

About Fincare Business Finance Unlisted Equity

Fincare Business Services Limited was incorporated on 5th August 2014 as a private limited company based in Bangalore, Karnataka. In 2016, Fincare Business Services Limited was restructured as a public limited company and transitioned to a Non-Deposit Systemically Important Core Investment Company (CIC-ND-SI) (RBI Registration Certificate dated 2nd February 2017). Its primary objective is to provide loans to its subsidiaries i.e. h. Fincare Small Finance Bank Limited and other group companies. Their primary business is through its subsidiaries, which are essentially small finance banks providing loans to underserved and underdeveloped areas of the country. Now let's talk about Fincare Small Finance Bank.

- (i)** Fincare Small Finance Bank is a digital-first SFB focusing on unbanked or underbanked customers, especially in rural and semi-urban areas. According to CRISIL, Fincare Small Finance Bank recorded the highest loan growth rate between FY18 and FY20 among its SFB peers in India.
- (ii)** It pursues a business model focused on financial inclusion, aiming to provide individuals and businesses with affordable financial products and services that meet their needs. The business objective is to leverage technology and last-mile distribution to improve access to savings, credit and other financial products for the unbanked and underbanked MSMEs and unorganized enterprises, particularly in rural areas.
- (iii)** During FY20, the Company achieved the highest adjusted ROA and ROE (adjusted for COVID-19 provisions) among SFBs, making it one of the most profitable SFBs in India for the nine months ended 31 December 2020 and for FY20, based on ROA and ROE (Source: CRISIL Report). The Gross Loan Portfolio ("GLP") grew from 2,154 Cr to 5,547 Cr between 31st March 2018 and 31st December 2020, registering a Compound Annual Growth Rate (CAGR) of 41.05%.
- (iv)** The growth was primarily driven by an increase in borrowers from 1.02 million as of March 31, 2018 to 2.19 million as of December 31, 2020, representing a compound annual growth rate of 31.82%. The return on equity for fiscal 2020 was 18.41% and for the nine months ended December 31, 2020, 14.27% (annualized). As of December 31, 2020, the company had a total of 2.7 million customers (comprising borrowers and depositors). The company has a business model focused on financial inclusion, aiming to provide individuals and businesses with affordable financial products and services that meet their needs.

(v) The business objective is to use technology and last-mile distribution to improve access to savings, credit, and other financial products for the unbanked and underbanked, small and medium-sized enterprises, particularly in rural areas, and informal businesses. As of December 31, 2020, 92% of our customers reside in rural areas and 40% have not yet taken a loan. We believe that our business model is profitable, sustainable, and socially beneficial.

(iv) We have a deep understanding of unbanked or underbanked customers, especially in rural areas, and have over 14 years of experience in providing microcredit. The Bank has been operating as an NBFC-ND under the name of "Disha Microfin Limited" since 2010 and was registered as an NBFC-MFI in 2013. After receiving in-principle approval from the RBI in 2016, the Bank acquired the microfinance business of FFSPL (which commenced microfinance operations in 2007) and subsequently renamed itself Fincare Small Finance Bank.

NPA Status During FY20, the GNPA ratio (i.e., the ratio of the Company's gross NPAs to advances) stood at 0.92% and the NNPA ratio at 0.41%. Further, the Company has a strong capital position, a healthy balance sheet, and a prudent reserving policy with a Reserve Coverage Ratio ("PCR") of 74.82%, a Tier 1 Capital Ratio of 25.22%, and Tier 1 Capital Ratio of 4.68%, which meet and achieve the minimum regulatory norms prescribed by the RBI for all the three ratios.

Loan Book Profile The total loan portfolio primarily comprises micro-loans, which constitute 79.50% of the total loan portfolio as of December 31, 2020. The portfolio is tilted toward microcredit, the sector which has been most affected by COVID-19. One should check with RHP what the NPA levels are in this small loan book as of 31 March 2021. Listed stocks like Ujjivan Small Finance and Suryoday Small Finance Bank are struggling due to high NPAs in their microloan books.

Microcredit clients are typically women from low-income families in rural India, with income sources, savings, and credit history backed by tax returns and past credit exposure statements, and are usually unsecured. Many micro borrowers are new to lending, with around 40% of their clients being first-time borrowers as of 31 December 2020. This means that NPAs are highly likely in cases like COVID-19, as borrowers have limited credit history.

Fundamentals

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Fincare Business Services Ltd	98 Per Equity Price	Market Cap (in cr.)	3234
Unlisted Shares Price		P/E Ratio	39.52
Lot Size	1000 Share	P/B Ratio	2.63
52 Week High	98	Debt to Equity	3.08
52 Week Low	65	ROE (%)	6.66
Depository	NSDL & CDSL	Book Value	37.33
PAN Number	AACCF4303J	Face Value	1
ISIN Number	INE957R01025		
CIN Number	U74900GJ2014PLC132578		
RTA	N/A		

Financials (Figures in cr)

P&L Statement				
P&L Statement	2020	2021	2022	2023
Interest Earned	1193	1440	1704	1886
Other Income	7	7	4	10
Interest Expended	470	570	580	666
Operating Expenses	404	469	644	835
Provision and Contingencies	112	316	528	251
PAT	126	70	-29	82
EPS	3.84	2.13	-0.88	2.48
Gross NPA	0	0	0	3.9
Net NPA	0	0	0	1.1
Financial Ratios	2021	2022	2023	2024
Advances	5167	5621	6996	9530
Book Value	25.12	27.28	26.21	37.33
P/B	2.59	2.38	2.48	1.74
ROE (%)	15.29	7.82	-3.35	6.66

Balance Sheet				
Assets	2020	2021	2022	2023
Fixed Assets	109	109	104	147
Cash And Balances	1087	1157	1236	773
Investments	1041	1317	2119	2560
Advances	1567	5621	6996	9530
Other Assets	232	281	594	541
Total Assets	7636	8485	11049	13551
Liabilities	2020	2021	2022	2023
Share Capital	32.8	32.8	33	33
FV	1	1	1	1
Reserves	791	862	832	1199
Borrowings	1741	1845	3037	3792
Deposits	4654	5317	6452	8030
Other Liabilities	417.2	428.2	695	497
Total Liabilities	7636	8485	11049	13551

Cash-Flow Statement				
Cash- Flow Statement	2020	2021	2022	2023
PBT (%)	186	93	44	103
OPBWC	365	395	490	591
Term Deposit	0	0	0	0
Change in Investment	-307	-279	-886	-204
Change in Advances	-1925	-781	-1980	-2859
Change in Deposit	2485	663	1138	1577
Other Changes	28	38	-107	128
Working Capital Change	281	-359	-1835	-1358
Cash Generated From Operations	646	36	-1345	-767
Tax	75	61	39	61
Cash Flow From Operations	571	-25	-1384	-828
Purchase of PPE	-24	-13	-26	-35
Sale of PPE	0	0	0	0
Purchase of Investment	-608	-204	-50	-245
Sale of Investment	599	237	62	57
Others	90	-23	-13	-1
Cash Flow From Investment	57	-3	-27	-224
Proceeds From Borrowing	528	507	1898	1028
Repayment of Borrowing	-706	-356	-616	-363
Divided	0	0	0	0
Proceeds From Equity	5	0	174	0
Other From Financing	124	-96	-19	-52
Cash Flow From Financing	-49	55	1437	613



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