

Sammaan Capital Ltd — May 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Beat (Execution) / Inline (Profitability) **One-line:** Sammaan has successfully crossed the "inflection point" where Growth AUM (60% of total) now dominates the narrative, though total AUM contraction persists as the legacy book runs down at record velocity.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Beat	H2 credit costs at 95 bps vs 100 bps guidance; Legacy collections (₹12,834 Cr) beat FY25 targets.	☐
Earnings Quality	High (Core)	PAT of ₹324 Cr driven by 6.2% NIMs and asset-light fee income; no further exceptional provisions.	☐
Guidance Confidence	Strong	Reiteration of FY27 ₹1 Lakh Cr Growth AUM; specific monthly disbursement targets (₹500 Cr for SFL) provided.	☐
Management Credibility	Strong	Delivered on the "100 bps credit cost" promise post-Q2 reset; shored up capital via QIP.	☐
Business Quality Signal	Improving	Shift to 60% Growth AUM; co-lending Acceptance at 95%+; Retail bond base expanded to 88,000 investors.	☐
Key Q&A Exchange	Q#4 - Liability Mix	Mgmt pivoting between CLM, DA, and RMBS to optimize ROA; first RMBS transaction completed May 6.	☐
The Street's Primary Anxiety	AUM Contraction	Fear that total AUM won't grow until FY26. Mgmt confirmed net growth likely in H2FY26.	☐
Capital Cycle Stage	Growth / Re-launch	Gearing at historical low of 1.9x; ₹21,822 Cr net worth provides massive runway to leverage.	☐
Return Ratio Trajectory	Improving	Targeting 14%+ ROE by FY27; current ROE depressed by high equity base (over-capitalized).	☐
Pricing Power	Stable	Borrowing rates down 35 bps; yields stable at 11.5% - 13.0% across segments.	☐
FCF Conversion & Quality	Strong	Legacy book is now a cash cow (₹2,978 Cr in Q4); LCR at 232% (regulatory 100%).	☐
Competitive Moat Signals	Stable	Standardized credit policy across 24 bank partners; tech transformation under new CTO.	☐
Balance Sheet Strength	Strong	Net Worth >₹21,800 Cr; Imputed provision buffer covers 33% of remaining legacy book.	☐
Working Capital Efficiency	Improving	Asset-light model (40% CLM / 30% DA / 30% PTC) keeps the balance sheet lean.	☐
Mgmt Guidance Track Record	Reliable	Consistent delivery on "cleanup" milestones and retail pivot ratios over the last 4 quarters.	☐
Key Vulnerability / Red Flag	Regulatory Structure	Sammaan Finserve (HFC) status as 100% subsidiary of an NBFC-ICC needs RBI extension/resolution.	☐
Management Tone	Confident	Tone has shifted from defensive (survival) to aggressive (distribution expansion and AIF launch).	☐

Key Takeaways (Positives & Negatives): * **Positives:** The transition is fundamentally complete. The "Growth AUM" is now 60% of the total book, and the legacy wholesale book has been de-risked with a 33% provision buffer and record collection velocity (₹12,834 Cr in FY25). Asset quality has stabilized, with net NPAs at 0.8% and credit costs trending below 100 bps as promised. The liability side is thawing, with incremental borrowing costs down 35 bps and fresh access to the RMBS market. * **Negatives:** Total AUM continues to shrink (down from ₹65,335 Cr to ₹62,346 Cr YoY) because growth in the retail book isn't yet fast enough to offset the massive legacy rundown. Current ROEs are weak (single digits) due to the company being significantly over-capitalized (gearing 1.9x), making it a "story of tomorrow." * **Street Concern:** Analysts are focused on when *total* AUM will turn the corner. Management's response: Expect net AUM growth by H2FY26 as growth disbursements hit a monthly run-rate of ₹500 Cr+ in the affordable subsidiary alone. * **Watchpoint:** The execution of the leadership reorganization and the success of the AIF platform (targeting ₹15,000 Cr AUM), which is critical for fee-income generation without bloating the balance sheet.

2. BUSINESS PERFORMANCE

2A. KEY METRICS

Metric	Current Qtr (Q4FY25)	YoY Change (vs Q4FY24)	QoQ Change (vs Q3FY25)	Trend	Mgmt Commentary
NII Growth (%)	~₹310 Cr (Derived)	-	→	→	Post-tax profit growth (₹324 Cr) indicates stabilized NII.
NIM (AUM basis %)	6.2%	-	↑	↑	Improved due to lower CoF and higher yields on the growth book.
Cost of Funds %	~9.1%	↓	↓	↑	Incremental CoF down 35 bps; free flow of debt capital established.
Loans Growth (% YoY)	-4.6%	↓	↓	↓	Total AUM fell from ₹65,335 Cr to ₹62,346 Cr; legacy rundown outpacing growth.
GNPA %	1.3%	↓	↓	↑	Lowest in 5 years; down from 2.7% in FY24.
NNPA %	0.8%	↓	↓	↑	Significant improvement from 1.5% in FY24.
Credit Cost (%)	0.95% (H2)	↓	-	↑	In line with 100 bps guidance; Q4 impairment ₹288.86 Cr.
Collection Efficiency %	~100%	-	→	→	Legacy book collections reached record ₹12,834 Cr for FY25.
Capital Adequacy %	34.8%	↑	↑	↑	Fortress balance sheet; geared at only 1.9x.
PAT (₹Cr)	₹324.04 Cr	1.2%	7.1%	↑	Steady recovery post-Q2 cleanup; FY25 Consol loss ₹1,807 Cr.
Fee Income (₹Cr)	₹38.89 Cr	-32.6%	44.1%	□	Processing fees amortized; targeting 1.25% of retail disbursements.
Growth AUM (₹Cr)	₹37,452 Cr	44.0%	7.0%	↑	Now 60% of total AUM; target ₹1 Lakh Cr by FY27.

2B. SEGMENT BREAKDOWN

Segment	AUM (₹ Cr)	YoY Growth	Yield	Trend	vs Co. Avg	Key Development
Sammaan Capital (Prime)	~₹31,435 Cr	↑	11.5% - 13.0%	↑	Core	Asset-light focus; 85%+ residential collateral.
Sammaan Finserve (Affordable)	₹6,017 Cr	↑	12.5% - 13.5%	↑	High ROA	Targeting ₹15,000 Cr AUM by FY27; ROA goal 5%+.
Legacy Book	₹24,894 Cr	-35.8%	~12.0%	↓	High Risk	Run down by ₹1,70,000 Cr since FY19; 33% imputed cover.
AIF Platform	~₹200 Cr	New	18% IRR	↑	Fee Based	First transaction done in May; ₹15,000 Cr AUM target.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Growth AUM	₹1,00,000 Cr by FY27.	Needs ~₹31,000 Cr net growth p.a.; current growth is ~₹11,000 Cr.	Improving	High
Guidance	ROA	4%+ Consolidated ROA by FY27.	Needs Cost-to-Income reduction; current ROA ~2.0%.	Stable	Moderate
Guidance	Credit Cost	~100 bps steady-state.	Achieved 95 bps in H2FY25.	Delivered	Low
Guidance	SFL Disbursals	₹500 Cr / month in FY26.	Current run-rate estimated at ~₹350 Cr; feasible.	On track	Low
Strategy	Co-lending	60% of Growth AUM assigned.	Already hit 60% for Sammaan Capital.	Delivered	Low
Strategy	Distribution	350 branches by FY27.	Reorganizing existing ~215 branches; 135 net additions needed.	Moderate	Moderate
Balance	Gearing	Sustainable long-term gearing.	Currently 1.9x; planning to leverage as book seasons.	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	Sarvesh Gupta / Maximal Capital	Asset Quality	Financials	"Are you expecting any further losses which have to be routed via P&L on the legacy book?"	Management stated that 100 bps annualized credit cost covers both legacy and growth, with no expected capital dip. This de-risks the P&L from future legacy "shocks," shifting focus to PPOP growth.	None	5.0	Quantified Guidance
2	4.0	Sarvesh Gupta / Maximal Capital	Asset Quality	Financials	"In this quarter, I can see 10-15 bps spike in GNPA... this quarter we see ₹290 Cr [impairment]?"	Management clarified that the 0.8% NNPA is exceptionally low and a normalized steady-state range is ~120 bps. Investors should expect minor normalization in NPAs as the book scales, though credit costs remain capped.	None	4.5	Clear Context
3	4.5	Niraj Chhajjer / Pransh Capital	Regulation	Governance	"Is there a requirement to dilute majority stake in [Sammaan Finserve] under RBI guidelines?"	Management declined to comment on specific RBI applications but confirmed they are building a distinct business model for SFL. This maintains a regulatory overhang regarding the	Specific RBI app status	3.0	Tactfully Hedged

Q#	Rel.	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Cred.	Verdict
						permanent structure of the HFC subsidiary.			
4	5.0	Sumit / MK Ventures	Liabilities	Financials	"How has the liability side funding eased up for us... and what is the system's ability to absorb our volumes?"	Management noted incremental rates are down 35 bps and liability flow is 5x higher YoY; they are diversifying into RMBS and PTCs. This validates the scalability of the asset-light model across different bank appetite cycles.	None	5.0	Specific Evidence
5	3.5	Nilesh Doshi / ProsperoTree	Yields	Financials	"What is the blended borrowing cost and lending cost?"	Management identified a borrowing cost of slightly over 9% and book yields (including fees) at ~13%. This suggests a healthy 400 bps spread, supporting the 4% ROA long-term target.	None	4.0	Direct Answer

PATTERN FLAGS & SENTIMENT Analyst focus has shifted decisively from "liquidity/solvency" to "unit economics." The anxiety regarding legacy book surprises has been largely neutralized by the consistent delivery on the 100 bps credit cost guidance and the record cash collections (₹12,834 Cr) which prove the legacy book is now a self-liquidating asset. There is a lingering concern about the "Growth AUM" math—the required jump from ₹37k Cr to ₹100k Cr in two years is steep—but management's granular monthly disbursement targets provided some comfort.

Analyst Sentiment Verdict: Skeptical but appreciative. Analysts were convinced of the asset quality floor but remain skeptical about the *pace* of growth needed to hit FY27 targets. Management's credibility improved as

they followed through on the Q2 cleanup promises. The unresolved issue remains the RBI's long-term stance on the NBFC-owning-NBFC structure for Sammaan Finserve.

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q3FY25)	This Quarter (Q4FY25)	Direction
PAT	₹302 Cr	₹324 Cr	↑
NNPA	0.69%	0.80%	↓
Growth AUM Mix	56%	60%	↑
Legacy Rundown	₹5,000 Cr (Q3)	₹2,978 Cr (Q4)	↓
Borrowing Cost	~9.5% (Derived)	~9.1%	↑ (Lower)
RMBS Access	Theoretical	First transaction done May 6	↑
Leadership	Search phase	Hired new CTO; leadership review ongoing	↑
Net Worth	~₹20,000 Cr	₹21,822 Cr	↑
Brand Identity	Rebranding announced	Transition to "Sammaan" operational	↑

Investor Notes: * **Thesis Validation:** The "Good Bank / Bad Bank" split has finally tipped in favor of the Good Bank. Growth AUM at 60% of total means the retail machine is now the primary driver of value. * **Earnings Quality:** Profitability is clean. Q4 impairments of ₹289 Cr represent a "business-as-usual" 100 bps run-rate, far removed from the forensic adjustments of Q2. * **Leverage Opportunity:** With a gearing of 1.9x and ROA targets of 4%, the company is sitting on a coiled spring. Even a modest move to 3x-4x gearing (still conservative) would mathematically propel ROEs toward the 12-14% range. * **Implied Run-rate:** To hit the ₹1,00,000 Cr Growth AUM target by FY27, net growth must jump from the current ~₹2,500 Cr/quarter to ~₹7,800 Cr/quarter. This requires a 3x acceleration in net retail growth, which is the single biggest execution risk.

STOP HERE.