

## EARNINGS UPDATE – Q3 FY14



**January, 2014**

**SKS Microfinance Limited**

BSE: 533228 • NSE: SKSMICRO

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

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# RECENT UPDATE

## RECENT UPDATE – Q3 FY14

- Incremental drawdown of Rs.566 crs for Q3FY14
- Loan Disbursement grows by 79% (YoY) and 43% (QoQ) to Rs. 1,399 crs for Q3FY14
- Non AP Portfolio grows by 58% (YoY) and 17% (QoQ) to Rs. 2,364 crs
- The un-availed deferred tax benefit stands at Rs. 567 crs and will be available to offset tax on future taxable income. Given the carried forward tax loss, no tax provision is required.
- Reports PAT of Rs. 21.4 crs for Q3FY14 compared to Rs.1.2 crs for Q3FY13 and Rs.16.3 crs for Q2FY14
- Networth of Rs. 432 crs and capital adequacy at 28.1%\* as of 31<sup>st</sup> December, 2013.
- ROA (Including Managed Loans) and ROE for Q3FY14 at 2.9% and 20.3%.
- Cash & Bank Balance of Rs.309 crs
- SKS completes Rs. 351 crs (Rs. 673 crs YTD) securitization transaction rated AA(SO) & A1+(SO).

*Note:*

*\*Capital adequacy without RBI dispensation on AP provisioning is 21.6%*

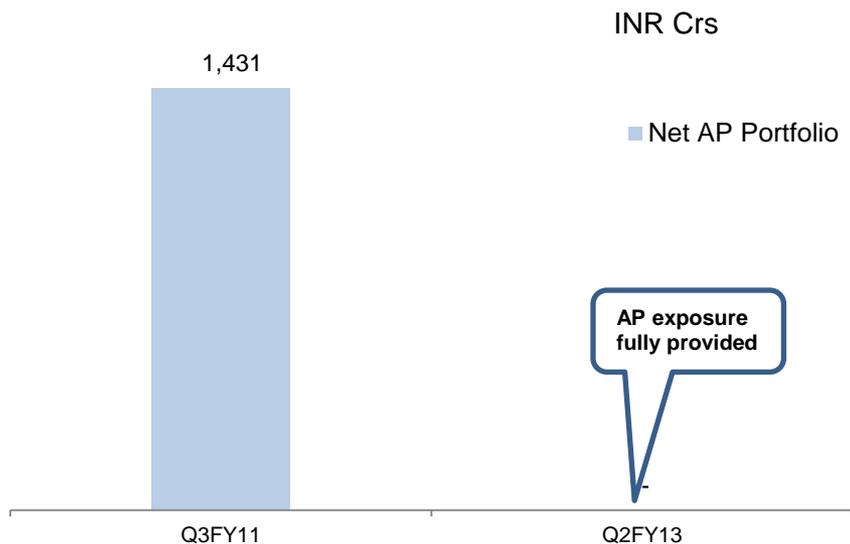
*Figures rounded off to nearest digit across the presentation*

*Figures and ratios are regrouped wherever necessary*

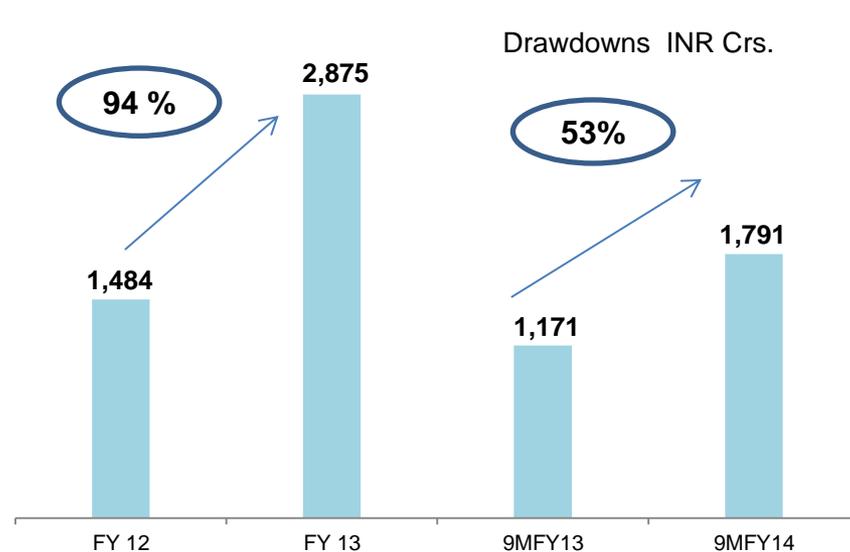
# **SKS TURNED AROUND**

# BUILDING BLOCKS OF SKS TURNAROUND STRATEGY

## Balance Sheet Cleansed



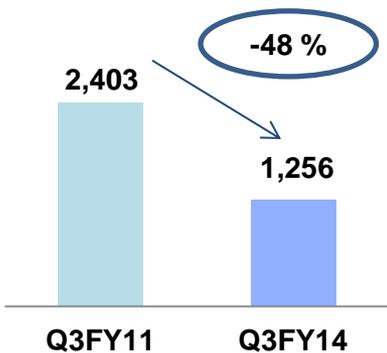
## Supply Side Shock Managed



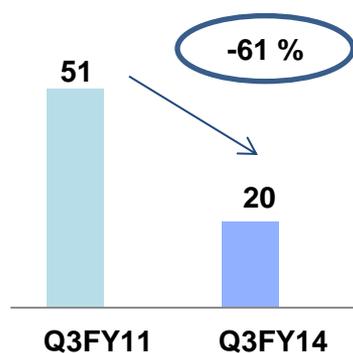
## COST STRUCTURE OPTIMISATION

### Branch Network Consolidated

#### Branches

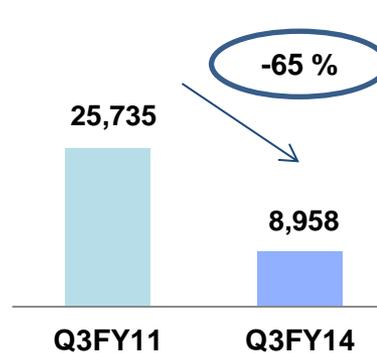


#### Other Opex

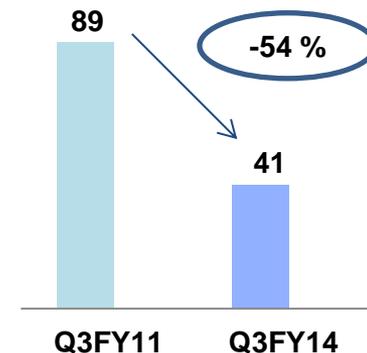


### Head-Count Rationalised

#### Headcount



#### Personnel cost

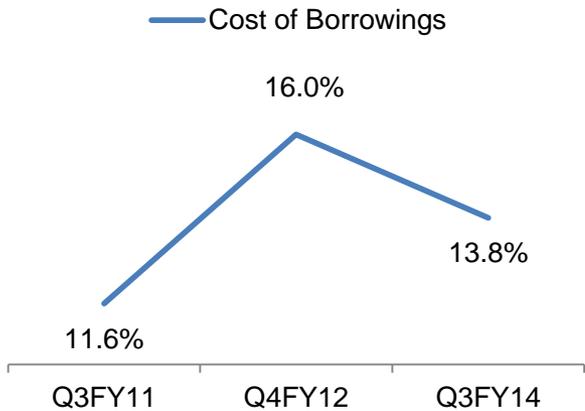


# BUILDING BLOCKS OF SKS TURNAROUND STRATEGY CONTD.

## Capital Raised

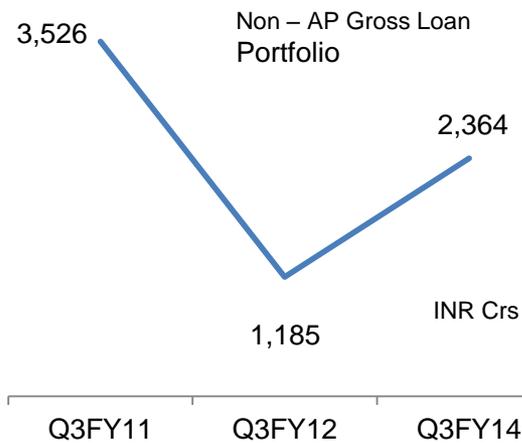
Raised Rs. 263.5 crs through QIP & Preferential Allotment in July '12

## Cost of Borrowings Reduced

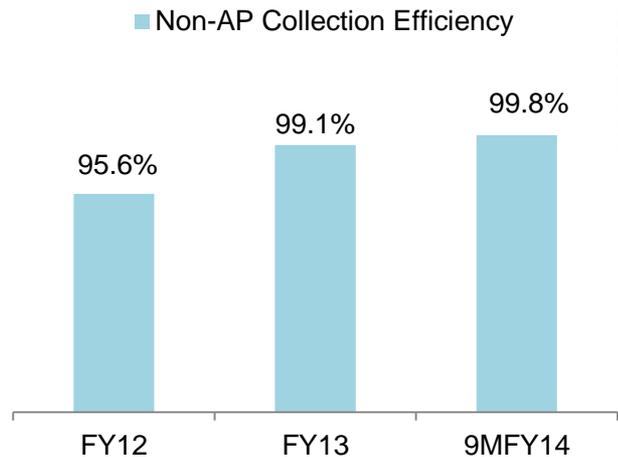


\* Includes processing fees paid upfront

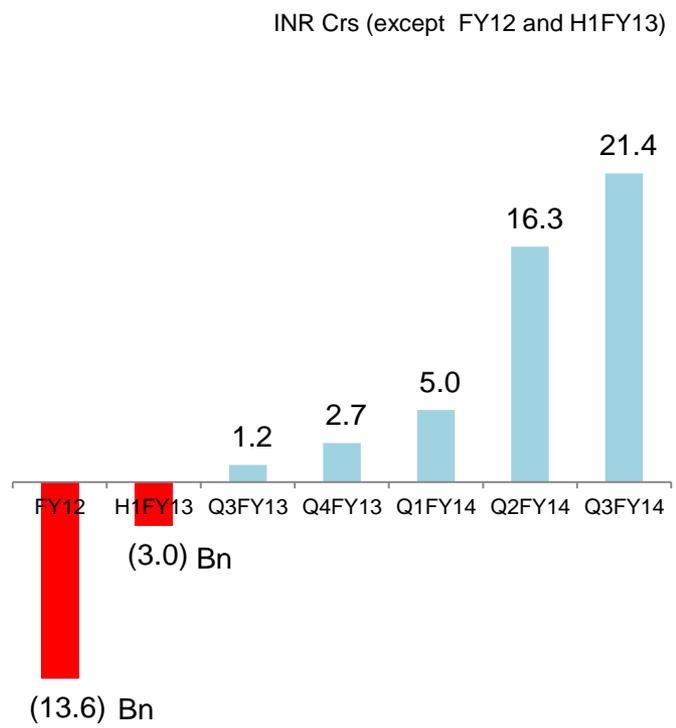
## Credit Growth Resumed



## Portfolio Protected



**THESE STRATEGIES HELPED SKS TO RETURN TO PROFITABILITY IN Q3FY13 AND THE TURNAROUND IS SUSTAINED WITH HIGHER PROFIT OF RS. 21.4 CRS IN Q3FY14**



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

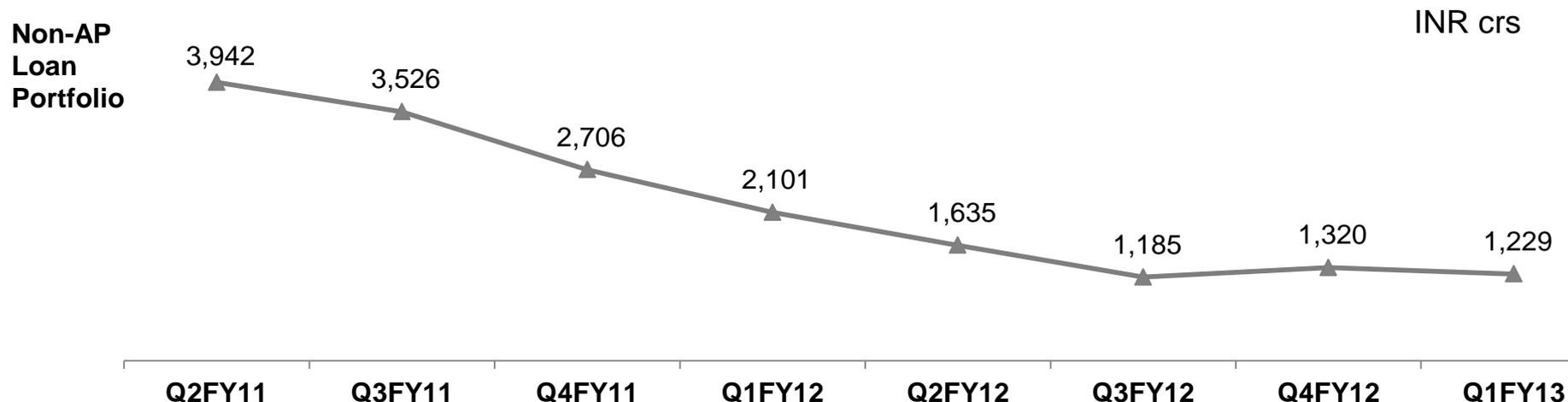
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# WHAT DOESN'T KILL YOU, MAKES YOU STRONGER- POSITIVE DEVELOPMENTS POST THE AP-MFI CRISIS

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 will continue</li> <li>MFIs to be 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. 99.8% repayment in all other states</li> <li>More than 2 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 disbursement being a fraction of collections validates the operating model and dispels the myth of ever-greening</li> <li>No alternative credit delivery model has gained currency</li> </ul>		
<p><b>How will the AP situation get resolved?</b></p>	<table border="0"> <tr> <td data-bbox="608 1078 1149 1163"> <ul style="list-style-type: none"> <li>Central legislation</li> <li>Legal relief</li> </ul> </td> <td data-bbox="1188 1078 1864 1163"> <ul style="list-style-type: none"> <li>RBI diplomacy</li> <li>Customer sentiment</li> </ul> </td> </tr> </table>	<ul style="list-style-type: none"> <li>Central legislation</li> <li>Legal relief</li> </ul>	<ul style="list-style-type: none"> <li>RBI diplomacy</li> <li>Customer sentiment</li> </ul>
<ul style="list-style-type: none"> <li>Central legislation</li> <li>Legal relief</li> </ul>	<ul style="list-style-type: none"> <li>RBI diplomacy</li> <li>Customer sentiment</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**

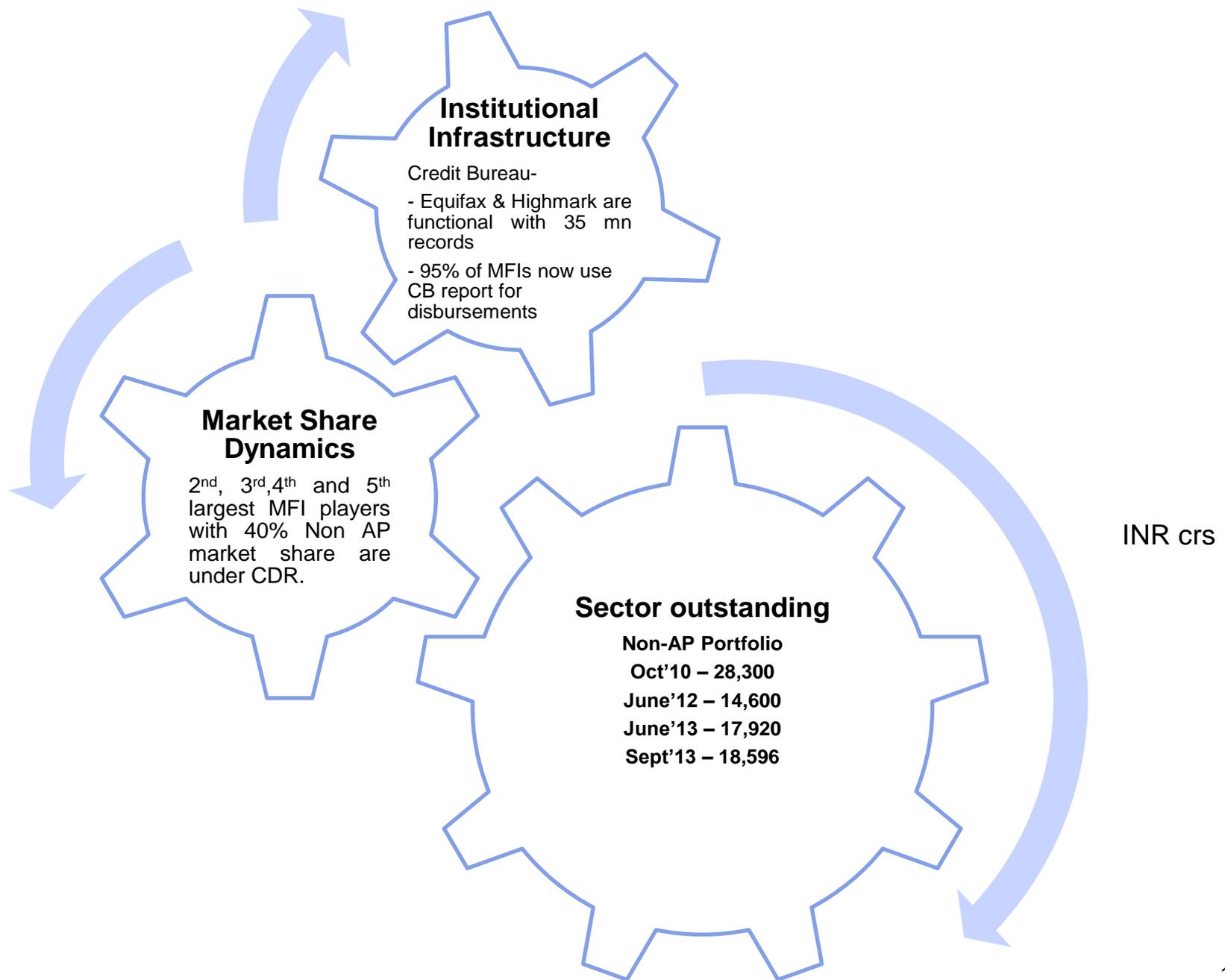
in Millions

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**

<b>MFI Industry Non- AP Portfolio Outstanding (Rs Cr)</b>	
Oct'10	28,300
June'12	14,600

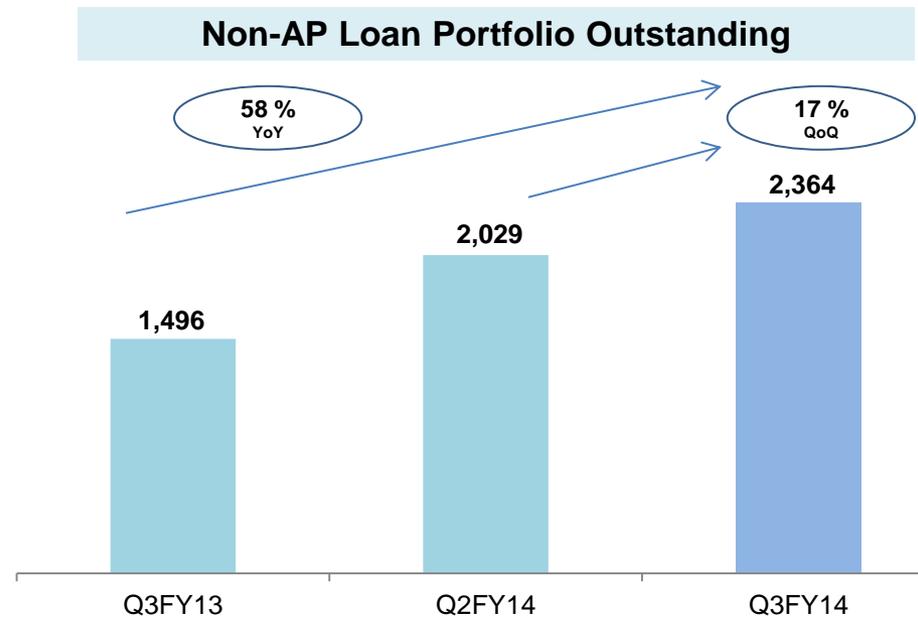
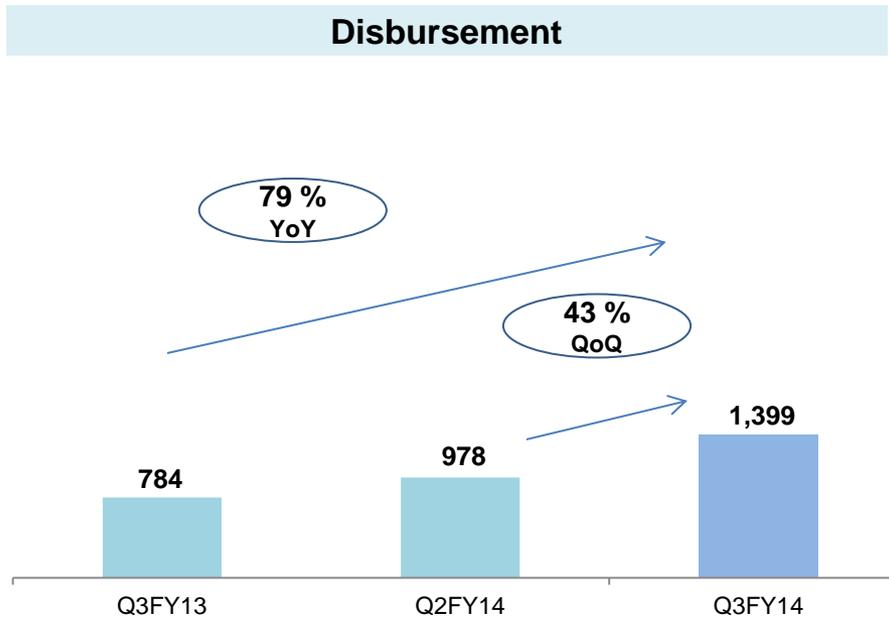
# COMPETITIVE LANDSCAPE CHANGES TO SKS's ADVANTAGE



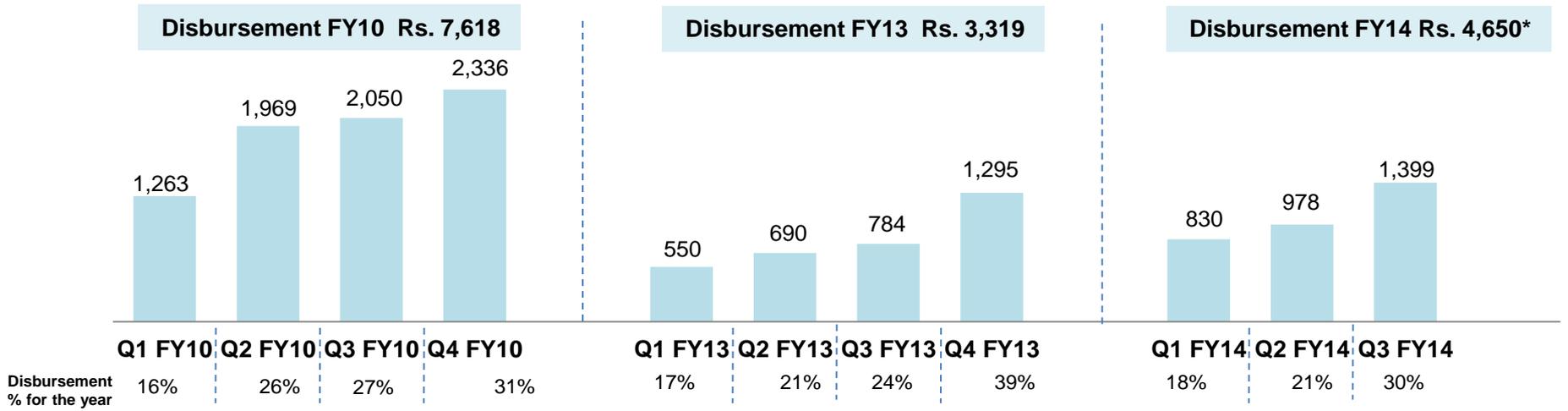
# **OPERATIONAL HIGHLIGHTS**

# ROBUST GROWTH IN CREDIT ASSETS

INR Crs



## Q3FY14 DISBURSEMENT IS IN LINE WITH HISTORICAL TREND OF SEASONALITY



\* Based on Avg. of Loan Disbursements Guidance of Rs. 4,500–4,800 crs for FY14.

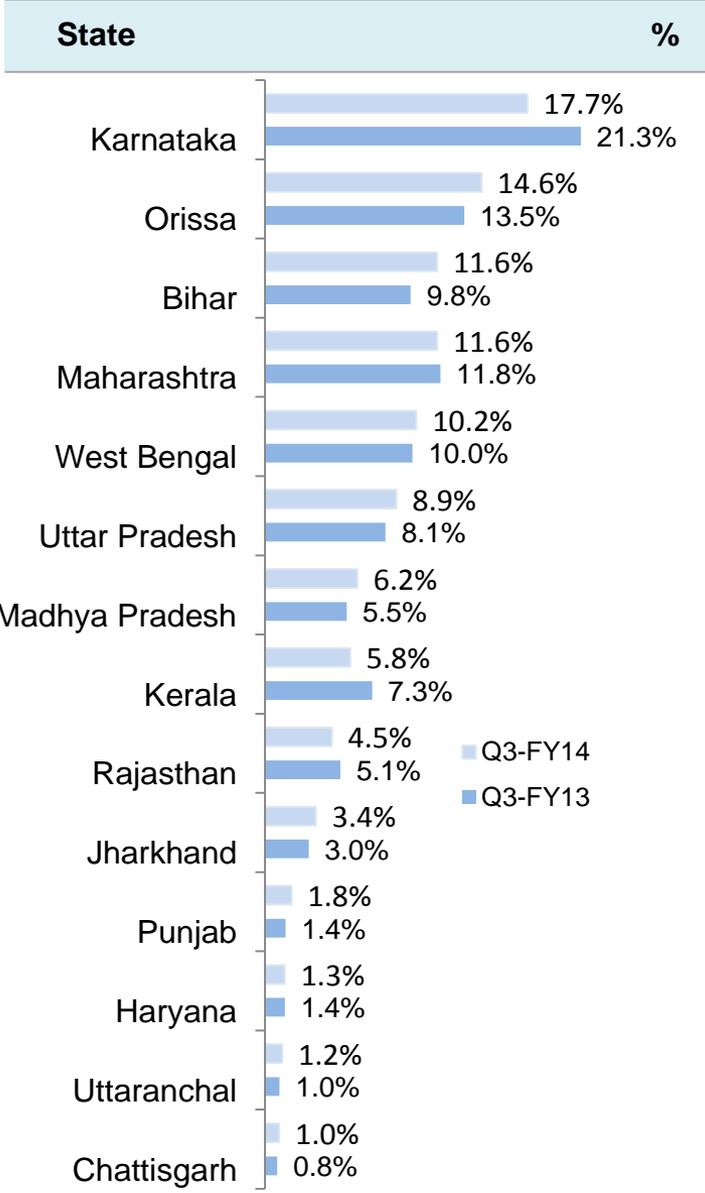
Note : FY11 and FY12 disbursements were affected by AP MFI crisis

# CONSOLIDATED OPERATIONAL HIGHLIGHTS

Particulars	Dec-12	Dec-13	YoY%	Sep-13	QoQ%
Branches#	1,298	1,256	-3%	1,254	-
Centers (Sangam)	210,260	221,584	5%	212,895	4%
- Centers in non-AP States	139,681	150,907	8%	142,218	6%
Employees (i) + (ii) + (iii) + (iv) + (v) + (vi)	11,195	8,958	-20%	9,173	-2%
• Field Staff (i) + (ii) + (iii) + (iv) + (v)	10,940	8,707	-20%	8,940	-3%
– Sangam Managers* (i)	7,085	5,350	-24%	5,647	-5%
– Sangam Managers Trainees(ii)	29	214	-	82	-
– Branch Management Staff (iii)	2,358	2,185	-7%	2,213	-1%
– Area Managers (iv)	98	84	-14%	82	2%
– Regional Office Staff (v)	1,370	874	-36%	916	-5%
• Head Office Staff (vi)	255	251	-2%	233	8%
Members (in '000)	4,844	5,491	13%	5,182	6%
– Members in non-AP States (in '000)	2,924	3,571	22%	3,262	9%
Active borrowers (in '000)	4,092	4,744	16%	4,507	5%
– Active borrowers in non-AP States (in '000)	2,379	3,041	28%	2,801	9%
No. of loans disbursed (in '000)	745	1,166	57%	889	31%
Disbursements (for the quarter) (INR Crs)	784	1,399	79%	978	43%
Gross loan portfolio – Non-AP (INR Crs) (A+B)	1,496	2,364	58%	2,029	17%
• Loans outstanding (A)	1,211	1,783	47%	1,609	11%
• Securitised/Assigned/Managed loans (B)	285	582	104%	420	39%
<b>Operational Efficiency – Non-AP :</b>					
Off-take Avg (Disbursements / No of Loans disbursed )(INR)	10,650	12,023	13%	11,000	9%
Gross loan portfolio/ Active Borrowers (INR)	6,288	7,775	24%	7,244	7%
Gross loan portfolio/ No. of Sangam managers (Rs. '000)	2,438	5,165	-	4,193	23%
Active borrowers / No. of Branches	2,021	2,667	32%	2,437	9%
Active borrowers / No. of Sangam managers	388	664	71%	579	15%

\*Sangam Managers are our loan officers, who manage our centers (also called as Sangams). #Includes 44 Gold Loan Branches.

# STATEWISE PORTFOLIO MIX



# STATEWISE PORTFOLIO CONCENTRATION NORMS

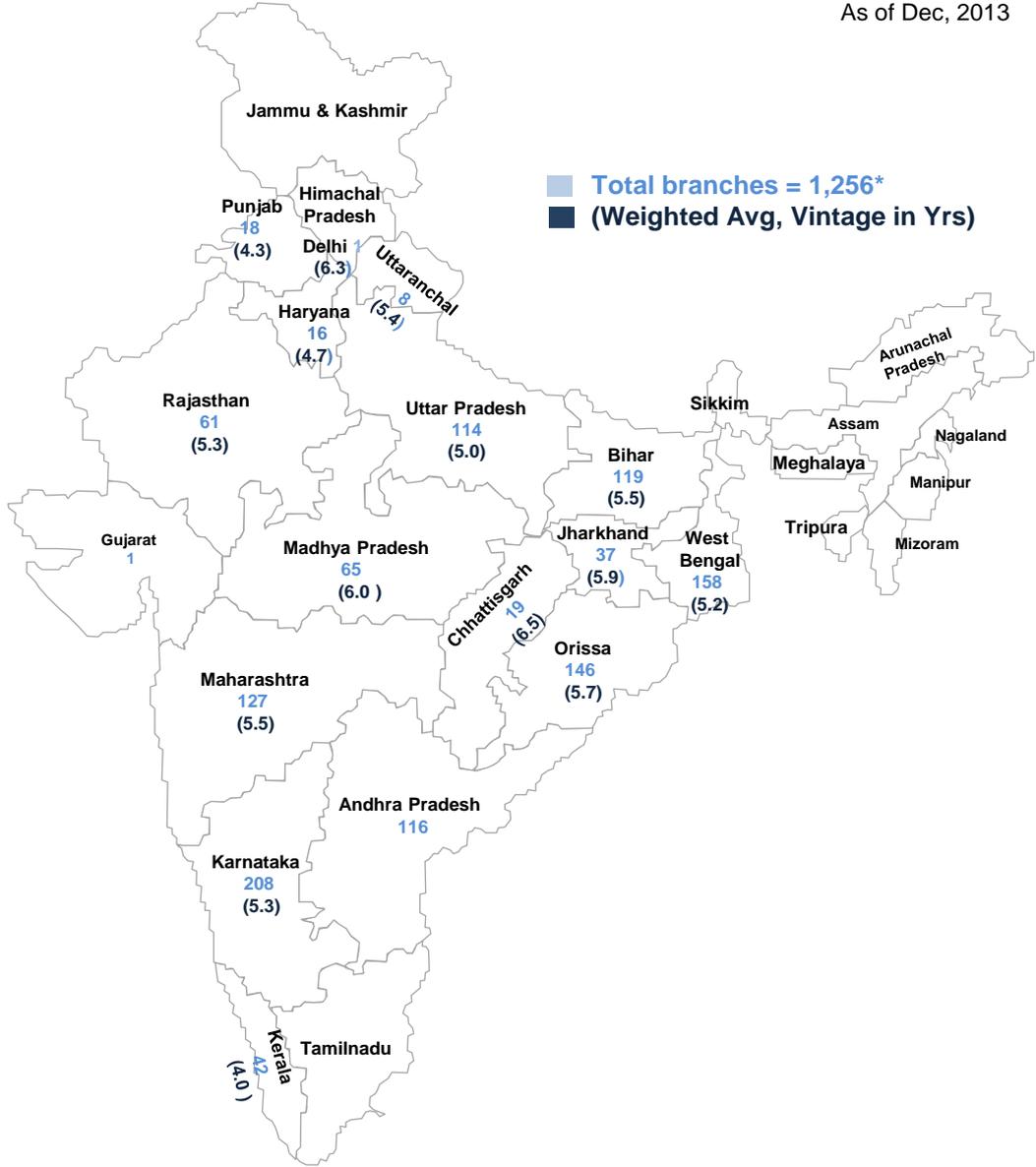
Metric	% Cap on Disbursement*	CAP on POS as % of Networth
<b>State</b>	<ul style="list-style-type: none"> <li>&lt;15%</li> <li>(20% for Karnataka)</li> </ul>	<ul style="list-style-type: none"> <li>50%</li> <li>(75% for Karnataka and Orissa)</li> </ul>
<b>District</b>	<ul style="list-style-type: none"> <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 Networth)</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 Networth )</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%

# VINTAGE OF NON – AP BRANCHES CROSSES 5.4 YEARS

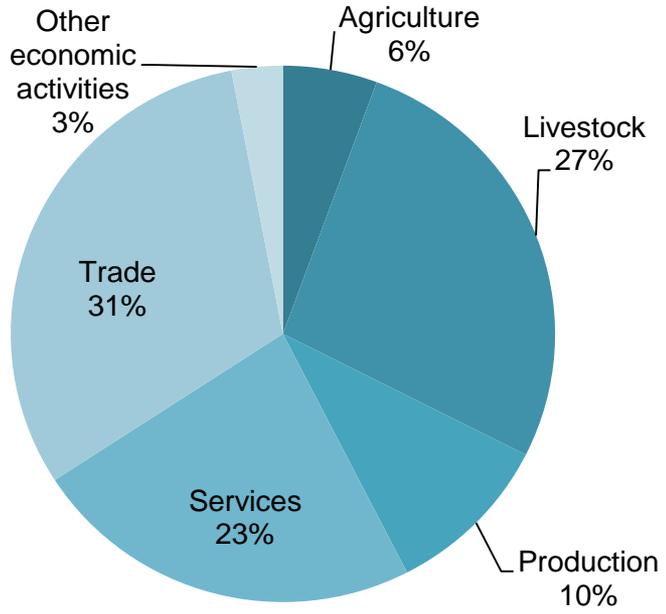
## Pan India Distribution Network

As of Dec, 2013



## Portfolio Outstanding by Economic Activity

As of Dec 2013



\* Includes 44 Gold Loan Branches.

# UPDATE ON GOLD LOANS - PILOT PROGRAMME

INR crs

Particulars	Dec-13
Total Gold Loan Portfolio Outstanding	60
Current Gold Holding Value *	101
Security Coverage (101/60 Crs)	169%
SKS Non-AP Gross Loan Portfolio	2,364
<b>Gold loans as % of SKS Non-AP Gross Loan Portfolio</b>	<b>2.5%</b>

## Notes:

\* Based on Current value Rs. 2,748/gm .- 31<sup>st</sup> Dec 2013 and applied on Net weight of Gold i.e. after deduction for stones and impurities on Gross Weight)

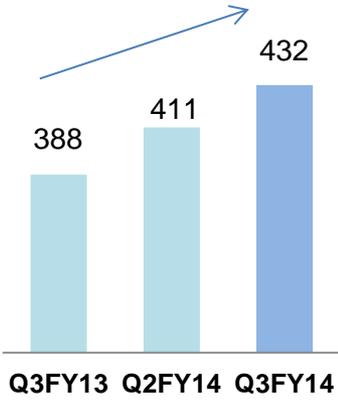
(Source: indiagoldrate.com – 22 carat spot rate in Mumbai )

# REVIEW OF FINANCIALS

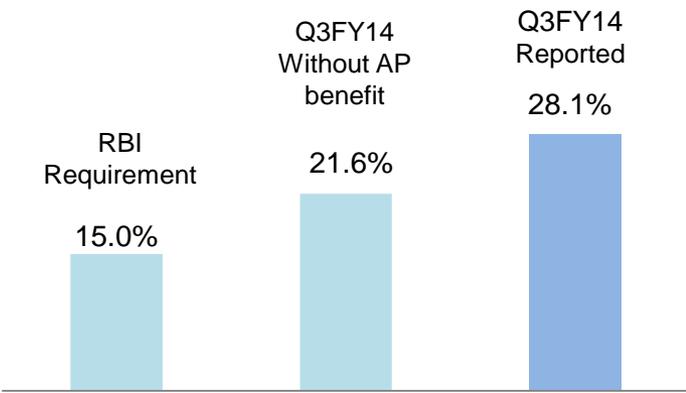
# STRONG SOLVENCY AND SUFFICIENT LIQUIDITY

INR Crs

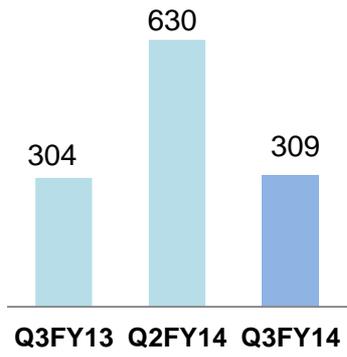
**Networth**



**Capital Adequacy**

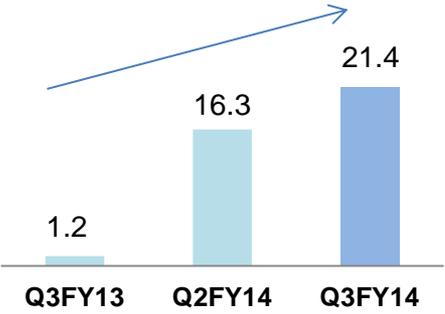


**Cash and Bank Bal.**

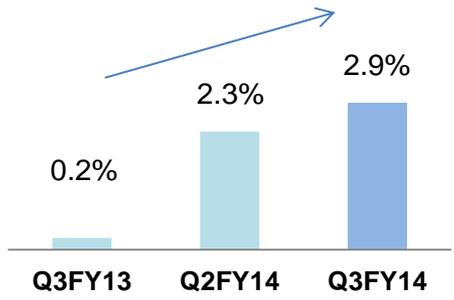


# IMPROVED PROFITABILITY

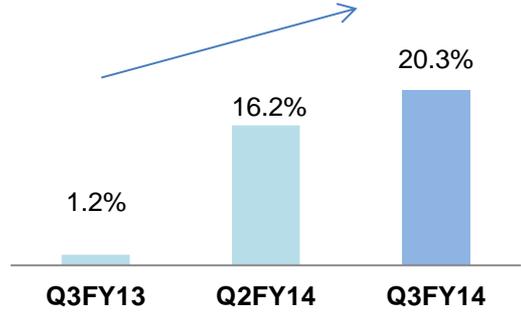
**PAT**



**ROA(Incl. managed Loans)**



**ROE**



# CREDIT GROWTH AND EFFECTIVE LIQUIDITY MANAGEMENT ADD TO PROFITABILITY

INR Crs

Particulars	Q3 FY13	Q3 FY14	YoY%	Q3 FY14 As % of Total Revenue	Q2 FY14	QoQ%
<b><u>Income from Operations</u></b>						
Interest income on Portfolio loans	60	106	77%	76%	104	1%
Income from Assigned loans	13	9	-29%	7%	10	-7%
Loan processing fees	6	9	54%	6%	8	10%
<b><u>Other Income</u></b>						
Insurance commission	-	-	-	-	-	-
Group Insurance admin. charges	-	-	-	-	-	-
Income on Investments	4	7	88%	5%	6	23%
Recovery against loans written off	4	5	22%	4%	3	71%
Other Miscellaneous Income	4	4	2%	3%	4	-5%
<b>Total Revenue</b>	<b>90</b>	<b>140</b>	<b>55%</b>	<b>100%</b>	<b>135</b>	<b>3%</b>
<b>Financial expenses</b>	<b>35</b>	<b>58</b>	<b>64%</b>	<b>41%</b>	<b>55</b>	<b>5%</b>
Personnel expenses	37	41	10%	30%	39	6%
Operating and other expenses	15	20	36%	14%	20	-
Depreciation and amortization	1	1	-32%	1%	1	-3%
<b>Total Operating Cost</b>	<b>54</b>	<b>62</b>	<b>16%</b>	<b>45%</b>	<b>60</b>	<b>4%</b>
<b>Provision &amp; Write-offs</b>	<b>0.3</b>	<b>(1.7)</b>	<b>-</b>	<b>-1%</b>	<b>4</b>	<b>-</b>
<b>Total Expenditure</b>	<b>89</b>	<b>118</b>	<b>33%</b>	<b>85%</b>	<b>119</b>	<b>-0.5%</b>
<b>Profit before Tax</b>	<b>1.2</b>	<b>21.4</b>	<b>-</b>	<b>15%</b>	<b>16.3</b>	<b>31%</b>
Tax expense						
<b>Profit after Tax</b>	<b>1.2</b>	<b>21.4</b>	<b>-</b>	<b>15%</b>	<b>16.3</b>	<b>31%</b>

# PROFIT AND LOSS STATEMENT FOR 9 MONTHS ENDED

INR Crs.

Particulars	9M FY13	9M FY14	YoY%	9M FY14 As % of Total Revenue
<b><u>Income from Operations</u></b>				
Interest income on Portfolio loans	155	298	93%	75%
Income from Assigned loans	40	34	-17%	8%
Loan processing fees	16	24	53%	6%
<b><u>Other Income</u></b>				
Insurance commission	-	-	-	-
Group Insurance admin. charges	-	-	-	-
Income on Investments	20	21	2%	5%
Recovery against loans written off	15	10	-31%	3%
Other Miscellaneous Income	5	10	132%	3%
<b>Total Revenue</b>	<b>251</b>	<b>397</b>	<b>59%</b>	<b>100%</b>
<b>Financial expenses</b>	<b>103</b>	<b>159</b>	<b>55%</b>	<b>40%</b>
Personnel expenses	133	122	-8%	31%
Operating and other expenses	66	57	-14%	14%
Depreciation and amortization	5	3	-40%	1%
<b>Total Operating Cost</b>	<b>204</b>	<b>182</b>	<b>-11%</b>	<b>46%</b>
<b>Provision &amp; Write-offs</b>	<b>243</b>	<b>13</b>	<b>-95%</b>	<b>3%</b>
<b>Total Expenditure</b>	<b>550</b>	<b>355</b>	<b>-36%</b>	<b>89%</b>
<b>Profit before Tax</b>	<b>(300)</b>	<b>42.7</b>	<b>-</b>	<b>11%</b>
Tax expense				
<b>Profit after Tax</b>	<b>(300)</b>	<b>42.7</b>	<b>-</b>	<b>11%</b>

# STRONG CAPITAL BASE AND ROBUST LIQUIDITY DRIVES SKS BALANCE SHEET INR Crs

Particulars	Q3 FY13	Q3 FY14	YoY%	Q2 FY14	QoQ%
Equity share capital	108	108	-	108	-
Stock options outstanding	21	20	-6%	20	-3%
Reserves and surplus	259	304	18%	283	8%
<b>Capital &amp; Reserves</b>	<b>388</b>	<b>432</b>	<b>11%</b>	<b>411</b>	<b>5%</b>
Loan funds	1,039	1,530	47%	1,703	-10%
Payable towards assignment/Securitisation	71	93	30%	85	9%
Expenses & other payables	17	21	21%	20	8%
Provision for Taxation	19	21	10%	20	2%
Unammortised loan processing fees	11	18	54%	15	14%
Employee benefits payable	8	7	-15%	6	20%
Interest accrued but not due on borrowings	6	8	38%	7	4%
Interest accrued and due on borrowings	-	-	-	-	-
Provision for leave benefits & gratuity	7	10	46%	8	20%
Statutory dues payable	1	2	52%	2	0%
Unrealised gain on securitisation transactions	8	11	34%	8	38%
Provision for standard and NPA - Non-AP	4	25	-	23	8%
Provision for standard and NPA – AP	258	209	-19%	233	-10%
<b>Liabilities</b>	<b>1,450</b>	<b>1,953</b>	<b>35%</b>	<b>2,131</b>	<b>-8%</b>
<b>Total Liabilities</b>	<b>1,838</b>	<b>2,385</b>	<b>30%</b>	<b>2,542</b>	<b>-6%</b>
Fixed assets	10	7	-27%	7	-4%
Intangible assets	3	4	33%	4	5%
Investment	0.2	0.2	-	0.2	-
Cash and bank balances	304	309	2%	630	-51%
Sundry debtors	0.4	4	-	1	-
Interest accrued and due on loans	1	3	-	2	65%
Interest accrued but not due on loans	9	8	-12%	9	-11%
Interest accrued but not due on deposits with banks	5	7	46%	12	-40%
Interest strip on securitisation transactions	8	11	34%	8	38%
Portfolio loans - Non-AP	1,143	1,750	53%	1,575	11%
Portfolio loans - AP	259	219	-15%	234	-7%
Loans placed as collateral	67	32	-52%	34	-4%
Security Deposits for Rent and other utilities	4	4	6%	4	-2%
Advances for Loan cover Insurance	1	1	-25%	1	-28%
Surrender amount receivable from Insurance co.	6	1	-76%	1	45%
Loans to SKS employee benefit trust	5	5	-	5	-
Advance Income Tax	6	13	96%	12	6%
Prepaid Insurance	4	3	-13%	3	8%
Other advances	2	3	54%	1	-
<b>Total Assets</b>	<b>1,838</b>	<b>2,385</b>	<b>30%</b>	<b>2,542</b>	<b>-6%</b>
Note:1 Non AP Assigned Portfolio	285	582	104%	420	39%
2. Non AP Gross loan Portfolio	1,496	2,364	58%	2,029	17%

# OPERATING AND FINANCIAL LEVERAGE START PLAYING OUT

Particulars		Q3 FY13	Q2 FY14	Q3 FY14
<b>Spread Analysis ( as % of Avg. Gross Loan Portfolio)</b>				
Gross Yield	(I)	20.3%	23.0%	22.3%
Portfolio Yield		16.3%	19.5%	18.3%
Financial Cost	(a)	7.9%	9.3%	9.2%
Operating Cost	(b)	12.1%	10.3%	9.9%
Provision and Write-offs	(c)	0.1%	0.7%	-0.3%
Taxes	(d)	-	-	-
Total Expense	II = (a+b+c+d)	20.0%	20.3%	18.9%
Return on Avg. Gross Loan Portfolio	(I) - (II)	<b>0.3%</b>	2.8%	<b>3.4%</b>
<b>Efficiency:</b>				
Cost to Income		97.4%	74.9%	76.0%
<b>Asset Quality – Non-AP :</b>				
Collection Efficiency		99.8%	99.9%	99.8%
Gross NPA		0.7%	0.2%	0.06%
Net NPA		0.7%	0.2%	0.04%
Gross NPA (INR crs)		8.4	3.8	1.0
Net NPA (INR crs)		7.5	3.2	0.8
<b>Leverage:</b>				
Debt : Equity		2.7	4.1	3.5
<b>Capital Adequacy:</b>				
		<b>38.0%</b>	<b>31.0%</b>	<b>28.1%</b>
<b>Profitability:</b>				
ROA (Incl. managed Loans)		0.2%	2.3%	2.9%
ROE		1.2%	16.2%	20.3%
EPS - Diluted (INR) (Not Annualised)		0.11	1.51	1.98
Book Value (INR)		35.83	38.00	39.92

\*\*Capital adequacy without RBI dispensation on AP provisioning is 21.6% for Q3FY14

## OPERATING AND FINANCIAL LEVERAGE START PLAYING OUT - CONTD.

Particulars		9M FY13	9M FY14
<b>Spread Analysis ( as % of Avg. Gross Loan Portfolio)</b>			
Gross Yield	(I)	19.6%	21.8%
Portfolio Yield		15.3%	18.2%
Financial Cost	(a)	8.1%	8.7%
Operating Cost	(b)	16.0%	10.0%
Provision and Write-offs	(c)	19.1%	0.7%
Taxes	(d)	-	-
Total Expense	II = (a+b+c+d)	43.2%	19.5%
<b>Return on Avg. Gross Loan Portfolio</b>	(I) - (II)	<b>-23.5%</b>	<b>2.3%</b>
<b>Efficiency:</b>			
Cost to Income		138.1%	76.6%
<b>Leverage:</b>			
Debt : Equity		2.7	3.5
<b>Capital Adequacy:</b>		<b>38.0%</b>	<b>28.1%</b>
<b>Profitability:</b>			
ROA (Incl. managed Loans)		-18%	1.9%
ROE		-100%	14%
EPS - Diluted (INR)		(32.01)	3.95
Book Value (INR)		35.83	39.92

\*\*Capital adequacy without RBI dispensation on AP provisioning is 21.6% for Q3FY14

# PRODUCTIVITY GAINS & COST EFFICEINCY IN Q3FY14 COMPARED TO BEST BEFORE AND WORST DURING THE AP MFI CRISIS

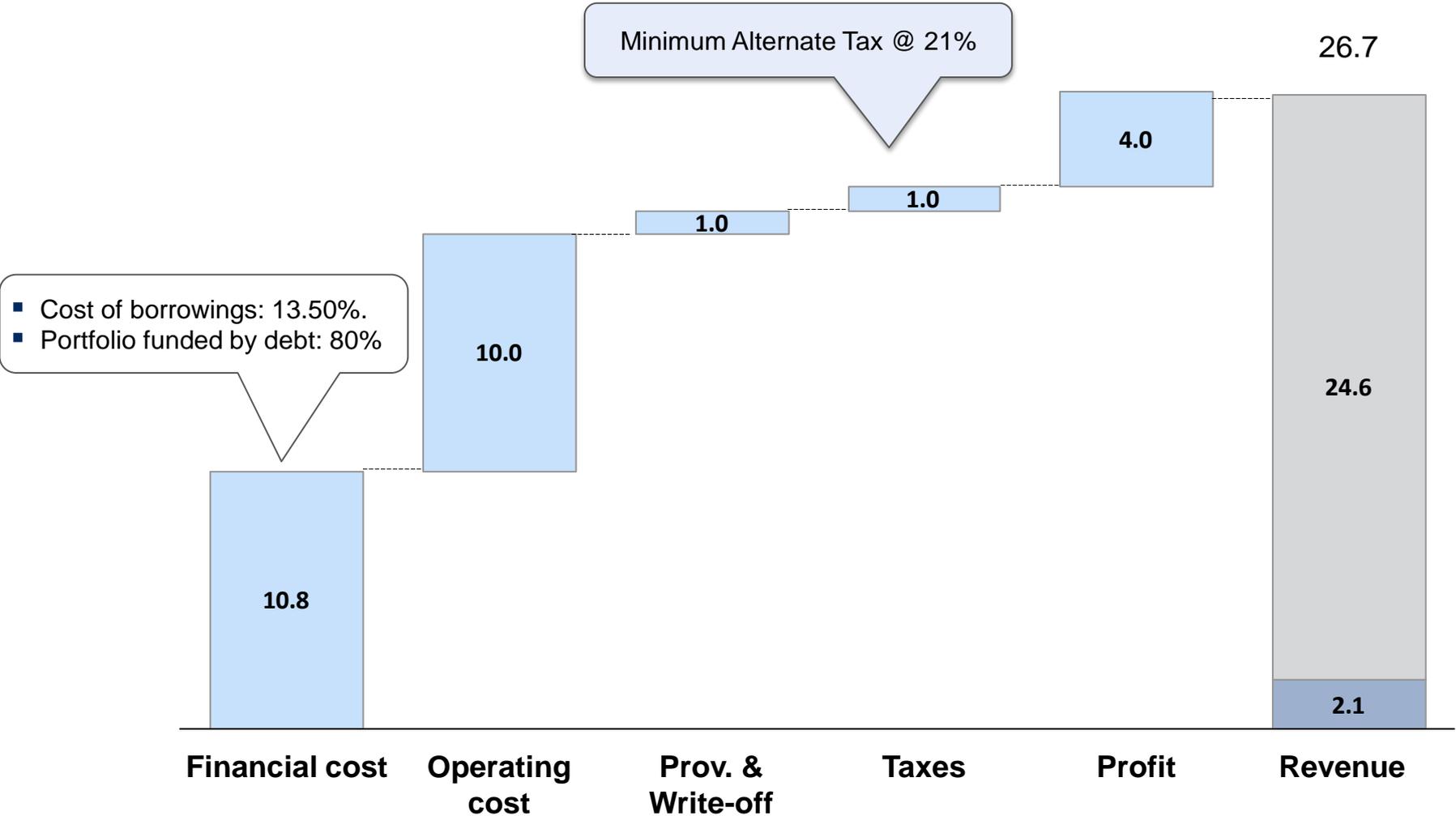
	Best before AP MFI crisis	Worst during AP MFI crisis	Q1FY14	Q2FY14	Q3FY14
<b><u>Productivity – Non-AP:</u></b>					
Borrowers/SM	489*	287	490	579	664
Gross Loan Portfolio /SM('000)	3,640*	1,320	3,598	4,193	5,165
Offtake Avg.	10,299*	9,237	11,194	11,000	12,023
<b><u>Cost Efficiency:</u></b>					
Cost of borrowings %	10.3%^	16.0%^	13.5%^	14.3%^	13.8%^
Opex / Gross Loan Portfolio %	10.4%	21.7%	10.2%	10.3%	9.9%
Cost to Income Ratio	52.4%	275%	79.0%	74.9%	76.0%
<b><u>Credit Quality - Non-AP:</u></b>					
Gross NPA%	0.20%*	5.5%	0.3%	0.2%	0.06%
Net NPA%	0.16%*	2.9%	0.3%	0.2%	0.04%
Collection Efficiency%	99.8%*	94.9%	99.9%	99.9%	99.8%
<b><u>Leverage:</u></b>					
Debt : Equity	2.8	1.1	3.6	4.1	3.5
<b><u>Profitability:</u></b>					
ROA(Incl. managed Loans)	3.7%	-54.8%	0.7%	2.3%	2.9%
ROE%	22%	-220%	5.1%	16.2%	20.3%

\*Enterprise figures - includes figures from AP state

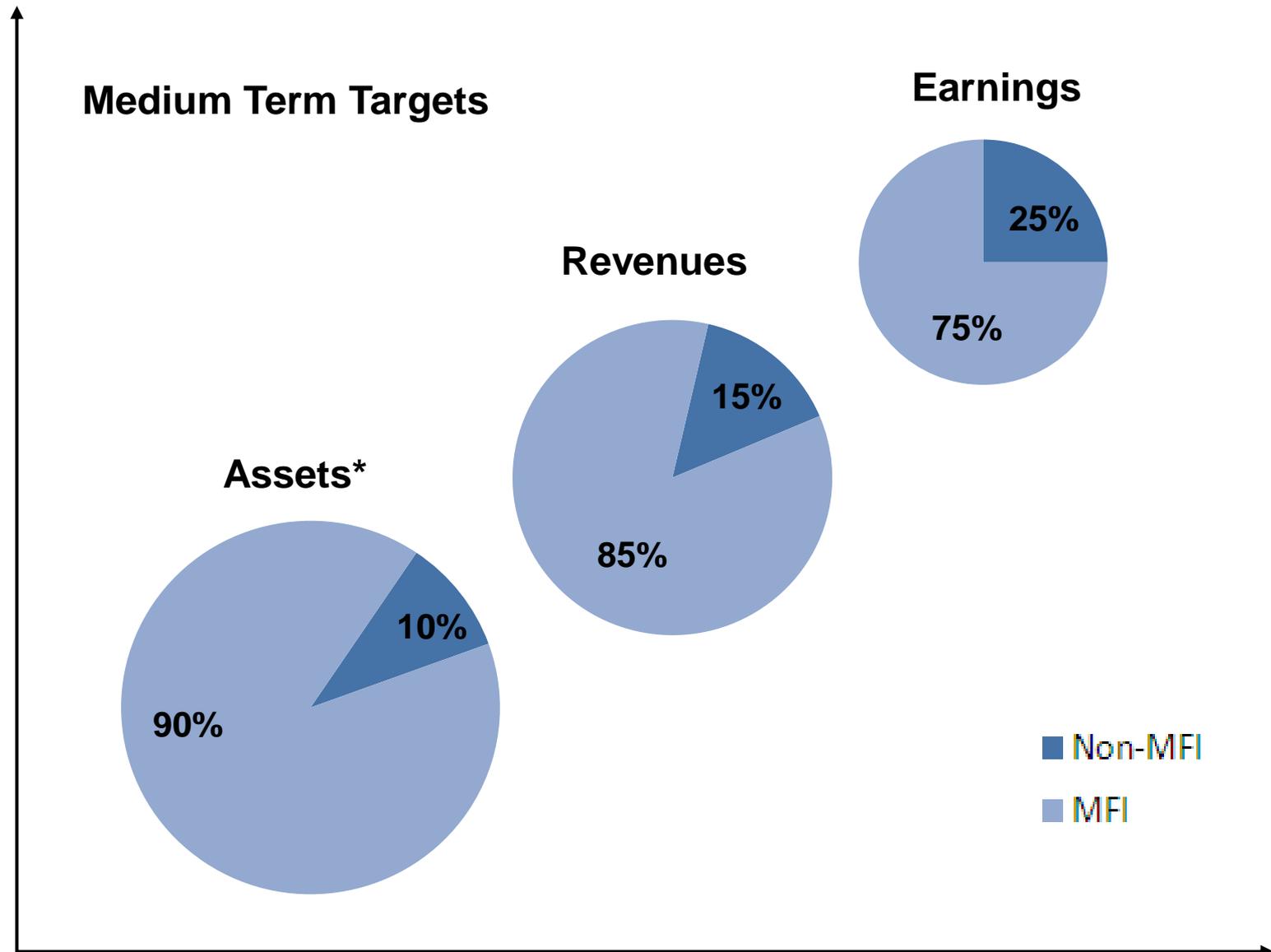
^Includes processing fee

# STEADY STATE ROA OF 4% CAN BE TARGETED UNDER REGULATED INTEREST RATE REGIME

- Interest rate
- Processing fee
- Other income



# CREATIVE DISTURBANCE TO ASSET-REVENUE-EARNING CORRELATION

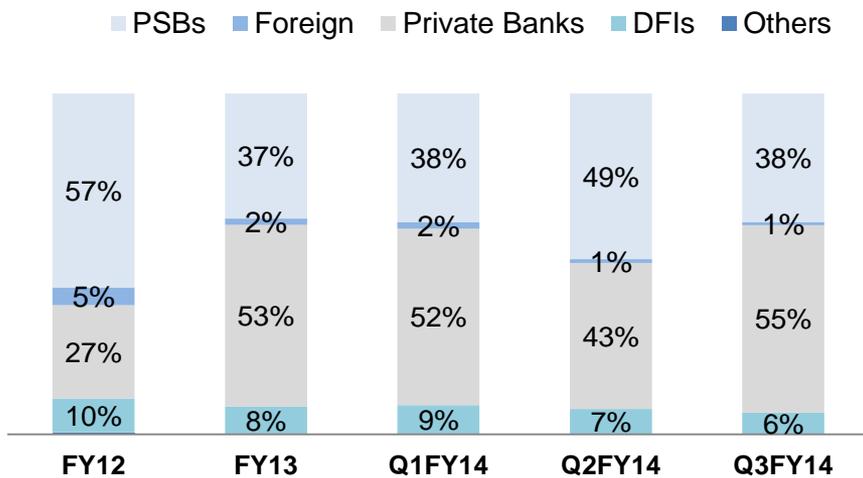


\*Note: Core microfinance will continue to be more than 90% of credit assets

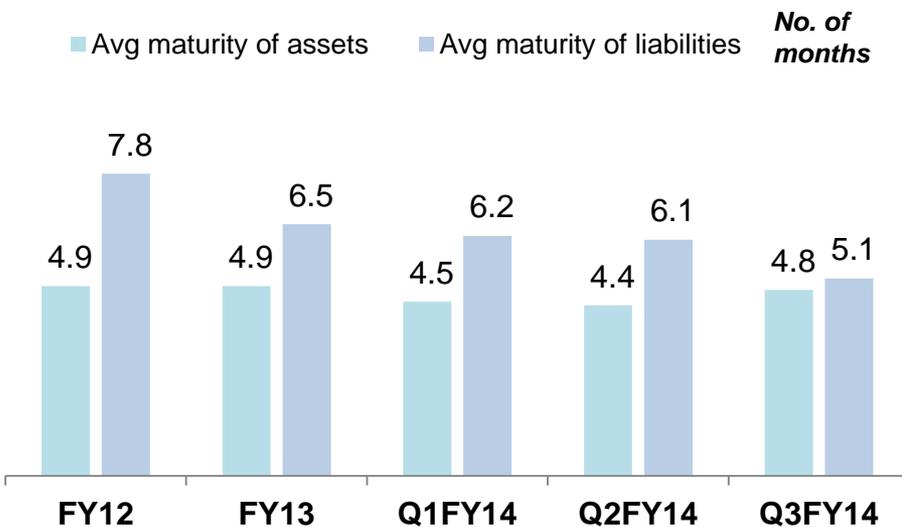
# **FINANCIAL ARCHITECTURE**

# FINANCIAL ARCHITECTURE (1/2)

## Stable Funding Partners



## Positive ALM Mismatch



Funding partners mix and ALM data is including securitized/assigned/managed loans

## Funding Mix

ON Balance Sheet	Dec'13	Sep'13	Jun'13	Mar'13
IDBI Bank	19.8%	23.1%	22.0%	20.1%
ICICI Bank	17.8%	15.3%	6.2%	7.1%
Yes Bank	17.1%	12.9%	23.4%	30.3%
IndusInd Bank	9.2%	10.7%	6.8%	2.5%
Dena Bank	8.5%	8.2%	3.6%	3.7%
SIDBI	6.1%	7.2%	10.8%	10.7%
State Bank Group	5.8%	5.0%	6.4%	5.5%
Axis Bank	2.9%	3.9%	4.2%	3.1%
HDFC Bank	2.6%	3.3%	3.1%	3.1%
Andhra Bank	2.7%	3.0%	4.6%	4.5%
Reliance Capital	2.3%	2.0%	0.0%	0.0%
DCB Bank	2.2%	1.6%	2.4%	0.9%
Citi Bank	1.2%	1.4%	2.5%	2.9%

Total amount of Term Loan & CC outstanding as of Dec'13: Rs 1,530 crs and Off B/S is Rs. 484 crs. Concentration risk on rest of the 3 banks is below 1%.

# FINANCIAL ARCHITECTURE (2/2)

## Funding Cost Analysis

Metric	Q1FY13	Q2FY13	Q3FY13	Q4FY13	Q1FY14	Q2FY14	Q3FY14
Cost of interest bearing liabilities (excluding processing fee paid & other charges)	12.4%	12.8%	12.8%	11.4%	12.2%	12.7%	12.9%
Cost of interest bearing liabilities (including processing fee paid & other charges)	13.9%	14.9%	13.9%	13.2%	13.5%	14.3%	13.8%
Financial Cost <sup>^</sup>	8.2%	8.4%	7.9%	7.6%	8.0%	9.3%	9.2%
Drawdown (INR crs)	Rs. 200 crs	Rs. 405 crs	Rs. 566 crs	Rs. 1,704 crs	Rs. 215 crs	Rs. 1,010 crs	Rs. 566 crs

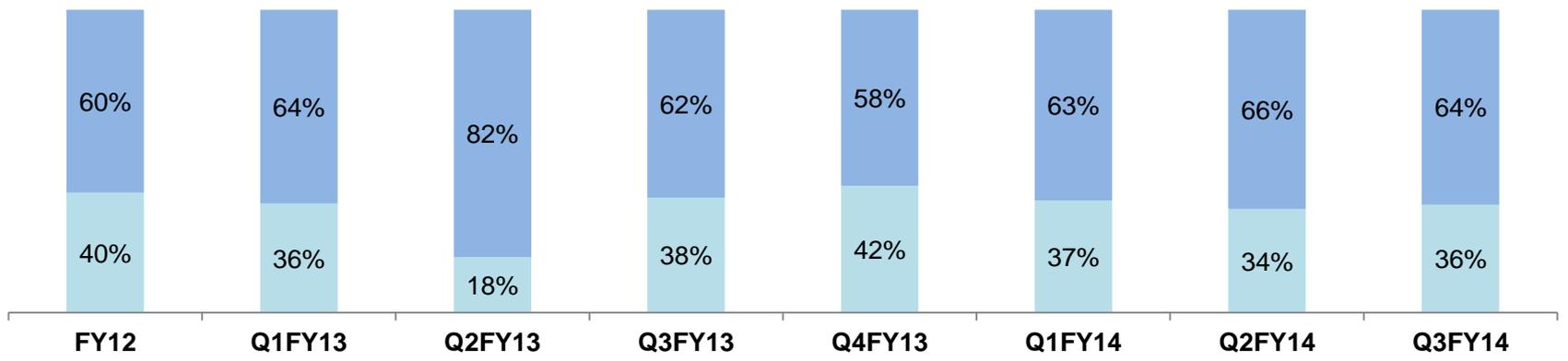
<sup>^</sup> Financial expenses to Avg. Gross Loan Portfolio

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

The above percentages are based on monthly averages.

### Mitigation of Interest Rate Risk

■ Floating ■ Fixed



# PRICE TO BOOK COMPUTATION

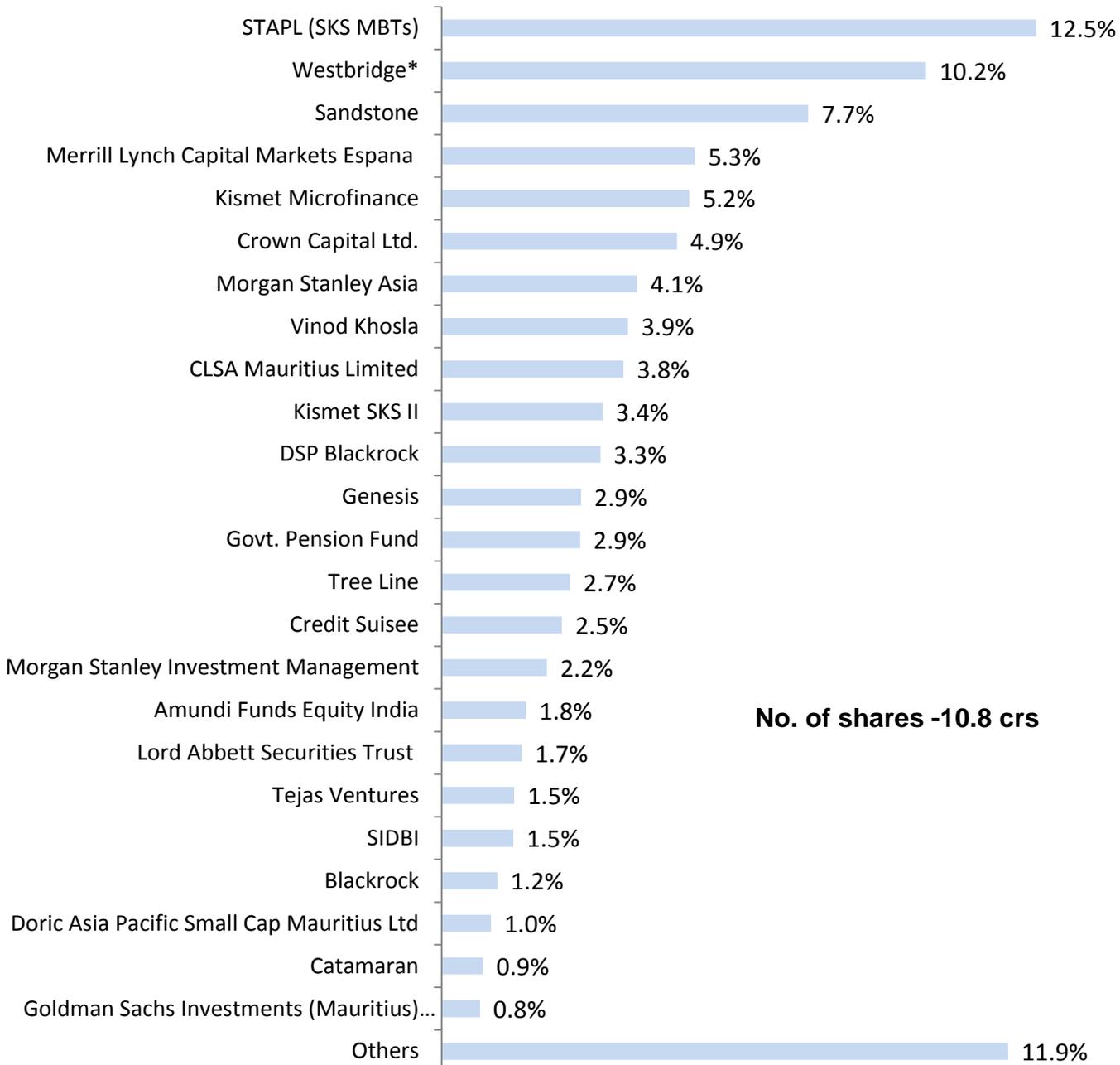
	June-12	Dec-12	Dec-13
Book value per share (INR) (A)	54	36	40
Present value of DTA per share (B)^	37	25	27
<b>Adjusted Book value per share (INR) (A+B)</b>	<b>91</b>	<b>61</b>	<b>67</b>
Price to Book Ratio (times)	1.3	4.5	4.9
<b>Price to Adjusted Book Ratio (times)</b>	<b>0.8</b>	<b>2.6</b>	<b>2.9</b>

Note:

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

DTA as on 31<sup>st</sup> Dec 13 is Rs.567 crs, Discount rate assumed at 13.5% and applied over next 8 years estimated profit.

# CAPITAL STRUCTURE AS ON 31<sup>ST</sup> DECEMBER 2013



\*Includes Kumaon Investment

# OUR PROVISIONING POLICY FOR NON-AP PORTFOLIO

## 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 upon NPA or as stipulated by RBI, whichever is higher
<b>Sub-Standard Assets</b>	50% of installments overdue*	50% of outstanding Principal*
<b>Loss Assets</b>	100% of installments 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: AP portfolio has been fully provided



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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