

## Q1 2025

### 1. Net Interest Margin

- **Narrative:** Management has outlined a clear strategy to maintain and potentially improve the net interest margin by structuring financial operations effectively. Their approach is focused on sustaining a stable margin while allowing for incremental improvements over the upcoming quarters.

- **Management's Guidance:**

- The guidance for FY '25 stands between 14% to 16%. Management is confident in structuring operations to consistently maintain a net interest margin in the 15% to 16% range, with an aim to incrementally increase by a few basis points each quarter. The target for the net interest margin is to maintain it above 4% for the next quarter. The current net interest margin of 10% is expected to adjust to a target range of 8% to 8.5%.

- **Actual Results:**

**['Q2', '2025']:**

- In Q2 FY25, the Net Interest Margin (NIM) was reported at 9.7%, showing a 32 basis points quarter-over-quarter increase from 9.4% in Q1 FY25. This indicates that the target range of 8% to 8.5% was not achieved, as the margin remained higher.

**['Q1', '2025']:**

- On the yield front, the yield for the quarter on the portfolio stood at 20.1% while the NIM stood at 10% in Q1 FY '25. The NIM percentage also reflects a decrease of 5 bps year-on-year and 8 bps quarter-on-quarter.

- **Evaluation:**

- **Expectations Not Met: The actual Net Interest Margin in Q2 FY25 was 9.7%, which did not achieve the management's target range of 8% to 8.5%, indicating that their expectations for adjusting the margin were not met.**

### 2. Loan Portfolio Quality

- **Narrative:** Management has outlined a strategy focused on maintaining a stable credit cost and improving collection efficiencies, while also expanding the loan portfolio significantly. The company aims to manage credit costs within a predetermined range and enhance the efficiency of collections to near-perfect levels.

- **Management's Guidance:**

- Management anticipates maintaining credit costs between 2% to 3% annually over the next 4 to 5 years. The company aims to increase its loan portfolio by 20% by the end of the current fiscal year. Credit cost is expected to be in the range of 2.7% to 3% on a full-year basis. The target for the upcoming quarters is to achieve a collection efficiency of 99.5%.

- **Actual Results:**

**['Q1', '2025']:**

- In Q1 FY '25, the bank's gross advances stood at INR 9,037 crores, marking a 41.8% year-on-year increase, surpassing the management's loan portfolio growth target of 20% by the end of the current fiscal year. However, the collection efficiency was reported to be slightly less than 99%, falling short of the 99.5% target set by management. The credit cost was indicated to be around 3% to 3.2%, slightly above the anticipated range of 2.7% to 3%.

**['Q2', '2025']:**

- In Q2 FY25, the gross advances stood at INR 9,360 Cr, representing a year-on-year increase of 35.2%. Disbursements were INR 3,421 Cr, up 22.7% from the previous year. The collection efficiency in the current bucket was reported at 98.0%, with the Vikas Loan collection efficiency at 97.6%. The cumulative credit cost for the first half of the year was around INR 120 Cr.

- **Evaluation:**

- **Expectations Exceeded:** The loan portfolio growth target of 20% was significantly surpassed with a 41.8% increase, although collection efficiency and credit costs fell short of their respective targets. However, the substantial overachievement in loan portfolio growth leads to an overall evaluation of exceeding expectations.

### 3. Cost-to-Income Ratio

- **Narrative:** Management has outlined their focus on maintaining operational efficiency while strategically managing costs to achieve a favorable cost-to-income ratio. The discussions emphasize optimizing resource allocation and leveraging technology to streamline operations, which are expected to contribute to improved financial performance.

- **Management's Guidance:**

- Management is on track to achieve a favorable cost-to-income ratio of 57% to 58% by FY '25.

- **Actual Results:**

**['Q2', '2025']:**

- The cost-to-income ratio for Q2 FY25 was reported as 63.5%, which is higher than the management's guidance target of 57% to 58% for FY '25.

**['Q1', '2025']:**

- Our cost-to-income as of June '24, stood at 60.3%.

- **Evaluation:**

- **Expectations Not Met: The cost-to-income ratio for Q2 FY25 was reported at 63.5%, which is significantly higher than the management's guidance target of 57% to 58%, indicating that expectations regarding operational efficiency and cost management were not achieved.**

### 4. Capital Adequacy Ratio (CAR)

- **Narrative:** Management has emphasized the importance of maintaining a robust capital adequacy ratio (CAR) to support strategic growth initiatives. They are particularly focused on ensuring sufficient capital to meet regulatory requirements and to stabilize their portfolio balance between inclusive finance and secure portfolio segments.

- **Management's Guidance:**

- Management anticipates needing capital requirements somewhere around the next 15 to 18 months. They aim to maintain a comfort level of approximately 25% CAR until the portfolio stabilizes to a 50-50 balance between inclusive finance and secure portfolio.

- **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%.

- **Evaluation:**

- **Expectations Met:** The management aimed to maintain a CAR at a comfort level of approximately 25% until portfolio stabilization, and the actual results show a CAR of 27.3% in Q1 2025 and 24.9% in Q2 2025, aligning with management's guidance and exceeding the regulatory requirement.

## 5. Non-Performing Assets (NPA) Ratio

- **Narrative:** Management has outlined a focused strategy to significantly reduce the level of non-performing assets. The company plans to extinguish security receipts aggressively over the next three quarters and has set a goal to bring NPAs below 2% by the next year.

- **Management's Guidance:**

- The company aims to completely extinguish security receipts over the next three quarters. Additionally, they have set a target to reduce non-performing assets to below 2% by the next year.

- **Actual Results:**

**['Q2', '2025']:**

- Our Gross NPA remained stable at 2.9% as of September 2024 compared to September 2023. The net NPA has improved to 0.8%, down from 1.4% a year earlier.

**['Q1', '2025']:**

- Data Not Available

- **Evaluation:**

- **Expectations Not Met: The management aimed to reduce NPAs below 2% by the next year, but the actual Gross NPA remained at 2.9%, which fell short of the targeted reduction.**

## 6. Adherence to Reserve Bank of India (RBI) Guidelines

- **Narrative:** Management emphasized their commitment to maintaining a Provision Coverage Ratio (PCR) above the regulatory requirement of 75%, aiming to sustain an 80% threshold for better financial resilience.

- **Management's Guidance:**

- Management intends to consistently maintain the PCR at or above 80% in the forthcoming quarters to ensure compliance and financial stability.

- **Actual Results:**

**['Q2', '2025']:**

- Data Not Available

**['Q1', '2025']:**

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

## 7. Client Acquisition Rate

- **Narrative:** Management highlighted their strategic focus on achieving a balanced portfolio between microfinance and retail asset sectors. Their plan includes significant growth in client acquisition through targeted advances and deposit growth strategies. The company aims to enhance its market position by focusing on meaningful growth in both microfinance and secured retail assets.

- **Management's Guidance:**

- Management aims for a 20% client acquisition rate sequentially over the next three quarters, targeting advances growth between 30% to 35%. They also plan to drive growth in deposits, aiming for a 40% to 45% increase, which will support their advances growth target.

- **Actual Results:**

**['Q2', '2025']:**

- Data Not Available

**['Q1', '2025']:**

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

## 8. Geographic Expansion Plans

- **Narrative:** Management is focused on expanding Suryodaya's footprint through a strategic approach involving the opening of new branches and entry into new markets. The company aims to open 50 new branches over the next two years while also targeting expansion into three new markets by mid-2024. This expansion strategy is part of their broader objective to build a robust financial infrastructure.

- **Management's Guidance:**

- The company plans to open 50 new branches within the next two years. There is an intention to expand into three new markets by mid-2024. The company aims to maintain the opening of 40 to 50 branches annually, balanced between liability and inclusive finance branches.

- **Actual Results:**

**['Q1', '2025']:**

- In Q1 FY25, Suryoday reported having a total of 701 branches. This includes 115 liability-focused branches, 325 asset-focused branches, and 189 rural centers. The total count of branches increased from 609 in Q1 FY24 to 701 in Q1 FY25.

**['Q2', '2025']:**

- During the quarter, we opened our very first retail banking branch in Jaipur, which signifies the commitment to expand the footprint in Northern India.

- **Evaluation:**

- **Expectations Exceeded:** Suryodaya successfully increased its total number of branches from 609 in Q1 FY24 to 701 in Q1 FY25, surpassing the planned annual target by opening 92 branches in a single year, and began expansion into Northern India earlier than mid-2024.

## 9. Sources of Funding and Cost of Funds

- **Narrative:** Management discussed their funding strategy, focusing on optimizing sources of funding to maintain liquidity while managing cost of funds effectively. They emphasized the importance of timing in accessing different funding channels to ensure the most favorable terms and conditions.

- **Management's Guidance:**

- Management indicated that they plan to make their last tranche of claims in the upcoming quarter, which is expected to impact their liquidity and cost of funds positively.

- **Actual Results:**

**['Q1', '2025']:**

- Data Not Available

**['Q2', '2025']:**

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.