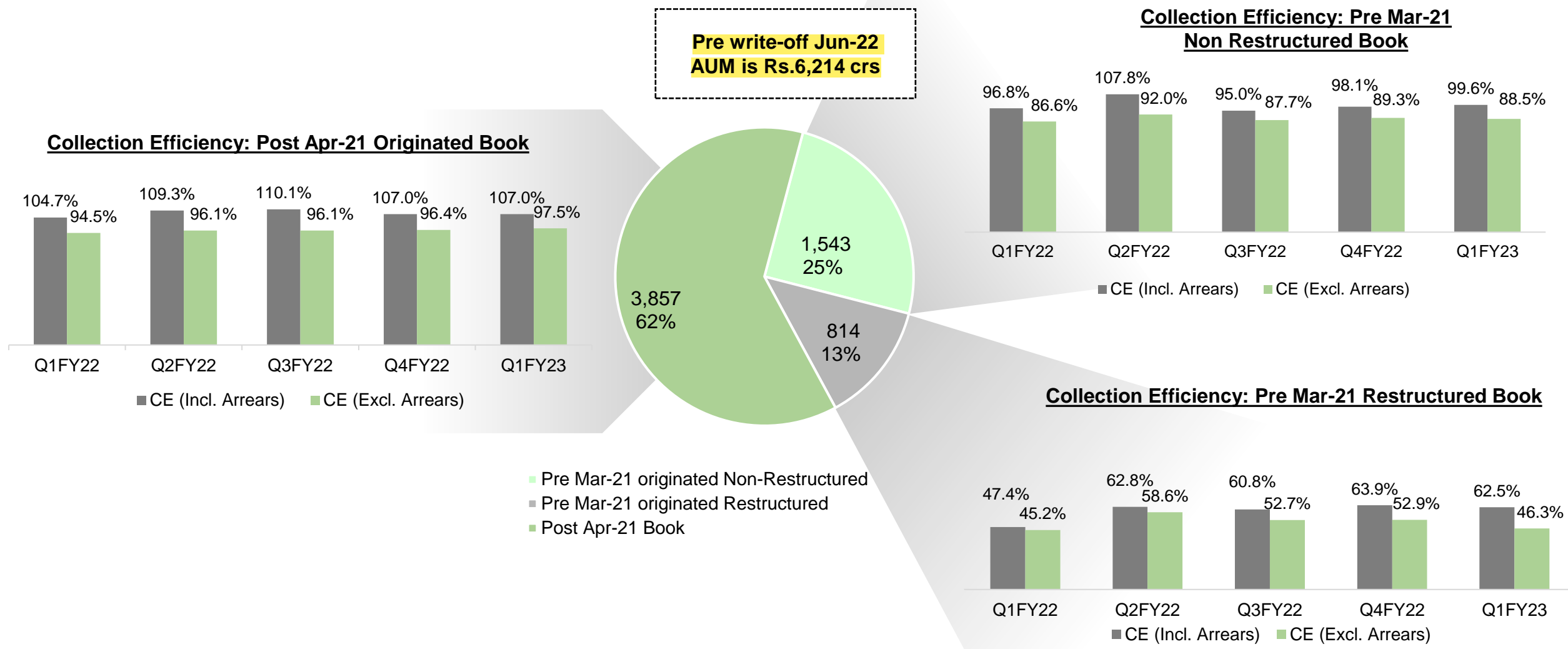
- Cash and bank balance as on 30<sup>th</sup> June was Rs.657 crs (~3x times the required monthly liability)
- Robust CRAR of 47.9% +; Rs.2,817 crs net worth

## Regulatory Update

- New RBI framework: Moved on to the new regime from 1<sup>st</sup> July, 22



**Pre Write Off: Core book performing strongly- Non restructured book (~87% of the AuM) has 105%+ Collection Efficiency.**  
**Challenges stem from older, restructured book (only 13% of AuM)**

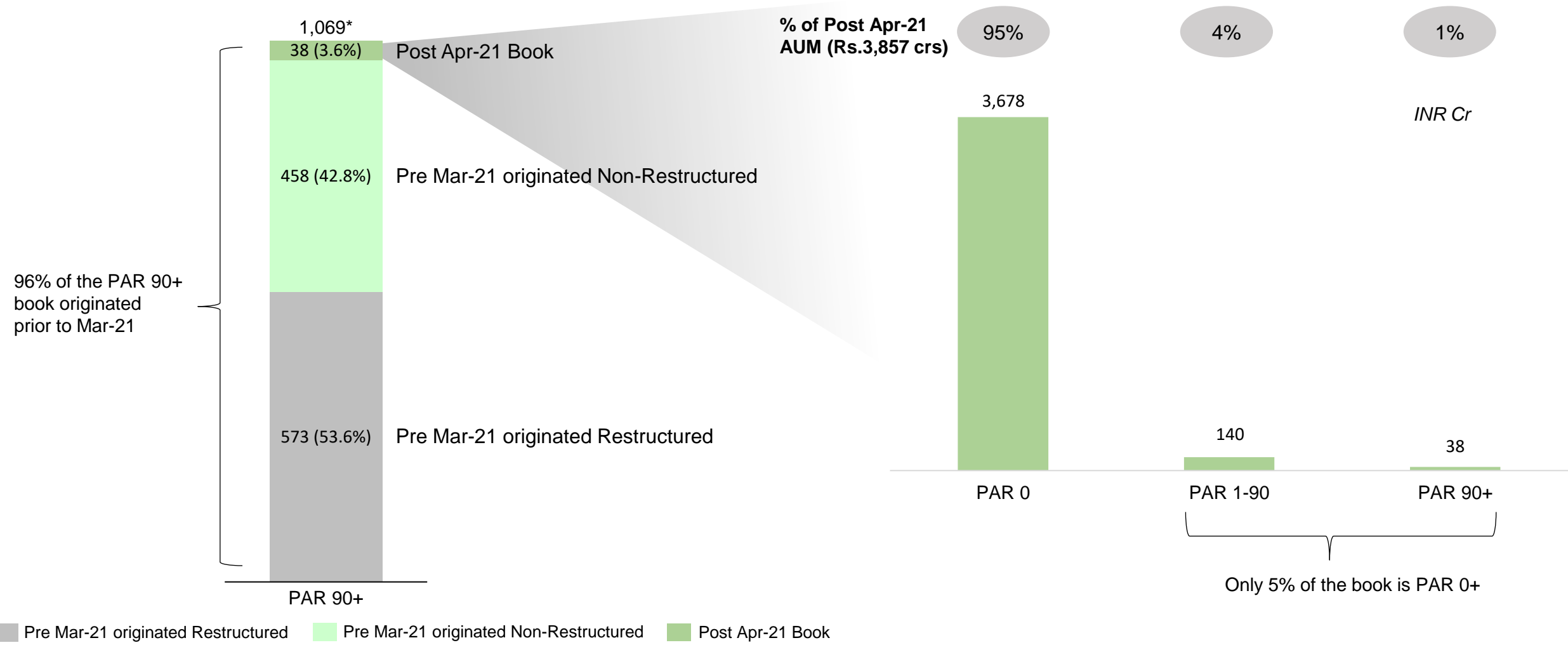


Excludes DA amounting to 417 crs

# Pre Write Off: ~96% of the Par 90+ book originated prior to Mar-21; Post April-21 Book exhibiting strong asset quality metrics @107%

Pre write- off Book NPA Breakup

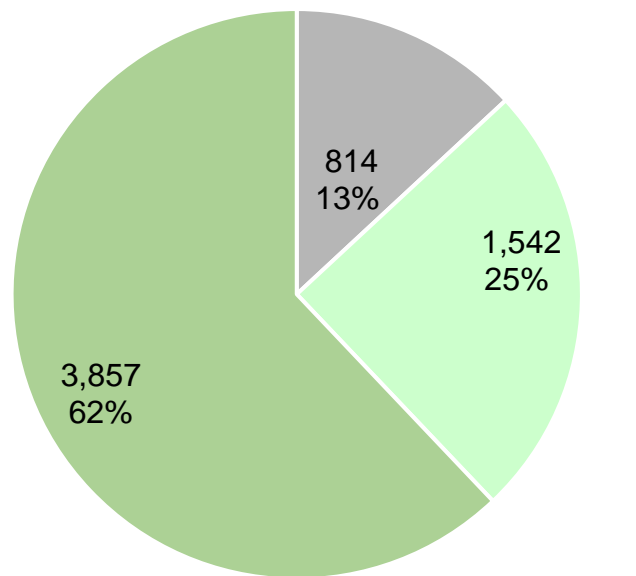
Post April-21 Originated Book has Strong Asset Quality



\*Customers who have pre-closed the loans while they are 90+ have been added back  
Excludes DA amounting to 417 crs

# One-time clean up of pre-Mar-21 originated book

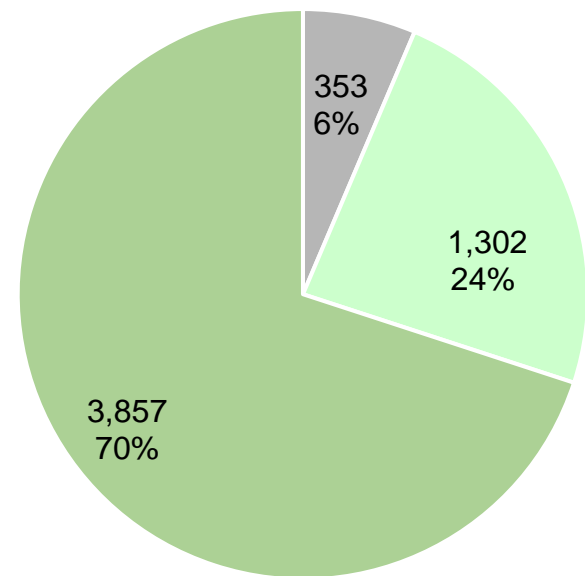
Pre Write-off break-up of the book



- Pre Mar-21 originated Restructured
- Pre Mar-21 originated Non-Restructured
- Post Apr-21 Book

AuM of Rs.6,214 crs

Post Write-off break-up of the book



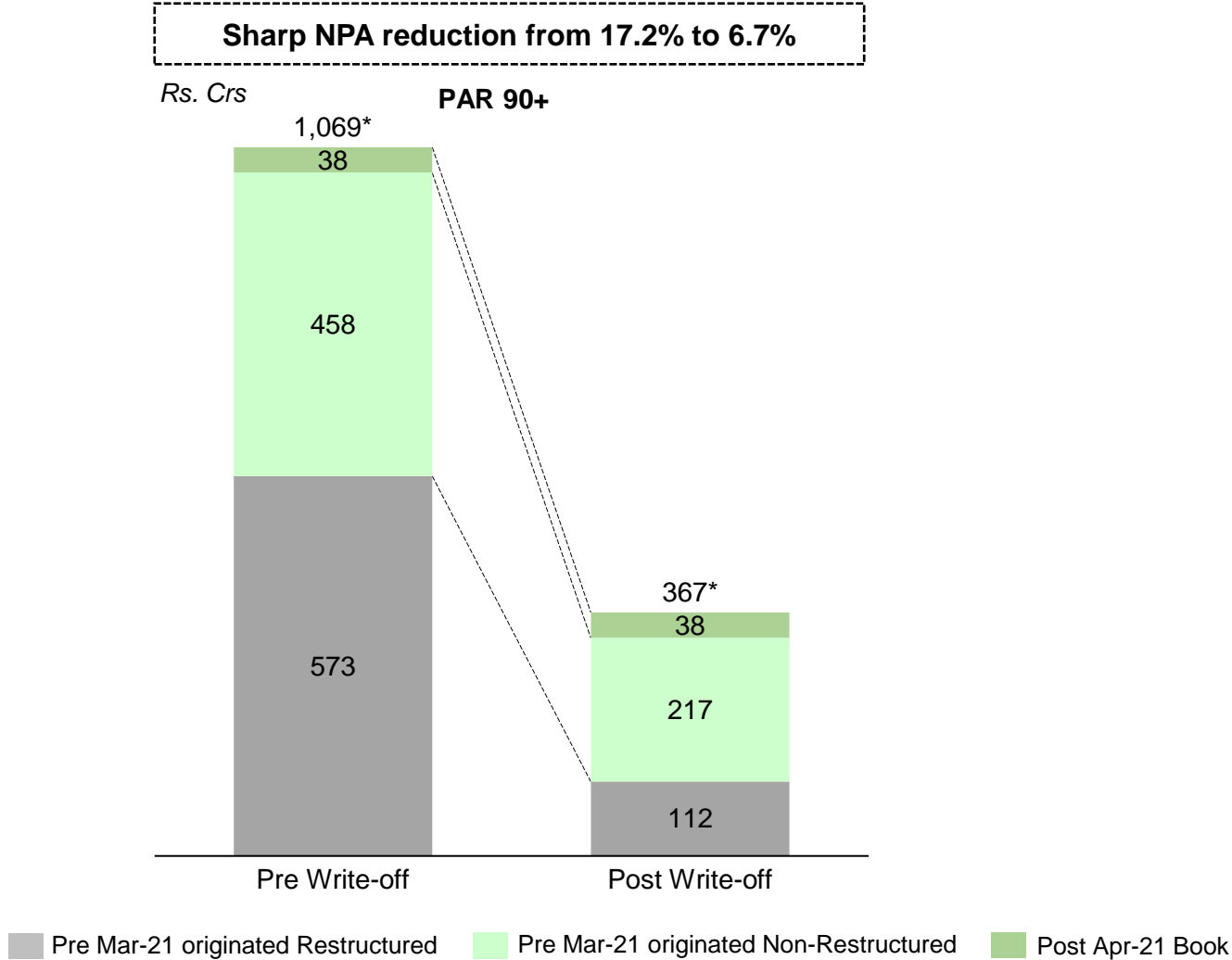
- Pre Mar-21 originated Restructured
- Pre Mar-21 originated Non-Restructured
- Post Apr-21 Book

AuM of Rs.5,513 crs

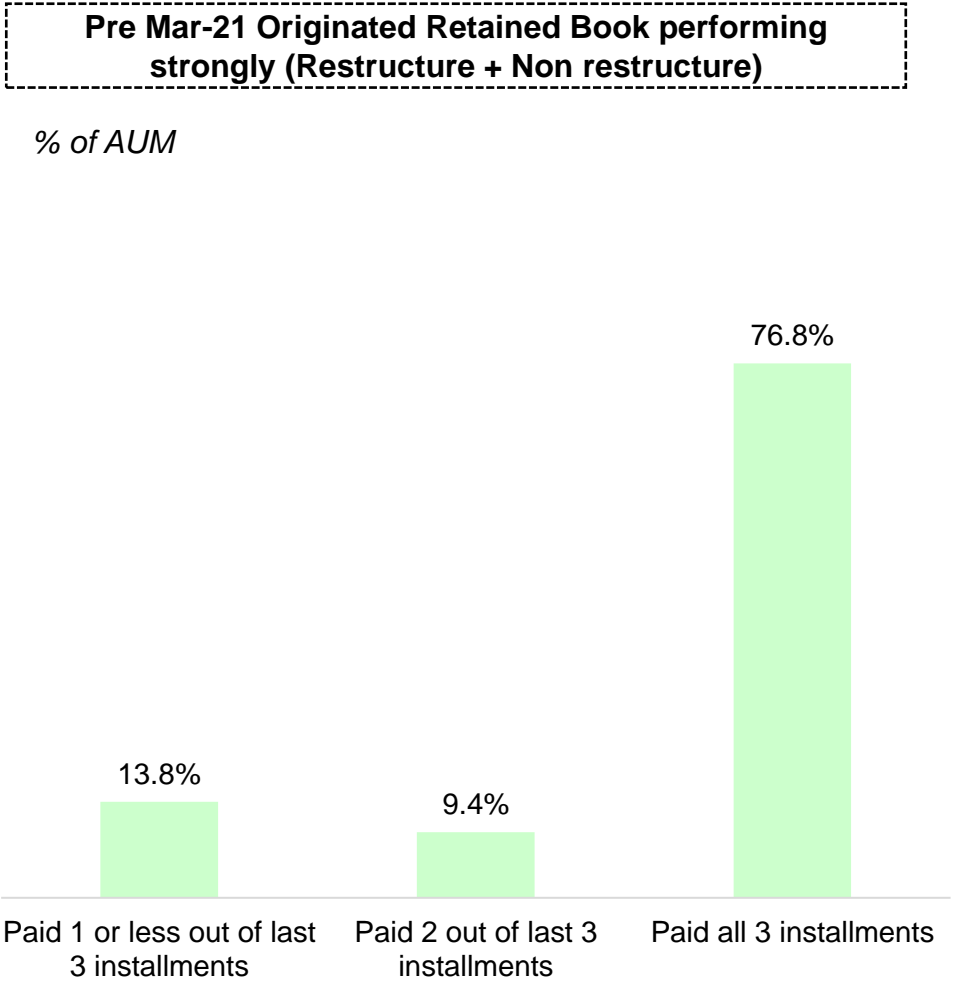


Write off 702 crores in Q1 FY23 (pre March 21 portfolio)  
These are low engagement customers (outstanding more than 90 days as at 30 June 22, paid less <1 installment in this FY(Apr-Jun)).  
No incremental write off expected from this portfolio in current Financial Year

# Retained Pre-March'21 book showing strong asset quality @105%: 77% paying 3 out of 3 instalments, 86% are paying 2 or more



**AuM of Rs.5,513 crs post write-off**

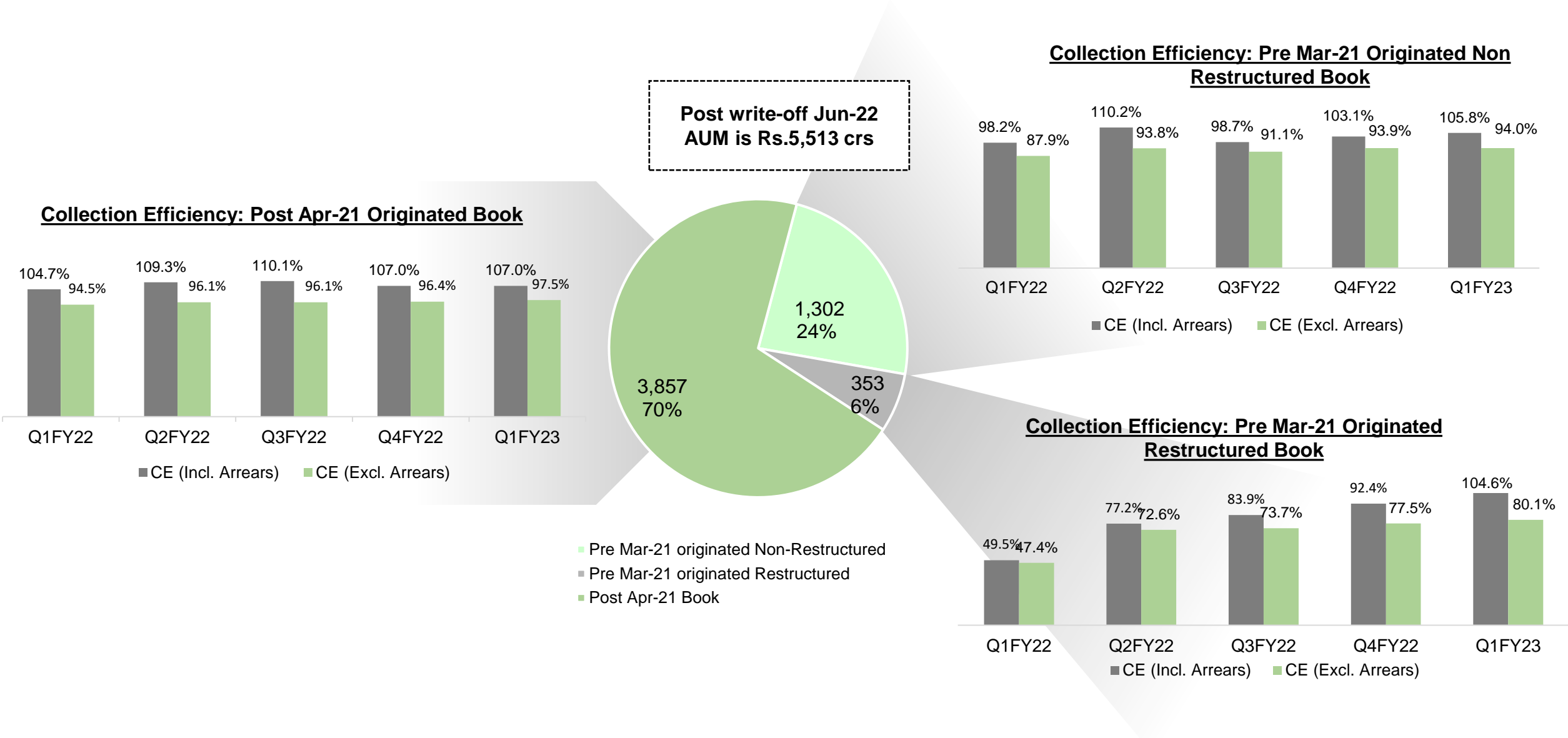


**Retained Pre Mar-21 AUM of Rs.1,655 crs**

Excludes DA amounting to Rs.417 crs  
\*Customers who have pre-closed the loans while they are 90+ have been added back



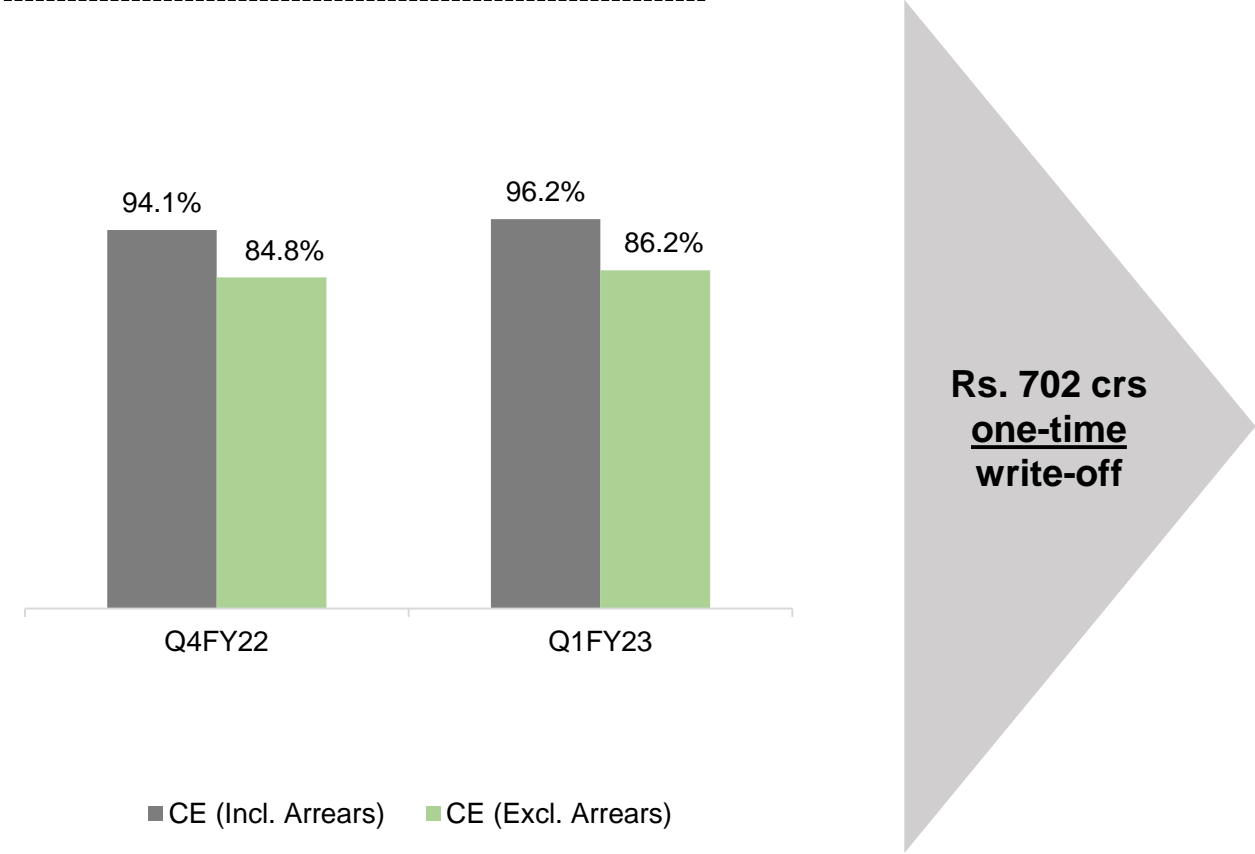
# Robust collection efficiency in Retained Book; continuous QoQ improvement



Excludes DA amounting to 417 crs

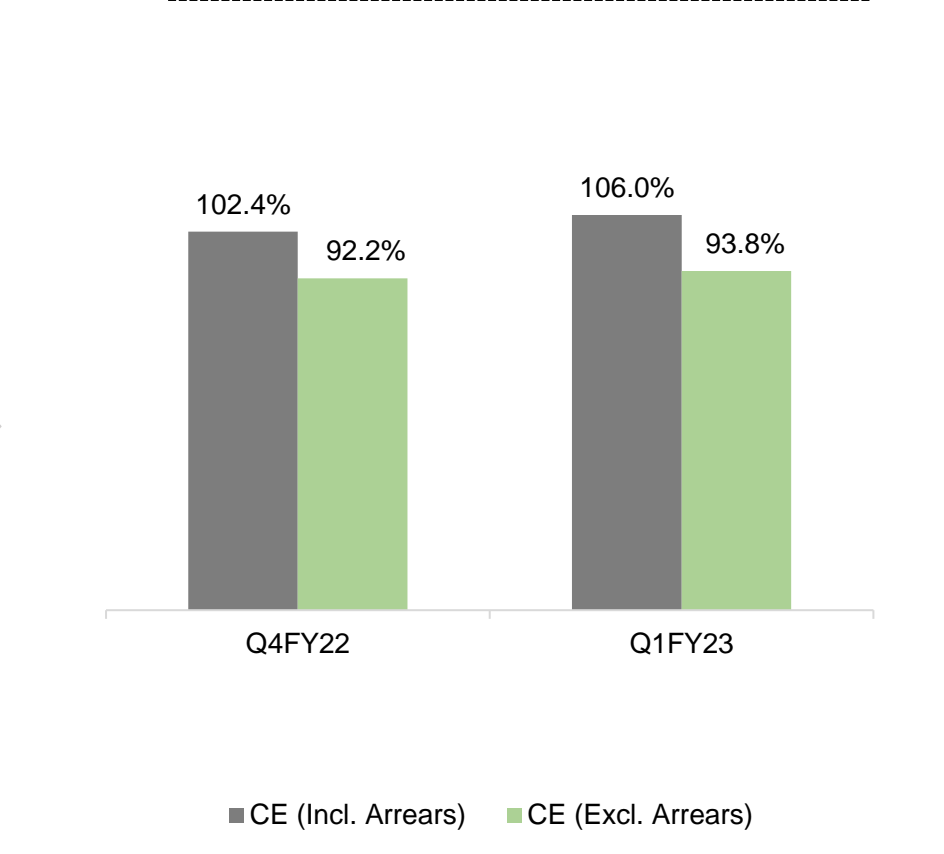
# Retained Book is displaying a strong collection efficiency of 106%

Pre Write-off collection efficiency



AuM of Rs. 6,214 cr

Post Write-off collection efficiency



AuM of Rs. 5,513 cr

# Adequate Provisioning Buffer and Potential Upside from Write-off Recovery with high capital adequacy of 47.9%

Particulars (Rs. Crs)	AUM	% AUM	ECL Provision	Coverage
Stage 1	4,953	89.9%	32	0.6%
- Current	4,731	85.8%	27	0.6%
- 1-30	222	4.0%	5	2.1%
Stage 2	192	3.5%	52	26.9%
Stage 3	367	6.7%	190	51.7%
<b>Total</b>	<b>5,513</b>	<b>100%</b>	<b>274</b>	<b>5.0%</b>

Particulars	SSFL	Consolidated*
GNPA#	6.5%	6.7%
NNPA	3.3%	3.4%
Capital Adequacy (CRAR %)		47.9%

P&L Particulars (Rs. crs)	Q1FY23
Incremental Provisions for FY23	(350)
Write-offs during the quarter	701.7
Interest de-recognition on Stage III loans	38.3
Cumulative Provisions & Write-offs (as per profit & Loss Account)	390

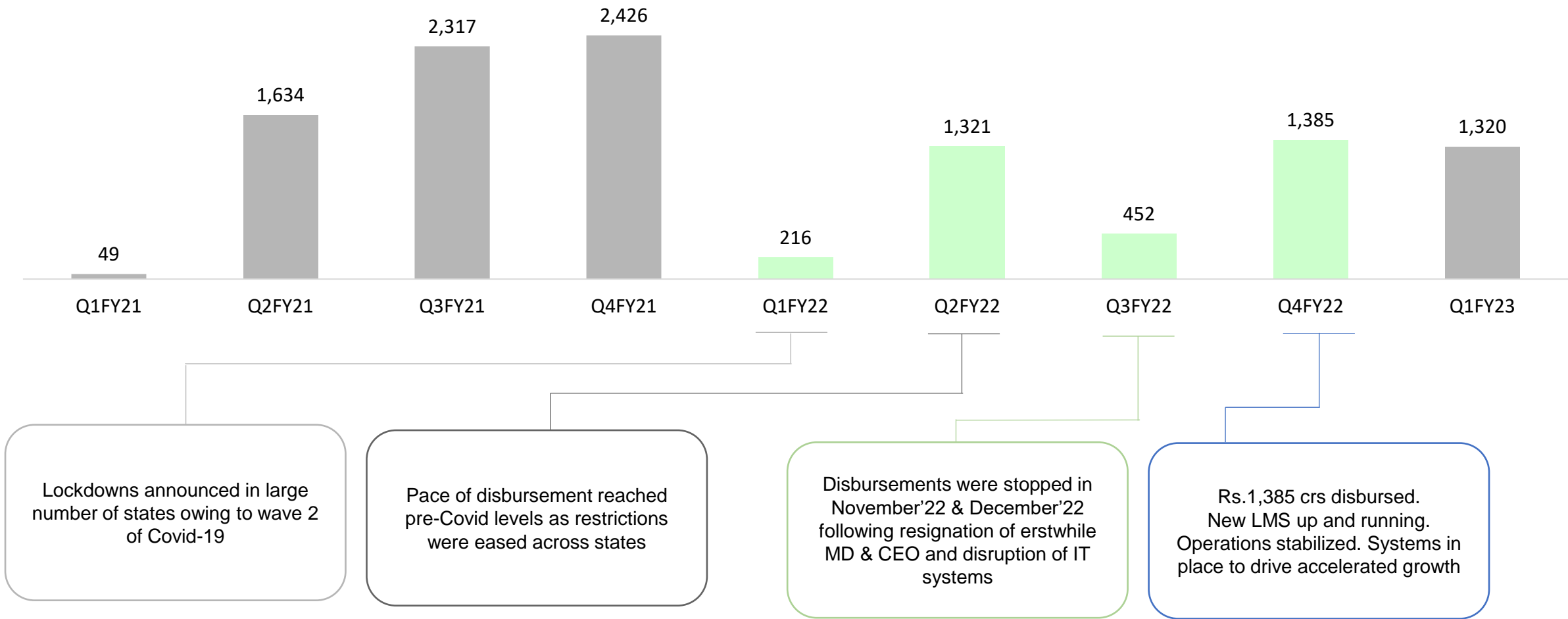
#Customers who have pre-closed the loans while they are 90+ have been added back

\*Includes CFL GNPA and NNPA

^Excludes DA amounting to 417 crs

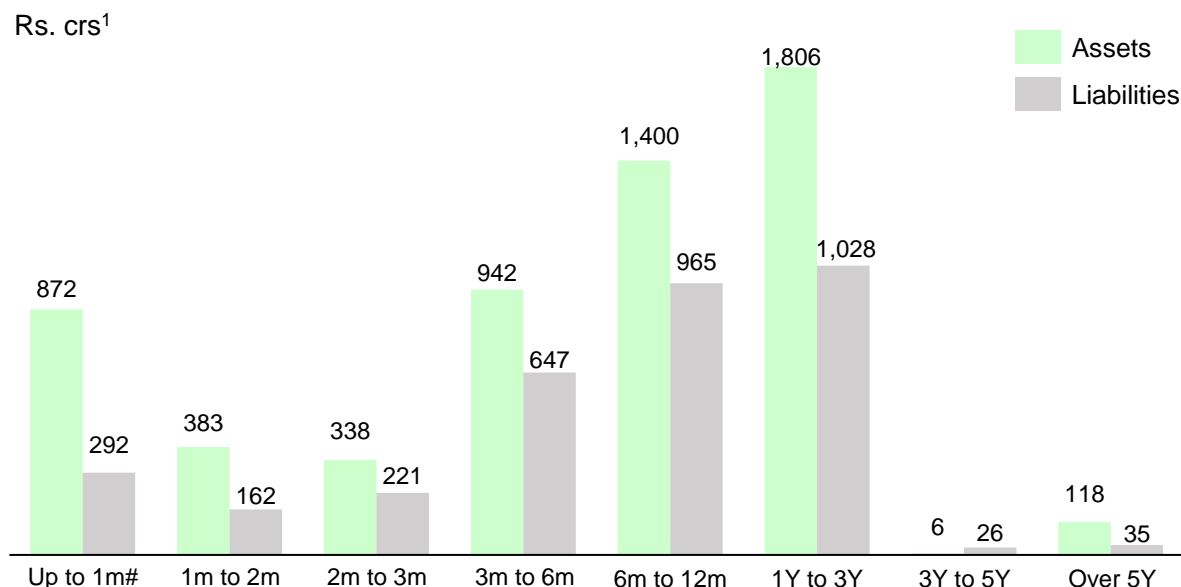
# Strong Disbursement Momentum Continues in Q1 FY23

FY22 disrupted by Covid-19 and IT disruption



# Comfortable liquidity position driven by strong track record

Positive ALM (Rs. crs)



- Positive ALM on cumulative basis with assets maturing faster than liabilities
- All ongoing lender repayments/commitments continue to be fulfilled on the scheduled dates
- Closing cash and bank balance (Rs.657 crs as on 30 June) is sufficient to meet future liquidity needs for lender repayments and embark on new disbursements

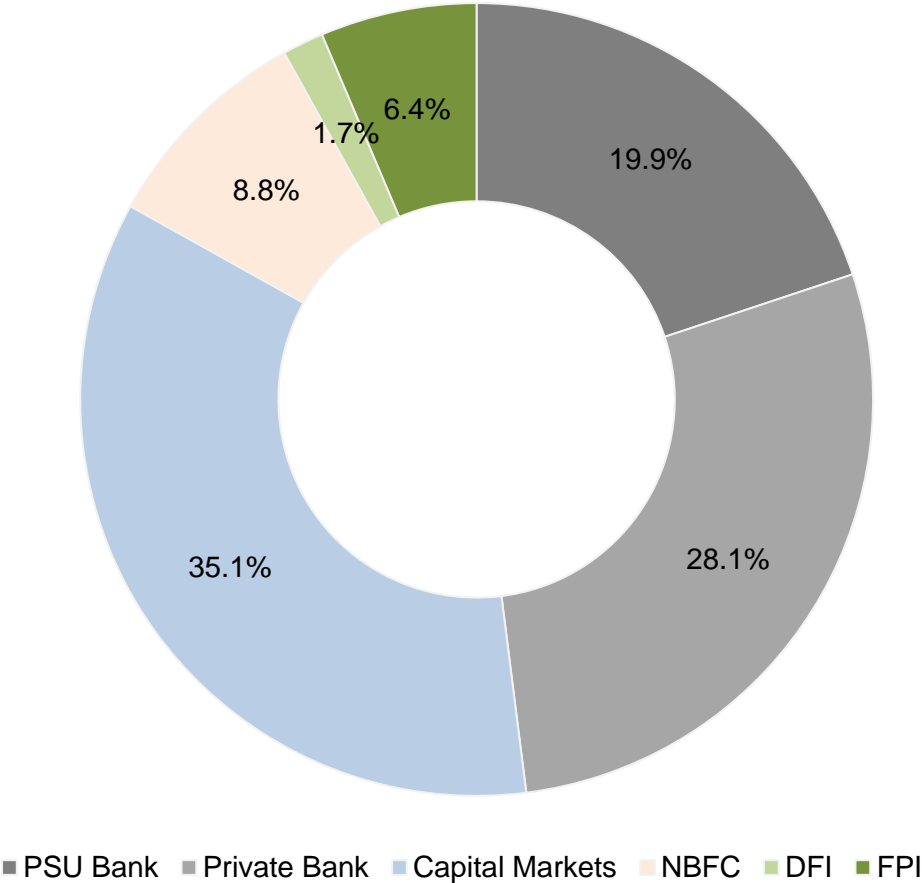
High level of engagement with rating agencies by the Company

Rating Instrument	Rating Agency	Rating	Year
Bank Facilities / NCD's/ MLD's	India-Ra	A RWN	Jun 2022
Bank Facilities/NCD's/ MLD's	ICRA/India-Ra	A RWN/A-*	May 2022
Bank Facilities	CRISIL	A*	Apr 2022
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

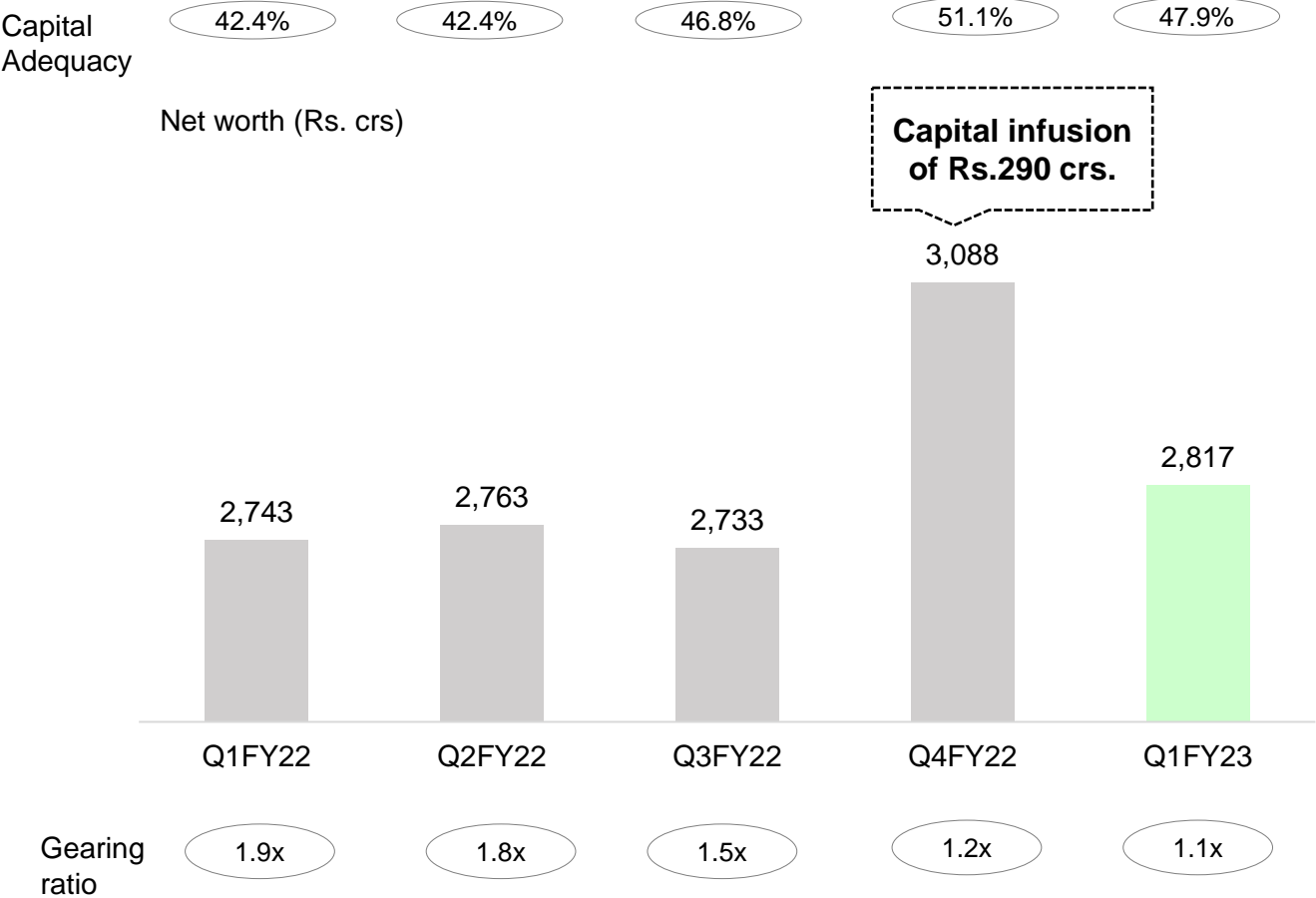
Note: 1 Includes DA, PTC and regular payments for SSFL standalone and CFL; \*ratings under watch; the rating agencies will continue to monitor the impact of changes and will resolve RWN soon;  
#cash and cash equivalents (incl FDs)

# Diversified Borrowing Profile supported by best in class Capital Adequacy

Diversified Funding Mix (As on 30<sup>th</sup> June-22)



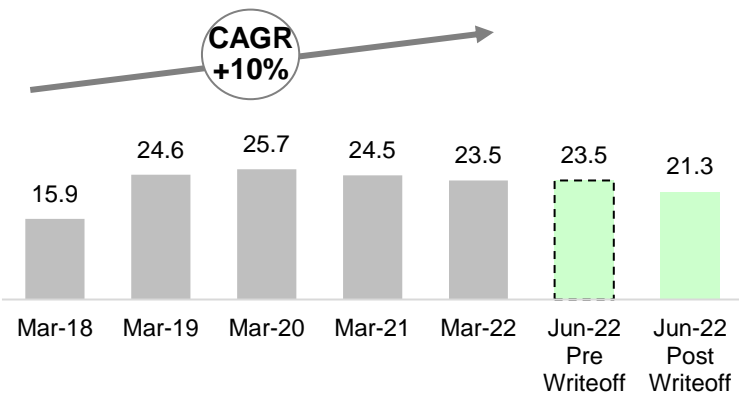
Net-worth and Capital Adequacy



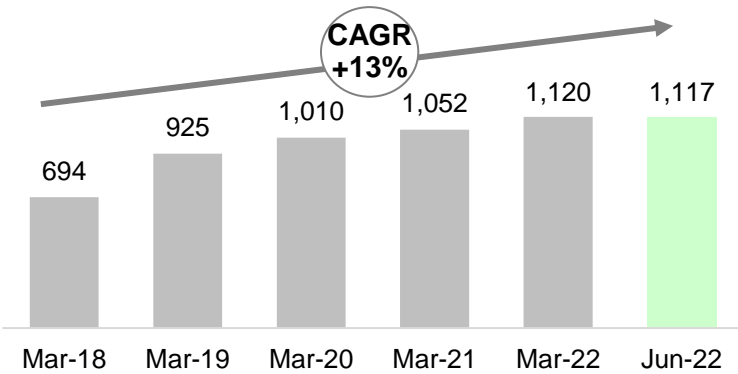


# Operational Performance Update – Q1 FY23

## Borrowers (In lakhs)



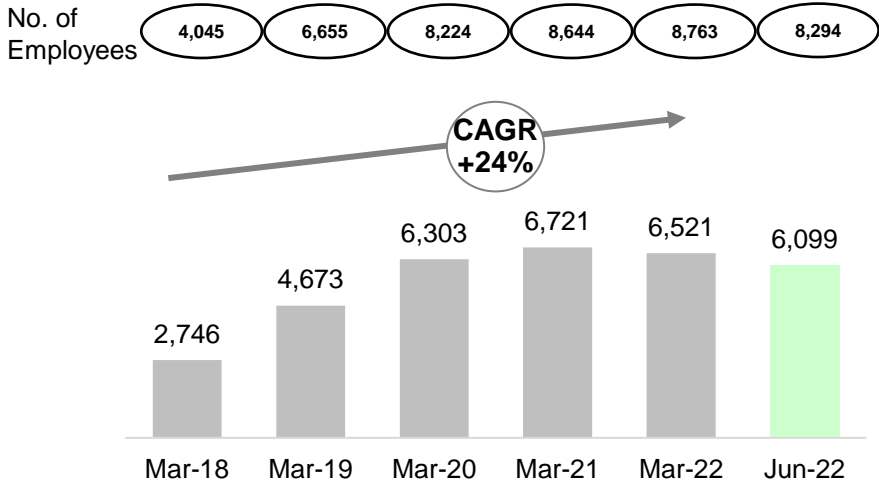
## No. of Branches^



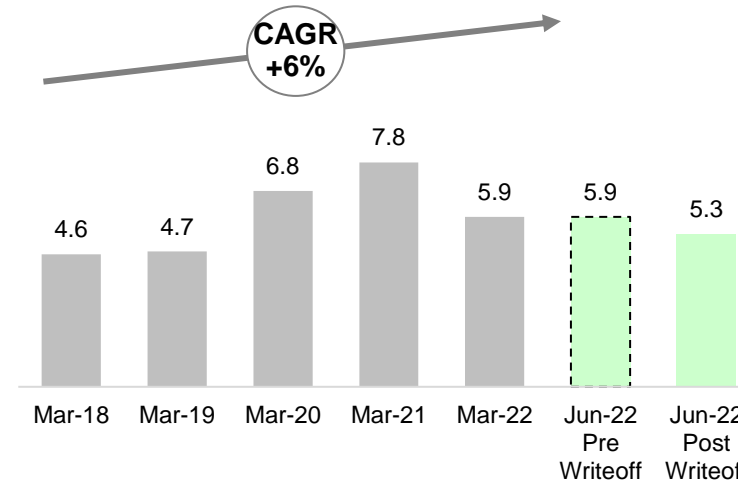
## State-wise Concentration

Top States	AUM Concentration @
Madhya Pradesh	16.1%
Orissa	15.2%
Karnataka	10.9%
Andhra Pradesh	14%
Maharashtra	9.3%
Bihar	6.1%
Other States	28.4%

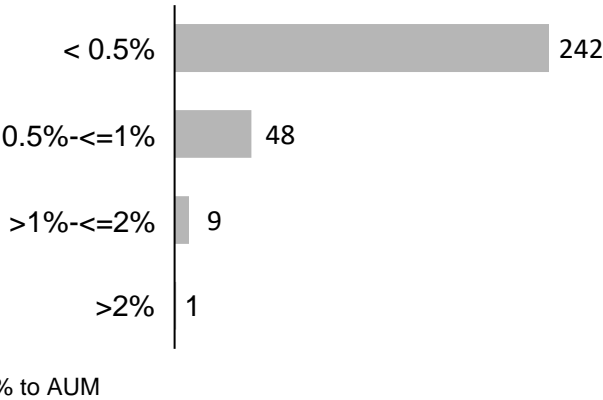
## No. of Loan Officers



## AUM/Branch (Rs. crore)

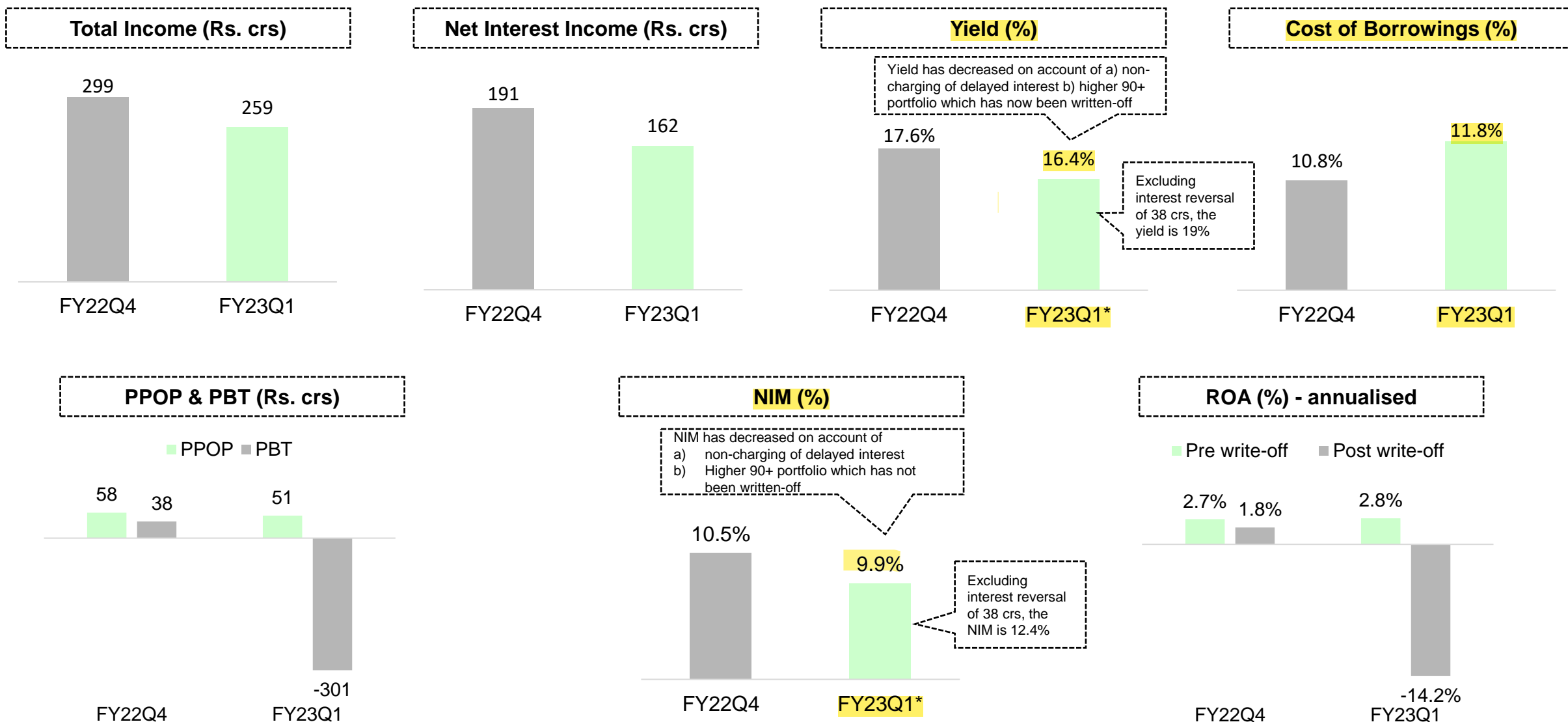


## District wise Concentration



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

# Financial Performance – Q1 FY 2023



\*The Company has adopted new Pricing policy and the yield on new disbursements from 1<sup>st</sup> July is 24% p.a.

# Consolidated Profit & Loss Statement

Particulars (Rs. crore)	Q1 FY23	Q4 FY22	Q1 FY22	FY22
<b>Revenue from Operations</b>				
Interest income	243.9	260.8	396.7	1,336.5
Commission and incentive income	-	6.5	-	6.5
Net gain on fair value changes	4.0	8.3	28.7	78.2
Other Income	2.3	11.2	8.7	41.6
<b>Total income from operations</b>	<b>250.2</b>	<b>286.8</b>	<b>434.1</b>	<b>1,462.8</b>
Non-operational Income	8.5	12.2	0.7	17.2
<b>Total income</b>	<b>258.8</b>	<b>299.1</b>	<b>434.8</b>	<b>1,480.0</b>
<b>Expenses</b>				
Finance cost	96.8	107.9	143.3	540.1
Net loss on financial assets and liabilities designated at fair value through profit or loss	0.0	0.0	0.1	0.1
Employee benefit expense	79.5	64.1	46.8	228.4
Depreciation and amortization expense	2.2	2.7	2.6	9.2
Other expenses	29.6	66.6	15.9	124.8
<b>Total Expenses</b>	<b>208.2</b>	<b>241.3</b>	<b>208.7</b>	<b>902.6</b>
<b>Pre-Provision Operating Profit (PPOP)</b>	<b>50.6</b>	<b>57.8</b>	<b>226.1</b>	<b>577.4</b>
Impairment on financial instruments and other provisions	351.7	19.9	154.9	480.5
<b>Profit before Tax</b>	<b>(301.1)</b>	<b>37.8</b>	<b>71.0</b>	<b>96.8</b>
Tax expense	(81.4)	9.2	16.3	27.0
<b>Profit after tax</b>	<b>(219.7)</b>	<b>28.6</b>	<b>54.8</b>	<b>69.8</b>

# Consolidated Post Write-off Balance Sheet – Networth of 2,817 Cr and Capital Adequacy of 47.9%; Strongest in the Industry

ASSETS (Rs. crs)	Jun 30, 2022	Mar 31, 2022
<b>Financial Assets</b>		
Cash and cash equivalents	437.3	727.2
Bank Balances other than cash and cash equivalents	219.5	475.1
Trade Receivables	11.2	20.1
Loan Portfolio	5,156.4	5,518.4
Investments	2.5	2.4
Other financial assets	37.3	74.6
<b>Total Financial Assets</b>	<b>5,864.2</b>	<b>6,817.7</b>
<b>Non-Financial Assets</b>		
Current tax assets (net)	41.2	18.8
Deferred tax assets (net)	290.6	184.2
Property, Plant and Equipment	6.2	6.8
Intangible assets	6.4	7.1
Goodwill	17.4	17.4
Other non-financial assets	47.0	24.3
<b>Total Non-financial assets</b>	<b>408.8</b>	<b>258.6</b>
<b>Total Assets</b>	<b>6,273.0</b>	<b>7,076.3</b>

LIABILITIES & EQUITY (Rs. crs)	Jun 30, 2022	Mar 31, 2022
<b>Financial Liabilities</b>		
Debt Securities	1,607.4	1,778.2
Borrowings (Other than Debt Securities)	1,607.9	1,973.7
Subordinated Liabilities	20.2	20.2
Other Financial liabilities	140.0	131.2
<b>Total Financial Liabilities</b>	<b>3,375.5</b>	<b>3,903.3</b>
<b>Non-Financial Liabilities</b>		
Current Tax Liabilities (net)	22.5	28.2
Provisions	4.1	4.0
Other Non-Financial liabilities	51.1	50.9
<b>Total Non-Financial Liabilities</b>	<b>77.6</b>	<b>83.1</b>
<b>Equity</b>		
Equity Share Capital	70.9	69.1
Other Equity	2,746.5	3,018.5
<b>Equity attributable to shareholders of the company</b>	<b>2,817.5</b>	<b>3,087.6</b>
Non-Controlling Interest	2.4	2.4
<b>Total Equity</b>	<b>2,819.9</b>	<b>3,089.9</b>
<b>Total Liabilities and Equity</b>	<b>6,273.0</b>	<b>7,076.3</b>



## **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***

# Key priorities in the growth journey



Strengthen Managerial Team



Focus of Field Operations



Governance, Control, Risk management & Processes



Explore partnership models on Distribution side



Meet customer needs



Audit, controls & monitoring



Technology upgrades



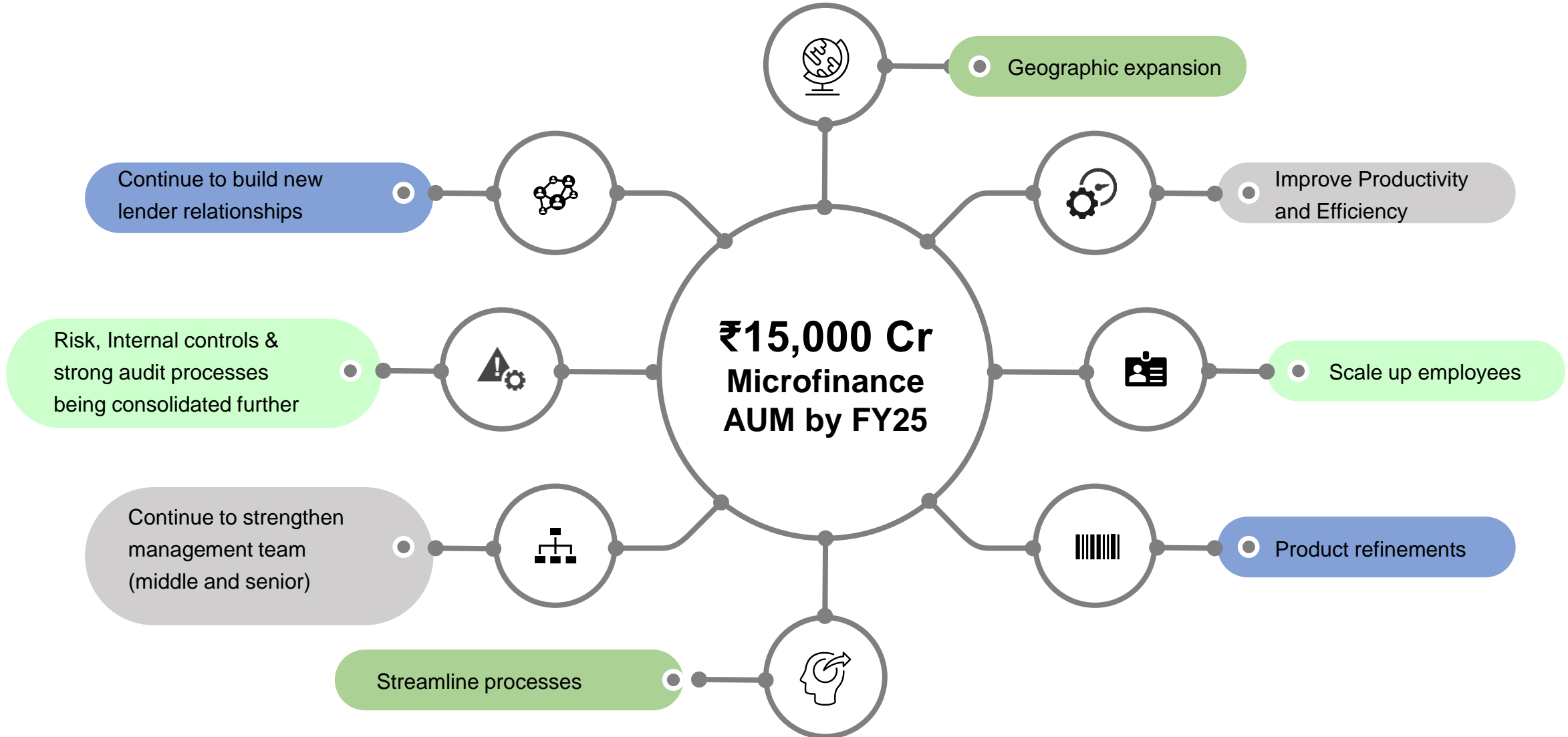
Lending partners

Technology to drive Efficiency & Productivity

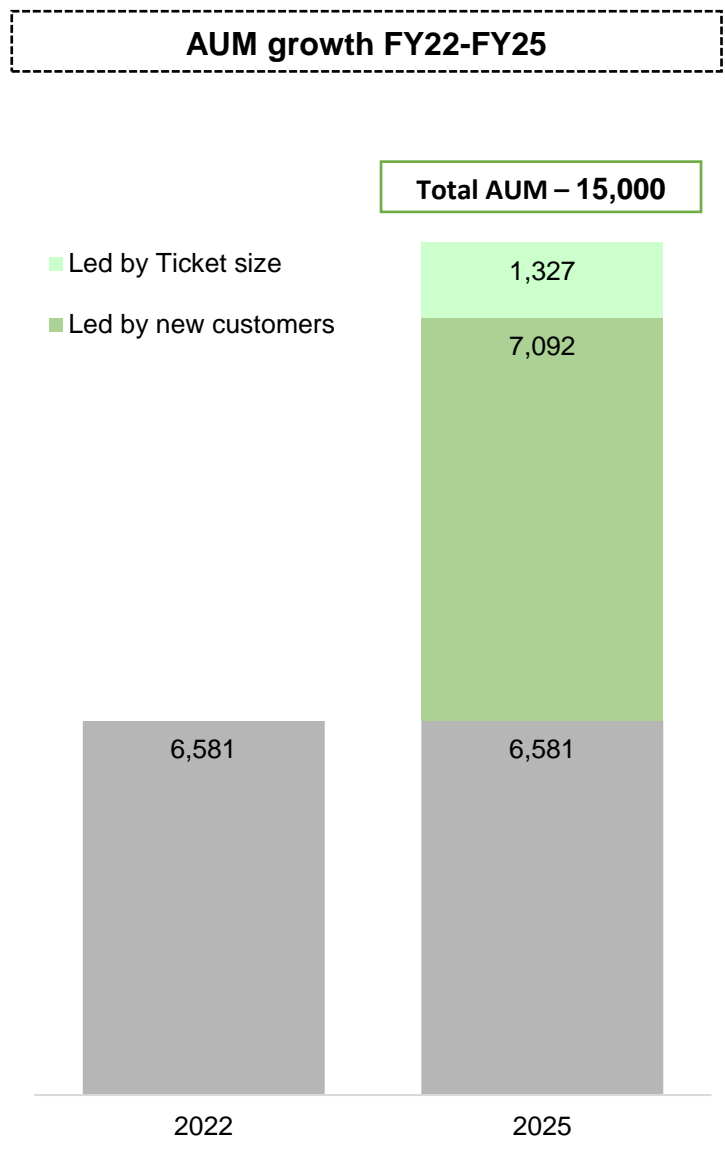


# We will focus on growing its microfinance book. AUM of ₹15,000 Cr by FY25

## Build an incremental 10%-15% secured portfolio from other businesses



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



## 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

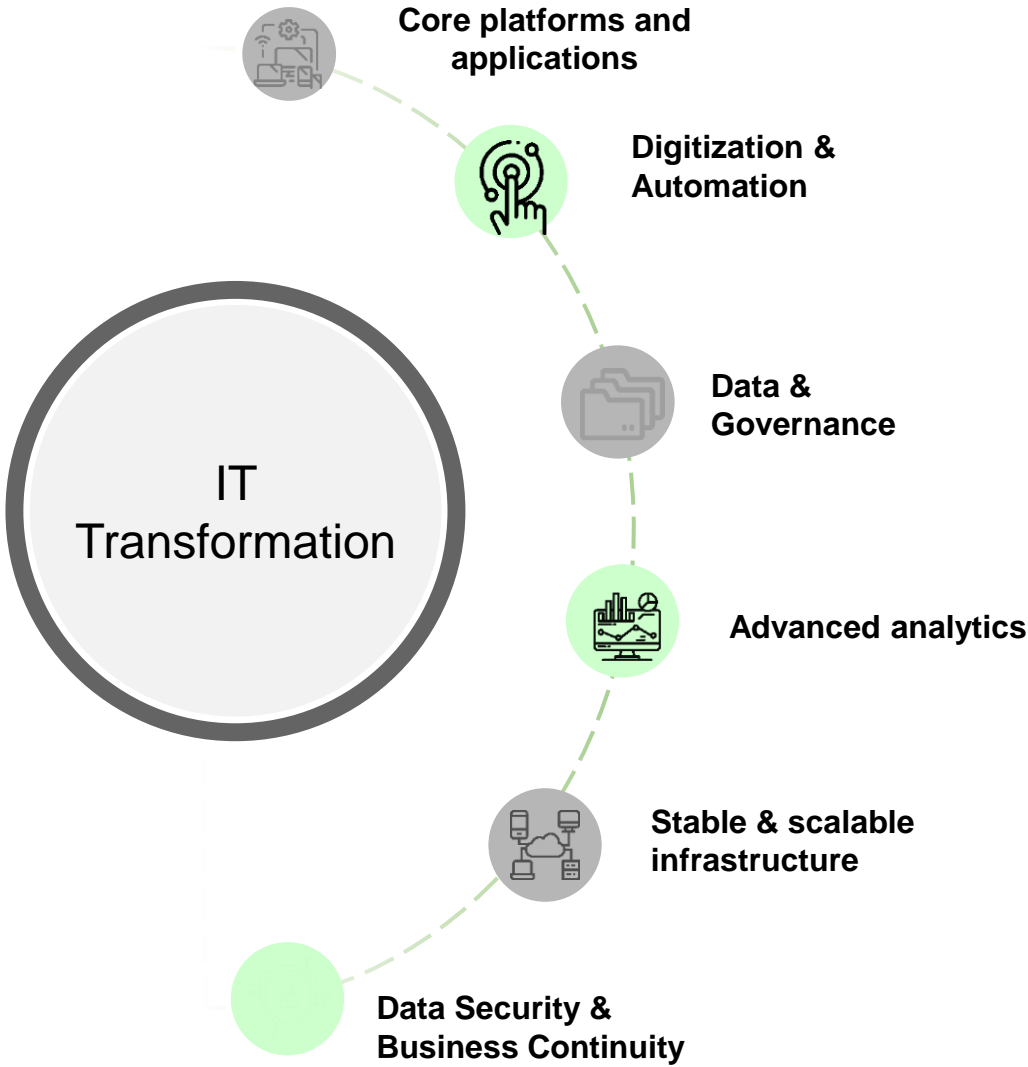
### Loan Management System

- ✓ 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 Rs.15,000 crs on-book Microfinance AUM by FY25

Particulars	FY22		FY23		FY25
No. of Branches	1,120		1,120		1,500
Customers (In Lakhs)	23.5		28		40
Disbursement (Rs. Crs)	3,373		8,100		18,000
Average borrower indebtedness	32,000		33,000		47,800
AUM (Rs. Crs)	6,581		9,243		18,164

Company :

**Spandana Sphoorty Financial Limited**  
**CIN: L65929TG2003PLC040648**

[www. spandanasphoorty.com](http://www.spandanaspfoorty.com)

# THANK YOU

