Q4 2024

1. Net Interest Margin
- **Narrative:** Management is focused on optimizing the mix of their secured book to maintain a stable range within their net interest margin, indicating a strategic approach to balance risk and returns.
- **Management's Guidance:**
- Management aims to keep the net interest margin range bound between 2.3 to 2.5, reflecting their strategy to adjust the mix of secured assets in their portfolio.
- **Actual Results:**
['Q2', '2025']:
- Data Not Available
['Q1', '2025']:
- In Q1 FY25, the Net Interest Margin (NIM) stood at 10%, which significantly exceeds the management's guidance range of 2.3% to 2.5%.
['Q4', '2024']:
- NIM for Q4 FY24 was 10.1%, a decrease of 26 bps from Q4 FY23.
- **Evaluation:**
- Expectations Exceeded: The actual Net Interest Margin of 10% in Q1 FY25 significantly exceeded the management's guidance range of 2.3% to 2.5%, indicating exceptionally favorable performance.

2. Loan Portfolio Quality
- **Narrative:** Management has expressed a clear strategy to enhance the quality of the loan portfolio by increasing the proportion of secured loans. This reflects a shift towards more stable and less risky assets within their portfolio. The company's commitment to maintaining a consistent Provision Coverage Ratio (PCR) also underscores their focus on sustaining financial stability and mitigating potential credit risks.
- **Management's Guidance:**
- 1. By the end of next year, management aims to have a secured loan book of around 45%. 2. In about 2 to 3 years, management plans to increase the secured loan book to exceed 45%. 3. Management intends to maintain a 70% Provision Coverage Ratio (PCR) going forward.
- **Actual Results:**
['Q2', '2025']:
- Currently, the mix is 56% unsecured and 44% secured.
['Q4', '2024']:
- Kanishka Chaudhary reported that the secured loan book is currently at 41%, which is below the target of 45% by the end of next year. Additionally, the Provision Coverage Ratio (PCR) is at 71.2%, slightly above the guidance of maintaining it at 70%.
['Q1', '2025']:
- In Q1 FY25, the Provision Coverage Ratio (PCR) reached 83.9%, exceeding the management's target of maintaining a 70% PCR, indicating strong provisioning practices. However, there is no specific data available on the secured loan book percentage to determine if the target of 45% was met.
- **Evaluation:**
- Expectations Not Met: The secured loan book is at 41%, below the management's target of 45% by the end of next year, although the Provision Coverage Ratio (PCR) exceeded expectations, reaching 83.9% in Q1 FY25.

3. Cost-to-Income Ratio
- **Narrative:** Management has outlined a focus on optimizing operational efficiency through strategic cost management initiatives. There is a clear intent to reduce borrowing costs, thereby improving the cost-to-income ratio. This reflects a broader strategy to enhance financial performance and maintain competitive pricing.
- **Management's Guidance:**
- Management expects the cost-to-income ratio, including CGFMU expenses, to be in the region of 57%.
- **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 as 61.8%, which is higher than the management's guidance of 57% and also slightly higher than 61.5% for the corresponding period last year.
['Q4', '2024']:
- The actual cost-to-income ratio including CGFMU expenses for Q4, 2024 was reported at 61.6%, which is higher than the management's guidance of 57%. The cost-to-income ratio excluding CGFMU expenses stood at 57.1%.
- **Evaluation:**
- Expectations Not Met: The actual cost-to-income ratio consistently exceeded the management's guidance of 57%, with reported figures of 60.3% in Q1 and 61.8% in H1 FY25, indicating that the strategic cost management initiatives did not achieve the expected improvement.

4. Return on Assets
- **Narrative:** Management discussed their strategic focus on maintaining a steady Return on Equity (ROE) in the range of 14% to 16% over the medium to long term. They emphasized the importance of achieving consistent growth in ROE by 25 to 50 basis points quarter-on-quarter. The management also highlighted their intention to maintain a balanced portfolio as a bank and not to aggressively alter pricing, particularly in micro mortgages, to achieve these targets.
- **Management's Guidance:**
- Management anticipates maintaining an ROE of 14% to 16% over the next two years. They aim for a Return on Assets (ROA) to be around 2.2% to 2.5% as the balance reaches approximately 50%.
- **Actual Results:**
['Q2', '2025']:
- RoA / RoE 1.9% / 12.2% (2.0% / 12.2%)
['Q1', '2025']:
- RoA / RoE Customers 2.3% / 15.2% 30 lakhs (+23.6% YoY)
['Q4', '2024']:

- RoA 2.1%
- **Evaluation:**
- Expectations Not Met: Management aimed for an ROA of 2.2% to 2.5%, but Q2 2025 results showed an ROA of 1.9%, indicating the target was not achieved.

5. Non-Performing Assets (NPA) Ratio
- **Narrative:** Management highlighted their approach to handling non-performing assets by implementing a provision strategy specifically for the unsecured microfinance book. This approach reflects a proactive stance in managing credit risk associated with non-performing assets.
- **Management's Guidance:**
- Management indicated that they will be making a 50% provision for the unsecured microfinance book when an account becomes NPA, suggesting a focused effort to mitigate risks associated with non-performing loans.
- **Actual Results:**
['Q1', '2025']:
- Data Not Available
['Q4', '2024']:
- In Q4 FY24, Suryodaya reported that the gross non-performing assets (GNPA) ratio was reduced to 2.8%, down from 3.1% in FY23, and the net non-performing assets (NNPA) ratio decreased to 0.8% from 1.5% in FY23.
['Q2', '2025']:
- Data Not Available
- **Evaluation:**
- Expectations Exceeded: The management's proactive provision strategy for the unsecured microfinance book appears to have been effective, as evidenced by the reduction in both GNPA and NNPA ratios in Q4 FY24, surpassing expectations for managing non-performing assets.

6. Adherence to Reserve Bank of India (RBI) Guidelines
- **Narrative:** The management has articulated its commitment to aligning with the Reserve Bank of India's guidelines, highlighting its strategic focus on enhancing regulatory compliance. This involves a structured plan to meet the criteria necessary for universal banking status, reflecting a proactive approach in regulatory adherence.
- **Management's Guidance:**
- The company anticipates taking approximately one year to satisfy all the necessary criteria to apply for universal bank status, indicating a clear timeline for their compliance efforts.
- **Actual Results:**
['Q1', '2025']:
- Data Not Available
['Q4', '2024']:
- Data Not Available
['Q2', '2025']:
- Data Not Available
- **Evaluation:**
- Insufficient Info: Data not available.

7. Capital Adequacy Ratio (CAR)
- **Narrative:** The management has articulated a strategic shift in their capital structure, moving from a predominantly unsecured portfolio to a more balanced approach with increased secured lending. This transition aims to maintain a comfortable capital adequacy ratio even as they lower their target from 25% to around 20%.
- **Management's Guidance:**
- Management anticipates reaching a capital adequacy ratio where they would be comfortable at approximately 20% as they adjust their portfolio mix from unsecured to secured. They also indicate preparedness to raise capital once they approach this 20% threshold.
- **Actual Results:**
['Q2', '2025']:
- We continue to maintain a healthy capital position of CRAR at 24.9%, well above the regulatory requirement of 15%.
['Q1', '2025']:
- On the CRAR front, we continue to remain well capitalized given the capital adequacy of 27.3%.
['Q4', '2024']:
- Our CRAR at 28.4% which is well above the regulatory requirement.
- **Evaluation:**
- Expectations Not Met: The management expected to lower the capital adequacy ratio to around 20% while transitioning the portfolio mix. However, the actual CRAR remained significantly higher at 24.9% by Q2 2025, indicating the expectations were not met.

8. Geographic Expansion Plans
- **Narrative:** Management highlighted their strategic intent to broaden Suryodaya's geographic footprint, focusing on underpenetrated regions to drive growth. This expansion is seen as a key component of their long-term strategy to increase market share and leverage untapped opportunities in new locations.
- **Management's Guidance:**
- Management indicated plans to enter three new states in the upcoming fiscal year, aiming for enhanced market presence and customer base. They anticipate this geographic expansion to contribute significantly to revenue growth and market positioning in the next 12 to 18 months.
- **Actual Results:**
['Q4', '2024']:
- Baskar B. Ramachandran [we added around closer to 70 branches in a year.]
['Q2', '2025']:
- During Q2 FY25, Suryodaya expanded its geographic presence by opening its first retail banking branch in Jaipur, indicating progress in their strategy to broaden their footprint in Northern India. The total number of branches increased from 635 in Q2 FY24 to 704 in Q2 FY25, achieving significant growth in their

branch network.
['Q1', '2025']:
- Suryoday currently operates in 15 states and UTs. There is no specific mention of entering three new states in the specified period, as guided by management.
- **Evaluation:**
- Expectations Not Met: Management intended to enter three new states within the fiscal year, but the actual results indicate that Suryodaya did not achieve the goal of entering new states as there is no specific mention of this expansion in the provided period.

9. Client Acquisition Rate
- **Narrative:** The management of Suryodaya is focused on significantly increasing their client acquisition rate, with a target of bringing in 40,000 to 50,000 new customers. This is a key strategic initiative aimed at enhancing their market position and growth trajectory.
- **Management's Guidance:**
- Management intends to elevate new customer acquisition numbers to between 40,000 and 50,000, which is already gaining traction.
- **Actual Results:**
['Q2', '2025']:
- Data Not Available
['Q1', '2025']:
- Data Not Available
['Q4', '2024']:
- In Q4, 2024, Suryodaya added 122,000 new customers, surpassing the management's guidance target of 40,000 to 50,000 new customers.
- **Evaluation:**
- Expectations Exceeded: Suryodaya added 122,000 new customers in Q4 2024, significantly surpassing the management's guidance target of 40,000 to 50,000 new customers, indicating an exceeded expectation in client acquisition rate.

10. Use of Digital Platforms for Loan Disbursement
- **Narrative:** Management placed significant emphasis on advancing the company's technological framework, primarily by adopting a digital-first approach. This strategy intends to streamline customer interactions and enhance process efficiency through the integration of robotic process automation (RPA). The management aims to simplify the loan disbursement process, making it more customer-friendly and efficient over the next two years.
- **Management's Guidance:**
- Management anticipates that the primary focus for the forthcoming two years will be on establishing a digital-first, customer-centric approach, underpinned by RPA to simplify processes.
- **Actual Results:**
['Q4', '2024']:
- Data Not Available
['Q2', '2025']:
- Data Not Available
['Q1', '2025']:
- Data Not Available
- **Evaluation:**
- Insufficient Info: Data not available.

11. Sources of Funding and Cost of Funds
- **Narrative:** The management at Suryodaya has highlighted their awareness of the impending repayment obligations and the need to replace maturing low-cost SLTRO financing. They have emphasized the importance of growing the Current Account Savings Account (CASA) to serve as the primary substitute for these retiring funds.
- **Management's Guidance:**
- The company plans to repay 750 crores by December 2024 and is focused on increasing CASA to compensate for the retiring SLTRO financing, which was previously obtained at a favorable rate of 4%.
- **Actual Results:**
['Q4', '2024']:
- CASA Ratio for Q4 FY24 was 20.1%, an increase of 302 bps from Q4 FY23. Cost of Funds for Q4 FY24 was 7.4%, an increase of 57 bps from Q4 FY23.
['Q2', '2025']:
- Our CASA ratio has improved to 17.9%, up from 15.7% in September 2024 YoY basis.
['Q1', '2025']:
- Data Not Available
- **Evaluation:**
- Expectations Not Met: The management aimed to increase CASA to compensate for maturing SLTRO financing. While the CASA ratio improved to 20.1% by Q4 FY24, the cost of funds rose to 7.4%, indicating challenges in effectively replacing the low-cost SLTRO funds.

12. Credit Risk Management Practices
- **Narrative:** Management has emphasized the strategic priority of improving credit risk management practices. This involves a focused effort on reducing concentration risk and enhancing the efficiency of the collection organization to better align with the portfolio size. These initiatives are key to strengthening the company's risk management framework.
- **Management's Guidance:**
- Management anticipates a progressive improvement in reducing concentration risk, targeting over a 2% improvement year-on-year. This year is highlighted as crucial for achieving a better risk mix. Additionally, there is an ongoing process to recreate the collection organization to ensure its effectiveness in handling individual borrowers commensurate with the portfolio size.
- **Actual Results:**
['Q1', '2025']:
- Data Not Available
['Q4', '2024']:

- Data Not Available
['Q2', '2025']:
- Data Not Available
- **Evaluation:**
- Insufficient Info: Data not available.

13. Impact Assessment Studies
- **Narrative:** Management emphasized their long-term commitment to social impact, outlining a strategic vision to positively influence 1% of the Indian population. This initiative reflects a broader ambition beyond just financial achievements, focusing on meaningful societal contributions over the next 2 to 3 years.
- **Management's Guidance:**
- Management plans to achieve a societal impact on 1% of the Indian population over the next 2 to 3 years, indicating a shift towards integrating social objectives with business goals.
- **Actual Results:**
['Q4', '2024']:
- The CSR activities for the Bank are mostly undertaken by Suryoday Foundation. Currently 6 programs are under implementation. A total of 61,802 beneficiaries have been covered in FY 24 across these programs. Further, the Bank is also working with Rotary Club of Chennai for preventive dental care through mobile van covering all Chennai Municipal Schools. The said arrangement is for 3 years (FY 22, FY 23 and FY 24). A total of 38,529 students have been covered in this program in FY 24.
['Q2', '2025']:
- A total of 29,674 beneficiaries have been covered in H1 FY25 across these programs and have cleaned about 450 tons of trash accumulated around the mangroves lined from Nerul to Panvel.
['Q1', '2025']:
- The CSR activities for the Bank are mostly undertaken by Suryoday Foundation. Currently 6 programs are under implementation. A total of 11,790 beneficiaries have been covered in Q1 FY 25 across these programs.
- **Evaluation:**
- Expectations Not Met: Management aimed to impact 1% of the Indian population, approximately 13 million people, over 2 to 3 years; however, the actual beneficiaries reported are significantly lower, indicating that the expectations were not met.