

Q2 2024

1. Profit margin trends

- **Narrative:** Management has indicated a focused approach on maintaining a disciplined financial structure. There is a clear emphasis on achieving a scalable model while keeping operational costs within a targeted band. The goal is to optimize profitability through strategic adjustments in gearing and cost management, ensuring that profit margins remain robust.

- **Management's Guidance:**

- Management expects profit margins to be influenced by maintaining gearing ratios between 3.5x to 4x. With this, Net Interest Margins (NIMs) are anticipated to settle between 12% to 12.5%, alongside a 2% credit cost and operational costs, leading to an overall margin range of approximately 4% to 5%. There is confidence in achieving and maintaining sub-2% cost metrics by the end of the next fiscal year.

- **Actual Results:**

['Q1', '2025']:

- Data Not Available

['Q2', '2024']:

- Data Not Available

['Q4', '2024']:

- Data Not Available

['Q3', '2024']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

2. Loan portfolio growth

- **Narrative:** Management emphasized their strategy of customer acquisition-led growth, with an initial focus on stabilizing first cycle loan amounts. They aim to shift the customer composition towards a higher percentage of existing customers over time, which is expected to gradually increase loan amounts. Additionally, there is a targeted increase in the number of borrowers per loan officer to optimize operations and support growth.

- **Management's Guidance:**

- Management is confident of disbursing between 3000 and 3500 Crores in Q3 and Q4. There is a strategy to stabilize the first cycle loan at 36,000, with adjustments expected as the customer mix evolves to more existing customers over six quarters. An immediate increase is anticipated in the short term to about 380 to 400 borrowers per loan officer, with a target of reaching 440 to 450 next year.

- **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']:

- Our disbursement for the quarter was INR2,283 crores, which was a growth of 37% Y-o-Y over last year.

['Q3', '2024']:

- Disbursement for the quarter was INR2,543 crores with a year-on-year growth of 8% and a quarter-on-quarter growth of 1%. The disbursement was short by around INR450 crores.

['Q2', '2024']:

- On the disbursement, disbursement for the quarter was 2,513 Crores. This was a Y-O-Y growth of 81% and a quarter-on-quarter growth of 51%.

- **Evaluation:**

- **Expectations Exceeded:** The management aimed to disburse between 3000 and 3500 Crores in Q3 and Q4, but actual results showed a disbursement of 3,970 Crores in Q4 alone, surpassing the target and indicating a strong quarter-on-quarter growth.

3. Interest income developments

- **Narrative:** Management emphasized the importance of focusing on the current book and its potential for improvement in interest income. They highlighted the significance of the business-as-usual (BAU) operations and the recently created book, suggesting that these elements will continue to play a critical role in the balance sheet's future performance.

- **Management's Guidance:**

- Management indicated that the interest income from the existing book, currently at about 1.4%, can be improved in the coming quarters.

- **Actual Results:**

['Q1', '2025']:

- Data Not Available

['Q2', '2024']:

- The increase in the top line, interest income has been around 10%.

['Q3', '2024']:

- Data Not Available

['Q4', '2024']:

- Net Interest Income QoQ increased by 23% from Q3 to Q4 FY24.

- **Evaluation:**

- **Expectations Exceeded:** Management expected an improvement in interest income from the existing book, and the actual results showed a 10% increase in Q2 and a 23% QoQ increase from Q3 to Q4 FY24, surpassing initial expectations.

4. Asset under management (AUM) targets

- **Narrative:** The management of Spandana has articulated a clear strategy regarding their Asset under Management (AUM) targets. They have set ambitious goals for the end of the current and next fiscal year, with a focus on geographical diversification and moderation of exposure in larger states. The leadership is keen on growing the AUM while ensuring a balanced distribution across different regions to mitigate risk.

- **Management's Guidance:**

- The company aims to reach approximately 12,000 Crores in AUM by the end of the year. They anticipate an increase in AUM to a range of 1.4 to 1.5 over the

next three to four quarters. By the end of next year, Spandana intends to ensure that no single state contributes more than 12% to the total AUM, down from the current highest state exposures of about 15%.

- Actual Results:

['Q3', '2024']:

- Shalabh Saxena: Quarter 3 was a quarter where we crossed a major milestone by reaching an AUM of INR10,404 crores.

['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 INR11,723 crores, which was a growth of 72% Y-o-Y.

['Q2', '2024']:

- The AUM at the end of Q2 FY24 was reported at 9,784 Crores, indicating a year-on-year growth of 69% and a quarter-on-quarter growth of 11%.

- Evaluation:

- **Expectations Met:** Spandana aimed for an AUM of approximately 12,000 Crores by year-end, and they achieved an AUM of 11,973 Crores, which is aligned with their target, reflecting a 41% growth over FY'23.

5. Process automation

- **Narrative:** Management discussed the modification of the distribution model as a strategic initiative aimed at enhancing operational efficiency through process automation.

- Management's Guidance:

- Management anticipates the execution of these modifications during the months of July and August, with the objective of achieving full implementation by March of the following year.

- Actual Results:

['Q3', '2024']:

- Data Not Available

['Q4', '2024']:

- Data Not Available

['Q1', '2025']:

- Data Not Available

['Q2', '2024']:

- We changed the model in Q2 in 700 branches, which covered about 1.5 million customers.

- Evaluation:

- **Expectations Not Met: The management anticipated full implementation by March of the following year, but only partial implementation occurred in Q2, covering 700 branches and 1.5 million customers, without further data on subsequent progress.**

6. Cost reduction initiatives

- **Narrative:** Management has outlined a clear focus on operational efficiency and optimization through cost reduction initiatives. The primary strategy involves a targeted approach to reduce operational costs by a specified percentage within a short timeframe, signaling a proactive stance in enhancing financial performance and maintaining competitive advantage.

- Management's Guidance:

- Management has set a goal to reduce operational costs by 5% over the next six months. Additionally, they plan to achieve a 5% reduction in operational costs in the next quarter.

- Actual Results:

['Q4', '2024']:

- Data Not Available

['Q3', '2024']:

- On the opex side, we are currently at 6.6%.

['Q1', '2025']:

- Data Not Available

['Q2', '2024']:

- Data Not Available

- Evaluation:

- **Expectations Not Met: Management aimed for a 5% reduction in operational costs, but the available data only shows an operational expenditure of 6.6%, without confirming the targeted reduction.**

7. Operational progress

- **Narrative:** Management highlighted ongoing efforts to enhance operational efficiency through strategic initiatives. These initiatives are expected to culminate in the near term, indicating a focused approach towards achieving operational excellence.

- Management's Guidance:

- Management anticipates the completion of all distribution-led initiatives by the end of Q3 to the beginning of Q4. Additionally, Spandana aims to transition to 80% weekly operations by the end of FY2025, marking a significant shift in operational strategy.

- Actual Results:

['Q1', '2025']:

- Data Not Available

['Q2', '2024']:

- Data Not Available

['Q4', '2024']:

- Data Not Available

['Q3', '2024']:

- Because of the wide scale and the fact that this involved almost about 5,000 loan officers, which is 55% of the loan officers.

- Evaluation:

- Insufficient Info: Data not available.

8. Emerging market entry

- **Narrative:** Management has articulated a strategic focus on expanding into new markets, aiming to leverage existing customer relationships to enhance market penetration. Their approach involves targeting geographies where they can strengthen single lender relationships, capitalizing on the normalized operations to drive significant growth.

- **Management's Guidance:**

- The company aims to expand into three new markets by the end of 2024. They anticipate increasing their market penetration by enhancing single lender relationships, which could see a growth from 33-34% to potentially 38, 39, or even 40%.

- **Actual Results:**

['Q3', '2024']:

- Data Not Available

['Q4', '2024']:

- Data Not Available

['Q1', '2025']:

- Data Not Available

['Q2', '2024']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

9. Forward-looking statements

- **Narrative:** Management expressed confidence in overcoming current variances, anticipating stabilization in the coming months. Their strategic focus is on normalizing operations to return to previous performance levels.

- **Management's Guidance:**

- Management expects stabilization and normalization in operations within the next three to four months, returning to past performance levels.

- **Actual Results:**

['Q4', '2024']:

- Data Not Available

['Q1', '2025']:

- Data Not Available

['Q2', '2024']:

- Data Not Available

['Q3', '2024']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

10. Market share growth

- **Narrative:** Management has articulated a clear strategy to bolster market share by significantly expanding its presence in Europe. This expansion is a part of their broader goal to increase their customer base, as demonstrated by their progress in acquiring new customers in the first half of the year.

- **Management's Guidance:**

- Management has set a target to expand their market presence in Europe over the next two years. Additionally, they have successfully acquired 6.1 lakh customers in the first half of the year and are on track to surpass a 3 million customer base by the end of the year.

- **Actual Results:**

['Q1', '2025']:

- 42% YoY growth in customer base

['Q2', '2024']:

- Data Not Available

['Q3', '2024']:

- Acquired 9.5L borrowers during 9MFY24

['Q4', '2024']:

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

- **Evaluation:**

- **Expectations Exceeded:** Management aimed to surpass a 3 million customer base by year-end. They added 1.4 million customers during FY'24, marking a 59% growth over FY'23, which exceeded the initial expectations.

11. Long-term growth strategy

- **Narrative:** Management has outlined a strategic vision that includes transitioning the company's operational model to achieve greater stability and robustness. This involves implementing initiatives that are expected to drive significant growth and expansion, with a clear focus on reaching substantial financial targets.

- **Management's Guidance:**

- Management plans to transition approximately 80% of Spandana's operations to a weekly model by the end of FY2025. Additionally, there are strategic initiatives aimed at achieving a financial target of 17,000 Crores, underpinning a stable and robust business model.

- **Actual Results:**

['Q4', '2024']:

- Data Not Available

['Q1', '2025']:

- Data Not Available

['Q2', '2024']:

- Data Not Available

['Q3', '2024']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.

12. New branch openings

- Narrative: Management has articulated a comprehensive strategy for branch expansion, aligning with their Vision 2025. The focus is on operationalizing new branches while converting existing ones to a weekly model to enhance customer engagement and drive growth. This expansion strategy underscores their commitment to reaching 1500 branches by FY2025, with a significant number of these branches already operationalized or in the pipeline. The shift to weekly branches is expected to optimize operations and improve customer service.

- Management's Guidance:

- Management has operationalized 292 branches this calendar year and plans to operationalize an additional 110 branches over the next three months, thereby achieving their goal of over 1500 branches by FY2025. The company will have the full 12 months of the next financial year to leverage these branches for growth. All new branches will operate on a weekly basis, with a plan to convert existing monthly branches to weekly by the end of 2025. In Q2, the model was changed in 700 branches, impacting 1.5 million customers. There is a plan to increase the number to 50 branches by the end of this year. The transition to weekly branches is expected to be complete in three to four months.

- 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.

['Q1', '2025']:

- Branch count 1,258 Jun-23

['Q2', '2024']:

- In Q2 2024, Spandana Sphoorty has operationalized 292 branches as per the management's commentary. Additionally, they have moved 700 branches to a weekly model, impacting 1.5 million customers. The total branch count has reached 1,502, with 95 branches yet to start operations.

['Q3', '2024']:

- During Q3 2024, Spandana Sphoorty Financial Limited reported the opening of 72 new branches, contributing to a total of 1,574 branches, of which 375 are operating on a weekly model. These branches have contributed 16% to disbursements.

- Evaluation:

- Expectations Exceeded: Spandana exceeded its branch expansion target by opening 429 new branches during the year, surpassing the planned count and reaching a total of 1,642 branches, which is 142 more than the target of 1,500 branches by FY2025.

13. Community engagement activities

- Narrative: Management emphasized their commitment to enhancing community engagement by instituting regular town hall meetings. These meetings are positioned as a strategic two-way communication channel aimed at updating employees about the company's progress and gathering valuable feedback.

- Management's Guidance:

- Management has announced the organization of quarterly town hall meetings as a platform for continuous dialogue with employees, enabling an exchange of ideas and information about the company's advancements.

- Actual Results:

['Q4', '2024']:

- Data Not Available

['Q3', '2024']:

- The event was attended by more than 120 participants. A first for Spandana, the event was watched live by over 12,500 employees.

['Q1', '2025']:

- Data Not Available

['Q2', '2024']:

- Data Not Available

- Evaluation:

- Expectations Met: Management expected the quarterly town hall meetings to facilitate a continuous dialogue with employees, and the successful event in Q3 2024, attended by over 12,500 employees, indicates alignment with these goals.