

## EARNINGS UPDATE Q3FY15



**JANUARY 2015**

### **SKS Microfinance Limited**

BSE: 533228 • NSE: SKSMICRO

Corporate Identity No. L65999MH2003PLC250504

[www.sksindia.com](http://www.sksindia.com)

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# HIGHLIGHTS OF Q3FY15

- Reduced interest rate to borrowers by 1% with effect from 1<sup>st</sup> October 2015.
- Issued Commercial Paper of Rs. 175 crore and completed Rs. 391 crore securitization transactions rated as CARE A1+ and AA(SO)
- Incremental drawdowns of Rs. 931 crore in Q3FY15 (Rs.1,100 crore in Q2FY15).
- Loan disbursement of Rs. 1,544 crore in Q3FY15 (Rs. 1,693 crore in Q2FY15).
- Non-AP Portfolio at Rs. 3,195 crore as of December 31, 2014 (growth of 35% YoY and 5% QoQ)
- Cost of interest-bearing liabilities<sup>#</sup> at 12.9% for Q3FY15 as compared to 13.8% in Q2FY15.
- The un-availed deferred tax benefit of Rs. 506 crore will be available to offset tax on future taxable income. Given the carried forward tax loss, no tax provision was required for Q3FY15.
- PAT of Rs. 41.1 crore in Q3FY15 compared to Rs. 21.4 crore in the corresponding period. PAT for Q2FY15 is Rs. 56 crore.
- Net worth of Rs. 998 crore and capital adequacy at 34.6%\* as of December 31, 2014.
- Cash & Cash equivalent<sup>^</sup> of Rs. 746 crore.

Note:

\*Capital adequacy without RBI dispensation on AP and Telangana provisioning (hereafter referred to as AP portfolio)

<sup>^</sup> Excluding security deposit

<sup>#</sup> including processing fee paid on Loans on Balance Sheet

Figures rounded off to the nearest digit across the presentation. Figures and ratios have been regrouped wherever necessary

# TURNAROUND ACHIEVED

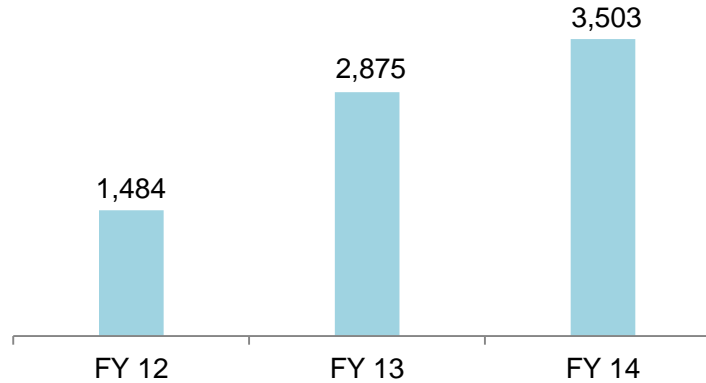
INR crore

## Balance Sheet Cleansed

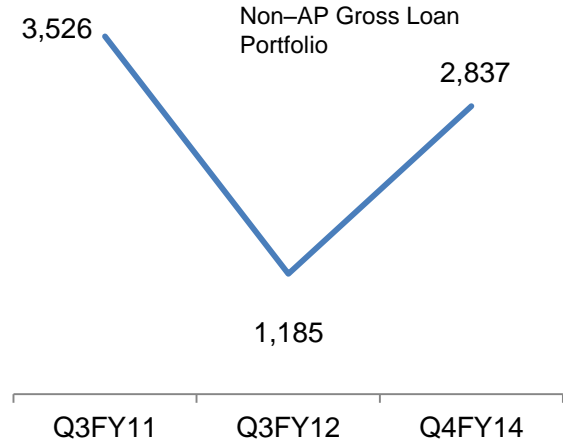
AP exposure of Rs. 1,360 crore written off/ provided for

## Supply-side Shock Managed

### Drawdowns



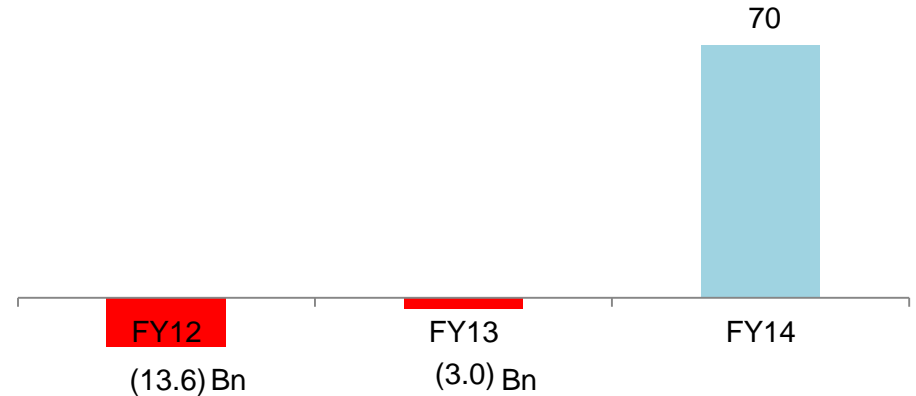
## Credit Growth Resumed



## Cost Structure Optimization

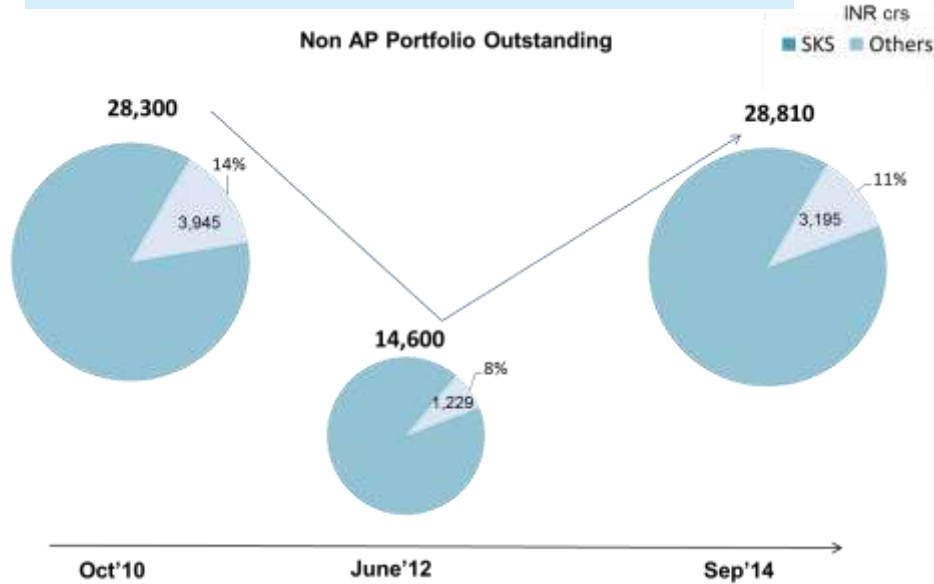
	Q3FY11	Q4FY14	Var.
Branches	2,403	1,255	-48%
Other Opex (INR crore)	51	21	-60%
Headcount	25,735	8,932	-65%
Personnel Cost (INR crore)	89	43	-52%

## Return To Profitability

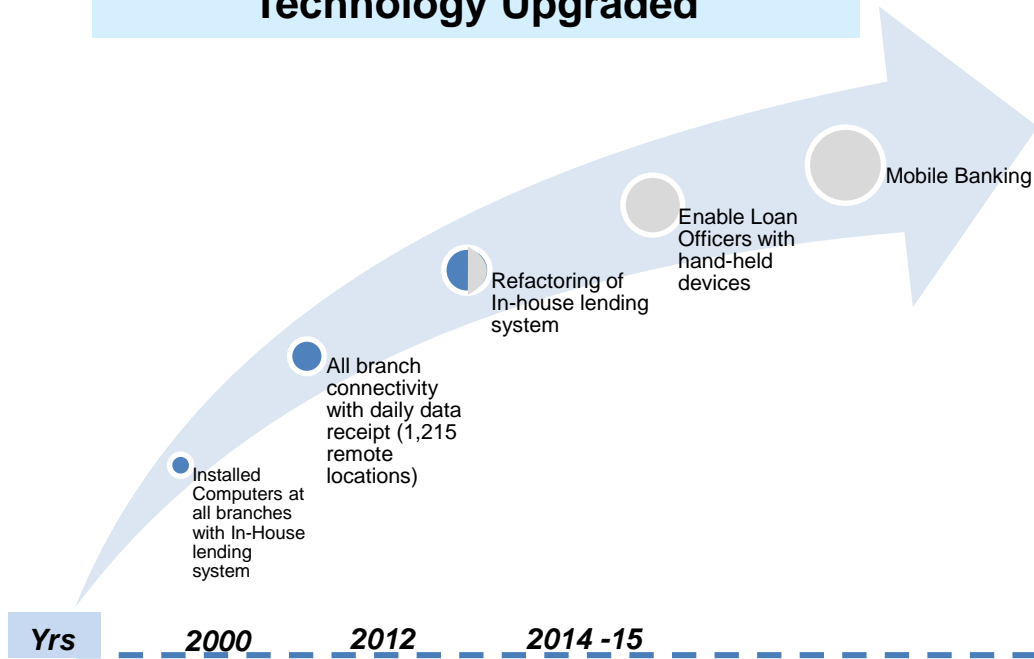


# DURABLE FOUNDATION FOR SUSTAINABLE GROWTH

## Market Share Regained



## Technology Upgraded



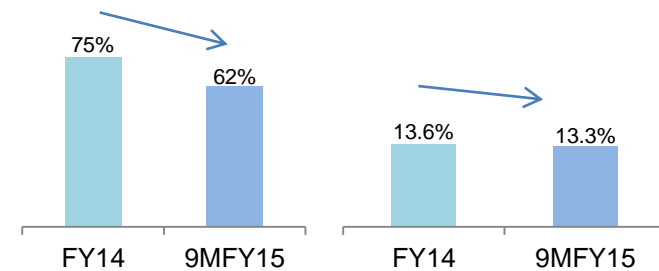
## Capital Reinforced

- QIP of Rs. 398 crs in May'14
- Net worth - Rs. 998 crs
- CAR - 34.6%

## Efficiency Gains

Cost to Income

Cost of Borrowing<sup>#</sup>



<sup>#</sup> including processing fee paid on Loans on Balance sheet

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# **CLARITY ON MAJOR UNCERTAINTIES POST AP MFI CRISIS**

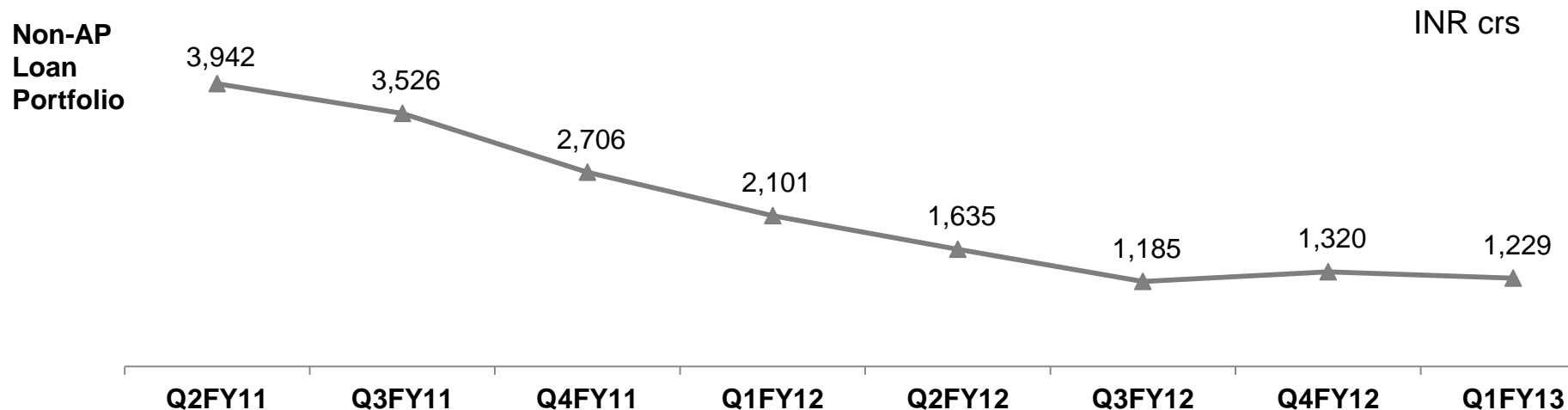
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# WHAT DOESN'T KILL YOU, MAKES YOU STRONGER -- POSITIVE DEVELOPMENTS POST AP MFI CRISIS

Concerns	Clarity
<p><b>Will there be multiple regulators?</b></p>	<ul style="list-style-type: none"> <li>▪ Regulatory clarity – RBI to be the sole regulator</li> </ul>
<p><b>Funding uncertainty?</b></p>	<ul style="list-style-type: none"> <li>▪ Priority sector status continues</li> <li>▪ MFIs are the only indirect priority sector dispensation</li> </ul>
<p><b>Will there be contagion?</b></p>	<ul style="list-style-type: none"> <li>▪ No contagion</li> <li>▪ More than 4 years -- no other state has followed suit</li> </ul>
<p><b>Has the business model been challenged?</b></p>	<ul style="list-style-type: none"> <li>▪ Collection efficiency maintained despite disbursements being a fraction of collections.</li> <li>▪ No alternative credit delivery model has gained currency.</li> </ul>
<p><b>How will the AP situation get resolved?</b></p>	<ul style="list-style-type: none"> <li>▪ Legal relief</li> <li>▪ Customer sentiment</li> <li>▪ Central legislation</li> </ul>
<p><b>What will be the economics under regulated interest rate regime?</b></p>	<ul style="list-style-type: none"> <li>▪ RoA of 3-4% on a steady-state basis</li> </ul>

# OPERATING MODEL VAILIDITY ESTABLISHED

Collection efficiency of 97% during wind-down mode dispels ever greening myth



1.9 million borrowers repaid loans without incremental lending

in Millions

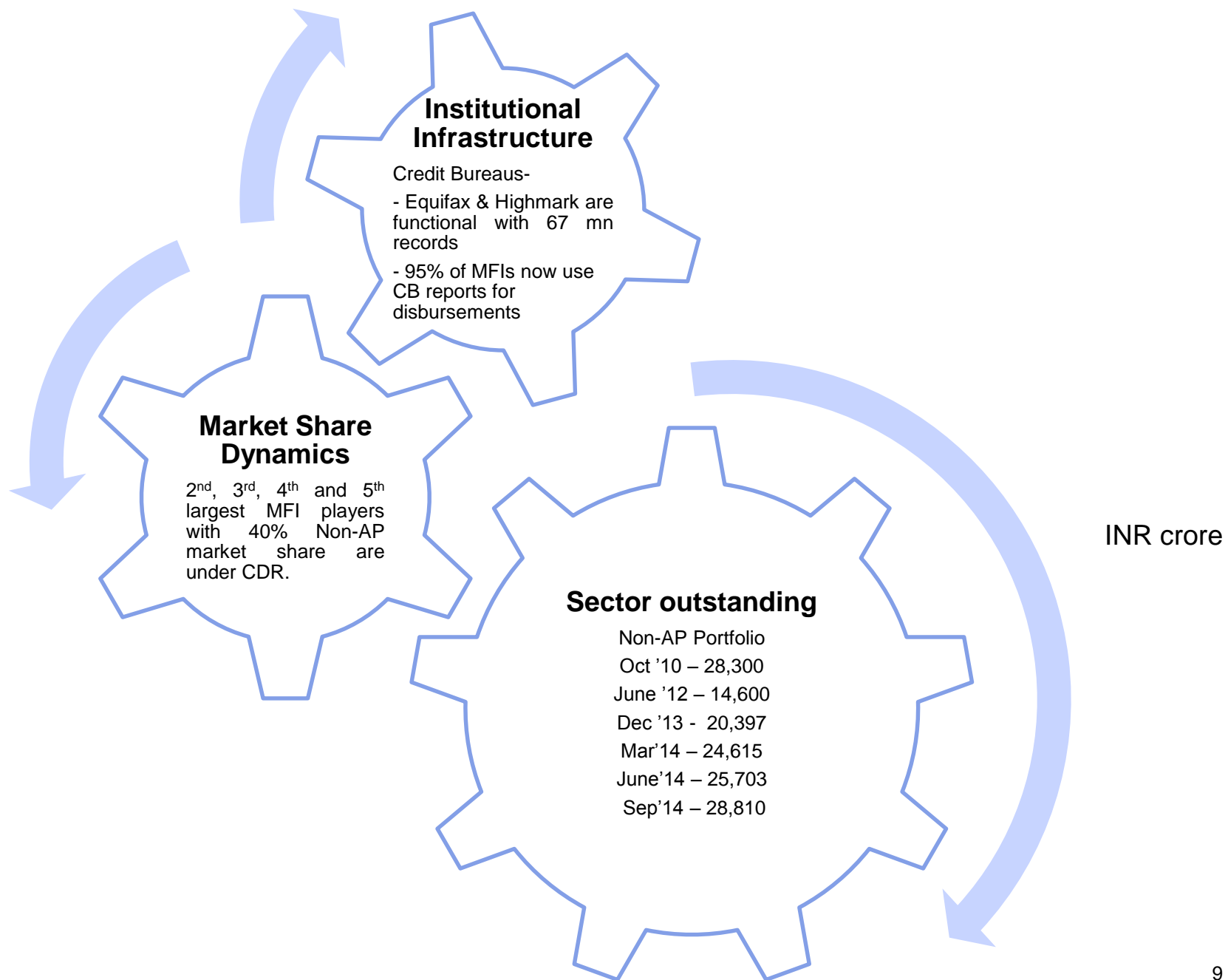
No. of non-AP borrowers who repaid on-time during this period	5.2
No. of non-AP members who availed loans during this period	3.3
<b>No. of non-AP members who didn't receive any incremental credit from SKS during this period</b>	<b>1.9</b>

Internal generation -- and not incremental debt -- aids prompt repayment

MFI Industry non- AP Portfolio Outstanding (Rs Cr)	
Oct'10	28,300
June'12	14,600

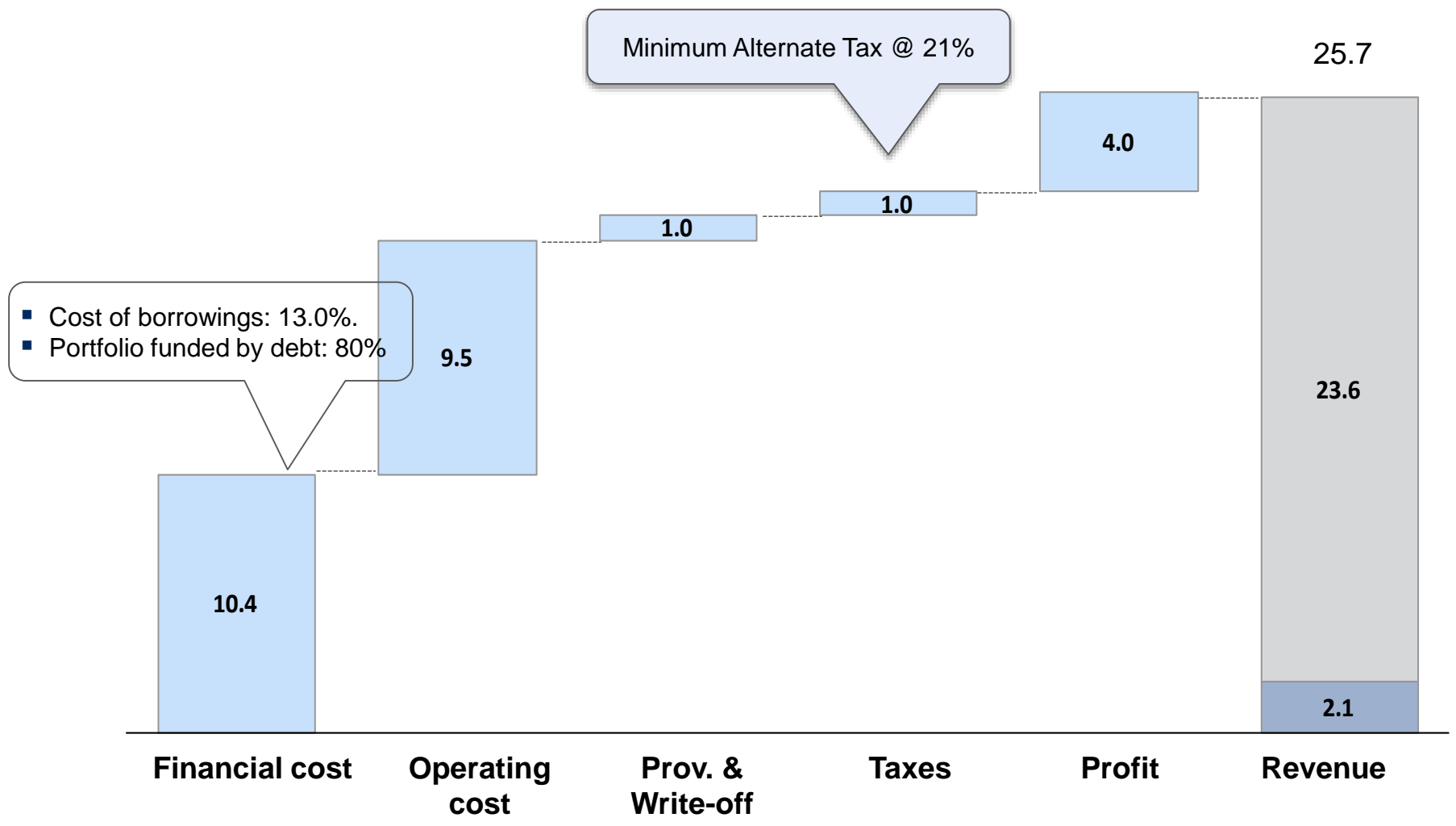


# COMPETITIVE LANDSCAPE CHANGES TO SKS' ADVANTAGE

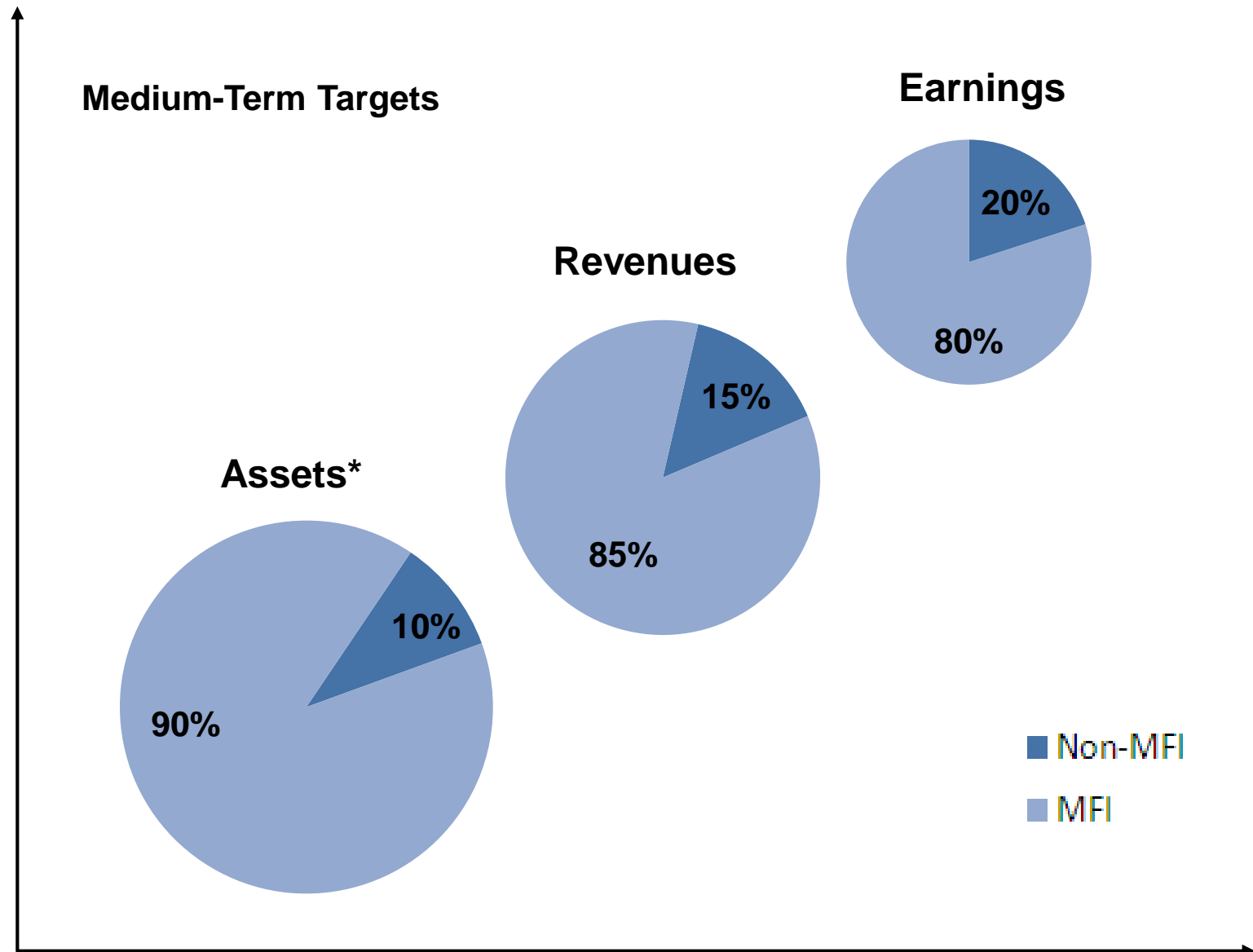


# STEADY-STATE ROA OF 4% CAN BE TARGETED

- Interest rate
- Processing fee
- Other income



# CREATIVE DISTURBANCE TO ASSET-REVENUE-EARNING CORRELATION



\*Note: Core microfinance will continue to be more than 90% of credit assets

# **OPERATIONAL HIGHLIGHTS**

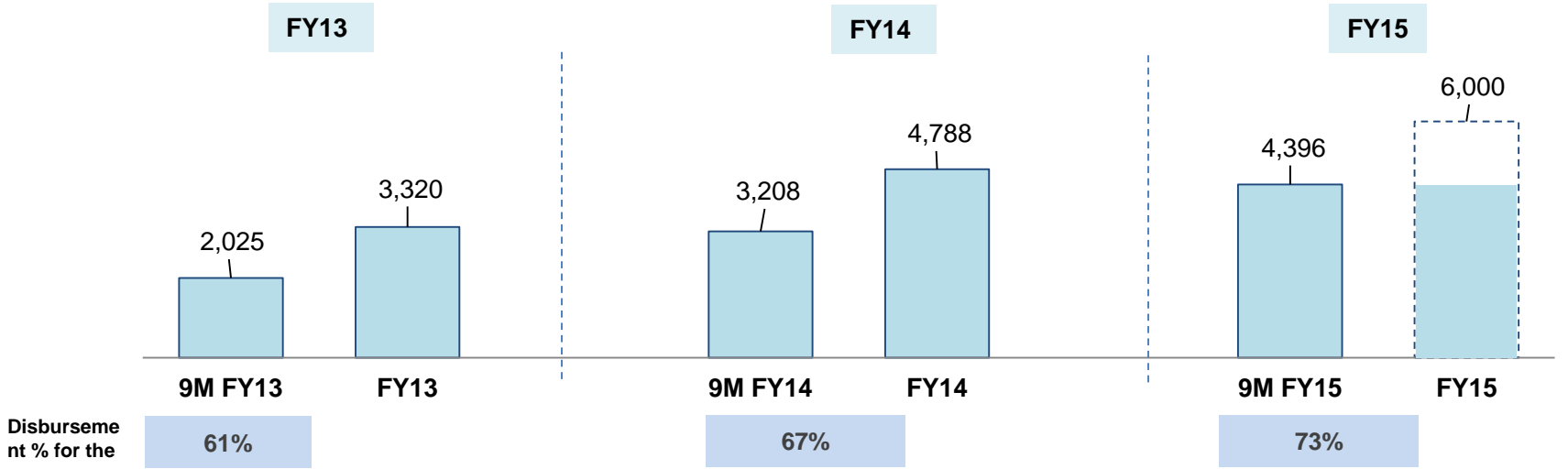
# OPERATIONAL HIGHLIGHTS

Particulars	Dec-13	Dec-14	YoY%	Sep-14	QoQ%
Branches#	1,256	1,268	1%	1,268	-
Centers (Sangam)	221,584	229,172	3%	228,494	0.3%
- Centers in non-AP States	150,907	158,451	5%	157,911	0.3%
Employees (i) + (ii) + (iii) + (iv) + (v) + (vi)	8,958	9,089	1%	8,943	2%
• Field Staff (i) + (ii) + (iii) + (iv) + (v)	8,707	8,812	1%	8,670	2%
– Sangam Managers* (i)	5,350	5,104	-5%	5,094	1%
– Sangam Manager Trainees(ii)	214	446	108%	310	44%
– Branch Management Staff (iii)	2,185	2,185	-	2,203	-1%
– Area Managers (iv)	84	90	7%	86	5%
– Regional Office Staff (v)	874	987	13%	977	1%
• Head Office Staff (vi)	251	277	10%	273	1%
Members (in '000)	5,491	6,196	13%	6,091	2%
– Members in non-AP States (in '000)	3,571	4,274	20%	4,171	2%
Active borrowers (in '000)	4,744	5,228	10%	5,268	-1%
– Active borrowers in non-AP States (in '000)	3,041	3,540	16%	3,570	-1%
No. of loans disbursed (in '000)	1,166	1,271	9%	1,404	-9%
Disbursements (for the quarter) (INR crore)	1,399	1,544	10%	1,693	-9%
Gross loan portfolio – Non-AP (INR crore) (A+B)	2,364	3,195	35%	3,043	5%
• Loans outstanding (A)	1,783	2,725	53%	2,793	-2%
• Securitized/ Assigned/ Managed loans (B)	582	470	-19%	250	88%
<b>Operational Efficiency – Non-AP :</b>					
Off-take Avg (Disbursements/ No of Loans disbursed ) (INR)	12,023	12,152	1%	12,068	1%
Gross loan portfolio/ Active Borrowers (INR)	7,775	9,024	16%	8,524	6%
Gross loan portfolio/ No. of Sangam Managers (Rs. '000)	5,165	7,196	39%	6,898	4%
Active borrowers / No. of Branches	2,667	3,111	17%	3,137	-1%
Active borrowers / No. of Sangam Managers	664	797	20%	809	-1%

\*Sangam Managers are our loan officers who manage our centers (also called Sangams). As of Dec '14, we had 4,440 Sangam Managers in Non-AP States # Incl. Gold branches

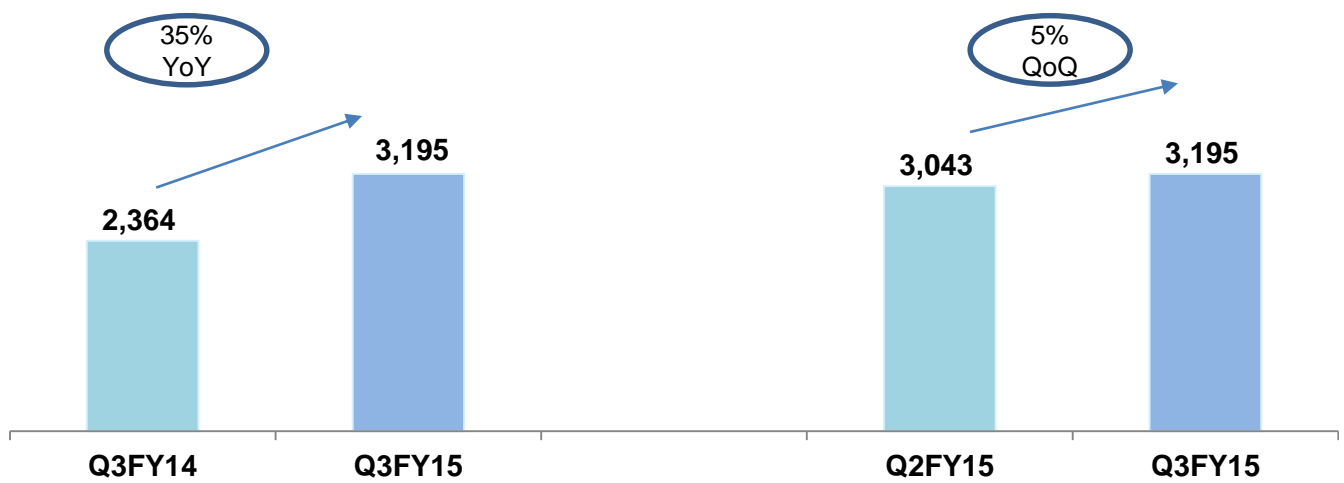
# 9MFY15 DISBURSEMENT EXCEEDS HISTORICAL TREND

INR crore



\* Guidance

## Non-AP Gross Loan Portfolio



# PRODUCTIVITY GAINS & COST EFFICIENCY ENABLE SKS TO LEVERAGE THE CONDUCTIVE ENVIRONMENT

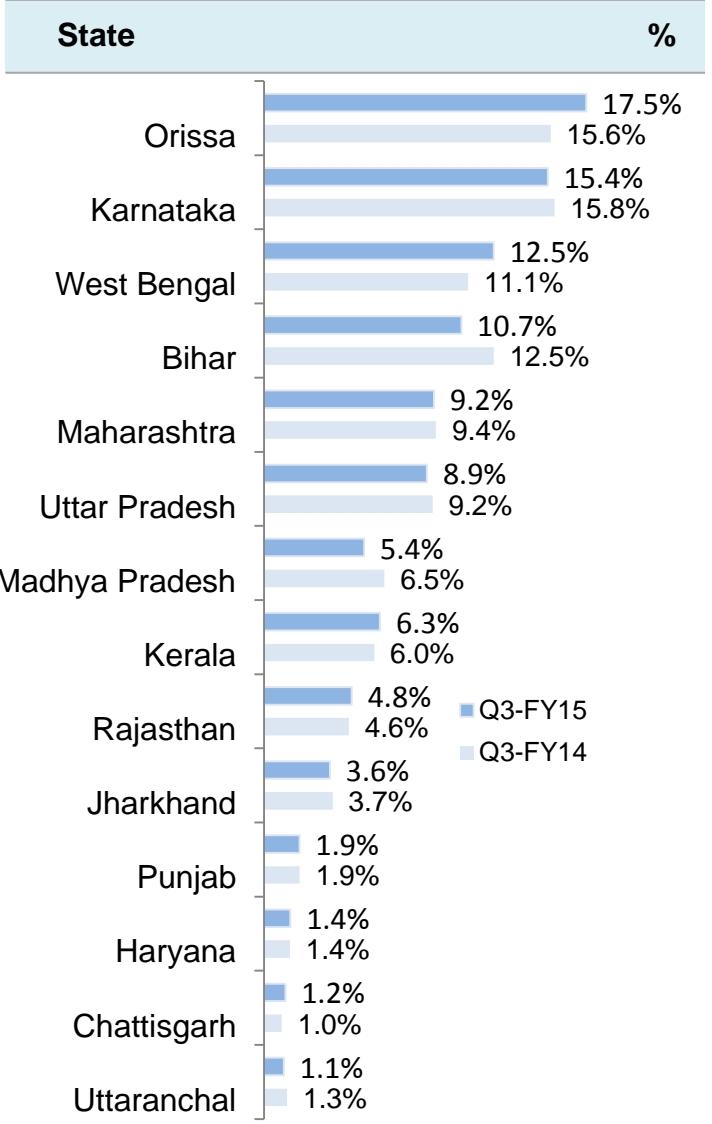
	Best before AP MFI crisis	Worst during AP MFI crisis	FY14	9MFY15	Q3FY15
<b><u>Productivity – Non-AP:</u></b>					
Borrowers/ SM	489*	287	721	797	797
Gross Loan Portfolio/ SM ('000)	3,640*	1,320	6,275	7,196	7,196
Offtake Avg.	10,299*	9,237	11,596	11,679	12,152
<b><u>Cost Efficiency:</u></b>					
Cost of borrowings %	10.3%^	16.0%^	13.6%#	13.3%#	12.9%#
Opex/ Gross Loan Portfolio %	10.4%	21.7%	9.6%	10.0%	10.5%
Cost to Income Ratio	52.4%	275%	74.5%	61.8%	66.4%
<b><u>Credit Quality - Non-AP:</u></b>					
Gross NPA%	0.20%*	5.5%	0.1%	0.1%	0.1%
Net NPA%	0.16%*	2.9%	0.1%	0.1%	0.1%
Collection Efficiency %	99.8%*	94.9%	99.9%	99.8%	99.8%

\*Enterprise figures - includes figures from AP state

^Includes processing fee for On and Off Balance Sheet (b/s) funding

# Includes processing fee for On B/S funding only, for Q1FY15 Rs. 2.4 crs ,Q2FY15 Rs. 6.3 crs & Q3FY15 Rs. 3.6 crs

# PORTFOLIO MIX



# CONCENTRATION NORMS

Metric	% Cap on Disbursement*	POS % Cap of Network
<b>State</b>	<ul style="list-style-type: none"> <li>&lt;15%</li> <li>(20% for Karnataka)</li> </ul>	<ul style="list-style-type: none"> <li>50%</li> </ul>
<b>District</b>	<ul style="list-style-type: none"> <li>&lt;3 %</li> <li>(4% for Karnataka)</li> </ul>	<ul style="list-style-type: none"> <li>5%</li> <li>(Only 5% of total operating districts can go up to 10% of net worth)</li> </ul>
<b>Branch</b>	<ul style="list-style-type: none"> <li>&lt;1 %</li> <li>(1.25 % for Karnataka)</li> </ul>	<ul style="list-style-type: none"> <li>1%</li> <li>(Only 5% of the total operating branches can go up to 2% of net worth)</li> </ul>
<b>NPA</b>	<ul style="list-style-type: none"> <li>No disbursement to a branch with NPA &gt; 1 %</li> </ul>	
<b>Collection efficiency</b>	<ul style="list-style-type: none"> <li>No disbursement to a branch with on-time collection efficiency of &lt; 95%</li> </ul>	

\*Subject to tolerance of 10%

Note: Portfolio Mix denotes Exposure in each state – Calculated as On B/S sheet portfolio + 15% of Off B/S portfolio.



## VINTAGE OF NON-AP BRANCHES IS ~6 YEARS

State	No. of Branches	Wt. Avg. Vintage (in Yrs.)*
Karnataka	173	7.0
Odisha	147	6.6
West Bengal	139	6.2
Bihar	121	6.5
Maharashtra	120	6.4
Uttar Pradesh	113	5.8
Madhya Pradesh	65	6.7
Rajasthan	59	6.4
Kerala	46	4.6
Jharkhand	40	6.2
Chhattisgarh	21	6.4
Punjab	18	5.4
Haryana	16	5.7
Uttaranchal	11	4.7
Himachal Pradesh	3	0.2
Gujarat	1	-
Delhi	1	-
<b>Non-AP</b>	<b>1,094</b>	<b>6.3</b>

As of Dec 2014

\* Excludes 44 Gold Loan Branches.

## PORTFOLIO OUTSTANDING BY ECONOMIC ACTIVITY

Purpose	% Mix
Livestock	25%
Tailoring, Cloth weaving	11%
Grocery stores and other retail outlets	8%
Masonry, Painting, Plumbing, Electrician, Carpenter and related	8%
Trading of vegetables & fruits	7%
Trading of agri-commodities	6%
Vehicle repairs	6%
Eateries	5%
Agriculture	4%
Garments & Footwear retailing	3%
Other income generating activities	18%

## UPDATE ON GOLD LOANS - PILOT PROGRAMME

INR crore

Particulars	Dec 14
Total Gold Loan Portfolio Outstanding	54
Current Gold Holding Value*	77
Security Coverage (77/54 crores)	143%
SKS Non-AP Gross Loan Portfolio	3,195
<b>Gold Loans as % of SKS Non-AP Gross Loan Portfolio</b>	<b>1.7%</b>

### Notes:

\* Based on current value of Rs. 2,461/ gm (Dec 31, 2014) and applied on net weight of gold i.e. after deduction for stones and impurities on gross weight)

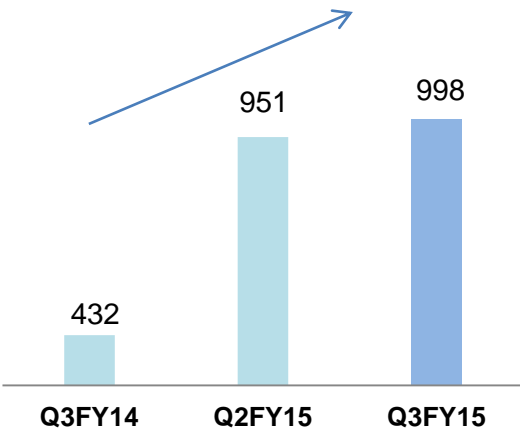
(Source: India Bullion & Jewellers Association Ltd. – 22 carat spot rate )

# REVIEW OF FINANCIALS

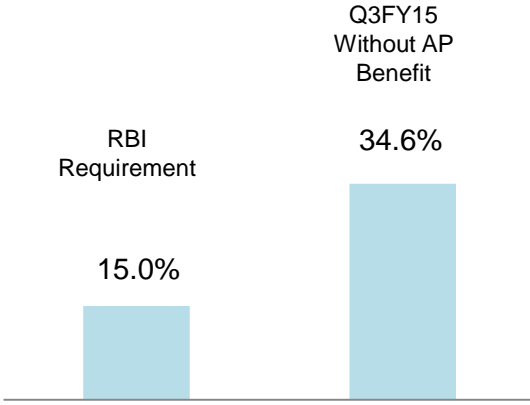
# STRONG SOLVENCY AND SUFFICIENT LIQUIDITY

INR crore

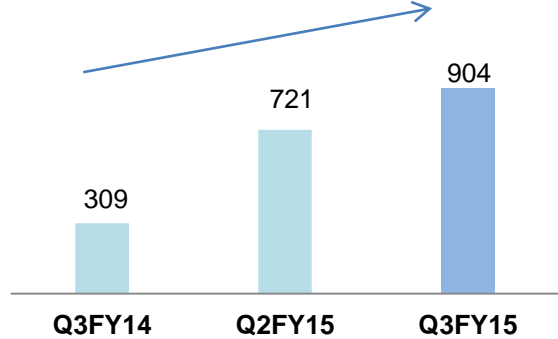
## Net Worth



## Capital Adequacy

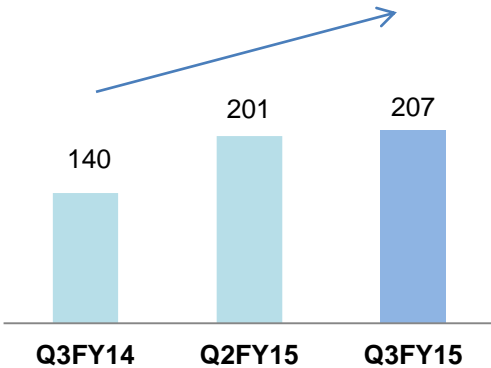


## Cash and Bank Bal.

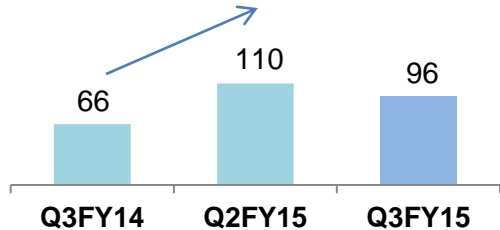


# STAGGERED DISBURSEMENT PATTERN REDUCES NET INTEREST INCOME

## Gross Revenue



## Net Interest Income\*



## Disbursement Pattern

Q3FY15		
Month	Disbursement	% Total
Oct-14*	249	16%
Nov-14	543	35%
Dec-14	752	49%
	<b>1,544</b>	

\*Interest income on Portfolio loans + Income from Assignment/ Securitization + Loan processing fees – Financial Cost

\*Lower disbursements in October due to field-level preparations for change in interest rate from 1<sup>st</sup> Oct

# STAGGERED GROWTH IN PORTFOLIO AND ONE-TIME PERSONNEL COST IMPACT SEQUENTIAL PROFITABILITY

INR crore

Particulars	Q3FY14	Q3FY15	YoY%	Q3FY15 As % of Total Revenue	Q2FY15	QoQ%
<b><u>Income from Operations</u></b>						
Interest income on Portfolio loans	106	154	46%	74%	158	-3%
Income from Assigned loans	9	10	6%	5%	8	24%
Loan processing fees	9	11	29%	6%	11	-
<b><u>Other Income</u></b>						
Income on investments	7	14	103%	7%	7	106%
Recovery against loans written off	5	5	5%	3%	8	-32%
Other miscellaneous income	4	13	-	6%	9	37%
<b>Total Revenue</b>	<b>140</b>	<b>207</b>	<b>48%</b>	<b>100%</b>	<b>201</b>	<b>3%</b>
<b>Financial expenses</b>	<b>58</b>	<b>79</b>	<b>37%</b>	<b>38%</b>	<b>67</b>	<b>17%</b>
Personnel expenses	41	63*	52%	30%	55	15%
Operating and other expenses	20	21	5%	10%	22	-5%
Depreciation and amortization	1	1	12%	1%	1	-
<b>Total Operating Cost</b>	<b>62</b>	<b>85</b>	<b>37%</b>	<b>41%</b>	<b>78</b>	<b>9%</b>
<b>Provision &amp; Write-offs</b>	<b>(1.7)</b>	<b>2.0</b>	<b>-</b>	<b>1%</b>	<b>(0.8)</b>	<b>-</b>
<b>Total Expenditure</b>	<b>118</b>	<b>166</b>	<b>40%</b>	<b>80%</b>	<b>144</b>	<b>15%</b>
<b>Profit before Tax</b>	<b>21.4</b>	<b>41.1</b>	<b>92%</b>	<b>20%</b>	<b>56.8</b>	<b>-28%</b>
Tax expense	-	-	-	-	-	-
<b>Profit after Tax</b>	<b>21.4</b>	<b>41.1</b>	<b>92%</b>	<b>20%</b>	<b>56.8</b>	<b>-28%</b>

\* Includes one-time incentive of Rs. 7.6 crs to non-core management

# PROFIT AND LOSS STATEMENT FOR THE NINE-MONTH ENDED

INR Crs.

Particulars	9M FY14	9M FY15	YoY%	9M FY15 As % of Total Revenue
<b><u>Income from Operations</u></b>				
Interest income on Portfolio loans	298	415	39%	72%
Income from Assigned loans	34	42	25%	7%
Loan processing fees	24	33	34%	6%
<b><u>Other Income</u></b>				
Income on Investments	21	30	47%	5%
Recovery against loans written off	10	22	121%	4%
Other Miscellaneous Income	10	35	-	6%
<b>Total Revenue</b>	<b>397</b>	<b>577</b>	<b>45%</b>	<b>100%</b>
<b>Financial expenses</b>	<b>159</b>	<b>194</b>	<b>22%</b>	<b>34%</b>
Personnel expenses	122	172	40%	30%
Operating and other expenses	57	62	8%	11%
Depreciation and amortization	3	3	13%	1%
<b>Total Operating Cost</b>	<b>182</b>	<b>237</b>	<b>30%</b>	<b>41%</b>
<b>Provision &amp; Write-offs</b>	<b>13</b>	<b>(1)</b>	<b>-</b>	<b>-</b>
<b>Total Expenditure</b>	<b>355</b>	<b>430</b>	<b>21%</b>	<b>74%</b>
<b>Profit before Tax</b>	<b>43</b>	<b>147</b>	<b>-</b>	<b>26%</b>
Tax expense	-	-	-	-
<b>Profit after Tax</b>	<b>43</b>	<b>147</b>	<b>-</b>	<b>26%</b>

## STRONG CAPITAL BASE AND ROBUST LIQUIDITY DRIVE SKS BALANCE SHEET

Particulars	Q3FY14	Q3FY15	YoY%	Q2FY15	QoQ%
Equity share capital	108	126	17%	126	0%
Stock options outstanding	20	24	22%	20	17%
Reserves and surplus	304	848	179%	804	5%
<b>Capital &amp; Reserves</b>	<b>432</b>	<b>998</b>	<b>131%</b>	<b>951</b>	<b>5%</b>
Loan funds	1,530	2,545	66%	2,402	6%
Payable towards assignment/ Securitization	93	52	-44%	107	-51%
Expenses & other payables	21	23	7%	53	-57%
Provision for Taxation	21	5	-76%	5	1%
Unammortised loan processing fees	18	24	37%	23	2%
Employee benefits payable	7	15	126%	12	30%
Interest accrued but not due on borrowings	8	15	100%	14	8%
Interest accrued and due on borrowings	-	-	-	-	-
Provision for leave benefits & gratuity	10	14	35%	12	13%
Statutory dues payable	2	3	45%	3	15%
Unrealized gain on securitization transactions	11	9	-20%	2	-
Provision for standard and NPA -- Non-AP	25	32	32%	31	6%
Provision for standard and NPA -- AP	209	8	-96%	68	-88%
<b>Liabilities</b>	<b>1,953</b>	<b>2,745</b>	<b>41%</b>	<b>2,730</b>	<b>1%</b>
<b>Total Liabilities</b>	<b>2,385</b>	<b>3,743</b>	<b>57%</b>	<b>3,681</b>	<b>2%</b>
Fixed assets	7	4	-37%	5	-5%
Intangible assets	4	5	24%	5	-3%
Investment	0.2	0.2	-	0.2	-
Cash and bank balances	309	904	-	721	25%
Sundry debtors	4	10	140%	6	54%
Interest accrued and due on loans	3	1	-46%	1	69%
Interest accrued but not due on loans	8	10	26%	9	7%
Interest accrued but not due on deposits with banks	7	8	15%	11	-29%
Interest strip on securitization transactions	11	10	-5%	2	-
Portfolio loans -- Non-AP	1,750	2,708	55%	2,786	-3%
Portfolio loans -- AP	219	24	-89%	87	-72%
Loans placed as collateral	32	16	-51%	7	118%
Security deposits for rent and other utilities	4	4	-4%	4	-5%
Advances for Loan Cover Insurance	1	1	7%	1	-9%
Surrender amount receivable from insurance co.	1	0	-81%	2	-91%
Loans to SKS employee benefit trust	5	5	-6%	5	0%
Advance Income Tax	13	19	54%	17	11%
Prepaid insurance	3	4	15%	4	10%
Other advances	4	9	139%	7	23%
<b>Total Assets</b>	<b>2,385</b>	<b>3,743</b>	<b>57%</b>	<b>3,681</b>	<b>2%</b>
Note:1 Non-AP Assigned Portfolio	582	470	-19%	250	88%
2. Non-AP Gross Loan Portfolio	2,364	3,195	35%	3,043	5%

## COST TO INCOME INCREASES DUE TO ONE-TIME INCENTIVE TO NON-CORE MANAGEMENT IN Q3FY15...

Particulars		Q3 FY14	Q2 FY15	Q3 FY15
<b>Spread Analysis (as % of Avg. Gross Loan Portfolio)</b>				
Gross Yield	(I)	22.3%	25.9%	25.4%
Portfolio Yield		18.3%	21.3%	20.1%
Financial Cost	(a)	9.2%	8.6%	9.7%
Operating Cost	(b)	9.9%	10.0%	10.5%
Provision and Write-offs	(c)	-0.3%	-0.1%	0.2%
Taxes	(d)	0.0%	0.0%	0.0%
Total Expense	II = (a+b+c+d)	18.9%	18.6%	20.4%
Return on Avg. Gross Loan Portfolio	(I) - (II)	<b>3.4%</b>	<b>7.3%</b>	<b>5.0%</b>
<b>Efficiency:</b>				
Cost to Income		76%	58%	66.4%
<b>Asset Quality – Non-AP:</b>				
Collection Efficiency		99.8%	99.8%	99.8%
Gross NPA		0.1%	0.1%	0.1%
Net NPA		0.0%	0.1%	0.1%
Gross NPA (INR crore)		1.0	3.0	2.6
Net NPA (INR crore)		0.8	1.9	1.8
<b>Leverage:</b>				
Debt : Equity		3.5	2.5	2.5
Debt : Equity (Incl. Managed Loans)		4.7	2.8	2.8
<b>Capital Adequacy*:</b>				
EPS - Diluted (INR) (Not Annualised)		2.0	4.5	3.2
Book Value (INR)		39.9	75.5	79.2

\*Capital adequacy without RBI dispensation on AP



## ... HOWEVER PROFITABILITY FOR 9MFY15 IMPROVED (YOY)

Particulars		9M FY14	9M FY15
<b>Spread Analysis (as % of Avg. Gross Loan Portfolio)</b>			
Gross Yield	(I)	21.8%	24.4%
Portfolio Yield		18.2%	19.3%
Financial Cost	(a)	8.7%	8.2%
Operating Cost	(b)	10.0%	10.0%
Provision and Write-offs	(c)	0.7%	-0.03%
Taxes	(d)	-	-
Total Expense	II = (a+b+c+d)	19.5%	18.1%
Return on Avg. Gross Loan Portfolio	(I) - (II)	<b>2.3%</b>	<b>6.2%</b>
<b>Efficiency:</b>			
Cost to Income		76.7%	61.8%
<b>Asset Quality – Non-AP:</b>			
Collection Efficiency		99.8%	99.8%
Gross NPA		0.1%	0.1%
Net NPA		0.0%	0.1%
Gross NPA (INR crore)		1.0	2.6
Net NPA (INR crore)		0.8	1.8
<b>Leverage:</b>			
Debt : Equity		3.5	2.5
Debt : Equity (Incl. Managed Loans)		4.7	2.8
<b>Capital Adequacy*:</b>			
EPS - Diluted (INR) (Not Annualised)		3.9	11.9
Book Value (INR)		39.9	79.2

\*Capital adequacy without RBI dispensation on AP

# FINANCIAL ARCHITECTURE

# FINANCIAL ARCHITECTURE (1/3)

## Lenders Mix

On Balance Sheet*	Dec-14	Sep – 14	Dec-13
Yes Bank	14.9%	20.0%	17.1%
ICICI Bank	11.1%	10.5%	17.8%
Bank of Maharashtra	7.7%	8.3%	-
Bank of India	7.6%	8.3%	-
IndusInd Bank	6.5%	8.1%	9.2%
Axis Bank	6.7%	7.5%	2.9%
Kotak Mahindra Bank	6.1%	3.1%	-
Dena Bank	5.5%	2.9%	8.5%
State Bank Group	5.1%	5.7%	5.8%
HDFC Bank	4.8%	4.9%	2.6%
Andhra Bank	4.5%	5.0%	2.7%
Ratnakar Bank	3.2%	-	-
IDFC	3.2%	3.1%	-
South Indian Bank	3.1%	1.0%	0.0%
SIDBI	2.9%	3.9%	6.1%
HSBC Bank	2.1%	1.0%	0.0%
Citi Bank	1.3%	1.2%	1.2%
DCB Bank	1.2%	1.6%	2.2%
J&K Bank	1.1%	-	-
Others	1.7%	3.7%	23.9%
<b>Grant Total</b>	<b>2,375</b>	<b>2,402</b>	<b>1,530</b>

\* Includes Term loan and cash credit facilities

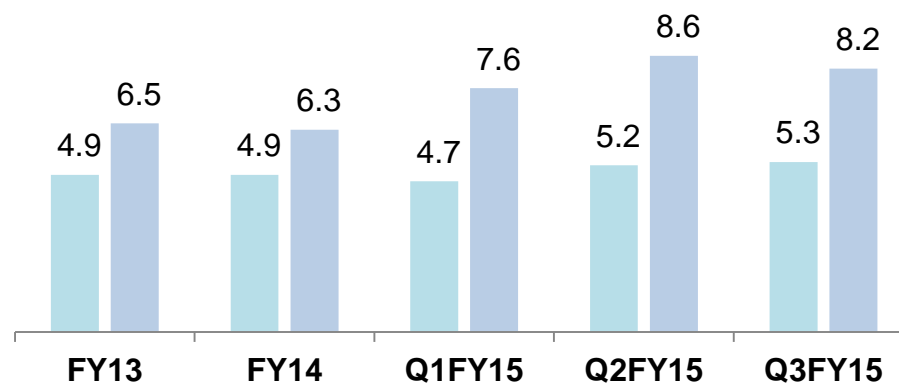
## Funding Mix

INR crore

	Q3 FY15	% Mix	Q2 FY15	% Mix
Term Loans	2,289	76%	2,310	85%
Securitisation	299	10%	218	8%
Managed Loans	187	6%	97	4%
Commercial Paper	170	6%	-	-
Cash Credit	86	3%	92	3%
<b>Total</b>	<b>3,031</b>	<b>100%</b>	<b>2,716</b>	<b>100%</b>

## Positive ALM Mismatch

■ Avg maturity of assets    ■ Avg maturity of liabilities    **No. of months**



ALM data includes securitized/ assigned/ managed loans

# FINANCIAL ARCHITECTURE (3/3)

## Funding Cost Analysis

Metric	FY14	9MFY15	Q2FY15	Q3FY15
Cost of interest bearing liabilities (excluding processing fee paid & other charges)	12.7%	12.5%	12.4%	12.5%
Cost of interest bearing liabilities (including processing fee paid on Loans on Balance sheet)	13.6%	13.3%	13.8%	12.9%
Cost of interest bearing liabilities (including processing fee and other charges paid for On & Off B/S loans)	14.2%	13.5%	14.0%	13.2%
Loan Processing Fees for On B/S (INR crore)	13.1	11.5	6.3	3.6
Drawdowns (INR crore)	3,503	2,606	1,100	931
Financial Cost <sup>^</sup>	8.3%	8.2%	8.6%	9.7%

<sup>^</sup> Financial expenses to Avg. Gross Loan Portfolio

Note: SKS expenses towards loan processing fees are paid upfront whereas loan processing fees received from borrowers are amortized over the period of contract.

**The above percentages are based on monthly averages (except financial cost %).**

# EXTERNAL ASSESSMENT

Rating Agency	Grading / Rating
<b>CARE</b>	MFI Grading: 'MFI 1'
	Bank Loan Rating for a limit up to Rs. 2,500 Crs.- <ul style="list-style-type: none"> <li>▪ Long-term Bank facility 'CARE A+'</li> <li>▪ Short-term Bank facility 'CARE A1+'</li> </ul>
	Short-term Debt (CP/ NCD) for a limit up to Rs. 200 Crs.: 'CARE A1+' <ul style="list-style-type: none"> <li>▪ Five CP transactions of Rs. 175 crs</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Securitisation Pool rating in 9MFY15 - two transactions rated 'CARE AA(SO)'</li> </ul>
<b>ICRA (iMaCS)</b>	Code of Conduct Assessment Report: Score upgraded from 7.1/ 10 (in Dec'11) to 7.9/ 10 (in Mar'14)

## ADJUSTED PRICE TO BOOK COMPUTATION

	Dec-14
Book value per share (INR) (A)	79
Present value of DTA per share (B)^	21
<b>Book value per share – Including PV of DTA (INR) (A+B)</b>	<b>100</b>
<b>Adjusted Price to Book Ratio (times)</b>	<b>4.3</b>

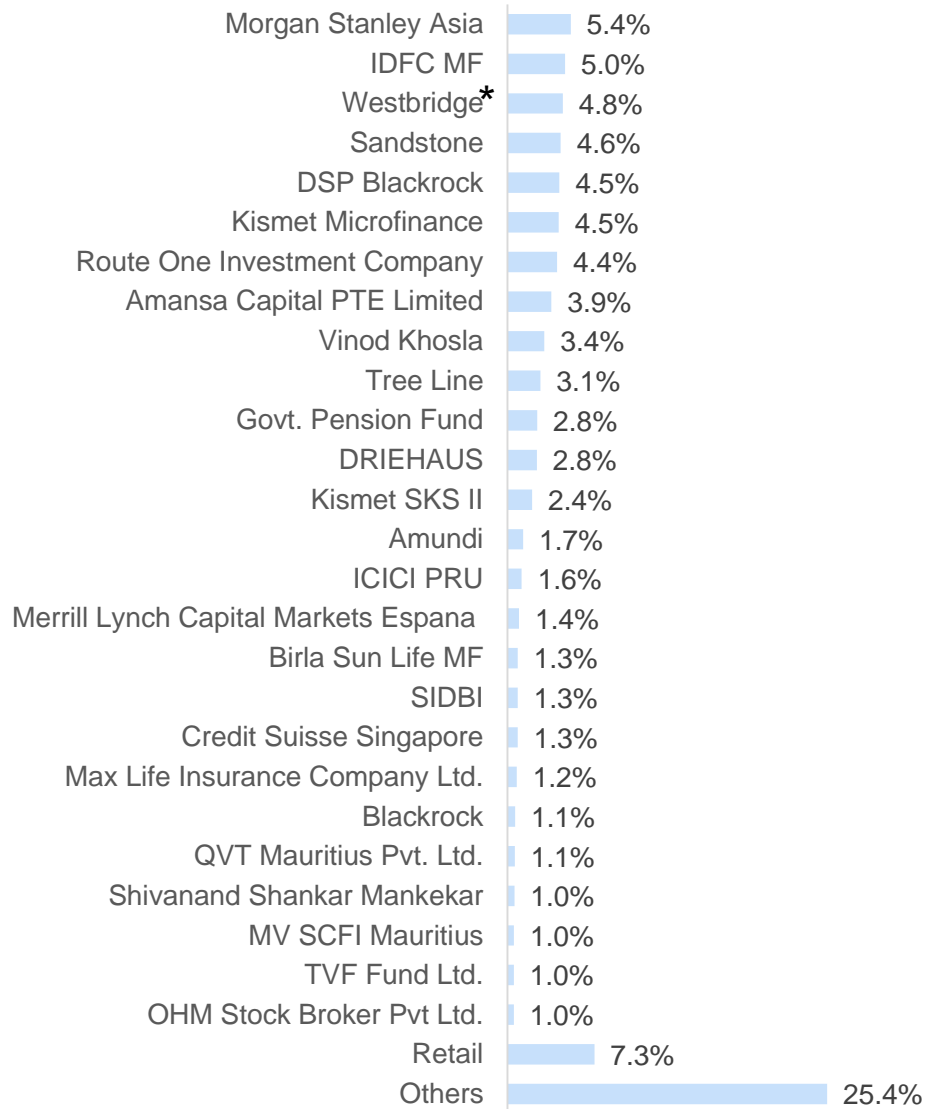
### Note:

^ Estimated Present Value of Deferred Tax Assets not recognized in books per share.

DTA as on Dec 31, 2014 is Rs. 506 crore. Discount rate assumed at 13.5% and applied over next 8 years' estimated profit.

SKS Market Price as of Jan 29, 2015 – Rs. 427

# CAPITAL STRUCTURE AS ON 31<sup>ST</sup> DECEMBER 2014



**No. of shares -12.6 crs**

\*Includes Kumaon Investment

Note: The Investment under different accounts by the fund are clubbed under their respective names

# ANNEXURES



## HIGHLIGHTS - LONG TERM LOANS (LTL)

Product Details	
Purpose	Income generating activity
Ticket Size	Rs.21,943 to Rs.29,809
Tenure	104 Weeks
Eligibility	<ul style="list-style-type: none"> <li>- Completion of two IGL^ Loan cycles</li> <li>- No current IGL outstanding</li> <li>- No overdue</li> </ul>
Product design	Equal weekly installment (EWI) similar to IGL Eg.: IGL Rs.13K Ticket size : Rs 300 EWI LTL Rs.26K Ticket size : Rs 320 EWI

9MFY15 - Snapshot	LTL	Total	% Mix LTL
No. of Loans Disbursed in '000	132	3,764	4%
Amount of Loan Disbursed ('In Crs.)	377	4,396	9%*
Avg. Ticket Size INR	28,582	11,679	
Portfolio Outstanding (in Crs.)	369	3,195	12%

\*Disbursement capped at 15% of overall disbursement

^ Income Generating Loans with ticket size of Rs.7,591 to Rs.14,959 with tenure of 50 weeks

# OUR PROVISIONING POLICY

## Asset Classification

	<u>RBI NBFC-MFI norms</u>	<u>SKS compliance</u>
<b>Standard Assets</b>	0-90 days	0-60 days
<b>Sub-Standard Assets</b>	91-180 days	61-180 days
<b>Loss Assets</b>	>180 days	>180 days

## Provisioning Norms

<b>Standard Assets</b>	1% of overall Portfolio reduced by Provision for NPA (If provision for NPA < 1% of overall Portfolio)	0.25-1% depending on NPA or as stipulated by the RBI, whichever is higher
<b>Sub-Standard Assets</b>	50% of instalments overdue*	50% of outstanding principal*
<b>Loss Assets</b>	100% of instalments overdue*	100% of outstanding principal/ write-off*

\* The aggregate loan provision will be maintained at higher of 1% of overall portfolio or sum of provisioning for sub-standard and loss assets.

Note: The old AP portfolio i.e. before April 2013 has been fully provided for

# COMPLIANCE WITH RBI NBFC-MFI REGULATORY FRAMEWORK (1/2)

## RBI PSL norms for NBFC-MFIs

## SKS compliance

**NBFC-MFIs**

- Qualifying assets to constitute not less than 85% of its total assets (excluding cash and bank balances)
- At least 70% of loans for income generation activities

- Qualifying assets - 94%
- Income generation loans >96%

## Qualifying Assets Criteria\*

**Income of Borrower's Family**

- Rural : <=Rs.60,000
- Non-Rural : <=Rs. 1,20,000



**Ticket Size**

- <= 35,000 – 1<sup>st</sup> cycle
- <= Rs.50,000 – Subsequent cycle



**Indebtedness**

- <= Rs. 50,000



**Tenure**

- If loan amt. > Rs.15,000, then >= 24 months



**Collateral**

- Without collateral



**Repayment Model**

- Weekly, Fortnightly and Monthly



\* SKS compliance relates to income generation loans which comprise 95% of total loans.

# COMPLIANCE WITH RBI NBFC-MFI REGULATORY FRAMEWORK (2/2)

## RBI PSL norms for NBFC-MFIs

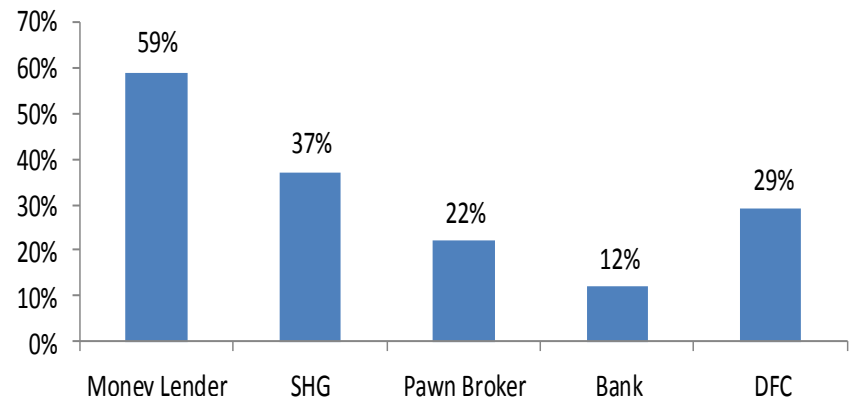
## SKS compliance

### Pricing Guidelines

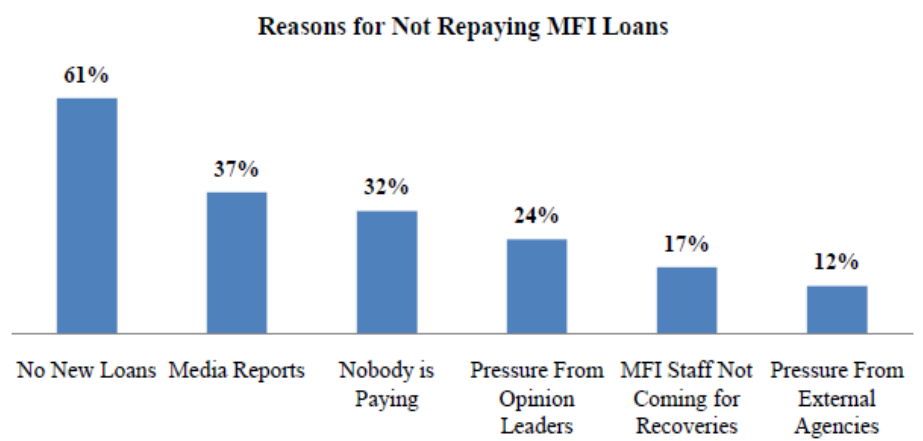
<b>Interest Rate</b>	<ul style="list-style-type: none"><li>▪ A. Margin cap – 10% above cost of borrowings</li><li>▪ B. Avg. base rate of top 5 commercial banks X 2.75</li><li>▪ Lower of the A and B.</li></ul>	✓
<b>Processing Fees</b>	<ul style="list-style-type: none"><li>▪ &lt;= 1% of loan amt.</li></ul>	✓
<b>Insurance Premium</b>	<ul style="list-style-type: none"><li>▪ Actual cost of insurance can be recovered from borrower and spouse</li><li>▪ Administrative charges can be recovered as per IRDA guidelines</li></ul>	✓
<b>Penalty</b>	<ul style="list-style-type: none"><li>▪ No penalty for delayed payment</li></ul>	✓
<b>Security Deposit</b>	<ul style="list-style-type: none"><li>▪ No security deposit/ margin to be taken</li></ul>	<ul style="list-style-type: none"><li>▪ SKS has never taken security deposit/ margin</li></ul>

# WHAT ARE CLIENTS DOING POST THE ANDHRA PRADESH MFI CRISIS?

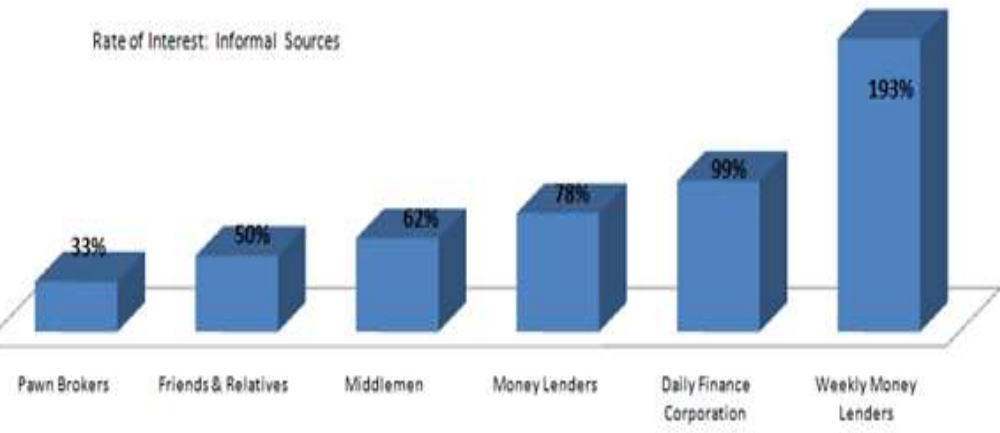
## Sources of Credit (in the absence of MFI Loans)



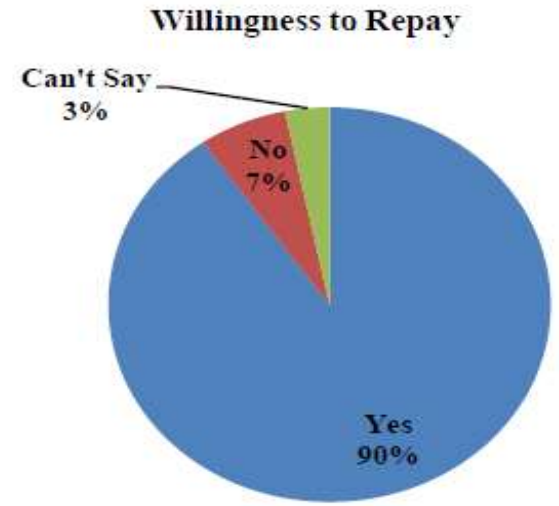
## Reasons for not repaying MFI loans



## Interest rates charged by informal sources (in the absence of MFIs)



## Willingness to repay



Source: "What are Clients doing post the Andhra Pradesh MFI Crisis?", MicroSave, 2011



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Certain statements in this document with words or phrases such as “will”, “should”, etc., and similar expressions or variation of these expressions or those concerning our future prospects are forward looking statements. Actual results may differ materially from those suggested by the forward looking statements due to a number of risks or uncertainties associated with the expectations. These risks and uncertainties include, but are not limited to, our ability to successfully implement our strategy and changes in government policies. The company may, from time to time, make additional written and oral forward looking statements, including statements contained in the company’s filings with the stock exchanges and our reports to shareholders. The company does not undertake to update any forward-looking statements that may be made from time to time by or on behalf of the company