



Ref: SSFL/Stock Exchange/2020-21/96
Date: November 16, 2020

To
BSE Limited,
Department of Corporate Services
P. J. Towers, 25th Floor,
Dalal Street,
Mumbai - 400001

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

Scrip Code: 542759

Symbol: SPANDANA

Dear Sir/Madam,

Sub: Updated Investor Presentation - Q2/H1 FY2021

Pursuant to the provisions of Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we have enclosed herewith the investors' presentation on the financial and operational performance of the Company for quarter and half-year ended September 30, 2020.

This presentation is also available on the website of the Company at www.spandanaindia.com.

Kindly take on record the aforesaid information.

Thank you.

Yours Sincerely,

For Spandana Sphoorty Financial Limited

Ramesh Periasamy
Company Secretary and Compliance Officer

Spandana Sphoorty Financial Limited

...Committed to low-income households



Investor Presentation

November 2020

Q2FY21



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1 Business Update

2 Performance Snapshot

3 Key Operating Metrics

4 Key Financial Metrics

5 Spandana at a Glance

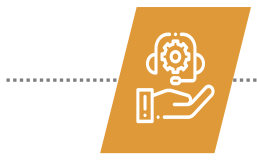
6 Learnings from Industry Cycles

7 Annexure

Spandana best placed to overcome COVID-19 crisis



SPANDANA
17+
years of experience –
withstood multiple crises in the
microfinance space across its
journey

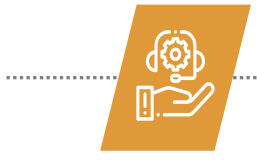


AP crisis: 2010

- Kept on-ground presence in AP by keeping branches open and engaging with customers



Spandana was the only MFI to collect ~44% of the AP portfolio while other MFIs were below 25%

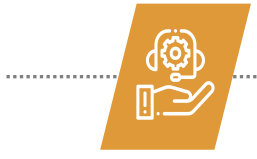


Demonetization: 2016

- Few pro-active steps & measures taken
- Continuous effort on collections



Spandana got back to 95%+ collection efficiency within just 6 months. Was able to bring down PAR significantly i.e. 60% lower than the industry average



Kerala and Odisha Floods: 2018 & 2019

- Assisted borrowers in different ways and focussed on collection efficiency



Spandana defied the industry and got back to normalcy in no time with the support of all its borrowers



**COVID-19:
2020**

**Experience
of handling
past crises**



**Extremely
diversified
footprint**



**94% of
borrowers
in rural
areas with
limited
impact**



**Collection
efficiency
at 129%**



**Strong Cash
Position
gives
Financial
Flexibility**



**Spandana has
emerged faster &
stronger compared to
the Industry**

Business Update



Branch Operations:

- ✓ All branches became operational and 100% of staff have resumed to work
- ✓ Cumulatively collected more than Rs. 2,700 Cr till October despite the challenges on account of COVID-19
- ✓ Disbursed Rs.1,634 Crs in Q2 FY21 which is at Pre Covid level

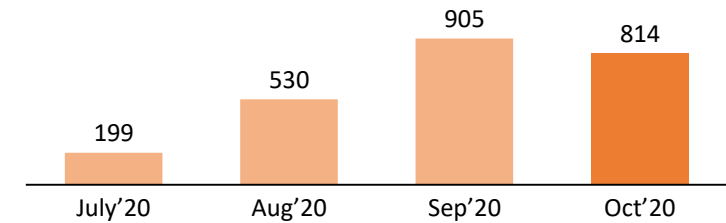
Strong Liquidity Position and Capital Adequacy:

- ✓ As of 30th September 2020, Cash & Cash equivalents was Rs. 462 crs and have sanctions in pipeline over Rs. 2,200 crs
- ✓ Raised debt to the tune of Rs. 2,548 crs since nationwide lockdown till October 31, 2020
- ✓ Capital adequacy ratio of 45.0% as on September 30, 2020
- ✓ Not availed any moratorium on its term loan dues and able to service the installments in entirety as per the original repayment schedule due to strong liquidity position and Comfortable ALM position

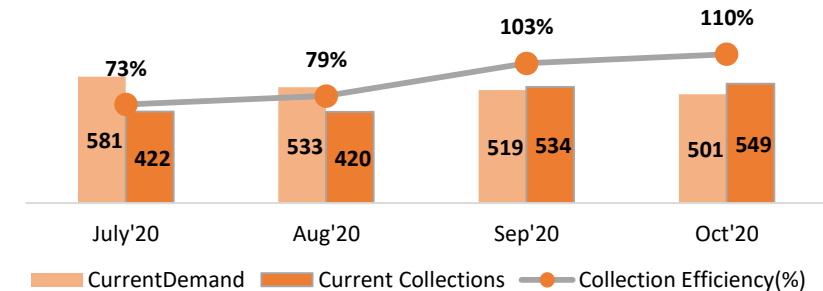
Additional Provisioning:

- ✓ Additional provision of Rs.332 Cr has been made so far towards COVID & Others, which accounts for 6.1% of On-Balance sheet Portfolio; This includes Rs. 114 Crs provision made in Q2FY21 (Rs. 203Cr in H1FY21)
- ✓ Cumulative provisions of Rs. 396 crs which accounts for 7.1% of total On-Balance sheet portfolio

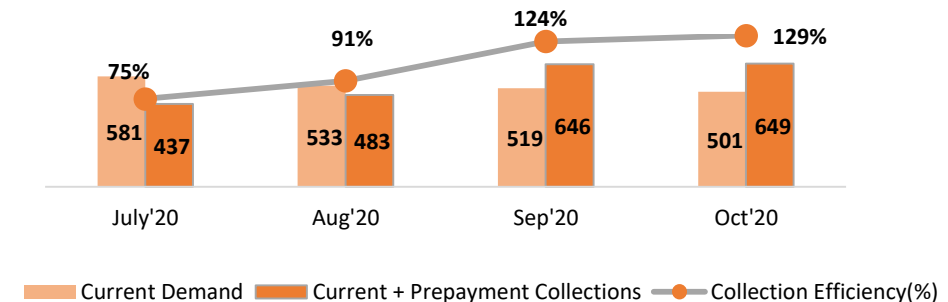
Disbursement (INR Cr.)



Absolute Collections



Absolute Collections (including prepayments)



Break-up of Provisions

Particulars (Rs. crs)	Q4 FY20	Q1 FY21	Q2 FY21	Cumulative Provision as per Balance sheet as on Sep 30, 2020
Provision in the normal course of business	30	22	8	64
Impact of write-off*	29	-	-	-
COVID & Other Provisions	129	89	114	332
Total Impairment on Financial Instruments (as per P&L)	188	111	122	396

Cumulative provisions of Rs. 396 crs which accounts for 7.1% of total On-Balance sheet portfolio

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Performance Snapshot

Largest NBFC-MFI in terms of Profit Before Tax (PBT) & Profit After Tax (PAT) (LTM)

2nd Largest NBFC-MFI in terms of Market Capitalization

3rd Largest NBFC-MFI in India with an AUM of Rs. 7,354 crs, 25+ lakh members and 1,027 branches

Presence in 18 States

Net Worth
Rs. 2,750 crs
(Leverage: 1.22x)

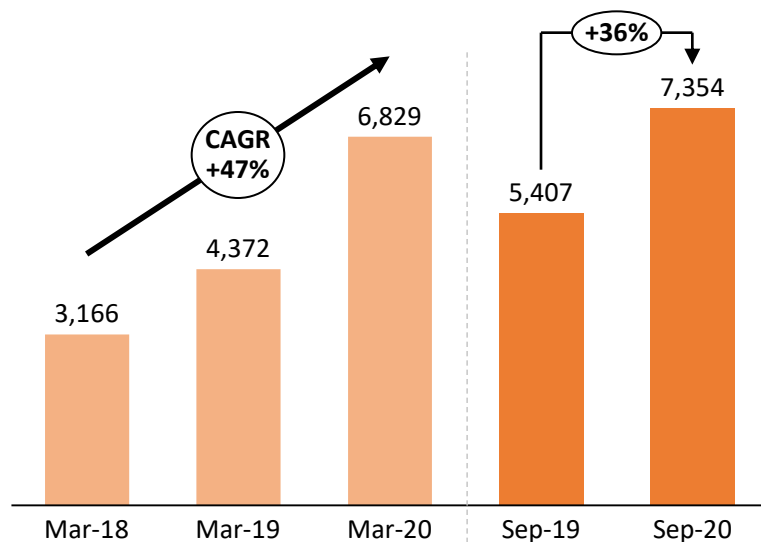
PAT (H1FY21)⁽¹⁾
Rs. 329 crs
(+32% Y-o-Y)

GNPA / NNPA
0.54% / 0.11%

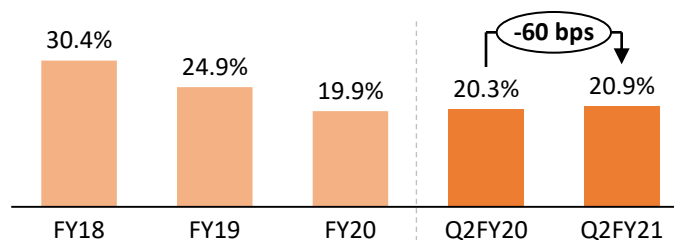
Capital Adequacy*
45.0%

Marginal Cost of Borrowing(H1FY21)
11.6%

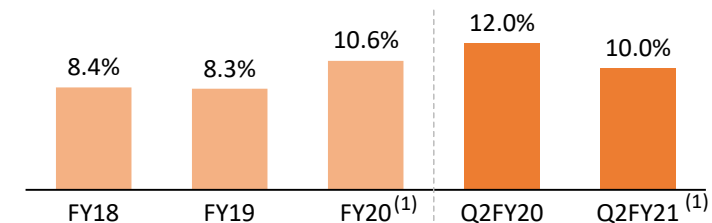
AUM (Rs. crs)



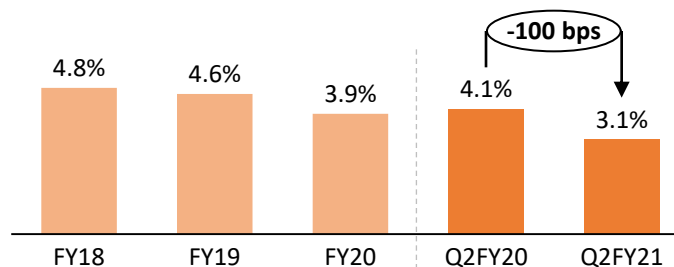
Cost to Income Ratio



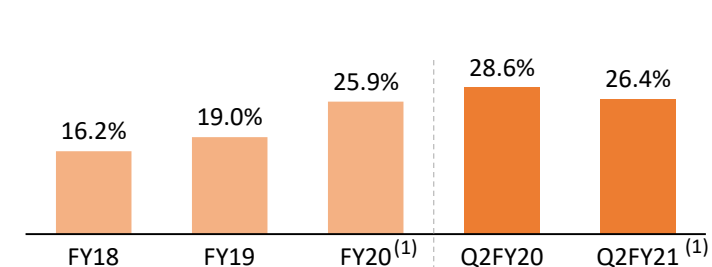
RoA (%)



Opex to AUM Ratio



RoE (%)

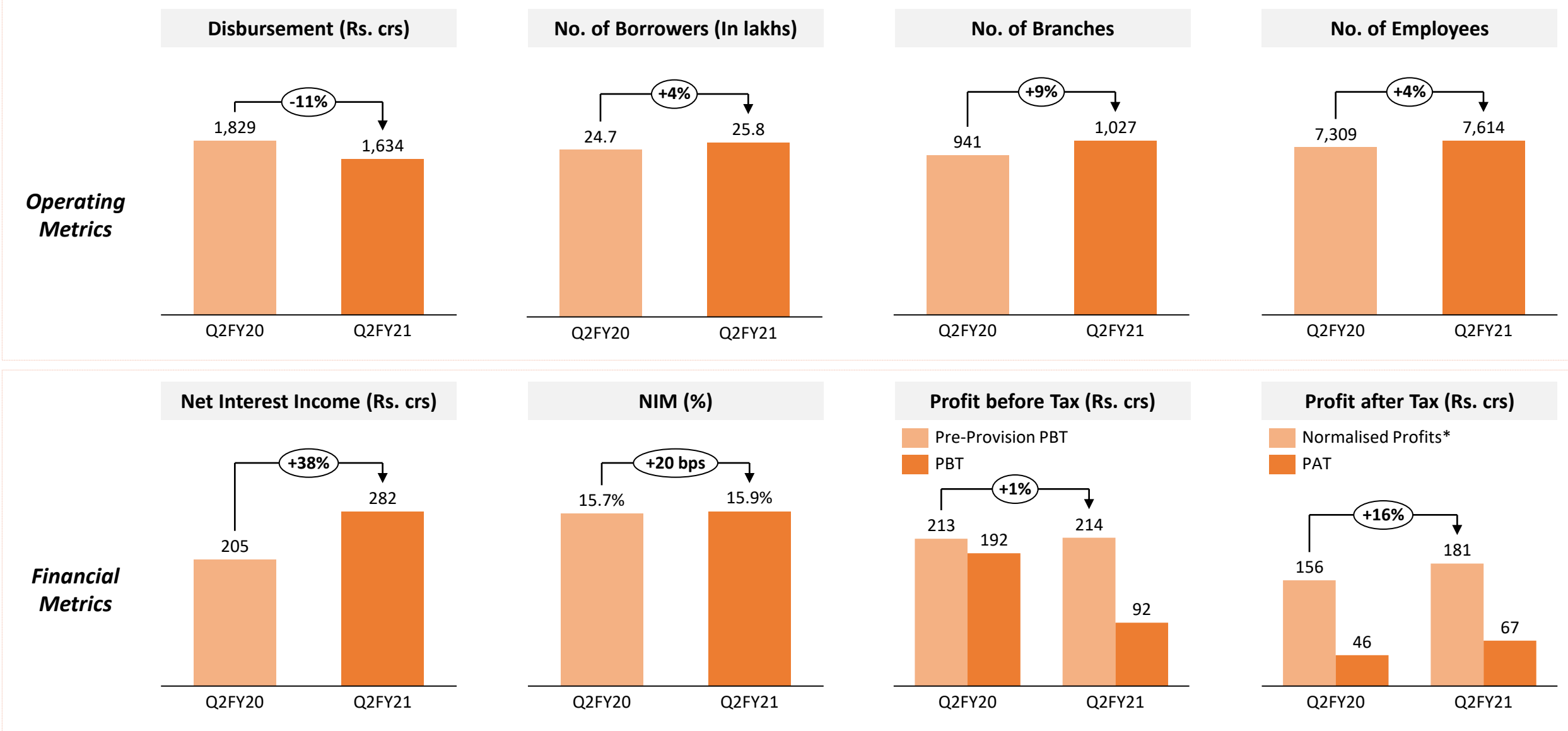


* On Standalone basis

1. Excl. Covid provisions & one-time deferred tax expense

LTM- Last Twelve Months

Q2FY21 – Strong Performance despite Covid-19



* Excluding Provision related to Covid-19 and others

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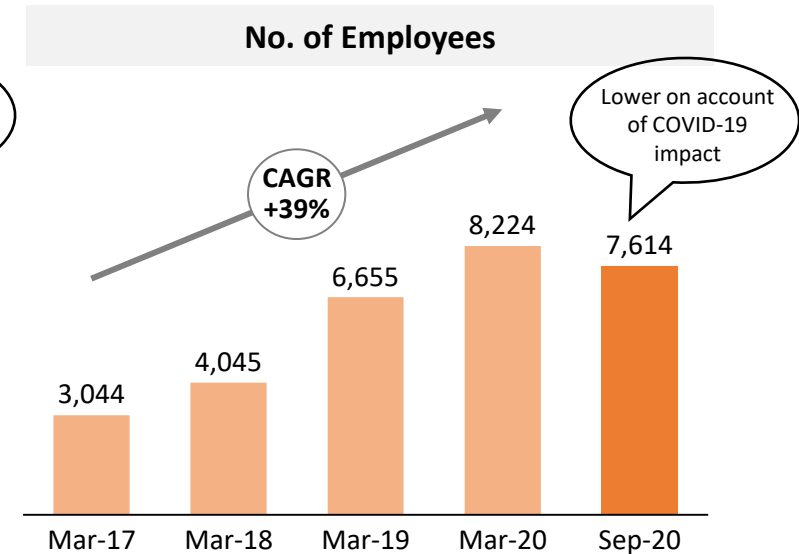
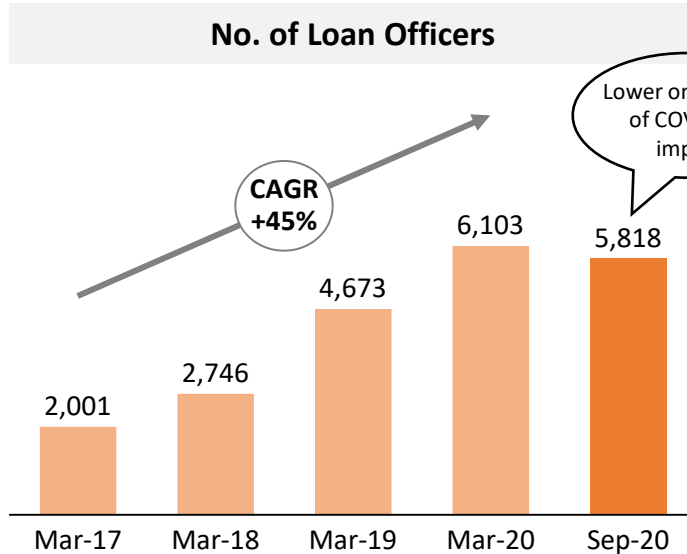
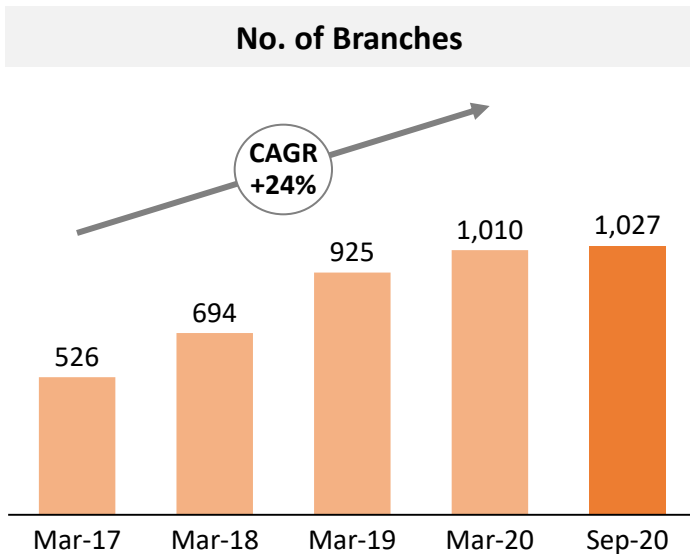
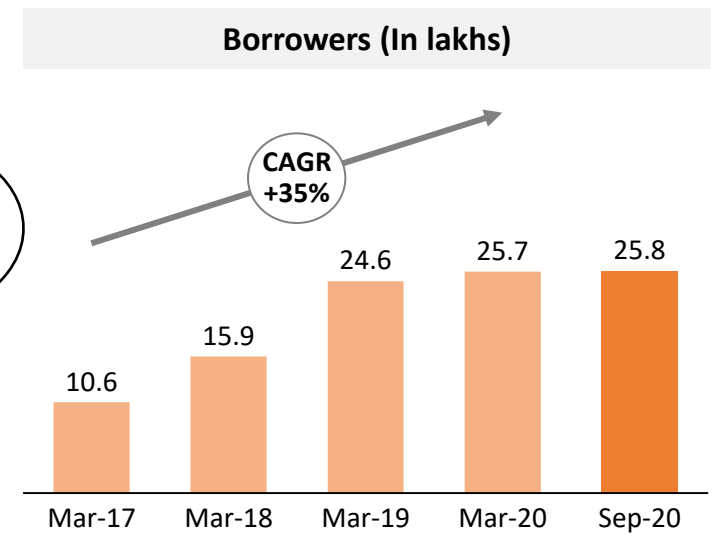
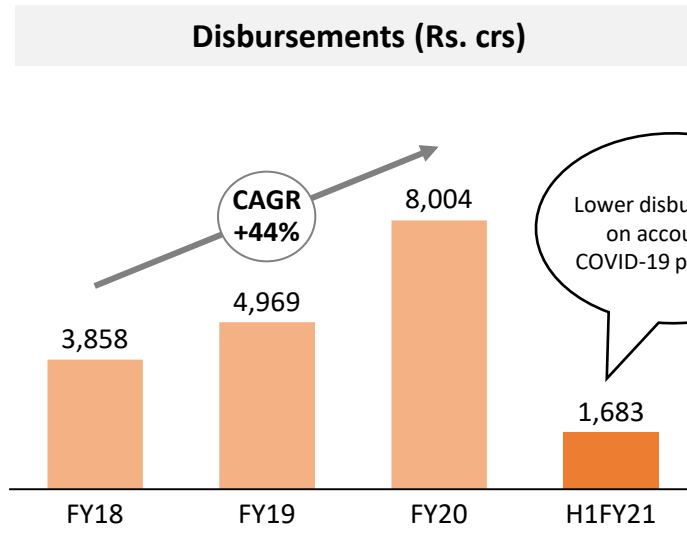
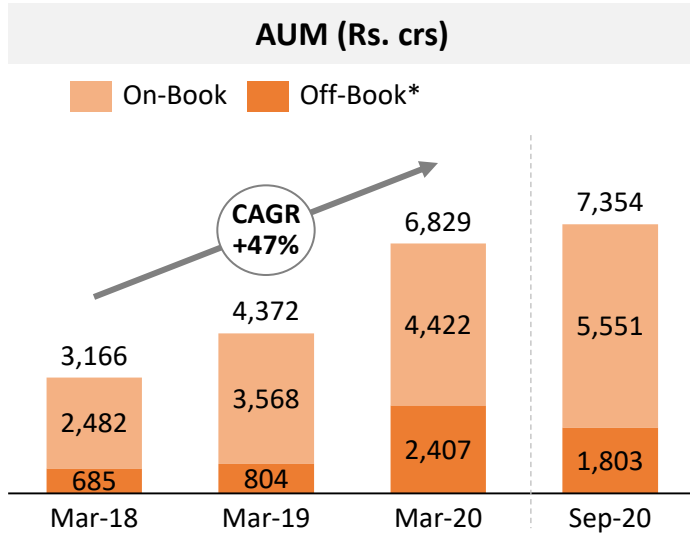
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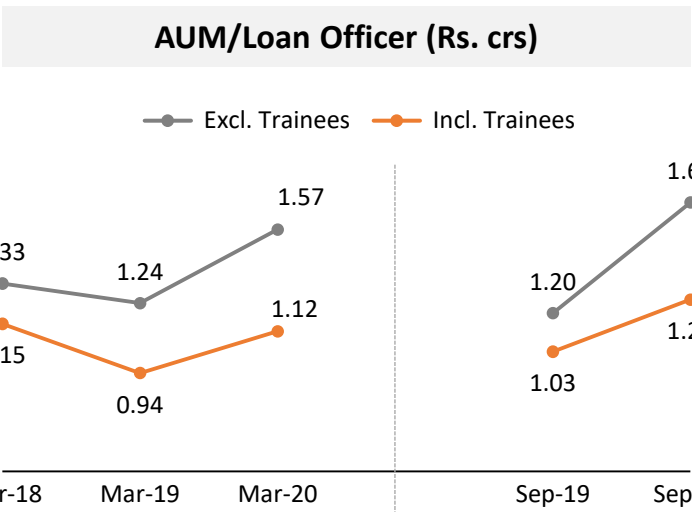
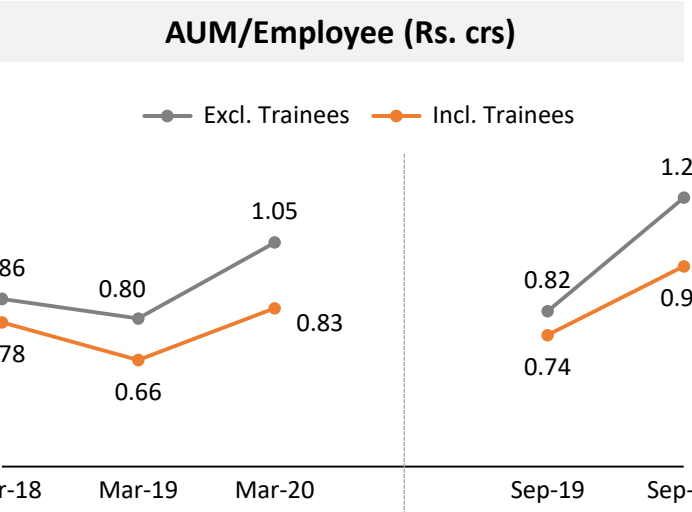
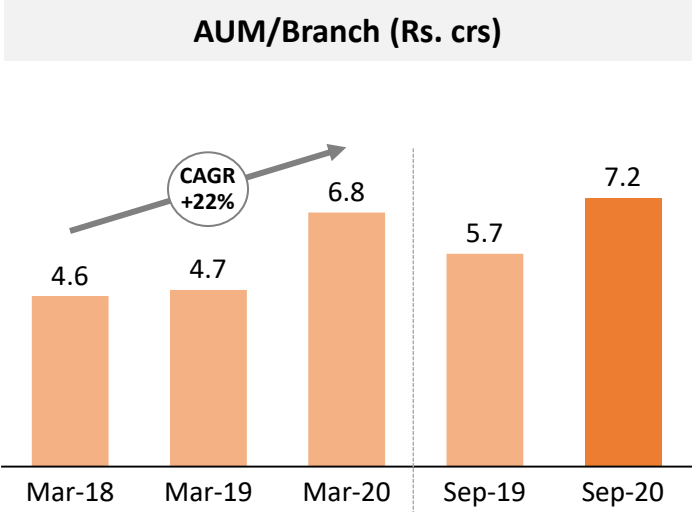
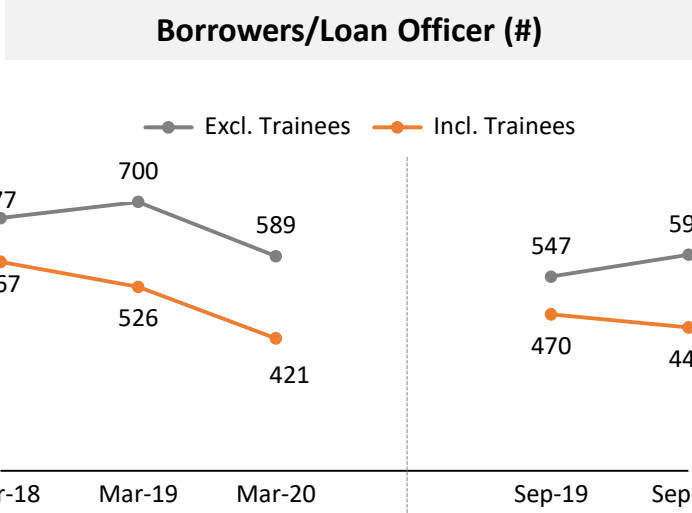
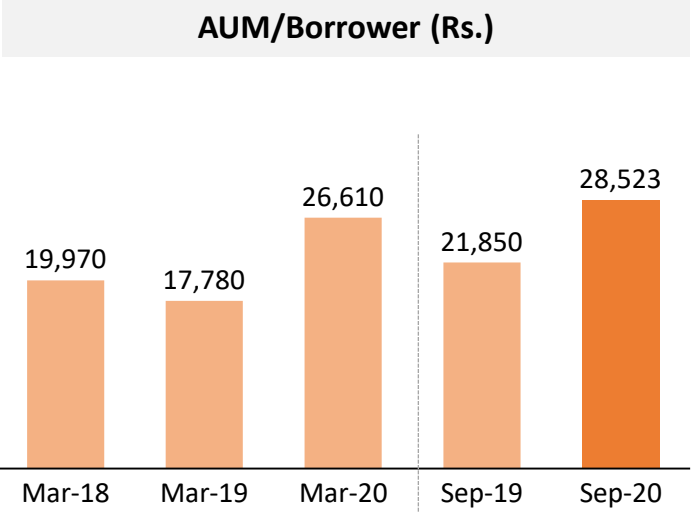
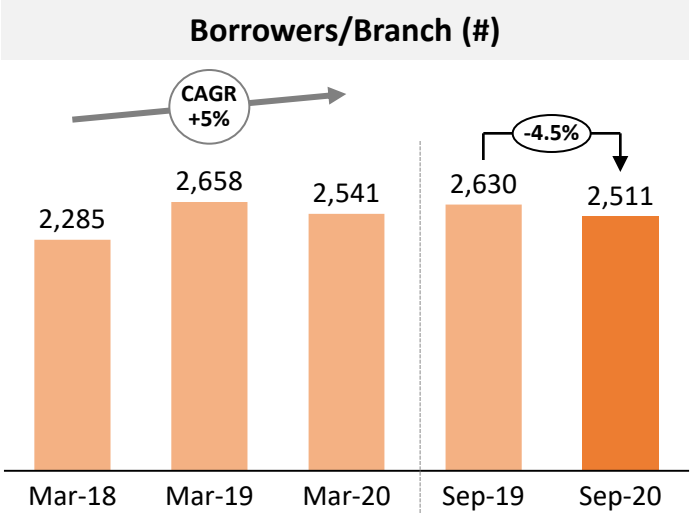
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Operational Summary



* Includes PTC & DA

Rising Branch and Employee Productivity



Diversified Geographical Presence

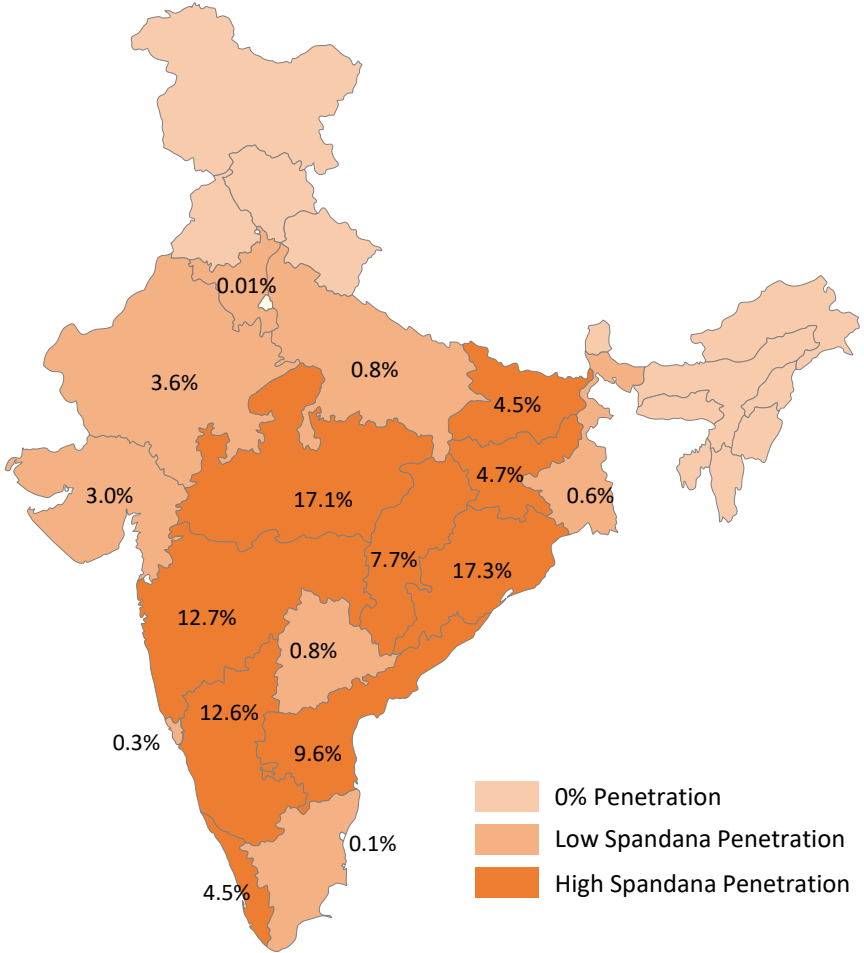
State-wise Concentration

Top States	AUM Concentration
Madhya Pradesh	17%
Orissa	17%
Maharashtra	13%
Karnataka	13%
Andhra Pradesh	10%
Chhattisgarh	8%

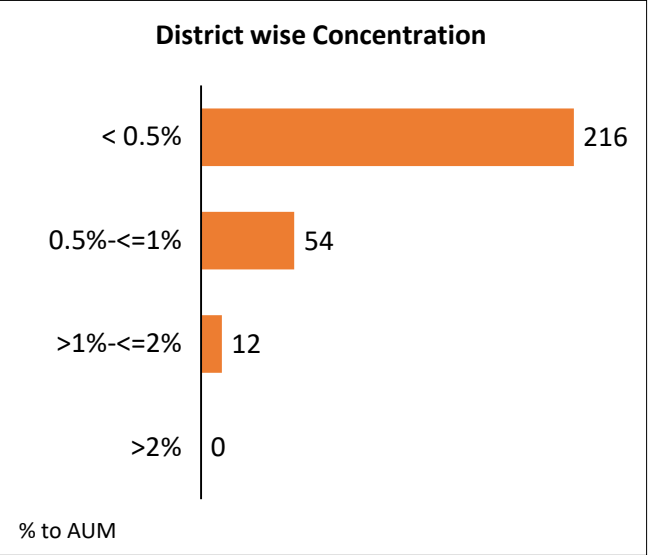
Top States By Branch Network

Top States	Number of Branches
Madhya Pradesh	157
Orissa	155
Karnataka	131
Maharashtra	122
Andhra Pradesh	108
Chhattisgarh	74

Well spread AUM Mix



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



- Top 3 States constitute less than 47% of AUM
- No State more than 17.3% of AUM
- No District more than 1.8% of AUM
- No Branch has more than 0.3% of AUM

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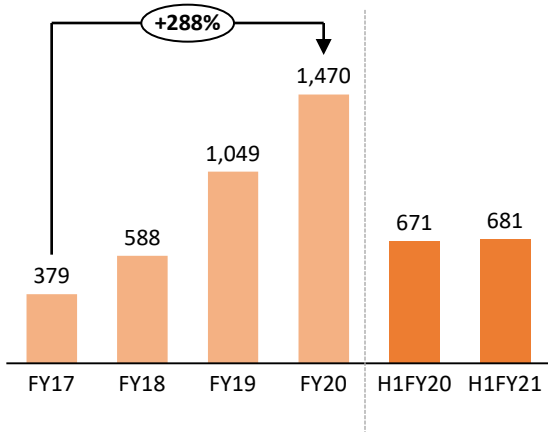
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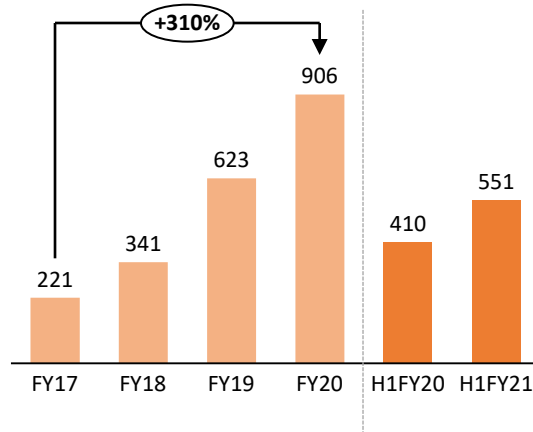
Financial Performance



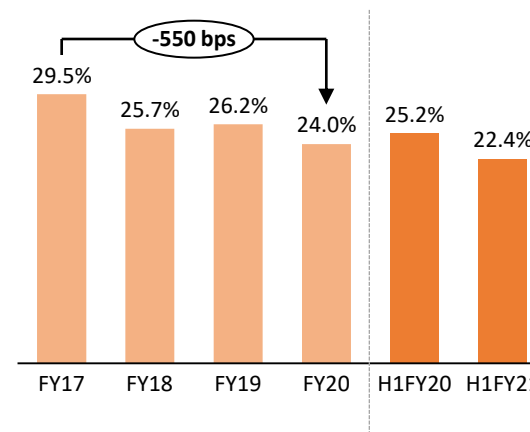
Total Income (Rs. crs)



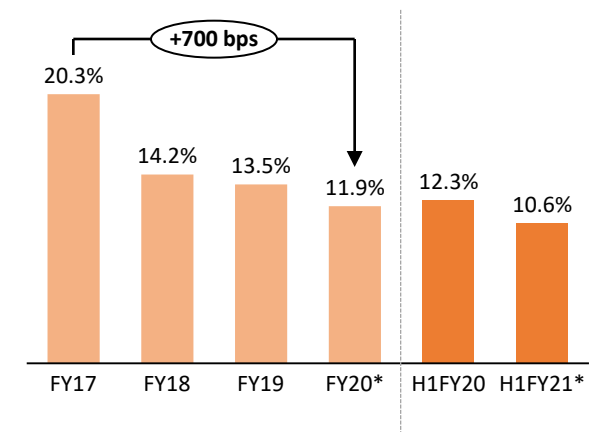
Net Interest Income (Rs. crs)



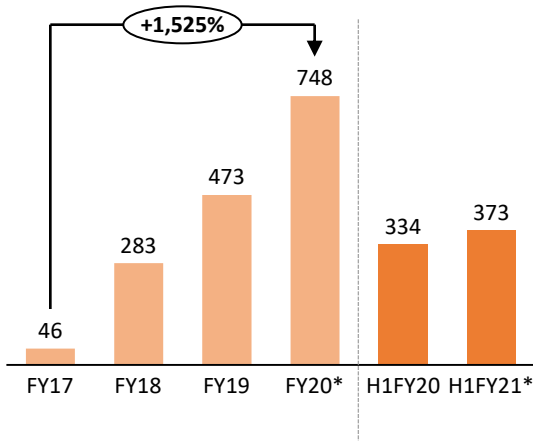
Yield (%)



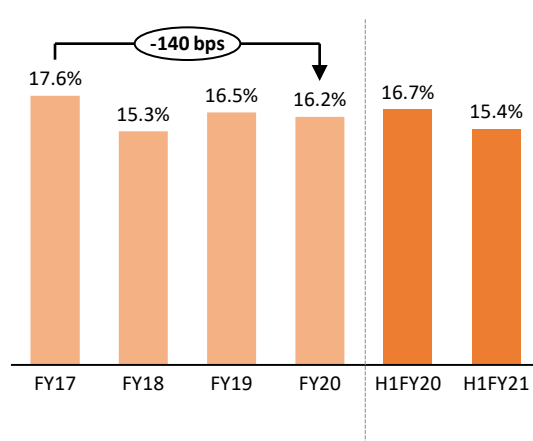
Cost of Borrowings (%)



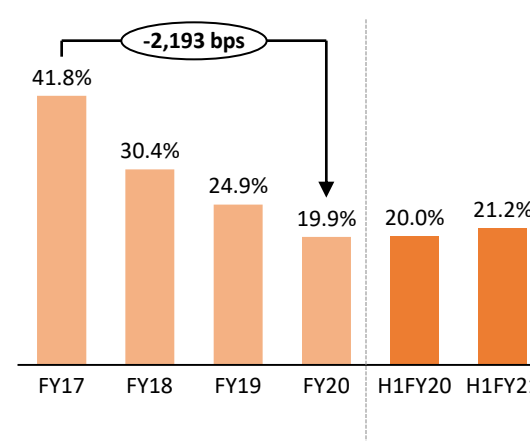
PBT (Rs. crs)



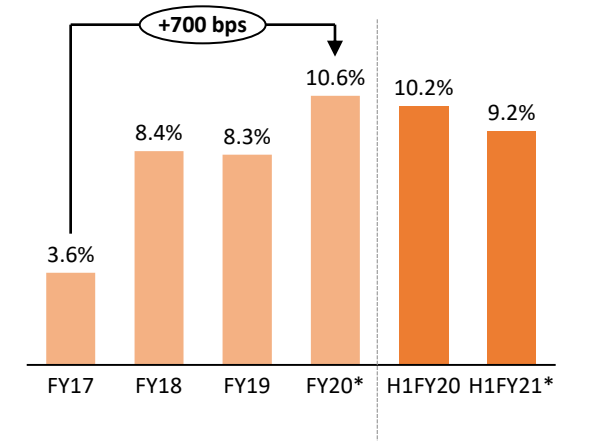
NIM (%)



Cost to Income Ratio (%)



ROA (%)



*Normalized figures (excluding Covid and other related provisions & one-time deferred adjustments)

Profit & Loss Statement

Particulars (Rs. crs)	Q2 FY21	Q2 FY20	Y-o-Y	Q1 FY21	Q-o-Q	H1 FY21	H1FY20	Y-o-Y
Revenue from Operations								
Interest and Fee Income	317.3	302.4		309.8		627.1	579.7	
Net gain on fair value changes	23.8	48.3		15.5		39.2	63.1	
Fees & commission	0.4	5.9		0.0		0.4	10.8	
Other Operating Income	3.5	1.9		0.7		4.1	3.1	
Total income from operations	344.8	358.5		326.0		670.8	656.6	
Other Income	9.3	7.9		1.0		10.3	14.6	
Total income	354.1	366.4	-3.4%	327.0	8.3%	681.1	671.3	1.5%
Expenses								
Finance Cost	84.1	99.6		85.0		169.1	188.9	
Impairment/Credit Cost	7.9	21.0		22.2		30.1	43.9	
Employee Expenses	42.0	40.3		41.6		83.6	80.2	
Depreciation	1.6	2.4		1.5		3.2	4.3	
Other Expenses	12.8	11.5		9.0		21.8	19.8	
Total Expenses	148.5	174.9		159.3		307.8	337.1	
Profit before Tax	205.7	191.5	7.4%	167.7	22.6%	373.3	334.2	11.7%
Tax expense	24.6	34.9		19.4		43.9	84.1	
Normalized Profits	181.1	156.6	15.7%	148.3	22.1%	329.4	250.1	31.7%
Provision and write-off related to Covid-19 and others	114.2	-		89.3		203.5	-	
Exceptional Deferred Tax Adjustment	-	110.9		-		-	110.9	
Net Profit (as reported)	66.9	45.7	46.4%	59.0	13.3%	125.9	139.2	-9.5%

Balance Sheet



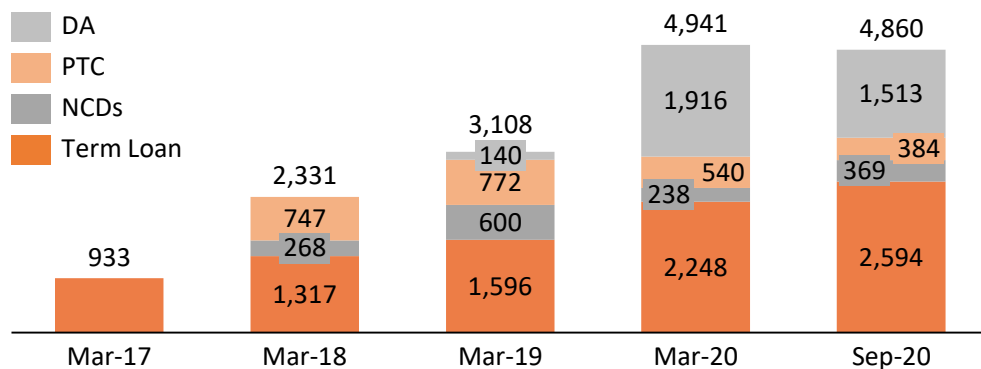
ASSETS (Rs. crs)	Sep 30, 2020	Mar 31, 2020	Sep 30, 2019
Financial Assets			
Cash and cash equivalents	461.7	59.6	781.0
Bank Balances other than cash and cash equivalents	217.1	197.5	188.7
Trade Receivables	8.0	22.4	15.7
Loan Portfolio	5,630.0	4,852.4	4,507.6
Investments	3.3	487.5	2.2
Other financial assets	142.8	290.5	131.1
Total Financial Assets	6,462.9	5,909.9	5,626.3
Non-Financial Assets			
Current tax assets (net)	15.3	15.3	9.9
Deferred tax assets (net)	80.1	7.0	20.6
Property, Plant and Equipment	14.2	15.2	17.2
Intangible assets	1.0	1.3	1.8
Goodwill	17.4	17.4	17.4
Other non-financial assets	8.3	11.2	8.7
Total Non-Financial Assets	136.3	67.4	75.6
Total Assets	6,599.3	5,977.3	5,701.9

LIABILITIES & EQUITY (Rs. crs)	Sep 30, 2020	Mar 31, 2020	Sep 30, 2019
Financial Liabilities			
Debt Securities	752.7	777.6	1,177.1
Borrowings (Other than Debt Securities)	2,580.3	2,227.3	1,962.4
Subordinated Liabilities	20.2	20.3	20.3
Other Financial liabilities	281.8	227.2	128.7
Total Financial Liabilities	3,634.9	3,252.4	3,288.4
Non-Financial Liabilities			
Current Tax Liabilities (net)	178.0	64.7	1.5
Provisions	1.8	2.8	1.7
Other Non-Financial liabilities	33.4	30.1	32.6
Total Non-Financial Liabilities	213.2	97.6	35.8
Equity			
Equity Share Capital	64.3	64.3	64.2
Other Equity	2,685.3	2,561.7	2,312.5
Equity attributable to shareholders of the company	2,749.6	2,626.0	2,376.6
Non-Controlling Interest	1.5	1.2	1.1
Total Equity	2,751.1	2,627.2	2,377.7
Total Liabilities and Equity	6,599.3	5,977.3	5,701.9

Diversified Borrowing Profile

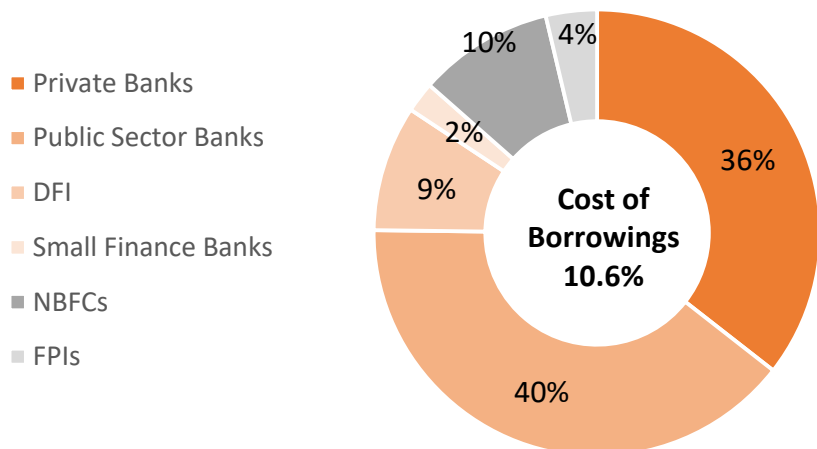
Total borrowings raised since lockdown Rs. 2,548 crs and No moratorium availed from lenders

Borrowings (Rs. crs)*



* On-Book Borrowings include PTC, NCDs and Term Loans

Diversified Funding Mix (As on Sep-20)



Credit Ratings

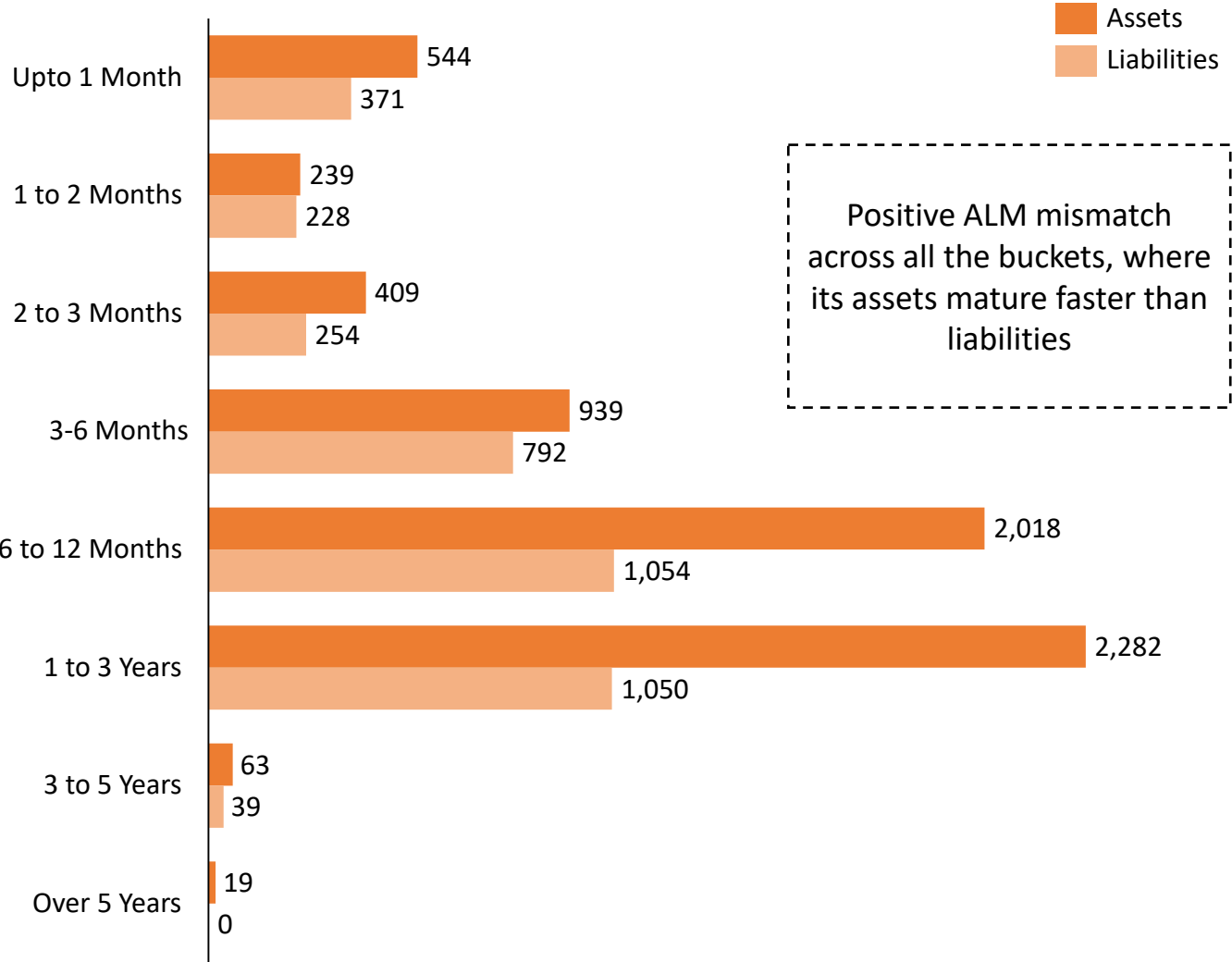
Rating Instrument	Rating Agency	Rating
Bank Facilities	ICRA	A- (Stable)
Non-Convertible Debentures	ICRA	A- (Stable)
	Ind-Ra*	A (Stable)
Market linked Debentures	ICRA	A- (Stable)
	Ind-Ra*	A (Stable)
Comprehensive Microfinance Grading(Institutional Grading/Code of Conduct Assessment (COCA)	SMERA	M1C1#

*Recently got rated "A" from India Ratings even in these difficult circumstances

Highest Grading Scale

Comfortable Liquidity Position

Positive ALM Mismatch (Rs. crs)



Liquidity Position

Cash & Cash Equivalents as on Sep-20	Rs. 462 crs.
Fund raised in October'20	Rs. 499 crs.
Sanctions in pipeline	Rs. 2,200 crs.

Spandana has not availed any moratorium on its term loan dues and have been able to serve the instalments in entirety as per the original repayment schedule due to its strong liquidity position and Comfortable ALM position

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Company Overview

- Founded by Padmaja Reddy who has over 24 years of experience in development and microfinance sector

- Operating as an NBFC since 2004 and NBFC-MFI since 2015

- By March 2010, we were the 2nd largest MFI in India in terms of AUM and borrowers and were one of the most profitable players*

- Regulatory action in the formerly unified state of Andhra Pradesh severely impacted our company and the company was placed into the CDR mechanism

- Spandana was one of only two NBFC – MFIs to exit CDR successfully, post the AP crisis, in March 2017*

- Awarded the “Best Entrepreneur -2019” by Confederation of Indian Industry (CII)

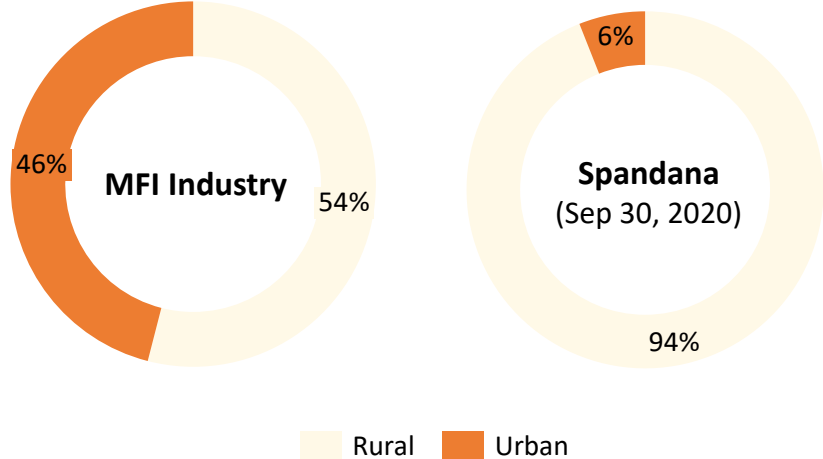
- Spandana is the largest in terms of PBT & PAT (LTM), 2nd largest in terms of Market cap and 3rd largest NBFC-MFI in terms of AUM as on 30th September 2020

- Listed on 19th August 2019 on NSE & BSE

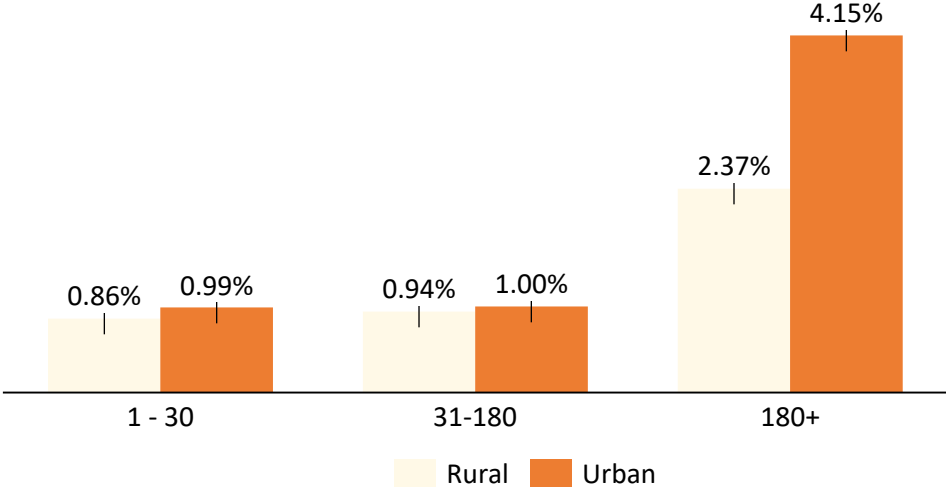


Focused on Rural Markets

MFIs - Urban vs. Rural AUM Split*



MFIs - Urban vs. Rural Industry Portfolio Quality*



- Industry is skewed towards urban[#]
- Rural India has 6,40,000 Villages[#]

- Close to 68% of India’s population live in rural areas[#]
- Delinquencies in urban portfolio higher than those in rural portfolio[#]

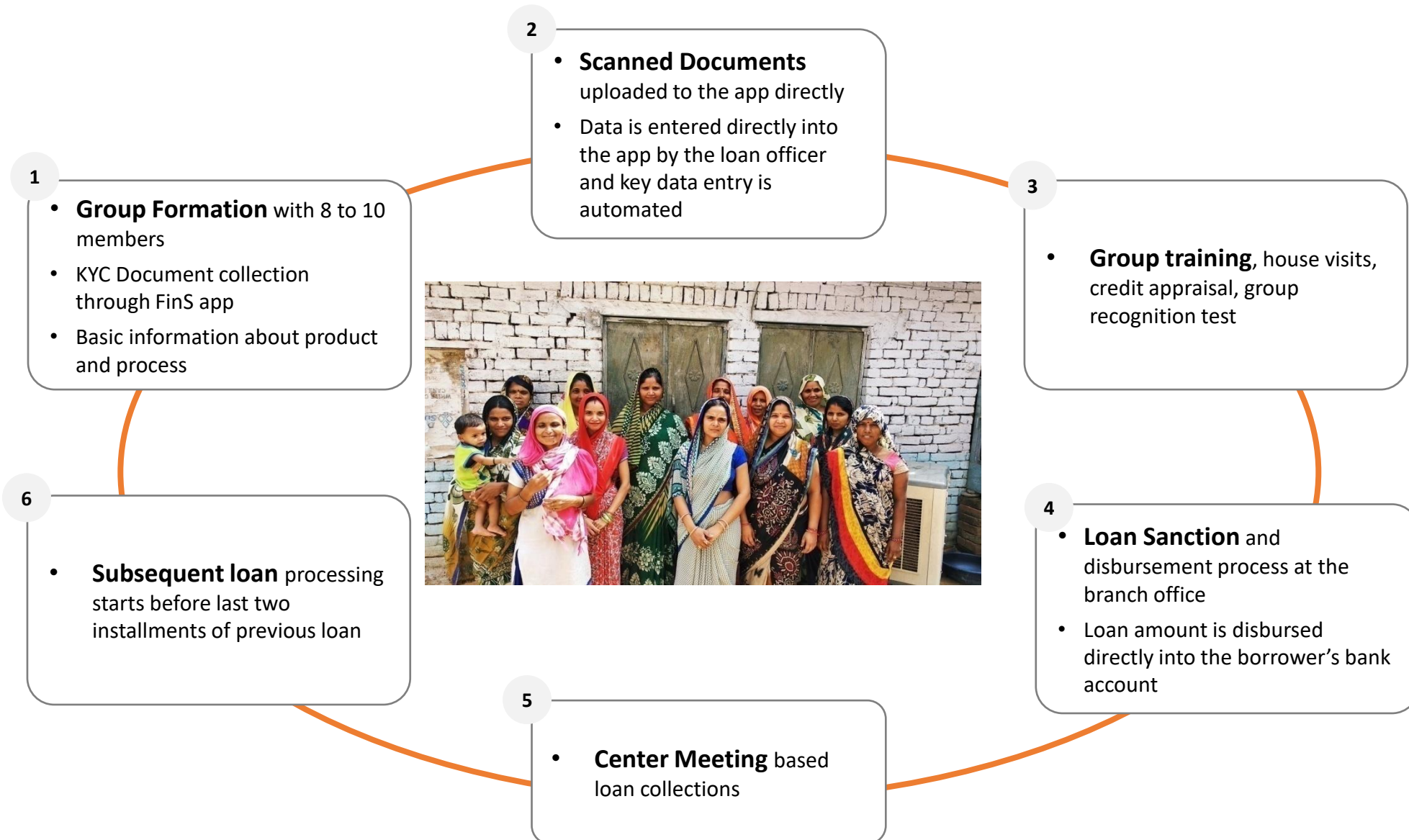
Industry growth is skewed towards urban markets leaving space for growth in rural markets, which also demonstrate better asset quality. Further urban geographies is expected to have higher impact of COVID-19 compared to rural geographies.

*Source: MicroLend – Quarterly publication on microfinance lending – Vol VIII- June 2019
 # ICRA Research - Report titled “Indian Microfinance Sector” dated July 9, 2019

Our Products



Product Name	Purpose	Interest Rate (%)	Tenor	Ticket Size (Rs.)
Core Product: 98% of AUM				
Abhilasha	<ul style="list-style-type: none"> Abhilasha stands for “Aspiration” This unique loan is designed especially for low-income households who aspire to improve their financial well-being The primary objective of this loan is to empower women in setting up and expanding income generating activities, smoothen household cash flows and acquire productive assets 	20.98%	1 to 2 Years	25,000 to 80,000
Interim Loans	<ul style="list-style-type: none"> Loans given only to existing borrowers to meet their interim and emergency requirements 	20.98%	1 to 2 years	10,000 to 20,000
Other Products: 2% of AUM				
Loan Against Property (LAP)	<ul style="list-style-type: none"> Offered to clients who own business, are self- employed or salaried. These are given against the mortgage of residential/houses/ Commercial shops (excluding any open plots on agriculture land) 	22% to 26%	1 to 10 Years	1,00,000 to 50,00,000
Gold - Keertana Loans	<ul style="list-style-type: none"> Offered in the states of Andhra Pradesh and Telangana for Agriculture, Business and short-term liquidity needs 	16% to 27%	1 to 12 Months	1,000 to 10,00,000
Blue Lemon Loans	<ul style="list-style-type: none"> Offered to finance the purchase of consumer products 	20.98%	1 to 2 years	1,000 to 16,000





Business Model

- Group size of 8 to 10 women
- Loans given under Joint Liability Group (JLG) model
- Fortnightly & monthly centre meetings
- Leverage the existing customer network (borrowers and branches) to cross sell non-financial products
- No Regional, Divisional and Zonal offices (only branches & corporate office)



Processes

- Standardized systems and a front-end interface that gives real time information on demand and collections
- Checks and controls built on the system have been automated with minimal human intervention
- Timely disbursement of loan to all in the group at one-go
- Disbursement norms are also calibrated based on branch categories
- Mandatory credit bureau check prior to loan disbursement



HR policies

- Strict employee transfer policy with adherence to operational risk control
- Performance driven culture through incentive structure for field staff
- Seasoned Credit Assistants ("CAs") can be trained to assume the role of Branch Managers ("BMs") while seasoned BMs can be trained to assume the role of Cluster Managers
- Grooming internal employees and building talent pool for future growth

1 Business Update

2 Performance Snapshot

3 Key Operating Metrics

4 Key Financial Metrics

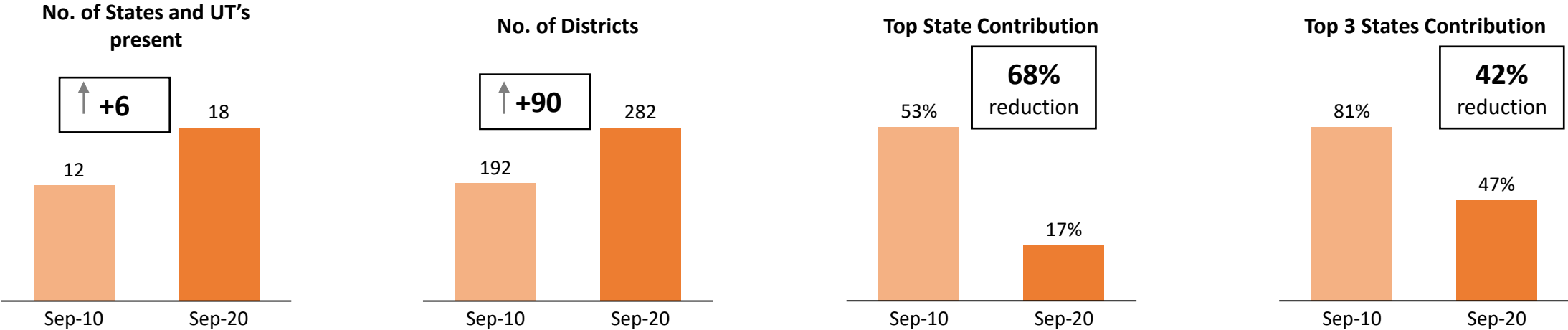
5 Spandana at a Glance

6 Learnings from Industry Cycles

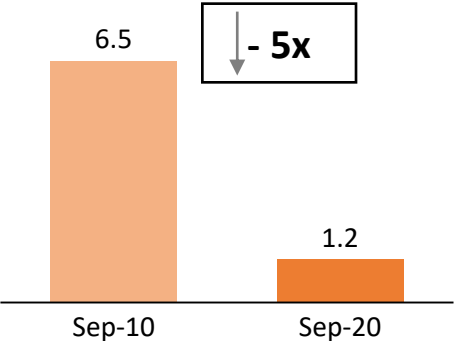
7 Annexure

Implemented Learning from AP Crisis

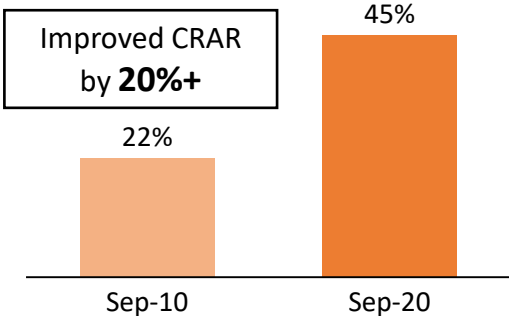
Diversified Geographical Presence



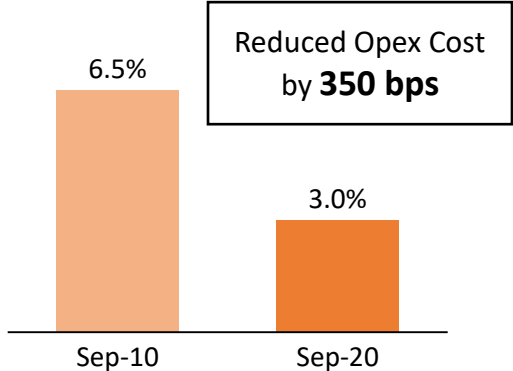
Reduced Leverage



Improved Capital Adequacy



Improved Opex Ratio



Regulatory action in the formerly unified state of Andhra Pradesh in October 2010 severely impacted our Company and the Company was placed into the CDR mechanism

Strong Performance since CDR Exit

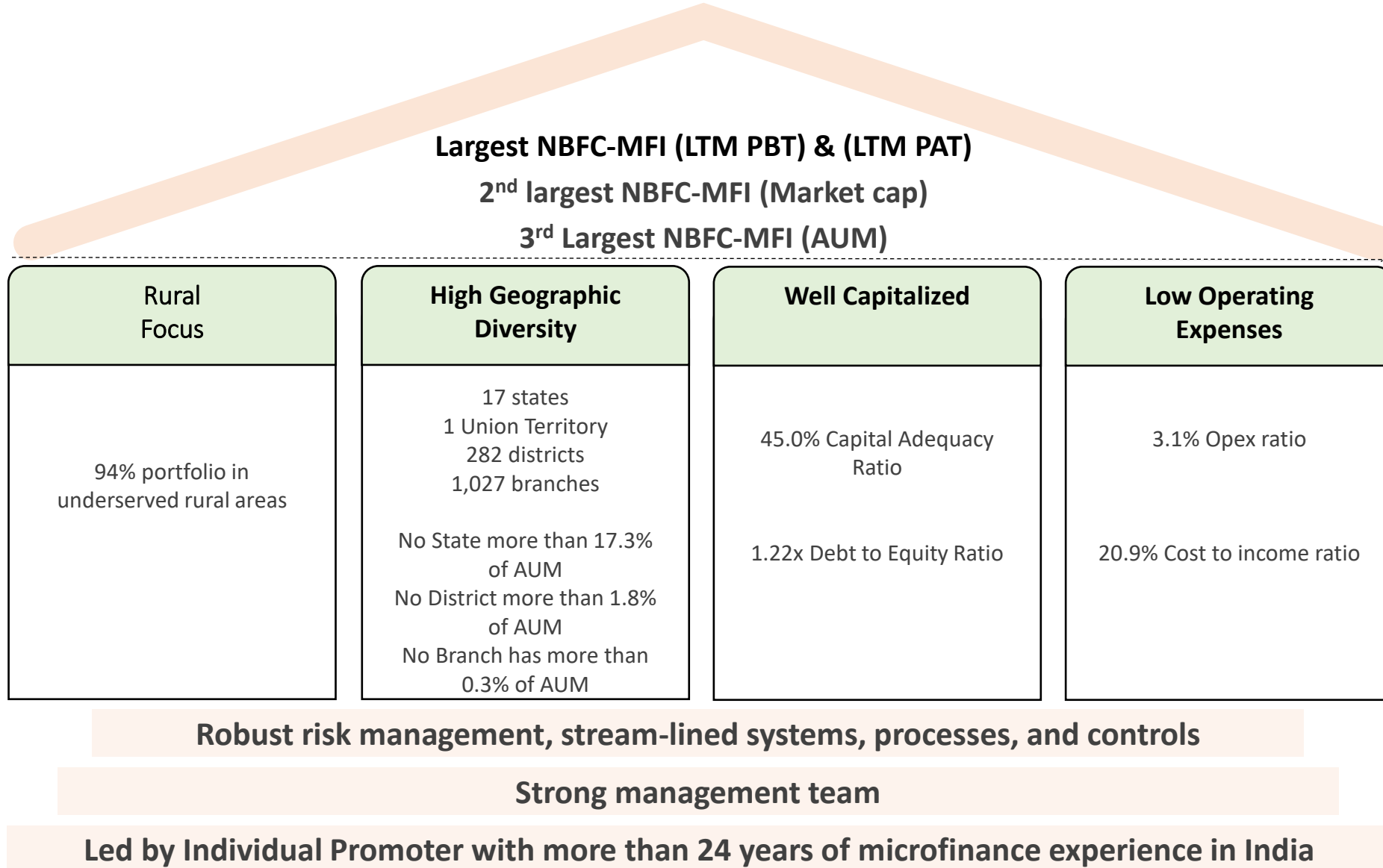
Rs. crs	CDR Exit March-17	3.5 Yrs	3 rd Largest MFI in the Country* Sep-20
Gross AUM (excl. old AP)	1,297	5.7x	7,354
Net worth [#]	928	3.0x	2,750
Gross PAR 90+	89 [@]	Reduced by 40%	54
Profit before Tax	46 [#]	17x	772 ⁽¹⁾
Lenders	3	10x	31
Credit rating [^]	NA	4 Upgrades	Ind A (Stable); ICRA A- (Stable)
Cost of Borrowings	16.3%	Reduced by 570 bps	10.6%

*Source ICRA Research - Report titled "Indian Microfinance Sector" dated July 9, 2019
[#] March 2017 figures are restated as per Ind-AS financials

[^] Standalone Credit Rating

[@] PAR was high due to demonetization impact

⁽¹⁾ Normalised PBT excl. Pre covid- provision on Last Twelve Months (LTM) basis



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Glossary

Sr. No.	Particulars	Formula
1	Networth	Shareholders Fund + Other Equity excluding Non controlling interest
2	Capital Adequacy	Tier I ratio + Tier II ratio
3	Leverage	Closing On Balance sheet Borrowings / Closing Net worth
4	Marginal Cost of Borrowing	(Borrowings availed during the period * interest rate + processing fees and other charges) / Borrowings availed during the period
5	Cost to Income Ratio	(Employee benefit expenses + Depreciation and amortization expense + Other Expenses) / (Total Income - Finance Cost)
6	Assets Under Management (AUM)	Loan Portfolio including portfolio assigned and excluding Old AP Portfolio
7	RoA (%)	Profit After Tax / Quarterly Average AUM (Annualised)
8	RoE (%)	Profit After Tax / Quarterly Average Net worth (Annualised)
9	Yield (%)	(Interest income on the loan portfolio + interest income on derecognised loan portfolio passed on to assignees + retained interest income on derecognised loan portfolio) / Quarterly Average AUM (Annualised)
10	Cost of Borrowings (%)	(Finance Cost - Interest on Lease Liability) / Quarterly Average Borrowings (Annualised)
11	Net Interest Income (NII)	(Interest income on the loan portfolio + retained interest income on derecognised loan portfolio) - (Finance Cost - Interest on Lease Liability)
12	NIM (%)	NII / Quarterly Average AUM (Annualised)
13	Opex to AUM Ratio	(Employee benefit expenses + Depreciation and amortization expense + Other Expenses) / Quarterly Average AUM (Annualised)

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THANK YOU

