

PRESS RELEASE

Spandana's AUM declines by 14% YoY to ₹8,936 Cr on deliberate slowdown of disbursement. Company well capitalized with a CRAR of 35.7%

Hyderabad, January 23rd, 2025: Spandana Sphoorty Financial Limited (NSE: SPANDANA, BSE: 542759) ("Spandana") announced its unaudited financial results for the quarter ended December 31, 2024 today.

Highlights for Q3FY25:

• AUM	-	₹8,936 Cr; 14% YoY decline (₹10,404 Cr)
• Disbursement	-	₹1,443 Cr; 43% YoY decline (₹2,542 Cr)
• GNPA & NNPA	-	4.85% & 0.98% (1.61% & 0.48% in Q3FY24)
• Income	-	₹573 Cr; 13% YoY decline (₹657 Cr)
• Net Interest Income	-	₹265 Cr; 14% YoY decline (₹309 Cr)
• Net loss	-	Net loss of ₹440 Cr vs. ₹127 Cr PAT in Q3FY24

Mr. Shalabh Saxena, CEO and Managing Director, while announcing the results stated, *"The microfinance industry in India has been going through a challenging phase in the current financial year. A wide set of challenges including borrower leverage, dilution of JLG model, poor center meeting attendance and high attrition continue to impact the sector. All these factors together have manifested into challenges on maintaining the collection levels.*

Being one of the large players, Spandana has not been immune to the challenges. Like Q2FY25, Q3FY25 was challenging as more borrowers turned delinquent and the company deliberately slowed down disbursement to drive portfolio quality and center meeting discipline. The Company provided a total of ₹666 Cr towards impairment costs leading to a ₹440 Cr reported loss for the quarter. A joint action by the industry through the implementation of guardrails will help improve discipline in the industry.

With a Net-worth of ₹3,082 Cr at the end of Q3FY25; CRAR of 35.7%; and gearing at a modest 2.2x, the company is well capitalized to navigate the current times. The Board has authorized the Company to raise up to ₹750 Cr of confidence capital for future business requirements, at an appropriate time.

Number of initiatives for strengthening controls and processes with the aid of technology are being driven. The management team is taking all steps possible to ensure a return to normalcy in the next few quarters."

Highlights for the quarter Q3FY25:

1. AUM – ₹8,936 Cr 14% YoY decline (₹10,404 Cr – Q3FY24).
2. Disbursement– During the quarter stringent disbursement criteria was adopted and serving existing customers was prioritized. ₹1,443 Cr was disbursed in Q3FY25 vs. ₹2,543 Cr in Q3FY24 - a decline of 43%.
3. Asset Quality – industry wide challenges had an impact on asset quality.
 - a. GNPA – 4.85% (30-Sep-24 – 4.86%)
 - b. NNPA – 0.98% (30-Sep-24 – 0.99%)
 - c. PCR – Provision Coverage Ratio has been maintained at ~80%
4. Collection Efficiency-
 - a. Gross Collection Efficiency was at 92.4% for Q3FY25 (93.7% in Q2FY25).
 - b. Net collection efficiency was flat QoQ at 90.7% (90.8% in Q2FY25)
5. Borrowings- Borrowings for the quarter were calibrated to meet the company's disbursement and liquidity requirements. ₹872 Cr was mobilized during Q3FY25 – down 62% compared to Q3FY24 and down 45% compared to Q2FY25.
6. Financial Performance -
 - a. Total Income: ₹573 Cr in Q3FY25 - 13% YoY decline
 - b. Net Interest Income: ₹265 Cr in Q3FY25, lower by 14% YoY
 - c. Yield: 21.1% decline of 291 bps YoY
 - d. Cost of borrowings: 12.2% in Q3FY25 decrease of 8 bps YoY
 - e. Pre-Provision Operating Profit (PPOP): ₹78 Cr for Q3FY25 - decline of 67% YoY
 - f. Higher credit cost due to an increase in delinquencies resulted in reported loss of ₹440 Cr for the quarter and loss of ₹216 Cr reported in Q2FY25.

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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