

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

Fundamentals			
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	2024	2023
Income		
Interest Income	27,324.00	17,938.00
Fee and commission income	1,052.00	676.00
Net gain on derecognition of financial instrumental	577.00	-
Other oprating income	475.00	275.00
Other income	103.00	78.00
Total Income	29,531.00	18,966.00
Expenses		
Finance costs	10,486.00	6,669.00
Impairment on financial instruments	1,640.00	2,510.00
Employee benefit expenses	7,913.00	5,695.00
Depreciation and amortization expense	463.00	412.00
Other Expenses	4,447.00	2,652.00
Total Expenses	25,009.00	17,938.00
Profit/(Loss) before tax	4,522.00	1,028.00
Prior year tax	136.00	46.00
Current tax	1,478.00	80.00
Deferred tax	-350.00	79.00
Profit/(Loss) for the year	3,258.00	823.00
Other Comprehansive Income		
Re measurements of the net defined benifit plans	24.00	2.00
Income tax relating to the above	-6.00	-1.00
changes in fair value of investments	-311.00	659.00
Income tax relating to the above item	78.00	-166.00
Other Comprehansive Income for the period	-215.00	495.00
Total Comprehansive Income for the period	3,043.00	1,317.00
Profit for the year attribute to :		
Onwer of the company	2,630.00	628.00
Non controlling interest	628.00	194.00
Total Comprehansive Income for the year attribute to :		
Onwer of the company	2,455.00	1,017.00
Non controlling interest	588.00	300.00
Earning per equity share		
Basic	7.95	1.91
Diluted	7.84	1.87

Balance Sheet		
ASSETS	2024	2023
Financial assets		
Cash and Cash Equivalents	10,971.00	7,467.00
Bank balance other than cash and cash equivalents	547.00	258.00
Trade Receivables	127.00	50.00
Loan	135,661.00	95,305.00
Investment	31,829.00	95,305.00
Other Financial assets	3,555.00	2,658.00
Non Financial assets		
Current tax assets (net)	477.00	685.00
Deferred tax assets (net)	1,613.00	1,190.00
Property, plant and equipment	1,820.00	1,470.00
Capital work in progress	-	3.00
Other intangible assets	75.00	13.00
Goodwill on consolidation	4,544.00	418.00
Non Financial assets	595.00	376.00
Total Assets	191,814.00	135,516.00
Financial Liabilities		
Total outstanding dues of creditors other than micro and small enterprises	1,041.00	467.00
Borrowings	57,503.00	37,918.00
Deposits	105,086.00	80,301.00
Subordinated liabilities	4,057.00	1,743.00
Other financial liabilities	3,452.00	2,081.00
Non- Current Liabilities		
Provision	243.00	267.00
Contract Liabilities	349.00	251.00
Other non financial liabilities	440.00	168.00
EQUITY		
Equity share capital	331.00	330.00
Other equity	15,139.00	9,406.00
Non controlling interest	417.00	
TOTAL EQUITY AND LIABILITIES		

Cash-Flow Statement		
Cash- Flow Statement	2024	2023
Cash flow from operating activities		
Profit/(Loss) before tax Adjustment for:	4,522.00	1,028.00
Depreciation and amortization expense	463.00	412.00
(Profit) / loss on sale of investment	-15.00	61.00
Amortisation of investment	120.00	69.00
(Profit) / loss on disposal of PPE	30.00	0.00
Loan portfolio written off	3,028.00	5,516.00
Employee stock option expense	99.00	82.00
Provision on portfolio loans	-424.00	-2,249.00
Provision for other contingencies	140.00	37.00
Provision/ depreciation - investment	166.00	45.00
Interest accrued on securitized assets	-	1.00
Interest accrued on Advances	139.00	368.00
Amortisation of upfort fees/ premium on securitisation	509.00	362.00
Fair valuation of financial instruments under amortised cost category	-35.00	-7.00
Interest expenses on lease obligation	92.00	87.00
Deferral of debit card income / (expenses)	88.00	55.00
Provision for IPO expenses	-6.00	6.00
Balances written off	94.00	34.00
Remeasurement of defined benefit obligations reclassified to other comprehensive income	24.00	2.00
Operating profit before working capital Changes	9,032.00	5,910.00
Changes in working capital		
Increase in deposits	24,885.00	15,770.00
(Increase) in investment	3,662.00	2,044.00
(Increase) in loans and advances	43,794.00	28,595.00
(Increase) / decrease in other financial and non financial assets	1,383.00	790.00
Increase/(decrease) in other financial and non financial assets	2,016.00	493.00
Cash generated from operating activities	-12,906.00	7,676.00
Income taxes paid (net of refund)	-1,406.00	612.00
Net cash flow (used in) generated from operating activities	14,311.00	8,288.00
Cash flow from operating activities		
Purchase of investment in Govt Securities	-4,322.00	2,452.00
Proceeds from maturity of investment in Govt Securities	1,170.00	570.00
Purchase of property, plant, and equipment	-389.00	-355.00
Purchase from sale of property, plant, and equipment	15.00	1.00
Maturity/ (placement) of fixed deposits		
Net cash flow (used in)/ generated from operating activities (B)	-3,526.00	-2,230.00
Cash flow from financing activities		
Proceeds from issuance of equity share capital	55.00	-
Repayment of borrowing under the LAF segment	-	-560.00
Proceeds from borrowings (other than debt securities)	25,450.00	10,280.00
Repayment from borrowings (other than debt securities)	-6,102.00	-3,071.00
Payment of lease obligation	-294	-225
Proceeds from issue of sub-debt	2340	-
Redemption of subordinate debt securities	-107.00	-297.00
Net cash generated from/(used in) financing activities	21,342.00	6,127.00
Net increase/ (decrease) in cash and cash equivalents	3,504.00	-4,391.00
Cash and cash equivalents as at beginning of year	7,467.00	11,858.00
Cash and cash equivalents as at year end	10,971.00	7,467.00