Q2 2024

1. Revenue growth metrics
- **Narrative:** Management consistently emphasized their confidence in achieving robust revenue growth, reiterating their strategic focus on sustaining a growth trajectory in the mid-20s percentage range. This aligns with their ongoing commitment to enhancing market presence and operational efficiency.
- **Management's Guidance:**
- Management projects a growth rate in the mid-20s percent for the upcoming year, reflecting their positive outlook and strategic initiatives.
- **Actual Results:**

['Q1', '2025']:
- The core interest income of the company grew by 7.85% on a quarter-on-quarter basis and 29.70% on a year-on-year basis.

['Q3', '2024']:
- Data Not Available

['Q4', '2024']:
- Gaurav Maheshwari reported that the core interest income of the company grew by 27.80% on a year-on-year basis, and the total income increased by 29.66% year-on-year for Q4 2024.

['Q2', '2024']:
- Our year-on-year growth of AUM has been 24.6% and correspondingly our disbursements this quarter at Rs.2344 Crores has registered a year-on-year growth of 14.22%.

- **Evaluation:**
- **Expectations Met**: Management's guidance projected revenue growth in the mid-20s percent range, and the actual results show year-on-year growth rates of 24.6% for Q2 2024 and 27.80% for Q4 2024, aligning with their stated expectations.

2. Profitability analysis
- **Narrative:** Management is focused on improving profitability by targeting a Net Interest Margin (NIM) of 11.2% to 11.5% in the upcoming quarters. They emphasize their strategic approach towards managing the cost of funds, which plays a crucial role in achieving this target.
- **Management's Guidance:**
- Management expects to reach the guided NIM level of 11.2% to 11.5% in the next two quarters, after which they will reassess their strategy for further improvements.
- **Actual Results:**

['Q3', '2024']:
- Our NIM now has increased to 11.54%, registering a 42 bps increase over the last quarter.

['Q1', '2025']:
- In Q1 2025, the Net Interest Margin (NIM) was reported to be 11.64%, which is slightly above the guided range of 11.2% to 11.5%.

['Q4', '2024']:
- Our NIM expanded by 107 bps to 11.22% in spite of a tight liquidity environment. Gaurav Maheshwari: Our NIM has increased by 5 bps to 11.59% from Q3 FY '24 of 11.54%, and increased by 102 bps on year-on-year basis. NIM expanded quarter-on-quarter by 5 bps to 11.59%.

['Q2', '2024']:
- NIM has expanded to 11.12%, registering a 23 bps increase over last quarter.

- **Evaluation:**
- **Expectations Exceeded**: The management's expectation was to achieve a NIM of 11.2% to 11.5% in the upcoming quarters; however, the actual results surpassed this target, with NIM reaching 11.54% in Q3 2024 and further increasing to 11.64% in Q1 2025, indicating better-than-expected profitability improvements.

3. Cost management strategies
- **Narrative:** Management highlighted their commitment to cost efficiency by maintaining credit costs at sustainable levels, which is part of their broader strategy to optimize financial performance.
- **Management's Guidance:**
- Management expressed confidence in achieving a credit cost of less than or equal to 36% for the financial year and specifically expects credit costs to be less than 3% by March FY2024.
- **Actual Results:**

['Q1', '2025']:
- Data Not Available

['Q2', '2024']:
- Data Not Available

['Q4', '2024']:
- Data Not Available

['Q3', '2024']:
- Credit cost net of recoveries for Q3 stands at 0.94%.

- **Evaluation:**
- **Expectations Exceeded**: Management aimed for credit costs to be less than 3% by March FY2024, and the actual credit cost net of recoveries for Q3 FY2024 was significantly lower at 0.94%, surpassing expectations.

4. Risk mitigation strategies
- **Narrative:** Management has addressed the adjustments in their write-off policy, reflecting a proactive approach towards risk mitigation. By implementing changes in the policy during the last Board meeting, the company aims to stabilize and normalize credit costs over forthcoming quarters, highlighting their commitment to maintaining a robust risk management framework.
- **Management's Guidance:**
- The company anticipates an additional round of write-offs in the next quarter as part of the revised policy implementation. Following this, there will be a transition to normalized credit costs, which are expected to be less significant compared to recent quarters.

- **Actual Results:**

['Q4', '2024']:

- Company has provided impairment of INR117.80 crores in Q4, which includes INR18 crores of management overlay.

['Q1', '2025']:

- Data Not Available

['Q2', '2024']:

- We have added another 3.6 Crores to management overlay taking the overall amount to 61.48 Crores. Rajiv Mehta - Reduction of NPA and accelerated write-off policy.

['Q3', '2024']:

- We have progressively shifted ~80 crore of assets from Stage-1 to Stage-3.

- **Evaluation:**

- **Expectations Met**: Management anticipated additional write-offs to transition to normalized credit costs. The company implemented these adjustments, evidenced by the impairment of INR117.80 crores in Q4, aligning with the management's guidance on risk mitigation strategies.

5. Process optimization

- **Narrative:** Management emphasized their commitment to enhancing operational efficiency through process optimization initiatives. They are focused on streamlining operations to improve overall productivity and competitiveness in the market.

- **Management's Guidance:**

- Management indicated that their efforts are aligned towards achieving greater operational efficiency, confirming that their strategic direction is aimed at this goal.

- **Actual Results:**

['Q1', '2025']:

- Rationalized customer handling at RO level from ~540 to ~440, highlighting efforts in process optimization for operational efficiency.

['Q3', '2024']:

- Data Not Available

['Q2', '2024']:

- Loan Approval TAT reduced to 3.5 days

['Q4', '2024']:

- Loan Approval TAT reduced to 3.3 days

- **Evaluation:**

- **Expectations Exceeded**: Management aimed to enhance operational efficiency through process optimization, and actual results show significant improvements, such as reducing Loan Approval TAT to 3.3 days and rationalizing customer handling, surpassing the initial goals.

6. Branch network strategy

- **Narrative:** Management has articulated a clear strategy to expand the branch network significantly in the upcoming fiscal year. This expansion is aimed at enhancing the company's operational footprint and market reach across key regions. The approach involves both opening new branches and splitting existing ones as they reach portfolio capacity, thereby optimizing service delivery and maintaining high operational efficiency.

- **Management's Guidance:**

- Management is targeting to open approximately 160 to 170 branches in FY2024. The policy involves splitting branches when the portfolio exceeds 15 Crores, with 75% of these splits occurring in the top five states. Plans are underway to increase the branch count from 76 to 100 by opening 30 new branches this year, reflecting the strategic focus on this vertical. An additional 160-170 branches are expected to be opened this year.

- **Actual Results:**

['Q3', '2024']:

- Our network has expanded to 1,242 branches across 22 states after the addition of 78 new branches in Q3, FY '24. 70% of the new branches added have been in non-top five states.

['Q1', '2025']:

- In Q1 FY25, 101 branches were opened, which includes 47 branch splits. The total branch count reached 1,398 by the end of Q1 FY25.

['Q2', '2024']:

- We have added two new states Andhra and Telangana this quarter and have also opened up 61 new branches taking our total network to 22 States and 1164 branches.

['Q4', '2024']:

- Devesh Sachdev [We have added 55 branches in this quarter, Q4.]

- **Evaluation:**

- **Expectations Exceeded**: The management targeted to open 160-170 branches in FY2024, and by Q1 FY25, a total of 234 new branches were opened, surpassing the target with significant branch splits and expansion into new states, indicating expectations were exceeded.

7. Customer acquisition strategies

- **Narrative:** Management emphasized their commitment to driving customer acquisition by aligning with their strategic goals. They highlighted the importance of enhancing customer engagement and retention as part of their broader acquisition strategies.

- **Management's Guidance:**

- Management indicated an expectation of a 10 to 12% year-on-year increase in new customer acquisition, which aligns with their strategic objectives for growth.

- **Actual Results:**

['Q3', '2024']:

- Focus on new clients continues, added ~4.23 lakh ~12.0% YoY

['Q4', '2024']:

- We added close to 1 lakh customers in this quarter.

['Q1', '2025']:

- Data Not Available

['Q2', '2024']:

- We have added 1.3 lakh new customers in Q2, our total customer base now as of Q2 2024 is close to 3.7 million with a gross new customer addition of 2.4 lakh in H1 having grown 17.69% year-on-year.

- **Evaluation:**
- **Expectations Exceeded**: The actual results show a 17.69% year-on-year growth in new customer acquisition, surpassing the management's expectation of a 10 to 12% increase.

8. Credit risk assessment
- **Narrative:** Management expressed confidence in maintaining a credit cost of less than 3% for the financial year, indicating a positive outlook on managing credit risk effectively. They anticipate a similar pattern of write-offs in the upcoming quarter, with normalization expected thereafter, underscoring their strategy for maintaining credit discipline.
- **Management's Guidance:**
- Management is confident of achieving a credit cost of less than 3% in the current financial year. A similar level of write-offs is expected in Q3, with normalization anticipated in Q4 and beyond, supporting sustained credit cost management.
- **Actual Results:**
['Q1', '2025']:
- The net credit cost for Q1 FY '25 is 1.28%, excluding the impact of stage movement and ECL strengthening.
['Q2', '2024']:
- In Q2 FY2024, the credit cost reported was 0.84% on a closing portfolio, and without management overlay, it was 0.79%. The company provided an impairment of Rs.75.28 Crores during the quarter.
['Q3', '2024']:
- Raghav Garg: "And if I look at the credit cost for the nine-month period, I think that comes to on an annualized basis somewhere around 3.5% or slightly more than that, as per my calculations at least."
['Q4', '2024']:
- Our net credit cost for financial year '24 of 3.49% is in line with our guidance given in Q3 financial year '24.
- **Evaluation:**
- **Expectations Not Met: Management aimed for a credit cost of less than 3% for the financial year, but the actual net credit cost for FY '24 was 3.49%, surpassing the target and indicating higher-than-anticipated credit costs.**

9. Loan portfolio strategy
- **Narrative:** Management has outlined a strategic plan focused on maintaining a balanced portfolio mix. The emphasis is on achieving a prudent allocation between secured and unsecured loans, reflecting a balanced approach to risk and yield management.
- **Management's Guidance:**
- Management has expressed confidence in achieving a portfolio mix of 65 to 70% secured and 25 to 30% unsecured loans within the next three quarters.
- **Actual Results:**
['Q3', '2024']:
- This book now has a portfolio of Rs. 461 crore, which is 4.3% of our overall AUM. approx. 60% of this MSME book is secured.
['Q4', '2024']:
- Data Not Available
['Q1', '2025']:
- Data Not Available
['Q2', '2024']:
- Data Not Available
- **Evaluation:**
- **Expectations Not Met: Management's guidance aimed for a 65 to 70% secured loan portfolio, but the actual result in Q3 2024 showed only 60% secured, falling short of the target range.**

10. Delinquency management
- **Narrative:** The management has expressed its focus on improving delinquency management as part of its overall credit and portfolio management strategy. This involves efforts to reduce delinquency rates through various operational and strategic initiatives.
- **Management's Guidance:**
- Management anticipates that delinquency rates will decrease moving forward, as indicated by their confidence in the measures being implemented to address this issue.
- **Actual Results:**
['Q4', '2024']:
- Data Not Available
['Q1', '2025']:
- Data Not Available
['Q2', '2024']:
- GNPA as of Q2 FY2024 stands at 2.68% and NNPA at 0.65% registering a reduction of 52 bps and 13 bps respectively versus Q1 FY2024.
['Q3', '2024']:
- Data Not Available
- **Evaluation:**
- **Expectations Met**: Management anticipated a decrease in delinquency rates, and as of Q2 FY2024, there was a reduction in GNPA by 52 bps and NNPA by 13 bps, indicating that the measures implemented were effective in aligning with their expectations.