Q2 2024

1. Revenue growth trends

- **Narrative:** Management has expressed a robust outlook for the company's revenue growth, focusing on credit and loan portfolio expansion. Strategic initiatives seem to be centered around achieving significant growth in the loan book, which is expected to drive overall financial performance.
- **Management's Guidance:**
- The bank is targeting a credit growth of 22% for the upcoming fiscal year. The business is on strong footing to deliver a 25% growth with a sustained ROE of 20% plus. Vibhas Chandra indicated that there will be a better pickup in disbursement and loan growth in quarters 3 and 4. The CEO stated that the bank aims to increase its loan book by 20% by the end of the next fiscal year. The CFO announced that the bank aims to increase its loan portfolio by 20% over the next year.
- **Actual Results:**

['Q1', '2025']:
- Sanjeev Nautiyal mentioned the gross loan book was INR30,069 crores as of June '24, up 19% year-on-year and 1% quarter-on-quarter.

['Q3', '2024']:
- In Q3 FY24, the bank's gross loan portfolio grew by 15% year-on-year. Loan disbursements stood at INR5,675 crores, up 17% Y-o-Y, leading to a gross loan book growth of 27% Y-o-Y and 4% Q-o-Q. Total Income grew by 36% YoY in Q3FY24.

['Q4', '2024']:
- Ms. Carol Furtado mentioned that the loan book grew by 25% for the fiscal year 2024. The board announced they achieved a 15% increase in sales compared to last year. Total income for Q4FY24 was ■1,765 crore, marking a 29% year-over-year growth. Management achieved a YoY growth of 29% in total income.

['Q2', '2024']:
- In Q2 FY24, the total income growth achieved was 35% year-on-year, with the total income reaching ■1,580 crore. The gross loan book grew 27% year-on-year, and there was a 5% quarter-on-quarter growth in the gross loan book.
- **Evaluation:**

- Expectations Exceeded: The management targeted a loan book growth of 20% by the end of the fiscal year, but the actual results achieved a 25% growth, surpassing the initial expectations for revenue growth and loan portfolio expansion.

2. Interest income trends

- **Narrative:** Management has provided insights into the anticipated trends in interest income, with a focus on the cost of funds and yield expectations within their micro banking and MSME segments. They are monitoring market conditions that could impact the repricing of their micro banking book and are maintaining a steady outlook on yields in the MSME sector.
- **Management's Guidance:**
- The cost of funds graph is expected to flatten, provided that market interest rates remain stable. 28% of the micro banking book will undergo a 50 basis point repricing, while the remaining portion will see a 100 basis point repricing over the next 3 to 4 quarters. The yield in the MSME segment is expected to remain more or less in the current range of 12.5%.
- **Actual Results:**

['Q1', '2025']:
- Total Interest Earned was ■1,577 crore in Q1-FY25.

['Q2', '2024']:
- Actual Results

['Q3', '2024']:
- Cost of Funds increased by 8 bps in Q3FY24 to 7.5% vs 23 bps in Q2FY24 to 7.4%. Interest Earned was 1,471 crore in Q3FY24. YoY Growth for Interest Earned was 36%. Interest on loan achieved a YoY growth of 34% in Q3FY24. Interest on investments increased by 56% YoY in Q3FY24. Total Interest Earned grew by 36% YoY in Q3FY24.

['Q4', '2024']:
- Actual Results
- **Evaluation:**

- Expectations Met: The management's guidance anticipated a stable yield for the MSME segment and a specific repricing structure for the micro banking book while maintaining stability in cost of funds. The actual results indicate a slight increase in cost of funds by 8 bps to 7.5% in Q3FY24, which aligns with the expected flattening trend. Additionally, the total interest earned exhibited significant YoY growth, indicating that the yield expectations were met as per the guidance provided.

3. Profitability metrics

- **Narrative:** Management has provided guidance on the company's Return on Equity (ROE), indicating a focus on maintaining strong profitability metrics. The company has already achieved a significant ROE of 29% in the first half of the current fiscal year.
- **Management's Guidance:**
- The management has provided an ROE guidance of 22% for the current fiscal year. The management has set an ROE target of 20% plus for FY '25 and '26.
- **Actual Results:**

['Q3', '2024']:
- In Q3 FY '24, Ujjivan Small Finance Bank reported a Return on Equity (RoE) of 24.2%.

['Q4', '2024']:
- Return on assets and return on equity of 3.3% and 24.8% for the fourth quarter.

['Q1', '2025']:
- In Q1 FY25, the Return on Equity (ROE) was reported as 27%, surpassing the management guidance for the fiscal year.

['Q2', '2024']:
- Return on Equity (RoE) achieved over 22%.
- **Evaluation:**

- Expectations Exceeded: Ujjivan exceeded its management guidance of a 22% ROE for the fiscal year, achieving 24.8% in Q4 FY '24 and further surpassing expectations with a 27% ROE in Q1 FY '25.

4. Net interest margin analysis
- **Narrative:** Management expressed confidence in maintaining their net interest margin (NIM) target, indicating that the company is on track to achieve and possibly exceed their set goals for the latter half of the year. This optimism is grounded in their performance projections and strategic initiatives aimed at improving margin efficiencies.
- **Management's Guidance:**
- Management has reiterated their commitment to achieving a 9% NIM for the full year, with expectations that the NIM will improve in the second half of the year compared to the second quarter. They do not foresee significant challenges in reaching this target.
- **Actual Results:**
['Q4', '2024']:
- The Net Interest Margin (NIM) was recorded at 9.4% in Q4FY24, demonstrating an improvement compared to earlier quarters, with a resultant NIM of 9.1% for the full year 2024.
['Q3', '2024']:
- Q3FY24 Vs Q3FY23 NIM 8.8% Down 61 bps Vs 9.4%.
['Q1', '2025']:
- NIMs for the quarter is 9.3 percentages.
['Q2', '2024']:
- NIMs have contracted to 8.8% for the quarter as against 9.2% in the first quarter. Net Interest Margin (NIM) achieved around 9.0%.
- **Evaluation:**
- Expectations Exceeded: The management aimed for a 9% NIM for the full year, and the actual results showed a full-year NIM of 9.1%, with a notable improvement to 9.4% in Q4FY24, surpassing the target and demonstrating better-than-expected margin efficiencies.

5. Capital adequacy ratios
- **Narrative:** The management at Ujjivan discussed their strategic approach towards strengthening their capital adequacy ratios. This involves equity enhancements and share base adjustments to improve the company's financial health and book value.
- **Management's Guidance:**
- Deepak Khetan mentioned that there will be an addition of around INR400 crores to the equity network, accompanied by a reduction of approximately 2.82 crores of shares from the total base. This is expected to enhance the book value by around INR2.4 or slightly more.
- **Actual Results:**
['Q1', '2025']:
- Actual Results
['Q2', '2024']:
- Actual Results
['Q3', '2024']:
- The reported CRAR (Capital to Risk-weighted Assets Ratio) for Ujjivan was 24.37% in December 2023, which reflects a decrease from previous quarters. Tier I CRAR was 21.97%, and Tier II CRAR was 2.40%. Additionally, the Total Capital reached ■5,099 crore by December 2023.
['Q4', '2024']:
- Actual Results
- **Evaluation:**
- Expectations Not Met: Although Ujjivan's management planned to strengthen capital adequacy ratios through equity enhancements and share base adjustments, the actual results showed a decrease in the CRAR to 24.37% by December 2023, indicating a shortfall in achieving the anticipated improvement.

6. Credit risk assessment
- **Narrative:** The management of Ujjivan has provided insights into their approach to managing credit risk, highlighting their focus on maintaining robust credit quality. They aim to achieve this by implementing stringent credit risk assessment practices and offering guidance on expected credit costs. This approach is indicative of their commitment to maintaining stable asset quality in the face of evolving market conditions.
- **Management's Guidance:**
- The management has given a credit cost guidance of less than 100 basis points for the current fiscal year. Additionally, they have provided a normalized credit cost guidance of around 125 to 150 basis points.
- **Actual Results:**
['Q4', '2024']:
- Credit cost was ■79 crore in Q4FY24.
['Q3', '2024']:
- Actual Results
['Q1', '2025']:
- Ashish Goel stated the Q1 annualized credit cost is about 1.42%. This quarter, we had about 1.4% credit cost.
['Q2', '2024']:
- The credit cost for the quarter is in the range of 17 bps to 18 bps.
- **Evaluation:**
- Expectations Exceeded: The management guided for a normalized credit cost of 125 to 150 basis points, but the actual credit costs were significantly lower, with Q4FY24 credit costs at ■79 crore and Q1 annualized credit costs around 1.42%, indicating better-than-anticipated credit risk management.

7. Non-performing asset management
- **Narrative:** The management of Ujjivan has laid out a focused strategy on managing non-performing assets (NPAs) by setting specific recovery targets. This approach indicates a proactive stance towards improving asset quality and minimizing potential risks associated with bad debts. The discussion underscores the importance of robust risk management practices to ensure financial stability.
- **Management's Guidance:**
- Ashish Goel has communicated a target of achieving INR100 crores in bad debt recovery for the remaining part of the year, reflecting the company's commitment to strengthening asset quality and reducing non-performing assets.
- **Actual Results:**

['Q1', '2025']:
- Bad debt recovery remained strong at INR27 crores in Q1 FY '25.
['Q3', '2024']:
- Bad debt recovery of INR105 crores achieved this year.
['Q2', '2024']:
- Actual Results
['Q4', '2024']:
- Actual Results
- **Evaluation:**
- **Expectations Exceeded**: Ujjivan's management aimed for INR100 crores in bad debt recovery for the year, and they achieved INR105 crores, surpassing the target and demonstrating effective NPA management.

8. Provisioning strategy
- **Narrative:** Management has outlined a clear strategy for provisioning, focusing on maintaining a disciplined approach to credit cost management. This involves keeping credit costs within a specific range to ensure asset quality remains stable. The strategic focus appears to be on maintaining financial health without sacrificing growth potential.
- **Management's Guidance:**
- Management has indicated their expectation to keep the credit cost maintained within 100 basis points for the year. This suggests a cautious approach, aiming to balance risk and asset quality effectively.
- **Actual Results:**
['Q4', '2024']:
- Actual Results
['Q3', '2024']:
- Credit cost was 63 crore in Q3FY24.
['Q1', '2025']:
- Actual Results
['Q2', '2024']:
- Actual Results
- **Evaluation:**
- Expectations Not Met: The management expected to maintain credit costs within 100 basis points, but the credit cost reported in Q3FY24 was 63 crore, which suggests they likely exceeded the anticipated credit cost range.

9. Competitive positioning
- **Narrative:** Management emphasized their strategic focus on increasing market share through targeted initiatives. They discussed efforts to bolster the company's competitive positioning with an aim to capitalize on market opportunities and drive growth.
- **Management's Guidance:**
- Management has set a target to increase market share by 5% by the end of the fiscal year.
- **Actual Results:**
['Q1', '2025']:
- We expanded our market share by 3% over the past year.
['Q4', '2024']:
- The board reported achieving a 15% increase in market share last quarter.
['Q2', '2024']:
- The board member highlighted a 5% growth in market share last quarter.
['Q3', '2024']:
- We expanded our market share by 3% over the past year.
- **Evaluation:**
- **Expectations Exceeded**: Management aimed for a 5% market share increase by year-end, but actual results showed a 15% increase in the last quarter, surpassing the initial target.

10. Strategic partnerships
- **Narrative:** Management highlighted a strategic merger aimed at bolstering the company's competitive positioning and expanding its footprint in the financial services sector.
- **Management's Guidance:**
- The merger is expected to be completed during the fourth quarter of this financial year.
- **Actual Results:**
['Q4', '2024']:
- Actual Results
['Q1', '2025']:
- We achieved a 15% increase in market share last year.
['Q2', '2024']:
- Actual Results
['Q3', '2024']:
- We achieved a 15% increase in market share last year.
- **Evaluation:**
- **Expectations Exceeded**: The merger was expected to bolster competitive positioning, and the actual results showed a 15% increase in market share, surpassing typical growth expectations and indicating successful strategic expansion.

11. Geographic expansion plans
- **Narrative:** Management is actively pursuing geographic expansion by increasing its physical footprint. The company plans to significantly enhance its branch

network by adding multiple new branches within the financial year, showcasing a robust strategy to capture greater market share and drive business growth.
- **Management's Guidance:**
- The CEO mentioned the addition of 45 new branches in the second half of the year. Management plans to open 50 new branches by the end of the fiscal year. The CEO announced a target to expand the bank's branch network by 20% within the next year. Vibhas Chandra indicated that the newer branches are expected to start generating business in the third and fourth quarters of this year. Ittira Davis mentioned that by the end of this financial year, the company will be adding about 150-odd branches from last financial year.
- **Actual Results:**
['Q3', '2024']:
- Actual Results
['Q1', '2025']:
- Actual Results
['Q2', '2024']:
- Added 39 new branches during the quarter.
['Q4', '2024']:
- Actual Results
- **Evaluation:**
- Expectations Met: Management had set a target to open 50 new branches by the end of the fiscal year and expand the branch network by 20%. By Q2 2024, 39 new branches were added, indicating progress aligned with their guidance, suggesting that expectations were met as planned.

12. New market entry plans
- **Narrative:** Management discussed the strategic plan of entering new markets through a reverse merger, which is anticipated to strengthen the company's market position by expanding its reach and operational capabilities.
- **Management's Guidance:**
- Management indicated that the reverse merger is expected to be completed in the fourth quarter, which is a critical step in their market entry strategy.
- **Actual Results:**
['Q1', '2025']:
- Actual Results
['Q2', '2024']:
- Actual Results
['Q3', '2024']:
- 13,348 customers across 134 rural branches were covered under the FLP for URC program.
['Q4', '2024']:
- 13,348 customers across 134 rural branches were covered under the FLP for URC program.
- **Evaluation:**
- Insufficient Info: The provided actual results do not include information specifically related to the reverse merger or its completion, making it impossible to assess whether the expectations regarding the new market entry strategy were met.

13. Cost management strategies
- **Narrative:** Management discussed initiatives aimed at improving cost efficiency, including the introduction of a repeat loan facility via the Hello Ujjivan app, which is expected to facilitate significant cost savings. Additionally, efforts are underway to optimize the cost-to-income ratio.
- **Management's Guidance:**
- The CFO confirmed a target for reducing the cost-to-income ratio to below 50% by the end of the current fiscal year.
- **Actual Results:**
['Q4', '2024']:
- Actual Results
['Q1', '2025']:
- Operating costs for the bank is a key monitorable cost-to-income ratio for the quarter ended at 55 percentages.
['Q2', '2024']:
- The board confirmed the reduction of operational costs by 15%.
['Q3', '2024']:
- The bank's cost-to-income ratio improved to 60% in the third quarter.
- **Evaluation:**
- Expectations Not Met: The management aimed to reduce the cost-to-income ratio to below 50% by the end of the fiscal year. However, the actual results showed the ratio ending at 55%, indicating that the goal was not achieved.

14. Fintech collaborations
- **Narrative:** Management has highlighted the importance of fintech partnerships as a strategic initiative to boost company growth. They are focusing on leveraging these collaborations to drive significant contributions to the business.
- **Management's Guidance:**
- The company expects significant contribution from fintech partnerships towards the second half of the year.
- **Actual Results:**
['Q3', '2024']:
- No specific results were reported for the theme of Strategic Initiatives and Partnerships, subtheme Fintech collaborations in Q3 2024.
['Q1', '2025']:
- Actual Results
['Q2', '2024']:
- Actual Results
['Q4', '2024']:
- Actual Results
- **Evaluation:**

- Insufficient Info: The narrative lacks specific results for fintech collaborations in Q3 2024, making it unclear whether the strategic initiative met, exceeded, or did not meet expectations during the evaluated period.