

Q4 2024

1. Profit margin trends

- **Narrative:** The management of Spandana has expressed a cautiously optimistic outlook regarding profit margins. They acknowledge a challenging start in Q1 and Q2, which aligns with typical industry patterns, but are confident in stabilizing their performance in subsequent quarters. They are targeting a comfortable profit margin range and are focused on maintaining strong returns.

- **Management's Guidance:**

- Management indicates that while Q1 and Q2 may show softness, they are confident in managing this and ensuring stability in the later quarters. They are comfortable with achieving profit margins in the range of 22% to 24%. Additionally, they aim to maintain ROAs upwards of 4.5%, which aligns with their past performance.

- **Actual Results:**

['Q1', '2025']:

- Data Not Available

['Q4', '2024']:

- Data Not Available

['Q2', '2025']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

2. Loan portfolio growth

- **Narrative:** Management has indicated a strategic focus on expanding the loan portfolio by targeting a specific growth rate and expanding the customer base significantly over the coming quarters. The emphasis is on leveraging the performance of weekly branches and reaching a substantial customer base by the end of the next financial year.

- **Management's Guidance:**

- Management is targeting a growth rate of approximately 25% as a good benchmark. They project reaching a customer base of 4 million by the end of the next year, with current figures already upwards of 3.3 million.

- **Actual Results:**

['Q4', '2024']:

- In Q4, we disbursed 3,970 crores, a quarter-on-quarter growth of 56% and a Y-o-Y growth of 30%.

['Q1', '2025']:

- Data Not Available

['Q2', '2025']:

- Data Not Available

- **Evaluation:**

- **Expectations Exceeded:** The management's target was a 25% loan portfolio growth, but actual results showed a 30% year-on-year growth in Q4, surpassing the expectations.

3. Interest income developments

- **Narrative:** Management indicated a strategic focus on reducing borrowing costs and adjusting interest rates to enhance financial performance. This approach is expected to optimize the cost structure and improve interest income metrics.

- **Management's Guidance:**

- End of this year, we anticipate this 52 to move to anywhere upwards of 65% and that is going to drive our cost south on the borrowing side. Starting the 1st of April, we have already for customers who are cycle six and above, we have given them a benefit in terms of the reduction of the interest rate from 50 bps to 100 bps. My normalized cost of borrowing should be about 11.9%, definitely lower than 12%.

- **Actual Results:**

['Q1', '2025']:

- Data Not Available

['Q2', '2025']:

- Our marginal cost of borrowing for the quarter was 11.4%, which was 46 bps lower than Quarter 2 FY '24 and 61 bps higher over quarter one of FY '25. Net interest income for the quarter increased 9% Y-o-Y to Rs. 341 crores, over Rs. 312 crores reported for Q2 of last year. NIM for the quarter was 12.8%. Interest income on loans for Q2 FY25 was 599 Cr, a decrease of 12% QoQ and an increase of 11% YoY.

['Q4', '2024']:

- The cost of borrowing was reported at 11.7% in Q4 FY24, which reflects a reduction and aligns with management's guidance of targeting below 12%. Net Interest Income (NII) showed a 23% increase quarter-on-quarter from Q3 to Q4 FY24. The overall yield on the portfolio remained at 24.2%, consistent with previous quarters.

- **Evaluation:**

- **Expectations Met:** The cost of borrowing decreased to 11.7% in Q4 FY24, aligning with management's guidance of targeting below 12%, and net interest income increased as anticipated, indicating that the strategic focus on optimizing cost structure and improving interest income metrics was achieved.

4. Asset under management (AUM) targets

- **Narrative:** Management has outlined a growth strategy focused on expanding the company's Asset Under Management (AUM). This includes targeting a substantial increase in AUM over the coming quarters, indicating a proactive approach to scaling operations and capturing market opportunities.

- **Management's Guidance:**

- Management anticipates an AUM growth rate of approximately 20% to 25% for the year, aiming to elevate the total AUM to a range between 14,500 to 15,000 crores.

- **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%.

['Q4', '2024']:

- On the AUM side, our year-end AUM was 11,973 crores, which was 15% quarter-on-quarter growth over the previous quarter and a 41% growth over FY'23.

['Q1', '2025']:

- AUM at the end of quarter 1 was INR 11,723 crores, which was a growth of 72% Y-o-Y.

- Evaluation:

- Expectations Not Met: Management anticipated an AUM growth of 20% to 25%, aiming for a total AUM between 14,500 to 15,000 crores. However, the actual year-end AUM was 11,973 crores, indicating the growth target was not achieved.

5. Process automation

- Narrative: Management emphasized the focus on optimizing channels and improving productivity within the organization. The strategy is geared towards enhancing operational efficiency through process automation.

- Management's Guidance:

- The company plans to expedite the optimization and productivity initiatives within the current and the next year.

- Actual Results:

['Q2', '2025']:

- Data Not Available

['Q4', '2024']:

- Data Not Available

['Q1', '2025']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.

6. Operational progress

- Narrative: Management discussed the stabilization of operations as a key focus area, indicating an expected return to business as usual within the next year.

- Management's Guidance:

- Management anticipates stabilization of operations over the next two to three quarters, with a full return to business as usual expected in four quarters.

- Actual Results:

['Q1', '2025']:

- Data Not Available

['Q4', '2024']:

- Data Not Available

['Q2', '2025']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.

7. Rural penetration initiatives

- Narrative: Management highlighted the strategic focus on branches operating under the Parivartan mode, aiming to enhance rural market penetration. This initiative is expected to address the significant contribution of these branches to the overall business flows.

- Management's Guidance:

- Management anticipates that branches in the Parivartan mode will start yielding positive results from the current quarter onward.

- Actual Results:

['Q1', '2025']:

- Data Not Available

['Q4', '2024']:

- Data Not Available

['Q2', '2025']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.

8. Cost reduction initiatives

- Narrative: Management has outlined a clear focus on improving operational efficiency through targeted cost reduction initiatives. The aim is to optimize the cost-to-income ratio and operational expenses relative to assets under management (AUM). This strategic emphasis is part of their broader effort to enhance financial performance and sustainability.

- Management's Guidance:

- Management indicated that they would be satisfied with achieving a cost-to-income ratio between 35% and 40%. They also target maintaining operational expenses to AUM in the range of 6% to 6.25%.

- Actual Results:

['Q4', '2024']:

- Data Not Available

['Q2', '2025']:

- Data Not Available

['Q1', '2025']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.

9. Emerging market entry

- **Narrative:** Management has articulated a strategic focus on expanding into new geographies by initially concentrating on perfecting the product and process in a pilot state. This involves implementing robust technology solutions, recruiting skilled personnel, and building an efficient distribution network before broadening their reach. Additionally, they are exploring new business lines, aiming to leverage current market opportunities while maintaining a cautious approach due to the novelty of these ventures.

- Management's Guidance:

- The company plans to expand into other geographies after successfully establishing their processes and support structures in the initial state. They anticipate scaling up new business lines this year, capitalizing on market opportunities with a careful and cautious approach.

- Actual Results:

['Q4', '2024']:

- Data Not Available

['Q1', '2025']:

- Data Not Available

['Q2', '2025']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.

10. Client retention programs

- **Narrative:** Management is focused on enhancing customer engagement through strategic outreach and the use of analytics. Their discussions have centered around effectively bringing clients back into current operational status and maintaining this as part of their business-as-usual processes.

- Management's Guidance:

- Management anticipates completing the client re-engagement and retention efforts by the second quarter, suggesting that by this time, operations should transition back to standard business activities.

- Actual Results:

['Q1', '2025']:

- We acquired about 200,000 customers during the quarter.

['Q4', '2024']:

- Acquired 4.4 L Customers in Q4FY24

['Q2', '2025']:

- We were able to retain about 78% of the people who we wanted to retain.

- Evaluation:

- **Expectations Not Met:** Management expected to complete client re-engagement and retention efforts by Q2, but the actual results showed only 78% retention of the targeted clients, indicating that the retention efforts did not fully meet the anticipated goals.

11. Market share growth

- **Narrative:** Management emphasized a strategic focus on customer acquisition as the primary driver for market share expansion. The company is aiming to significantly grow its customer base, aligning with its long-term growth strategy.

- Management's Guidance:

- Management projected reaching a customer base of 4 million by the end of FY'25, indicating a continued emphasis on acquiring new customers to boost market share.

- Actual Results:

['Q2', '2025']:

- Data Not Available

['Q4', '2024']:

- Our steadfast focus on new customer acquisition has resulted in the addition of almost 1.4 million customers during the year FY'24, which was a growth of 59% over FY'23. 1,391 new customers were added in Q4FY24.

['Q1', '2025']:

- 42% YoY growth in customer base

- Evaluation:

- **Expectations Exceeded:** Management aimed for a strategic focus on customer acquisition with a target of 4 million customers by FY'25. The actual results show a 59% growth in FY'24 and a 42% YoY growth in Q1 FY'25, indicating a stronger than anticipated customer base expansion.

12. Customer service enhancements

- **Narrative:** Management highlighted the intention to align the customer lifecycle with appropriate pricing strategies. This approach focuses on enhancing customer service by ensuring that pricing adjustments are in sync with the evolving needs and cycles of their customers. This strategic move is anticipated to improve customer satisfaction and retention.

- Management's Guidance:

- Management indicated plans to implement these customer service enhancements over the next two to three months, suggesting a proactive approach to refining customer engagement strategies.

- Actual Results:

['Q2', '2025']:

- Data Not Available

['Q1', '2025']:

- Data Not Available

['Q4', '2024']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.

13. Long-term growth strategy

- **Narrative:** Management outlined a clear long-term growth strategy with a target to achieve 28,000 crores in Assets Under Management (AUM) by the fiscal year 2028. This ambitious plan, termed "28 by 28," aims to sustain an annualized growth rate of approximately 22%.

- **Management's Guidance:**

- Management expects to achieve an annualized growth rate of about 22% to reach 28,000 crores of AUM by FY 2028.

- **Actual Results:**

['Q4', '2024']:

- Data Not Available

['Q1', '2025']:

- Data Not Available

['Q2', '2025']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

14. Portfolio diversification

- **Narrative:** The management emphasized their commitment to risk management through portfolio diversification. A key strategy involves limiting exposure to any single state, thereby ensuring a balanced and risk-managed portfolio distribution across regions.

- **Management's Guidance:**

- The management is on course to maintain their target of ensuring that no single state accounts for more than 13% of the portfolio by the end of FY'25.

- **Actual Results:**

['Q1', '2025']:

- Data Not Available

['Q2', '2025']:

- Data Not Available

['Q4', '2024']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

15. Credit risk assessment

- **Narrative:** Management has reiterated its commitment to maintaining credit risk at manageable levels, with an emphasis on returning to a stable credit cost environment by the latter part of the next fiscal year. They acknowledged potential short-term fluctuations in credit costs but underscored their confidence in achieving the target credit cost in the long term. This reflects a proactive approach to credit risk assessment, aiming for operational stability and sustainable risk management.

- **Management's Guidance:**

- Management anticipates a temporary increase in credit costs by up to 50 basis points in the short term. However, they project a return to their target credit cost of approximately 2% by the third or fourth quarter of the next fiscal year.

- **Actual Results:**

['Q4', '2024']:

- Data Not Available

['Q2', '2025']:

- Data Not Available

['Q1', '2025']:

- In Q1 FY25, management reported that the credit cost was higher than their own estimates at 3.75%. This is significantly above the target credit cost of approximately 2% projected by management.

- **Evaluation:**

- **Expectations Not Met: Management projected a return to a target credit cost of approximately 2% by the third or fourth quarter of the next fiscal year; however, in Q1 FY25, the credit cost was reported at 3.75%, significantly above the target.**

16. New branch openings

- **Narrative:** The management has outlined a robust strategy for geographic and branch expansion, focusing on transitioning to a weekly based Joint Liability Group (JLG) model to enhance operational efficiency. Over the past year, a significant number of new branches were opened to support this model. Looking ahead, the company aims to continue its expansion, particularly in five states, by increasing the branch network organically and achieving a substantial increase in loan book size. Additionally, they have surpassed their branch target for the year 2025 well ahead of schedule, demonstrating strong growth dynamics.

- **Management's Guidance:**

- The company plans to expand in five states during FY'25, aiming to increase the branch count to about 100, and grow the loan book to a size between 400 to 500 crores. The target for 1,500 branches by the end of 2025 has already been exceeded, with the current count at 1,642 branches. Over the next two to three quarters, the management plans to increase branches following a phased approach, although not through wholesale changes.

- **Actual Results:**

['Q4', '2024']:

- We opened 429 new branches during the course of the year which had a weekly repayment model. We are already at 1,642 branches, which is 142 branches more. Over the last one year, we have established a footprint in five states namely Rajasthan, Madhya Pradesh, Andhra Pradesh, Karnataka and Tamil Nadu with the operationalization of 62 branches.

['Q1', '2025']:

- Data Not Available

['Q2', '2025']:

- We have now scaled the distribution to over 100 branches spread across six states, with AUM at the end of Quarter 2 at about Rs. 160 crores.

- **Evaluation:**

- **Expectations Met:** The company achieved its branch target ahead of the 2025 schedule, expanding to five states with 429 new branches and reaching 1,642

branches, which aligns with management's guidance.

17. Provisioning and risk management

- **Narrative:** Management addressed the company's current provisioning strategy, highlighting that the overall provisions exceed the Gross Non-Performing Assets (GNPA) as of March 31, 2024. This reflects a conservative approach towards risk management and preparation for potential future financial uncertainties.

- **Management's Guidance:**

- While an explicit forward-looking statement was not directly provided, the indication that provisions exceed GNPA suggests management's anticipation of maintaining a robust buffer against potential credit risks in future quarters.

- **Actual Results:**

['Q1', '2025']:

- Higher provisions resulted in a 53% year-on-year decline in the Profit Before Tax (PBT) to INR 75 crores. Additionally, the impairment on financial instruments included technical write-offs, GNPA, and others, totaling INR 211.80 crores for Q1 FY25. Provision Coverage Ratio (PCR) was maintained at 79.66%, with SSFL standalone PCR at 80%.

['Q2', '2025']:

- Data Not Available

['Q4', '2024']:

- We have increased our provisioning to 80% this quarter.

- **Evaluation:**

- **Expectations Met:** The management's strategy of maintaining provisions exceeding GNPA, as part of a conservative risk management approach, was realized with a high Provision Coverage Ratio of around 80%, aligning with their anticipated robust buffer against credit risks.