

Q3 2024

1. Net Interest Margin

- **Narrative:** Management addressed a temporary decrease in yields due to specific schemes they were running in certain segments. This decrease is not expected to be permanent and should improve in the near term.

- **Management's Guidance:**

- Management anticipates that yields will recover in the next quarter as the temporary impact of the schemes dissipates.

- **Actual Results:**

['Q1', '2025']:

- Data Not Available

['Q4', '2024']:

- Net Interest Margin for Q4 FY24 is 12.0%.

['Q2', '2025']:

- Net Interest Margin (%) for Q2 FY25 was reported as 13.1%.

['Q3', '2024']:

- Net interest margin stood at 13.1%.

- **Evaluation:**

- **Expectations Exceeded:** Management anticipated a recovery in yields in the next quarter, and the Net Interest Margin increased from 12.0% in Q4 FY24 to 13.1% in Q2 FY25, surpassing the expected recovery.

2. Loan Portfolio Quality

- **Narrative:** Management highlighted their strategic focus on enhancing loan portfolio quality by intensifying efforts in monitoring and collection processes. This includes the recruitment of additional staff dedicated to these activities and an elevation in underwriting standards starting from the fourth quarter.

- **Management's Guidance:**

- Management plans to recruit 300 additional staff members dedicated to collection efforts and aims to elevate underwriting standards from the fourth quarter. Management intends to maintain about 15% to 20% of the loan book on Direct Assignment (DA).

- **Actual Results:**

['Q1', '2025']:

- Data Not Available

['Q2', '2025']:

- Data Not Available

['Q4', '2024']:

- Data Not Available

['Q3', '2024']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

3. Cost-to-Income Ratio

- **Narrative:** The management has provided insights into their long-term expectations regarding the company's financial performance, specifically focusing on the cost structure. They have indicated a strategic outlook on credit cost management, which is a key component of the cost-to-income ratio, suggesting a stable and predictable cost trajectory in the microfinance sector.

- **Management's Guidance:**

- Management anticipates that the microfinance business will feature a credit cost of approximately 2.5% in the long run, indicating a stable cost-to-income structure.

- **Actual Results:**

['Q4', '2024']:

- [Board Member] Cost to income stood at 26.6%.

['Q2', '2025']:

- Cost to income for the quarter stood at 33.3%.

['Q3', '2024']:

- Cost to income stood at 25.7%.

['Q1', '2025']:

- Cost to income stood at 28.7% for Q1 FY25.

- **Evaluation:**

- **Expectations Not Met:** The management anticipated a stable cost-to-income ratio supported by credit cost management at around 2.5%, but actual results showed significant fluctuations, with ratios ranging from 25.7% to 33.3%, indicating a failure to meet the stability expectations.

4. Return on Assets

- **Narrative:** In the Q3 2024 earnings call, management emphasized their commitment to maintaining robust return metrics, specifically targeting a return on assets (ROA) of at least 4.5%. This aligns with their broader strategic focus on achieving sustainable growth and operational efficiency.

- **Management's Guidance:**

- Management has indicated a forward-looking target of maintaining a return on assets at 4.5% while achieving return on equity (ROE) of over 25% in the upcoming quarters.

- **Actual Results:**

['Q1', '2025']:

- ROAA: 4.79%

['Q4', '2024']:

- ROAA for FY24 is 7.1%.

['Q2', '2025']:

- a9f1cf55846426822c7de353f4fc0547 --> INR 865 Crore ROAA: 3.65%

['Q3', '2024']:

- The actual Return on Assets (ROA) reported for Q3 2024 was in the range of 7% to 7.5%, significantly exceeding the management's guidance target of 4.5%.

- Evaluation:

- **Expectations Exceeded:** Management targeted an ROA of at least 4.5%, but the actual ROA consistently exceeded this target in Q3 2024 (7% to 7.5%) and FY24 (7.1%), demonstrating stronger performance than expected.

5. Capital Adequacy Ratio (CAR)

- **Narrative:** Management has expressed a strategic focus on ensuring that the company's capital adequacy remains robust while they pursue growth targets. This includes leveraging equity capital to achieve an asset under management goal of INR5,000 crores, all the while maintaining a healthy capital adequacy ratio (CAR).

- Management's Guidance:

- Management aims to keep the CAR stable in the range of 22% to 24% as they increase leverage in line with their equity expansion. This strategic move is expected to support the company's growth plans without compromising financial stability.

- Actual Results:

['Q2', '2025']:

- CRAR for Arman (Standalone) was reported as 39% and CRAR for Namra was reported as 44% in the specified period.

['Q3', '2024']:

- CRAR (%) for March, June, September 2023: 65.8%, 31.6%, 35.2%

['Q1', '2025']:

- CRAR (%): 65.8% (Sep-23), 62.7% (Dec-23), 48.2% (Mar-24), 35.2% (Jun-24)

['Q4', '2024']:

- CRAR: Arman (Standalone): 62.7%; Namra: 32.8%

- Evaluation:

- **Expectations Exceeded:** The actual CRAR consistently remained well above the management's target range of 22% to 24%, with figures such as 65.8%, 62.7%, and 39% reported, indicating robust capital adequacy far exceeding expectations.

6. Geographic Expansion Plans

- **Narrative:** Management is focusing on expanding its market presence by opening new branches in strategic locations. Recently, they have entered Telangana with a specific focus on their MSME branch network, highlighting the importance of geographic diversification in their growth strategy.

- Management's Guidance:

- Management has initiated operations in Telangana by opening 8 new MSME branches, indicating a strategic move to capture new market opportunities within the region.

- Actual Results:

['Q2', '2025']:

- Data Not Available

['Q3', '2024']:

- Data Not Available

['Q1', '2025']:

- During the quarter, the company added 9 new branches taking total branch count to 92 branches in 5 states

['Q4', '2024']:

- Data Not Available

- Evaluation:

- **Expectations Met:** The management's guidance was to open 8 new MSME branches in Telangana, and the actual results show the company expanded by adding 9 new branches, taking the total branch count to 92, indicating the expansion plans were successfully implemented as outlined.

7. Client Acquisition Rate

- **Narrative:** Management has consistently highlighted their strategic focus on maintaining a robust growth trajectory, aiming to sustain a historical growth rate of approximately 40% CAGR. They emphasize a balanced portfolio, targeting a mix of individual and group loans in their offerings.

- Management's Guidance:

- Management projects a continued growth rate of 35% to 40% over the next 2 to 3 years. They plan to shift the loan mix to a 2/3 individual versus 1/3 group loan structure, integrating various products such as IBL, MSME, Micro LAP, and two-wheeler loans within the next 3 to 4 years.

- Actual Results:

['Q4', '2024']:

- Data Not Available

['Q2', '2025']:

- Approximately 8 Lakhs Active Customer Base

['Q3', '2024']:

- Active Customer Base More than 7.6 Lakhs

['Q1', '2025']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.