

## Q1 2023

### 1. Profit margin trends

- **Narrative:** Management expressed confidence in achieving stable profit margins, indicating a focus on maintaining a steady state of financial performance through strategic operational enhancements. They highlighted that upcoming quarters are anticipated to fully reflect the impact of their systematic improvements and distribution strategies.

- **Management's Guidance:**

- Management anticipates achieving a return on assets (ROA) of 4% to 5% in a stable operating environment. Additionally, they expect the complete financial impact of current strategies to be visible by the third and fourth quarters.

- **Actual Results:**

**['Q3', '2023']:**

- In Q3 FY23, Spandana reported a Return on Assets (ROA) of 4.1%, which is within the management's guidance range of 4% to 5%. The Pre-Provision Operating Profit (PPOP) was reported at ■140.6 Cr, and the Profit After Tax (PAT) was ■71.4 Cr.

**['Q4', '2023']:**

- Data Not Available

**['Q2', '2023']:**

- ROA for Q2 FY23 was reported at 3.8%, which is slightly below the management's guidance of 4% to 5%. Profit after tax for Q2 FY23 was 55.2 Crores, showing a significant improvement from a loss of 219.7 Crores in Q1 FY23.

**['Q1', '2023']:**

- ROA (%) - annualised: Pre write-off 2.7% FY22Q4, 1.8% FY23Q1; Post write-off 2.8% FY22Q4, -14.2% FY23Q1

- **Evaluation:**

- **Expectations Met:** In Q3 FY23, Spandana reported an ROA of 4.1%, which falls within the management's guidance range of 4% to 5%, indicating that expectations for maintaining stable profit margins were met.

### 2. Loan portfolio growth

- **Narrative:** Management is focused on maintaining a stable loan portfolio growth trajectory. They are planning strategic financial arrangements to support their disbursement targets, indicating a strong emphasis on sustainable growth supported by internal and external funding sources.

- **Management's Guidance:**

- Management anticipates requiring an external raise of about 5800 to 6000 Crores to support disbursements of approximately 7000 Crores, with the remainder being supported by internal accruals. This expectation is based on their positive month-on-month cash flow.

- **Actual Results:**

**['Q2', '2023']:**

- We disbursed 1391 Crores as against 1320 Crores in the previous quarter, which is a growth of 5.3%.

**['Q3', '2023']:**

- Data Not Available

**['Q4', '2023']:**

- The disbursement for the year was INR8,125 crores, which was 141% higher than INR3,373 crores which was disbursed in the last financial year FY '22. During the year, they borrowed in total about INR5,775 crores from lenders, which is up 208% over the previous year of INR1,875 crores.

**['Q1', '2023']:**

- In Q1 FY23, the disbursement was reported to be Rs. 1,320 Crores, showing a significant year-on-year growth of 511% compared to Rs. 216 Crores in Q1 FY22.

- **Evaluation:**

- **Expectations Exceeded:** The actual disbursement for the year was INR 8,125 crores, which surpassed the management's target of approximately 7,000 crores. The external borrowing aligned with guidance, indicating the loan portfolio growth trajectory exceeded expectations.

### 3. Interest income developments

- **Narrative:** Management emphasized the focus on achieving and maintaining robust Net Interest Margins (NIMs), highlighting that strategic efforts are being concentrated towards reaching a steady state where NIMs exceed 12%. This reflects a targeted approach towards enhancing financial performance by optimizing interest income.

- **Management's Guidance:**

- Management anticipates that by the third and fourth quarters, the Net Interest Margins will consistently be above 12%, indicating a positive outlook for interest income growth. They also plan to adjust leverage ratios, aiming for a leverage of around 3x by the year's end, though the exact timing is still being refined.

- **Actual Results:**

**['Q3', '2023']:**

- In Q3 FY23, the Net Interest Margin (NIM) improved by 80 basis points to 13.8%. Net interest income increased by 16% to INR 254 crores.

**['Q4', '2023']:**

- Normalized NIM has improved to 13.86%. That is up 38 basis points over last quarter.

**['Q1', '2023']:**

- Data Not Available

**['Q2', '2023']:**

- In Q2 FY23, the Net Interest Margin (NIM) was reported at 11.2%, which is below the management's guidance of consistently achieving NIMs above 12% by the third and fourth quarters.

- **Evaluation:**

- **Expectations Exceeded:** Management anticipated NIMs to exceed 12% by Q3 and Q4. The actual results showed NIMs reaching 13.8% in Q3 and 13.86% in Q4, significantly surpassing the target, indicating expectations were exceeded.

### 4. Asset under management (AUM) targets

- **Narrative:** Management outlined a comprehensive strategy to significantly scale up the company's asset base. This includes a forward-looking plan to elevate the company's client base to 2.8 million by the end of the year, reflecting aggressive growth ambitions. Additionally, management has projected a substantial

increase in the asset portfolio, targeting an expansion of 2000 to 3000 Crores over the existing 15000 Crores steady state book by FY2025, leveraging various product lines.

**- Management's Guidance:**

- Management aims to reach a client base of 2.8 million, which translates to an addition of 4.5 lakhs for the year. Management projects an increase of 2000 to 3000 Crores in the asset portfolio, exceeding the 15000 Crores steady state book by FY2025.

**- Actual Results:**

**['Q4', '2023']:**

- On the AUM side, Spandana ended the year at an AUM of INR8,511 crores, an all-time high for the company. This represented a growth of 24.2% over the previous quarter and a 29% growth over INR6,581 crores reported for March 2022.

**['Q1', '2023']:**

- In Q1 2023, management reported an AUM of Rs. 5,513 Crores post write-off.

**['Q2', '2023']:**

- The actual results for Q2 2023 indicate that the AUM increased by 5% from the previous quarter, with an AUM of Rs. 5,782 crores, reflecting a ~5% growth over the previous quarter.

**['Q3', '2023']:**

- Spandana's AUM grew by 19% sequentially to end the quarter at INR 6,852 crores against INR 5,782 crores reported end of quarter 2.

**- Evaluation:**

**- Expectations Not Met: The management aimed for a significant increase in the asset portfolio to 18,000 Crores by FY2025 from the steady state of 15,000 Crores, but the AUM only reached INR 8,511 Crores by Q4 2023, indicating that the growth targets were not achieved.**

## 5. Vision 2025 roadmap

**- Narrative:** Management has articulated a clear strategic vision to significantly grow the company's microfinance portfolio. This involves a robust plan to expand their microfinance book, setting ambitious targets for the coming years.

**- Management's Guidance:**

- Management is confident in achieving a microfinance book size of 15,000 by FY2025.

**- Actual Results:**

**['Q4', '2023']:**

- Data Not Available

**['Q1', '2023']:**

- Data Not Available

**['Q3', '2023']:**

- Data Not Available

**['Q2', '2023']:**

- Data Not Available

**- Evaluation:**

- Insufficient Info: Data not available.

## 6. Regulatory compliance updates

**- Narrative:** Management discussed the transition to the new lending regime as per RBI's guidelines. This shift involves implementing income assessment and other regulatory compliance measures for all new lending activities starting from July.

**- Management's Guidance:**

- The company has fully transitioned to the new RBI lending regime for all new lending activities, incorporating income assessment and other compliance measures.

**- Actual Results:**

**['Q3', '2023']:**

- Data Not Available

**['Q4', '2023']:**

- Data Not Available

**['Q1', '2023']:**

- Data Not Available

**['Q2', '2023']:**

- Shalabh Saxena: we moved to the new RBI framework on the 1st of July

**- Evaluation:**

- Insufficient Info: Data not available.

## 7. Long-term growth strategy

**- Narrative:** Management highlighted the importance of internalizing the company culture as a crucial element of their long-term growth strategy. This initiative is expected to significantly enhance organizational alignment and efficiency.

**- Management's Guidance:**

- Management anticipates that the internalization of company culture will take approximately two quarters to fully integrate among the workforce, which is a vital step in their strategic long-term growth plan.

**- Actual Results:**

**['Q4', '2023']:**

- Data Not Available

**['Q1', '2023']:**

- Data Not Available

**['Q2', '2023']:**

- Data Not Available

**['Q3', '2023']:**

- Management reported that the internalization of company culture is progressing well, with initial indicators of improved organizational alignment visible.

However, full integration is still a work in progress.

- **Evaluation:**

- Insufficient Info: Data not available.

**8. Credit risk assessment**

- **Narrative:** The management has provided insights into the credit risk assessment, focusing on maintaining stable credit costs and minimizing potential write-offs. This reflects a strategic emphasis on risk management to ensure financial stability and operational efficiency.

- **Management's Guidance:**

- Management does not anticipate any material incremental write-offs from the current portfolio for the financial year. Additionally, they expect credit costs to remain below 2% on a steady basis, with quarterly figures not exceeding 0.5%.

- **Actual Results:**

**['Q4', '2023']:**

- Actual Results: Data Not Available

**['Q1', '2023']:**

- Data Not Available

**['Q3', '2023']:**

- Data Not Available

**['Q2', '2023']:**

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

**9. Technology-driven operations**

- **Narrative:** Management has articulated a clear focus on transforming the company into a technology-led organization. The strategic move involves transitioning towards becoming a paperless entity, with a strong emphasis on utilizing technology to supervise and execute processes. This initiative is anticipated to play a central role in risk management and audit controls.

- **Management's Guidance:**

- The company plans to complete this transition to a technology-driven operation between Q2 and Q3, where technology will be the main driver of all supervision and execution processes.

- **Actual Results:**

**['Q4', '2023']:**

- Data Not Available

**['Q3', '2023']:**

- Data Not Available

**['Q1', '2023']:**

- Data Not Available

**['Q2', '2023']:**

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.