



**FEDBANK FINANCIAL SERVICES
LIMITED**

IPO NOTE

November 2023

Issue highlights

- Promoted by The Federal Bank Ltd, **Fedbank Financial Services Ltd ("Fedfina")** was incorporated on April 17, 1995. Fedfina is a retail focused non-banking finance company ("NBFC") has the 2nd and 3rd lowest cost of borrowing among the micro, small and medium enterprises ("MSMEs"), gold loan and MSME & gold loan peer set in India in Fiscal 2023 and 3-months period ended June 30, 2023, respectively.
- As on March 31, 2023, Fedfina had the 3rd fastest AUM growth among NBFCs in the peer set in India with a 3 year CAGR of 33% between Fiscals 2020 and 2023, and the 4th fastest year-on-year AUM growth of 42% for 3-months period ended June 30, 2023.
- They are one among 5 private banks promoted NBFCs in India. They are the fastest growing gold loan NBFC in India among the peer set as of March 31, 2023, and had the fastest year-on-year growth among gold loan NBFCs in India as of June 30, 2023. As on June 30, 2023, 86.24% of their total Loan Assets are secured against tangible assets, namely gold or customer's property.
- The company focuses on catering to the MSMEs and the emerging self-employed individuals ("ESEIs") sector. They have a well-tailored suite of products targeted to match their customers' needs, which includes mortgage loans such as housing loans; small ticket loan against property ("LAP"); and medium ticket LAP, unsecured business loans, and gold loans. They had the 3rd highest growth in disbursement among the peer set with a 3-year CAGR of 35% between Fiscals 2020 and 2023. Their mortgage loans, gold loans and the unsecured business loans had an AUM of ₹ 4,702.45 crore, ₹ 3,124.17 crore and ₹ 1,487.25 crore, respectively as on June 30, 2023.
- As of June 30, 2023, Fedfina has presence in 17 states and union territories across India with a strong presence in Southern and Western regions of India. As of June 30, 2023, they covered 190 districts in 17 states and union territories in India through 584 branches. Their branches are located in states, such as Andhra Pradesh (including Telangana) and Rajasthan.
- Fedfina also has a "Phygital" doorstep model, a combination of digital and physical initiatives, for providing customized services to their customers across all of their products. This also helps them to constantly remain in touch with their customers.

Brief Financial Details*

(₹ In Cr)

	As at Jun' 30,		As at Mar' 31,		
	2023(03)	2022(03)	2023(12)	2022(12)	2021(12)
Share Capital	321.91	321.55	321.91	321.52	289.92
Reserves	1,092.99	880.98	1,033.77	832.00	544.81
Net Worth	1,414.90	1,202.53	1,355.68	1,153.52	834.73
Net Interest Income	177.65	135.78	638.02	474.24	344.92
Net Interest Margin	2.05%	2.22%	8.99%	8.92%	8.00%
Revenue from Operations	361.39	247.51	1,178.80	869.32	691.83
Revenue Growth (%)	46.01%	-	35.60%	25.66%	-
EBITDA	244.31	165.27	757.04	523.56	417.39
Profit before Tax	72.06	58.00	243.02	139.21	76.93
Net Profit for the period	53.88	43.76	180.13	103.46	61.68
EPS – Basic (₹)	1.67 [^]	1.36 [^]	5.60	3.32	2.19
EPS – Diluted (₹)	1.67 [^]	1.36 [^]	5.59	3.31	2.18
RONW (%)	3.81% [^]	3.64% [^]	13.29%	8.97%	7.39%
Net Asset Value (₹)	43.95	37.40	42.11	35.88	28.79

Source: RHP *Restated Statement; [^]not annualised

Issue Details

Fresh Issue of Equity shares aggregating upto ₹600 Crore and Offer for sale of 35,161,723

Issue size: ₹ 1,068 – 1,092 Cr

No. of shares: 80,335,633 – 78,073,810 Shares

Face value: ₹ 10/-

Employee Reservation: Shares aggregating upto ₹ 10 Cr

Price band: ₹ 133 – 140

Bid Lot: 107 Shares and in multiple thereof

Employee Discount: ₹ 10/- per share

Post Issue Implied Market Cap = ₹ 4,937 – 5,165 Cr

BRLMs: ICICI Securities, BNP Paribas, Equirus Capital, JM Financial

Registrar: Link Intime India Pvt. Ltd.

Issue opens on: Wednesday, **22nd Nov'2023**

Issue closes on: Friday, **24th Nov'2023**

Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	30-11-2023
Refunds/Unblocking ASBA Fund	01-12-2023
Credit of equity shares to DP A/c	04-12-2023
Trading commences	05-12-2023

Issue break-up

	No. of Shares		₹ In Cr		% of Issue
	@Lower	@Upper	@Lower	@Upper	
QIB	39,761,312	38,652,290	528.83	541.13	50%
NIB	11,928,394	11,595,687	158.65	162.34	15%
-NIB2	7,952,262	7,730,458	105.77	108.23	-
-NIB1	3,976,132	3,865,229	52.88	54.11	-
RET	27,832,919	27,056,603	370.18	378.79	35%
EMP	813,008	769,230	10.00	10.00	
Total	80,335,633	78,073,810	1,067.65	1,092.26	100%

NIB-1=NII Bid between ₹ 2 to 10 Lakhs

NIB-2=NII Bid Above ₹ 10 Lakhs

Category	Retail Category	NII-Bid between ₹ 2 - 10 Lakhs	NII - Bid Above ₹ 10 Lakhs
Minimum Bid Lot (Shares)	107 Shares	1,498 Shares	7,169 Shares
Minimum Bid Lot Amount (₹)	₹ 14,980 [^]	₹ 2,09,720 [^]	₹ 10,03,660 [^]
Appl for 1x	2,52,865 Applications	2,580 Applications	5,161 Applications

Listing: BSE & NSE

Shareholding (No. of Shares)

Pre issue	Post issue [^]	Post issue#
326,075,940	371,188,722	368,933,083

[^]@Lower price Band #@ Upper Price Band

Shareholding (%)

	Pre-Issue	Post-Issue
Promoters	72.28%	62.40%
Public – Investor Selling S/h	25.40%	14.40%
Public - Others	2.33%	23.20%
Total	100.00%	100.00%

BACKGROUND

Company and Directors

The company was incorporated as 'Fedbank Financial Services Limited' on April 17, 1995 in Kochi, the company is registered with the RBI to carry on the business of a non-banking financial institution without accepting public deposits. The company was promoted by The Federal Bank Ltd. Currently, Promoter holds 235,685,332 Equity Shares equivalent to 72.28% of the pre-Offer issued, subscribed and paid-up Equity Share capital of the company.

Brief Biographies of Directors

Balakrishnan Krishnamurthy is the Chairman and an Independent Director of the company. He has experience in the financial services sector. Currently, he serves as the chairman of Kriscore Financial Advisors Pvt Ltd and director of Kriscore Ventures Pvt Ltd. Previously, he has been associated with Lazard India Pvt Ltd as Managing Director.

Anil Kothuri is the Managing Director and Chief Executive Officer of the company. He has over 28 years of experience across various asset businesses including mortgage, SME financing, auto loans, housing finance and unsecured lending. Prior to joining the company, he has served at Edelweiss Housing Finance Ltd and at Citibank N.A.

Shyam Srinivasan is a Non-Executive Director of the company. He currently serves as director of Ageas Federal Life Insurance Co Ltd and managing director and chief executive officer of The Federal Bank Ltd.

Maninder Singh Juneja is a Non-Executive Nominee Director of the company. He has over 25 years of experience in the banking and finance industry. He has previously been associated with Godrej GE Appliances Ltd, SRF Finance Ltd, Whirlpool of India Ltd, ICICI Bank Ltd and National Bulk Handling Corporation Pvt Ltd. Currently, he is associated with True North Managers LLP as a partner.

Ashutosh Khajuria is a Non-Executive Nominee Director of the company. Previously, he has served at The Federal Bank Ltd in various designations. He has also served as the director of Ageas Federal Life Insurance Co. Presently, he is serving as the Chief Mentor at The Federal Bank Ltd.

Gauri Rushabh Shah is an Independent Director of the company. She was associated with CC Choksi Advisors Pvt Ltd.

C.V. Ganesh is the Chief Financial Officer of the company. He joined the company with effect from July 3, 2020. He has several years of experience in the finance industry.

Rajaraman Sundaresan is the Company Secretary and Compliance Officer of the company. He joined the company with effect from May 4, 2020. He has several years of experience in secretarial and legal practice.

OFFER DETAILS

Fresh Issue	No. of Shares	WACA per Equity Share (in ₹)
Fresh Issue (₹ 600 Cr)	Upto 45,113,782 [~] - 42,857,143 [^] Equity Shares	-
The Offer for Sale by:	Upto 35,161,723[^] Equity Shares	
The Promoter Selling Shareholders:		
The Federal Bank Ltd	Upto 5,474,670 [^] Equity Shares	19.34
The Other Selling Shareholders:		
True North Fund VI LLP	Upto 29,687,053 [^] Equity Shares	45.22

([~] at [^] upper price band)

SHAREHOLDING PATTERN

Shareholders	Pre-offer		Fresh Issue and Offer for Shares offered	Post-offer	
	Number of Equity Shares	% of Total Equity Share Capital		Number of Equity Shares	% of Total Equity Share Capital
Promoter	235,685,332	72.28%	5,474,670	230,210,662	62.40%
Total for Promoter and Promoter Group	235,685,332	72.28%	5,474,670	230,210,662	62.40%
Public – Investor Selling Shareholders	82,808,361	25.40%	29,687,053	53,121,308	14.40%
Public - Other	7,582,247	2.33%	42,857,143	85,601,113	23.20%
Total for Public Shareholders	90,390,608	27.72%	72,544,196	138,722,421	37.60%
Total Equity Share Capital	326,075,940	100.00%	78,018,866	368,933,083	100.00%

BUSINESS OVERVIEW

Fedbank Financial Services Limited (“**Fedfina**”) is a retail focused non-banking finance company (“**NBFC**”) promoted by The Federal Bank Ltd. Fedfina has the 2nd and 3rd lowest cost of borrowing among the micro, small and medium enterprises (“**MSMEs**”), gold loan and MSME & gold loan peer set in India in Fiscal 2023 and 3-months period ended June 30, 2023, respectively.

As on March 31, 2023, Fedfina had the 3rd fastest AUM growth among NBFCs in the peer set in India with a 3-year CAGR of 33% between Fiscals 2020 and 2023, and the 4th fastest year-on-year AUM growth of 42% for 3-months period ended June 30, 2023. They are one among 5 private banks promoted NBFCs in India. They are the fastest growing gold loan NBFC in India among the peer set as of March 31, 2023, and had the fastest year-on-year growth among gold loan NBFCs in India as of June 30, 2023. As on June 30, 2023, 86.24% of their total Loan Assets are secured against tangible assets, namely gold or customer’s property.

The company focuses on catering to the MSMEs and the emerging self-employed individuals (“**ESEIs**”) sector. The ESEI and MSME segment is largely unaddressed by lending institutions in India. This segment provides them with a sizeable opportunity to rapidly grow and expand further. They have a well-tailored suite of products targeted to match their customers’ needs, which includes mortgage loans such as housing loans; small ticket loan against property (“**LAP**”); and medium ticket LAP, unsecured business loans, and gold loans. They had the 3rd highest growth in disbursement among the peer set with a 3-year CAGR of 35% between Fiscals 2020 and 2023. Their mortgage loans, gold loans and the unsecured business loans had an AUM of ₹ 4,702.45 crore, ₹ 3,124.17 crore and ₹ 1,487.25 crore, respectively as on June 30, 2023.

Fedfina has rated as “**AA**” by CARE for their non-convertible debentures (“**NCDs**”) since 2022, and “**AA-**” by India Ratings and Research Pvt Ltd for their NCDs and bank loans since 2018. They are promoted by Federal Bank, which, adds a degree of trust among their stakeholders. Federal Bank will continue to own more than 51% of their outstanding share capital post the completion of the Offer. Their long operating history, track record, management expertise and the “**Federal Bank**” brand have enabled them to establish a competitive position in the markets they serve and create trust among their customers, lenders, regulators and investors.

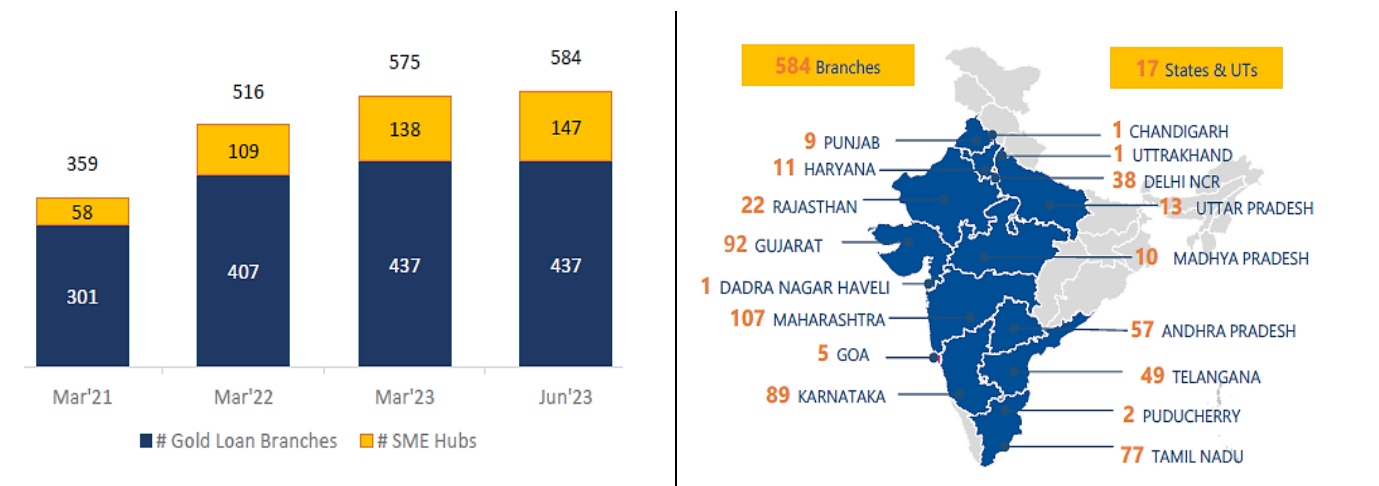
As of June 30, 2023, Fedfina has presence in 17 states and union territories across India with a strong presence in Southern and Western regions of India. As of June 30, 2023, they covered 190 districts in 17 states and union territories in India through 584 branches. Their branches are located in states, such as Andhra Pradesh (including Telangana) and Rajasthan, which have better asset quality than other states as of Fiscal 2023. Additionally, they have dedicated micro-sites on their website for each of their branches, which focus solely on customer engagement for the branch customers.

Fedfina also has a “**Phygital**” doorstep model, a combination of digital and physical initiatives, for providing customized services to their customers across all of their products. This also helps them to constantly remain in touch with their customers. Technology is the core building block of their underwriting model which combines electronic data and physical information and document collection.

As on June 30, 2023, they have employed 3,732 personnel across their 584 branches. From Fiscals 2021 to 2023, they have been certified as a “**Great Place to Work**” by Great Place to Work Institute. They seek to empower emerging India with easy access to loans.

BRANCH NETWORK AND BRANCH FOOTPRINT EVOLUTION

The branch network as on June 30, 2023 and the branch footprint evolution during the last 3 Fiscals and the 3-months period ended June 30, 2023.



KEY FINANCIAL AND OPERATIONAL METRICS

Financial Ratios

(₹ In Cr, except % and ratio/time)

	As of and for the 3 months period ended Jun'30,		As of and for Fiscal		
	2023	2022	2023	2022	2021
	AUM	9,434.21	6,664.42	9,069.60	6,187.20
AUM Growth (%)	4.02%	7.71%	46.59%	27.25%	26.68%
Average AUM	9,251.91	6,425.81	7,628.40	5,524.82	4,350.30
Gross Loan Book	8,395.19	6,211.32	8,102.74	5,760.94	4,627.04
Securitized assets	1,183.13	523.66	1,092.55	493.14	295.99
AUM / Net worth	6.67	5.54	6.69	5.36	5.83
Total Assets	9,412.51	7,004.38	9,070.99	6,555.71	5,466.31
Disbursements	2,965.60	2,546.20	10,748.68	7,469.80	5,893.67
Total Revenue from Operations	361.39	247.51	1,178.80	869.32	691.83
Other Income	6.48	8.54	35.88	14.32	5.74
Total Revenue	367.87	256.05	1,214.68	883.64	697.57
Finance Costs	163.59	97.84	472.15	347.65	313.19
Operating Expenses	121.58	90.62	435.24	312.90	236.23
Operating Expenses to Average Total Assets (%)	1.32%	1.34%	5.57%	5.21%	4.95%
Operating Expenses Per Branch	0.21	0.18	0.76	0.61	0.66
Pre-Provision Operating Profit	82.72	67.59	307.29	223.09	148.15
Pre-Provision Operating Profit to Average Total Assets (%)	0.90%	1.00%	3.93%	3.71%	3.10%
Credit Cost	10.66	9.59	48.90	83.88	71.22
Credit Cost to Average Total Assets (%)	0.12%	0.14%	0.63%	1.40%	1.49%
Gross NPA	189.77	127.28	164.50	128.58	46.81
Gross NPA (%)	2.26%	2.05%	2.03%	2.23%	1.01%
NPA Provision	42.39	30.18	36.52	28.37	13.99
Net NPA	147.39	97.10	127.99	100.21	32.82
Net NPA (%)	1.76%	1.57%	1.59%	1.75%	0.71%
Provision Coverage Ratio (%)	22.33%	23.72%	22.19%	22.07%	29.88%
Total Loan Loss Provision (LLP)	109.70	103.70	110.45	116.13	74.89
Total LLP to Gross Loan Book (%)	1.31%	1.67%	1.36%	2.02%	1.62%
Operating Expenses to Net Income (%)	59.51%	57.28%	58.62%	58.38%	61.46%
Gross Loan Book/ Net Worth	5.93	5.17	5.98	4.99	5.54
Average Gross Loan Book/ Average Net Worth	5.95	5.08	5.53	5.22	5.47
Net Loan Book	8296.61	6108.12	7999.70	5644.81	4613.05
Net NPAs to Net Loan Assets (%)	1.76%	1.57%	1.59%	1.75%	0.71%
Adjusted Spread (%)	1.81%	1.86%	7.54%	6.49%	5.73%

Return on Equity and Assets

(₹ In Cr, except % and per share data)

	As of and for the 3 months period ended Jun'30,		As of and for Fiscal		
	2023	2022	2023	2022	2021
	Profit After Tax	53.88	43.76	180.13	103.46
Total Assets	9,412.51	7,004.38	9,070.99	6,555.71	5,466.31
Average Total Assets	9,241.75	6,780.04	7,813.35	6,011.01	4,776.25
AUM	9,434.21	6,664.42	9,069.60	6,187.20	4,862.43
Average AUM	9,251.91	6,425.81	7,628.40	5,524.82	4,350.30
Net Worth	1,414.90	1,202.53	1,355.68	1,153.52	834.73
Average Equity or Average Net Worth	1,385.29	1,178.02	1,254.60	994.13	762.95
Total Borrowings	7,619.52	5,497.44	7,135.82	5,016.84	4,328.09
Average Total Borrowings	7,377.67	5,257.14	6,076.33	4,672.46	3,772.84
Basic Earnings Per Equity Share	1.67	1.36	5.60	3.32	2.19
Diluted Earnings Per Equity Share	1.67	1.36	5.59	3.31	2.18
Net Asset Value Per Equity Share	43.95	37.40	42.11	35.88	28.79

Return Ratios

(in percentage)

	As of and for the 3 months period ended Jun'30,		As of and for Fiscal		
	2023	2022	2023	2022	2021
Total Revenue from Operations to Average Gross Loan Book	4.38%	4.13%	17.01%	16.74%	16.58%
Other Income to Average Gross Loan Book	0.08%	0.14%	0.52%	0.28%	0.14%
Total Revenue to Average Gross Loan Book	4.46%	4.28%	17.52%	17.01%	16.71%
Finance cost to Average Gross Loan Book	1.98%	1.63%	6.81%	6.69%	7.50%
Net Revenue to Average Gross Loan Book	2.48%	2.64%	10.71%	10.32%	9.21%
Operating Expenses to Average Gross Loan Book	1.47%	1.51%	6.28%	6.02%	5.66%
Credit cost to Average Gross Loan Book	0.13%	0.16%	0.71%	1.61%	1.71%
PBT to Average Gross Loan Book	0.87%	0.97%	3.51%	2.68%	1.84%
PAT to Average Gross Loan Book	0.65%	0.73%	2.60%	1.99%	1.48%
PAT to Average Net Worth	3.89%	3.71%	14.36%	10.41%	8.08%

Yield, Spreads and Margins

(₹ In Cr, except %)

	As of and for the 3 months period ended Jun'30,		As of and for Fiscal		
	2023	2022	2023	2022	2021
Interest Income*	341.24	233.62	1110.17	821.89	658.11
Finance Cost	163.59	97.84	472.15	347.65	313.19
Total Interest-earning Assets	7,660.92	6,220.22	7,558.82	5,960.71	5,234.64
Average Interest-earning Assets	7,609.87	6,090.47	6,759.77	5,597.68	4,576.95
Average Total Assets	9,241.75	6,780.04	7,813.35	6,011.01	4,776.25
Average Interest-bearing liabilities	7,377.67	5,257.14	6,076.32	4,672.46	3,772.84
Total Revenue	367.87	256.05	1,214.68	883.64	697.57
Net Interest Income	177.65	135.78	638.02	474.25	344.92
Average yield on Gross Loan Book	4.04%	3.85%	15.80%	15.62%	15.50%
Product Average Yield – Gold Loan	4.23%	4.40%	16.28%	17.86%	17.85%
Product Average Yield – Mortgage Loan	3.98%	4.04%	15.05%	13.73%	13.08%
Product Average Yield – Medium Ticket LAP	3.70%	3.45%	12.27%	12.08%	11.63%
Product Average Yield – Small Ticket LAP	4.48%	4.84%	19.18%	16.36%	16.61%
Product Average Yield – Housing Loan	3.71%	4.11%	14.53%	14.46%	12.26%
Product Average Yield – Unsecured Business Loan	4.04%	4.49%	18.34%	16.37%	13.64%
Average Cost of Borrowings	2.22%	1.86%	7.77%	7.44%	8.30%
Spread	1.82%	1.99%	8.03%	8.18%	7.20%
Net Interest Margin (%)	2.05%	2.22%	8.99%	8.92%	8.00%
Incremental Cost of Borrowings (%)	2.14%	1.75%	8.02%	7.02%	8.36%
Incremental Borrowings	940.00	600.00	3,884.83	1,850.00	1,795.50
Spread less Credit Cost to Average Total Assets (%)	1.70%	1.85%	7.40%	6.78%	5.71%

*Interest income includes loan fees.

Capital Adequacy

(₹ In Cr, except %)

	As of and for the 3 months period ended Jun'30,		As of and for Fiscal		
	2023	2022	2023	2022	2021
Tier I Capital	1,280.95	1,099.95	1,227.93	1,086.87	804.33
Tier II Capital	437.12	293.08	232.38	275.22	301.94
Total Capital	1,718.06	1,393.03	1,460.31	1,362.09	1,106.27
Risk Weighted Assets	8,716.35	6,665.90	8,140.16	5,912.98	4,702.29
Capital Adequacy Ratio (%)	19.71%	20.90%	17.94%	23.04%	23.52%
Tier I Capital (%)	14.70%	16.50%	15.09%	18.38%	17.10%
Tier II Capital (%)	5.01%	4.40%	2.85%	4.65%	6.42%
Total Borrowings to Equity ratio	5.39	4.57	5.26	4.35	5.18

Productivity Ratios - Overall

Particulars	As of and for the 3 months period ended Jun'30,		As of and for Fiscal		
	2023	2022	2023	2022	2021
Number of branches	584	516	575	516	359
Number of on-roll employees	3,732	3,056	3,570	2,855	2,125
AUM per branch (₹ in Cr)	16.15	12.92	15.77	11.99	13.54

Particulars	As of and for the 3 months period ended Jun'30,		As of and for Fiscal		
	2023	2022	2023	2022	2021
AUM per employee (₹ in Cr)	2.53	2.18	2.54	2.17	2.29
Disbursement per branch (₹ in Cr)	5.08	4.94	18.69	14.48	16.42
Disbursement per branch per month (₹ in Cr)	1.69	1.65	1.56	1.21	1.37
Disbursement per employee (₹ in Cr)	0.80	0.83	3.01	2.62	2.77

Average Gross Loan Book

(₹ In Cr)

	As of and for the 3 months period ended Jun'30,		As of and for Fiscal		
	2023	2022	2023	2022	2021
Gold Loan	3,055.11	2,336.16	2,616.78	2,082.66	1,481.62
Mortgage Loan	3,968.96	2,658.09	3,228.23	2,234.88	1,841.60
- Medium Ticket LAP	1,968.85	1,348.28	1,634.47	1,272.33	1,203.99
- Small Ticket LAP	1,428.56	965.51	1,157.76	731.78	520.37
- Housing Loan	571.56	344.30	436.01	230.76	117.23
Unsecured Business Loan	1,103.45	891.08	972.41	675.28	402.18
Others	121.44	100.80	114.41	201.18	448.25
Total	8,248.96	5,986.13	6,931.84	5,193.99	4,173.64

Product Wise AUM (in terms of Amount)

(₹ In Cr)

	As of and for the 3 months period ended Jun'30,		As of and for Fiscal		
	2023	2022	2023	2022	2021
Gold Loan	3,124.17	2,424.79	2,986.05	2,247.53	1,917.79
Mortgage Loan	4,702.45	3,155.01	4,506.38	2,932.45	2,150.61
- Medium Ticket LAP	2,389.23	1,592.57	2,288.40	1,525.85	1,332.41
- Small Ticket LAP	1,721.93	1,194.03	1,666.16	1,086.41	676.86
- Housing Loan	591.29	368.41	551.82	320.19	141.34
Unsecured Business Loan	1,487.25	989.23	1,454.28	901.02	497.89
Others	120.34	95.40	122.91	106.21	296.14
Total	9,434.21	6,664.42	9,069.60	6,187.20	4,862.43

Product Wise Gross NPA

(₹ In Cr)

	As of and for the 3 months period ended Jun'30,		As of and for Fiscal		
	2023	2022	2023	2022	2021
Gold Loan	27.38	17.78	25.46	29.17	3.46
Mortgage Loan	113.00	80.49	87.52	69.22	30.17
- Medium Ticket LAP	63.89	43.90	42.27	37.62	15.87
- Small Ticket LAP	34.64	28.69	30.89	24.97	11.50
- Housing Loan	14.48	7.89	14.36	6.63	2.80
Unsecured Business Loan	4.26	4.36	3.38	5.06	2.35
Others*	45.14	24.66	48.14	25.13	10.82
Total	189.77	127.28	164.50	128.58	46.81

* Others include wholesale portfolio exposure and partnership business, which is being wound down due to reduced focus on these businesses.

Product Wise Disbursement and Yield on Disbursement

(₹ In Cr, except %)

	As of and for the 3 months period ended Jun'30,				As of and for Fiscal					
	2023		2022		2023		2022		2021	
	Amount	Yield (%)	Amount	Yield (%)	Amount	Yield (%)	Amount	Yield (%)	Amount	Yield (%)
Gold Loan	2,297.25	16.23%	1,955.07	15.23%	7,436.46	15.65%	5,514.97	14.87%	5,133.46	16.55%
Mortgage Loan	423.77	14.48%	385.55	14.18%	2,192.97	13.90%	1,283.50	14.20%	456.57	14.15%
- Medium Ticket LAP	216.91	12.51%	155.24	11.29%	1,090.75	11.51%	518.11	11.50%	246.29	12.51%
- Small Ticket LAP	143.34	17.68%	163.54	16.96%	794.32	17.15%	547.88	16.77%	152.49	16.71%
- Housing Loan	63.53	13.95%	66.77	14.10%	307.90	13.97%	217.52	14.20%	57.79	14.40%
Unsecured Business Loan	244.58	17.37%	205.59	16.95%	1,119.25	17.32%	670.58	17.08%	287.26	17.14%
Others*	-	0.00%	-	0.00%	-	0.00%	0.75	14.40%	16.38	12.71%
Total	2,965.60	16.07%	2,546.20	15.21%	10,748.68	15.47%	7,469.80	14.95%	5,893.67	16.38%

* Others includes wholesale portfolio exposure and partnership business, which is being wound down due to reduced focus on these businesses.

COMPETITIVE STRENGTHS

- **Present in large, underpenetrated markets with strong growth potential**

The Indian retail credit market grew at a strong pace over the last few years from ₹ 30 trillion in Fiscal 2018 to ₹ 60 trillion in Fiscal 2023, and it constituted 32% of total systemic credit in India. Retail credit is expected to further grow at a CAGR of 14-15% between Fiscals 2023 and 2025. The credit gap is much larger in case of ESEIs and Fedfina has focuses on catering to the financial needs of such ESEIs. Given that the market is large, has good growth prospects, is under penetrated and profitable, retail credit is expected to continue to remain a key focus area for banks and NBFCs. This gives the company with an opportunity for growth. Due to increasing awareness about benefits of availing gold loans from the organized segment, the share of organized gold loan financiers has increased from 56-58% in Fiscal 2017 to approximately 61-63% (in terms of value) in Fiscal 2023. Fedfina is well positioned to take advantage of the opportunity this presents for growing their gold loan business.

As of June 30, 2023 they are present in 17 states and union territories across India with a strong presence in Southern and Western regions of India. As of June 30, 2023, they covered 190 districts in 17 states and union territories in India through 584 branches. Their branches are located in states, such as Andhra Pradesh (including Telangana) and Rajasthan.

- **Focus on retail loan products with a collateralized lending model targeting individuals and the emerging MSME sector**

The company is largely focused on a collateralized lending model for their retail finance segment, targeting ESEI consumers and the emerging MSME sector. As on June 30, 2023, 86.24% of their total Loan Assets are secured against tangible assets, namely their customer's gold or property. Out of the collateral for their medium ticket LAP and small ticket LAP, 77.37% of their collateral is self-occupied residential or commercial property as of June 30, 2023. As on June 30, 2023, average LTV on their total Loan Assets with property collateral at the time of sanctioning the loan was 51.37%.

- **Strong underwriting capability and presence in select customer segment combined with robust risk management capabilities focused on effective underwriting and collections**

Fedfina has an effective underwriting capability, built on their experienced underwriting team and established processes, which assess the quality of their potential customers' business and collaterals, and then reasonably estimate the possibility of defaults, prior to disbursement of loans. The percentage of their retail installment loans which are underwritten is represented by the sanction to login ratio, which was 40.05%, 44.01%, 45.30%, 45.83% and 43.51% for the 3-months periods ended June 30, 2023 and June 30, 2022, and Fiscals 2023, 2022 and 2021, respectively.

As on June 30, 2023, they had an independent quality assurance team of 219 employees for mortgage loans, gold loans and unsecured business loans. Also, As June 30, 2023, 2.22% of their employees were in internal audit function and such personnel conduct periodic audits across sales, operations, credit, customer service, branch operations and other support functions.

While they focus on the underserved category of the Indian retail loan market, they follow prudent customer selection policies with 86.71% of their customers having an established credit history, and 77.94% of their credit rated borrowers rated with a CIBIL score greater than 650 or CMR score less than or equal to 6 as on June 30, 2023.

- **Experienced, cycle tested management team**

The Company's Managing Director and Chief Executive Officer has over 28 years of experience in the financial services sector. Their senior management team has consolidated experience of over 200 years with a diversified track record in the banking and financial services industry.

- **Well diversified funding profile with an advantage of lower cost of funds**

The company's ability to access diversified sources of funding is a key contributor to their growth. Their average cost of borrowing was 2.22%, 1.86%, 7.77%, 7.44% and 8.30% for the 3-months periods ended June 30, 2023 and June 30, 2022, and Fiscals 2023, 2022 and 2021, respectively. They have the 2nd and 3rd lowest cost of borrowing among the MSME, gold loan and MSME & gold loan peer set in India in Fiscal 2023 and 3-months period ended June 30, 2023, respectively. They have been rated "AA-" by CARE for their NCDs since 2022, and "AA-" by India Ratings and Research Pvt Ltd for their NCDs and bank loans since 2018. They have historically secured financing from diversified sources of capital from banks, financial institutions, mutual funds and other financial institutions.

- **Technology driven company with scalable operating model**

Fedfina is a technology driven company using systems with digital infrastructure to manage a scalable and sustainable operating model. During the 3-months period ended June 30, 2023, and Fiscals 2023, 2022 and 2021, they have invested an aggregate amount of ₹25.59 crore in their information technology and digital systems. They leverage their information

technology platforms to drive economies of scale through increase in productivity, reduce turnaround time in processing and reduce transaction costs.



As of June 30, 2023, their customer application has over 495,000 downloads and a 4.1 star rating on Google Play Store. As of June 30, 2023, more than 500 branches have a presence on microsites as well as search engines for easy access of potential customers. As of June 30, 2023, their social media had an aggregate of over 416,000 followers with presence across Facebook, YouTube, LinkedIn and Instagram channels. As of June 30, 2023, active customers on digital portals are 125,636 representing approximately 64.31% of their total customer base for gold loans. They had over 6.76 million page views and more than 180,000 transactions conducted through their digital portals which constitutes 43.32% of total transactions for the 3-months period ended June 30, 2023.

KEY BUSINESS STRATEGIES

- **Continue to deliver consistent and one of the industry leading return matrices building on past performance**

Fedfina has delivered consistent and one of the industry leading performances across various benchmarks, such as AUM Growth and cost of funds. They are one of only 2 long term AA rated players among the peer set which have cost of borrowings less than 8.5% between Fiscals 2019 and 2023. As a result of the various initiatives, they will be in a position to reduce their GNPA and NNPA levels, improve their credit ratings for new fund raising, further reduce the cost of their borrowing and deliver better return ratios.

- **Focus on performance of large branch network and extracting operating leverage**

As of June 30, 2023, Fedfina is present in 17 states and union territories across India with a strong presence in Southern and Western regions of India. As of June 30, 2023, they covered 190 districts in the 17 states and union territories in India through 584 branches. The company's presence across the states gives them the ability to meet the demand from these under-penetrated markets and customer categories. They intend to continue to focus on their branch level AUMs to increase the total number of customers and total AUM. Further, they have adopted a contiguous strategy wherein they aim to expand across regions in India where they have a presence and expand to adjacent geographies by evaluating areas with established credit culture.

- **Continue to invest in technology and digitization initiatives**

Fedfina has invested ₹ 0.48 crore, ₹ 0.98 crore, ₹ 8.27 crore, ₹ 12.84 crore and ₹ 4.01 crore in their information technology and digital systems, in the 3-months periods ended June 30, 2023, and June 30, 2022, and Fiscals 2023, 2022 and 2021, respectively, constituting 0.13%, 0.40%, 0.70%, 1.48% and 0.58% of their revenue from operations during the same periods. They plan to continue investing in technology and digitization and to ensure their information technology systems continue to help them with several functions.

- **Continue to invest in talent and employee training to achieve industry leading productivity parameters**

Company's business model requires them to hire a large number of sales employees and as on June 30, 2023, they have 2,878 sales employees. They undertake comprehensive onboarding training as well as ongoing training initiatives so that their employees are equipped to deal with business and regulatory requirements.

- **Capitalize on understanding of the customer as a foundation for customer retention and customer acquisition**

Fedfina has a customer centric model and accordingly, their products and services are designed and customized to meet the requirements of their customers and their target markets. They are focused on catering to the ESEI and the MSME segment. They have a "Phygital" doorstep model, and have been using technology, people and all the other resources to improve

customer experience. They are also exploring registering with the IRDA to act as a composite corporate agent for distributing life, general and health insurance products.

INDUSTRY OVERVIEW

Operational parameters for key gold loan NBFCs (Fiscal 2023)

Players (Fiscal 2023)	Gold Loan AUM		Branch	Employees	AUM per Branch (in ₹ Cr)	AUM per Employee (in ₹ Cr)	Share of Gold Loan in total AUM
	(In ₹ Cr)	Y-o-Y growth					
Muthoot Finance	66,000	18%	5,897	27,701	11.20	2.38	98%
Manappuram Finance	20,600	1%	4,039*	45,000	5.10^	0.46	56%
Fedbank Financial Services	3,100	30%	437*	2,105*	7.15^	1.48^	33%

* Gold loan branches/employees; ^ AUM per gold loan branch/employee

Comparison of various NBFCs based on yield on advances and average ticket size (Fiscal 2023)

	Yield less than 16%	Yield between 16% and 22%	Yield more than 22%
Average ticket size more than or equal to ₹ 10 lakhs	Fedbank Financial Services Ugro Capital Capri Global Poonawalla Fincorp	Bajaj Finance	IIFL Finance Neogrowth
Average ticket size less than ₹ 10 lakhs	AU Small Finance Bank	SBFC Finance Equitas Small Finance Bank CapFloat Financial Services^	Veritas Finance Five-Star Business Finance Aye Finance Lendingkart^ Finova Capital Riviera Investors*

Note: ^Based on Fiscal 2021 data, * Based on Fiscal 2022 data,

INDIAN MORTGAGE MARKET - PEER COMPARISON

Trend in AUM and disbursements for players (Q1FY24)

Segment	Player	AUM (In ₹ Cr)			Disbursement (In ₹ Cr)		
		Q1FY23	Q1FY24	YOY growth (%)	Q1FY23	Q1FY24	YOY growth (%)
Housing	Aptus Value Housing	5,500	7,100	29%	500	600	23%
Finance	Repco Home Finance	11,900	12,700	7%	600	700	7%
MSME	Five-Star Business Finance	5,300	7,600	43%	600	1,100	99%
	Veritas Finance	2,400	3,900	61%	Na	Na	-
MSME and Gold	Fedbank Financial Services	6,700	9,400	42%	2,500	3,000	16%
	SBFC Finance	3,600	5,300	47%	500	700	32%
Gold loan	Manappuram Finance	30,800	37,100	21%	Na	Na	-
	Muthoot Finance	56,700	67,600	19%	Na	Na	-
Diversified	HDB Financial Services	NA	73,600	-	Na	Na	-
	IIFL Finance	52,800	68,200	29%	Na	Na	-

Trend in number of branches for players

Segment	Player	CAGR (FY20-23)	FY								
			Q1FY24	FY23	FY22	FY21	FY20	FY19	FY18	FY17	FY16
Housing	Aptus Value Housing	10%	231	231	208	190	175	143	115	80	70
Finance	Repco Home Finance	3%	193	192	179	177	177	170	160	156	150
MSME	Five-Star Business Finance	14%	386	373	300	262	252	173	130	103	73
	Veritas Finance	12%	Na	287	229	204	202	147	72	43	17
	Vistaar Finance	(1)%	205	211	193	191	216	220	225	201	198
MSME and Gold	Fedbank Financial Services	24%	584	575	516	359	300	152	123	107	112
	SBFC Finance	17%	162	152	135	124	96	91	65	Na	Na
Gold loan	Manappuram Finance	4%	5,281	5,232	5,057	4,637	4,622	4,351	4,197	4,152	3,293
	Muthoot Finance	1%	4,742	4,739	4,617	4,632	4,567	4,480	4,325	4,307	4,275
Diversified	HDB Financial Services	1%	1,581	1,492	1,374	1,319	1,468	1,349	1,165	1,151	929
	IIFL Finance	21%	Na	4,200	3,296	2,563	2,377	1,947	1,378	1,112	1,000

RoE and RoA for players (Fiscal 2023)

Segment	Branches	Roa (%)						RoE (%)					
		Avg (FY20-23)	FY23	FY22	FY21	FY20	FY19	Avg (FY20-23)	FY23	FY22	FY21	FY20	FY19
Housing	Aptus Value Housing	7.1%	7.8%	7.3%	6.5%	7.0%	5.9%	15.8%	16.1%	15.1%	14.5%	17.5%	17.4%
Finance	Repco Home Finance	2.2%	2.4%	1.6%	2.4%	2.4%	2.3%	13.3%	12.5%	8.9%	15.0%	16.9%	16.5%
MSME	Five-Star Business Finance	7.6%	8.0%	7.5%	7.1%	7.8%	8.9%	15.7%	15.0%	15.0%	16.8%	15.8%	16.0%
	Veritas Finance	3.4%	5.2%	3.1%	3.1%	2.3%	2.7%	7.7%	11.8%	6.6%	7.3%	5.3%	6.7%
MSME and Gold	Vistaar Finance	2.9%	3.2%	2.9%	3.0%	2.5%	2.3%	9.7%	12.0%	10.0%	9.6%	7.3%	5.8%
	Fedbank Financial Service	1.6%	2.3%	1.7%	1.3%	1.3%	2.0%	9.9%	14.4%	10.4%	8.1%	6.8%	10.1%
SBFC Finance	1.9%	2.9%	1.5%	2.0%	1.2%	1.5%	6.6%	9.9%	5.2%	7.7%	3.8%	2.8%	
Gold loan	Manappuram Finance	5.6%	4.5%	5.0%	6.9%	5.9%	4.9%	21.4%	15.0%	17.6%	27.7%	25.2%	19.3%
Diversified	Muthoot Finance	6.0%	4.9%	5.9%	6.5%	6.8%	5.7%	24.3%	17.6%	23.5%	27.8%	28.3%	22.4%
	HDB Financial Services	1.7%	3.0%	1.6%	0.6%	1.7%	2.3%	12.0%	18.7%	11.2%	4.8%	13.2%	17.4%
IIFL Finance	2.3%	3.4%	3.3%	1.6%	0.8%	4.7%	12.1%	16.9%	18.1%	9.2%	4.2%	18.0%	

COMPARISON WITH LISTED INDUSTRY PEERS (AS ON 31ST MARCH 2023)

Name of the Bank	Consolidated/ Standalone	Face Value	Total Revenue for Fiscal 2023 (₹ Cr)	EPS (Basic)	NAV	P/E	RoNW (%)
Fedbank Financial Services Ltd	Restated	10	1,214.68	5.60	42.11	[•]	13.29%
Aptus Value Housing Finance	Consolidated	2	1,129.00	10.10	67.05	28.58	15.06%
IIFL Finance Ltd	Consolidated	2	8,447.11	39.50	236.37	15.53	17.88%
Five Star Business Finance	Consolidated	1	1,528.93	20.70	148.94	37.54	13.91%
Manappuram Finance Ltd	Consolidated	2	6,749.95	17.07	113.95	8.06	15.55%
Muthoot Finance Ltd	Consolidated	10	11,975.01	86.50	539.69	15.39	16.94%
SBFC Finance Ltd	Restated	10	740.36	1.70	19.42	48.33	8.67%

Source: RHP ~P/E Ratio has been computed based on the closing market price of equity shares on November 6, 2023.

Comparison of KPIs with listed industry peers:

(in ₹ Cr, unless otherwise specified)

	Fedbank Financial Services			Five-Star Business Finance As of and for the FY 2023			Aptus Value Housing		
	2023	2022	2021	2023	2022	2021	2023	2022	2021
Scale									
AUM	9,069.6	6,187.2	4,862.4	6,914.8	5,067.1	4,445.4	6,738.0	5,180.0	4,068.0
AUM Growth (%)	46.59%	27.25%	26.68%	36.47%	13.99%	14.00%	30.08%	27.34%	27.80%
Profitability									
Total Revenue	1,214.7	883.6	697.5	1,528.9	1,256.2	1,051.3	1,129.0	840.2	658.2
Net Interest Income	638.0	474.2	344.9	1,232.5	903.2	689.7	782.5	583.1	420.3
Fee and Other Income	91.9	57.2	37.5	30.1	52.4	36.4	70.6	48.5	31.4
Profit After Tax	180.1	103.56	61.7	603.5	453.6	359.0	503.0	370.1	266.9
Profit After Tax (%)	14.83%	11.71%	8.84%	39.47%	36.11%	34.15%	44.55%	44.05%	40.56%
Yield on Average Net Advances	15.17%	15.59%	15.47%	24.14%	24.74%	24.31%	-	-	-
Spread	7.40%	8.15%	7.17%	17.31%	14.70%	13.08%	9.66%	9.25%	8.10%
Return Ratio									
Net Interest Margin	8.17%	7.89%	7.22%	20.57%	18.99%	16.55%	13.13%	12.61%	11.59%
Operating Expenses to Average AUM	5.71%	5.66%	5.40%	7.31%	6.43%	5.14%	2.77%	2.53%	2.78%
Credit cost to Average AUM	0.64%	1.52%	1.64%	0.34%	0.96%	0.84%	0.57%	0.75%	0.16%
PAT to Average AUM	2.36%	1.87%	1.42%	10.07%	9.54%	8.61%	8.44%	8.00%	7.36%
Return on Total Average Assets (%)	2.31%	1.72%	1.29%	8.02%	7.47%	7.08%	7.82%	7.25%	6.46%
Return on Average Equity (%)	14.36%	10.41%	8.08%	14.99%	15.05%	16.84%	16.08%	15.12%	14.47%
NPA / Asset Quality									
Gross NPA (%)	2.03%	2.23%	1.01%	1.36%	1.05%	1.02%	1.15%	1.20%	0.70%
Net NPA (%)	1.59%	1.75%	0.71%	0.69%	0.68%	0.84%	0.86%	1.90%	0.50%
Provision Coverage Ratio	22.19%	22.07%	29.88%	49.33%	34.89%	17.96%	25.00%	25.31%	27.48%

	Muthoot Finance			Manappuram Finance			IIFL Finance			SBFC Finance		
	2023	2022	2021	2023	2022	2021	2023	2022	2021	2023	2022	2021
As of and for the FY 2023												
Scale												
AUM	63,209.8	58,053.2	52,622.3	35,452.3	30,260.8	27,224.2	64,638.0	51,210.0	44,688.0	4,942.8	3,192.28	2,221.3
AUM Growth (%)	8.88%	10.32%	26.46%	17.15%	11.25%	7.92%	26.22%	14.59%	17.75%	54.84%	43.71%	34.77%
Profitability												
Total Revenue	10,543.7	11,098.4	10,574.4	4,826.7	4,587.0	5,193.5	4,088.7	4,089.3	3,436.2	740.3	530.7	511.5
Net Interest Income	6,669.5	7,120.3	7,120.3	3,242.5	3,147.6	3,417.8	2,012.5	1,948.3	1,515.4	378.9	254.2	226.9
Fee and Other Income	175.1	142.4	142.4	859.4	47.6	5,574.1	620.3	525.4	365.8	86.2	57.6	48.4
Profit After Tax	3,473.5	3,954.3	3,954.3	1,266.3	1,304.5	1,697.9	805.5	745.5	342.6	149.8	64.5	85.0
Profit After Tax (%)	32.94%	35.63%	35.63%	26.23%	28.44%	32.69%	19.70%	18.23%	9.97%	20.23%	12.16%	16.62%
Yield on Average Net Advances	16.42%	19.05%	19.05%	19.74%	20.63%	25.14%	24.45%	23.84%	19.96%	15.91%	14.89%	15.09%
Spread	8.98%	11.04%	11.04%	11.67%	12.81%	15.40%	15.79%	13.91%	9.83%	7.69%	7.24%	6.98%
Return Ratio												
Net Interest Margin	9.32%	10.63%	11.65%	11.52%	11.96%	13.83%	8.52%	8.59%	7.29%	-	-	-
Operating Expenses to Average AUM	3.49%	3.30%	3.78%	4.80%	4.75%	4.10%	2.25%	2.10%	1.79%	5.70%	6.59%	6.59%
Credit cost to Average AUM	0.10%	0.23%	0.20%	0.14%	0.28%	0.50%	NM	NM	4.79%	0.79%	1.73%	1.74%
PAT to Average AUM	5.73%	7.15%	7.90%	3.85%	4.54%	6.48%	1.39%	1.55%	0.83%	3.68%	2.38%	4.39%
Return on Total Average Assets (%)	4.85%	5.90%	6.53%	4.50%	4.96%	6.87%	3.41%	3.29%	1.65%	2.92%	1.48%	2.01%
Return on Average Equity (%)	17.63%	23.55%	27.77%	14.97%	17.58%	27.70%	16.88%	18.08%	9.22%	9.93%	5.18%	7.67%
NPA / Asset Quality												
Gross NPA (%)	3.79%	2.99%	0.88%	1.30%	3.00%	1.90%	1.80%	3.15%	1.98%	2.43%	2.74%	3.16%
Net NPA (%)	-	-	-	1.10%	2.70%	1.50%	1.10%	1.82%	0.89%	1.41%	1.63%	1.95%
Provision Coverage Ratio	-	-	-	-	-	-	-	-	-	42.04%	40.44%	38.25%

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