Sammaan Capital Ltd — FY 2024 Annual Report Analysis

Annual Report Analysis (Consolidated)

Source: CRORES. All figures Crores. Pipeline: v5-Gemini — W1a → W3 → W1b+W2+W2F (parallel, notes-injected) → Merge.

Investor Snapshot

#	Analytical Point	Sentiment
1	**Sammaan Capital is transitioning to an asset-light origination model, successfully de-promoterizing into a board-run entity with 62.5% independent directors.**	□
2	***Core revenue remains under pressure as Interest on Loans fell 11.61% YoY, reflecting a contracting loan book and a shift away from traditional lending.***	□
3	***Operating margins are strained by a 20% spike in employee costs despite falling revenues, increasingly funded through dilutive ESOP-based compensation.***	□
4	***Reported PAT growth of 8% is of low quality, as it was entirely sustained by 1,451 Cr in non-cash fair value gains and 104 Cr in tax refunds.***	□
5	**Aggressive deleveraging has reduced total borrowings by □3,910 Cr, successfully bringing the Debt/ Equity ratio down to a more manageable 2.45x.**	□
6	***Cash Flow from Operations (CFO) collapsed from 4,001 Cr to - 123 Cr, driven by a massive 1,980 Cr working capital drain.***	□
7	***Capital allocation is currently defensive, with a 1,600 Cr Rights Issue utilized for debt repayment and survival rather than growth-oriented capex.***	□
8	***A 357% spike in "Other Receivables" to 3,522.92 Cr represents a significant forensic red flag and a major tie-up of corporate liquidity.***	□
9	**Governance has reached a high standard with a clean audit opinion, zero promoter pledges, and a diversified funding base via $350M in Social Bonds.**	□
10	***Asset quality risks persist as impairment charges rose 15.38% despite a smaller book, indicating potential volatility in the underlying loan portfolio.***	□
11	The outlook depends on the successful scaling of the co-lending model to drive ROE above 12% without further reliance on equity dilution.	□
12	Investment Stance: WATCH; key monitorables include the reduction of Other Receivables below □1,500 Cr and the normalization of the CFO/PAT ratio.	□

1. BUSINESS OVERVIEW (In Bullet Points)

- **Business Segments:** Sammaan Capital (formerly Indiabulls Housing Finance) has pivoted from a traditional "buy and hold" lender to a tech-enabled, service-oriented "Asset-Light" originator focusing on Affordable Housing and MSME/LAP (Loan Against Property).
- **Revenue Drivers:** Core revenue is driven by **Interest on Loans** (77.5% of total), supplemented by a growing reliance on "spread and fee" income from loan sell-downs, securitization, and co-lending partnerships.

- **Cost Drivers:** Dominant costs include **Finance Costs** (62% of revenue) and **Employee Benefit Expenses**, with a strategic shift toward ESOP-based compensation to moderate cash wage increments.
- **Industry Position:** Positioning as a leading independent "at scale" mortgage player following the exit of HDFC Ltd from the NBFC space; currently categorized as an "Upper Layer" NBFC by the RBI.
- **Expansion Plans:** Focused on a "land grab" strategy in wholesale and high-ticket retail segments using a digital-first platform to scale without heavy physical infrastructure.
- **Acquisitions & Divestments:** Completed the divestment of its mutual fund business (IAMCL & ITCL) for □175.62 Cr in May 2023 to focus entirely on the housing finance core.
- **Geographical Presence:** Targeting the "self-employed" segment across India with minimal documentation requirements to capture higher-yield niches.
- **Capacity & Funding:** Funding mix has shifted significantly, with 37% now coming from loan sell-downs and securitization; successfully raised □3,693 Cr via a Rights Issue and $350M through Social Bonds to manage the "maturity wall."

2. MANAGEMENT COMMENTARY & OUTLOOK

- **Strategic Pivot:** Management is committed to the "Asset-Light" model, transitioning the company from a balance sheet lender to a manager of assets for partner banks.
- **Institutionalization:** The rebranding to "Sammaan Capital" is intended to remove the legacy "promoter-led" stigma and signal a shift toward professional, board-run management.
- **Growth Guidance:** Transitioning from "Survival Mode" (FY19–23) to "Growth Mode" (FY24 onwards), leveraging the vacuum left by HDFC Ltd's merger.
- **Cost Management:** Explicit strategy to use the Employee Stock Benefit Scheme 2024 (9.69% potential dilution) to keep annual wage increments in check and preserve cash flow.
- **Governance Alignment:** Introduced clawback and malus provisions for senior management ESOPs, linking compensation to long-term asset quality rather than just origination volume.
- **Demand Environment:** High conviction in the Affordable Housing and MSME segments, viewing these as high-yield niches where banks require NBFC underwriting expertise.
- **Refinancing Strategy:** Continuous focus on diversifying funding sources, including international Social Bonds and domestic NCD authorizations (□30,000 Cr) to manage heavy redemption cycles.
- **Tech-Platform Vision:** Betting on an end-to-end digital platform to maintain a low cost-to-income ratio (24.1%), enabling scale without traditional "bricks and mortar" expenses.
- **Management Tone: Confident but Compensatory.** Management projects a "turnaround complete" image through successful capital raises and rebranding. However, the heavy reliance on equity-linked compensation and the aggressive "Asset-Light" pivot suggest a lingering need to protect the cash P&L and manage high leverage through partner dependency.

3. FINANCIAL ANALYSIS

3.1 Financial Statements

Source: Screener.in — all monetary values in Crores. Use these numbers directly.

P&L Statement (Crores)

Line Item	Mar 2024	Mar 2023
Revenue -	8,579.00	8,719.00
Sales Growth %	-1.61	-2.99
Interest	5,307.00	5,636.00
Expenses -	1,582.00	1,400.00
Manufacturing Cost %	0.00	0.00
Employee Cost %	7.00	6.00
Other Cost %	11.00	10.00
Financing Profit	1,690.00	1,683.00
Financing Margin %	20.00	19.00
Other Income -	41.00	8.00
Exceptional items	-5.16	4.02
Other income normal	45.71	4.45
Depreciation	85.00	86.00
Profit before tax	1,646.00	1,606.00
Tax %	26.00	30.00
Net Profit -	1,214.00	1,130.00
Profit from Associates	0.00	0.00
Minority share	0.00	0.00
Exceptional items AT	-4.00	3.00
Profit excl Excep	1,218.00	1,127.00
Profit for PE	1,218.00	1,127.00
Profit for EPS	1,214.00	1,130.00
Profit Growth %	8.00	-4.00
EPS in Rs	16.44	15.97
Dividend Payout %	9.00	5.00

Balance Sheet (Crores)

Line Item	Mar 2024	Mar 2023
Equity Capital	113.00	90.00
Reserves	19,679.00	17,272.00
Borrowing	48,493.00	52,403.00
Other Liabilities -	4,774.00	5,180.00
Non controlling int	0.00	0.00
Trade Payables	3.00	4.00
Other liability items	4,771.00	5,177.00
Total Liabilities	73,060.00	74,945.00
Fixed Assets -	325.00	433.00
Land	0.42	0.42
Building	82.57	391.26
Equipments	25.90	24.47
Computers	60.53	65.51
Furniture n fittings	33.31	30.29
Vehicles	88.11	86.93
Intangible Assets	0.00	57.83
Other fixed assets	372.94	111.81
Gross Block	663.78	768.52
Accumulated Depreciation	338.33	335.97
CWIP	0.00	0.00
Investments	7,192.00	5,370.00
Other Assets -	65,542.00	69,142.00
Trade receivables -	15.00	28.00
Receivables over 6m	2.33	1.08
Receivables under 6m	13.14	27.34
Cash Equivalents	4,424.00	5,232.00
Loans n Advances	992.00	1,422.00
Other asset items	60,111.00	62,460.00
Total Assets	73,060.00	74,945.00

Cash Flow Statement (□Crores)

Line Item	Mar 2024	Mar 2023
Cash from Operating Activity -	-123.00	4,001.00
Profit from operations	1,439.00	704.00
Receivables	-1,980.00	-914.00
Payables	-1,746.00	1,001.00
Loans Advances	-902.00	2,645.00
Working capital changes	-4,627.00	2,732.00
Interest paid	2,770.00	1,142.00
Direct taxes	0.00	-578.00
Advance tax	0.00	0.00
Other operating items	295.00	0.00
Cash from Investing Activity -	1,590.00	884.00
Fixed assets purchased	-59.00	-49.00
Fixed assets sold	3.00	6.00
Capital WIP	0.00	0.00
Investments purchased	-590.00	0.00
Investments sold	0.00	644.00
Interest received	2,308.00	150.00
Dividends received	0.00	0.00
Invest in subsidiaries	0.00	0.00
Investment in group cos	0.00	0.00
Redemp n Canc of Shares	0.00	0.00
Acquisition of companies	0.00	0.00
Other investing items	-72.00	134.00
Cash from Financing Activity -	-2,383.00	-9,142.00
Proceeds from shares	1,600.00	1.00
Proceeds from debentures	0.00	0.00
Redemption of debentures	-4,419.00	-4,836.00
Proceeds from borrowings	1,238.00	0.00
Repayment of borrowings	-680.00	-4,248.00
Dividends paid	-59.00	-1.00
Financial liabilities	-63.00	-59.00
Share application money	0.00	0.00
Other financing items	0.00	0.00
Net Cash Flow	-916.00	-4,257.00
Free Cash Flow	-179.00	3,957.00
CFO/OP	-2.00	63.00

3.2 Financial Analysis Summary

- **Revenue** declined by **1.61%** to **₹8,579.00 Cr**, primarily driven by an **11.61%** YoY drop in core **Interest on Loans** to **₹6,609.67 Cr**, signaling a shrinking loan book as **Total Assets** contracted from **₹74,945.00 Cr** to **₹73,060.00 Cr**.
- **PAT** grew by **8.00%** to **₹1,214.00 Cr** despite falling core income, heavily supported by a **251.94%** surge in "**Net gain on fair value changes**" to **₹1,451.77 Cr** and a one-time **₹104.19 Cr** interest on income tax refunds, indicating low earnings sustainability.
- **Employee Cost %** rose to **7.00%** of **Revenue** as absolute costs increased **20.26%** to **₹619.07 Cr**, impacted by "**Share Based Payments**" swinging to a **₹22.10 Cr** expense while **Revenue** was under pressure.
- **Finance Cost** of **₹5,307.00 Cr** remains the dominant expense, consuming **61.86%** of **Revenue**, though absolute costs fell alongside a reduction in **Borrowing** from **₹52,403.00 Cr** to **₹48,493.00 Cr** on the **Balance Sheet**.
- **CFO** deteriorated sharply to **-₹123.00 Cr** from **₹4,001.00 Cr**, largely due to a massive **357%** spike in "**Other Receivable (Financial)**" to **₹3,522.92 Cr**, which acted as a **₹1,980.00 Cr** drag in the **Cash Flow Statement** working capital changes.
- **Working Capital** management shows significant stress with **Working Capital Days** at **2,557.41**, as the business is tied up in non-core dues and settlements, evidenced by the **₹34.24 Cr** addition to "**Investment Property**" via loan settlements.
- **Total Debt** levels improved with a **Debt/Equity** reduction to **2.45x**, supported by **₹4,419.00 Cr** in **Redemption of debentures** and a **₹1,600.00 Cr** capital infusion from a Rights Issue and treasury share sales.
- **Investments** increased to **₹7,192.00 Cr**, but quality is a concern as the company took a **100% impairment** of **₹73.58 Cr** on **AIF investments** following RBI circulars on "evergreening" and faces a pending dispute with MMTC over ICEX shares.
- **Asset Quality** signals are mixed; while **Borrowing** is being repaid, **Impairment on Financial Instruments** rose **15.38%** to **₹768.44 Cr** and **Stage 2 loans** ("Good" category) shrank significantly from **₹5,558.04 Cr** to **₹2,329.63 Cr**, suggesting potential slippages.
- **FCF** turned negative at **-₹179.00 Cr**, compared to **₹3,957.00 Cr** in the prior year, as the **₹59.00 Cr Capex** and massive working capital outflows outpaced the **₹1,439.00 Cr Profit from operations**.
- **ROE** and **ROCE** remain subdued at **6.13%** and **10.18%** respectively, as the company's **Asset Turnover** of **0.12x** reflects an inefficiently utilized balance sheet that is currently focused on deleveraging rather than growth.
- **Net Worth** increased to **₹19,792.00 Cr**, but **Deferred Tax Assets** of **₹724.76 Cr** are heavily reliant on future profits to recover impairment allowances, posing a risk if core **Revenue** continues to slide.
- The company's liquidity strategy shifted toward an "asset-light" model with **Securitisation Liability** increasing **13.09%** to **₹10,194.35 Cr**, effectively selling off high-quality loan assets to meet heavy repayment obligations.
- **Other Assets** analysis reveals that the **₹3,522.92 Cr** in **Other Receivables** is the most critical forensic red flag, representing a massive build-up of dues outside the core loan book that has severely impacted liquidity.
- **Other Liabilities** decreased as the company cleaned up miscellaneous payables, but **Statutory Dues Payable** rose **16.71%** to **₹419.54 Cr**, warranting monitoring.
- **Other Expenses** remained relatively stable, though **Legal and Professional charges** (₹65.61 Cr) and **CSR expenses** (₹28.49 Cr) continue to be significant non-operating outlays.
- The dominant financial theme of the year is a **forced deleveraging and capital-raising cycle** where reported profitability is being sustained by non-core fair value gains and tax refunds while core cash generation has stalled due to a massive build-up in unexplained receivables.

3.3 Contingent Liabilities & Commitments

- **Undrawn Loan Commitments:** ₹1,171.65 Cr (FY24) vs ₹1,085.54 Cr (FY23). The company maintains a provision of only ₹4.36 Cr against these exposures.
- **Capital Commitments:** Capital advances for tangible assets stand at ₹2.22 Cr and ₹5.21 Cr for intangible assets.
- **Litigation (MMTC):** A long-standing dispute with MMTC regarding the sale of shares in Indian Commodity Exchange Limited (ICEX) remains pending before the NCLT. A reversal could impact investment values.
- **Tax Disputes:** Deferred Tax Assets of ₹724.76 Cr are contingent on future taxable profits, which are currently under pressure.

3.9 Earnings Quality & Forensic Checks

#	Check	Impact	Status	Evidence	Notes Detail
1	PAT vs CFO trend	Profit ↓ — earnings overstate cash; □4,627 Cr working capital drain prevents CFO conversion.	□	PAT □1,214 Cr vs CFO -□123 Cr.	Note 11: Spike in "Other Receivables" absorbs operating liquidity.
2	Receivables & channel-stuffing signal	Profit ↑↓ — liquidity risk; 357% jump in other receivables suggests non-core dues accumulation.	□	Other Receivables □3,522 Cr (FY24) vs □771 Cr (FY23).	Note 11: Massive build-up in non-trade financial receivables is unexplained.
3	Revenue timing	Revenue ↑↓ — timing risk; □709 Cr interest-only strip receivable depends on future securitization performance.	□	Interest-only strip receivable at □709.24 Cr.	Note 11 & 13: Revenue includes non-cash accruals from loan assignments.
4	Revenue from related parties %	Neutral — capital infusion via treasury share sales impacts equity, not P&L revenue.	□	Securities premium increased by □237.58 Cr via EWT.	Note 22(15): Pragati EWT sold 1.46 Cr shares in open market.
5	Inventory vs revenue growth	Revenue ↓ — shrinking loan book by 5% YoY drives 11.6% core interest decline.	□	Loans □53,012 Cr (-5%) vs Interest Income -11.6%.	Note 23: Core interest income pressure as the loan book contracts.
6	Inventory valuation method change	Neutral — consistent application of Ind AS 109 ECL model for loan impairment.	□	ECL model uses 4-point grading (Stage 1 to 3).	Note 3(3): Management uses qualitative factors like LTV and project progress.
7	Exceptional items in operating profit	Profit ↑ — non-operational gain; □104 Cr tax refund interest inflates PAT by 8.5%.	□	Other income normal □45.71 Cr; Tax refund interest □104 Cr.	Note 26: One-time interest on income tax refunds supports current earnings.
8	Depreciation rate vs useful life policy	Neutral — depreciation remains stable at □85 Cr despite significant building asset disposals.	□	Depreciation □85 Cr; Building assets fell from □391 Cr to □82 Cr.	Balance Sheet: Fixed assets reduced via disposals/ reclassifications.
9	Provision reversals boosting PAT	Profit ↑ — non-cash gains; □1,451 Cr fair value surge offsets core interest income decline.	□	Fair value gains □1,451 Cr vs □412 Cr YoY.	Note 23 & 25: Volatile fair value changes represent 17% of total revenue.
10	Tax rate consistency + cash tax vs P&L tax	Profit ↑ — cash flow divergence; zero direct tax paid despite □1,646 Cr reported PBT.	□	Tax rate 26%; Direct taxes in CFO is □0 Cr.	Cash Flow Statement: Significant gap between P&L tax and actual cash tax.
11	CWIP age and stalling projects	Neutral — zero capital work-in-progress indicates no risk from stalled internal infrastructure projects.	□	CWIP balance is □0.00 for FY24 and FY23.	Balance Sheet: No capital intensive projects currently under development.
12	Deferred tax asset recognition adequacy	Profit ↑ — valuation risk; DTA recoverability depends on future profits amid shrinking core income.	□	Deferred Tax Asset (DTA) stands at □724.76 Cr.	Note 31: DTA is largely supported by impairment allowances on financial assets.
13	RPT quantum and trend	Neutral — equity bolstered by □237 Cr treasury share sale via Employee Welfare Trust.	□	Rights issue □1,210 Cr; EWT share sale □237.58 Cr.	Note 22(15): Use of treasury shares to raise capital without direct dilution.
14	Dividend paid vs FCF adequacy	Neutral — liquidity strain; dividend paid despite negative free cash flow of □179 Cr.	□	Dividend □59 Cr vs Free Cash Flow -□179 Cr.	Cash Flow Statement: Dividends are funded via financing/capital, not operations.

#	Check	Impact	Status	Evidence	Notes Detail
15	Auditor KAM: ECL Subjectivity	Profit ↑↓ — Management overlays in Stage 2 portfolio (which shrank 58%) create subjectivity risk.	□	Stage 2 loans fell from □5,558 Cr to □2,329 Cr.	KAM: Auditor flagged complexity of Internal Rating Model and qualitative factors.
16	Auditor KAM: De-recognition	Revenue ↑↓ — Risk of masking debt off-balance sheet if "risks and rewards" transfer is misjudged.	□	□12,244.47 Cr of loans assigned/ securitized.	KAM: Auditor focused on judgment regarding transfer of substantial risks.
17	AIF Evergreening Check	Profit ↓ — 100% impairment of AIF investments suggests prior regulatory "evergreening" concerns.	□	□73.58 Cr impairment on AIF investments.	Note 10: Compliance with RBI circular on AIF investments.

4. MANAGEMENT & GOVERNANCE

A. Auditor Report & Key Audit Matters * **Audit Opinion Type:** Unqualified. * **KAM - Expected Credit Loss (ECL):** The auditor flagged the complexity of the Internal Rating Model and the subjectivity of qualitative factors like "Project progress" and "LTV." Forensic risk lies in the management overlays for the Stage 2 portfolio, which saw high volatility, shrinking from □5,558.04 Cr to □2,329.63 Cr. * **KAM - De-recognition of Financial Assets:** Focused on the transfer of "substantial risks and rewards" for □12,244.47 Cr of assigned/securitized loans. Improper judgment here could result in debt being masked off-balance sheet. * **Auditor Change:** The company is proposing the appointment of M/s. Nangia & Co. LLP and M/s. M Verma & Associates as new Joint Statutory Auditors, replacing S.N. Dhawan & CO LLP and Arora & Choudhary Associates. * **Auditor Fees:** Total fees paid to retiring auditors were □2.31 Cr. Proposed remuneration for new auditors is □1.80 Cr and □0.60 Cr respectively.

B. Related Party Transactions | Party | Relationship | Nature | Amount (□Cr) | Concern | | :--- | :--- | :--- | :--- | :--- | | ***Pragati EWT*** | Employee Welfare Trust | Sale of Treasury Shares | 237.58 Cr | □Non-dilutive capital raise | | **Pragati EWT** | Employee Welfare Trust | Loan Repayment to Trust | 1.46 Cr | □Settlement of dues | | **Subsidiaries** | Group Entities | Guarantee Income | 10.87 Cr | □Arm's length |

- **Note 22(15):** Pragati EWT sold 14,600,000 shares in the open market to bolster the Securities Premium account. While non-dilutive, using an EWT to manage equity levels requires high transparency.
- **AIF Provisioning:** 100% impairment (□73.58 Cr) on AIF investments following RBI circulars on "evergreening" suggests prior structures were under regulatory scrutiny.

C. Shareholding | Shareholding Pattern | Mar 2024 | Mar 2023 | | :--- | :--- | :--- | | **Promoter** | 0.00 | 0.00 | | **FII** | 21.00 | 23.00 | | **DII** | 13.00 | 13.00 | | **Public** | 66.00 | 64.00 | * **Promoter Pledging:** 0.00% (The company is de-promoterized and board-run).

D. Board Composition + KMP Compensation * **Total Directors:** 8 | **Independent %:** 62.5% | **Women Directors:** 1 (Mrs. Shefali Shah). * **KMP Compensation:** Sachin Chaudhary (COO) remuneration is capped at □4.80 Cr p.a. Aggregate employee benefit expenses rose **20.26%** to □619.07 Cr, significantly outstripping the **1.61%** decline in revenue. * **ESOP Impact:** "Share Based Payments" swung from a credit of (□2.62) Cr to an expense of □22.10 Cr, indicating a shift toward stock-linked compensation for KMPs to preserve cash.

F. Capital Allocation & Capex | Action | FY Current (□Cr) | FY Prior (□Cr) | % of CFO | Signal | | :--- | :--- | :--- | :--- | :--- | | **Dividends** | 59.00 Cr | 1.00 Cr | N/M | **Positive** | | **Capex** | 59.00 Cr | 49.00 Cr | N/M | □| | ***Net Debt Change*** | -3,910.00 Cr | -8,956.00 Cr | N/M | □| | ***Interest Payments*** | 2,770.00 Cr | 1,142.00 Cr | N/M | □| | **Equity Issuance** | 1,600.00 Cr | 1.00 Cr | N/M | **Positive** | | ***Impairments*** | 768.44 Cr | 666.00 Cr | N/M | □|

CAPEX ANALYTICAL NOTES: * **CFO Coverage of Capex:** CFO/Capex is -2.08. Capex is entirely funded by the Rights Issue proceeds rather than operations. * **Nature of Capex:** Maintenance-heavy; **Building assets dropped by □308.69 Cr** due to reclassifications or sales, while "Other fixed assets" rose by □261.13 Cr. * **Deployment Efficiency: Revenue fell 1.61%** despite the capital infusion, showing that new capital is being used to shore up the balance sheet rather than drive immediate top-line growth.

H. Risks * 1. ***Regulatory (NBFC-UL)***: Categorized as NBFC-Upper Layer; leads to increased compliance costs and tighter capital norms. (□High Impact) * 2. ***Liquidity Concentration***: Heavy concentration of NCD redemptions in 2026-2027; requires constant asset sell-downs to meet obligations. (□High Impact) * 3. ***Asset Quality (Stage 2)***: Stage 2 portfolio volatility (shrank 58% YoY); potential slippage to Stage 3. (□Medium Impact) * 4. ***Other Receivables Spike***: **357% jump in "Other Receivable" to □3,522.92 Cr; indicates liquidity tie-up in unexplained non-core items.** (□High Impact) * 5. ***Interest Rate Sensitivity***: Core interest income down 11.61%; risk of margin compression if cost of funds stays high. (□Medium Impact)

5. SCORECARD & VERDICT

Part A: Scorecard

Dimension	Rating (1–5)	Delta	Key Evidence	One-line Rationale
Business Quality	3	→	Asset-light pivot; 11.6% drop in core interest income.	Transitioning to a service model but core lending is shrinking.
Financial Health	2	↓	D/E 2.45x; CFO -□123 Cr; FCF negative.	High debt repayment pressure and negative cash flow from operations.
Earnings Quality	2	↓	PAT supported by □1,451 Cr FV gains; □3.5k Cr Other Receivables spike.	Core earnings are weak; PAT is inflated by non-cash/non-core items.
Management & Governance	4	↑	De-promoterized; 62.5% Independent Board; Clean Audit.	Significant improvement in structure and board independence.
Capital Allocation & Earnings Visibility	2	↓	ROCE 10.18%; Capex funded by Rights Issue; Revenue declining.	Capital is being used for deleveraging rather than growth-driving capex.

BUSINESS POSITIVES (for this company this year) * □**Debt Reduction:** Successfully reduced **Borrowings** by **□3,910 Cr** and **Debt/Equity** to **2.45x**. * □**Capital Infusion:** Raised **□1,600 Cr** via Rights Issue and treasury share sales to bolster **CRAR**. * □**Governance Overhaul:** Transitioned to a fully board-run, de-promoterized structure with **62.5% independent directors**. * □**Liquidity Management:** Successfully issued **$350M Social Bonds** to diversify funding and manage the maturity wall. * □**Strategic Focus:** Divested non-core mutual fund business for **□175.62 Cr** to focus on housing finance.

BUSINESS NEGATIVES / CONCERNS (for this company this year) * □**Cash Flow Stress: CFO** turned negative at **-□123 Cr** from **□4,001 Cr** in the prior year. * □**Forensic Red Flag: Other Receivables** spiked **357%** to **□3,522.92 Cr**, tying up massive liquidity. * □**Earnings Sustainability: PAT** growth of **8%** was entirely driven by **□1,451 Cr** in fair value gains and **□104 Cr** in tax refunds. * □**Core Revenue Decline: Interest on Loans** fell **11.61%** YoY, signaling a shrinking core business. * □**Equity Dilution:** Proposed **9.69% ESOP dilution** to fund payroll, following a massive Rights Issue. * □**Asset Quality Risk: Impairment charges** rose **15.38%** despite a smaller loan book; Stage 2 loans shrank **58%.**

OVERALL SCORECARD SUMMARY Sammaan Capital is in a high-stakes transition phase, successfully improving its governance posture and capital adequacy through aggressive deleveraging and equity raises. However, its financial strength is currently fragile, with negative operating cash flows and a heavy reliance on non-core fair value gains to sustain reported profits. While the governance trajectory is improving, the capital allocation discipline is currently focused on survival and debt repayment rather than value-accretive growth, leading to a stable but high-risk trajectory.

Part B: Governance Check Matrix

#	Check	Status	Evidence
1	Audit opinion clean?	□	Unqualified opinion (p.178).
2	Promoter pledge = 0?	□	Company is de-promoterized; 0% pledge.
3	KMP pay < 5% of PAT?	□	COO pay □4.80 Cr is ~0.4% of PAT.
4	RPT quantum < 5% of revenue?	□	RPTs at 2.91% of revenue.
5	Board > 50% independent?	□	62.5% (5 out of 8 directors).
6	At least 1 woman director?	□	Mrs. Shefali Shah on board.
7	No statutory dues outstanding?	□	Statutory dues payable rose 16.7% to □419.54 Cr.
8	No fraud reported?	□	No fraud reported in auditor's report.
9	Audit trail enabled?	□	Confirmed in auditor's report.
10	Frequent Auditor change	□	Proposing new Joint Statutory Auditors for FY25.
Final line: "Total: 8/10 □— Governance Rating: 4"			

Part C: Investor Verdict

THESIS: Sammaan Capital is a de-risked, board-run "Asset-Light" origination platform navigating a massive deleveraging cycle.

OVERALL STANCE: WATCH

RATIONALE: Governance has improved significantly, but core cash flow and earnings quality remain under severe stress due to unexplained receivable spikes and non-core profit drivers. RE-EVALUATE WHEN: Other Receivables (Financial) drop below □1,000 Cr AND CFO/PAT exceeds 0.8x. BULL CASE: Successful scaling of the co-lending model drives ROE > 12% without further equity dilution. BEAR CASE: A major co-lending partner exits, or Stage 2 loan volatility results in a massive Stage 3 spike, wiping out capital. KEY MONITORABLE: Other Receivables (Financial): □3,522.92 Cr → Watch for reduction below □1,500 Cr.

7. YEAR-OVER-YEAR ANALYSIS

7.1 Changes

Metric / Theme	Summary A Status	Summary B Status	Forensic Takeaway
Cash Flow Generation	Positive CFO of □4,001 Cr driven by loan book liquidation.	Negative CFO of -□123 Cr driven by working capital drain.	The transition to negative operating cash flow despite asset sales indicates a severe breakdown in liquidity conversion.
Earnings Quality Drivers	PAT supported by a □525 Cr non-routine reserve withdrawal.	PAT supported by □1,451 Cr in Fair Value gains and □104 Cr tax interest.	Management has shifted from reserve accounting maneuvers to volatile mark-to-market gains to mask a double-digit decline in core interest income.
Working Capital Anomalies	Other Receivables stood at a manageable □771 Cr.	Other Receivables spiked 357% to □3,522.92 Cr.	This massive, unexplained build-up in non-core financial dues represents a primary forensic red flag for potential asset side-pocketing or liquidity tie-ups.
Capital Allocation Source	De-leveraging funded primarily through internal asset harvesting.	De-leveraging and liquidity supported by a □1,600 Cr Rights Issue.	The pivot to dilutive equity raises suggests that organic loan book liquidation is no longer sufficient to meet the company's heavy debt maturity obligations.
Management Tone	Focused on "Survival Mode" and structural regulatory transition.	Proclaiming "Turnaround Complete" and a shift to "Growth Mode."	There is a stark disconnect between management's growth narrative and the reality of a shrinking loan book and deteriorating cash flow metrics.
Margin Trajectory	Interest coverage thin at 1.29x; ROE at 6.51%.	Interest coverage remains stressed; ROE dropped to 6.13%.	Despite massive de-leveraging, the company has failed to translate a leaner balance sheet into improved shareholder returns.

7.2 Persistent Patterns

- **Sustained Loan Book Contraction:** The core business continues to shrink, with interest income and total assets declining in both periods as the company prioritizes debt repayment over new originations.
- **Aggressive De-leveraging Trend:** A consistent and successful multi-year effort to reduce total borrowings and improve Debt/Equity ratios remains the primary financial activity.
- **Reliance on Non-Core PAT Support: Reported profitability in both years is heavily dependent on non-routine accounting entries (reserve transfers in FY23, fair value gains in FY24) rather than core lending spreads.**
- **High Governance Standards:** The board-run, de-promoterized structure with 62.5% independence has remained stable, providing a consistent check against legacy promoter risks.
- **Asset-Light Structural Pivot: A recurring strategic shift toward off-balance sheet funding (co-lending and sell-downs) continues, moving the business model toward a fee-based service entity.**
- **Subdued Return Metrics:** ROE and ROCE remain consistently below the cost of equity, reflecting an inefficiently utilized capital base during the transition phase.
- **Heavy Refinancing Requirements: The company remains locked in a "Refinance-to-Survive" cycle, characterized by a persistent need to manage a massive near-term debt maturity wall.**