Sammaan Capital Ltd — Aug 2024 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

The punchline. Read this first — it frames everything below.

Result: Inline / Transitionary **One-line:** Sammaan Capital (formerly Indiabulls Housing) has successfully navigated its structural reset via a name change, conversion to an NBFC-ICC, and a massive capital infusion, shifting focus entirely to an asset-light retail model.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	First entry	Results show stability in NPAs and resumption of AUM growth.	□
Earnings Quality	High (Core driven)	NII growth supported by retail disbursals; asset-light model yields higher fee/assignment income.	□
Guidance Confidence	Neutral	Aggressive FY27 targets (□1 Trillion AUM, mid-teen ROE) require significant execution ramp-up.	□
Management Credibility	Neutral	Rebranding and RBI license provide a "clean slate," but legacy book rundown remains a monitoring point.	□
Business Quality Signal	Improving	Transition to NBFC-ICC removes HFC-specific leverage constraints; capital buffers are now robust.	□
Key Q&A Exchange	Q#1 - NPA reporting	Mgmt clarified NPA reporting on AUM basis vs Balance Sheet basis to show asset quality moat.	□
The Street's Primary Anxiety	Legacy Asset "Hit"	Analysts fear deep haircuts in the legacy wholesale/CRE book during the "tactical rundown."	□
Capital Cycle Stage	Consolidation / Re-launch	Rights issue complete; focus on deploying capital to scale asset-light partnerships.	□
Margin / Return Trajectory	Improving	NIMs supported by asset-light fees; RoAA increased to 1.8% from 1.7% YoY.	□
Pricing Power	Stable	Incremental funding costs at 8.5%-9.5% allow competitive retail lending.	□
FCF Conversion & Quality	Distorted	Typical for lenders; liquidity (LCR 211%) is the more relevant metric.	□
Competitive Moat Signals	Stable	26 active partnerships for sell-downs/co-lending act as an "outsourced ALM."	□
Balance Sheet Strength	Strong	Gearing at 1.9x; Net Worth >□20,000 Cr; high provision coverage (11.6% of book).	□
Working Capital Efficiency	N/A	Finance sector: Liquidity and ALM are the efficiency drivers.	□
Mgmt Guidance Track Record	First entry	New "Sammaan" era begins with specific 8-milestone roadmap for FY27.	□
Key Vulnerability / Red Flag	Legacy Concentration	Legacy AUM (pre-FY21) still needs to be reduced by □3,000 Cr/ quarter to meet FY27 targets.	□
Management Tone	Confident / Reset	CEO emphasized "not worrying about capital anymore" and focusing purely on execution.	□

Key Takeaways: Positives: * **Regulatory Milestone:** Secured NBFC-ICC license from RBI, transitioning from an HFC; name changed to Sammaan Capital to signal a cultural reset. * **Capital Fortification:** Rights issue and pending call money (□2,462 Cr) bring total Net Worth toward □22,700 Cr, supporting a massive provision buffer (□6,287 Cr or 11.6% of book). * **Asset-Light Validation:** 37% of AUM is now supported by co-lending/sell-downs; 26 active bank/FI relationships for loan distribution.

Negatives: * **Legacy Overhang:** The "Legacy AUM" (pre-FY21) remains a drag on RoE (currently 7%) until it reaches the target <10% of AUM in FY27. * **Execution Risk:** To hit the □1 Trillion AUM target, quarterly disbursals must scale from □3,115 Cr to □5,000 Cr by Q4FY25 and sustain higher growth thereafter.

Street Concern: The main anxiety remains the "tactical rundown" of the legacy wholesale book. Management responded that current provisions and tactical capital are sufficient to handle this organically without further stress. **Watchpoint:** The collection run-rate of the legacy book (Target: □3,000 Cr/quarter) will be the primary indicator of thesis success over the next 12 months.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS *Data source: PPT primary; Concall for commentary.*

Metric	Current Qtr (Q1FY25)	YoY Change	QoQ Change	Trend	Mgmt Commentary
NII Growth (%)	□927 Cr	64.9%	-	↑	Growth driven by retail disbursals and asset-light fee income.
NIM (AUM basis %)	Not in doc	First entry	First entry	→	Blended yields managed via co-lending (80% bank funded at lower cost).
Cost of Funds %	8.5% - 9.5%	First entry	First entry	→	8.5% for co-lending portion; 9.5% for balance sheet borrowings.
Loans Growth (% YoY)	□54,204 Cr (AUM)	-	First entry	↑	AUM has resumed growth, supported by retail disbursals.
GNPA %	2.68%	First entry	First entry	↑	Stable at 16-quarter lows; reported on an AUM basis.
NNPA %	1.52%	First entry	First entry	↑	Supported by imputed provisions of □6,287 Cr (11.6% of loan book).
Collection Efficiency %	□3,000 Cr/qtr	First entry	First entry	→	Targeted run-rate for legacy book collections to reach FY27 goals.
Capital Adequacy (%)	33.3%	First entry	First entry	↑	Strong buffers following rights issue; gearing at 1.9x.
PAT (□Cr)	□327 Cr	10.5%	2.5%	↑	Profit from continuing operations remains stable.
ROA (%)	1.8%	5.9%	First entry	↑	Improved from 1.7% in Q1FY24; targeting mid-teen ROE by FY27.

2B. SEGMENT BREAKDOWN

Segment	Revenue/AUM (□Cr)	Share of AUM	Trend	vs Co. Avg	Key Development
Retail Mortgage	□28,728 Cr	53%	↑	High Quality	Focus on Mid-Income Affordable Housing; Avg ticket size □25-35 Lakhs.
Commercial Real Estate	□15,719 Cr	29%	↓	Legacy Risk	Being run down "tactically"; focus on Lease Rental Discounting and CF.
Business Loans	□9,757 Cr	18%	→	Stable	Smart City LAP using technology-led cash flow based underwriting.
Legacy AUM	Not stated	Target <10%	↓	High Provision	Pre-FY21 book; targeted to reduce by □3,000 Cr/quarter.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	AUM	□1,00,000 Cr (1 Trillion) by FY27.	Needs ~□4,000 Cr net AUM addition per quarter; Q1 disbursal □3,115 Cr is currently below pace.	First entry	Moderate - scaling disbursals to □5,000 Cr/ qtr by Q4 is critical.
Guidance	ROE	Mid-teen ROE by FY27.	Requires PAT to grow ~2.5x from current levels as equity base is now larger.	First entry	High - dependent on legacy book rundown and fee income scale.
Guidance	Legacy Book	Single digit % of AUM by FY27.	Must collect/exit ~□12,000 Cr of legacy assets annually.	First entry	High - wholesale exits are lumpy and market-dependent.
Guidance	Disbursals	□5,000 Cr/quarter run-rate by Q4FY25.	Increase of 60% from Q1FY25 levels (□3,115 Cr).	First entry	Moderate - dependent on ramping up 26 bank partnerships.
Strategy	Structure	Unveil new corporate structure in Q2FY25.	Merging 6 subsidiaries; identifying fee-based businesses.	First entry	Low - procedural but signals shift to capital-efficient model.
Balance	Capital	Call money (□2,462 Cr) collection by Aug 22.	Procedural; management expresses "supreme confidence."	First entry	Low - rights issue was well-supported.

4. ANALYST Q&A

Q#	Relevance	Analyst	Theme	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
1	4.0	Abhiram Iyer (Deutsche)	NPA Reporting	Financials	Difference between 3.4% GNPA in financials vs 2.7% in presentation.	Management clarified that the presentation reports NPAs as a percentage of AUM (including sold-off book) to demonstrate credit quality, whereas statutory filings use "own book." This implies that the total credit pool is performing better than the retained risk suggests, a positive for sell-down partners.	None	4.0	Quantified & Clear
2	4.5	Abhiram Iyer (Deutsche)	Cost of Funds	Financials	Current incremental funding costs and availability of capital.	Management stated incremental costs are ~8.5% for co-lending and ~9.5% for balance sheet, noting capital flow has become "abundant" post-rebranding. Lowering the cost of capital is critical for retail competitiveness; management expects a material decline in 6-12 months.	None	4.0	Directional with data
3	3.5	Abhiram Iyer (Deutsche)	Capital Raise	Capex & Alloc.	Status of call money collection for the rights issue.	Management expressed "supreme confidence" that the □2,462 Cr would be in the escrow account by August 22. This secures the capital buffer needed for the	None	5.0	Verifiable

Q#	Relevance	Analyst	Theme	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
						legacy book rundown without further dilution.			
4	5.0	Shekhar Singh (Excelsyor)	Legacy Book	Management Outlook	Definition and impact of "tactical rundown" of the legacy book.	Management explained that "tactical" means an organic, planned rundown using existing provisions and capital to ensure exits don't disrupt the balance sheet. This is the central risk factor; the investment implication is that the provision buffer (11.6%) acts as a shield against further P&L hits.	None	3.5	Vague on "hit" size
5	3.0	Shekhar Singh (Excelsyor)	Dividends	Capex & Alloc.	Future dividend policy.	Management aims to return to a 30%-40% profit payout ratio once the FY27 milestones are firmly on track. This signals a return to the company's historical identity as a high-dividend payer once the transition is complete.	None	3.0	Future contingent
6	4.0	Abhiram Iyer (Deutsche)	CRE Mix	Business Overview	Split between Construction Finance and Lease Rental Discounting (LRD).	Management avoided a specific product split, choosing instead to categorize assets as "Legacy" (pre-FY21) vs "New"	Specific split	2.5	Deflected

Q#	Relevance	Analyst	Theme	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
						(Asset-light). This pivot suggests management wants to be judged on the *vintage* of risk rather than the specific commercial asset class.			
7	3.5	Narayan Dwivedi (Stock Insider)	Business Model	Management Outlook	Why choose an asset-light model over lending from the balance sheet?	Management argued that it "outsources ALM risk" and allows lending to prime customers by leveraging the bank partner's lower cost of funds (80% of the loan). This confirms the shift to a fee-income and spread-based model rather than a pure balance sheet play.	None	4.5	Strategic clarity

PATTERN FLAGS & SENTIMENT Analyst questions converged on two primary themes: the discrepancy in NPA reporting and the potential for losses in the legacy book rundown. Management’s posture was one of transparency regarding the "new" book while being firm that the "legacy" book is adequately provisioned. The friction point remains the commercial real estate (CRE) split; management’s refusal to give a granular breakdown of LRD vs. Construction Finance suggests they prefer to focus on the overall vintage of the debt rather than specific asset risks.

Analyst Sentiment Verdict: Analysts appear "cautiously optimistic" but remain skeptical about the legacy book. The rebranding to Sammaan Capital was accepted, but the credibility of the "tactical rundown" will only be proven via quarterly reductions in the wholesale book. The most unresolved issue is the exact quantum of haircuts required to exit the □15,000 Cr+ CRE book.

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5. WHAT CHANGED vs PRIOR QUARTER

First entry — no prior quarter to compare.

What Changed	Prior Quarter	This Quarter	Direction
Entity Name	Indiabulls Housing Finance	Sammaan Capital Limited	Rebranding
Regulatory Status	Housing Finance Company	NBFC-ICC (Upper Layer)	Structural shift
Capital Base	Not in doc	□20,269 Cr Net Worth	↑ Strong
Liquidity Buffer	Not in doc	211% LCR	↑ Strong
AUM Trajectory	Declining/Deleveraging	Resumed Growth (□54,204 Cr)	↑ Positive
Management Focus	Survival/Deleveraging	Execution of 8 FY27 Milestones	↑ Growth

STOP HERE.