

Q2 2025

1. Loan portfolio growth

- **Narrative:** Management highlighted their focus on improving origination processes to enhance the loan portfolio's quality. They acknowledged the relatively short weighted average maturity, suggesting that strategic improvements could lead to significant refinements in the loan book within a few quarters.

- **Management's Guidance:**

- Management anticipates that with improved origination, the entire loan book can be refined within two to three quarters, given the current weighted average maturity of 8.6 months.

- **Actual Results:**

['Q2', '2025']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

2. Asset under management (AUM) targets

- **Narrative:** Management has articulated a clear strategy for increasing the company's Assets Under Management (AUM) by the year's end. They expressed confidence in surpassing the AUM levels from the previous year, indicating a positive outlook for growth.

- **Management's Guidance:**

- Management anticipates that the AUM will be incrementally increased and expects to conclude the year with a higher AUM compared to the beginning of the year.

- **Actual Results:**

['Q2', '2025']:

- AUM at the end of Quarter 2 was Rs. 10,537 crores, registering a growth of 8% Y-o-Y. However, sequentially, the AUM declined by about 10%.

- **Evaluation:**

- **Expectations Not Met: Although there was an 8% year-over-year growth in AUM by the end of Q2, the sequential decline of about 10% indicates that the management's anticipation of incremental AUM growth by the year's end was not on track.**

3. Cost reduction initiatives

- **Narrative:** Management has emphasized their focus on operational efficiency and optimization, specifically targeting cost reduction initiatives. They aim to streamline processes and reduce operational expenses, which is expected to improve the cost-to-income ratio.

- **Management's Guidance:**

- Management expects the cost-to-income ratio to be approximately 45% by the end of the year.

- **Actual Results:**

['Q2', '2025']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

4. Operational progress

- **Narrative:** The management of Spandana has emphasized their strategic focus on enhancing operational efficiency through workforce expansion and recovery initiatives. They have recruited additional personnel to strengthen branch operations and established a dedicated recovery team to address customer engagements and improve collection processes. This aligns with their overarching goal to stabilize and normalize operations amidst existing challenges.

- **Management's Guidance:**

- The management anticipates seeing the incremental benefits of their recent recruitment efforts within the current quarter. They have set up a recovery team, currently comprising around 300 individuals, with plans to expand it to approximately 500-550 people by mid-next month to initiate recovery processes. They expect the challenges faced to be transitory, with operations normalizing by the end of the current financial year. Additionally, they anticipate regularization of operations by the end of this year, with a clear focus on efficient lending and collection practices.

- **Actual Results:**

['Q2', '2025']:

- Our recovery team, which has now been set up, we already have some 300-odd people

- **Evaluation:**

- **Expectations Not Met: The management anticipated expanding the recovery team to 500-550 individuals by mid-next month; however, the actual result indicates that the team remained at around 300 people, suggesting a shortfall in achieving the expected workforce expansion.**

5. Emerging market entry

- **Narrative:** Management emphasized a strategic approach towards entering new markets by limiting lending exposure. Specifically, they aim to ensure that Spandana does not become the fourth lender to a customer, thereby focusing on risk management and customer selection.

- **Management's Guidance:**

- Management stated that for new-to-Spandana customers, they will stop one short of the agreed lending number, reinforcing their strategy to not be the fourth lender to any customer.

- **Actual Results:**

['Q2', '2025']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

6. Rural penetration initiatives

- **Narrative:** Management emphasized a cautious approach to customer acquisition in rural areas, aiming to be a primary lender rather than an excessive fourth option. This strategy aims to ensure sustainable growth and manage risk effectively while expanding market share.

- Management's Guidance:

- Management plans to limit their position as a lender to being the third option for new borrowers, even though regulations permit them to be the fourth, in order to avoid overextension and maintain financial stability.

- Actual Results:

['Q2', '2025']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.

7. Forward-looking statements

- **Narrative:** Management has expressed a reasonably optimistic outlook, indicating that they anticipate notable improvements in the company's condition by the end of the year. This suggests a focus on strategic initiatives aimed at enhancing operational efficiency and overall market positioning.

- Management's Guidance:

- Management is optimistic about achieving a much better operational and financial shape by the end of the year, reflecting confidence in the strategies currently being implemented.

- Actual Results:

['Q2', '2025']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.

8. Credit risk assessment

- **Narrative:** Management has outlined a cautious approach to credit risk by adjusting their lending policies to limit exposure to borrowers with multiple existing lenders. This strategy aims to mitigate potential risks by ensuring Spandana is not overly exposed as an additional lender in a competitive lending scenario.

- Management's Guidance:

- The company will not become the fourth lender to new-to-Spandana borrowers, and will refrain from being the fifth lender to existing borrowers. Furthermore, the decision-making process for loans will include a criterion to avoid lending to borrowers with a higher number of existing lenders.

- Actual Results:

['Q2', '2025']:

- Roughly 5% of the borrowers, when you disburse a loan to them, had five lenders associated with those borrowers.

- Evaluation:

- **Expectations Not Met: The management aimed to avoid becoming the fifth lender to existing borrowers, but actual results show that roughly 5% of borrowers had five lenders associated with them, indicating the strategy was not fully implemented as intended.**