BUY (Maintained)

CMP: **INR 1,020** Target Price: **INR 1,400 (INR 1,100)** ▲ 37%

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13 December 2023

India | Equity Research | Company Update

Spandana Spoorthy Financial

Financial Services

Spandana 2.0 – embarking on self-sustainable tech-enabled customer-led growth journey

Spandana Spoorthy (Spandana), in its Analyst Day, unveiled 'Vision 2028' – a roadmap that emphasis on a tech-enabled customer-led growth journey and a strong focus on risk management. Spandana aims to grow its AUM to INR 280bn (implying >25% CAGR between FY23-28) with a customer base of ~6.2mn (implying 22% CAGR). Vision 2028 also stresses on effective capital utilisation, evident in its near-term RoE target of 22-24% and sustainable RoE at >18% and likely AUM CAGR of ~25% between FY23-28. Microfinance would remain the core business and shall strictly follow the JLG model with weekly collection. The company also plans to scale the secured business via its wholly-owned subsidiary Criss Financial with LAP and Nano enterprise loans. It does not intend to enter into individual unsecured loans in the near-future; if at all it does enters this space in the medium term, it would cap maximum exposure at 5% of total AUM. Retain **BUY;** TP revised to INR 1,400 (from INR 1,100), valuing at 2.5x (earlier 2x earlier) Sep-24E BVPS.

Vision 2028: INR 280bn AUM by FY28, implying >25% FY23-28 CAGR

Post successfully executing Vision 2025 over the past six months, Spandana unveiled its Vision 2028 goals that emphasise on a tech-enabled customer-led growth journey with a strong focus on risk management. Spandana aims to grow its AUM to INR280bn (implying >25% FY23-28 CAGR) with a customer base of ~6.2mn (implying 22% CAGR). In this growth journey, it would focus on customer acquisition, keep ticket-size growth soft and move to a weekly collection model (~75-80% of AUM shall be under weekly collection by FY28 vs. 7% currently). Considering the unsecured nature of loans, it would keep tenure shorter; <18 months' loans to remain at 30-40% of AUM versus ~10% currently.

Risk-management: Loan utilisation check, short tenure, close watch on customer indebtedness, end-to-end digital process

Management highlighted it would strengthen its risk management system to maintain portfolio quality, even on a high base. It would prefer: 1) shorter tenure loans, which would enable better predictability and course correction if needed; 2) income generation loans – to verify this, it would make mandatory for LO to check loan utilisation within 10-45 days from the date of disbursements; 3) customer-led growth, to keep a close eye on overall indebtness of customer; and 4) digital processes to neglect human error.

Financial Summary

Y/E 2023 (INR mn)	FY22A	FY23A	FY24E	FY25E
Net Interest Income (NII)	7,964	8,196	12,703	16,800
PAT (INR mn)	698	124	5,154	7,242
EPS (INR)	10.1	1.7	72.6	102.0
% Chg YoY	(55.3)	(82.7)	4,054.8	40.5
P/E (x)	101.0	584.0	14.1	10.0
P/BV (x)	2.3	2.3	2.0	1.7
Gross Stage - 3 (%)	12.6	1.9	1.8	1.8
RoAA (%)	0.9	0.2	4.7	5.1
RoAE (%)	2.4	0.4	15.4	18.2

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Market Data

Market Cap (INR)	73bn
Market Cap (USD)	870mn
Bloomberg Code	SPANDANA IN
Reuters Code	SPAD BO
52-week Range (INR)	1,107 /470
Free Float (%)	31.0
ADTV-3M (mn) (USD)	2

Price Performance (%)	3m	6m	12m
Absolute	34.0	46.6	65.9
Relative to Sensex	3.7	11.6	13.4

Earnings Revisions (%)	FY24E	FY25E
Revenue		
EPS		

Previous Reports

31-10-2023: Q2FY24 results review
25-07-2023: Q1FY24 results review

Technology at the core of future business initiatives

Spandana 2.0 would incrementally focus on building strong tech platforms for better customer service, ease of work for employees and operational efficiencies. Most importantly, technology transformation would emphasise on analytics and scorecard-based lending; integrated CRM; IVR and self-service apps; process automation and cloud-based data storage; e-KYC and e-sign; geo-tagging – customer homes, centres and branches; attendance digitisation; travel allowance etc. The same would help a seamless execution of Vision 2028 strategies. It expects, post the compete tech transformation, turn-around-time (TAT) of loan process would reduce to 10-30 minutes, from 4-5 days currently.

Preference for weekly collection with strong focus on following JLG

The company is transitioning from a monthly collections model to a weekly collections model – it plans to reach 75-80% of AUM with the weekly model by FY28, from 7% in the currently. It would continue to pursue the MFI business with a strong focus on following the JLG model with a 5/5/5 strategy, which is five members in a group, five groups in the centre and five centres per day. The company believes that JLG would ensure a sense of responsibility amongst group members, which in turn shall result in better credit behaviour and the weekly model would help building strong customer connect.

No plans to enter unsecured individual loans in near future

Spandana highlighted that it is not planning to enter unsecured individual loans for seasoned MFI customers – it believes that once customers step out of the JLG model, the risk of customer behaviour change increases; hence, Spandana would refrain from entering individual loans in the near future. However, should the company plan to enter this segment in the future, it would like to keep unsecured individual loan exposure at 5% of total AUM.

Non-MFI products to scale gradually, under wholly-owned subsidiary

While management highlighted that MFI would continue to be a core business for Spandana, it would gradually scale secured products. The company has already rolled out two products under Criss Financial (wholly owned subsidiary) – LAP and Nano enterprise loans. For both the products. it has created a separate vertical with dedicated branches and manpower for these products. It would offer loans worth INR0.5mn to small ticket secured loan and INR 60,000 to INR 100,000 under nano enterprise loans. It has already developed an end-to-end digital journey for nano enterprise loans.

It plans to scale non-MFI loans to INR 30-35bn by FY28, from INR 0.46bn currently.

Focus on tightening risk management

While JLG itself is the first line of defence, stringent risk management helps identify early warning signals and thus setting-up of systems and process to minimise credit losses.

Risk diversification

- Concentration risk: Top-3 states' exposure fell to 44% currently versus 48% six quarters ago; the company plans to lower it to 36% in FY28.
- Asset book diversification with non-MFI book moving to 10-15% of overall book in FY28.
- Customer indebtedness: Max limit of INR 80,000 is 35-40% lower than peers.

Risk management

- Risk assessment in Spandana starts even before a branch is opened. The company studies the pin-codes, the pin-code's borrower profiles, the exact needs in those regions etc. Once all of this is analysed, a branch is opened only then.
- Currently, there is a rule-based engine (go/non-go) to understand the customer. Plans to move to a scorecard-based model.
- Propensity modelling of collections – to understand early if the customer is going into stress. Analysing the centre attendance, payment patterns of the client.

Risk monitoring

- Loan utilisation check: For every new member, after a certain defined period, an LO should go and check if the loan is appropriately utilised.
- Geo-tagging: Borrower's house is geo-tagged at the time of login. Complete control on geographical aspect of business.
- Random checks on whether the centre meetings are happening on time or not.
- Multi-layer supervisory checks conducted.
- Digitisation will be a game changer – all the checks will be done on real-time-basis.

Strengthening liability profile

In order to successfully execute Vision 2028, management is increasingly focusing on strengthening its liability profile, as market confidence was low when they took over in FY22. However, with six quarters of steady performance, lenders are gradually showing confidence and are opening up lines of fresh credit to Spandana. It raised INR 61bn in FY24YTD from PSUs, private sector banks and capital markets – lending relationships with lenders increased to 54 partners.

After securing credit lines from the market, it is now focusing on diversifying its borrowing mix and optimising cost of borrowing. Currently, the share of bank borrowing is 49%; it aims to increase this to 60-70%, pare NBFC borrowing and boost capital market share. Spandana also seeks to reduce its cost of borrowing to less than 11%, from 12.3% currently.

Emphasis on preserving and nurturing strong human capital; current attrition rate is 20% lower than industry

Spandana strongly believes that MFI is a human heavy model (~90% of on-ground staff) and hence success of business is directly linked to its ability to preserve good talent and nurture new talent to create a strong talent pool. Post new management taking charge in FY22, it hired 13 senior management members to build a strong team – all MFI sector veterans.

Key initiatives

- Salary parity grid prepared so there are no outliers in terms of salary gap.
- Loan officer salary is INR 17,000-20,000, which is higher than the median industry level salary for loan officers.
- Open communication system – where everybody is able to communicate with top management. Town halls are conducted on a regular basis.
- Social benefit policies – insurance to all the employees.
- Sahayta portal – employees can raise concerns and write queries, which reaches the head office level.

Key risks: Stress unfolding higher than anticipated; and operational instability caused by outside interference.

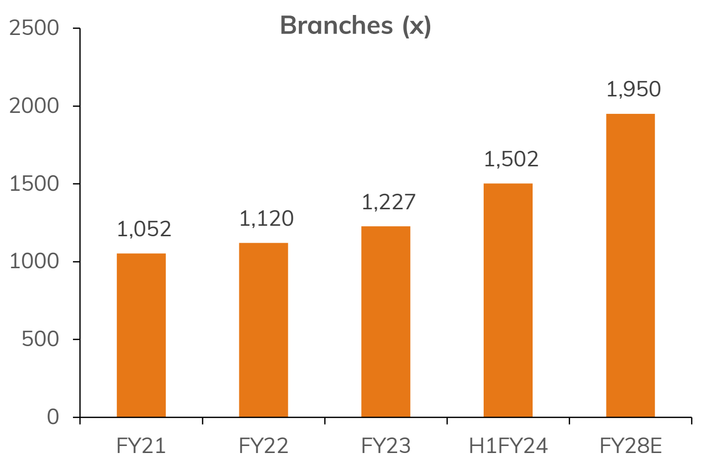
Distribution expansion, customer acquisitions and technology to support INR 280bn AUM target

Plans to reach 1,950 branches by FY28E; 30-35% business from new customer acquisitions

Spandana has strategically identified seven growth states, wherein it plans to go deeper and subsequently grow its portfolio, as per its Vision 2028. The company has surpassed its FY25E 1,500 branches target in Q2FY24 itself and it would continue to invest on distribution, as it plans to expand branch network to 1,950 by FY28E.

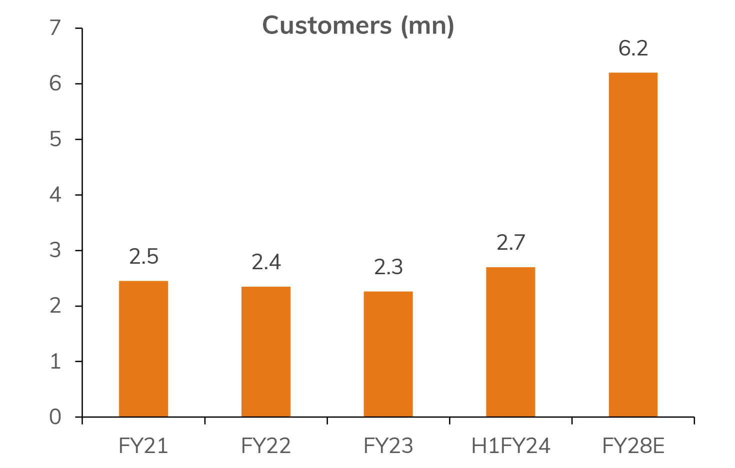
Similar to its Vision 2025 philosophy of customer-led growth (56% of the business came from new customers in Q2FY24), it would continue to focus on customer acquisition-led growth strategy with 30-35% of the overall business coming from new customers in FY28E. Overall, the company is aiming for a customer base of 6.2mn in FY28E, from its existing 2.7mn customers.

Exhibit 1: Branch network expected to reach 1,950 by FY28E



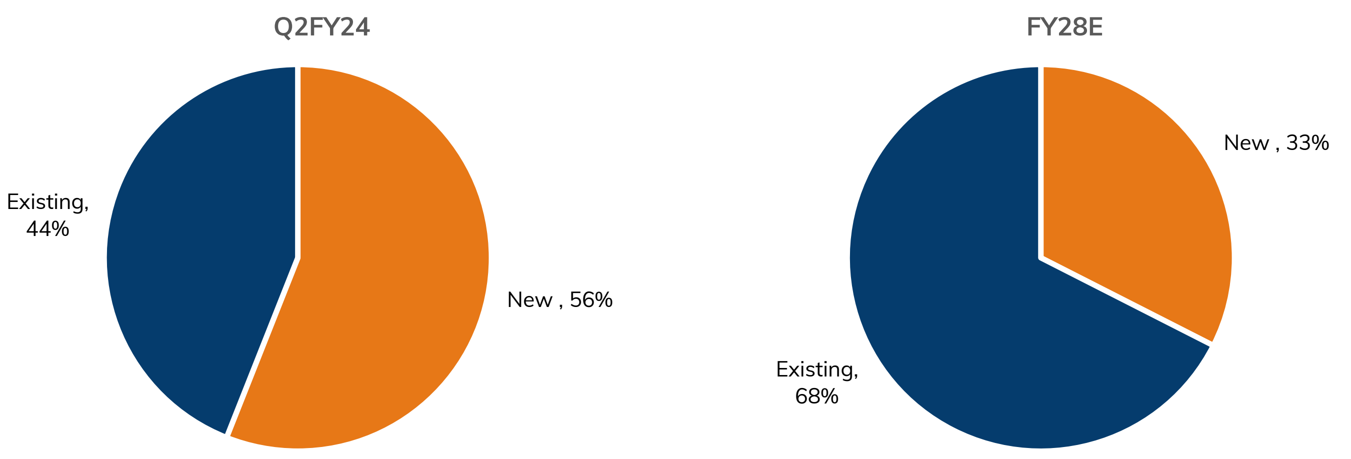
Source: Company data, I-Sec research

Exhibit 2: Customer base to cross 6mn mark at a CAGR of 22% from FY23-FY28E



Source: Company data, I-Sec research

Exhibit 3: 30-35% of the business to come from new customer acquisitions



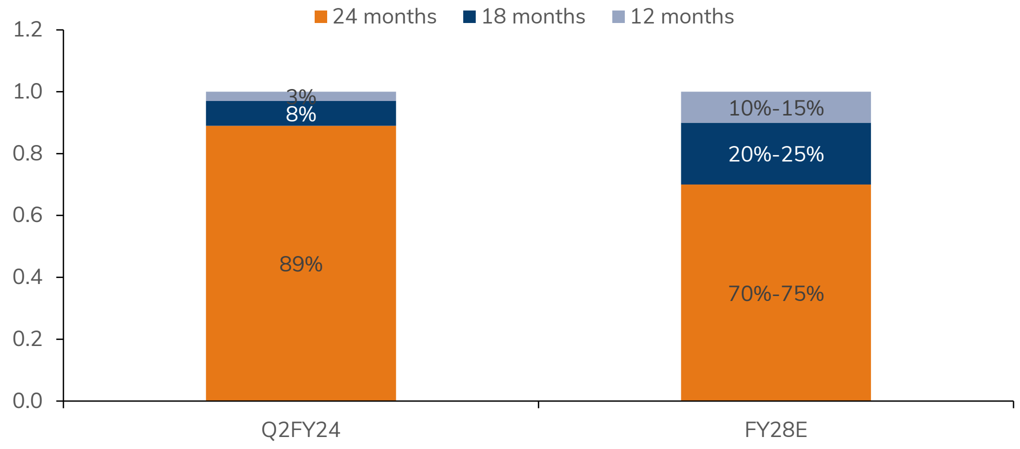
Source: Company data, I-Sec research

JLG model with shorter tenure low-ticket-size loans will be the core philosophy

Spandana maintains its strong belief in the JLG model and plans to follow the same strategy while pursuing Vision 2028 goals. It envisages to follow 5x5x5 JLG model, i.e. 5 members per group, 5 groups per centre and 5 centres per day.

While JLG will continue to be the core of the company's business, its strategy will continue to revolve around lower ticket size and shorter tenure products. The company will keep the outstanding per borrower at its current level of INR 36,000.

Exhibit 4: Exhibit 5: Average tenure to hover between 18-24 months



Source: Company data, I-Sec research

Increased focus on tech-enabled processes

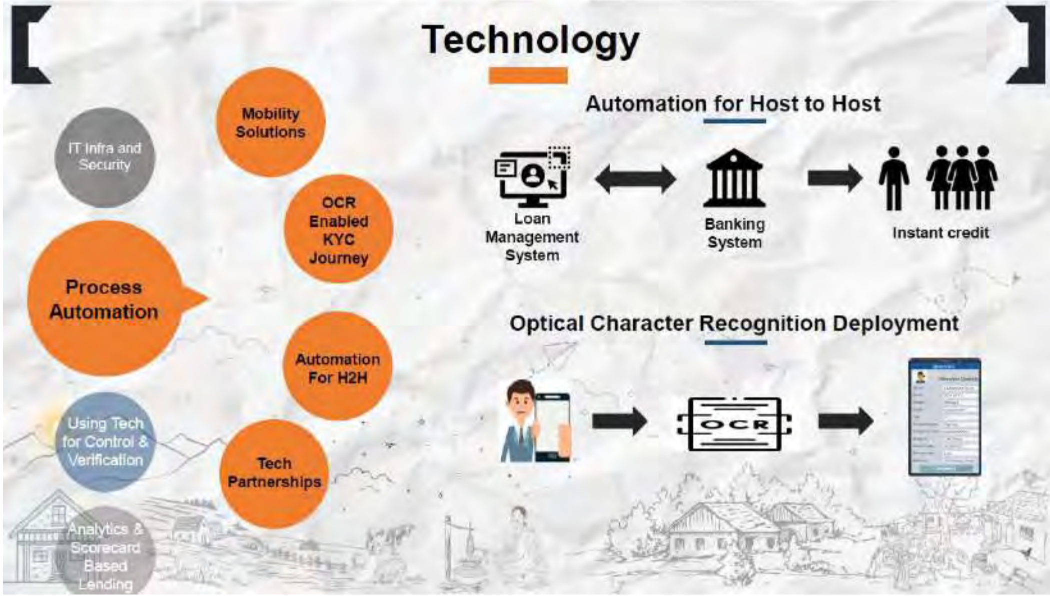
Management highlighted its plans to actively use technology and data analytics mechanisms as its enters the new strategy phase. It believes that a shorter turnaround time and seamlessness are the key factors contributing to higher customer satisfaction. Therefore, in the last six quarters, the company has been regularly spending time and resources in automating the processes. Spandana has an in-house mobile application that can be used to perform any activity with respect to the loan process such as verification of documents, centre training, disbursals, etc.

Going forward, the company plans to revamp its tech structure to generate higher process efficiencies. Some of the key initiatives that the company has kept in pipeline for next 3-4 years are –

- OCR-enabled KYC journey – face scan followed by automatic registration on the application
- Geo-tagging customer homes, centres and branches to ensure better control and risk management
- While the company has already started with e-sign and e-NACH, it plans to roll-out e-KYC also, in the next few months
- Moving from rule-based model to self-learning scorecard based model
- Leveraging AI/ML for better customer relationship management through chatbots and IVR

In order to achieve process excellence, Spandana has created a dedicated 10-member team – solely focussing on creating a seamless customer experience. Overall, the company expects to shorten the TAT from 4-5 days currently to 10-30 minutes.

Exhibit 5: Process automation for seamless and faster KYC journey

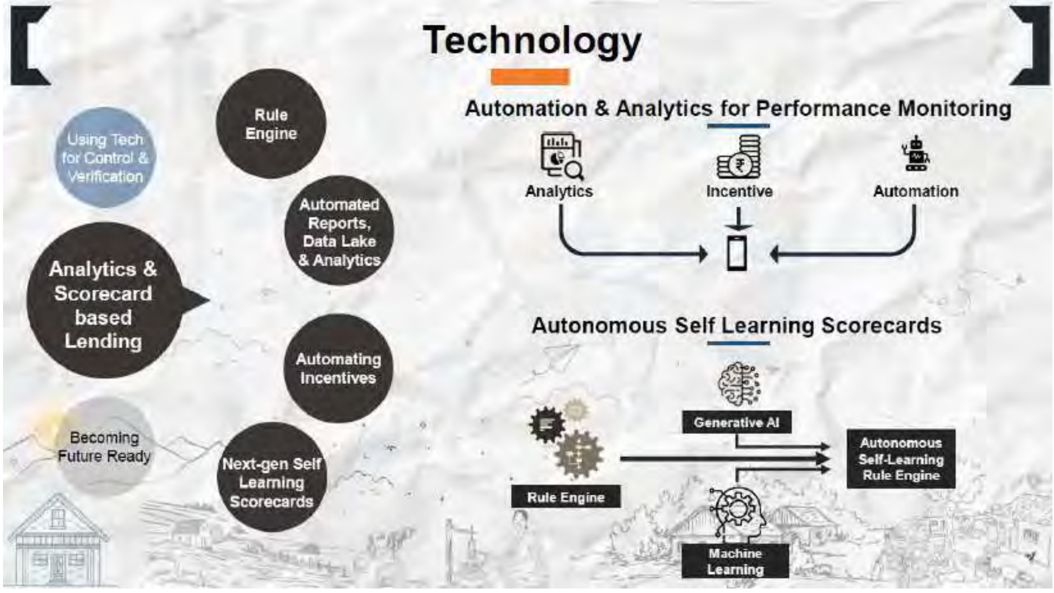


Source: Company data, I-Sec research

Exhibit 6: Geo-tagging to provide better control and risk management

Source: Company data, I-Sec research

Exhibit 7: Data and analytics to play a key role in achieving process efficiencies and stringent risk management



Source: Company data, I-Sec research

Exhibit 8: Leveraging AI/ML for better customer relationship management

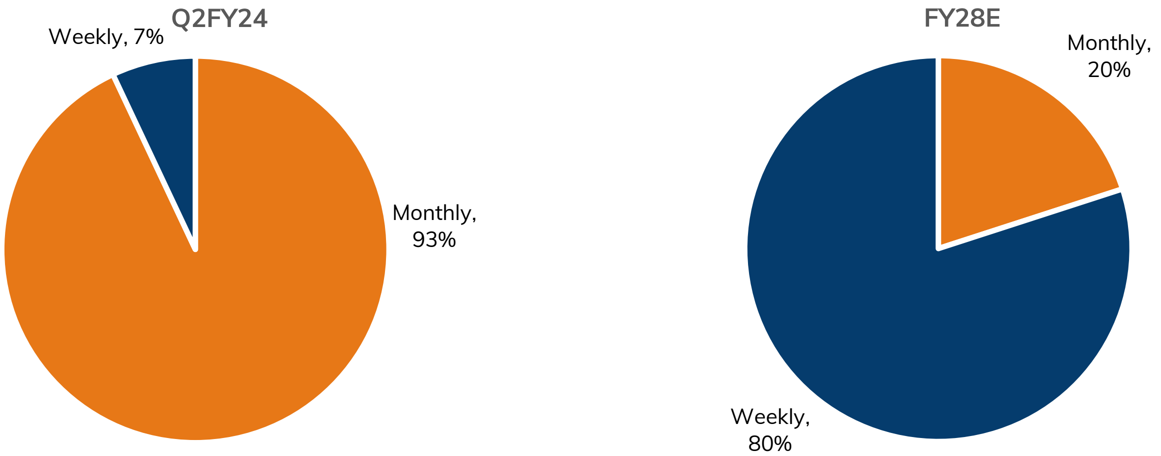
Source: Company data, I-Sec research

Transition to weekly model to ensure high customer touch, resulting in higher customer retention

Spandana believes that in order to sustainably grow in JLG, the weekly model will play an important part. In-line with this strategy, of the 573 new branches opened this year, 400 branches were opened via the weekly mode. Furthermore, the company plans to move all of its branches to the weekly mode on a gradual basis.

The weekly model will ensure higher customer touch and will help build better relationships with customers. Higher interaction will not only help in improving the retention levels, but will also ensure better collections.

Exhibit 9: Gradual transition to weekly model; 75%-80% of disbursements through weekly mode by FY28

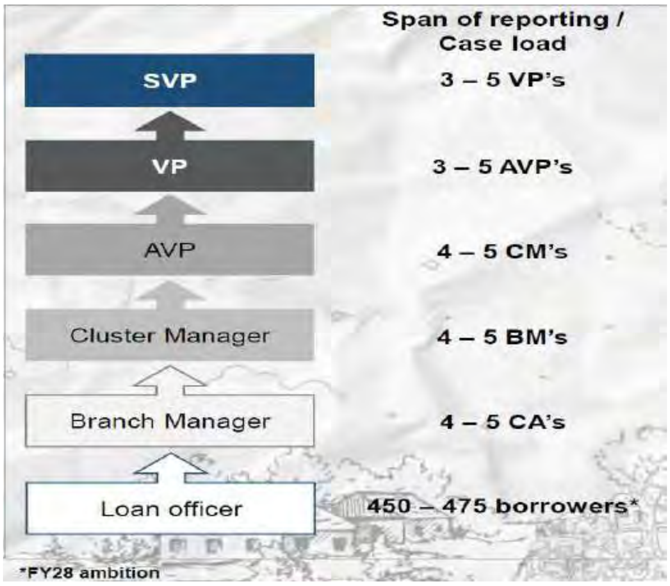


Source: Company data, I-Sec research

Standardising processes to achieve higher efficiencies

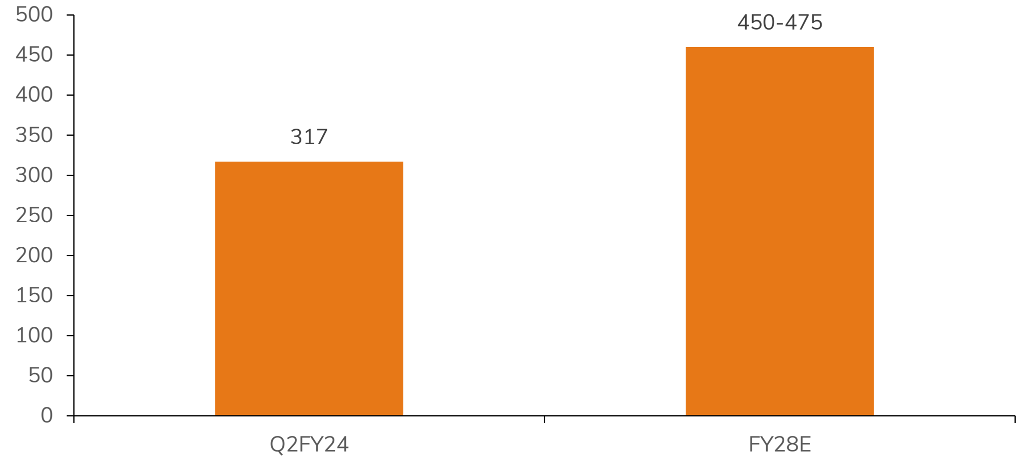
Spandana envisages to standardise its processes across all branches and streamline structure to gain higher efficiencies. At present, there are ~360-365 borrowers per loan officer, which has been gradually increasing over the last few quarters. The company wants to take this number to 450-475 borrowers/loan officers by FY28E.

Exhibit 10: Streamline structure for efficient operations



Source: Company data, I-Sec research

Exhibit 11: Target to take borrowers per loan officer to maximum 450-475



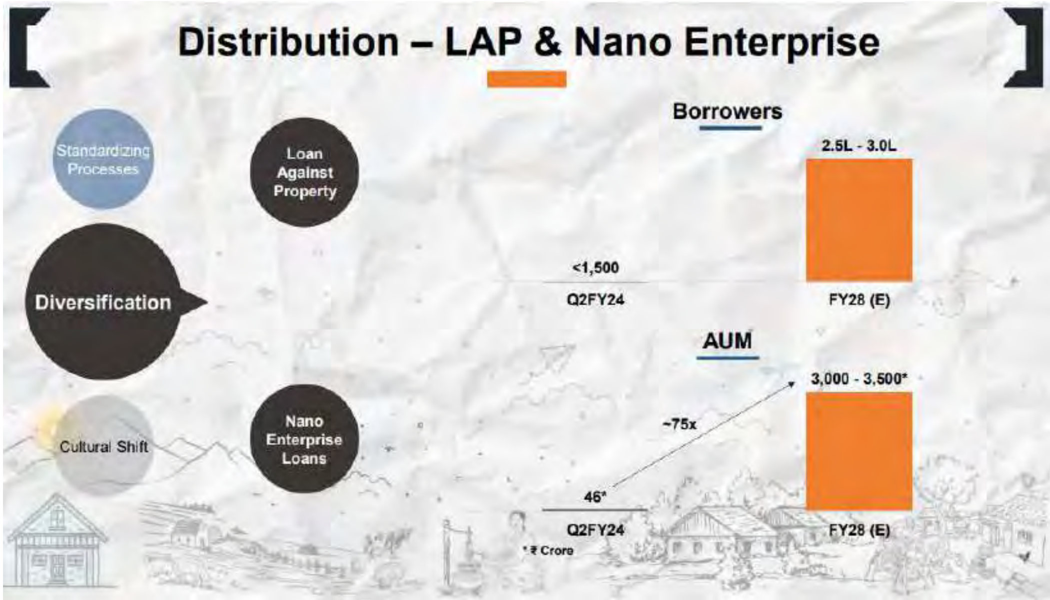
Source: Company data, I-Sec research

Expansion of non-MFI products

Spandana rolled out two new products, i.e. LAP and nano enterprise loans under its wholly-owned subsidiary Criss Financial. Both products serve different customer segments with an average ticket size of INR 0.4-0.5mn for LAP and INR 0.06-0.1mn for nano enterprises loans. Accordingly, the company has opened dedicated branches for these segments with a complete separate team.

While MFI will continue to be the core product, both these product segments will marginally add to overall AUM growth in the medium term. With only INR 480mn of AUM coming from these products, the company plans to take this portfolio to INR 30-35bn by FY28. Management has highlighted on its current plans to grow this book organically; however, subject to market conditions, the company is even open to grow this book through inorganic route.

Exhibit 12: New product segments will also contribute to Vision 2028 AUM target



Source: Company data, I-Sec research

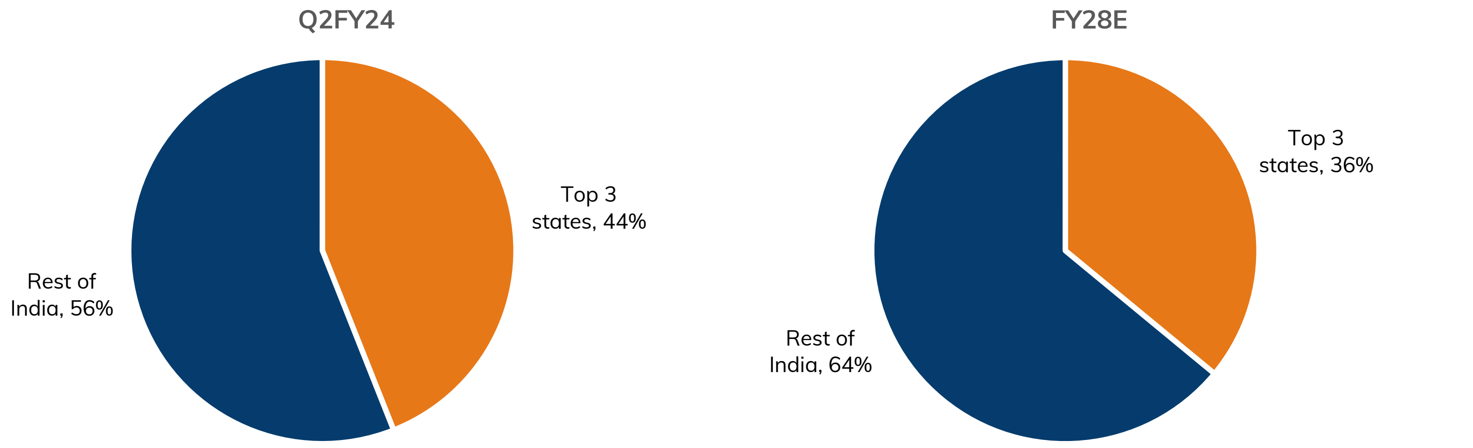
Robust risk management and monitoring

Diversifying risk; low geographical and low exposure to individual borrower

In order to ensure better risk management, Spandana is gradually diversifying its portfolio. The three key areas of focus for risk diversification include –

- **Geography:** In terms of geography, in the last 6 quarters, the company has already reduced the portfolio share of the top-3 states from 48% Q4FY22 to 44% in Q2FY24. Spandana plans to further lower it to <36% in FY8E. It aims to do so through deeper penetration in the seven strategically identified states.

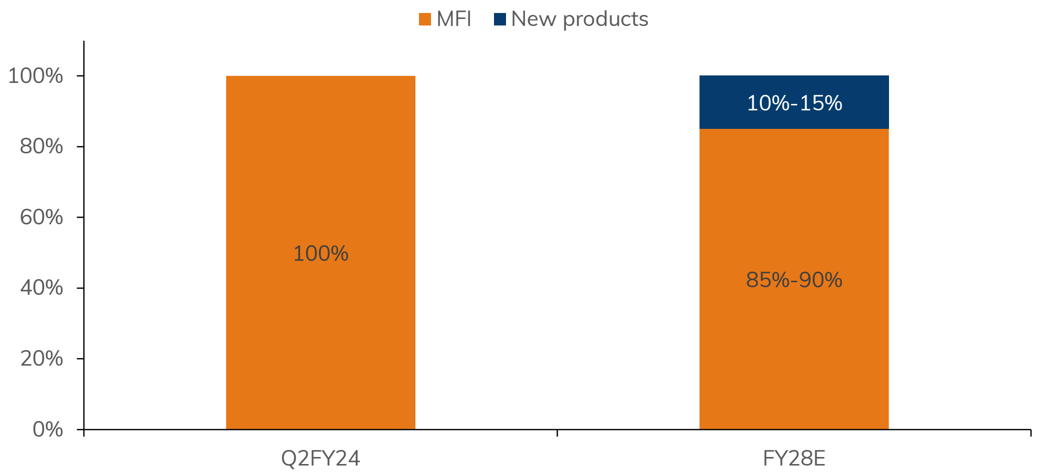
Exhibit 13: AUM concentration in top-3 states at <36% in FY28E



Source: Company data, I-Sec research

- **Product**: At present, almost 100% of Spandana's book is towards microfinance loans. With the launch of two new products, i.e. LAP and nano enterprise loans and serving a different customer segment, the company plans to diversify its product offerings in the medium term. The new businesses are expected to contribute about 10-15% of the overall portfolio.

Exhibit 14: New products to contribute 10-15% in FY28E



Source: Company data, I-Sec research

- **Low exposure**: Spandana's philosophy of providing low-ticket-size, shorter-tenure loans ensures higher granularity in the portfolio and thus, acts as a cushion against high exposure risks. Management has highlighted that the maximum loan amount offered by Spandana stood at INR 80,000, which remained 35-40% lower than peers. The company will continue to maintain this level in the future also.

Adoption of analytics-driven underwriting and collection mechanisms

With the tech-enabled processes, Spandana is bringing in more analytics into its underwriting and collection practices, which will subsequently help in faster decision making.

Some of the notable plans to drive risk management through analytics are include –

- **Risk scoring for branch expansion**: Risk management will start even before opening the branch. Through data analysis, the company will analyse the pin-codes and thus, the broad customer profile in that pin-code before opening the branch in that location.
- **Switch to scorecard-based model from rule-based engine:** In order to better understand the customer, the company plans to move to a scorecard based model where the borrowers will be evaluated on various parameters and a final scorecard will be generated, giving a comprehensive profile of the customer.
- **Analysing propensity to repay**: Identifying early warning signs and understanding customers' paying patterns, thereby improving the overall collection efficiencies.

Exhibit 15: Analytics driven credit decision making

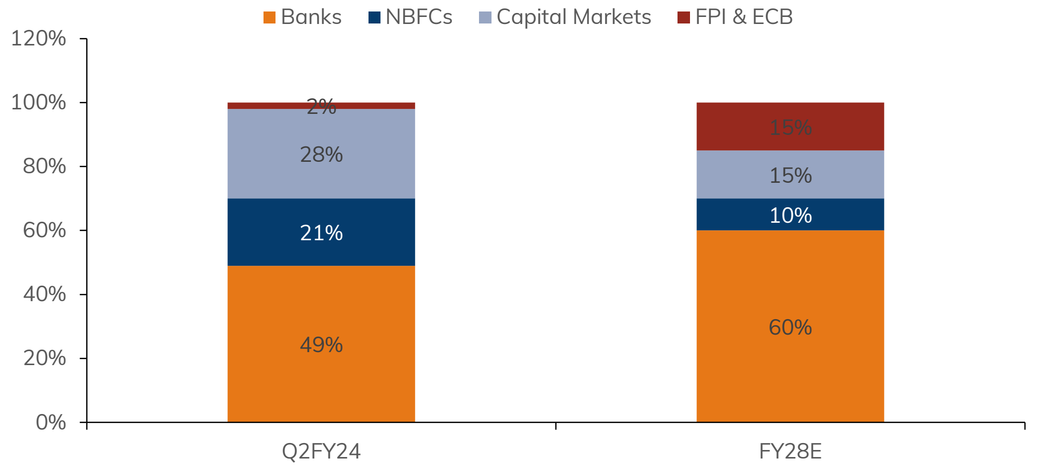
Source: Company data, I-Sec research

Paring marginal cost of borrowing to <11% by FY28E

With new management taking over six quarters ago, the company has been able to establish strong relationships with lenders. This has helped Spandana diversify its resource mix and make fund raising easier, having seen low market confidence in FY22. The well-established relationship with 54 lending partners has enhanced the company's ability to raise funds – raised INR 61bn in the first nine months of FY24, against the debt raise of INR 58bn in FY23.

However, with the marginal cost of borrowing at 12.3% for Q2FY24, management believes that there is a lot of room for improvement on the liability side. As of Sep'23, 49% of the overall borrowings were from banks, followed by 21% from NBFCs, and 28% from capital markets. Going forward, the company plans to increase its share in bank borrowings and reduce its share in NBFC and capital market borrowings. Additionally, the key focus would also remain on raising funds through direct assignment and ECB mode. Overall, Spandana expects to rein in marginal cost of borrowing to <11% in FY28E.

Exhibit 16: Increasing focus on bank borrowings and ECBs



Source: Company data, I-Sec research

Exhibit 17: Vision 2025 vs Vision 2028

	Vision 2025	Vision 2028
AUM (INR bn)	150	280
Customers (mn)	4	6.2
RoE	22-24%	>18%
RoA	~5%	~4.5%

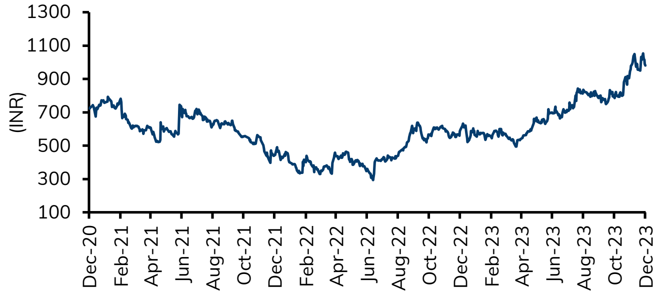
Source: Company data, I-Sec research

Exhibit 18: Shareholding pattern

%	Mar'23	Jun'23	Sep'23
Promoters	63.0	62.4	60.4
Institutional investors	28.7	29.7	31.8
MFs and other	0.6	0.6	1.3
Banks/ FIs	0.3	0.3	0.3
Insurance Cos.	4.1	4.1	8.0
FIIs	23.7	24.6	22.2
Others	8.3	7.9	7.8

Source: Bloomberg, I-Sec research

Exhibit 19: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 20: Profit & Loss

(INR mn, year ending 2023)

	FY22A	FY23A	FY24E	FY25E
Interest Income	13,365	12,775	20,775	27,663
Net gain on fair value changes	-	-	-	-
Interest Expenses	(5,401)	(4,579)	(8,072)	(10,863)
Net Interest Income (NII)	**7,964**	**8,196**	**12,703**	**16,800**
Other Income	-	-	-	-
Total Income (net of interest expenses)	**9,399**	**10,192**	**14,502**	**18,879**
Employee benefit expenses	(2,284)	(3,057)	(3,730)	(4,550)
Depreciation and amortization	(92)	(109)	(110)	(120)
Fee and commission expenses	-	-	-	-
Other operating expenses	(1,249)	(1,404)	(1,657)	(1,988)
Total Operating Expense	**(3,625)**	**(4,570)**	**(5,497)**	**(6,659)**
Pre Provisioning Profits (PPoP)	**5,774**	**5,622**	**9,005**	**12,221**
Provisions and write offs	(4,806)	(5,443)	(2,118)	(2,543)
Profit before tax (PBT)	**969**	**178**	**6,887**	**9,678**
Total tax expenses	(270)	(54)	(1,733)	(2,436)
Profit after tax (PAT)	**698**	**124**	**5,154**	**7,242**

Source Company data, I-Sec research

Exhibit 21: Balance sheet

(INR mn, year ending 2023)

	FY22A	FY23A	FY24E	FY25E
Share capital	691	710	710	710
Reserves & surplus	30,209	30,283	35,436	42,678
Shareholders' funds	**30,899**	**30,992**	**36,146**	**43,388**
Borrowings	37,721	60,743	86,016	111,501
Provisions	1,861	2,051	2,051	2,051
Deferred tax liabilities (net)	282	40	40	40
Current Liabilities and short-term provisions	-	-	-	-
Other Liabilities	1,861	2,051	2,051	2,051
Total Liabilities and Stakeholder's Equity	**70,763**	**93,826**	**124,253**	**156,979**
Fixed assets	68	249	249	249
Loans	**55,184**	**77,598**	**107,070**	**136,124**
Investments	24	1,894	750	750
Deferred tax assets (net)	2,030	2,364	2,364	2,364
Current Assets including cash and bank	-	-	-	-
Other Assets	1,434	1,677	2,043	2,519
Total Assets	**70,763**	**93,826**	**124,253**	**156,979**

Source Company data, I-Sec research

Exhibit 22: Key Ratios

(Year ending 2023)

	FY22A	FY23A	FY24E	FY25E
AUM and Disbursements (INR mn)				
AUM	65,810	85,110	117,659	149,587
On-book Loans	65,810	85,110	117,659	149,587
Off-book Loans	-	-	-	-
Disbursements	33,730	81,250	95,904	112,475
Sanctions	-	-	-	-
Repayments	49,490	61,950	63,355	80,547
Growth (%):				
Total AUM (%)	(19.3)	29.3	38.2	27.1
Disbursements (%)	47.5	(140.9)	(18.0)	(17.3)
Sanctions (%)	-	-	-	-
Repayments (%)	(2.9)	25.2	2.3	27.1
Loan book (on balance sheet) (%)	(19.3)	29.3	38.2	27.1
Total Assets (%)	(17.5)	32.6	32.4	26.3
Net Interest Income (NII) (%)	(15.2)	2.9	55.0	32.2
Non-interest income (%)	0.5	39.1	(9.9)	15.6
Total Income (net of interest expenses) (%)	(13.2)	8.4	42.3	30.2
Operating Expenses (%)	53.0	26.1	20.3	21.1
Employee Cost (%)	33.1	33.9	22.0	22.0
Non-Employee Cost (%)	116.5	12.4	18.0	20.0
Pre provisioning operating profits (PPoP) (%)	(31.7)	(2.6)	60.2	35.7
Provisions (%)	(25.5)	13.3	(61.1)	20.1
PBT (%)	(51.7)	(81.6)	3,760.9	40.5
PAT (%)	(52.0)	(82.2)	4,054.8	40.5
EPS (%)	(55.3)	(82.7)	4,054.8	40.5
Yields, interest costs and spreads (%)				
NIM on loan assets (%)	14.4	10.6	11.9	12.3
NIM on IEA (%)	9.2	9.5	11.3	11.4
NIM on AUM (%)	10.8	10.9	12.5	12.6
Yield on loan assets (%)	24.2	16.5	19.4	20.3
Yield on IEA (%)	15.4	14.8	18.5	18.8
Yield on AUM (%)	18.1	16.9	20.5	20.7
Cost of borrowings (%)	11.8	9.3	11.0	11.0
Interest Spreads (%)	9.7	9.9	11.5	11.8
Operating efficiencies				
Non interest income as % of total income	53.8	55.5	56.3	56.5
Cost to income ratio	24.5	30.9	24.4	22.4
Op.costs/avg assets (%)	4.6	5.6	5.0	4.7
Op.costs/avg AUM (%)	4.9	6.1	5.4	5.0
No of employees (estimate) (x)	8,763	10,016	-	-
No of branches (x)	1,120	1,227	1,337	1,462
Salaries as % of non-interest costs (%)	63.0	66.9	67.9	68.3
NII /employee (INR mn)	0.9	0.8	-	-
AUM/employee(INR mn)	7.5	8.5	-	-
Capital Structure				
Average gearing ratio (x)	1.2	2.0	2.4	2.6
Leverage (x)	229.0	302.7	343.8	361.8
CAR (%)	50.0	36.3	34.2	32.5
Tier 1 CAR (%)	49.0	35.3	33.2	31.5
Tier 2 CAR (%)	1.0	1.0	1.0	1.0
RWA (estimate) - INR mn	56,610	79,752	105,615	133,432
RWA as a % of loan assets	102.6	102.8	98.6	98.0

Source Company data, I-Sec research

	FY22A	FY23A	FY24E	FY25E
Asset quality and provisioning				
GNPA (%)	12.6	1.9	1.8	1.8
NNPA (%)	1.5	3.9	0.4	0.4
GNPA (INR mn)	8,278	1,606	2,141	2,722
NNPA (INR mn)	971	3,311	497	535
Coverage ratio (%)	88.3	(106.1)	76.8	80.3
Credit Costs as a % of avg AUM (bps)	652	721	209	190
Credit Costs as a % of avg on book loans (bps)	652	721	209	190
Return ratios				
RoAA (%)	0.9	0.2	4.7	5.1
RoAE (%)	2.4	0.4	15.4	18.2
ROAAUM (%)	0.9	0.2	5.1	5.4
Dividend Payout ratio (%)	-	-	-	-
Valuation Ratios				
No of shares	69	71	71	71
No of shares (fully diluted)	69	71	71	71
ESOP Outstanding	-	-	-	-
EPS (INR)	10.1	1.7	72.6	102.0
EPS fully diluted (INR)	10.1	1.7	72.6	102.0
Price to Earnings (x)	101.0	584.0	14.1	10.0
Price to Earnings (fully diluted) (x)	101.0	584.0	14.1	10.0
Book Value (fully diluted)	447	437	509	611
Adjusted book value	437	402	504	606
Price to Book	2.3	2.3	2.0	1.7
Price to Adjusted Book	2.3	2.5	2.0	1.7

Source Company data, I-Sec research

Exhibit 23: Key Metrics

(Year ending 2023)

	FY22A	FY23A	FY24E	FY25E
DuPont Analysis				
Average Assets (INR mn)	78,266	82,294	109,039	140,616
Average Loans (INR mn)	62,257	66,391	92,334	121,597
Average Equity (INR mn)	29,195	30,946	33,569	39,767
Interest earned (%)	17.1	15.5	19.1	19.7
Net gain on fair value changes (%)	-	-	-	-
Interest expended (%)	6.9	5.6	7.4	7.7
Gross Interest Spread (%)	**10.2**	**10.0**	**11.7**	**11.9**
Credit cost (%)	6.1	6.6	1.9	1.8
Net Interest Spread (%)	**4.0**	**3.3**	**9.7**	**10.1**
Operating cost (%)	4.6	5.6	5.0	4.7
Lending spread (%)	**(0.6)**	**(2.2)**	**4.7**	**5.4**
Non interest income (%)	1.8	2.4	1.6	1.5
Operating Spread (%)	**1.2**	**0.2**	**6.3**	**6.9**
Tax rate (%)	27.9	30.5	25.2	25.2
ROAA (%)	**0.9**	**0.2**	**4.7**	**5.1**
Effective leverage (AA/ AE)	268.1	265.9	324.8	353.6
RoAE (%)	**2.4**	**0.4**	**15.4**	**18.2**

Source Company data, I-Sec research

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