Sammaan Capital Ltd — FY 2025 Annual Report Analysis

Annual Report Analysis (Consolidated)

Investor Snapshot

#	Analytical point	Sentiment
1	Sammaan Capital has transitioned to a capital-light NBFC-ICC model, pivoting from Indiabulls Housing to a tech-enabled mortgage origination engine partnered with 14 banks.	Neutral
2	***The company reported a massive consolidated Net Loss of 1,807 Cr, driven by a strategic 5,068 Cr "Big Bath" impairment of legacy wholesale assets.***	Negative
3	Interest-only strip receivables grew 41.5% to □1,003 Cr, reflecting the increasing scale and revenue potential of the co-lending and assignment business.	Positive
4	**Debt-to-Equity improved to 1.96x following a significant □5,767 Cr reduction in total debt, strengthening the overall balance sheet health.**	Positive
5	***Reported Net Loss was primarily an accounting exercise, as Cash Flow from Operations remained exceptionally strong at 8,772 Cr due to asset realizations.***	Positive
6	**Equity capital was bolstered by a □1,300 Cr QIP and rights conversions, ensuring capital adequacy remained intact despite the heavy impairment charges.**	Positive
7	***Asset quality metrics improved superficially as Stage 3 loans fell to 822 Cr, though this was driven by 6,484 Cr in write-offs rather than organic recoveries.***	Negative
8	**Governance has been structurally upgraded through full de-promoterization (0% promoter holding) and the appointment of a board-run professional leadership.**	Positive
9	***Intra-day liquidity appears tight, evidenced by a 392% spike in temporary overdrawn balances to 671.45 Cr and the omission of dividends.***	Negative
10	***Operating expenses were pressured by a 515% surge in ESOP costs to 136 Cr, representing a significant non-cash hit to the P&L for leadership retention.***	Negative
11	The outlook depends on the velocity of co-lending originations (currently □13,338 Cr assigned) and the ability to scale without further wholesale slippages.	Neutral
12	Investment View: Watch; while the "kitchen-sinking" reset is complete, investors should monitor for two quarters of ROE >10% to validate the new model's profitability.	Neutral

1. Business overview (In Bullet Points)

- **Business Segments:** Sammaan Capital Ltd (SCL), formerly Indiabulls Housing Finance, has transitioned from a traditional Housing Finance Company (HFC) to a Non-Banking Financial Company – Investment and Credit Company (NBFC-ICC). Its core focus is now the "underserved self-employed segment" through retail mortgages and Loan Against Property (LAP).
- **Revenue Drivers:** The primary driver is the "Scalable Asset-Light Model," focusing on loan originations for banks via co-lending and sell-down arrangements. Revenue is increasingly driven by fee income, "excess interest spread," and insurance attachment rates (currently >80%).
- **Cost Drivers:** Key costs include finance costs (interest on borrowings), employee expenses (including significant ESOP grants), and credit impairments. The current year was dominated by a massive "kitchen sinking" impairment of legacy wholesale assets.

- **Industry Position:** SCL is an Upper Layer NBFC (NBFC-UL) with a tech-enabled distribution platform. It maintains partnerships with 14 banks, embedding its origination software into bank systems to create high switching costs.
- **Expansion Plans:** The company is focusing on "digitally deepening" its presence across 200+ existing branches rather than aggressive physical expansion. The goal is to function as a high-ROA, fee-based origination engine.
- **Acquisitions & Capacity:** The company executed a Business Transfer Agreement (BTA) where its subsidiary, Sammaan Finserve Limited (SFL), transferred its legacy wholesale book to SCL, facilitating a one-time massive provision to clean the retail-focused subsidiary's slate.
- **Geographical Presence:** Operates through a pan-India network of 200+ branches, with corporate offices recently relocated to Gurugram and Mumbai.

2. Management commentary & outlook

- **Strategic Pivot:** Management has formally concluded a five-year structural overhaul, rebranding to Sammaan Capital to signal the end of the "Indiabulls era" and the start of a professional, board-run utility model.
- **Growth & Margin Guidance:** The focus has shifted from "survival and deleveraging" to "execution and delivery." Management aims for a high-ROA model by leveraging co-lending originations to drive fee-based income without capital drag.
- **Demand Environment:** Management highlights the "underserved self-employed segment" as a high-barrier niche where they possess 20 years of specialized underwriting expertise.
- **Industry Outlook:** By converting to an NBFC-ICC, the company is positioning itself to offer a broader product suite beyond housing, targeting higher-yield MSME and LAP segments.
- **Competitive Intensity:** SCL is building a "tech-integration" moat with 14 banking partners to defend its position in the co-lending ecosystem.
- **New Projects & Launches:** The company is initiating a "leadership review" via a global advisory firm and has appointed a new CTO to address previous talent drain and prepare for the post-transformation growth phase.
- **Partnerships/JVs:** Continued reliance on the co-lending ecosystem with major banks is the cornerstone of the new asset-light strategy.
- **Long-term Vision:** To become a boring, predictable, and compliant mortgage origination engine, prioritizing regulatory alignment and balance sheet hygiene.
- **Management Tone:** Management exhibits "Disciplined Optimism." They are no longer defensive, shifting language from "fortress balance sheet" to "year of execution." However, the refusal to pay a dividend despite standalone profits—citing the "spirit of RBI guidelines" regarding consolidated losses—shows they are still operating under a regulatory abundance of caution. The final verdict is a management team signaling a clean break from the past, prioritizing stability and compliance over immediate aggressive growth.

3. Financial analysis

3.1 Financial statements

P&L statement (□Cr)

Line item	Mar 2025	Mar 2024
Revenue	8,676	8,579
Sales Growth %	1.13	-1.61
Interest	4,791	5,307
Expenses	6,179	1,582
Manufacturing Cost %	0	0
Employee Cost %	9	7
Other Cost %	62	11
Financing Profit	-2,295	1,690
Financing Margin %	-26	20
Other Income	2	41
Exceptional items	-5.21	-5.16
Other income normal	7.62	45.71
Depreciation	83	85
Profit before tax	-2,376	1,646
Tax %	-24	26
Net Profit	-1,807	1,214
Profit from Associates	0	0
Minority share	0	0
Exceptional items AT	-5	-4
Profit excl Excep	-1,802	1,218
Profit for PE	-1,802	1,218
Profit for EPS	-1,807	1,214
Profit Growth %	-248	8
EPS (□)	-21.82	16.44
Dividend Payout %	-9	9

Balance sheet (□Cr)

Line item	Mar 2025	Mar 2024
Equity Capital	163	113
Reserves	21,660	19,679
Borrowing	42,726	48,493
Other Liabilities	5,633	4,774
Non controlling int	0	0
Trade Payables	2	3
Other liability items	5,631	4,771
Total Liabilities	70,181	73,060
Fixed Assets	391	325
Land	0.42	0.42
Building	66.50	82.57
Equipments	22.79	25.90
Computers	57.85	60.53
Furniture n fittings	32.28	33.31
Vehicles	86.85	88.11
Intangible Assets	0	0
Other fixed assets	454.74	372.94
Gross Block	721.43	663.78
Accumulated Depreciation	330.67	338.33
CWIP	0	0
Investments	14,219	7,192
Other Assets	55,571	65,542
Trade receivables	14	15
Receivables over 6m	0.95	2.33
Receivables under 6m	12.91	13.14
Cash Equivalents	4,734	4,424
Loans n Advances	659	992
Other asset items	50,165	60,111
Total Assets	70,181	73,060

Cash flow statement (□Cr)

Line item	Mar 2025	Mar 2024
Cash from Operating Activity	8,772	-123
Profit from operations	1,608	1,439
Receivables	2,756	-1,980
Payables	765	-1,746
Loans Advances	600	-902
Working capital changes	4,121	-4,627
Interest paid	2,702	2,770
Direct taxes	0	0
Advance tax	0	0
Other operating items	341	295
Cash from Investing Activity	-5,578	1,590
Fixed assets purchased	-49	-59
Fixed assets sold	4	3
Capital WIP	0	0
Investments purchased	-6,250	-590
Investments sold	0	0
Interest received	211	2,308
Dividends received	0	0
Invest in subsidiaries	0	0
Investment in group cos	0	0
Redemp n Canc of Shares	0	0
Acquisition of companies	0	0
Other investing items	506	-72
Cash from Financing Activity	-2,373	-2,383
Proceeds from shares	3,777	1,600
Proceeds from debentures	1,963	0
Redemption of debentures	0	-4,419
Proceeds from borrowings	50	1,238
Repayment of borrowings	-7,968	-680
Dividends paid	-145	-59
Financial liabilities	-51	-63
Share application money	0	0
Other financing items	0	0
Net Cash Flow	821	-916
Free Cash Flow	8,727	-179
CFO/OP	351	-2

3.2 Financial analysis summary

- **Revenue** grew marginally by 1.13% to □8,676.00 Cr, primarily supported by a 5.9% increase in Interest on Loans to □7,000.08 Cr, despite a shrinking loan book, which suggests a shift toward higher-yield commercial lending; however, Net Profit collapsed to a loss of □1,807.00 Cr due to a massive □5,068.50 Cr Impairment on financial instruments, signaling a "kitchen sinking" exercise to clean the Balance Sheet during the transition to Sammaan Capital.
- **Financing Margin %** deteriorated from 20.00% to -26.00% as Other Cost % spiked to 62.00% of Revenue, driven by the 559.58% YoY surge in impairment charges, while Finance Cost actually decreased by 9.7% to □4,791.36 Cr as the company reduced its Total Debt from □48,493.00 Cr to □42,726.00 Cr.
- **Employee Cost %** rose to 9.00% of Revenue as Share based payment expense (ESOPs) surged from □22.10 Cr to □136.00 Cr, reflecting the cost of new grants and re-pricing, which further pressured the PAT despite stable Depreciation of □83.00 Cr.
- **Working Capital** changes contributed a massive □4,121.00 Cr to CFO, largely due to the 88.6% collapse in Other Receivables from □3,522.92 Cr to □400.37 Cr, indicating the settlement or write-off of legacy non-core assets, which helped drive CFO to □8,772.00 Cr despite the reported accounting loss.
- **Total Debt** composition shifted significantly as Secured Debentures rose 23.7% to □16,531.85 Cr while Securitisation Liability dropped 56.0% to □4,480.57 Cr, and the company almost entirely settled its Secured Convertible Bonds (FCCB), reducing them from □1,128.87 Cr to □6.85 Cr, which is reflected in the □7,968.00 Cr Repayment of borrowings in the Cash Flow Statement.
- **Investments** on the Balance Sheet doubled to □14,219.00 Cr, linked to □6,250.00 Cr of Investments purchased in the Cash Flow Statement, though there is a 100% provision on AIF investments (□51.13 Cr) per RBI mandates regarding "evergreening" risks.
- **Net Worth** was bolstered by a □1,300 Cr QIP and rights share conversions, increasing Equity Capital to □163.00 Cr and Reserves to □21,660.00 Cr, which was critical to maintaining capital adequacy after the □1,807.00 Cr hit to PAT.
- **CFO** of □8,772.00 Cr significantly outperformed PAT of -□1,807.00 Cr, resulting in a CFO/PAT of -4.85, proving that the massive loss was a non-cash accounting event; this high FCF of □8,727.00 Cr allowed the company to be self-funding for its □7,968.00 Cr debt repayments without needing new external debt.
- **Return metrics** were severely distorted by the impairment, with ROE falling to -8.28% and Interest Coverage dropping to 0.50x, although ROCE improved slightly to 3.74% as the company optimized its capital structure and reduced high-cost bank lines.
- **Asset Quality** showed a structural shift as Stage 3 loans dropped from □1,490.50 Cr to □822.16 Cr, but this was primarily due to □6,484.53 Cr in write-offs rather than organic recoveries, indicating an aggressive exit from stressed legacy wholesale exposures to de-risk the Total Assets base.
- **Other Assets** analysis reveals that Interest only Strip receivable grew by 41.5% to □1,003.49 Cr, reflecting the cumulative impact of co-lending deals, while the 88.6% drop in Other Receivables (from □3,522.92 Cr to □400.37 Cr) was the primary driver of cash generation, representing the final liquidation or write-off of legacy items.
- **Other Liabilities** were impacted by a spike in Temporary Overdrawn Balances from □136.29 Cr to □671.45 Cr, indicating tight intra-day liquidity management or timing mismatches in large debt repayments.
- **Other Expenses** were dominated by the □5,068.50 Cr impairment, which included a □157.82 Cr charge on investments, suggesting deterioration in non-loan financial assets or security receipts.
- The financial year was defined by a strategic "Big Bath" accounting maneuver where a **□5,068.50 Cr** impairment reset the Balance Sheet and Revenue quality, utilizing strong CFO from asset realizations and fresh Equity Capital to aggressively deleverage and pivot toward a capital-light NBFC-ICC model.

3.3 Contingent liabilities & commitments

- **Undrawn Loan Commitments:** ₹1,003.64 Cr (down from ₹1,171.65 Cr), reflecting a more cautious lending stance.
- **ECL on Undrawn Commitments:** Increased to ₹7.75 Cr from ₹4.36 Cr, suggesting perceived higher risk in the pipeline.
- **Litigation:** Trademark dispute with Svamaan Financial Services regarding the "Sammaan" name; settled via consent terms but remains a brand risk.
- **Tax Disputes/Guarantees:** Not specifically disclosed in the provided summary pages, but the company maintains a "regulatory abundance of caution" regarding consolidated losses.

3.9 Earnings quality & forensic checks

#	Check	Impact	Status	Notes detail
1	PAT vs CFO trend	Profit ↓ — non-cash impairment of ₹5,068 Cr drives loss while CFO remains positive.	—	Massive divergence due to "kitchen sinking" of legacy assets and loan write-offs.
2	Receivables & channel-stuffing signal	Revenue ↑↓ — negligible trade receivables (₹14 Cr) vs revenue (₹8,676 Cr) indicates no stuffing.	—	93.1% of receivables are <6 months; typical for NBFC where loans are the primary asset.
3	Revenue timing (unbilled/advances)	Revenue ↑ — interest strip receivables grew 41% reflecting accrual of future co-lending spreads.	—	Note 11: Growth in strip receivables aligns with shift toward capital-light co-lending models.
4	Revenue from related parties %	Neutral — no interest income or loans granted to promoters or KMPs.	—	Note 9(10): Explicit confirmation of no loans to directors or promoters, reducing governance risk.
5	Inventory vs revenue growth	Neutral — zero inventory as company is a financial services provider.	—	Not applicable for NBFC sector; focus is on loan book velocity instead.
6	Inventory valuation method change	Neutral — no inventory held; accounting focus is on EIR for loans.	—	Note 4.3(a): Interest recognized via Effective Interest Rate (EIR) method, standard for IndAS.
7	Exceptional items in operating profit	Profit ↓ — minor exceptional loss of ₹5.21 Cr has negligible impact on operations.	—	Note 22: Small recurring exceptional items related to legacy adjustments or asset disposals.
8	Depreciation rate vs useful life policy	Profit ↑ — depreciation decreased slightly despite gross block growth, suggesting extended asset life.	—	Note 4.5: Use of Incremental Borrowing Rate for leases; depreciation remains a small % of costs.
9	Provision reversals boosting PAT	Profit ↓ — massive impairment charge of ₹5,068 Cr indicates aggressive cleaning, not reversals.	—	Note 28: "Big Bath" accounting strategy to clean balance sheet for the Sammaan Capital rebrand.
10	Tax rate consistency	Profit ↑ — negative tax rate (-24%) due to recognition of deferred tax on losses.	—	Note 22: Tax credit recognized on massive impairment losses to be carried forward.
11	CWIP age and stalling projects	Neutral — zero CWIP reported as company is not in capital-intensive infrastructure.	—	Balance sheet shows no stalled capital projects or significant pending fixed asset builds.
12	Deferred tax asset recognition	Profit ↑ — DTA recognized on ₹5,068 Cr impairment assumes future profits for utilization.	—	Recognition of tax benefits on losses depends on the "turnaround" success in FY26.
13	RPT quantum and trend	Neutral — related party transactions are not a significant driver of the P&L.	—	Governance signal is positive with no demand loans to KMPs or directors.
14	Dividend paid vs FCF adequacy	Neutral — dividend paid (₹145 Cr) is well covered by FCF (₹8,727 Cr).	—	Dividend payout is sustainable despite accounting loss due to strong cash generation from loan recoveries.
15	Auditor KAM: Asset Impairment	Profit ↓ — Massive ₹5,068 Cr impairment on legacy wholesale book.	—	Auditor focused on the "clean slate" approach necessitated by the NBFC-ICC transition.
16	Auditor KAM: Level 3 Fair Value	Profit ↑↓ — Valuation of ₹14,218 Cr in Security Receipts and AIFs.	—	Management applied 100% provision (₹51.13 Cr) on AIFs following RBI "evergreening" circulars.
17	Asset Quality: Write-off vs Recovery	Neutral — Stage 3 loans dropped but via ₹6,484 Cr write-offs, not organic recovery.	—	

#	Check	Impact	Status	Notes detail
				Indicates structural exit from stressed legacy wholesale exposures rather than improved collection.

4. Management & governance

A. Auditor Report & Key Audit Matters * **Audit Opinion Type:** Unqualified. * **KAM - Impairment of Financial Assets:** The auditor focused on the massive impairment of ₹5,068.50 Cr. Management responded by conducting a comprehensive review of the wholesale legacy book to facilitate a "clean slate" for the NBFC-ICC transition. * **KAM - Fair Value of Level 3 Instruments:** Focused on the valuation of Security Receipts and AIFs totaling ₹14,218.99 Cr. Management applied a 100% provision on AIF investments (₹51.13 Cr) following RBI circulars on "evergreening" risks. * **Auditor Change:** M/s. Nangia & Co LLP and M/s. M Verma & Associates were appointed as new Joint Statutory Auditors in Sept 2024, replacing S.N. Dhawan & CO LLP and Arora & Choudhary Associates. * **Auditor Fees:** Total fees were ₹2.40 Cr, a marginal 3.89% increase YoY, aligned with the company's complexity during transition.

B. Related Party Transactions | Party | Relationship | Nature | Amount (₹Cr) | Concern | | ------- | ------------- | -------- | --------------- | --------- | | Directors/KMPs | Management | Loans & Advances | 0.00 Cr | No demand loans. | | Subsidiaries | Group Entities | Guarantee Income | Not disclosed | Neutral |

- **RPT Verdict:** Clean. The company maintains a strict "no-loan" policy to promoters and directors, a high-standard governance signal for a de-promoterized entity. RPTs as a % of Revenue and CFO are negligible.

C. Shareholding * **Promoter:** 0.00% (Fully de-promoterized and board-run). * **FII:** 21.00% (as of Mar 2024). * **DII:** 13.00% (as of Mar 2024). * **Public:** 100.00% (Calculated). * **Promoter Pledging:** 0.00%.

D. Board Composition + KMP Compensation * **Total Directors:** 7 | **Independent %:** 57.14% | **Women Directors:** 1 (Mrs. Shefali Shah). * **KMP Compensation (EBITDA used: ₹1,608.00 Cr):** * **Gagan Banga (MD & CEO):** ₹10.00 Cr (0.00% YoY growth; 0.62% of EBITDA). * **Sachin Chaudhary (COO):** ₹4.80 Cr (0.00% YoY growth; 0.29% of EBITDA). * **Analysis:** Compensation remained flat despite 11.74% growth in operating profit, signaling high discipline during the "Big Bath" loss year.

F. Capital Allocation & Capex | Action | FY current (₹Cr) | FY prior (₹Cr) | % of CFO | Signal | | ------- | ------------- | -------- | --------------- | --------- | | Dividends | 0.00 Cr | 59.00 Cr | 0.00% | — | | Capex | 49.00 Cr | 59.00 Cr | 0.55% | — | | Net Debt Change | -5,767.00 Cr | -3,910.00 Cr | -65.74% | **Positive** | | Impairments | 5,068.50 Cr | 768.44 Cr | 57.78% | — | | Equity Issuance | 3,777.00 Cr | 1,600.00 Cr | 43.05% | **Positive** |

- **CAPEX Analytical Notes:**
  - **CFO Coverage of Capex:** 179.02x; Capex is fully self-funded.
  - **Nature of Capex:** Maintenance-heavy; **Other fixed assets rose by ₹81.80 Cr**, likely related to corporate office relocations.
  - **Deployment Efficiency:** Revenue fell 5.83% despite capex, indicating physical infrastructure is not yet driving top-line growth.
  - **Verdict:** Value-neutral; prioritizing balance sheet hygiene and deleveraging over growth.

H. Risks * 1. ***Trademark Litigation***: Svamaan Financial Services suit against "Sammaan" name. Impact: Potential forced rebranding costs and brand equity loss. (Severity: Medium) * 2. ***Regulatory (NBFC-UL)***: Classified as Upper Layer NBFC. Impact: Increased compliance costs and tighter capital adequacy norms. (Severity: High) * 3. ***Liquidity Mismatch***: Temporary Overdrawn Balances spiked to ₹671.45 Cr. Impact: Indicates tight intra-day liquidity or timing mismatches in debt repayment. (Severity: High) * 4. ***Asset Quality (Big Bath)***: ₹5,068.50 Cr impairment. Impact: Wiped out current year profits; suggests deep-rooted legacy

wholesale stress. (Severity: High) * 5. ***Concentration Risk***: Reliance on co-lending/assignment (□13,338.78 Cr). Impact: Dependency on bank partners for liquidity and AUM growth. (Severity: Medium)

5. Scorecard & verdict

Part a: scorecard

Dimension	Rating (1–5)	Delta	Key evidence	One-line rationale
Business quality	3	→	Co-lending with 14 banks; 80% insurance attachment.	Transitioning to asset-light but currently a "vassal" to banking partners.
Financial health	4	↑	D/E 1.96x; CFO □8,772 Cr > PAT; □5.7k Cr debt reduction.	Strong deleveraging and massive cash generation from asset realizations.
Earnings quality	2	↓	CFO/PAT -4.85; □5,068 Cr impairment; □6.4k Cr write-offs.	Massive "Big Bath" loss and reliance on write-offs to clean asset quality.
Management & governance	4	↑	0% Promoter pledge; 57% Independent Board; Flat KMP pay.	Successful de-promoterization and strong regulatory alignment (ex-RBI Chair).
Capital allocation & visibility	3	→	ROCE 3.74%; □1.3k Cr QIP; Zero dividend.	Prioritizing survival/hygiene; growth visibility depends on co-lending velocity.

Business positives (for this company this year) * **Massive Deleveraging:** Reduced **Total Debt** by □5,767 Cr, bringing D/E down to 1.96x. * **Strong Cash Generation:** Generated **CFO** of □8,772 Cr, significantly outperforming the accounting loss. * **Successful Capital Raise:** Bolstered **Net Worth** via □1,300 Cr QIP and rights conversions to maintain capital adequacy. * **Governance Cleanup:** Finalized de-promoterization with **0% promoter holding** and a board-run professional structure. * **Asset-Light Pivot:** Established a co-lending ecosystem with **14 banks** and >80% insurance attachment rate.

Business negatives / concerns (for this company this year) * **Massive Accounting Loss:** Reported a **Net Loss** of □1,807 Cr due to a □5,068 Cr "Big Bath" impairment. * **Asset Quality Stress:** Stage 3 loan reduction was driven by **□6,484 Cr in write-offs** rather than organic recoveries. * **Liquidity Red Flag: Temporary Overdrawn Balances** spiked 392% to □671.45 Cr, indicating tight intra-day liquidity. * **Dividend Omission:** Skipped dividends despite standalone profits, signaling regulatory caution and capital preservation needs. * **High ESOP Impact: ESOP expenses** surged 515% to □136 Cr, creating a significant non-cash hit to the P&L.

Overall scorecard summary Sammaan Capital is in the final stages of a painful but necessary structural transformation, characterized by a "Big Bath" accounting year that reset the balance sheet. While the reported loss is staggering, the underlying financial health is improving through aggressive deleveraging and strong cash flow from asset realizations. Governance has reached a high standard following full de-promoterization, though the business model now faces high dependency on banking partners. The company is on a **stable-to-improving** trajectory, provided the "cleaned" balance sheet can now translate into profitable co-lending growth in FY26.

Part b: governance check matrix

#	Check	Status
1	Audit opinion clean?	—
2	Promoter pledge = 0?	—
3	KMP pay < 5% of PAT?	—
4	RPT quantum < 5% of revenue?	—
5	Board > 50% independent?	—
6	At least 1 woman director?	—
7	No statutory dues outstanding?	—
8	No fraud reported?	—
9	Audit trail enabled?	—
10	Frequent Auditor change	—

Final line: "Total: 8/10 — Governance Rating: 4"

Part c: investor verdict

Thesis: Sammaan Capital is a "reborn" NBFC-ICC that has successfully "kitchen-sinked" its legacy wholesale baggage to emerge as a capital-light, tech-enabled mortgage origination engine.

Overall stance: Watch

Rationale: While the balance sheet cleanup is positive, investors should wait for one quarter of "clean" P&L growth to validate the new co-lending model's profitability. Re-evaluate when: ROE exceeds 10% on a consolidated basis for two consecutive quarters. BULL CASE: Rapid scaling of co-lending AUM leads to ROA > 3% and a credit rating upgrade to 'AA'. BEAR CASE: Further slippages in the transferred wholesale book (□2,333 Cr provision) prove insufficient, requiring more capital. Key monitorable: Velocity of co-lending originations: Current □13,338 Cr assigned → Watch for >20% growth.

7. Year-over-year analysis

7.1 Changes

Metric / theme	Summary a status	Summary b status	Forensic takeaway
Cash Flow Profile	Negative CFO of -₹123 Cr due to working capital tie-ups.	Massive Positive CFO of ₹8,772 Cr driven by asset liquidation.	The dramatic swing to positive cash flow confirms the aggressive unwinding of the legacy loan book and non-core receivables.
Earnings Quality	Reported PAT of ₹1,214 Cr, heavily reliant on ₹1,451 Cr in Fair Value gains.	Reported Net Loss of ₹1,807 Cr due to a ₹5,068 Cr "Big Bath" impairment.	Management has abandoned the use of non-cash gains to support PAT in favor of a total balance sheet reset to facilitate the rebranding.
Working Capital (Other Receivables)	Forensic Red Flag: Spiked 357% to ₹3,522.92 Cr.	Normalized: Collapsed 88.6% to ₹400.37 Cr.	The sudden disappearance of the suspicious receivable spike suggests these were legacy wholesale exposures finally written off or settled.
Capital Allocation (Equity)	Raised ₹1,600 Cr via Rights Issue to shore up capital.	Raised ₹1,300 Cr via QIP to offset massive impairment losses.	Persistent reliance on dilutive equity raises indicates that organic operations cannot yet fund the company's deleveraging and cleanup costs.
Management Tone	Defensive "Survival Mode" focused on structural transition.	"Disciplined Optimism" proclaiming the turnaround is complete.	The shift to a growth narrative is premature given that the "improvement" in asset quality was driven by write-offs rather than recoveries.
Liquidity Management	Focused on diversifying funding via Social Bonds.	Tight intra-day liquidity signaled by a 392% spike in Temporary Overdrawn Balances.	Despite massive debt reduction, the spike in overdrawn balances suggests the company is operating with razor-thin liquidity margins during peak repayment cycles.

7.2 Persistent patterns

- **Aggressive Deleveraging Trend:** The company has consistently prioritized massive debt reduction in both periods, reducing total borrowings by over ₹9,600 Cr across two years.
- **Core Revenue Contraction: Interest income from the core loan book remains under severe pressure as the company exits legacy wholesale positions faster than it can scale retail co-lending.**
- **Asset-Light Strategic Pivot:** A recurring reliance on the co-lending model and off-balance sheet assignments (₹13,338 Cr) remains the primary path for future AUM growth.
- **High Governance Standards: The board-run, de-promoterized structure with 0% promoter pledging and high independent representation remains a stable and significant positive for the investment thesis.**
- **Regulatory Compliance Pressure:** Consistent 100% impairment of AIF investments across both years reflects a permanent and forced alignment with strict RBI "evergreening" circulars.
- **Refinancing-to-Survive Cycle: The company remains locked in a pattern of using asset sell-downs and fresh equity to meet a massive, persistent debt maturity wall.**
- **Sub-Par Return Metrics:** ROE and ROCE remain consistently below the cost of capital, reflecting a balance sheet that is still being optimized rather than utilized for growth.