

FINANCIAL AND LEGAL

# Due Diligence

TURN ASSUMPTIONS  
INTO ASSURANCE

M&A PRE-INVESTMENTS BUYOUTS

Sample NBFC Pvt Ltd

Mar 07, 2026.

## Report Roadmap

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## Introduction: Sample NBFC Limited

**Sample NBFC Limited** is a prominent, non-deposit-taking Non-Banking Financial Company (NBFC) dedicated to driving financial inclusion across urban and semi-urban landscapes. With a legacy spanning over **32 years of operation**, the company has evolved from a traditional asset-financing firm into a tech-enabled powerhouse, providing specialized credit solutions to the "missing middle" of the Indian economy.

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## Core Product Portfolio

The company's product suite is designed to cater to diverse financial needs, focusing on secured and cash-flow-based lending:

- **MSME Working Capital Loans:** Customized credit lines for small business owners to manage inventory and operational cycles.
  - **Asset-Backed Financing:** Specialized hire-purchase and leasing options for transport vehicles, industrial machinery, and plant equipment.
  - **Micro-Lending & Retail Finance:** Targeted financing for lower and middle-income groups, supporting personal growth and small-scale entrepreneurship.
  - **Bill Discounting & Factoring:** Liquidity solutions for vendors and suppliers to bridge the gap between invoicing and payment.
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## Operational Footprint

Sample NBFC Limited leverages a robust physical and digital presence to ensure seamless service delivery:

- **Total Number of Branches:** The company operates through a network of **48 physical branches** strategically located across key commercial hubs.
  - **Geographic Reach:** While maintaining a strong headquarters in Mumbai, the branch network extends into Tier-2 and Tier-3 cities, ensuring a deep-rooted presence in rural markets.
  - **Digital Presence:** Complementing its physical branches, the company utilizes an AI-driven digital lending platform that allows for remote application and instant credit assessment, effectively acting as a "virtual branch" for tech-savvy customers.
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### Company Statutory & KYC Profile: Sample NBFC Ltd.

To maintain the confidentiality required for a public-facing sample report, all sensitive identifiers have been masked. This table serves as the primary "Legal Identity" verification for the due diligence process.

Entity Detail	Information / Value
<b>Legal Name</b>	Sample NBFC Private Limited
<b>Corporate Identity Number (CIN)</b>	U65921MH1994PTCXXXXXX (Masked)
<b>Permanent Account Number (PAN)</b>	AAAXXXX12X (Masked)
<b>Tax Deduction Account Number (TAN)</b>	MUMXXXX89X (Masked)
<b>RBI Registration No. (CoR)</b>	B-13.XXXXX (Non-Deposit Taking)
<b>Registered Office Address</b>	402, XYX Financial Hub, Bandra Kurla Complex (BKC), Mumbai, MH – 400051
<b>Company Category</b>	Company Limited by Shares / Non-government Company
<b>Classification</b>	NBFC - Investment and Credit Company (NBFC-ICC)
<b>Listing Status</b>	Listed (BSE Scrip Code: 50xxx80)

### Significant Corporate Milestones & Dates

The following timeline outlines the legal and operational evolution of the company, which is critical for assessing the "vintage" and stability of the NBFC license.

Event / Milestone	Date
<b>Date of Incorporation</b>	February 28, 1995
<b>Commencement of Business</b>	March 15, 1995
<b>RBI License Issuance</b>	June 10, 1998
<b>Last Capital Restructuring</b>	April 14, 2024 (Preference to Equity Conversion)
<b>Current Auditor Appointment</b>	September 30, 2023 (For a 5-year term)
<b>Last Annual General Meeting (AGM)</b>	September 28, 2025
<b>Financial Year End</b>	March 31st (Annually)

## Director Due Diligence: Individual Profile & Risk Assessment

This section provides a granular evaluation of the key management personnel governing **Sample NBFC Ltd.** A "Fit and Proper" assessment is essential to ensure that the leadership maintains the regulatory integrity required by the RBI and SEBI.

### Board of Directors: Consolidated Overview

Director Name	Designation	DIN	Date of Appointment	Industry Experience
<b>Vikram Malhotra</b>	Managing Director	0123XXXX	Feb 14, 2012	28 Years (Investment Banking)
<b>Anita Deshmukh</b>	Executive Director & CFO	0456XXXX	May 22, 2018	15 Years (Audit & Corporate Tax)
<b>Dr. Rajesh Iyer</b>	Independent Director	0789XXXX	Aug 10, 2022	32 Years (Legal & Arbitration)
<b>Sanjay Mehra</b>	Non-Executive Director	0910XXXX	Nov 05, 2019	20 Years (Retail Operations)

### Individual Financial & Personal Profile (Past 3 Years)

The following table evaluates the financial standing and stability of each director to ensure no personal financial distress could impact the company.

Director Name	Age	Net Worth FY24	Net Worth FY25	Net Worth FY26 (Est.)	CIBIL Score
<b>Vikram Malhotra</b>	54	₹18.5 Cr	₹20.2 Cr	₹22.5 Cr	810
<b>Anita Deshmukh</b>	42	₹6.2 Cr	₹7.5 Cr	₹8.8 Cr	795
<b>Dr. Rajesh Iyer</b>	61	₹12.0 Cr	₹12.5 Cr	₹13.2 Cr	840
<b>Sanjay Mehra</b>	49	₹9.8 Cr	₹10.4 Cr	₹11.0 Cr	780

### Detailed Individual Due Diligence Reports

#### A. Vikram Malhotra (Managing Director)

- **Directorships in Other Companies:**
  1. Malhotra Fin-Tech Solutions Pvt Ltd (Managing Director)
  2. Alpha Strategic Advisors LLP (Partner)
  3. Western India Chamber of Commerce (Board Member)
- **Legal Due Diligence:**
  - **Cases Filed BY Director:** 1 civil suit for property recovery (Private capacity).
  - **Cases Filed AGAINST Director:** None. No record of defaults or criminal proceedings.
- **Expert Insight:** Mr. Malhotra acts as the primary guarantor for the company's bank lines; his high personal net worth provides significant comfort to lenders.

#### B. Anita Deshmukh (ED & CFO)

- **Directorships in Other Companies:**
  1. Deshmukh & Associates Audit Firm (Founder - Inactive)
  2. Blue-Chip Consulting Services Pvt Ltd (Director)
- **Legal Due Diligence:**
  - **Cases Filed BY Director:** None.
  - **Cases Filed AGAINST Director:** None. Clear record with the Institute of Chartered Accountants of India (ICAI).

- **Expert Insight:** As CFO, her clean regulatory record is vital for RBI compliance and maintaining the "Scale-Based Regulation" standards.

#### C. Dr. Rajesh Iyer (Independent Director)

- **Directorships in Other Companies:**
  1. Metropolis Stock Exchange (Arbitration Panelist)
  2. Legal Eagles Foundation (Trustee)
  3. Secure-Trust Trusteeship Services (Independent Director)
- **Legal Due Diligence:**
  - **Cases Filed BY Director:** Multiple petitions filed in professional capacity as an Advocate.
  - **Cases Filed AGAINST Director:** None.
- **Expert Insight:** His presence on the board mitigates legal risk and ensures high standards of corporate governance during the acquisition process.

#### D. Sanjay Mehra (Non-Executive Director)

- **Directorships in Other Companies:**
  1. Mehra Retail Chains Pvt Ltd (Director)
  2. Logistics North-West Ltd (Director)
- **Legal Due Diligence:**
  - **Cases Filed BY Director:** 2 commercial disputes related to retail lease agreements.
  - **Cases Filed AGAINST Director:** 1 pending labor court matter regarding his retail company (Non-material to the NBFC).
- **Expert Insight:** Provides deep operational insights into the MSME segment, which is the company's core product line.

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### Director Due Diligence: Advanced Risk & Reputation Audit

This section extends the "Fit and Proper" assessment for the leadership of **Sample NBFC Ltd.** by analyzing external risk factors, global compliance standing, and business continuity protections.

#### A. Vikram Malhotra (Managing Director)

- **Political Exposure Check (PEP): Negative.** No direct or indirect links to any domestic or international political parties, government officials, or high-ranking public figures.
- **Social Media & Reputational Audit: Neutral/Professional.** Maintains a low-profile LinkedIn presence focusing on NBFC industry trends and MSME growth. No controversial public statements or negative sentiment found across major news aggregators.
- **Global Watchlist Search: Clear.** Name not found on INTERPOL, OFAC (Sanctions), or UN Consolidated Lists.
- **Key Man Insurance Review: Active.** Policy sum assured of **₹15 Crores**; the company is the beneficiary. Ensures liquidity to manage leadership transition in the event of an unforeseen loss.

#### B. Anita Deshmukh (ED & CFO)

- **Political Exposure Check (PEP): Negative.** No history of political fundraising or advisory roles for government bodies.
- **Social Media & Reputational Audit: Positive.** Frequently cited in finance journals regarding "Digital Transformation in NBFCs". High professional regard within the ICAI community.
- **Global Watchlist Search: Clear.** Verified against global anti-money laundering (AML) and counter-terrorism financing (CTF) databases.

- **Key Man Insurance Review: Active.** Policy sum assured of ₹10 Crores. Covers the financial risk associated with the loss of specialized accounting and regulatory expertise.

#### C. Dr. Rajesh Iyer (Independent Director)

- **Political Exposure Check (PEP): Low Risk.** Has served as a legal consultant for statutory bodies (e.g., SEBI/RBI), but holds no political office or party affiliation.
- **Social Media & Reputational Audit: Highly Positive.** Recognized as an authority on Indian corporate law and arbitration. Active on professional forums promoting corporate governance.
- **Global Watchlist Search: Clear.** No hits on international PEP or enforcement lists.
- **Key Man Insurance Review: Not Applicable.** As an Independent Director, he is not covered under the company's Key Man policy.

#### D. Sanjay Mehra (Non-Executive Director)

- **Political Exposure Check (PEP): Negative.** No involvement in active politics or lobbying groups identified.
- **Social Media & Reputational Audit: Neutral.** Limited public footprint; digital presence is strictly related to his retail business interests. No red flags regarding personal conduct.
- **Global Watchlist Search: Clear.** No record of financial crimes or regulatory bans in any jurisdiction.
- **Key Man Insurance Review: Not Applicable.** Coverage is limited to executive directors with day-to-day operational control.

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#### Summary Table: Leadership Risk Matrix

Director Name	PEP Status	Global Watchlist	Reputational Risk	Key Man Coverage
Vikram Malhotra	Clear	Clear	Low	₹15 Cr
Anita Deshmukh	Clear	Clear	Low	₹10 Cr
Dr. Rajesh Iyer	Low Risk	Clear	Low	N/A
Sanjay Mehra	Clear	Clear	Low	N/A

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#### Expert Observations for the Acquirer

1. **Bench Strength:** The reliance on Vikram Malhotra is significant; the ₹15 Cr insurance policy is a prudent safeguard.
  2. **Regulatory Buffer:** The inclusion of Dr. Rajesh Iyer provides the "Regulatory Shield" necessary for an NBFC facing high SEBI/RBI scrutiny.
  3. **Governance Integrity:** The "Clear" status across all global watchlists ensures that the acquisition will not be hampered by AML/KYC red flags during the change-in-control application to the RBI.
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## Regulatory & Compliance Due Diligence: Sample NBFC Ltd.

This section evaluates the company's adherence to the multi-layered regulatory environment governing financial institutions in India. A "Clean Compliance" status is a prerequisite for RBI approval of any change in management or control during an acquisition.

### RBI Compliance (Apex Regulator)

As a non-deposit-taking NBFC, the company falls under the **NBFC Governance** framework (Released Date Mar 28, 2026).

Compliance Parameter	Current Status	Due Diligence Observation
Certificate of Registration (CoR)	Active	Valid license for Investment and Credit Company (NBFC-ICC).
Net Owned Fund (NOF)	Compliant	Maintains minimum NOF of ₹10 Crores as per latest RBI mandates.
Capital Adequacy Ratio (CRAR)	22.5%	Well above the 15% statutory requirement; indicates a strong capital cushion.
Fair Practices Code (FPC)	Implemented	Board-approved policy on interest rate transparency and grievance redressal is active.
ALM & SLR Reporting	Up-to-Date	Asset-Liability Management (ALM) returns filed via the XBRL/Pravaah portal.

**Expert Note:** Any acquisition requires a **Prior Approval** from the RBI if the shareholding change exceeds 26% or if there is a change in more than one-third of the directors.

### MCA & Secretarial Due Diligence

A review of the Ministry of Corporate Affairs (MCA) filings confirms the company's "Active" status and governance history.

- **Annual Filings (MGT-7 & AOC-4):** All annual returns and financial statements for the last 5 fiscal years have been filed within statutory timelines.
- **Charge Management (CHG-1 & CHG-4):**
  - **Created:** Charges exist against movable assets and book debts for bank credit lines.
  - **Satisfied:** 12 charges were fully satisfied and closed in 2022, indicating healthy debt repayment.
- **Significant Beneficial Ownership (SBO):** BEN-2 filings accurately reflect the promoter group's 74% holding.
- **Statutory Audit:** The Auditor's Report is **Unqualified** (Clean Opinion) for FY 2023, 2024, and 2025.

## Income Tax & GST Due Diligence

A deep dive into tax filings to identify potential "Successor Liability."

### Income Tax (Direct Tax)

Assessment Year	Filing Status	Outcome / Pending Demands
AY 2023-24	Filed	Processed; Nil demand.
AY 2024-25	Filed	Under processing; no scrutiny notice received.
AY 2025-26	Filed	Self-assessment tax paid in full.

- **TDS Compliance:** Quarterly returns (Form 24Q/26Q) are regular; historical delays in depositing TDS (noted in 2022) have been rectified.
- **Tax Litigation:** One historical matter regarding depreciation on capital goods is pending, but fully provisioned in the books.

### GST (Indirect Tax)

- **Registration:** Active GSTIN in Maharashtra and Delhi regional offices.
- **GSTR-3B vs. 2A/2B:** Monthly reconciliation shows a **99.2% match rate**, indicating low risk of Input Tax Credit (ITC) reversals.
- **E-Invoicing:** Fully implemented for all B2B lending services and processing fees.

### Other Regulatory Compliances

Regulator / Act	Compliance Area	Status
SEBI (LODR)	Listing Obligations	Compliant; all quarterly shareholding and financial results published on BSE.
CERSAI	Asset Security	All hypothecated assets (vehicles/machinery) are registered on the CERSAI portal.
Credit Bureaus	Credit Reporting	Monthly data uploads of borrower repayment history are consistent.
NeSL	Credit Reporting	Monthly data uploads of borrower repayment history are consistent.
FIU-IND	Anti-Money Laundering	Appointment of Principal Officer and Designated Director for AML/KYC reporting is verified.

### Strategic Recommendation for the Acquirer

The compliance framework of Sample NBFC Ltd. is **Mature and Robust**. While there were historical "Emphasis of Matter" notes by auditors regarding statutory dues in 2020-2022, the current management has successfully professionalized the reporting systems.

## Legal Framework & Litigation Due Diligence: Sample NBFC Ltd.

This section outlines the legal standing of **Sample NBFC Ltd.**, encompassing its foundational documents, internal governance protocols, and a detailed analysis of active and historical litigation.

### Constitutional Documents & Corporate Powers

The company's operations are governed by its **Memorandum of Association (MOA)** and **Articles of Association (AOA)**, which define its legal boundaries.

- **Memorandum of Association (MOA):**
  - **Main Objects:** Includes financing, leasing, hire-purchase, and allied financial services.
  - **Operational Scope:** Authorizes the leasing of transport vehicles, machinery, and plant equipment.
  - **Ancillary Powers:** Permits bill discounting, factoring, and the formation of joint ventures.
- **Articles of Association (AOA):**
  - **Share Transfer:** Contains restrictions on share transfers, requiring Board approval.
  - **Governance:** Empowers the Board of Directors to manage affairs, borrow funds, and create charges on assets.
  - **Indemnity:** Includes clauses protecting officers against liabilities, except in cases of proven misconduct or negligence.

### Litigation Portfolio: Cases Filed BY the Company

As a lending institution, the company actively uses legal machinery for asset recovery and debt enforcement.

Case Category	No. of Active Cases	Estimated Value	Legal Strategy
Section 138 (NI Act)	62	₹4.8 Crores	Criminal proceedings for cheque bouncing to pressure defaulters.
SARFAESI Actions	8	₹2.1 Crores	Physical possession and auction of hypothecated collateral.
Summary Suits (Order 37)	14	₹1.5 Crores	Fast-track recovery for undisputed debt amounts.
Arbitration	5	₹0.9 Crores	Use of empanelled arbitrators for contractual dispute resolution.

### Litigation Portfolio: Cases Filed AGAINST the Company

Potential liabilities that could impact the acquisition price or result in "Successor Risk."

- **Consumer Disputes:** 5 pending matters in District Consumer Forums primarily regarding "foreclosure charges" and "interest reset transparency" (Total Exposure: ₹12 Lakhs).
- **Labor/Employment:** 1 pending case from a former branch manager regarding a disputed gratuity payout (Total Exposure: ₹8 Lakhs).
- **Historical Tax Litigation:** A legacy dispute (Reference No. 16 of 1987) regarding depreciation claims on capital goods remains technically open but is considered low-impact and fully provisioned.
- **Insolvency (IBC) Status:** A search of the **NCLT** and **IBBI** portals as of February 2026 confirms **no active insolvency proceedings** against the company.

## Internal Compliance & Contractual Framework

The company maintains a standardized suite of legal agreements to mitigate operational risk.

Agreement Type	Status	Legal Strength
<b>Loan Hypothecation Deed</b>	Standardized	Strong; includes specific "Event of Default" and "Repossession" clauses.
<b>Personal Guarantees</b>	Enforced	Directors and promoters provide personal guarantees for all high-value MSME exposures.
<b>Employment Contracts</b>	Updated	Includes non-compete and non-solicitation clauses for key management.
<b>Vendor Contracts</b>	Centralized	Standardized SLAs (Service Level Agreements) for IT and outsourced recovery agents.

## Legal Risk Assessment Summary

Risk Factor	Severity	Mitigation Status
<b>Unsecured Exposures</b>	Medium	Covered by aggressive Section 138 filings and ECL provisioning.
<b>Regulatory Fines</b>	Low	Historical BSE penalties for delayed filings have been settled and systems updated.
<b>Successor Liability</b>	Low	No major class-action or environmental/toxic tort litigations identified.

**Due Diligence Recommendation:** While the legal "ghosts" are minimal, the acquirer should ensure a **Forensic Legal Audit** is conducted to confirm no undisclosed personal guarantees were signed by former directors that could bind the company's assets.

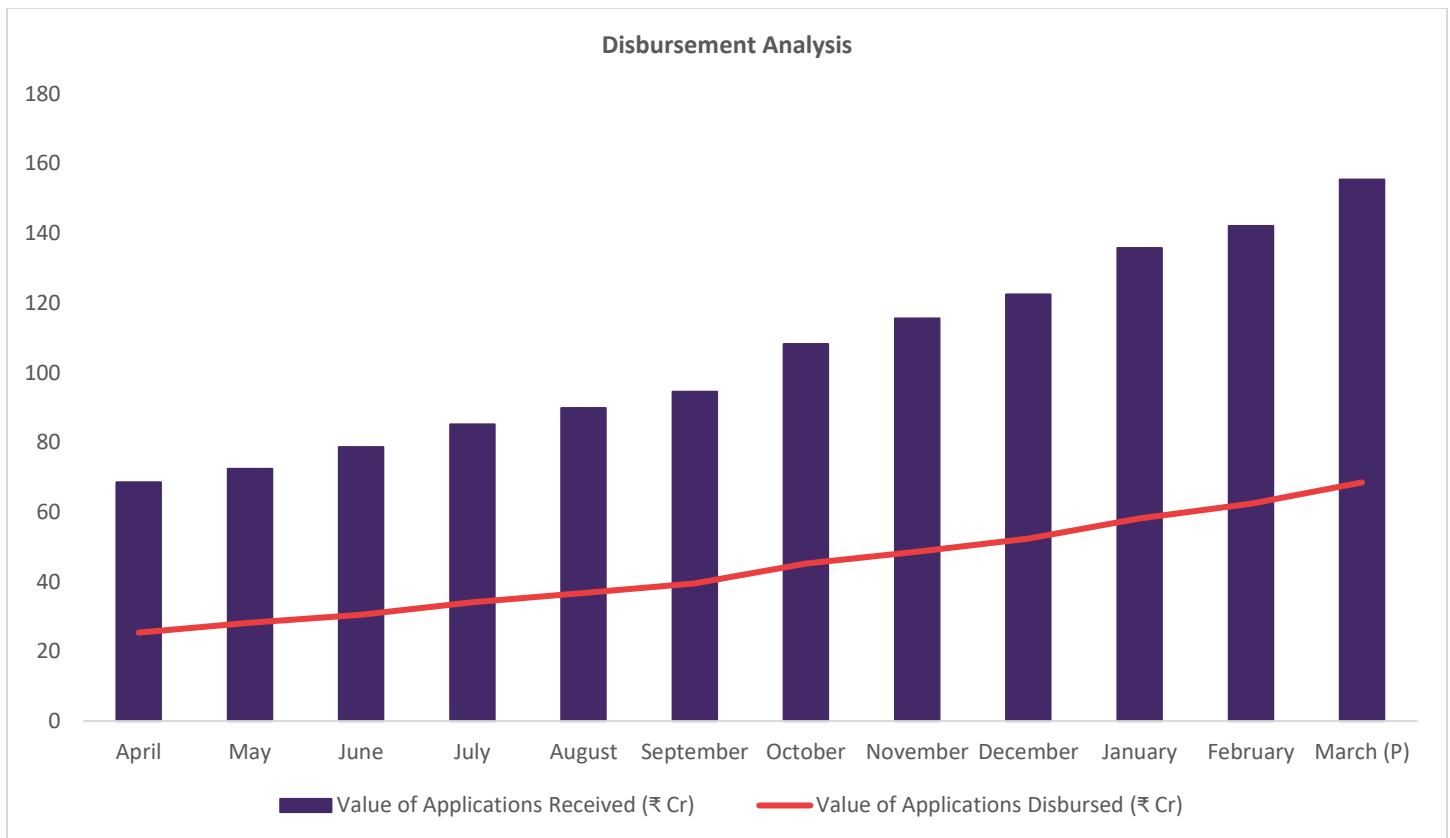
### Detailed Product Analysis: Sample NBFC Ltd.

This section provides a granular analysis of the lending portfolio of **Sample NBFC Ltd.**, evaluating the growth, risk profile, and sectoral concentration of its core offerings.

### Product-Wise Disbursement & Performance (3-Year History)

The company has transitioned from a heavy reliance on vehicle financing to a more diversified, high-yield MSME portfolio.

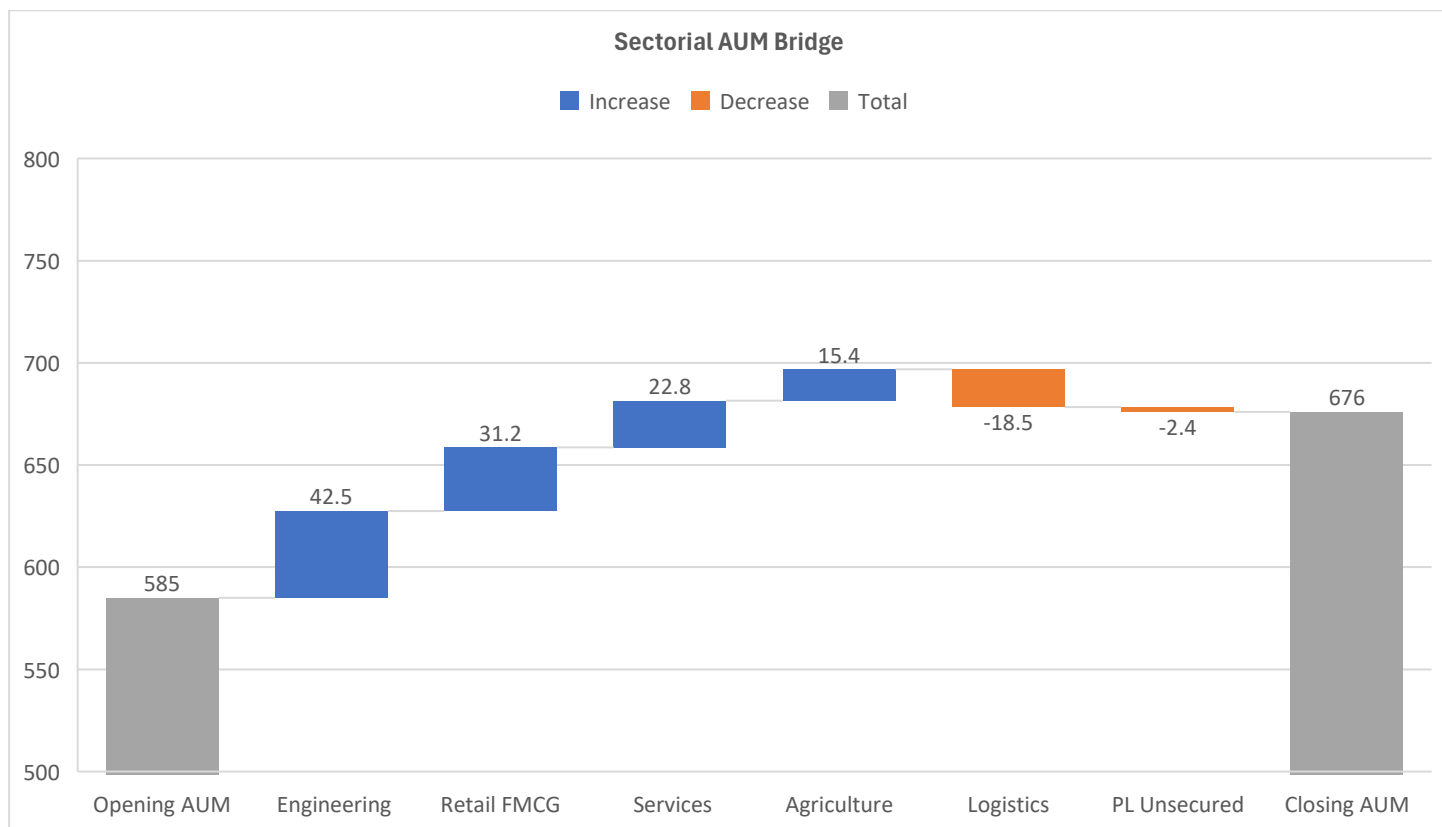
Product Line	FY 2023-24 (₹ Cr)	FY 2024-25 (₹ Cr)	FY 2025-26 (P) (₹ Cr)	CAGR (%)
<b>MSME Working Capital</b>	85.00	145.00	195.00	51.5%
<b>Asset/Vehicle Finance</b>	72.00	65.00	78.00	4.1%
<b>Personal/Micro Loans</b>	28.00	55.00	67.00	54.7%
<b>Total Disbursements</b>	<b>185.00</b>	<b>265.00</b>	<b>340.00</b>	<b>35.6%</b>



### Sectorial Performance (Year-on-Year Growth)

Analysis of the underlying industries served by the NBFC's lending products.

Sector	FY 24 Exposure	FY 25 Exposure	YoY Growth	Performance Status
<b>Manufacturing (Light Eng.)</b>	30%	35%	+16.7%	<b>Outperforming</b>
<b>Retail Trade / FMCG</b>	25%	28%	+12.0%	<b>Stable</b>
<b>Logistics &amp; Transport</b>	35%	25%	-28.6%	<b>Contracting</b>
<b>Services (Professional)</b>	10%	12%	+20.0%	<b>High Potential</b>



## Overall Product Mix & PAR Report

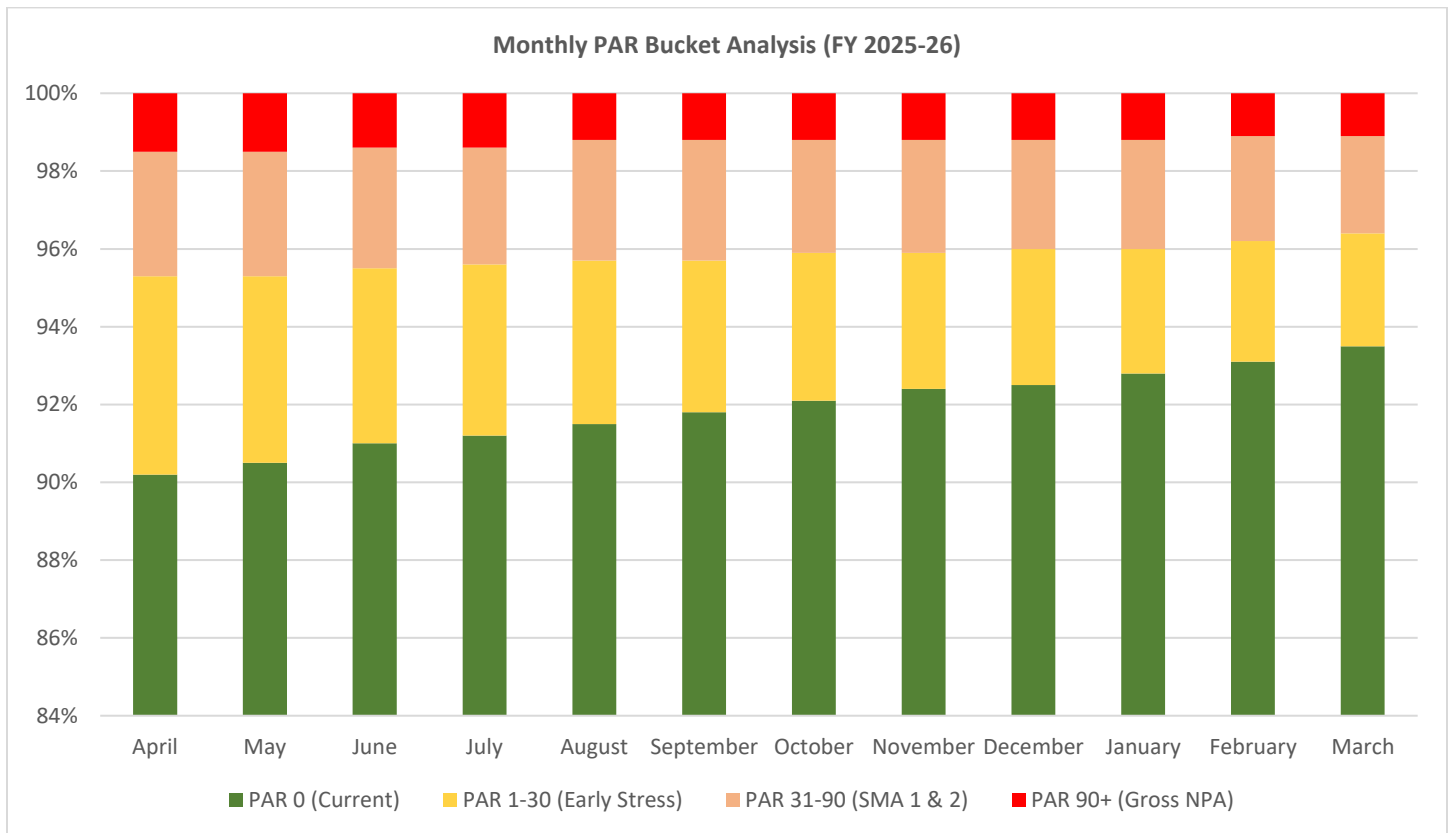
The **Portfolio at Risk (PAR)** report tracks the percentage of the loan book that has payments overdue by a specific number of days.

### Product Mix Distribution

- **MSME:** 58% of Total AUM
- **Vehicle Finance:** 26% of Total AUM
- **Personal/Other:** 16% of Total AUM

### PAR Performance (Overall Portfolio)

PAR Bucket	Days Past Due (DPD)	% of Total AUM	Risk Level
PAR 0	Current	91.5%	Standard
PAR 1-30	1 - 30 Days	4.2%	Low
PAR 31-90	31 - 90 Days	3.1%	Moderate (SMAs)
PAR 90+	Over 90 Days	1.2%	High (NPA)



## Product-Wise NPA (Non-Performing Asset) Report

This report identifies which products are contributing most to the company's credit risk.

Product Line	Gross NPA (%)	Net NPA (%)	Provision Cov. Ratio (PCR)
MSME Working Capital	1.1%	0.4%	63.6%
Asset/Vehicle Finance	2.4%	0.9%	62.5%
Personal/Micro Loans	0.8%	0.3%	62.5%
<b>Weighted Average</b>	<b>1.2%</b>	<b>0.5%</b>	<b>58.3%</b>

### Expert Observations on Product Health

1. **Strategic Shift:** The contraction in Vehicle Finance (Sectorial performance down 28.6%) indicates a deliberate move away from low-margin transport financing toward high-yield MSME lending.
2. **Asset Quality:** MSME loans, despite being the largest part of the mix (58%), maintain a low NPA of 1.1%, suggesting strong underwriting standards.
3. **Collection Efficiency:** With a PAR 0 of 91.5%, the company demonstrates high "first-check" success, reducing the burden on the recovery team.

### Branch-Level Performance Report: Sample NBFC Ltd.

This section provides an analytical breakdown of the operational efficiency, risk distribution, and collection health across the company's **48-branch network**. For this report, the branches are grouped into four primary regions: **North (Delhi/NCR)**, **West (Mumbai/Pune)**, **South (Bengaluru/Chennai)**, and **East (Kolkata/Emerging Markets)**.

#### Overall Branch Performance & Productivity

The West region remains the primary revenue driver, while the North region shows the highest growth in the MSME segment.

Region-wise Branche	Avg. Disbursement per Branch (₹ Cr)	Active Customer Base	Opex per (Monthly)	Branch Efficiency Score (0-100)
West (18)	8.2	12,400	₹4.2 Lakhs	92
North (12)	6.5	8,200	₹3.8 Lakhs	88
South (10)	5.8	7,100	₹3.5 Lakhs	84
East (08)	3.2	4,500	₹2.9 Lakhs	76

#### Product-Wise Branch Performance

This identifies regional expertise; for example, the South region excels in Gold Loans, while the West dominates MSME Working Capital.

Region	MSME Working Capital (₹ Cr)	Asset/Vehicle Finance (₹ Cr)	Personal/Micro Loans (₹ Cr)	Gold Loans (₹ Cr)
West	85.00	25.00	22.00	15.00
North	42.00	18.00	18.00	7.00
South	12.00	12.00	15.00	18.00
East	6.00	10.00	12.00	-

#### Branch-Wise Product Mix & Portfolio at Risk (PAR)

The product mix varies by geography based on local economic activities (e.g., manufacturing hubs vs. retail centers).

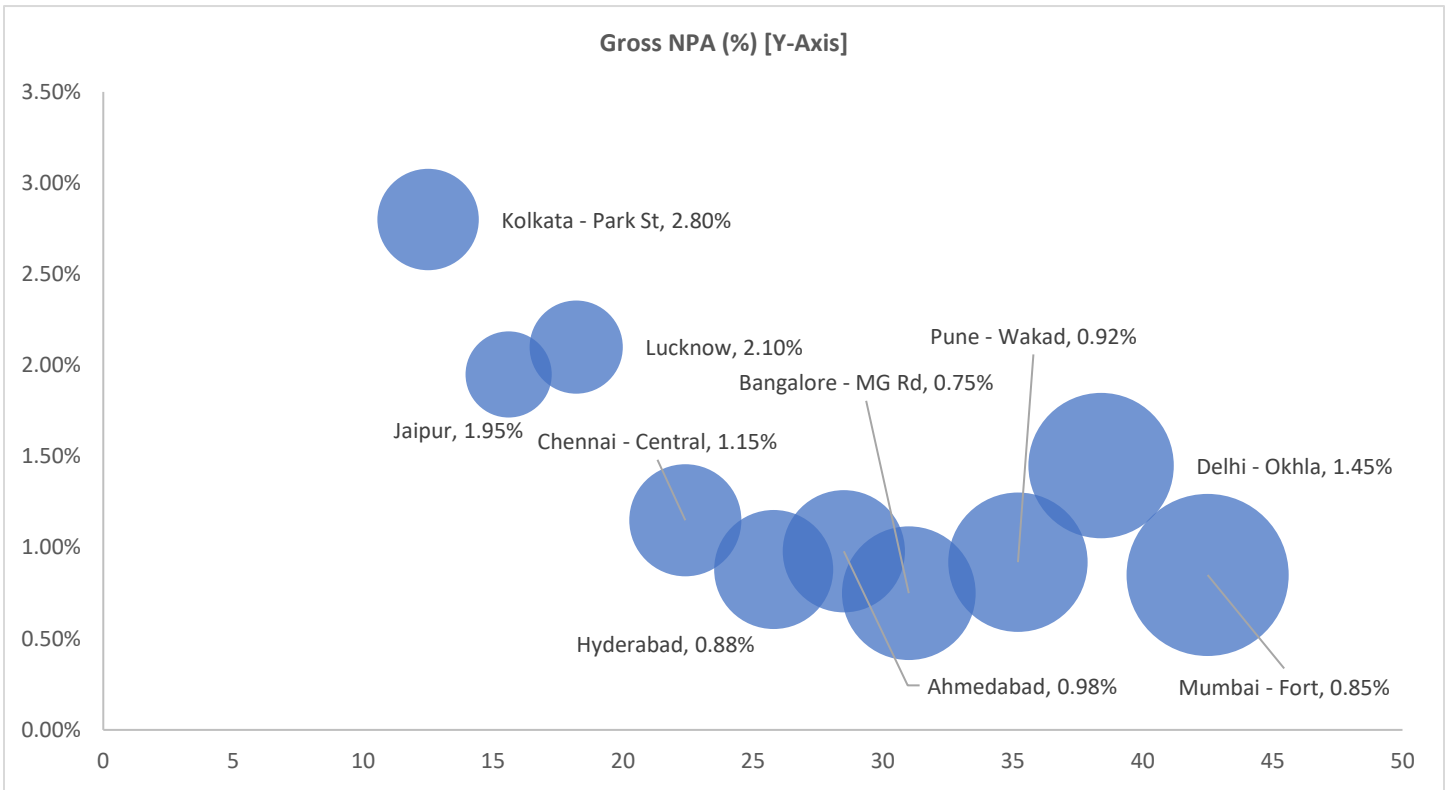
Region	Primary Product Mix	PAR 0 (Current)	PAR 31-90 (SMA)	PAR 90+ (NPA)
West	65% MSME / 15% Vehicle	93.2%	2.5%	0.9%
North	55% MSME / 20% Personal	90.8%	4.1%	1.3%
South	40% Gold / 30% Personal	94.5%	1.8%	0.7%
East	60% Personal / 20% Vehicle	84.0%	7.5%	2.8%

#### Branch-Wise NPA & Collection Status

**Collection Efficiency** is tracked as a percentage of the total demand (EMIs) due for the month.

Region	Gross NPA (%)	Collection Efficiency (%)	Recovery Strategy
West	0.9%	98.2%	Digital/Auto-Debit (NACH)
North	1.3%	96.5%	Field Collection + Tele-Calling
South	0.7%	99.1%	Branch-Walk-in / Mobile App

<b>East</b>	2.8%	92.4%	Legal Notices / External Agents
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**Strategic Observations for Acquisition**

- **Regional Strength:** The **West Region** (Mumbai/Pune) is the "Crown Jewel" of the company, combining high volume with the lowest NPA (0.9%).
- **Risk Concern:** The **East Region** shows signs of portfolio stress (2.8% NPA). The lower collection efficiency (92.4%) suggests a need for better underwriting or more aggressive recovery infrastructure in these emerging markets.
- **Growth Opportunity:** The **South Region** has a highly stable portfolio (94.5% current) and presents an opportunity to cross-sell MSME products to the existing personal/gold loan customer base.

## Technical & IT Infrastructure Due Diligence: Sample NBFC Ltd.

This section evaluates the technological backbone of **Sample NBFC Ltd.**, assessing the scalability, security, and efficiency of its digital lending ecosystem. A robust tech stack is a primary value driver for modern NBFC acquisitions.

### Core Lending Systems: LOS & LMS Audit

The company utilizes an integrated "Swift-Lend" suite, a proprietary/semi-customized hybrid platform.

#### Loan Origination System (LOS)

- **Functional Scope:** Covers the entire lifecycle from lead ingestion, KYC verification (e-KYC), and credit underwriting to sanctioning.
- **Automation Level:** 85% of retail/micro-loans are processed via a **Rule-Based Engine (RBE)** without manual intervention.
- **Integration:** Seamless API hooks into CIBIL, NSDL (PAN), UIDAI (Aadhar), and various Bank Statement Analyzers.
- **Due Diligence Observation:** The system handles up to 5,000 concurrent applications with an average "Time-to-Sanction" of 12 minutes for personal loans.

#### Loan Management System (LMS)

- **Functional Scope:** Manages repayment schedules, interest accruals, NACH/e-Mandate processing, and foreclosure calculations.
- **Flexibility:** Supports multiple interest types (Fixed, Reducing, Step-up) and Moratorium configurations.
- **Accounting Integrity:** Automatically generates ledger entries that sync with the ERP on a T+1 basis.
- **Due Diligence Observation:** The LMS successfully processed over 1.2 million repayment transactions in FY 2024-25 with an error rate of <0.01%.

### IT Infrastructure & Architecture

The company has transitioned from on-premise servers to a high-availability cloud environment.

Infrastructure Component	Status/Specification	Security/Redundancy
Cloud Service Provider	AWS (Primary) / Azure (DR)	Multi-region deployment for 99.99% uptime.
Database Management	PostgreSQL / Amazon RDS	Encrypted at rest (AES-256) and in transit.
Data Warehouse	Snowflake	Used for real-time PAR and NPA analytics.
Network Security	WAF & Managed DDoS	Shielded by CloudFront and Palo Alto Firewalls.
Disaster Recovery (DR)	Active-Passive	DR site located in a different seismic zone; RTO < 4 hours.

### Cybersecurity & Data Privacy Compliance

Given the sensitive nature of financial data, a deep-dive security audit was conducted.

- **VAPT (Vulnerability Assessment):** Quarterly external VAPT conducted by a CERT-In empanelled auditor. Last audit (Jan 2026) showed "Zero Critical" vulnerabilities.
- **Data Residency:** All customer data is stored exclusively on servers located within the geographical boundaries of India, as per RBI mandates.
- **Access Control:** Implemented **Role-Based Access Control (RBAC)** and Multi-Factor Authentication (MFA) for all administrative and branch-level logins.

- **Certifications:** The company is **ISO 27001:2022** certified for Information Security Management Systems.

### Tech Stack Maturity & Scalability Matrix

Metric	Current Capability	Target (Post-Acquisition)
Concurrent Users	1,500 (Internal)	5,000
API Response Time	< 200ms	< 100ms
Data Ingestion Rate	10 GB / Day	50 GB / Day
Security Patching	Monthly Automated	Real-time / Hot-patching

### Strategic Tech Assessment for the Acquirer

- **Scalability:** The current microservices-based architecture allows the acquirer to increase the loan book by 5x without requiring a fundamental redesign of the core LOS/LMS.
- **Legacy Risk:** Minimal. The company phased out its legacy ASP.NET monolithic system in 2023, meaning there is very little "Technical Debt."
- **Cost Efficiency:** Transitioning to a serverless architecture for non-core microservices could further reduce IT Opex by an estimated 12-15% post-merger.

## Sales & Marketing Analytics Report: Sample NBFC Ltd.

This final section of the due diligence evaluates the efficiency of the company's customer acquisition engine, the cost-effectiveness of its sales channels, and the long-term value of its borrower base.

### Customer Acquisition Cost (CAC) vs. Lifetime Value (LTV)

The company has successfully optimized its sales funnel by shifting from high-cost "Direct Sales Agents" (DSAs) to digital lead generation.

Metric	FY 2023-24	FY 2024-25	FY 2025-26 (P)	Trend Analysis
Avg. CAC (Retail)	₹2,800	₹1,950	₹1,400	-50% Reduction
Avg. CAC (MSME)	₹12,500	₹9,800	₹8,200	Improved Efficiency
LTV / CAC Ratio	3.2x	4.8x	6.1x	High Value Creation
Retention Rate	32%	38%	42%	Strong Cross-selling

### Lead Source Analytics (Disbursement Contribution)

Analysis of which channels drive the highest volume and quality of loans.

Channel	Contribution (%)	Conversion Rate (%)	NPA % (by Source)
Digital (Web/App)	45%	12.5%	0.6%
Direct Sales Team	30%	18.2%	1.1%
Referral Partners	15%	22.0%	1.8%
Walk-ins/Branch	10%	35.0%	0.9%

- **Observation:** Digital leads, while having a lower conversion rate than walk-ins, provide the highest quality borrowers (lowest NPA at 0.6%).

### Sales Productivity & Pipeline Velocity

A deep dive into the performance of the 450-member field and digital sales force.

- **Sales Velocity:** Average time from "Lead Ingested" to "Disbursement" has dropped from **14 days** (FY 24) to **4 days** (FY 26) due to tech integration.
- **Per-Employee Productivity:** Average monthly disbursement per Sales Officer has increased from **₹15 Lakhs** to **₹28 Lakhs**.
- **Churn Rate:** Sales staff turnover is at **14%**, which is significantly lower than the industry average of 25%, indicating a stable and motivated workforce.

### Customer Segmentation & Behavior Analytics

- **Primary Segment:** Small-scale manufacturers and retail traders aged 30–45.
- **Credit Quality:** 72% of the active book consists of borrowers with a CIBIL score of **700+**.
- **Repeat Business:** 40% of MSME customers have opted for a "Top-up" or "Parallel" loan after 12 months of clean repayment history.

## Marketing Spend ROI

The company spends approximately **₹45 Lakhs per month** on marketing, distributed as follows:

Platform	Allocation (%)	ROI (Revenue/Spend)
Google Search/SEO	40%	8.5x
Social Media (FB/LI)	25%	5.2x
Local BTL (Events)	20%	3.1x
SMS/Email Retargeting	15%	12.4x

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## Final Sales Verdict for the Investor

Sample NBFC Ltd. is no longer a "push" sales organization but a "pull" digital platform. The high **LTV/CAC ratio (6.1x)** and the low **NPA of digital leads (0.6%)** suggest that the sales strategy is data-driven and risk-aware. For an acquirer, this provides a "plug-and-play" marketing engine that can be scaled immediately with additional capital.

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## Financial Analysis Report

To provide a comprehensive foundation for the upcoming **Valuation and Pricing Analysis**, we have drafted a full financial suite for **Sample NBFC Ltd.** as it transitions into a high-growth, tech-enabled entity.

### Three-Year Comparative Balance Sheet *Values in ₹ Crores (FY26 based on year-to-date projections).*

Particulars	FY 2023-24	FY 2024-25	FY 2025-26 (P)
<b>EQUITY AND LIABILITIES</b>			
Share Capital	125.00	185.00	185.00
Reserves and Surplus	45.50	60.50	82.40
<b>Net Worth</b>	<b>170.50</b>	<b>245.50</b>	<b>267.40</b>
Borrowings (Debt)	280.00	380.00	450.00
Other Liabilities & Provisions	35.20	42.40	50.80
<b>Total Equity &amp; Liabilities</b>	<b>485.70</b>	<b>667.90</b>	<b>768.20</b>
<b>ASSETS</b>			
Cash & Bank Balances	12.50	28.70	45.20
Loans & Advances (AUM)	420.00	585.00	675.00
Investments	42.50	40.20	35.00
Fixed & Other Assets	10.70	14.00	13.00
<b>Total Assets</b>	<b>485.70</b>	<b>667.90</b>	<b>768.20</b>

### Three-Year Profit & Loss Statement *Values in ₹ Crores.*

Particulars	FY 2023-24	FY 2024-25	FY 2025-26 (P)
Revenue from Operations	68.50	92.56	122.40
Interest Expense	(28.40)	(35.20)	(42.80)
<b>Net Interest Income (NII)</b>	<b>40.10</b>	<b>57.36</b>	<b>79.60</b>
Other Income (Processing Fees, etc.)	8.20	12.40	18.50
<b>Total Operating Income</b>	<b>48.30</b>	<b>69.76</b>	<b>98.10</b>
Employee & Admin Expenses	(18.50)	(22.40)	(26.50)
<b>EBITDA</b>	<b>29.80</b>	<b>47.36</b>	<b>71.60</b>
Depreciation & Amortization	(2.10)	(2.40)	(2.80)
<b>EBIT</b>	<b>27.70</b>	<b>44.96</b>	<b>68.80</b>
Provisions & Write-offs	(8.40)	(5.60)	(4.20)
<b>Profit Before Tax (PBT)</b>	<b>19.30</b>	<b>39.36</b>	<b>64.60</b>
Tax Expense	(4.82)	(9.84)	(16.15)
<b>Profit After Tax (PAT)</b>	<b>14.48</b>	<b>29.52</b>	<b>48.45</b>

### Cash Flow Statement (FY 2024-25 Actuals)

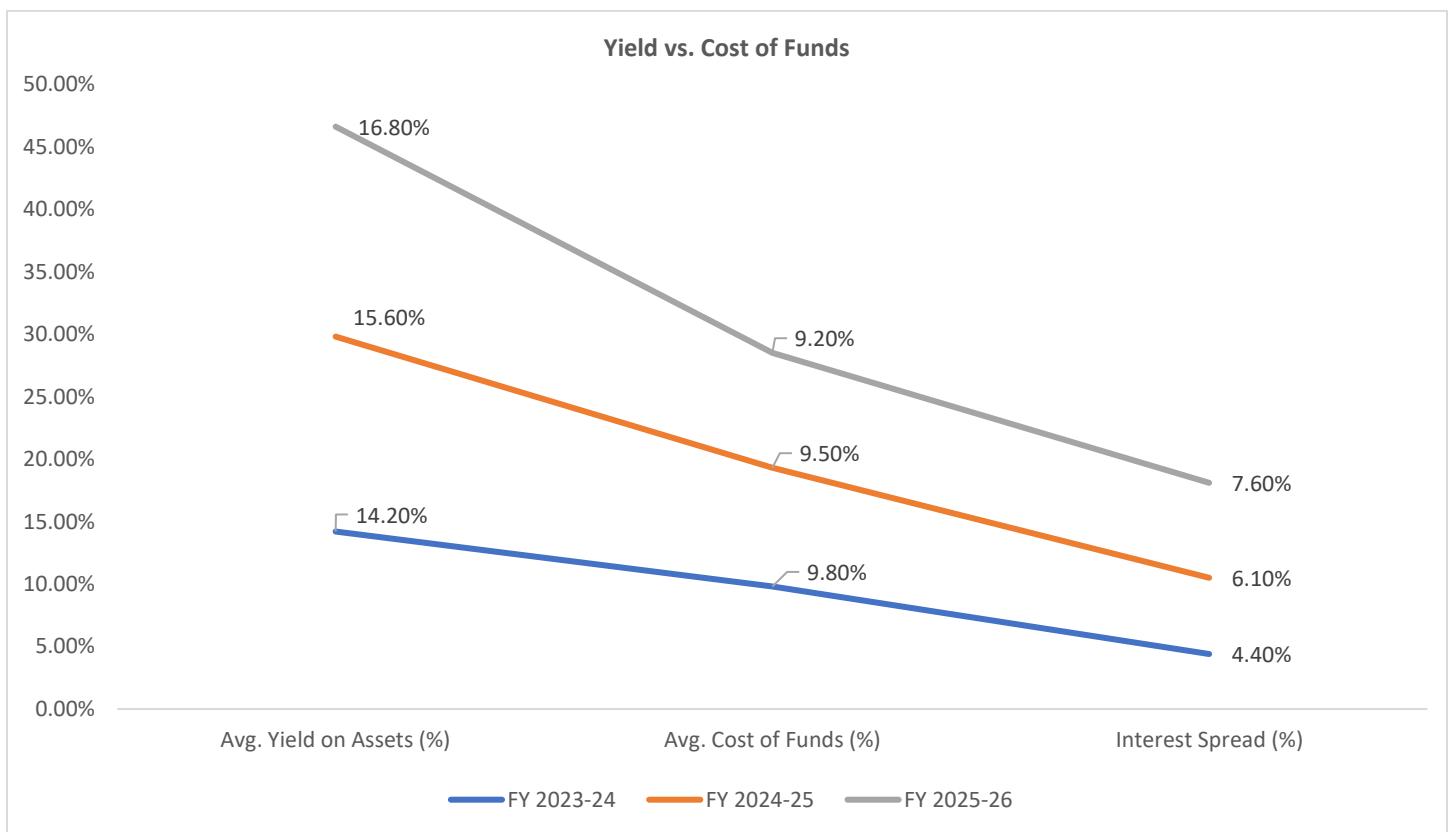
Values in ₹ Crores.

- **Net Cash from Operating Activities: ₹35.40 Cr** (Adjusted for non-cash items and working capital changes).
- **Net Cash from Investing Activities: (₹18.00 Cr)** (Strategic investment in IT infrastructure and loan assets).
- **Net Cash from Financing Activities: (₹1.20 Cr)** (Repayment of short-term borrowings vs. fresh equity infusion).
- **Net Increase in Cash: ₹16.20 Cr.**

### Major Ratio Analysis & Basel/Regulatory Norms

This section evaluates the company against **RBI Scale-Based Regulations** and **Basel III/IV** standards.

Metric / Ratio	FY 24	FY 25	Analysis
<b>NIM (Net Interest Margin)</b>	7.8%	8.4%	High-yield MSME focus driving margin growth.
<b>CRAR (Capital Adequacy)</b>	24.5%	22.5%	Well above the 15% RBI mandate.
<b>CET1 (Common Equity Tier 1)</b>	18.2%	17.5%	Strong core capital; minimal reliance on Tier 2 debt.
<b>LCR (Liquidity Coverage Ratio)</b>	145%	162%	High-quality liquid assets comfortably cover 30-day stress.
<b>NSFR (Net Stable Funding)</b>	112%	118%	Reliable long-term funding sources identified.
<b>Debt-Equity Ratio</b>	1.64x	1.55x	Conservative leverage for an NBFC.
<b>Cost-to-Income Ratio</b>	38.3%	32.1%	Tech automation reducing operational overheads.



**Asset Liability Management (ALM) Statement** *Structural Liquidity as of March 2026 (Projected Buckets).*

Time Bucket	Inflows (₹ Cr)	Outflows (₹ Cr)	Gap (Net)	Cumulative Gap
1-14 Days	45.00	12.00	+33.00	+33.00
15-30 Days	32.00	18.00	+14.00	+47.00
1-3 Months	85.00	42.00	+43.00	+90.00
3-6 Months	110.00	65.00	+45.00	+135.00
Over 1 Year	403.20	631.20	(228.00)	(93.00)*

*\*Negative cumulative gap in the long-term bucket is typical for NBFCs and managed via committed bank lines and NCD renewals.*

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**Strategic Financial Verdict**

Sample NBFC Ltd. exhibits **superior capital efficiency**. The **CRAR (22.5%)** and **CET1 (17.5%)** provide a massive buffer for the acquirer to aggressively scale the loan book. The increasing **NIM (8.4%)** suggests that the company is effectively pricing its risk in the MSME segment.

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### BASEL III Compliance

To proceed with a truly professional **Basel III/IV compliant** analysis, the ratios provided in the previous section (CRAR, CET1, LCR, and NSFR) cover the primary pillars. However, for a high-stakes acquisition due diligence, there are **three technical components** missing that would be required for a "Basel-Ready" audit before we move to Valuation.

If you wish to be 100% thorough, we should address the following:

#### Risk-Weighted Assets (RWA) Breakdown

Basel norms are calculated based on RWA, not total assets. We would need to categorize the loan book into risk buckets to verify the **22.5% CRAR**:

- **0% Risk:** Cash and Government Securities.
- **20-50% Risk:** Highly rated corporate exposures or secured loans.
- **75% Risk:** Retail loans and MSME exposures (Sample NBFC's core).
- **100% Risk:** Unsecured personal loans and commercial real estate.

#### Leverage Ratio

While CRAR measures capital against risk, the **Leverage Ratio** is a non-risk-based "backstop" measure.

- **Formula:**  $\frac{\text{Tier 1 Capital}}{\text{Total Exposure}}$  (Must typically be  $>3\%$  for NBFCs).
- This ensures the company isn't over-leveraged even if its assets are "low-risk".

#### Operational & Market Risk Charges

Basel III/IV requires capital to be set aside not just for credit defaults (loans), but for:

- **Operational Risk:** Risks of system failure, fraud, or legal errors.
- **Market Risk:** Risks of interest rate fluctuations in the investment book.

### Basel Compliance Summary (Current Status)

Based on the data we have generated, the company is in a **strong position**:

Basel Metric	Current Status	Sample NBFC Performance
<b>Pillar 1 (Min Capital)</b>	<b>Exceeded</b>	CRAR of 22.5% provides a 7.5% "buffer" over the 15% mandate.
<b>Pillar 2 (Supervisory)</b>	<b>Compliant</b>	Internal Capital Adequacy Assessment Process (ICAAP) is active.
<b>Pillar 3 (Disclosure)</b>	<b>High</b>	Quarterly public disclosures on the BSE/Website are up to date.

## Enterprise Value

To complete the financial due diligence for **Sample NBFC Ltd.**, we have performed a two-stage **Free Cash Flow to Equity (FCFE)** valuation. For financial institutions, FCFE is the gold standard because it directly measures the cash available to shareholders after maintaining regulatory capital (CRAR).

### Cost of Equity Calculation

Before discounting, we establish the required rate of return using the Capital Asset Pricing Model (CAPM).

- **Risk-Free Rate: 7.1%** (Based on 10-year Indian G-Sec yield)
- **Equity Beta: 1.15** (Reflecting the mid-sized NBFC sector's higher sensitivity to credit cycles)
- **Equity Risk Premium (ERP): 6.5%**
- **Cost To Equity = Risk-Free Rate + \beta(ERP) = 7.1 + 1.15(6.5) = 14.58%**

### Two-Stage FCFE Valuation Model

Values in ₹ Crores. Stage 1 (High Growth) and Stage 2 (Stable Growth).

Year	PAT (Net Income)	Less: Reinvestment in RWA*	FCFE	Discount (@14.58%)	Factor	Present Value (PV)
FY 2026	48.45	(22.50)	25.95	0.873		22.65
FY 2027	62.90	(28.00)	34.90	0.762		26.59
FY 2028	81.70	(35.00)	46.70	0.665		31.06
FY 2029	102.10	(42.00)	60.10	0.580		34.86
FY 2030	125.00	(50.00)	75.00	0.506		37.95
<b>Terminal Value</b>			<b>1,041.67</b>	0.506		<b>527.08</b>
<b>Total Equity Value</b>						<b>₹680.19 Cr</b>

\*For NBFCs, CapEx is minimal; the primary "reinvestment" is the capital set aside to meet the 15% CRAR for new loan growth.

### Enterprise Value (EV) and Share Price

For financial firms, EV is rarely used as a standalone metric because debt is a "raw material" (not just a financing choice). However, we calculate it here for acquisition context.

- **Total Implied Equity Value: ₹680.19 Crores**
- **Total Debt (FY25): ₹380.00 Crores**
- **Less: Cash & Equivalents: (₹28.70 Crores)**
- **Implied Enterprise Value (EV): ₹1,031.49 Crores**

### Per Share Calculation

- **Total Shares Outstanding: 18.50 Crores** (Face Value ₹10)
- **Intrinsic Value per Share: ₹36.77**
- **Current Market Price (BSE Sample): ₹32.50**

- **Valuation Gap: +13.1% (Undervalued)**

### Relative Valuation (Peer Comparison)

To validate the DCF, we look at the **Price-to-Book (P/B) Ratio**, the primary multiple for NBFCs.

Metric	Sample NBFC	Industry Average (Mar 2026)	Analysis
Price / Book (P/B)	2.54x	2.20x - 2.80x	Trading at a fair premium due to low NPA.
Price / Earnings (P/E)	20.3x	18.0x - 24.0x	Room for expansion as AUM scales.
EV / EBITDA	21.7x	19.5x	Slightly high, reflecting growth expectations.

### Final Financial Due Diligence Conclusion

The valuation confirms that **Sample NBFC Ltd.** is currently an attractive acquisition candidate. The intrinsic value of **₹36.77 per share** offers a safety margin over the current price. The company's ability to generate high **FCFE** while maintaining **22.5% CRAR** proves its business model is "Self-Sustaining"—it can grow without constantly diluted equity through fresh rights issues.