

IPO ANALYSIS

Sector: NBFC
Issue Price: INR 133 to INR 140
Issue Size: INR 1,068 – 1,092 Crores
Issue Opens/Closes: Nov 22 / Nov 24

IPO Basics

Promoters: Federal Bank Limited
Selling Shareholders: Federal Bank Limited and True North Fund VI LLP
Lead Managers: ICICI Securities, BNP Paribas, Equirus Capital, JM Financial
Registered Office: Mumbai
Registrar: Link Intime India Pvt Ltd.
Listing: BSE and NSE

IPO Capital Structure

Fresh Issue	42,857,143 equity shares upto INR 600 Cr
Offer for Sale	35,161,723 equity shares upto INR 492 Cr
Total Issue as % of total capital (Post-Issue)	21.14%
Post Issue No. of Shares	368,933,083
Employee Reservation	Shares aggregating upto INR 10 Cr
Post Issue Market Cap	INR 4,937 – 5,165 Cr
Face Value	INR 10
Issue Route	Book Build Issue
Bid Lot (Shares)	107
Minimum Bid Amount	INR 14,980

All values calculated at upper band

Financial Snapshot (INR in crs)

Y/E Mar	FY21	FY22	FY23
Equity Share Capital	289.92	321.52	321.91
Reserves	544.81	832.00	1,033.77
Net worth	834.73	1,153.52	1,355.68
Net Interest Income	344.92	474.24	638.02
Net Interest Margin	8.00%	8.92%	8.99%
Revenue from Ops	691.83	869.32	1,178.80
Growth (%)	-	25.66%	35.60%
EBITDA	417.39	523.56	757.04
Net Profit	61.68	103.46	180.13
Basic EPS	2.19	3.32	5.60
Diluted EPS	2.18	3.31	5.59
RONW (%)	7.39%	8.97%	20.87%
ROA (%)	1.29%	1.72%	2.31%
CRAR (%)	23.52%	23.04%	17.94%
GNPA (%)	1.01%	2.23%	2.03%
NNPA (%)	0.71%	1.75%	1.59%
NAV (INR)	28.79	35.88	42.11
P/E (Based on Upper Band)			25.04
Average Industry P/E			25.57
P/B (Based on Upper Band)			3.32

Shareholding Pattern

Holder	Pre-issue	Post Issue
Promoters	72.28%	62.40%
Public	27.72%	37.60%
Total	100.00%	100.00%

Particulars	Retail Category	NII bid between Rs 2 lakhs- Rs 10 lakhs	NII bid above Rs 10 lakhs
Minimum Bid Lot (Shares)	107	1,498	7,169
Minimum Bid Lot Amount (₹)	₹14,980	₹ 2,09,720	₹ 10,03,660
No of Applications for 1x	2,52,865	2,580	5,161

Fedbank Financial Services Limited

Nov 20, 2023

Issue Highlights:

- Fedbank Financial Services Limited (Fedfina) began in 1995, promoted by The Federal Bank Ltd. It operates as an RBI-registered NBFC, steering clear of public deposits. The promoter currently holds a substantial 72.28% equity stake.
- Fedfina excels in retail finance, boasting notably low borrowing costs among its peers in MSME and gold loan sectors. Their remarkable AUM growth, ranking third over three years and fourth year-on-year, illustrates their agility and market prowess. Predominantly, 86.24% of their loan assets are backed by tangible collateral like gold or customer property.
- Focused on underserved segments like MSMEs and emerging self-employed individuals (ESEIs), Fedfina offers a tailored suite of products, including mortgage loans, unsecured business loans, and gold loans. Their substantial disbursement growth, especially in mortgage and gold loans, demonstrates market traction.
- Credited with "AA" and "AA-" ratings for their NCDs and bank loans by leading rating agencies like CARE and India Ratings, Fedfina benefits from its association with Federal Bank, fostering trust among stakeholders.
- With a widespread presence across 17 states and union territories, particularly dominant in Southern and Western India via 584 strategically located branches, Fedfina maintains branch-specific micro-sites for enhanced customer engagement. Their "Phygital" doorstep model merges digital and physical approaches, ensuring constant customer connectivity.
- Technology forms the cornerstone of their underwriting model, integrating electronic and physical data collection. With 3,732 personnel and a "Great Place to Work" certification for consecutive years, Fedfina remains committed to facilitating easy loan access, aligning with their mission to empower emerging India.

Key Risks:

- The company's operations are primarily concentrated in six states and two union territories, any negative developments in these regions could significantly impact the company's business and operational results.
- Potential declines in the performance of securitized receivables assigned to banks and institutions could negatively affect the company's financial performance.
- The company holds a significant loan concentration towards Emerging Self-Employed Individuals (ESEI) and Micro, Small, and Medium Enterprises (MSME), representing 45.22% and 64.75% of total loan profiles as of June 30, 2023.
- A substantial part of the company's business comes from its gold loan products.

Particulars	No. of shares at Lower Band (Cr.)	No. of shares at Upper Band (Cr.)	Issue Size Amount Lower Band (Rs. Cr.)	Issue Size Amount Upper Band (Rs. Cr.)	% Of Issue
QIB	3.98	3.86	528.83	541.13	50.00%
NIB	1.19	1.16	158.65	162.34	15.00%
Retail	2.78	2.71	370.18	378.79	35.00%
Employee	0.08	0.08	10.00	10.00	
Total	8.03	7.81	1,067.65	1,092.26	100.00%

An Indicative Timetable Post Issue Closing

Particulars	Tentative Date
Finalization of Basis of Allotment	November 30, 2023
Refunds/un-blocking of ASBA Accounts	December 01, 2023
Credit of Equity Shares to DP Ac	December 04, 2023
Trading Commences	December 05, 2023

Investors are advised to refer disclosures made at the end of the research report.

BACKGROUND**Brief Biographies of Directors**

Balakrishnan Krishnamurthy is the Chairman and an Independent Director of the company. He has experience in the financial services sector. Currently, he serves as the chairman of Kriscore Financial Advisors Pvt Ltd and director of Kriscore Ventures Pvt Ltd. Previously, he has been associated with Lazard India Pvt Ltd as Managing Director.

Anil Kothuri is the Managing Director and Chief Executive Officer of the company. He has over 28 years of experience across various asset businesses including mortgage, SME financing, auto loans, housing finance and unsecured lending. Prior to joining the company, he has served at Edelweiss Housing Finance Ltd and at Citibank N.A.

Shyam Srinivasan is a Non-Executive Director of the company. He currently serves as director of Ageas Federal Life Insurance Co Ltd and managing director and chief executive officer of The Federal Bank Ltd.

Maninder Singh Juneja is a Non-Executive Nominee Director of the company. He has over 25 years of experience in the banking and finance industry. He has previously been associated with Godrej GE Appliances Ltd, SRF Finance Ltd, Whirlpool of India Ltd, ICICI Bank Ltd and National Bulk Handling Corporation Pvt Ltd. Currently, he is associated with True North Managers LLP as a partner.

Ashutosh Khajuria is a Non-Executive Nominee Director of the company. Previously, he has served at The Federal Bank Ltd in various designations. He has also served as the director of Ageas Federal Life Insurance Co. Presently, he is serving as the Chief Mentor at The Federal Bank Ltd.

Gauri Rushabh Shah is an Independent Director of the company. She was associated with CC Choksi Advisors Pvt Ltd.

C.V. Ganesh is the Chief Financial Officer of the company. He joined the company with effect from July 3, 2020. He has several years of experience in the finance industry.

Rajaraman Sundaresan is the Company Secretary and Compliance Officer of the company. He joined the company with effect from May 4, 2020. He has several years of experience in secretarial and legal practice.

OFFER DETAILS

Fresh Issue	No. of Shares	WACA per Equity Share (in ₹)
Fresh Issue (₹ 600 Cr)	Upto 45,113,782~ - 42,857,143^ Equity Shares	–
The Offer for Sale by:	Upto 35,161,723^ Equity Shares	
The Promoter Selling Shareholders:		
The Federal Bank Ltd	Upto 5,474,670^ Equity Shares	19.34
The Other Selling Shareholders:		
True North Fund VI LLP	Upto 29,687,053^ Equity Shares	45.22

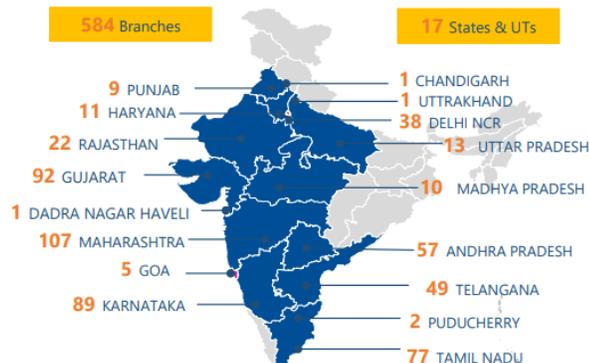
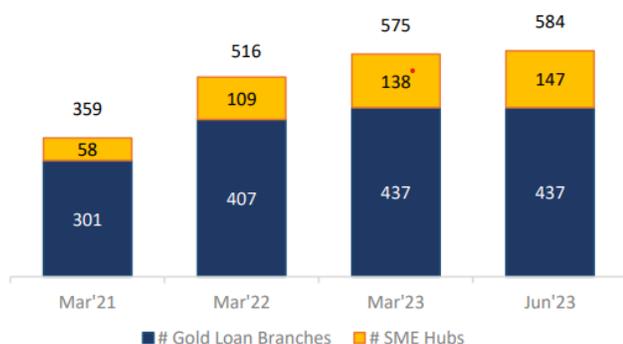
(~ at ^ upper price band)

Shareholding Pattern

Shareholders	Pre-offer		Fresh Issue and Offer for Shares offered	Post-offer	
	Number of Equity Shares	% of Total Equity Share Capital		Number of Equity Shares	% of Total Equity Share Capital
Promoter	235,685,332	72.28%	5,474,670	230,210,662	62.40%
Total for Promoter and Promoter Group	235,685,332	72.28%	5,474,670	230,210,662	62.40%
Public – Investor Selling Shareholders	82,808,361	25.40%	29,687,053	53,121,308	14.40%
Public - Other	7,582,247	2.33%	42,857,143	85,601,113	23.20%
Total for Public Shareholders	90,390,608	27.72%	72,544,196	138,722,421	37.60%
Total Equity Share Capital	326,075,940	100.00%	78,018,866	368,933,083	100.00%

Branch Network and Branch Footprint Evolution

The branch network as on June 30, 2023 and the branch footprint evolution during the last 3 Fiscals and the 3-months period ended June 30, 2023.



Key Financial and Operational Metrics

Financial Ratios

(₹ In Cr, except % and ratio/time)

	As of and for the 3 months period ended June 30,		As of and for Fiscal		
	2023	2022	2023	2022	2021
AUM	9,434.21	6,664.42	9,069.60	6,187.20	4,862.43
AUM Growth (%)	4.02%	7.71%	46.59%	27.25%	26.68%
Average AUM	9,251.91	6,425.81	7,628.40	5,524.82	4,350.30
Gross Loan Book	8,395.19	6,211.32	8,102.74	5,760.94	4,627.04
Securitized assets	1,183.13	523.66	1,092.55	493.14	295.99
AUM / Net worth	6.67	5.54	6.69	5.36	5.83
Total Assets	9,412.51	7,004.38	9,070.99	6,555.71	5,466.31
Disbursements	2,965.60	2,546.20	10,748.68	7,469.80	5,893.67
Total Revenue from Operations	361.39	247.51	1178.80	869.32	691.83
Other Income	6.48	8.54	35.88	14.32	5.74
Total Revenue	367.87	256.05	1214.68	883.64	697.57
Finance Costs	163.59	97.84	472.15	347.65	313.19
Operating Expenses	121.58	90.62	435.24	312.90	236.23
Operating Expenses to Average Total Assets (%)	1.32%	1.34%	5.57%	5.21%	4.95%
Operating Expenses Per Branch	0.21	0.18	0.76	0.61	0.66
Pre-Provision Operating Profit	82.72	67.59	307.29	223.09	148.15
Pre-Provision Operating Profit to Average Total Assets (%)	0.90%	1.00%	3.93%	3.71%	3.10%
Credit Cost	10.66	9.59	48.90	83.88	71.22
Credit Cost to Average Total Assets (%)	0.12%	0.14%	0.63%	1.40%	1.49%
Gross NPA	189.77	127.28	164.50	128.58	46.81
Gross NPA (%)	2.26%	2.05%	2.03%	2.23%	1.01%
NPA Provision	42.39	30.18	36.52	28.37	13.99
Net NPA	147.39	97.10	127.99	100.21	32.82
Net NPA (%)	1.76%	1.57%	1.59%	1.75%	0.71%
Provision Coverage Ratio (%)	22.33%	23.72%	22.19%	22.07%	29.88%
Total Loan Loss Provision (LLP)	109.70	103.70	110.45	116.13	74.89
Total LLP to Gross Loan Book (%)	1.31%	1.67%	1.36%	2.02%	1.62%
Operating Expenses to Net Income (%)	59.51%	57.28%	58.62%	58.38%	61.46%
Gross Loan Book/ Net Worth	5.93	5.17	5.98	4.99	5.54
Average Gross Loan Book/ Average Net Worth	5.95	5.08	5.53	5.22	5.47
Net Loan Book	8296.61	6108.12	7999.70	5644.81	4613.05
Net NPAs to Net Loan Assets (%)	1.76%	1.57%	1.59%	1.75%	0.71%
Adjusted Spread (%)	1.81%	1.86%	7.54%	6.49%	5.73%

Return on Equity and Assets

(₹ In Cr, except % and per share data)

	As of and for the 3 months period ended June 30,		As of and for Fiscal		
	2023	2022	2023	2022	2021
Profit After Tax	53.88	43.76	180.13	103.46	61.68
Total Assets	9,412.51	7,004.38	9,070.99	6,555.71	5,466.31
Average Total Assets	9,241.75	6,780.04	7,813.35	6,011.01	4,776.25
AUM	9,434.21	6,664.42	9,069.60	6,187.20	4,862.43
Average AUM	9,251.91	6,425.81	7,628.40	5,524.82	4,350.30
Net Worth	1,414.90	1,202.53	1,355.68	1,153.52	834.73
Average Equity or Average Net Worth	1,385.29	1,178.02	1,254.60	994.13	762.95
Total Borrowings	7,619.52	5,497.44	7,135.82	5,016.84	4,328.09
Average Total Borrowings	7,377.67	5,257.14	6,076.33	4,672.46	3,772.84
Basic Earnings Per Equity Share	1.67	1.36	5.60	3.32	2.19
Diluted Earnings Per Equity Share	1.67	1.36	5.59	3.31	2.18
Net Asset Value Per Equity Share	43.95	37.40	42.11	35.88	28.79

Return Ratios

(in percentage)

	As of and for the 3 months period ended June 30,		As of and for Fiscal		
	2023	2022	2023	2022	2021
Total Revenue from Operations to Average Gross Loan Book	4.38%	4.13%	17.01%	16.74%	16.58%
Other Income to Average Gross Loan Book	0.08%	0.14%	0.52%	0.28%	0.14%
Total Revenue to Average Gross Loan Book	4.46%	4.28%	17.52%	17.01%	16.71%
Finance cost to Average Gross Loan Book	1.98%	1.63%	6.81%	6.69%	7.50%
Net Revenue to Average Gross Loan Book)	2.48%	2.64%	10.71%	10.32%	9.21%
Operating Expenses to Average Gross Loan Book	1.47%	1.51%	6.28%	6.02%	5.66%
Credit cost to Average Gross Loan Book	0.13%	0.16%	0.71%	1.61%	1.71%
PBT to Average Gross Loan Book	0.87%	0.97%	3.51%	2.68%	1.84%
PAT to Average Gross Loan Book	0.65%	0.73%	2.60%	1.99%	1.48%
PAT to Average Net Worth	3.89%	3.71%	14.36%	10.41%	8.08%

Yield, Spreads and Margins

(₹ In Cr, except %)

	As of and for the 3 month period ended June 30,		As of and for Fiscal		
	2023	2022	2023	2022	2021
Interest Income*	341.24	233.62	1110.17	821.89	658.11
Finance Cost	163.59	97.84	472.15	347.65	313.19
Total Interest-earning Assets	7,660.92	6,220.22	7,558.82	5,960.71	5,234.64
Average Interest-earning Assets	7,609.87	6,090.47	6,759.77	5,597.68	4,576.95
Average Total Assets	9,241.75	6,780.04	7,813.35	6,011.01	4,776.25
Average Interest-bearing liabilities	7,377.67	5,257.14	6,076.32	4,672.46	3,772.84
Total Revenue	367.87	256.05	1,214.68	883.64	697.57
Net Interest Income	177.65	135.78	638.02	474.25	344.92
Average yield on Gross Loan Book	4.04%	3.85%	15.80%	15.62%	15.50%
Product Average Yield – Gold Loan	4.23%	4.40%	16.28%	17.86%	17.85%
Product Average Yield – Mortgage Loan	3.98%	4.04%	15.05%	13.73%	13.08%
Product Average Yield – Medium Ticket LAP	3.70%	3.45%	12.27%	12.08%	11.63%
Product Average Yield – Small Ticket LAP	4.48%	4.84%	19.18%	16.36%	16.61%
Product Average Yield – Housing Loan	3.71%	4.11%	14.53%	14.46%	12.26%
Product Average Yield – Unsecured Business Loan	4.04%	4.49%	18.34%	16.37%	13.64%
Average Cost of Borrowings	2.22%	1.86%	7.77%	7.44%	8.30%
Spread	1.82%	1.99%	8.03%	8.18%	7.20%

Net Interest Margin (%)	2.05%	2.22%	8.99%	8.92%	8.00%
Incremental Cost of Borrowings (%)	2.14%	1.75%	8.02%	7.02%	8.36%
Incremental Borrowings	940.00	600.00	3,884.83	1,850.00	1,795.50
Spread less Credit Cost to Average Total Assets (%)	1.70%	1.85%	7.40%	6.78%	5.71%

*Interest income includes loan fees.

Capital Adequacy

(₹ In Cr, except %)

	As of and for the 3 month period ended June 30,		As of and for Fiscal		
	2023	2022	2023	2022	2021
Tier I Capital	1,280.95	1,099.95	1,227.93	1,086.87	804.33
Tier II Capital	437.12	293.08	232.38	275.22	301.94
Total Capital	1,718.06	1,393.03	1,460.31	1,362.09	1,106.27
Risk Weighted Assets	8,716.35	6,665.90	8,140.16	5,912.98	4,702.29
Capital Adequacy Ratio (%)	19.71%	20.90%	17.94%	23.04%	23.52%
Tier I Capital (%)	14.70%	16.50%	15.09%	18.38%	17.10%
Tier II Capital (%)	5.01%	4.40%	2.85%	4.65%	6.42%
Total Borrowings to Equity ratio	5.39	4.57	5.26	4.35	5.18

Productivity Ratios – Overall

Particulars	As of and for the 3 months period ended June 30,		As of and for Fiscal		
	2023	2022	2023	2022	2021
Number of branches	584	516	575	516	359
Number of on-roll employees	3,732	3,056	3,570	2,855	2,125
AUM per branch (₹ in Cr)	16.15	12.92	15.77	11.99	13.54
AUM per employee (₹ in Cr)	2.53	2.18	2.54	2.17	2.29
Disbursement per branch (₹ in Cr)	5.08	4.94	18.69	14.48	16.42
Disbursement per branch per month (₹ in Cr)	1.69	1.65	1.56	1.21	1.37
Disbursement per employee (₹ in Cr)	0.80	0.83	3.01	2.62	2.77

Average Gross Loan Book

(₹ In Cr)

	As of and for the 3 month period ended June 30,		As of and for Fiscal		
	2023	2022	2023	2022	2021
Gold Loan	3,055.11	2,336.16	2,616.78	2,082.66	1,481.62
Mortgage Loan	3,968.96	2,658.09	3,228.23	2,234.88	1,841.60
- Medium Ticket LAP	1,968.85	1,348.28	1,634.47	1,272.33	1,203.99
- Small Ticket LAP	1,428.56	965.51	1,157.76	731.78	520.37
- Housing Loan	571.56	344.30	436.01	230.76	117.23
Unsecured Business Loan	1,103.45	891.08	972.41	675.28	402.18
Others	121.44	100.80	114.41	201.18	448.25
Total	8,248.96	5,986.13	6,931.84	5,193.99	4,173.64

Product Wise AUM (in terms of Amount)

(₹ In Cr)

	As of and for the 3 month period ended June 30,		As of and for Fiscal		
	2023	2022	2023	2022	2021
Gold Loan	3,124.17	2,424.79	2,986.05	2,247.53	1,917.79
Mortgage Loan	4,702.45	3,155.01	4,506.38	2,932.45	2,150.61
- Medium Ticket LAP	2,389.23	1,592.57	2,288.40	1,525.85	1,332.41
- Small Ticket LAP	1,721.93	1,194.03	1,666.16	1,086.41	676.86
- Housing Loan	591.29	368.41	551.82	320.19	141.34
Unsecured Business Loan	1,487.25	989.23	1,454.28	901.02	497.89
Others	120.34	95.40	122.91	106.21	296.14
Total	9,434.21	6,664.42	9,069.60	6,187.20	4,862.43

Product Wise Gross NPA

(₹ In Cr)

	As of and for the 3 month period ended June 30,		As of and for Fiscal		
	2023	2022	2023	2022	2021
Gold Loan	27.38	17.78	25.46	29.17	3.46
Mortgage Loan	113.00	80.49	87.52	69.22	30.17
- Medium Ticket LAP	63.89	43.90	42.27	37.62	15.87
- Small Ticket LAP	34.64	28.69	30.89	24.97	11.50
- Housing Loan	14.48	7.89	14.36	6.63	2.80
Unsecured Business Loan	4.26	4.36	3.38	5.06	2.35
Others*	45.14	24.66	48.14	25.13	10.82
Total	189.77	127.28	164.50	128.58	46.81

* Others include wholesale portfolio exposure and partnership business, which is being wound down due to reduced focus on these businesses.

Product Wise Disbursement and Yield on Disbursement

(₹ In Cr, except %)

	As of and for the 3 months period ended June 30,				As of and for Fiscal					
	2023		2022		2023		2022		2021	
	Amount	Yield (%)	Amount	Yield(%)	Amount	Yield (%)	Amount	Yield (%)	Amount	Yield (%)
Gold Loan	2,297.25	16.23%	1,955.07	15.23%	7,436.46	15.65%	5,514.97	14.87%	5,133.46	16.55%
Mortgage Loan	423.77	14.48%	385.55	14.18%	2,192.97	13.90%	1,283.50	14.20%	456.57	14.15%
- Medium Ticket LAP	216.91	12.51%	155.24	11.29%	1,090.75	11.51%	518.11	11.50%	246.29	12.51%
- Small Ticket LAP	143.34	17.68%	163.54	16.96%	794.32	17.15%	547.88	16.77%	152.49	16.71%
- Housing Loan	63.53	13.95%	66.77	14.10%	307.90	13.97%	217.52	14.20%	57.79	14.40%
Unsecured Business Loan	244.58	17.37%	205.59	16.95%	1,119.25	17.32%	670.58	17.08%	287.26	17.14%
Others*	-	0.00%	-	0.00%	-	0.00%	0.75	14.40%	16.38	12.71%
Total	2,965.60	16.07%	2,546.20	15.21%	10,748.68	15.47%	7,469.80	14.95%	5,893.67	16.38%

* Others includes wholesale portfolio exposure and partnership business, which is being wound down due to reduced focus on these businesses.

Competitive Strengths

Market Expansion and Focus: Fedfina strategically operates in India's expansive retail credit market, expected to grow at a robust CAGR of 14-15% until Fiscal 2025. The company capitalizes on this expansive market, particularly focusing on the underserved Emerging Self-Employed Individuals (ESEIs) and the growing organized gold loan segment. Present in 17 states and union territories with a significant footprint in the Southern and Western regions, they operate through 584 branches across 190 districts.

Retail Loan Strategy: With an emphasis on collateralized lending, Fedfina directs its retail finance towards ESEI consumers and emerging MSMEs. Around 86.24% of their loan assets are secured against tangible assets like gold or property, notably self-occupied residential or commercial properties, constituting 77.37% of collateral for medium and small-ticket loans.

Robust Risk Management and Underwriting: The company boasts robust risk assessment and underwriting capabilities, employing experienced teams and established processes to evaluate customer business quality and collateral. This approach maintains prudent customer selection, with 86.71% having established credit history and 77.94% rated with a CIBIL score over 650 or a CMR score less than or equal to 6.

Experienced Leadership: Fedfina's leadership team boasts extensive experience in the financial services sector. Their Managing Director and Chief Executive Officer bring over 28 years of expertise, while the senior management collectively holds over 200 years of diversified experience in banking and financial services.

Diverse Funding Profile: The company's growth is fueled by its well-diversified funding profile, resulting in a lower cost of funds. Their average borrowing cost ranged from 2.22% to 8.30% across specific periods, securing the 2nd and 3rd lowest borrowing costs among Indian MSME, gold loan, and MSME & gold loan peers in Fiscal 2023. With consistent "AA-" ratings from CARE for NCDs since 2022 and from India Ratings and Research Pvt Ltd for NCDs and bank loans since 2018, they historically access capital from a diverse range of sources including banks, financial institutions, mutual funds, and others.

Technology-Driven Operating Model: Operating as a technology-driven entity, Fedfina invests significantly in digital systems, leveraging a scalable operating model. They witness substantial digital traction, with over 495,000 downloads of their customer application and active engagement from social media and digital platforms, constituting a significant share of their transactions and customer interactions.



Key Business Strategies

Consistent Performance and Strategic Improvements: Fedfina has consistently delivered industry-leading performances across key benchmarks like AUM growth and cost of funds. As one of only two long-term AA-rated players with borrowing costs below 8.5% between Fiscals 2019 and 2023, their initiatives aim to reduce GNPA and NNPA levels, enhance credit ratings, lower borrowing costs, and ultimately achieve better return ratios.

Leveraging Branch Network and Expansion Strategy: Operating across 17 states and union territories with a strong presence in Southern and Western regions through 584 branches, FedFina strategically aims to tap under-penetrated markets and customer segments. Focusing on branch-level AUMs to expand customer base and total AUM, they adopt a contiguous strategy, evaluating regions with established credit cultures for expansion.

Investment in Technology and Digitization: Fedfina prioritizes technology, investing significantly in information technology and digital systems, constituting a portion of their revenue from operations. This investment aims to optimize their IT systems for various functions and sustain their technological edge.

Talent Development and Training: With a workforce of 2,878 sales employees as of June 30, 2023, Fedfina emphasizes comprehensive onboarding and ongoing training to equip employees with the necessary skills to navigate business and regulatory requirements effectively.

Customer-Centric Approach and Expansion: Emphasizing a customer-centric approach, Fedfina tailors its products and services to meet the specific needs of ESEI and MSME segments. Leveraging a "Phygital" doorstep model, they utilize technology and resources to enhance customer experience. Additionally, they're exploring registration with IRDA to distribute life, general, and health insurance products as a composite corporate agent.

Industry Overview

Operational parameters for key gold loan NBFCs (Fiscal 2023)

Players (Fiscal 2023)	Gold Loan AUM (In ₹ Cr)	Y-o-Y growth	Branch	Employees	AUM per Branch (in ₹ Cr)	AUM per Employee (in ₹ Cr)	Share of Gold Loan in total AUM
Muthoot Finance	66,000	18%	5,897	27,701	11.20	2.38	98%
Manappuram Finance	20,600	1%	4,039*	45,000	5.10^	0.46	56%
Fedbank Financial Services	3,100	30%	437*	2,105*	7.15^	1.48^	33%

* Gold loan branches/employees; ^ AUM per gold loan branch/ employee

Comparison of various NBFCs based on yield on advances and average ticket size (Fiscal 2023)

	Yield less than 16%	Yield between 16% and 22%	Yield more than 22%
Average ticket size more than or equal to ₹ 10 lakhs	Fedbank Financial Services Ugro Capital Capri Global Poonawalla Fincorp	Bajaj Finance	IIFL Finance Neogrowth
Average ticket size less than ₹ 10 lakhs	AU Small Finance Bank	SBFC Finance Equitas Small Finance Bank CapFloat Financial Services^	Veritas Finance Five-Star Business Finance Aye Finance Lendingkart^ Finova Capital Riviera Investors*

Note: ^Based on Fiscal 2021 data, * Based on Fiscal 2022 data,

INDIAN MORTGAGE MARKET - PEER COMPARISON

Trend in AUM and disbursements for players (Q1FY24)

Segment	Player	AUM (In ₹ Cr)			Disbursement (In ₹ Cr)		
		Q1FY23	Q1FY24	YOY growth (%)	Q1FY23	Q1FY24	YOY growth (%)
Housing Finance	Aptus Value Housing	5,500	7,100	29%	500	600	23%
	Repco Home Finance	11,900	12,700	7%	600	700	7%
MSME	Five-Star Business Finance	5,300	7,600	43%	600	1,100	99%
	Veritas Finance	2,400	3,900	61%	Na	Na	-
MSME and Gold	Fedbank Financial Services	6,700	9,400	42%	2,500	3,000	16%
	SBFC Finance	3,600	5,300	47%	500	700	32%
Gold loan	Manappuram Finance	30,800	37,100	21%	Na	Na	-
	Muthoot Finance	56,700	67,600	19%	Na	Na	-
Diversified	HDB Financial Services	NA	73,600	-	Na	Na	-
	IIFL Finance	52,800	68,200	29%	Na	Na	-

Trend in number of branches for players

Segment	Player	CAGR (FY20-23)	Q1FY24	FY23	FY22	FY21	FY20	FY19	FY18	FY17	FY16
Housing Finance	Aptus Value Housing	10%	231	231	208	190	175	143	115	80	70
	Repco Home Finance	3%	193	192	179	177	177	170	160	156	150
MSME	Five-Star Business Finance	14%	386	373	300	262	252	173	130	103	73
	Veritas Finance	12%	Na	287	229	204	202	147	72	43	17
	Vistaar Finance	(1)%	205	211	193	191	216	220	225	201	198
MSME and Gold	Fedbank Financial Services	24%	584	575	516	359	300	152	123	107	112
	SBFC Finance	17%	162	152	135	124	96	91	65	Na	Na
Gold loan	Manappuram Finance	4%	5,281	5,232	5,057	4,637	4,622	4,351	4,197	4,152	3,293
	Muthoot Finance	1%	4,742	4,739	4,617	4,632	4,567	4,480	4,325	4,307	4,275
Diversified	HDB Financial Services	1%	1,581	1,492	1,374	1,319	1,468	1,349	1,165	1,151	929
	IIFL Finance	21%	Na	4,200	3,296	2,563	2,377	1,947	1,378	1,112	1,000

RoE and RoA for players (Fiscal 2023)

Segment	Branches	RoA (%)						RoE (%)					
		Avg (FY20-23)	FY23	FY22	FY21	FY20	FY19	Avg (FY20-23)	FY23	FY22	FY21	FY20	FY19
Housing Finance	Aptus Value Housing	7.1%	7.8%	7.3%	6.5%	7.0%	5.9%	15.8%	16.1%	15.1%	14.5%	17.5%	17.4%
	Repco Home Finance	2.2%	2.4%	1.6%	2.4%	2.4%	2.3%	13.3%	12.5%	8.9%	15.0%	16.9%	16.5%
MSME	Five-Star Business Finance	7.6%	8.0%	7.5%	7.1%	7.8%	8.9%	15.7%	15.0%	15.0%	16.8%	15.8%	16.0%
	Veritas Finance	3.4%	5.2%	3.1%	3.1%	2.3%	2.7%	7.7%	11.8%	6.6%	7.3%	5.3%	6.7%
	Vistaar Finance	2.9%	3.2%	2.9%	3.0%	2.5%	2.3%	9.7%	12.0%	10.0%	9.6%	7.3%	5.8%
MSME and Gold	Fedbank Financial Service	1.6%	2.3%	1.7%	1.3%	1.3%	2.0%	9.9%	14.4%	10.4%	8.1%	6.8%	10.1%
	SBFC Finance	1.9%	2.9%	1.5%	2.0%	1.2%	1.5%	6.6%	9.9%	5.2%	7.7%	3.8%	2.8%
Gold loan	Manappuram Finance	5.6%	4.5%	5.0%	6.9%	5.9%	4.9%	21.4%	15.0%	17.6%	27.7%	25.2%	19.3%
	Muthoot Finance	6.0%	4.9%	5.9%	6.5%	6.8%	5.7%	24.3%	17.6%	23.5%	27.8%	28.3%	22.4%
Diversified	HDB Financial Services	1.7%	3.0%	1.6%	0.6%	1.7%	2.3%	12.0%	18.7%	11.2%	4.8%	13.2%	17.4%
	IIFL Finance	2.3%	3.4%	3.3%	1.6%	0.8%	4.7%	12.1%	16.9%	18.1%	9.2%	4.2%	18.0%

Comparison with Listed Industry Peers (as on 31st March 2023)

Name of the Bank	Consolidated/ Standalone	Face Value	Total Revenue for Fiscal 2023 (₹ Cr)	EPS (Basic)	NAV	P/E	RoNW (%)
Fedbank Financial Services Ltd	Restated	10	1,214.68	5.60	42.11	25.04	13.29%
Aptus Value Housing Finance	Consolidated	2	1,129.00	10.10	67.05	28.58	15.06%
IIFL Finance Ltd	Consolidated	2	8,447.11	39.50	236.37	15.53	17.88%
Five Star Business Finance	Consolidated	1	1,528.93	20.70	148.94	37.54	13.91%
Manappuram Finance Ltd	Consolidated	2	6,749.95	17.07	113.95	8.06	15.55%
Muthoot Finance Ltd	Consolidated	10	11,975.01	86.50	539.69	15.39	16.94%
SBFC Finance Ltd	Restated	10	740.36	1.70	19.42	48.33	8.67%

Source: RHP~P/E Ratio has been computed based on the closing market price of equity shares on November 6, 2023 P/E of Fedbank is calculated on upper price band..

Comparison of KPIs with listed industry peers:

(in ₹ Cr, unless otherwise specified)

Fedbank Financial Services			Five-Star Business Finance			Aptus Value Housing			
As of and for the FY 2023									
	2023	2022	2021	2023	2022	2021	2023	2022	2021
Scale									
AUM	9,069.6	6,187.2	4,862.4	6,914.8	5,067.1	4,445.4	6,738.0	5,180.0	4,068.0
AUM Growth (%)	46.59%	27.25%	26.68%	36.47%	13.99%	14.00%	30.08%	27.34%	27.80%
Profitability									
Total Revenue	1,214.7	883.6	697.5	1,528.9	1,256.2	1,051.3	1,129.0	840.2	658.2
Net Interest Income	638.0	474.2	344.9	1,232.5	903.2	689.7	782.5	583.1	420.3
Fee and Other Income	91.9	57.2	37.5	30.1	52.4	36.4	70.6	48.5	31.4
Profit After Tax	180.1	103.56	61.7	603.5	453.6	359.0	503.0	370.1	266.9
Profit After Tax (%)	14.83%	11.71%	8.84%	39.47%	36.11%	34.15%	44.55%	44.05%	40.56%
Yield on Average Net Advances	15.17%	15.59%	15.47%	24.14%	24.74%	24.31%	-	-	-
Spread	7.40%	8.15%	7.17%	17.31%	14.70%	13.08%	9.66%	9.25%	8.10%
Return Ratio									
Net Interest Margin	8.17%	7.89%	7.22%	20.57%	18.99%	16.55%	13.13%	12.61%	11.59%
Operating Expenses to Average AUM	5.71%	5.66%	5.40%	7.31%	6.43%	5.14%	2.77%	2.53%	2.78%
Credit cost to Average AUM	0.64%	1.52%	1.64%	0.34%	0.96%	0.84%	0.57%	0.75%	0.16%
PAT to Average AUM	2.36%	1.87%	1.42%	10.07%	9.54%	8.61%	8.44%	8.00%	7.36%
Return on Total Average Assets (%)	2.31%	1.72%	1.29%	8.02%	7.47%	7.08%	7.82%	7.25%	6.46%
Return on Average Equity (%)	14.36%	10.41%	8.08%	14.99%	15.05%	16.84%	16.08%	15.12%	14.47%
NPA / Asset Quality									
Gross NPA (%)	2.03%	2.23%	1.01%	1.36%	1.05%	1.02%	1.15%	1.20%	0.70%
Net NPA (%)	1.59%	1.75%	0.71%	0.69%	0.68%	0.84%	0.86%	1.90%	0.50%
Provision Coverage Ratio	22.19%	22.07%	29.88%	49.33%	34.89%	17.96%	25.00%	25.31%	27.48%

Muthoot Finance			Manappuram Finance			IIFL Finance			SBFC Finance			
As of and for the FY 2023												
	2023	2022	2021	2023	2022	2021	2023	2022	2021	2023	2022	2021
Scale												
AUM	63,209.8	58,053.2	52,622.3	35,452.3	30,260.8	27,224.2	64,638.0	51,210.0	44,688.0	4,942.8	3,192.28	2,221.3
AUM Growth (%)	8.88%	10.32%	26.46%	17.15%	11.25%	7.92%	26.22%	14.59%	17.75%	54.84%	43.71%	34.77%
Profitability												
Total Revenue	10,543.7	11,098.4	10,574.4	4,826.7	4,587.0	5,193.5	4,088.7	4,089.3	3,436.2	740.3	530.7	511.5
Net Interest Income	6,669.5	7,120.3	7,120.3	3,242.5	3,147.6	3,417.8	2,012.5	1,948.3	1,515.4	378.9	254.2	226.9
Fee and Other Income	175.1	142.4	142.4	859.4	47.6	5,574.1	620.3	525.4	365.8	86.2	57.6	48.4
Profit After Tax	3,473.5	3,954.3	3,954.3	1,266.3	1,304.5	1,697.9	805.5	745.5	342.6	149.8	64.5	85.0
Profit After Tax (%)	32.94%	35.63%	35.63%	26.23%	28.44%	32.69%	19.70%	18.23%	9.97%	20.23%	12.16%	16.62%
Yield on Average Net Advances	16.42%	19.05%	19.05%	19.74%	20.63%	25.14%	24.45%	23.84%	19.96%	15.91%	14.89%	15.09%
Spread	8.98%	11.04%	11.04%	11.67%	12.81%	15.40%	15.79%	13.91%	9.83%	7.69%	7.24%	6.98%
Return Ratio												
Net Interest Margin	9.32%	10.63%	11.65%	11.52%	11.96%	13.83%	8.52%	8.59%	7.29%	-	-	-
Operating Expenses to Average AUM	3.49%	3.30%	3.78%	4.80%	4.75%	4.10%	2.25%	2.10%	1.79%	5.70%	6.59%	6.59%
Credit cost to Average AUM	0.10%	0.23%	0.20%	0.14%	0.28%	0.50%	NM	NM	4.79%	0.79%	1.73%	1.74%
PAT to Average AUM	5.73%	7.15%	7.90%	3.85%	4.54%	6.48%	1.39%	1.55%	0.83%	3.68%	2.38%	4.39%
Return on Total Average Assets (%)	4.85%	5.90%	6.53%	4.50%	4.96%	6.87%	3.41%	3.29%	1.65%	2.92%	1.48%	2.01%
Return on Average Equity (%)	17.63%	23.55%	27.77%	14.97%	17.58%	27.70%	16.88%	18.08%	9.22%	9.93%	5.18%	7.67%
NPA / Asset Quality												
Gross NPA (%)	3.79%	2.99%	0.88%	1.30%	3.00%	1.90%	1.80%	3.15%	1.98%	2.43%	2.74%	3.16%
Net NPA (%)	-	-	-	1.10%	2.70%	1.50%	1.10%	1.82%	0.89%	1.41%	1.63%	1.95%
Provision Coverage Ratio	-	-	-	-	-	-	-	-	-	42.04%	40.44%	38.25%

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