

Q2 2025

1. Net Interest Margin

- **Narrative:** Management provided insights into the company's financial performance, particularly focusing on the net interest margin. They highlighted strategic measures and financial targets aimed at maintaining robust profitability.

- **Management's Guidance:**

- Management expects to maintain a strong pre-tax profit (PBT) of INR 300 Cr, which reflects their confidence in sustaining favorable net interest margins. Additionally, they anticipate a post-tax profit (PAT) of INR 225 Cr, indicating a positive outlook for future financial quarters.

- **Actual Results:**

['Q2', '2025']:

- In Q2 FY25, the Net Interest Margin (NIM) was reported at 10.0%, which represents a 14 basis points year-over-year increase and a 32 basis points quarter-over-quarter increase.

- **Evaluation:**

- **Expectations Exceeded:** The actual results show a substantial increase in Net Interest Margin by 32 basis points quarter-over-quarter and 14 basis points year-over-year, indicating better-than-expected financial performance, surpassing management's confidence in maintaining robust profitability.

2. Loan Portfolio Quality

- **Narrative:** The management has provided insights into the company's expected credit costs and disbursement strategies for the upcoming quarters. They anticipate a significant cumulative credit cost for the year, with expectations of specific claim settlements. Furthermore, there is an emphasis on maintaining collection efficiency and adjusting disbursement strategies according to the market environment.

- **Management's Guidance:**

- 1. Management expects the credit cost to be in the range of INR 100 Cr to INR 110 Cr in the second half of the year, translating to about a 2% credit cost on the balance sheet. 2. A claim settlement of INR 135 Cr to INR 140 Cr is anticipated in the first half of the next year. 3. The overall credit costs for the year are projected to be INR 230 Cr, excluding a likely credit claim of INR 140 Cr expected next year. 4. The collection efficiency in the 1 to 30-day bucket is expected to improve from close to 70% to at least 60% by November. 5. Disbursements are likely to be in the 25% to 26% range, with a potential increase in Q3 disbursements compared to Q2. However, if the challenging environment persists, there may be a tapering in Q4 disbursements. 6. The collection efficiency is likely to inch closer to 98.5% and potentially reach 99%.

- **Actual Results:**

['Q2', '2025']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

3. Cost-to-Income Ratio

- **Narrative:** Management has expressed a focus on improving the company's cost efficiency by reducing operating expenses as part of their broader strategy to enhance financial performance. This is indicative of their commitment to optimizing the cost-to-income ratio, ensuring sustainable profitability in the upcoming quarters.

- **Management's Guidance:**

- Management aims to achieve a 5% reduction in operating expenses over the next two quarters, which will contribute to improving the cost-to-income ratio.

- **Actual Results:**

['Q2', '2025']:

- The cost-to-income ratio for H1 FY25 was reported at 61.8%, slightly higher than 61.5% for the corresponding period last year. Operating expenses in Q2 FY25 were reported at INR 220.5 Cr, which is a 23.6% increase year-over-year from Q2 FY24's INR 178.5 Cr. This indicates that the management's guidance of a 5% reduction in operating expenses over the next two quarters was not achieved.

- **Evaluation:**

- **Expectations Not Met: The management's guidance to achieve a 5% reduction in operating expenses was not met, as operating expenses increased by 23.6% year-over-year, resulting in a higher cost-to-income ratio compared to the previous year.**

4. Return on Assets

- **Narrative:** Management is focusing on improving the company's financial performance with specific targets set for the upcoming financial year. This includes strategic measures to enhance their Return on Assets (ROA) as part of their overall growth plan.

- **Management's Guidance:**

- Management has set a target to achieve about a 2% Return on Assets (ROA) and a Return on Equity (ROE) in the range of 14% to 16% for the financial year.

- **Actual Results:**

['Q2', '2025']:

- RoA was reported at 1.9% in Q2 FY25, which falls slightly short of the management guidance target of 2%.

- **Evaluation:**

- **Expectations Not Met: The actual result for Return on Assets (RoA) was 1.9% in Q2 FY25, which slightly missed the management's target of 2%, indicating that the expectations were not met.**

5. Non-Performing Assets (NPA) Ratio

- **Narrative:** During the Q2 2025 earnings call, the management of Suryodaya outlined their approach towards managing Non-Performing Assets (NPA) ratios. They highlighted the coverage of NPAs through the CGFMU program, emphasizing a strong focus on recovering claims and gradually improving asset quality metrics.

- **Management's Guidance:**

- The management anticipates settling claims related to NPAs under the CGFMU program within the range of INR 135 Cr to INR 140 Cr, with the process expected to progress in Q1 or Q2 of the next fiscal year. They also project improving recovery rates, aiming for collections nearing 98.5% to 99% by October. Over the full year, the target for NPAs is set above 2%, adjusting for expected claims could bring it closer to 1.9% to 2%.

- **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.

- Evaluation:

- Expectations Not Met: The management anticipated reducing NPAs to a range of 1.9% to 2% after claims, but actual results showed a higher Gross NPA of 2.9%, indicating that expectations for improving asset quality metrics were not met.

6. Geographic Expansion Plans

- Narrative: Management is focusing on expanding its operations in existing geographies, specifically aiming to enhance its commercial vehicle sector. This strategic move is intended to gradually increase revenue and strengthen the company's market presence in these areas.

- Management's Guidance:

- The company intends to increase its monthly revenue from the commercial vehicle sector from INR 70 Cr to a run rate of close to INR 100 Cr by the end of March, incrementally increasing by INR 5 Cr to INR 6 Cr every month.

- Actual Results:

['Q2', '2025']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.

7. Client Acquisition Rate

- Narrative: Management articulated a focused strategy on expanding client acquisition by targeting a specific segment of 2.5 lakh curated customers. These customers are identified to align with the company's growth guardrails and are anticipated to contribute significantly to the company's client base expansion. Additionally, there is an emphasis on elevating customers from the Joint Liability Group (JLG) to the Vikas Loan category, indicating a strategic move to nurture and advance client relationships.

- Management's Guidance:

- Management has expressed a targeted approach towards growing the client base by focusing on 2.5 lakh curated customers who fit strategic criteria. This initiative is expected to drive client acquisition in the second half of the year.

- Actual Results:

['Q2', '2025']:

- Our customer base has grown to around 3.24 million as of September 2024 compared to around 2.51 million in September 2023, a 29% increase.

- Evaluation:

- Expectations Exceeded: The company not only achieved but surpassed its client acquisition target, expanding the customer base by 29% from 2.51 million to 3.24 million, indicating a successful execution of the strategic focus on the curated customer segment.