

IPO Note of

Spandana Sphoorthy Financial Limited

Issue Highlights:

Issue Details	Fresh Issue: Upto Rs.400 Crores			
	Offer for Sale: 93,56,725 Equity Shares			
Issue Opens on	Monday, 05 th Aug, 2019			
Issue Closes on	Wednesday, 07 th Aug, 2019			
Price Band	Rs. 853* - Rs. 856 [^] per Equity Share			
Bid Lot	17 Equity Shares and in multiple thereof			
Face Value	Rs. 10			
Issue Size	Rs.1,198.13* Crs - Rs.1,200.94 [^] Crs			
Listing	BSE and NSE			
UPI Mechanism	All Retail Applications compulsorily in UPI Mode			
Book Running Lead Managers	Axis Capital, ICICI Securities, IIFL Securities & JM Financial			
Registrar	Karvy Fintech Pvt Limited			
Who can Apply	Category	Allocation	Rs. in Crores	
			Lower Band	Upper Band
	QIB	50%	599.06	600.47
	HNI	15%	179.72	180.14
Retail	35%	419.35	420.33	

Note : Applications made by using third party, third party UPI or ASBA A/c are liable to be rejected.

*Lower Band - [^]Upper Band

About the Issuer:

- » SPANDANA SPHOORTY FINANCIAL LIMITED is a leading, rural-focused NBFC-MFI with a geographically diversified presence in India. The company was incorporated as a public company in 2003 and registered as an NBFC with the RBI in 2004. Subsequently, it registered as an NBFC-MFI in 2015. Between the years 2005 to 2010, it grew its micro-finance operations and, as of March 2010, the company was the second-largest MFI in terms of AUM (Source: ICRA Research).
- » The company offers income generation loans under the joint liability group model, predominantly to women from low-income households in Rural Areas. As of March 31, 2019, the company was the fourth-largest NBFC-MFI and the sixth-largest amongst NBFC-MFIs and SFBs in India, in terms of AUM (Source: ICRA Research).
- » Through its extensive corporate history, the company has developed an in-depth understanding of the borrowing requirements of the low-income client segment. Its business model involves regular client meeting processes through its employees, who maintain contact with clients across the districts that it covers. As of June 30, 2019, it had 7,062 employees (including 5,051 credit assistants) operating out of 929 branches in 269 districts across 16 states and 1 union territory in India. Through its loan products and client-centric approach, it Endeavors to strengthen the socio-economic well-being of low-income households by providing financing on a sustainable basis in order to improve livelihoods, establish identity and enhance self-esteem.
- » Further, during the time that the company was under CDR, it deployed efforts to recover dues in AP, such as continuing to keep its branches open and continuing to engage with borrowers. Its operations turned profitable in the year ended March 31, 2014, and it went on to make profits for four consecutive years while operating under the CDR mechanism.

- » The company also received capital infusion from Kangchenjunga, its Corporate Promoter, and Kedaara AIF – 1, which enabled it to exit from the CDR mechanism successfully in March 2017 with approvals from the RBI and its lenders. ICRA Research notes that the company was one of only two major companies that were able to successfully exit from CDR.
- » Post its exit from CDR in March 2017, company increased its lender base, diversified its borrowings to new banks and NBFCs and also issued NCDs in the capital markets (leading to a reduction in Average Effective Cost of Borrowing from 16.31% for Fiscal 2017 to 14.74% for Fiscal 2018 and further to 12.84% for Fiscal 2019). As a result, during Fiscal 2018, with an increasing flow of capital, it expanded its operations and was able to effectively utilize its existing branch network and employees.
- » Over Fiscals 2018 and 2019, its disbursements increased by 87.34% and 28.82% (from ₹20,591.65 million as of March 31, 2017, to ₹38,576.48 million as of March 31, 2018, and to ₹49,692.83 million as of March 31, 2019) and standalone Gross AUM was ₹13,015.36 million as of March 31, 2017, and consolidated Gross AUM grew from ₹31,667.85 million as of March 31, 2018, and to ₹44,372.78 million as of March 31, 2019.

Key Strengths:

- » Seasoned business model with resilient performance through business cycles
- » High degree of client engagement and robust risk management, leading to superior asset quality and collections
- » Streamlined systems and processes and high employee productivity leading to low operating expense ratio
- » Its focus on the high potential and under-served rural segment
- » Geographically diversified operations leading to risk containment and business resilience
- » Significant industry experience of its Promoter and management team

Key Strategy:

- » Leverage its popular income generation loan products to derive organic business growth
- » Leverage its existing branch network by increasing loan portfolio and enhancing employee productivity
- » Increase its presence in under-penetrated states and districts
- » Further, diversify its borrowing profile and reduce its cost of borrowings

Restated Ind AS Consolidated Summary Statement of Profit and Loss

(Rs. in million)

Particulars	March 31, 2019	March 31, 2018
Revenue from Operations	10,430.96	5,873.06
Total Income	10,485.29	5,875.31
Total Expenses	5,750.57	3,048.30
Profit before tax	4,734.72	2,827.01
Income tax expense	1,615.72	947.55
Profit for the period	3,119.00	1,879.46
Total other comprehensive income for the year	446.20	(0.28)
Total comprehensive income for the year	3,565.20	1,879.18
Profit for the year attributable to	3,119.00	1,879.46
Total other comprehensive income for the year attributable to	3,565.20	1,879.18
Earnings per share (equity share, par value of Rs.10 each)		
Basic	53.46	42.52
Diluted	53.35	42.51
Nominal value of share (Rs.)	10.00	10.00

Source: RHP

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