

PRESS RELEASE

Spandana reports 9% YoY growth in NII. Higher provisions owing to sectoral challenges dent profitability.

Hyderabad, October 28th, 2024: Spandana Sphoorty Financial Limited (NSE: SPANDANA, BSE: 542759) (“Spandana”) announced its unaudited financial results for the quarter October 28, 2024 today.

Highlights for Q2FY25:

• AUM	-	₹10,537 Cr; +8% YoY (₹9,784 Cr)
• Disbursement	-	₹1,514 Cr; -40% YoY (₹2,512 Cr)
• GNPA & NNPA	-	4.86% & 0.99% (1.40% & 0.42% in Q2FY24)
• Income	-	₹707 Cr; +10% YoY (₹640 Cr)
• Net Interest Income	-	₹341 Cr; +9% YoY (₹312 Cr)

Mr. Shalabh Saxena, CEO and Managing Director, while announcing the results stated, “*Microfinance sector has been facing multiple headwinds over the last two quarters. The operations that were initially impacted by long drawn elections and intense heat wave during summers of 2024 were further disrupted by heavy rainfall and floods in certain states during the months of July to September 2024. A number of other issues like higher-than-normal attrition levels, localized drives like Karza Mukti Abhiyan and increasing leverage of borrowers all had an impact on the sector.*”

Keeping all these factors in view, Spandana was cautious and very selective in its lending during the quarter. The focus during the quarter was on improving portfolio quality and serving existing customers. Hence, while the Income for the quarter was up 10% YoY to ₹707 Cr and NII was up 9% YoY to ₹341 Cr, the elevated delinquencies had a bearing on the impairment costs resulting in a reported loss of ₹216 Cr. GNPA at the end of the quarter was 4.86% while NNPA was 0.99%.

The management team has taken up various measures to address the challenges including increasing bench strength, strengthening branch level controls, introducing technology and people interventions, refining of credit policy and focusing on softer aspects. With improvement in the operating environment and the various initiatives undertaken, we expect the situation to normalize in the coming quarters.”

Highlights for the quarter Q2FY25:

1. AUM – ₹10,537 Cr 8% YoY growth (₹9,784 Cr – Q2FY24).
2. Disbursement– Our focus during the quarter was on serving the existing borrowers. Disbursement for the quarter was ₹1,514 Cr vs. ₹2,512 Cr in Q2FY24, decline of 40%. H1FY25 disbursement at ₹3,798 Cr was 9% lower YoY.
3. Asset Quality – temporary disruptions had an impact on asset quality.
 - a. GNPA – 4.86% (30-Jun-24 – 2.60%)
 - b. NNPA – 0.99% (30-Jun-24 – 0.53%)
 - c. PCR – Provision Coverage Ratio has been maintained at 79.66%
4. Collection Efficiency-
 - a. Gross Collection Efficiency was at 93.7% for Q2FY25 (97.5% in Q1FY25).
 - b. Net collection efficiency was 90.8% (94.0% in Q1FY25)
5. Borrowings- We continue to optimize our borrowing mix in view of business requirements. Banks now account for 54% of total borrowings
 - a. ₹1,584 Cr was mobilized during Q2FY25 – down 50% compared to Q2FY24 and flat vs. Q1FY25.
6. Financial Performance -
 - a. Total Income: ₹707 Cr in Q2FY25 - growth of 10% YoY
 - b. Net Interest Income: ₹341 Cr in Q2FY25, YoY growth of 9%
 - c. Yield: 22.4% decline of 202 bps YoY
 - d. Cost of borrowings: 11.8% in Q2FY25 decrease of 77 bps YoY
 - e. Pre-Provision Operating Profit (PPOP): ₹228 Cr for Q2FY25 - decline of 12% YoY
 - f. Higher credit cost due to an increase in delinquencies resulted in reported loss of ₹216 Cr for the quarter vs. ₹125 Cr PAT reported in in Q2FY24 and ₹56 Cr PAT reported in Q1FY25.

About Spandana Sphoorty:

Spandana Sphoorty Financial Ltd. is a rural-focused non-banking financial company and a microfinance lender (NBFC-MFI) with a geographically diversified presence in India. The company offers income generating loans under the joint liability group (JLG) model, predominantly to women from low-income households in rural areas. Spandana was started as an NGO in 1998 in Guntur, which later converted to an NBFC in 2004. In 2015, it became an NBFC-MFI, licensed by the Reserve Bank of India.

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