Sammaan Capital Ltd — Feb 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Beat (Execution) / Normalized (Profitability) **One-line:** The "structural reset" of Q2 has successfully transitioned into a steady-state growth phase, with the legacy book's accelerated rundown providing massive liquidity while the retail engine begins to show operating leverage.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Beat	Credit costs at 100 bps (mid-point of guidance); Legacy collections beat internal targets.	□
Earnings Quality	High (Core)	Return to PAT of □302 Cr following the Q2 "Big Clean"; no further tactical provisions required.	□
Guidance Confidence	Strong	Reiteration of FY27 targets (□1 Lakh Cr AUM) with granular disbursement ramp-up plans.	□
Management Credibility	Strong	Delivered on the "80-100 bps credit cost" promise made during the Q2 loss disclosure.	□
Business Quality Signal	Improving	Growth AUM now 56% of total; asset-light co-lending generating 3%+ incremental ROA.	□
Key Q&A Exchange	Q#2 - Growth Retention	Mgmt clarified that the 20% retained risk in co-lending is pari-passu, not first-loss.	□
The Street's Primary Anxiety	Legacy Tail Risk	Fear that Q2 provisions weren't enough. Mgmt showed 1.5% static credit cost since 2018.	□
Capital Cycle Stage	Growth / Re-launch	□5,000 Cr equity raised in 12 months; Gearing low at 2.2x; ready to leverage.	□
Return Ratio Trajectory	Improving	Targeting 4% ROA for Sammaan Capital and 5%+ for Sammaan Finserve.	□
Pricing Power	Stable	24 bank partners for sell-downs; 80-130 bps trail income on assigned books.	□
FCF Conversion & Quality	Strong	Legacy book generated □10,000 Cr cash in 9M FY25; LCR at 218%.	□
Competitive Moat Signals	Stable	Standardized credit policy across 7 major co-lending bank partners.	□
Balance Sheet Strength	Strong	Net Worth >□20,000 Cr; Provision cover at 31% on remaining legacy book.	□
Working Capital Efficiency	Improving	Accelerated legacy collections (□5,000 Cr in Q3 alone) vs earlier run-rates.	□
Mgmt Guidance Track Record	Reliable	Consistent delivery on cash flow projections and retail pivot milestones.	□
Key Vulnerability / Red Flag	Brand Litigation	Interim stay on "Sammaan" brand name; potential distraction/ rebranding cost.	□
Management Tone	Confident	Shifted from "rearview mirror" (survival) to "windscreen" (growth) focus.	□

Key Takeaways: * **Positives:** Management successfully navigated the Q2 accounting reset. Profitability has normalized (₹302 Cr PAT) while maintaining the guided credit cost of 100 bps. The balance sheet is fortress-like with a 2.2x gearing and ₹20,000 Cr+ net worth (pre-QIP). The legacy book is no longer a drag but a liquidity source, with Q3 collections matching the entire H1 performance. * **Negatives:** Growth AUM (₹35,000 Cr) is currently growing slower than the legacy book is declining, leading to total AUM contraction. The interim court order on the "Sammaan" brand name introduces an avoidable legal overhang and potential marketing friction. * **Street Concern:** Analysts remain focused on "tail risk" in the legacy book. Management countered this with a static analysis showing only a 1.5% annualized credit cost over 6 years despite IL&FS and COVID, effectively de-risking the perception of the remaining ₹27,000 Cr. * **Watchpoint:** The execution of the disbursement ramp-up. To hit the FY27 target of ₹35,000 Cr annual disbursements, the company must more than double its current run-rate (₹15,000 Cr) over the next 24 months.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS *PPT not available — all numbers sourced from concall transcript.*

Metric	Current Qtr (Q3FY25)	YoY Change	QoQ Change	Trend	Mgmt Commentary
NII Growth (%)	Not in doc	-	-	→	PAT return to black (₹302 Cr) indicates NII stability post-provisioning.
NIM (AUM basis %)	~3.0% - 4.0%	-	-	→	Based on 4% ROA target; spread is managed via trail fees on sell-downs.
Cost of Funds %	9.5% - 10.0%	-	-	→	Incremental CoF for on-balance sheet debt.
Loans Growth (% YoY)	-	-	↓	↓	Total AUM declining as legacy rundown (₹14.3k Cr in 12M) outpaces growth.
GNPA %	1.19%	↓	↓	↑	Lowest in 6 years; significantly down from 2.85% YoY.
NNPA %	0.69%	↓	↓	↑	Down from 1.71% YoY; helped by tactical provisioning in Q2.
Credit Cost (%)	1.00%	-	↓	↑	In line with 80-100 bps guidance; massive drop from Q2's one-off levels.
Collection Efficiency %	~100%	-	↑	↑	Legacy collections reached ₹5,000 Cr in Q3 vs ₹5,053 Cr in H1.
Capital Adequacy %	~34% (Consol)	↑	↑	↑	Bolstered by rights issue and Jan-25 QIP (₹1,300 Cr).
PAT (₹Cr)	₹302 Cr	-	↑	↑	Strong recovery from Q2 loss; annualized run-rate ~₹1,200 Cr.
Growth AUM (₹ Cr)	₹35,000 Cr	↑	↑	↑	Now 56% of total AUM; targeting ₹1,00,000 Cr by FY27.
Legacy AUM (₹ Cr)	₹27,000 Cr	↓	↓	↑	Down from ₹1,20,000 Cr peak; static credit cost at 1.5%.

2B. SEGMENT BREAKDOWN

Segment	AUM (□ Cr)	Share of AUM	Yield	Trend	vs Co. Avg	Key Development
Sammaan Capital (Growth)	□35,000 Cr	56%	10.5%	↑	High ROA	66.4% of book already sold-down/co-lent; 81% residential-backed.
Legacy Book	□27,000 Cr	44%	~12.0%	↓	High Risk	Static credit cost of 1.5%; 31% provision cover (imputed).
Sammaan Finserve (SFL)	□7,250 Cr	12%*	12.5%	↑	Pure Play	Scaling Tier 3/4 reach; targeting □15,000 Cr AUM by FY27.
AIF Platform	~□500 Cr	-	18% IRR	New	High Fee	First deal in-principle; 10-15% sponsor commitment model.
SFL AUM is part of Consol Growth AUM.						

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	AUM (Consol)	□1,00,000 Cr Growth AUM by FY27.	Needs ~□32.5k Cr annual growth; current net growth is ~□10k-12k Cr.	Moderate	High
Guidance	ROA	4.0% for Sammaan Capital (SCL).	Needs cost/income improvement; current incremental ROA is 3.0%-3.2%.	Improving	Moderate
Guidance	Credit Cost	80–100 bps on a steady-state basis.	Achieved 100 bps this quarter (Q3).	Delivered	Low
Guidance	Legacy Collections	□1,650 Cr recoveries in H2FY25.	□600 Cr already lined up for Feb-25; highly feasible.	On track	Low
Strategy	Distribution	300–330 branches by FY27.	Currently 214 branches; needs ~12% growth per year.	Steady	Low
Strategy	Co-lending	60% of disbursements to be assigned.	Already at 66% assignment for Growth Book; model proven.	Consistently met	Low
Balance	Gearing	2.0x to 2.5x range.	Currently 2.2x; extra QIP capital provides further cushion.	Delivered	Low

4. ANALYST Q&A

Q#	Rel.	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Cred.	Verdict
1	5.0	Abhiram Iyer / Deutsche Bank	Asset Quality	Financials	"Could you just elaborate a bit more on is this [NPA reduction] a one-off? How do you see levels going forward?"	Management stated that while tactical provisioning lowered NPAs, a normalized steady-state net NPA will be ~120 bps with 100 bps annual credit cost. Forward credit costs should remain within the 80-100 bps range, ensuring predictable earnings.	None	5.0	Specific & Confirmed
2	4.5	Abhiram Iyer / Deutsche Bank	Structure	Financials	"What I just wanted to understand here is that is about 9%, which is mentioned as retained portion... does this fit as sort of behind the co-lending partner?"	Management clarified that the 20% retained risk in co-lending is pari-passu, meaning no first-loss or senior-junior subordination. This confirms the asset-light model does not carry hidden tail risks for the 20% on-balance sheet portion.	None	5.0	Clear Policy
3	4.0	Rishikesh / RoboCapital	Yields	Financials	"Could you share what is the blended yield on that [growth AUM] and spreads as well?"	Management targeted 10.5% yields for Sammaan Capital and 12-12.5% for Sammaan Finserve, aiming for a 4% ROA. High ROA targets suggest	Spreads (exact)	3.5	Yield Guidance Given

Q#	Rel.	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Cred.	Verdict
						strong fee income from the 80% assigned book rather than pure interest spreads.			
4	3.5	Rishikesh / RoboCapital	Opex	Financials	"Our other expense has gone down... and even our employee expense has gone down... how should we see this on a sustainable basis?"	Management attributed the employee cost drop to the normalization of one-time increments paid in Q2 and noted "other expenses" are volatile due to IFRS 9 ESOP valuations. Sustainable opex should benefit from operating leverage as disbursements scale on existing infrastructure.	Specific run-rate	3.0	Tactical explanation
5	4.5	Megh Shah / Prospero Tree	Model Economics	Financials	"We are raising funds at around 10%... yield for us is around 10.5%... how do we make profit on that?"	Management explained the math of trail fees (80-130 bps) on the 80% assigned book, which acts as a multiplier on the 20% retained portion's ROA. This validates the 4% ROA target despite tight headline spreads.	None	5.0	Mathematical Proof
6	3.0	Damodar / Retail Investor	Valuation	Management Commentary	"When will our company be valued	Management stated they focus on delivering	None	3.0	Standard Response

Q#	Rel.	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Cred.	Verdict
					at 2x or 3x of the book value?"	18% ROE and 3%+ ROA, which should naturally lead to market re-rating. Focus remains on execution and de-risking rather than short-term stock price management.			

PATTERN FLAGS & SENTIMENT Analyst focus has shifted from "Liquidity/Survival" to "Unit Economics/ Scaling." The primary anxiety regarding legacy book "surprises" was addressed by the static 1.5% credit cost analysis, which seems to have neutralized the tail-risk debate. Sentiment is cautiously optimistic; analysts are now testing the "multiplier effect" of the co-lending model to see if 4% ROA is truly sustainable at scale.

Analyst Sentiment Verdict: Analysts appeared reassured by the return to profitability and the adherence to the 100 bps credit cost guidance. The transition of Growth AUM becoming the majority (56%) is a psychological milestone for the Street. Credibility improved as management showed record cash collections (₹5,000 Cr in Q3) from the legacy book, proving that legal recoveries are gaining velocity.

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5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q2FY25)	This Quarter (Q3FY25)	Direction
PAT	Loss of ₹2,761 Cr	Profit of ₹302 Cr	↑ (Normalization)
Credit Cost	14,000 bps (One-off Provision)	100 bps (Guidance)	↑ (Improving Quality)
Legacy Collections	₹5,053 Cr (6 months)	₹5,000 Cr (3 months)	↑ (Velocity Boost)
Ownership	Transition in progress	Institutional-led (Top 5 own 25%)	↑ (Governance)
Brand Status	Rebranded to "Sammaan"	Court stay on brand usage	↓ (Legal Overhang)
Capital Base	Rights issue completed	QIP ($150M) completed	↑ (Fortress BS)
AUM Mix	Growth ~51%	Growth 56%	↑ (Pivot Success)
Legacy Net NPA	1.40% (Consol)	0.69% (Consol)	↑ (Cleanest in 6 Yrs)

Investor Notes: * **Thesis Validation:** The "reset" is working. Management is not just talking about a rundown; they are collecting cash at a record ₹5,000 Cr/quarter pace. ***Earnings Quality:** Profit is now driven by core retail operations and fee income from co-lending, not accounting maneuvers. * **Forensic Watch:** Watch the "Sammaan" brand litigation; if a name change is forced again, it could hurt the retail franchise's customer acquisition cost (CAC). * **Implied Run-rate:** To hit ₹1 Lakh Cr Growth AUM by FY27, net growth must accelerate from current levels. The infrastructure is ready (214 branches), but execution in a competitive home loan market is the key hurdle.

STOP HERE.