Q3 2024

1. Loan Portfolio Quality
- **Narrative:** Management discussed the current state and expectations for the Vikas Loan (VL) portfolio, highlighting a balanced mix between different segments and focusing on maintaining strong collection rates.
- **Management's Guidance:**
- The company is targeting to improve the collection rate of its Vikas Loan portfolio from its current 98% back to the previous level of 99.5% by engaging more deeply with customers.
- **Actual Results:**
['Q2', '2025']:
- Baskar Babu: Same with VL remained flat in terms of current bucket collection efficiency at 97.3% in August and similar number in September.
['Q4', '2024']:
- Data Not Available
['Q3', '2024']:
- The Vikas Loan portfolio currently continues to have a collection rate close to 98%, as per the management's commentary.
['Q1', '2025']:
- Baskar Babu reported that the current bucket collection efficiency, which usually hovers around 99.5%, was slightly lower at 98% in the last quarter. This was noted as a decrease from the comfort level of 99.5% across the sector and in prior quarters for Suryodaya.
- **Evaluation:**
- Expectations Not Met: The management aimed to improve the Vikas Loan portfolio's collection rate to 99.5%, but the actual results showed a decrease to 97.3% in Q2 2025, failing to meet the targeted goal.

2. Cost-to-Income Ratio
- **Narrative:** During the earnings call, management elaborated on their strategic focus towards optimizing the Cost-to-Income Ratio. They emphasized initiatives to improve operational efficiency and cost management, aiming for enhanced profitability in upcoming periods.
- **Management's Guidance:**
- Management anticipates achieving a preoperative profit between INR550 crores to INR600 crores for the next full year. Additionally, they project consistent delivery of about INR45 crores by the end of the quarter.
- **Actual Results:**
['Q1', '2025']:
- Our cost-to-income as of June '24, stood at 60.3%.
['Q2', '2025']:
- The cost-to-income ratio for H1 FY25 was reported at 61.8%, which is slightly higher than 61.5% for the corresponding period last year, indicating a continued focus on cost management but with a slight increase year-over-year.
['Q3', '2024']:
- In Q3 FY24, the Cost-to-Income Ratio excluding the CGFMU expenses was reported at 57.3%, and including CGFMU expenses, it stood at 61.6%. This shows an improvement from the previous figures, indicating progress towards optimizing the Cost-to-Income Ratio as discussed in the management's narrative.
['Q4', '2024']:
- Our cost to income excluding CGFMU investment stood at 57.1% as compared to 60% in FY23. Cost to income including CGFMU expenses stood at 61.6%.
- **Evaluation:**
- Expectations Not Met: Despite management's strategic focus on optimizing the Cost-to-Income Ratio, the actual results showed an increase in the ratio from 60.3% in Q1 FY25 to 61.8% in H1 FY25, indicating that the anticipated improvements in operational efficiency and cost management were not realized.

3. Return on Assets
- **Narrative:** Management has indicated that the current Return on Assets (ROA) for the third quarter is approximately 2.5%. They are optimistic about the future, projecting a slight improvement in the ROA for the upcoming final quarter.
- **Management's Guidance:**
- Management expects the ROA to be a little over 2.5% for the final quarter.
- **Actual Results:**
['Q2', '2025']:
- RoA was reported at 1.9% for Q2 FY25, which is below the management's guidance of slightly over 2.5% for the final quarter of FY24.
['Q1', '2025']:
- RoA was reported at 2.3% for Q1 FY25.
['Q3', '2024']:
- Kanishka Chaudhary stated that for the third quarter, the ROA is around 2.5%.
['Q4', '2024']:
- RoA for Q4 FY24 was reported at 2.1%.
- **Evaluation:**
- Expectations Not Met: Management projected the ROA to be slightly over 2.5% for the final quarter of FY24, but the actual ROA was reported at 2.1%, which is below expectations.

4. Non-Performing Assets (NPA) Ratio
- **Narrative:** Management elaborated on the company's stringent write-off policy aligned with IRAC guidelines. Upon an asset turning NPA, there is an immediate 25% provision, with additional 25% provisioning each quarter if the asset is not regularized. This approach reflects a progressive asset impairment policy aimed at maintaining financial robustness.
- **Management's Guidance:**
- The company will continue with its progressive provisioning strategy, ensuring that non-recoverable assets are adequately written off after one year of becoming NPA.

- **Actual Results:**
['Q1', '2025']:
- Data Not Available
['Q4', '2024']:
- GNPA has decreased to 2.8% in FY24 from 3.1% in FY23, and NNPA has decreased to 0.8% in FY24 compared to 1.5% in FY23.
['Q2', '2025']:
- Data Not Available
['Q3', '2024']:
- Our bank's GNPA has reduced to 2.9% in December 2023 from 4.2% in the corresponding period last year. Our net nonperforming assets currently stands at 1.4% during the 9-month period FY '24 from 2.7% in December 2022.
- **Evaluation:**
- Expectations Exceeded: The management's provisioning strategy aimed at reducing NPAs was highly effective, as evidenced by the significant decrease in GNPA from 4.2% to 2.8% and in NNPA from 2.7% to 0.8% over the period, surpassing expectations of maintaining financial robustness.

5. Geographic Expansion Plans
- **Narrative:** Management is focused on enhancing their branch network by converting existing branches into composite branches that offer a full range of services, including deposit products. There is a strategic plan to expand the number of these composite branches significantly in the next financial year. However, there are no major expansion plans into new states at this time, with only pilot branches being tested in certain regions.
- **Management's Guidance:**
- Management plans to convert existing branches into full-fledged service branches in the coming quarters. The company aims to convert 30 to 50 of the 383 asset-focused outlets into composite branches in the next financial year. There are no significant plans for expansion into new states like Bihar and Jharkhand in the next financial year, with only a few pilot branches in these regions for testing purposes.
- **Actual Results:**
['Q4', '2024']:
- Data Not Available
['Q2', '2025']:
- Data Not Available
['Q3', '2024']:
- We already do have closer to around 25 branches, which have converted branches -- offering all the products.
['Q1', '2025']:
- Data Not Available
- **Evaluation:**
- Expectations Not Met: Management aimed to convert 30 to 50 branches into composite branches in the next financial year, but by Q3 2024, only around 25 branches had been converted, falling short of the target.

6. Adherence to Reserve Bank of India (RBI) Guidelines
- **Narrative:** Management reaffirmed its commitment to meet regulatory requirements set by the Reserve Bank of India. They have systematically reduced their Credit-Deposit (CD) ratio over the past two years, consistently hitting their targets. The management reiterated their strategic focus on achieving a 100% CD ratio by the end of the next financial year, demonstrating a proactive approach to regulatory compliance.
- **Management's Guidance:**
- Management has committed to achieving a 100% CD ratio by the end of the next financial year.
- **Actual Results:**
['Q1', '2025']:
- Data Not Available
['Q4', '2024']:
- Data Not Available
['Q2', '2025']:
- Data Not Available
['Q3', '2024']:
- ee9eb6455c9af7111ab6abfefbc5eb3e --> [Kanishka Chaudhary] "when we started this journey 2 years ago, we made a commitment to first reduce it to 120% by the end of last financial year, which we did." ee9eb6455c9af7111ab6abfefbc5eb3e --> [Kanishka Chaudhary] "We promised under 110% by the end of this financial year, which is where we are."
- **Evaluation:**
- Expectations Met: Management's target to reduce the Credit-Deposit (CD) ratio to under 110% by the end of the financial year was achieved, aligning with their stated goals.

7. Client Acquisition Rate
- **Narrative:** Management highlighted a strategic focus on expanding client acquisition through the development of new branches and partnerships. This includes an aggressive target for customer generation across newly opened branches and a new partnership aimed at enhancing service offerings to both existing and new clients.
- **Management's Guidance:**
- Management projects that the approximately 70 newly opened branches will generate between 300 to 350 new customers monthly over the next two years, which would contribute to disbursements ranging between INR125 crores to INR150 crores. Additionally, a partnership is set to be launched within the month to offer comprehensive wealth management services, aiming to bolster client acquisition rates.
- **Actual Results:**
['Q2', '2025']:
- Currently serving ~3.24 Mn customers
['Q3', '2024']:
- Data Not Available
['Q1', '2025']:

- Data Not Available
['Q4', '2024']:
- Kanishka Chaudhary [we have added 122,000 customers in Q4 and this number was 90,000 odd in Q3.]
- **Evaluation:**
- Expectations Met: The management projected new branches to generate 300 to 350 new customers monthly, and the Q4 data shows an addition of 122,000 customers, aligning with the expected growth trajectory.

8. Use of Digital Platforms for Loan Disbursement
- **Narrative:** Management has emphasized the enhancement of customer reach through digital means, including the use of automated calls and bots to engage with customers. Additionally, there is a focus on augmenting digital partnerships and strengthening the digital domain capabilities over the coming months. The company is seeing a significant portion of their loan customers engaging in online payment methods, indicating a successful shift towards digital platforms.
- **Management's Guidance:**
- Management plans to continue utilizing a monthly model with improved outreach to customers via automated calls, bots, and reminder mechanisms, targeting the remaining 4% of their customer base. There is an expectation of growth in digital partnerships and the digital domain over the next 12 to 18 months. 30% of the Vikas Loan customers are making payments online, with transactions going directly from their bank accounts to the company's bank account through various mechanisms.
- **Actual Results:**
['Q4', '2024']:
- Data Not Available
['Q2', '2025']:
- Data Not Available
['Q3', '2024']:
- Anil Tulsiram reported that 30% of the Vikas Loan customers make online payments.
['Q1', '2025']:
- Data Not Available
- **Evaluation:**
- Expectations Met: The management's goal of having 30% of Vikas Loan customers making online payments was achieved, as reported in Q3 2024.

9. Sources of Funding and Cost of Funds
- **Narrative:** Management has emphasized the strategic importance of maintaining a diverse funding base, particularly through refinancing institutions, to ensure financial stability and optimize funding costs. This approach is aimed at supporting the company's growth objectives and enhancing its competitive position in the microfinance sector.
- **Management's Guidance:**
- Management reiterated its commitment to maintaining 30% of its funding from refinance institutions, which is expected to provide stability and favorable cost structures in future quarters.
- **Actual Results:**
['Q4', '2024']:
- Data Not Available
['Q2', '2025']:
- Data Not Available
['Q3', '2024']:
- Data Not Available
['Q1', '2025']:
- Data Not Available
- **Evaluation:**
- Insufficient Info: Data not available.