



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

Date: August 04, 2022

To
BSE Limited,
Department of Corporate Services
P. J. Towers, 25th 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

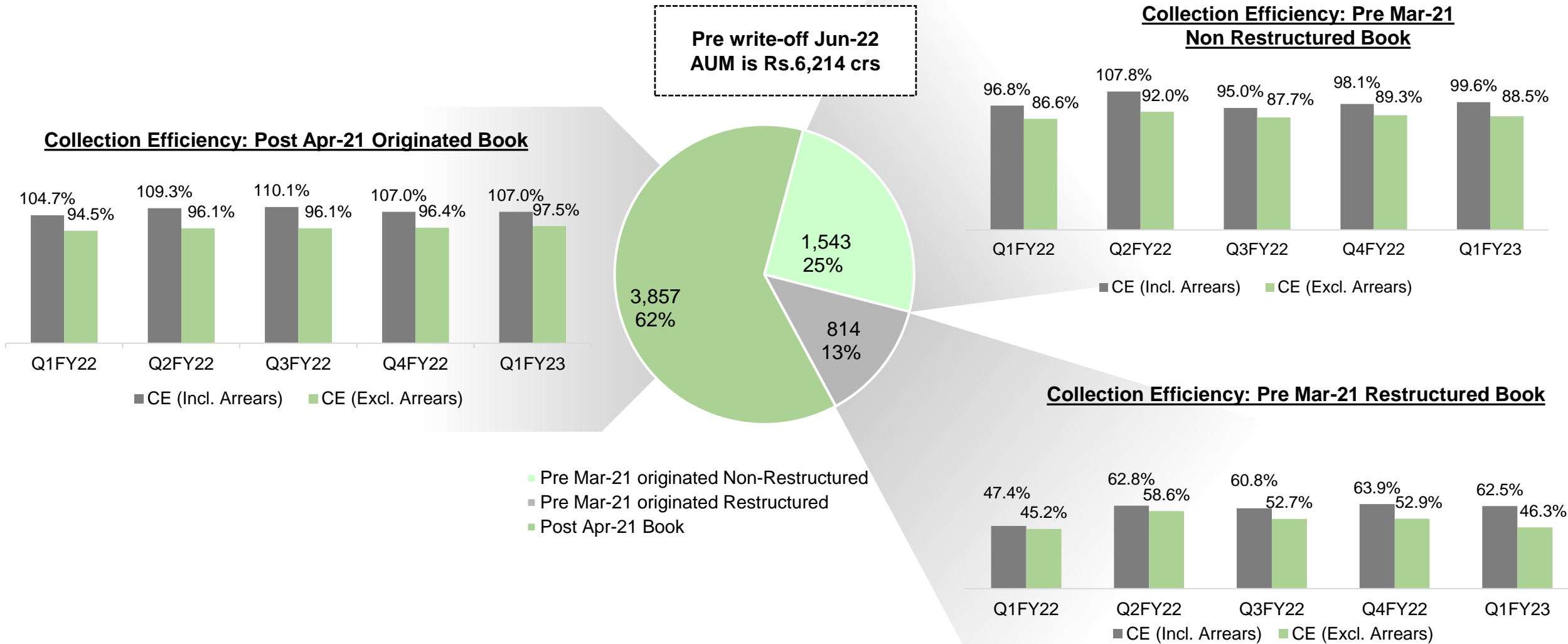
- Cash and bank balance as on 30th June was Rs.657 crs (~3x times the required monthly liability)
- Robust CRAR of 47.9% +; Rs.2,817 crs net worth

Regulatory Update

- New RBI framework: Moved on to the new regime from 1st 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)

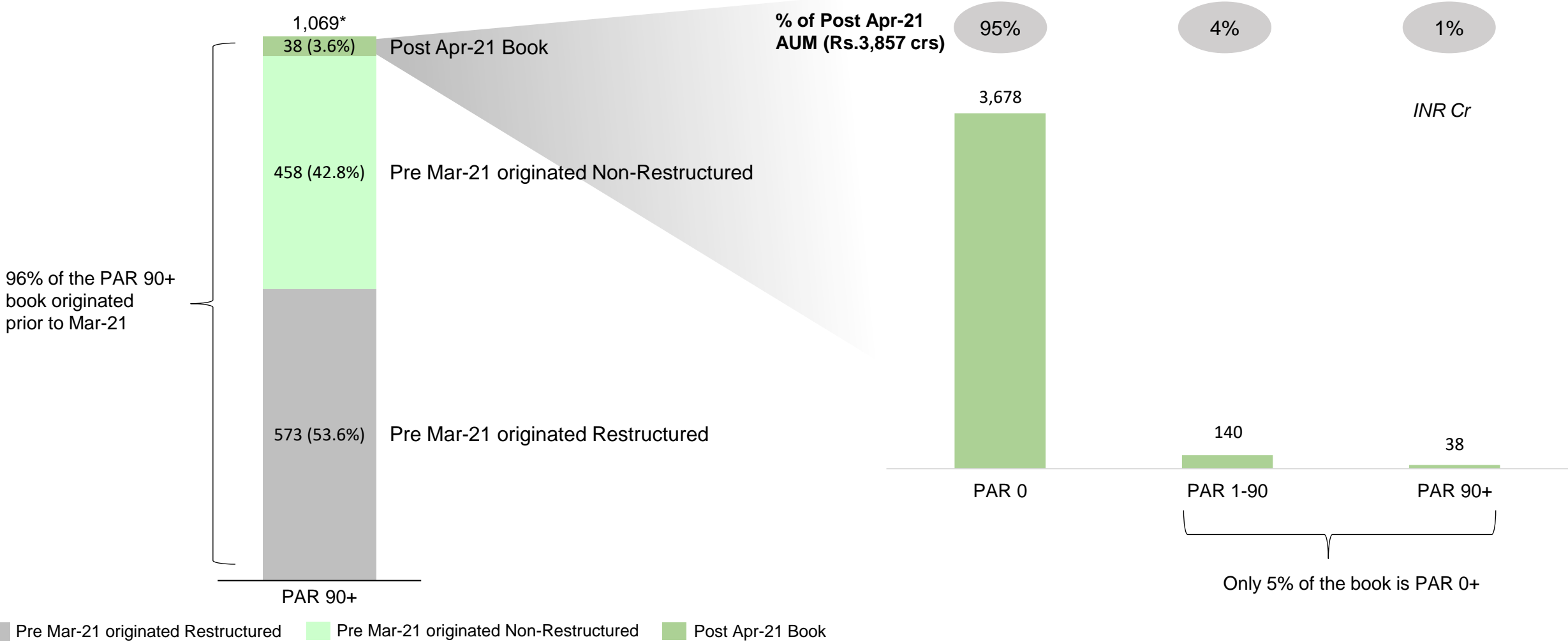


Excludes DA amounting to 417 crs

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

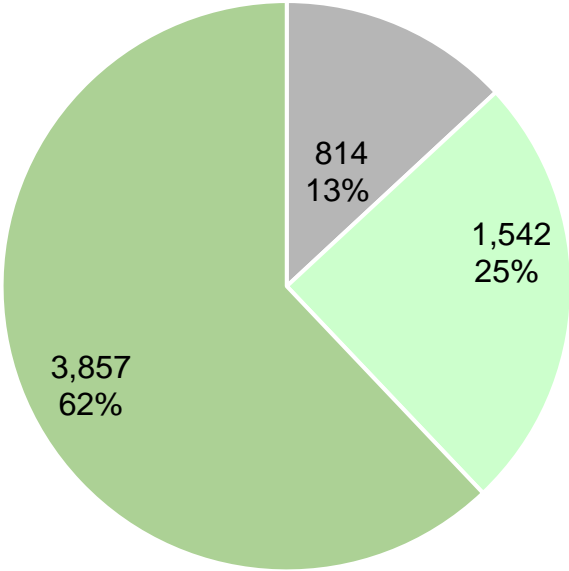
Post April-21 Originated Book has Strong Asset Quality



*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

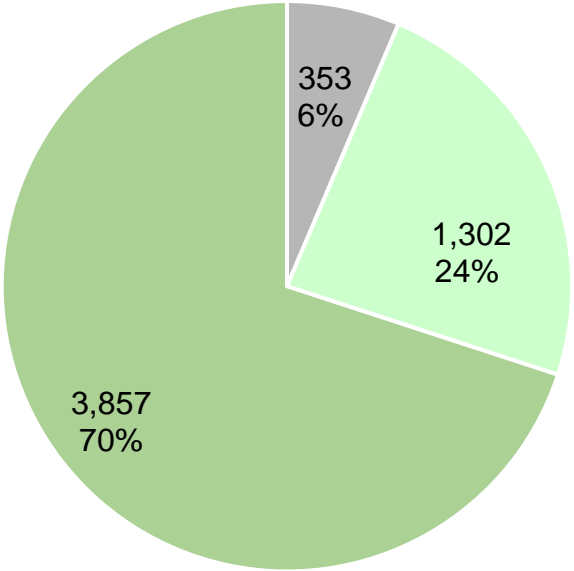
Pre Write-off break-up of the book



- 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



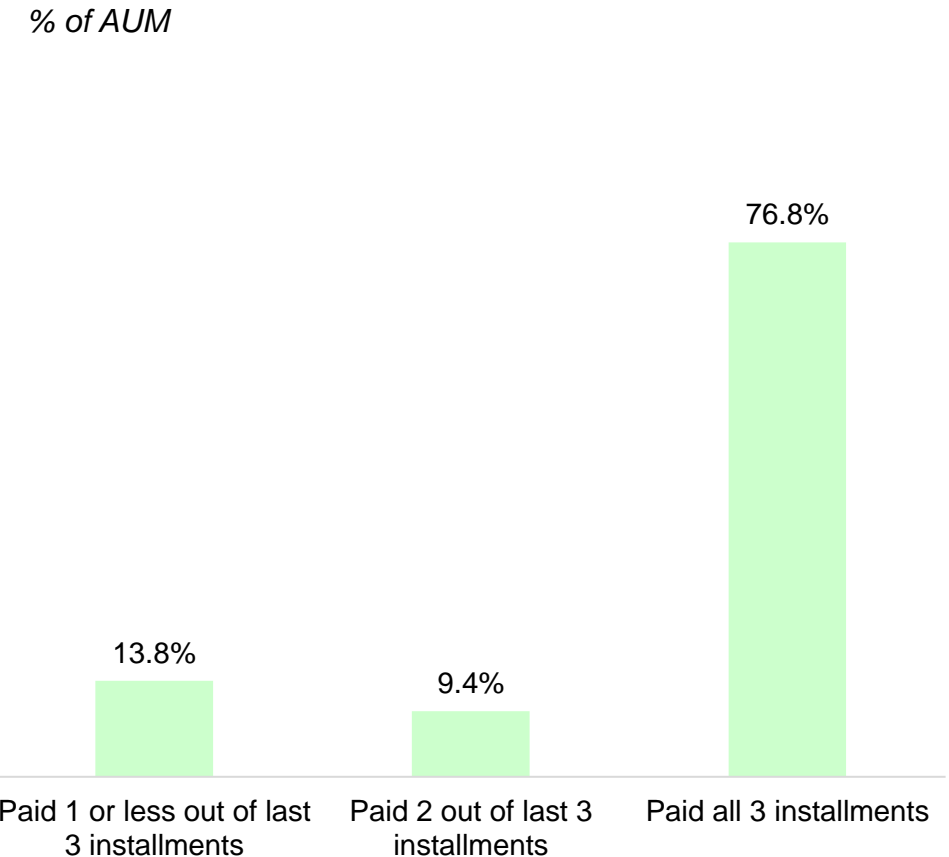
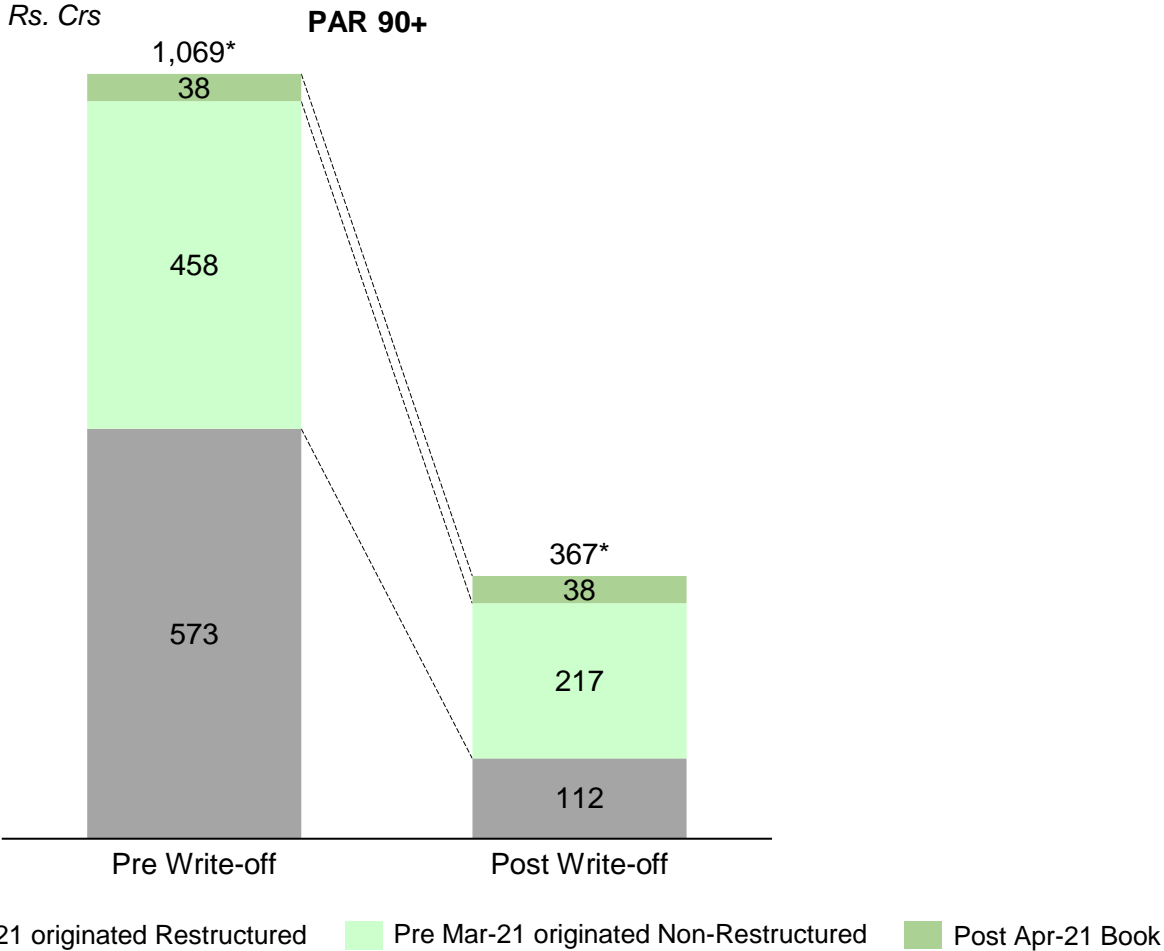
Write off 702 crores in Q1 FY23 (pre March 21 portfolio)
 These are low engagement customers (outstanding more than 90 days as at 30 June 22, paid less <1 installment in this FY(Apr-Jun)).
 No incremental write off expected from this portfolio in current Financial Year

Excludes DA amounting to 417 crs

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

Sharp NPA reduction from 17.2% to 6.7%

Pre Mar-21 Originated Retained Book performing strongly (Restructure + Non restructure)

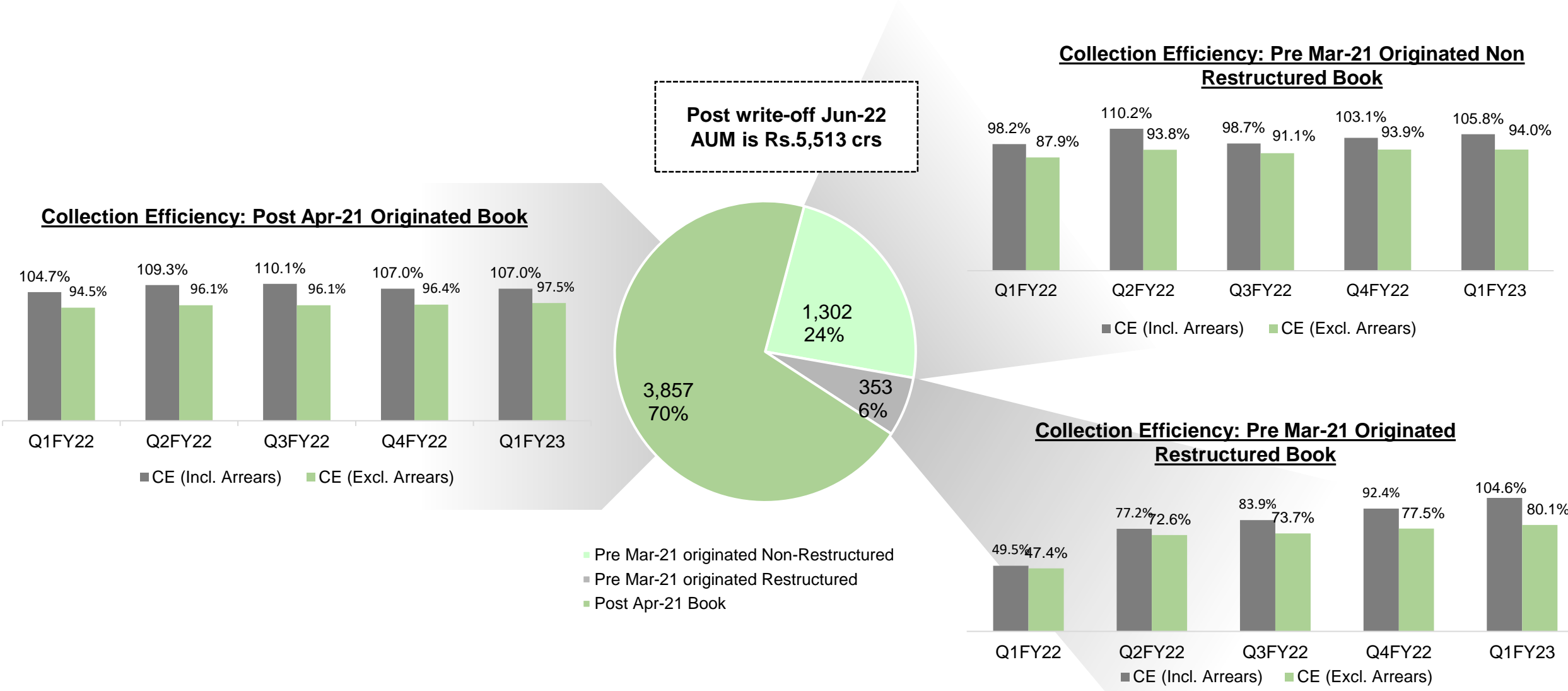


AuM of Rs.5,513 crs post write-off

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

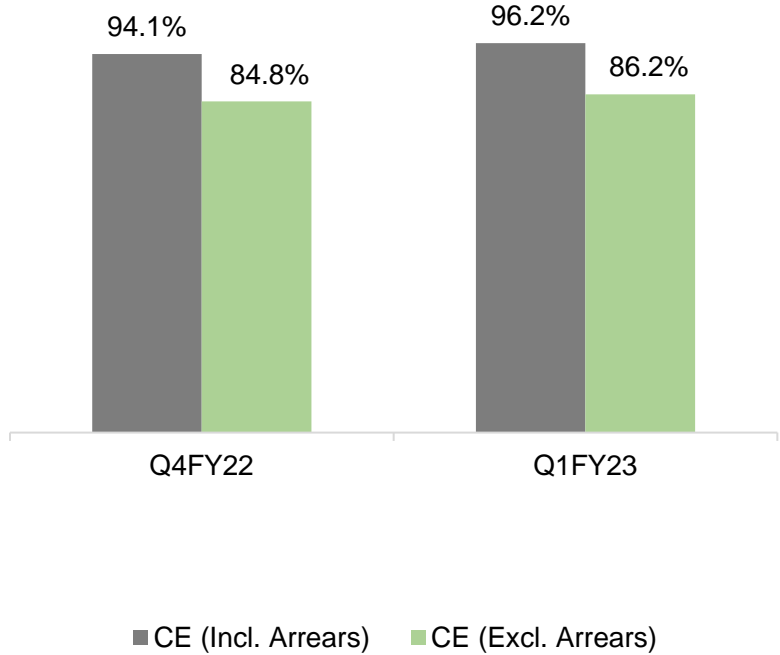
Robust collection efficiency in Retained Book; continuous QoQ improvement



Excludes DA amounting to 417 crs

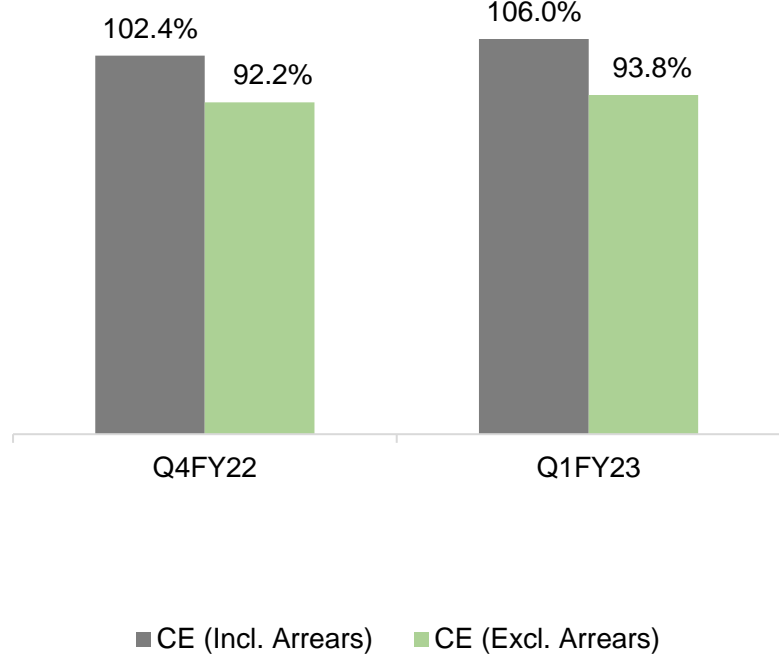
Retained Book is displaying a strong collection efficiency of 106%

Pre Write-off collection efficiency

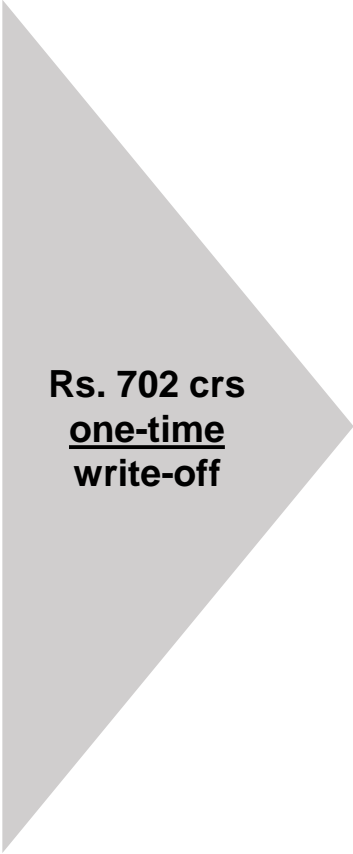


AuM of Rs. 6,214 cr

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%
Total	5,513	100%	274	5.0%

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

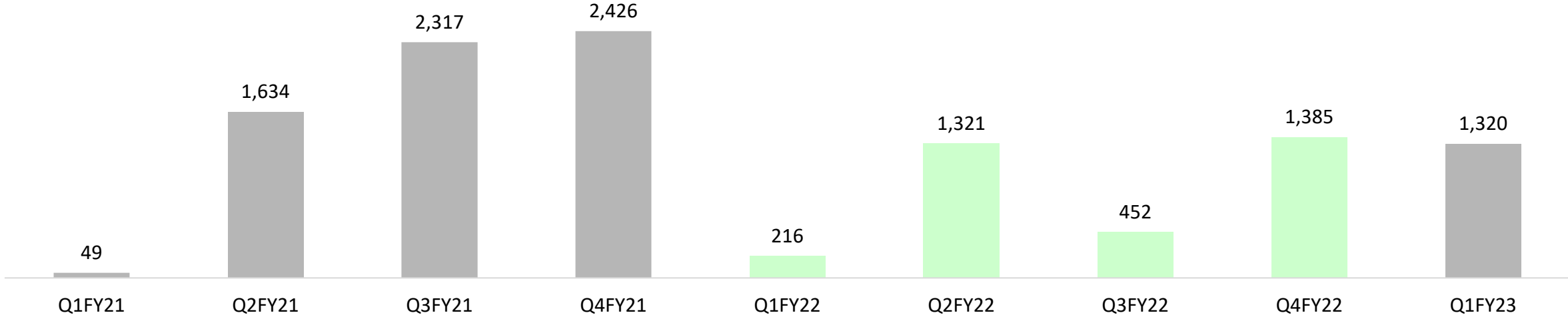
#Customers who have pre-closed the loans while they are 90+ have been added back

*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



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

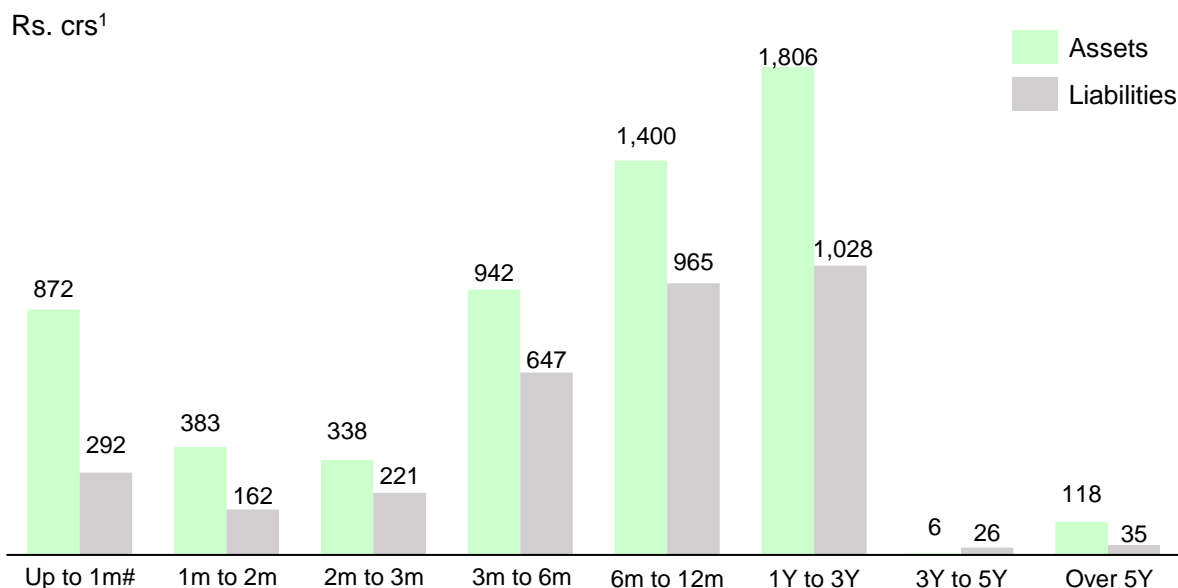
Pace of disbursement reached pre-Covid levels as restrictions were eased across states

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

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

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

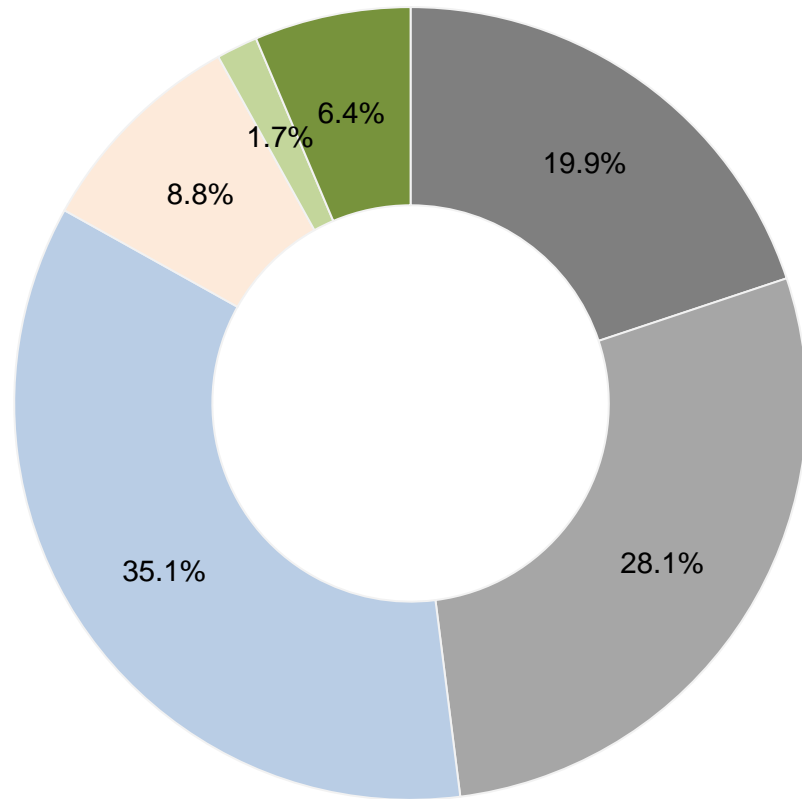
High level of engagement with rating agencies by the Company

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 30th June-22)



■ PSU Bank ■ Private Bank ■ Capital Markets ■ NBFC ■ DFI ■ FPI

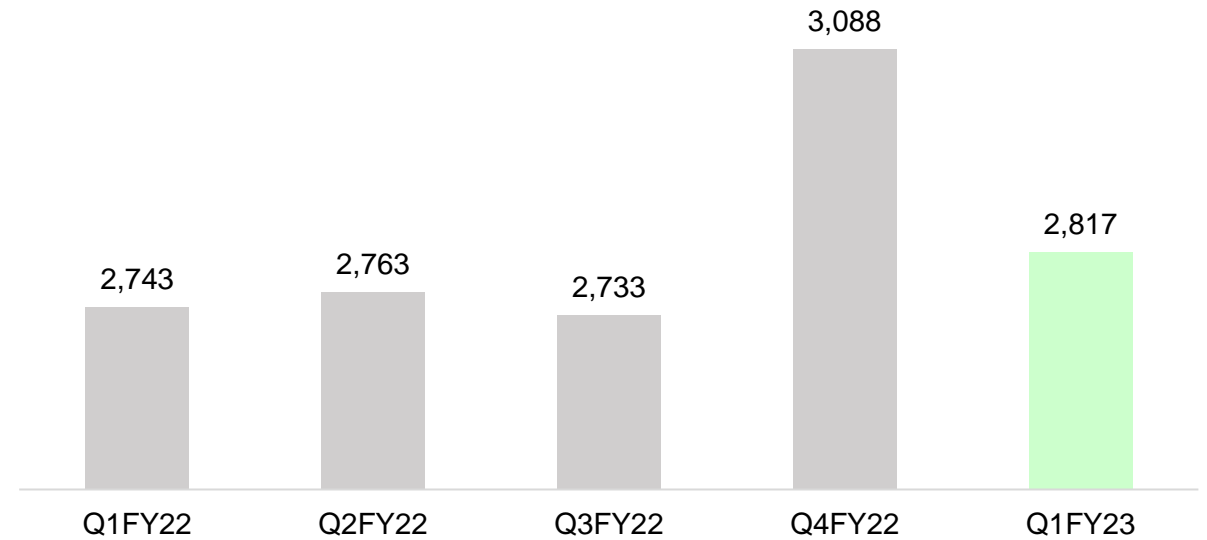
Net-worth and Capital Adequacy

Capital Adequacy

42.4% 42.4% 46.8% 51.1% 47.9%

Net worth (Rs. crs)

Capital infusion of Rs.290 crs.

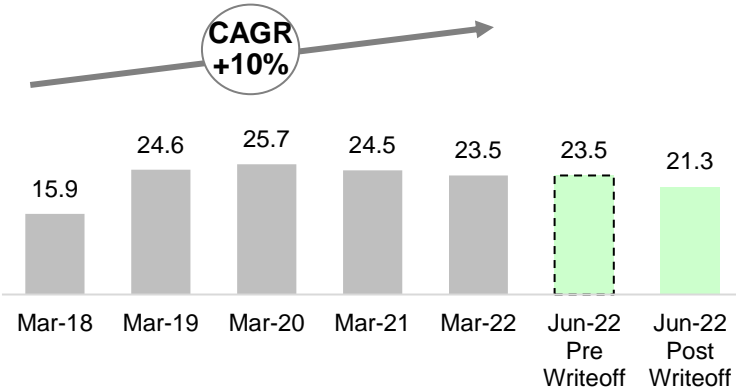


Gearing ratio

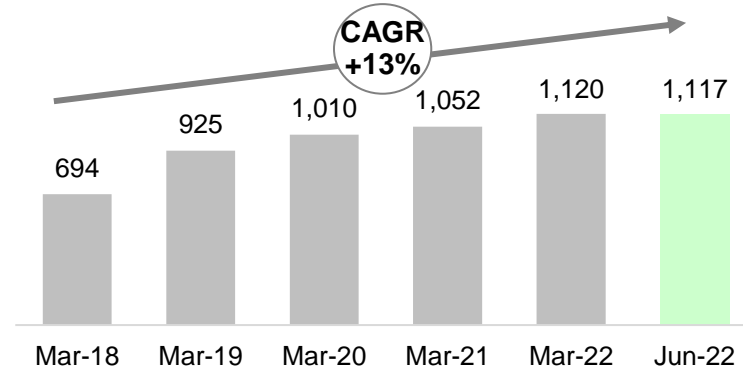
1.9x 1.8x 1.5x 1.2x 1.1x

Operational Performance Update – Q1 FY23

Borrowers (In lakhs)



No. of Branches[^]

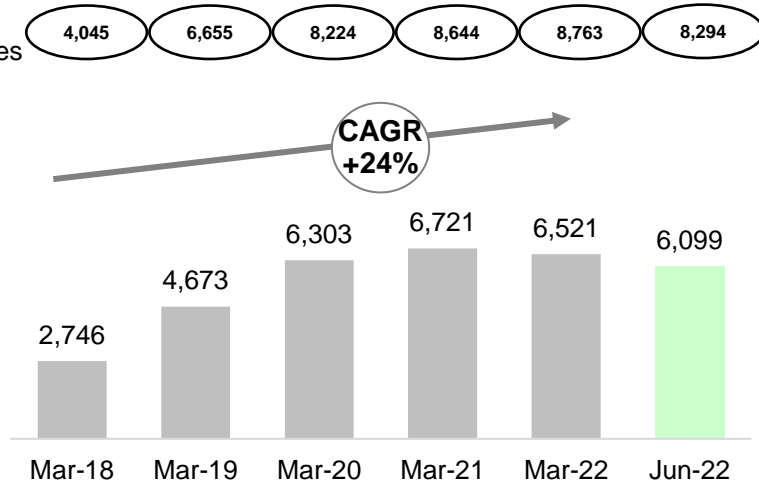


State-wise Concentration

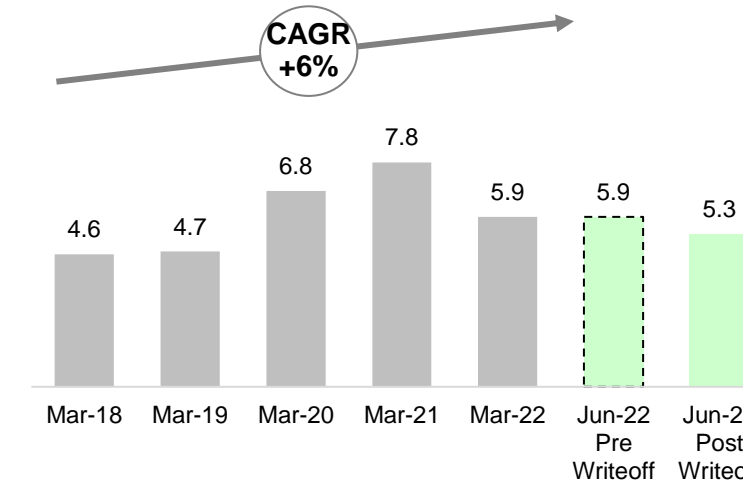
Top States	AUM Concentration @
Madhya Pradesh	16.1%
Orissa	15.2%
Karnataka	10.9%
Andhra Pradesh	14%
Maharashtra	9.3%
Bihar	6.1%
Other States	28.4%

No. of Loan Officers

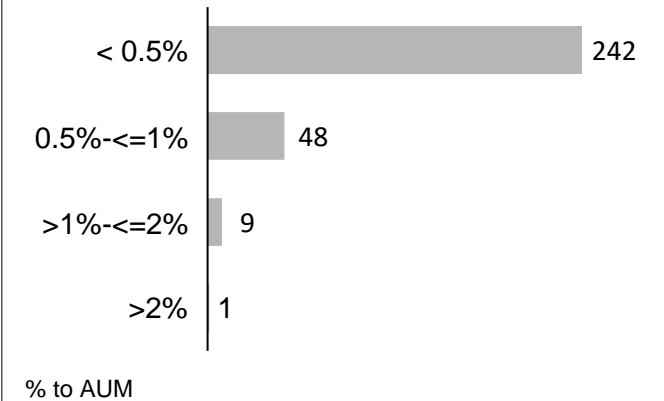
No. of Employees



AUM/Branch (Rs. crore)



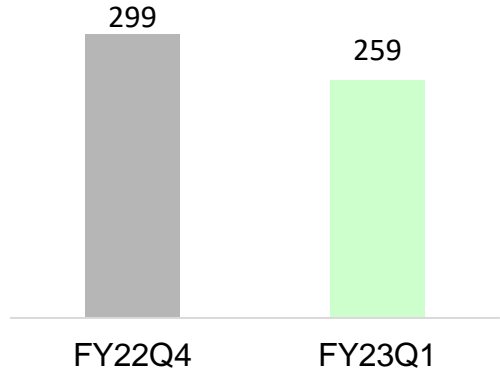
District wise Concentration



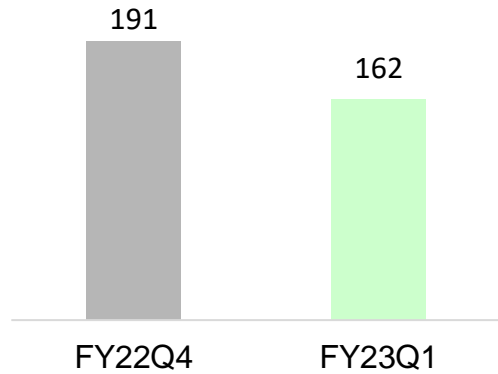
Well dispersed district level exposure ensures low impact from region-specific issues

Financial Performance – Q1 FY 2023

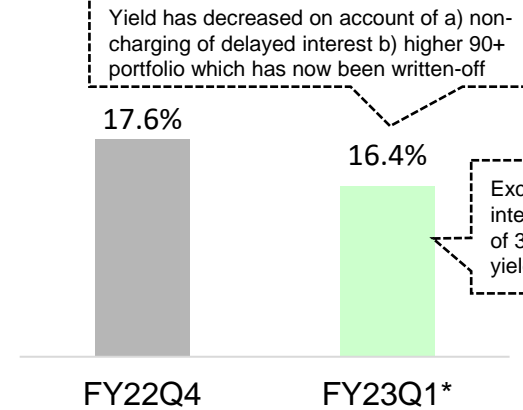
Total Income (Rs. crs)



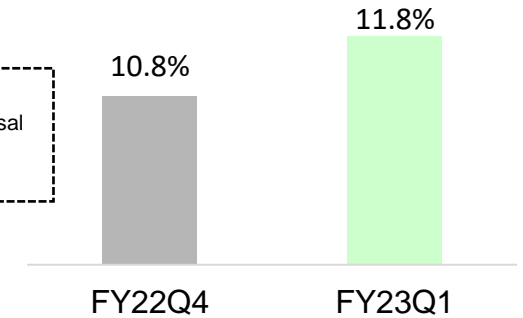
Net Interest Income (Rs. crs)



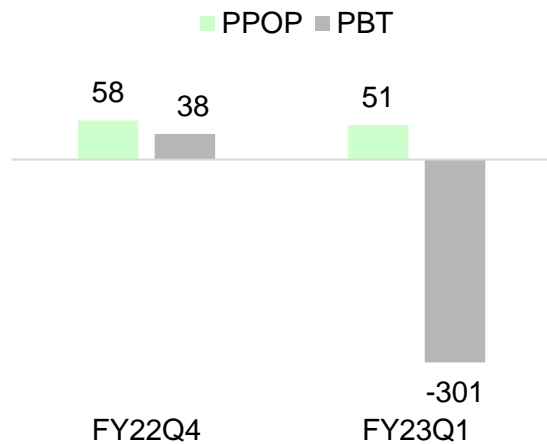
Yield (%)



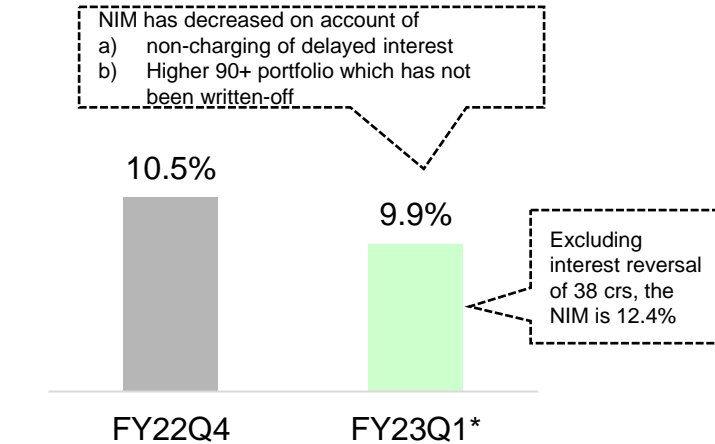
Cost of Borrowings (%)



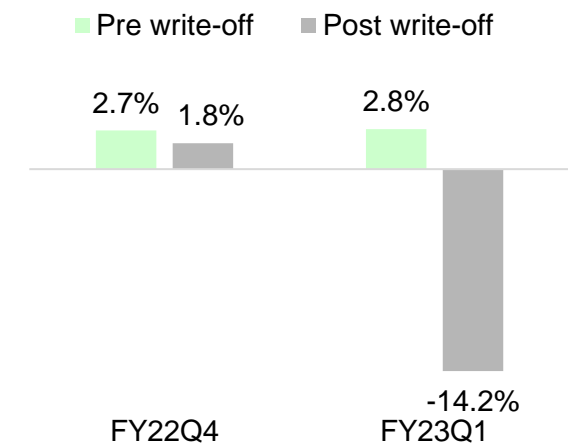
PPOP & PBT (Rs. crs)



NIM (%)



ROA (%) - annualised



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

Consolidated Profit & Loss Statement

Particulars (Rs. crore)	Q1 FY23	Q4 FY22	Q1 FY22	FY22
Revenue from Operations				
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
Total income from operations	250.2	286.8	434.1	1,462.8
Non-operational Income	8.5	12.2	0.7	17.2
Total income	258.8	299.1	434.8	1,480.0
Expenses				
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
Total Expenses	208.2	241.3	208.7	902.6
Pre-Provision Operating Profit (PPOP)	50.6	57.8	226.1	577.4
Impairment on financial instruments and other provisions	351.7	19.9	154.9	480.5
Profit before Tax	(301.1)	37.8	71.0	96.8
Tax expense	(81.4)	9.2	16.3	27.0
Profit after tax	(219.7)	28.6	54.8	69.8

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
Financial Assets		
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
Total Financial Assets	5,864.2	6,817.7
Non-Financial Assets		
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
Total Non-financial assets	408.8	258.6
Total Assets	6,273.0	7,076.3

LIABILITIES & EQUITY (Rs. crs)	Jun 30, 2022	Mar 31, 2022
Financial Liabilities		
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
Total Financial Liabilities	3,375.5	3,903.3
Non-Financial Liabilities		
Current Tax Liabilities (net)	22.5	28.2
Provisions	4.1	4.0
Other Non-Financial liabilities	51.1	50.9
Total Non-Financial Liabilities	77.6	83.1
Equity		
Equity Share Capital	70.9	69.1
Other Equity	2,746.5	3,018.5
Equity attributable to shareholders of the company	2,817.5	3,087.6
Non-Controlling Interest	2.4	2.4
Total Equity	2,819.9	3,089.9
Total Liabilities and Equity	6,273.0	7,076.3

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

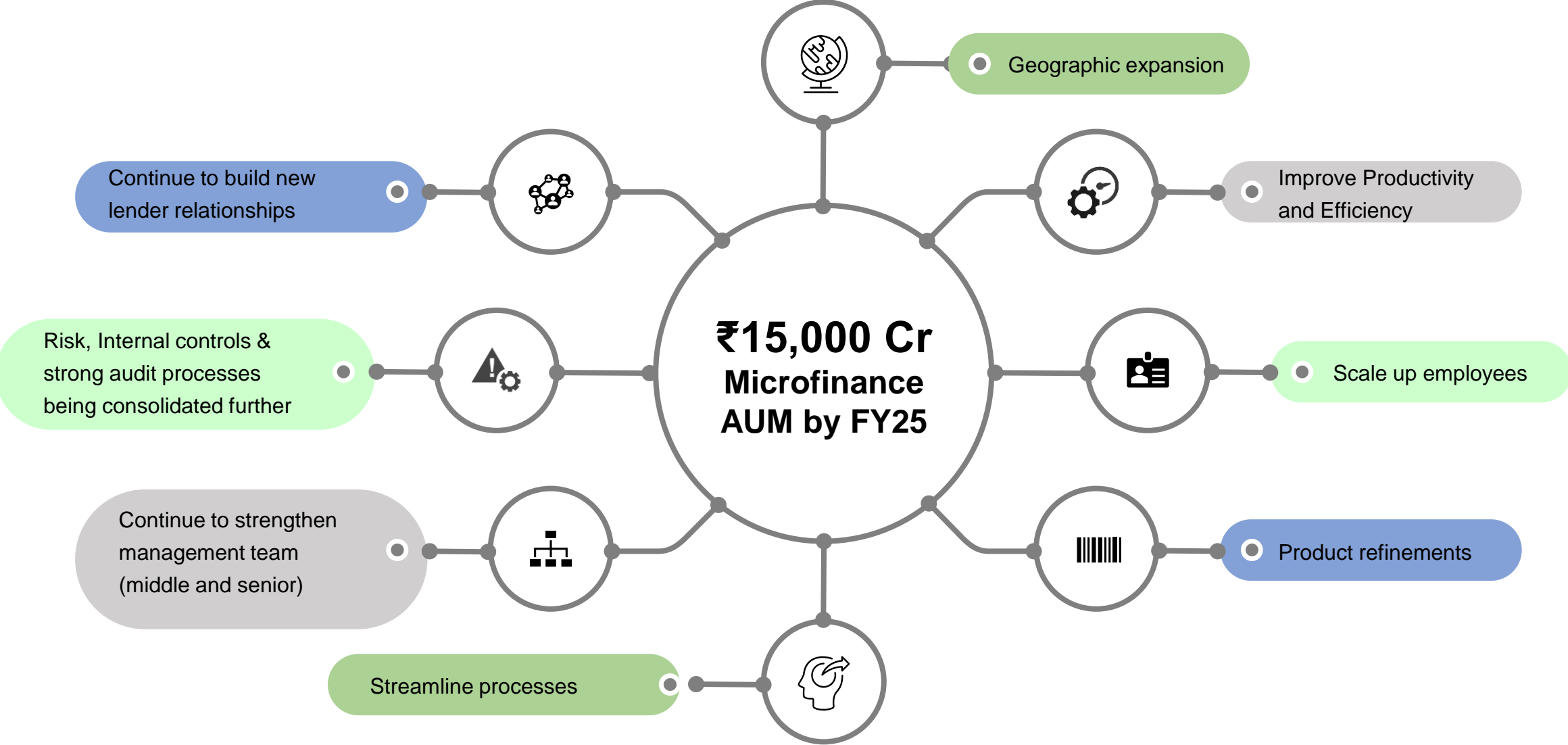
 Technology upgrades

 Lending partners

Technology to drive Efficiency & Productivity

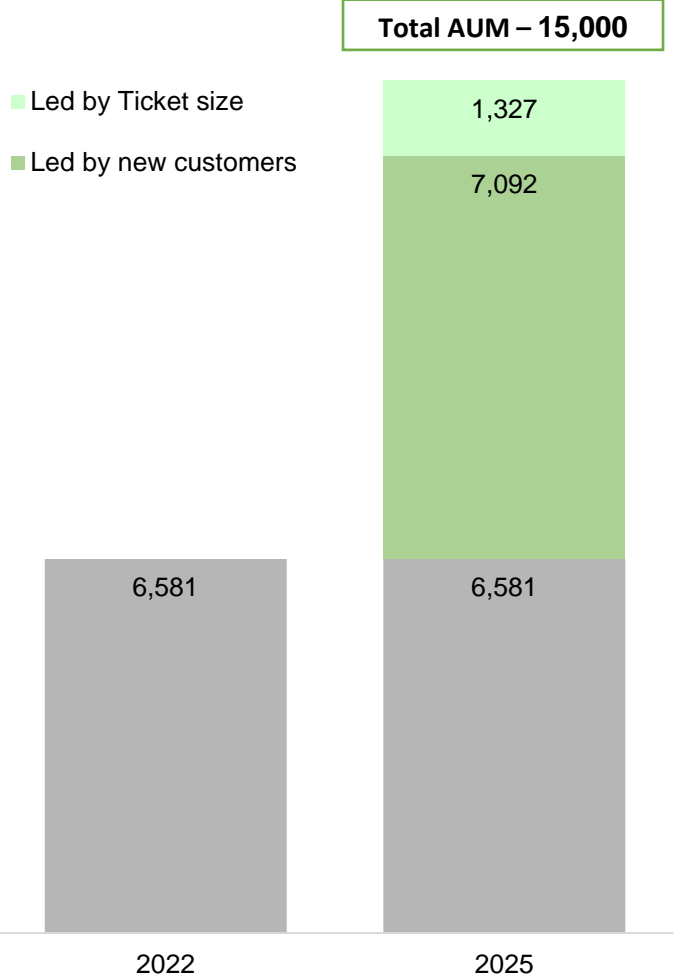
We will focus on growing its microfinance book. AUM of ₹15,000 Cr by FY25

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



Well defined strategy of new customer acquisition to deliver AuM Growth

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

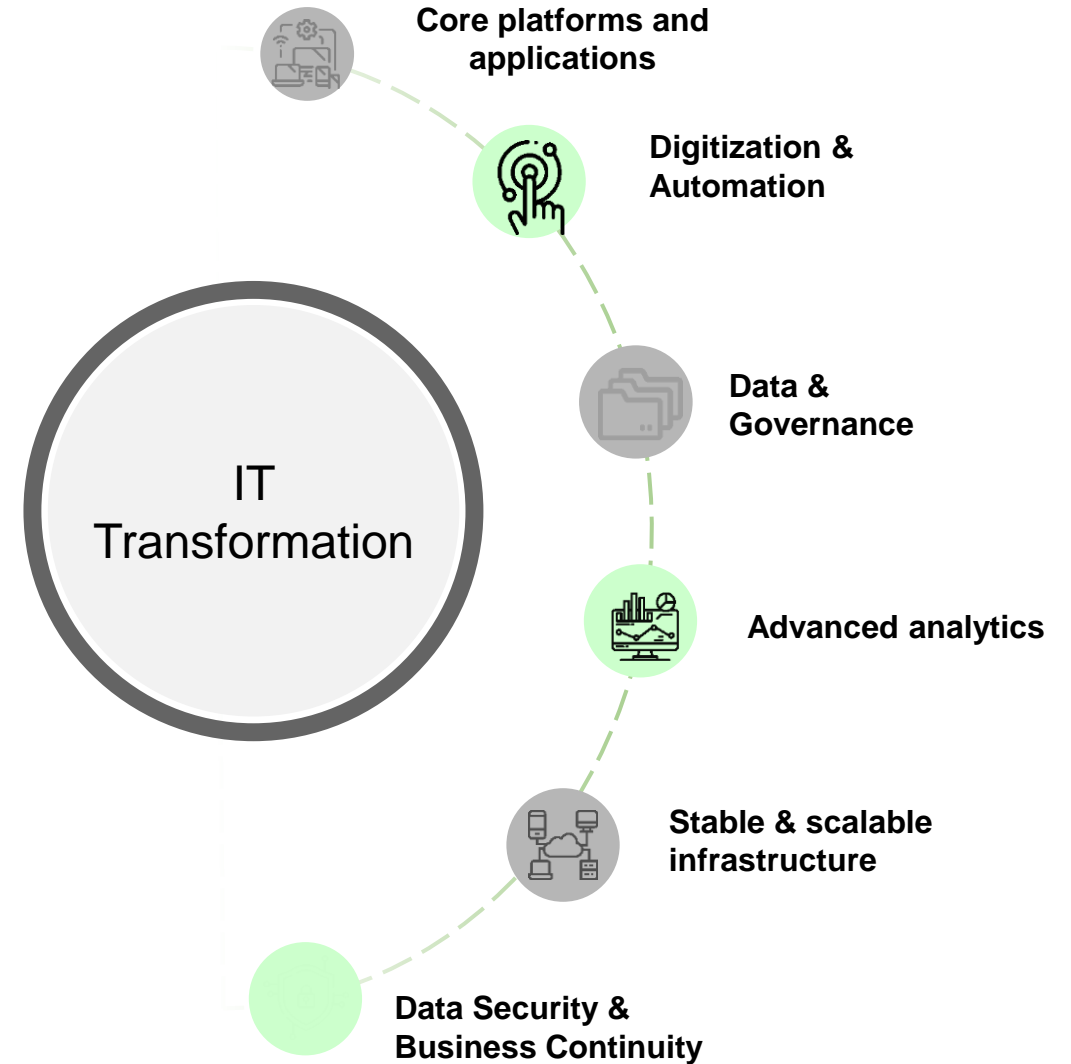
Loan Management System

- 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 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.spandanaspfoorty.com

THANK YOU

