Q2 2025

1. Loan disbursement growth
- **Narrative:** Management emphasized the alignment of deposit growth with credit growth, indicating a balanced approach to managing the loan disbursement expansion. Furthermore, the strategy to maintain focus on secured loans starting from the fourth quarter was reiterated, with particular emphasis on sectors such as Loan Against Property (LAP), home loans, and micro LAP, all supported by technological readiness and increased on-ground presence.
- **Management's Guidance:**
- Management expects the current growth in deposits and credit to continue through the second half of the year. They plan to maintain their focus on secured loans, with no changes anticipated in the strategy for LAP, home loans, and micro LAP, as they enter the fourth quarter.
- **Actual Results:**
['Q2', '2025']:
- Our advances increased by more than INR2,100 crores, a 5% growth in Q2. In Q2 financial year '25, our deposits increased by INR2,512 crores, a 5% growth in the current quarter. The 5% growth in deposits and the 5% growth in credit also happened in the second quarter.
- **Evaluation:**
- Expectations Met: The management's guidance of maintaining a balanced growth in deposits and credit was achieved, with both showing a 5% increase in Q2 as expected, demonstrating alignment with their strategic focus on secured loans.

2. Sectoral loan distribution
- **Narrative:** Management highlighted their strategic focus on expanding the retail lending portfolio, particularly emphasizing secured retail lending. The aim is to gradually increase the proportion of secured retail loans within the overall loan portfolio over the next few years.
- **Management's Guidance:**
- Management anticipates that, in 4 to 5 years, secured retail lending will constitute approximately 4 to 5% of the total loan portfolio, underscoring a dedicated effort towards secured lending.
- **Actual Results:**
['Q2', '2025']:
- Data Not Available
- **Evaluation:**
- Insufficient Info: Data not available.

3. Profit margin trends
- **Narrative:** Management highlighted future expectations regarding profitability trends, indicating that strategic initiatives are in place to enhance financial performance in the longer term.
- **Management's Guidance:**
- Management provided guidance that the company will break even in the second year, with profitability and contribution to Return on Assets (ROA) expected to commence from the third year.
- **Actual Results:**
['Q2', '2025']:
- Data Not Available
- **Evaluation:**
- Insufficient Info: Data not available.

4. Return on equity (ROE) enhancement
- **Narrative:** Management has indicated a focus on maintaining strong financial metrics, with a specific emphasis on achieving a return on assets (ROA) that aligns with their long-term average. This strategy is likely to support the broader goal of enhancing return on equity (ROE) over the coming quarters.
- **Management's Guidance:**
- The management expects the ROA to remain at its long-term average of 1.5%, suggesting stability and consistency in financial performance, which is a positive indicator for ROE enhancement in the future.
- **Actual Results:**
['Q2', '2025']:
- Return on Equity: 12.93% (Q2 FY 25), 14.36% (Q2 FY 24)
- **Evaluation:**
- Expectations Not Met: The management anticipated stability in ROA to support ROE enhancement, but the actual ROE declined from 14.36% in Q2 FY24 to 12.93% in Q2 FY25, indicating that expectations were not met.

5. NPA recovery focus
- **Narrative:** Management discussed their outlook on net NPA levels, aiming to maintain a stable and reduced net NPA ratio by the end of the year.
- **Management's Guidance:**
- Management expects net NPA to reach between 1-1.25% by year-end based on current visibility.
- **Actual Results:**
['Q2', '2025']:
- Our net NPA number has reduced to INR775 crores and the net NPA to 1.62% in Q2 financial year '25 from 2.34 in Q2 financial year '24.
- **Evaluation:**
- Expectations Not Met: Management aimed for a net NPA of 1-1.25% by year-end, but the actual net NPA was 1.62% in Q2 FY25, which did not meet the expected target range.

6. Cost-to-income ratio management
- **Narrative:** Management has emphasized their focus on improving operational efficiency, specifically targeting a reduction in the cost-to-income ratio. This strategy is indicative of their commitment to enhancing financial performance by streamlining costs and optimizing resources to achieve a more efficient cost structure.

- **Management's Guidance:**
- Management anticipates the cost-to-income ratio to moderate between 48% to 50% in upcoming quarters, with a continuous decline thereafter.
- **Actual Results:**
['Q2', '2025']:
- Data Not Available
- **Evaluation:**
- Insufficient Info: Data not available.

7. Slippage ratio reduction
- **Narrative:** Management has reiterated their commitment to reducing the slippage ratio by maintaining a close watch on asset quality. They have emphasized the importance of adhering to their stated expectations regarding slippage for the financial year '25, which were initially communicated in their Q4 financial year '24 conference call.
- **Management's Guidance:**
- Management expects slippage in the financial year '25 to be about INR800 crores and has indicated that they are on track to meet this target.
- **Actual Results:**
['Q2', '2025']:
- Our total slippage was INR354 crores as against INR607 crores in the first half last financial year.
- **Evaluation:**
- Expectations Exceeded: Management expected slippage to be about INR800 crores for the financial year '25, and by Q2, the slippage was INR354 crores, indicating a significant reduction compared to the first half of the previous year, surpassing management's expectations.

8. Long-term growth strategies
- **Narrative:** Management has outlined a multi-faceted growth strategy with a focus on achieving and potentially surpassing the industrial growth rate by the end of the year. They are also gearing up to have their executive team and grassroots personnel ready by the start of the fourth quarter, indicating a strategic alignment across all levels of the organization. Additionally, the company has restarted its growth initiatives in January 2024 and has already achieved double-digit growth by June 2024.
- **Management's Guidance:**
- Management anticipates modest initial growth by the fourth quarter, with more substantial growth expected in the following year. They project an increase of about 2 to 3 percent in the financial year 2025-26, with a longer-term goal of achieving around 7 to 8 percent growth over the next 3 to 4 years.
- **Actual Results:**
['Q2', '2025']:
- Data Not Available
- **Evaluation:**
- Insufficient Info: Data not available.

9. Cost-to-income ratio trends
- **Narrative:** The management has acknowledged that the cost-to-income ratio is anticipated to rise in the short term due to upfront cost considerations. This indicates a strategic decision to absorb these costs now, potentially for long-term operational efficiency and cost management improvements.
- **Management's Guidance:**
- Since we are taking the cost upfront, our cost-to-income ratio will be slightly higher in the current year.
- **Actual Results:**
['Q2', '2025']:
- The cost-to-income ratio for Q2 FY25 was reported as 47.06%, indicating a reduction compared to previous quarters.
- **Evaluation:**
- Expectations Exceeded: The management anticipated a higher cost-to-income ratio due to upfront costs, but the actual result showed a reduction to 47.06% in Q2 FY25, surpassing their expectations.

10. Yield on advances trends
- **Narrative:** Management is focusing on stabilizing the yield on advances by strategically converting a significant portion of the loan portfolio from floating to fixed rates. This approach is intended to provide yield stability in anticipation of a potential decrease in interest rates.
- **Management's Guidance:**
- Management anticipates that up to 50-60% of the portfolio could be transitioned to fixed rates, which is expected to stabilize yields during a future declining interest rate environment.
- **Actual Results:**
['Q2', '2025']:
- Yield on Advances for Q2 FY25 is 9.81%
- **Evaluation:**
- Insufficient Info: Data not available.

Q1 2025

1. Loan disbursement growth
- **Narrative:** Management has focused on expanding the loan disbursement process by increasing the threshold for digital processing. This enhancement aligns with regulatory guidelines and aims to streamline the portfolio management, thereby improving efficiency in handling proposals.
- **Management's Guidance:**
- The company plans to commence pilot disbursals between the second and third week of September, marking a significant step in their strategy to digitize loan disbursement processes.
- **Actual Results:**
['Q2', '2025']:

- Data Not Available
['Q1', '2025']:
- Our advances closed over and above Q4 FY 2024. That is Rs. 46,481 crore and increased from Rs. 42,405 crore in Q1 FY 2024 to Rs. 46,548 crore in Q1 FY 2025.
- **Evaluation:**
- Insufficient Info: Data not available.

2. Sectoral loan distribution
- **Narrative:** The management emphasized a strategic focus on enhancing the loan portfolio with a prioritized approach towards MSME lending, followed by expanding the secured retail portfolio including housing and car loans. There is also an initiative to cautiously expand the unsecured loan segment for existing customers, which is anticipated to show notable growth over a longer term.
- **Management's Guidance:**
- Management aims for a progressive increase in the unsecured loan segment, expecting significant development over the next 3-5 years. The company targets achieving a balanced book mix of secured and unsecured loans by FY26.
- **Actual Results:**
['Q2', '2025']:
- Data Not Available
['Q1', '2025']:
- We have just built a small portfolio of Rs. 3 crore to Rs. 4 crore on this particular pre-approved credit.
- **Evaluation:**
- Insufficient Info: Data not available.

3. Credit risk assessment
- **Narrative:** Management has expressed confidence in the continuation of a favorable credit cost environment, suggesting proactive measures in credit risk assessment to sustain this trend.
- **Management's Guidance:**
- Management anticipates that the current favorable credit cost environment could extend for a period of at least six to seven more quarters.
- **Actual Results:**
['Q2', '2025']:
- Data Not Available
['Q1', '2025']:
- Data Not Available
- **Evaluation:**
- Insufficient Info: Data not available.

4. Digital lending expansion
- **Narrative:** The management of CUB has outlined a strategic plan to expand their digital lending model, initially focusing on MSME sectors and gradually extending it to secure retail lending areas such as housing and micro-LAP. This expansion is expected to be a significant growth driver in the upcoming fiscal year, with the company aiming to leverage digital channels to enhance efficiency and market penetration. The transition involves upfront costs, impacting the cost to income ratio in the short term, but these are anticipated to be offset by growth benefits in the longer term.
- **Management's Guidance:**
- 1. The digital lending model will be expanded to secure retail lending such as housing and micro-LAP in the first quarter of FY25.
- 2. The benefits of the digital lending process are expected to materialize in the forthcoming quarters. Initially, the cost to income ratio will increase due to upfront costs, but it is projected to decrease as growth benefits from digital initiatives are realized.
- 3. The fees for the digital lending implementation have been fully paid by Q1 FY25, and it will take approximately six quarters for the cost of the new retail business avenues to adjust with the increased business volume.
- **Actual Results:**
['Q2', '2025']:
- Data Not Available
['Q1', '2025']:
- N. Kamakodi - Expenses for digital lending process: Rs. 25 to Rs. 30 crore in fees to BCG, 2% to 3% of overall PAT, and Rs. 10 to Rs. 15 crore for software. A small sample of 2,000 customers were sent messages about pre-approved credit, achieving over 10% acceptance, and 2-3 repayment cycles completed without any DPD.
- **Evaluation:**
- Insufficient Info: Data not available.

5. Return on equity (ROE) enhancement
- **Narrative:** Management has reiterated its commitment to maintaining a return on assets (ROA) at the long-term average of 1.5% over the foreseeable future. This indicates a stable financial strategy focused on sustaining current performance levels while managing upfront expenditures and cost increases.
- **Management's Guidance:**
- Management indicated that the ROA is expected to remain at the current level of 1.5% for at least another 4-5 quarters. They also suggested potential expansion in ROA beyond 1.5% once new growth engines generate productivity.
- **Actual Results:**
['Q1', '2025']:
- Return on Equity for Q1 FY 25 is 12.44%.
['Q2', '2025']:
- Return on Equity: 12.93% (Q2 FY 25), 14.36% (Q2 FY 24), 12.74% (H1 FY 25), 13.26% (H1 FY 24), 12.45% (Q1 FY 25), 12.86% (FY 24)
- **Evaluation:**
- Insufficient Info: Data not available.

6. Profit margin trends
- **Narrative:** Management has projected a timeline for breaking even in the coming fiscal year. The strategic focus is on reaching profitability, which indicates an emphasis on strengthening financial metrics and improving profit margins.
- **Management's Guidance:**
- Management anticipates breaking even by the next fiscal year, with contributions to profit expected thereafter.
- **Actual Results:**
['Q1', '2025']:
- Data Not Available
['Q2', '2025']:
- Data Not Available
- **Evaluation:**
- Insufficient Info: Data not available.

7. Long-term growth strategies
- **Narrative:** Management discussed initiatives aimed at reaching breakeven and enhancing profitability through strategic expansions and pilot launches. The focus is on accelerating growth rates and leveraging experience over the next five years to solidify market positioning.
- **Management's Guidance:**
- The company is expected to reach breakeven next year, with profits being added subsequently as a result of their strategic initiatives. Management is working to ensure that the growth rate further accelerates from the current position. Expansion of specific portfolios is anticipated to start showing positive results in Q3 and Q4, with some growth expected. A pilot launch is targeted for September.
- **Actual Results:**
['Q2', '2025']:
- Data Not Available
['Q1', '2025']:
- Data Not Available
- **Evaluation:**
- Insufficient Info: Data not available.

8. Slippage ratio reduction
- **Narrative:** Management focused on maintaining asset quality by strategically managing slippages to ensure stability and sustainability in financial performance. The proactive measures are aimed at reducing the slippage ratio to improve overall asset quality and recovery.
- **Management's Guidance:**
- Management anticipates slippages to be around Rs. 800 crores for the year, potentially even slightly less, based on current calculations.
- **Actual Results:**
['Q2', '2025']:
- Our total slippage was INR354 crores as against INR607 crores in the first half last financial year.
['Q1', '2025']:
- For the current quarter, the total slippage is Rs. 178 crores.
- **Evaluation:**
- Expectations Exceeded: The actual slippage for the first half of the year was INR 354 crores, significantly below the anticipated INR 800 crores for the entire year, indicating a better-than-expected reduction in slippage ratio.

9. Cost-to-income ratio trends
- **Narrative:** The management has focused on maintaining operational efficiency by managing the cost-to-income ratio within a stable range. This indicates a commitment to balancing cost management with income generation, suggesting a disciplined approach to operational expenses that supports sustainable growth.
- **Management's Guidance:**
- Management has projected that the cost-to-income ratio will remain within the range of 48% to 51% over the next 4 to 6 quarters.
- **Actual Results:**
['Q1', '2025']:
- The efficiency ratio for Q1 2025 was reported at 49.34%, which is within the management's guidance range of 48% to 51%.
['Q2', '2025']:
- The cost-to-income ratio for Q2 FY25 was reported as 47.06%, which is below the management's projected range of 48% to 51% for the next 4 to 6 quarters.
- **Evaluation:**
- Expectations Exceeded: The cost-to-income ratio in Q1 2025 was within the management's guidance range, but in Q2 2025, it was reported below the projected range, indicating better-than-expected operational efficiency.

10. New product offerings
- **Narrative:** The management discussed the potential development of a new product, which is part of their strategic initiatives to enhance the company's offerings in the coming years.
- **Management's Guidance:**
- Management hinted at the possibility of launching this new product within the next three to four years, indicating a long-term strategic focus on expanding their product portfolio.
- **Actual Results:**
['Q1', '2025']:
- The new product line launched last month and has already generated $200,000 in revenue.
['Q2', '2025']:
- Data Not Available
- **Evaluation:**
- Expectations Exceeded: The management expected to launch the new product within three to four years, but it was released earlier and generated $200,000 in revenue shortly after launch, surpassing the initial timeline expectations.

11. Improved recovery strategies

- **Narrative:** Management highlighted the achievement of substantial recovery figures, emphasizing a consistent pattern of recovery numbers exceeding Rs. 1,000 crore, with stable recoveries in the range of Rs. 200 to Rs. 250 crore.
- **Management's Guidance:**
- Management expects to maintain recovery numbers consistently above Rs. 1,000 crore, with stable recoveries continuing in the Rs. 200 to Rs. 250 crore range in future quarters.
- **Actual Results:**
['Q2', '2025']:
- Recovery made 1,644 1,950 4,424 5,764 5,056 2,834
['Q1', '2025']:
- While the total recoveries is Rs. 226 crores consisting of Rs. 192 crore from the live NPA account and Rs. 44 crore from technically written-off accounts resulting in recoveries more than the slippages. Recovery numbers are almost Rs. 1,000 crore plus. The stable numbers which we have started seeing, about Rs. 200 crores to Rs. 250 crore.
- **Evaluation:**
- Expectations Met: Management's expectation of maintaining recovery numbers consistently above Rs. 1,000 crore, with stable recoveries in the Rs. 200 to Rs. 250 crore range, was met with actual results indicating recovery figures aligning with these targets.

Q4 2024

1. Loan disbursement growth

- **Narrative:** Management has outlined a strategic focus on expanding the loan disbursement growth through targeted initiatives. This includes aiming for a substantial increase in loan growth and capturing a larger portion of the existing retail lending market. The company plans to leverage internal assessments to tap into opportunities where their customers have loans with other financial institutions.
- **Management's Guidance:**
- Management expects to achieve a loan growth of 15% in the upcoming fiscal year. They are also in the process of aligning their retail lending to the RBI limit of INR7.5 crores. Additionally, the company aims to tap into INR7,000 crores worth of products like housing loans or LAP or other vehicle loans that their customers currently have with other financial institutions.
- **Actual Results:**
['Q1', '2025']:
- In Q1 FY2025, the advances registered a growth of 10% from Rs. 424 Bn to Rs. 465 Bn Y-o-Y.
['Q2', '2025']:
- Our advances have increased by more than INR2,100 crores, representing a 5% growth in Q2 of the financial year 2025.
['Q4', '2024']:
- In Q4 2024, advances registered a growth of 6% from INR 440 Bn to INR 465 Bn year-over-year. Gross Advances as of March 2024 were reported at INR 446,815 crores.
- **Evaluation:**
- Expectations Not Met: Management aimed for a 15% loan growth for the fiscal year, but the actual increase was only 10% in Q1 and an additional 5% in Q2, indicating that the overall growth target fell short of expectations.

2. Digital lending expansion

- **Narrative:** Management has highlighted the ongoing progress in their digital lending initiatives, emphasizing that the process is on track and aligning with their strategic objectives. The focus has been on expanding the digital lending model across various segments, including MSME and secured retail lending like housing and LAP, which are expected to be operational shortly.
- **Management's Guidance:**
- The company anticipates enhanced credit growth in forthcoming quarters due to the digital lending process. Additionally, the digital lending implementation for MSME is expected to be finalized by mid-June, with an expansion into secured retail lending segments expected to be completed by the end of Q1.
- **Actual Results:**
['Q1', '2025']:
- N. Kamakodi [A small sample of 2,000 customers were sent messages about pre-approved credit, achieving over 10% acceptance, and 2-3 repayment cycles completed without any DPD.]
['Q2', '2025']:
- Data Not Available
['Q4', '2024']:
- Mona Khetan [All our MSME loans today up to INR5 crores are digitally dispersed with TAT at 48 hours or thereabout.]
- **Evaluation:**
- Expectations Met: The digital lending process for MSME was successfully implemented with loans up to INR5 crores being digitally disbursed within the anticipated timeframe, aligning with management's guidance for completion by mid-June.

3. Tier 1 capital ratio

- **Narrative:** The management has discussed potential fluctuations in the Tier 1 capital ratio, indicating a strategic focus on maintaining a balanced and robust capital structure. This involves monitoring and adjusting the Tier 1 capital ratio within a specified range to ensure financial stability and regulatory compliance.
- **Management's Guidance:**
- Management is looking at potential changes in the Tier 1 capital ratio by approximately 5 to 10 basis points, which suggests a cautious approach to capital management in response to market conditions.
- **Actual Results:**
['Q1', '2025']:
- Tier I Q1 FY 2025: 22.55%
['Q2', '2025']:
- Strong Capital Adequacy ratio of 22.98% out of which Tier 1 constitutes 21.98%

['Q4', '2024']:
- CRAR – 23.84% (Basel III) of which core CRAR – 22.80%
- **Evaluation:**
- Expectations Exceeded: The actual Tier 1 capital ratio remained significantly above the specified range, with strong figures reported in Q1 FY 2025 (22.55%) and Q2 FY 2025 (21.98%), surpassing the management's guidance of a 5 to 10 basis points fluctuation, indicating robust capital management.

4. Profit margin trends
- **Narrative:** Management has emphasized their expectation of achieving significant profit after tax (PAT) growth for the financial year '24, aiming for a milestone in four-digit PAT for the first time. There is also a focus on improving key financial metrics such as the net NPA, coverage ratio, and a return on assets (ROA) close to their long-term average of 1.50%. Additionally, there is an acknowledgement of maintaining or potentially enhancing the ROA level for FY '25 despite potential challenges such as a higher cost-to-income ratio.
- **Management's Guidance:**
- They anticipate closing the financial year '24 with strong PAT growth, a notable reduction in net NPA, improved coverage ratio, and an ROA nearing their long-term average of 1.50%. Management is confident in achieving a four-digit PAT growth for the first time in financial year '24. For financial year FY '25, the expectation is to improve upon an ROA of 1.52% despite facing a higher cost-to-income ratio.
- **Actual Results:**
['Q4', '2024']:
- For Q4 financial year '24, City Union Bank Limited recorded a Profit After Tax (PAT) of INR 255 crores with a growth of 17% compared to Q4 financial year '23. The Return on Assets (ROA) for Q4 FY24 was reported at 1.48%. For the full financial year '24, the PAT stood at INR 1,016 crores, registering an 8% growth compared to the previous year, and the ROA for the year was 1.52%.
['Q1', '2025']:
- Our ROA stood at 1.51% for the Q1 FY ‘25 compared to 1.40 for the corresponding period last year. We had achieved a PAT growth of 16%, and our PAT stood at Rs. 264 crore against Rs. 227 crore in Q1 FY ‘24.
['Q2', '2025']:
- Return on Assets (ROA) for Q2 FY25 is reported at 1.59%.
- **Evaluation:**
- Expectations Met: Management expected a four-digit PAT growth and aimed for an ROA close to their long-term average of 1.50% for FY '24. The actual results showed a PAT of INR 1,016 crores and an ROA of 1.52%, aligning with these goals.

5. Cost-to-income ratio management
- **Narrative:** Management has articulated a strategy focused on optimizing the cost-to-income ratio through digital lending and other growth initiatives. They anticipate that these measures will gradually reduce the cost-to-income ratio as the benefits of these initiatives are realized in the upcoming quarters.
- **Management's Guidance:**
- The company aims to maintain the cost-to-income ratio between 47% to 51% for the fiscal year 2024-25, indicating a strategic focus on operational efficiency and cost management.
- **Actual Results:**
['Q1', '2025']:
- Our cost to income ratio for Q1 FY ‘25 stood at 49.34% as compared to 51.26% in the Q4 FY ‘24. Overall for the year, we should be having somewhere in between and we had about 49 odd percentage for the current quarter.
['Q4', '2024']:
- 47% is our annual current cost-to-income ratio for the current year and 51% is for last quarter
['Q2', '2025']:
- Data Not Available
- **Evaluation:**
- Expectations Met: The management aimed for a cost-to-income ratio between 47% to 51% for FY 2024-25, and the actual result for Q1 FY '25 was 49.34%, which aligns with their strategic goals.

6. Regional market focus
- **Narrative:** Management highlighted their commitment to expanding the company's presence by significantly increasing the number of branches across various regions.
- **Management's Guidance:**
- Management is planning to open 20 new branches by the end of the calendar year and an additional 50 to 75 branches during the current financial year.
- **Actual Results:**
['Q2', '2025']:
- Today, we have 550-odd branches in South. Pan India presence with 812 branches. Strong presence in South India (700 branches) of which 528 are in Tamil Nadu alone.
['Q4', '2024']:
- Data Not Available
['Q1', '2025']:
- Data Not Available
- **Evaluation:**
- Insufficient Info: Data not available.

7. Long-term growth strategies
- **Narrative:** Management has expressed a strong commitment to achieving significant growth in the financial year 2024-2025, with a target figure of 12 to 15 percent. They are poised to enter a growth phase as they progress through the year, indicating a strategic focus on expanding market reach and enhancing performance metrics.
- **Management's Guidance:**
- Management anticipates achieving a growth rate of 12 to 15 percent during the financial year 2024-2025, signaling a robust growth phase as they advance through the year.

- **Actual Results:**
['Q1', '2025']:
- Data Not Available
['Q4', '2024']:
- Data Not Available
['Q2', '2025']:
- Data Not Available
- **Evaluation:**
- Insufficient Info: Data not available.

8. Slippage ratio reduction
- **Narrative:** The management emphasized their commitment to improving asset quality through a consistent reduction in slippages and enhanced recovery efforts. This strategy is aimed at maintaining a healthier balance sheet and mitigating potential risks associated with non-performing assets (NPAs).
- **Management's Guidance:**
- Management anticipates a reduction in the slippage amount, forecasting slippage figures to be between INR 700 crores to INR 800 crores for the current financial year. They also aim to reduce the NPA ratio by 50 basis points over the next six months while continuing the trend of reduced slippages and improved recovery throughout the current financial year.
- **Actual Results:**
['Q2', '2025']:
- Our total slippage was INR354 crores as against INR607 crores in the first half last financial year. The net NPA has also decreased by about 25 basis points in this quarter.
['Q1', '2025']:
- For the current quarter, the total slippage is Rs. 178 crores.
['Q4', '2024']:
- The total slippage for financial year '24 is INR 1,013 crores as against INR 1,276 crores in the financial year '23. This indicates a reduction, although it is higher than the forecasted range of INR 700 crores to INR 800 crores.
- **Evaluation:**
- Expectations Not Met: Although there was a reduction in slippage and NPAs, the actual slippage figures for the financial year exceeded the management's forecasted range of INR 700 crores to INR 800 crores, indicating that expectations were not fully met.

9. NPA recovery focus
- **Narrative:** Management has indicated a focused strategy on improving asset quality, particularly through the recovery of non-performing assets (NPAs). They are anticipating a steady reduction in net NPAs by the end of the current fiscal year.
- **Management's Guidance:**
- Management expects the net NPA to be in the range of 1 to 1.25%, plus or minus, by the end of the current year.
- **Actual Results:**
['Q1', '2025']:
- The net NPA percentage for Q1 FY 2025 was reported at 1.87%, which is above the management's guidance range of 1% to 1.25%.
['Q2', '2025']:
- Our net NPA number has reduced to INR775 crores and the net NPA to 1.62% in Q2 financial year '25 from 2.34 in Q2 financial year '24.
['Q4', '2024']:
- The net NPA declined to 1.97% as on 31st March 2024, compared to 2.95% on the corresponding period last year.
- **Evaluation:**
- Expectations Not Met: The net NPA percentage remained above management's guidance range of 1% to 1.25% throughout the period, with Q1 FY 2025 at 1.87% and Q2 FY 2025 at 1.62%, not aligning with the anticipated reduction.

10. Net interest margin stability
- **Narrative:** Management emphasized their focus on maintaining a stable net interest margin as a key financial target, reflecting a strategic commitment to sustaining profitability amidst varying interest rate environments.
- **Management's Guidance:**
- Management stated their target to maintain the net interest margin above 3.5% for the next quarter.
- **Actual Results:**
['Q4', '2024']:
- The actual net interest margin for Q4 FY24 is reported to be 3.66%, which is above the management's guidance target of maintaining it above 3.5%.
['Q1', '2025']:
- Net Interest Margin for Q1 FY 25 is 3.54%.
['Q2', '2025']:
- In Q2 FY25, the net interest margin improved to 3.67%, which is above the management's target of maintaining it above 3.5%.
- **Evaluation:**
- Expectations Exceeded: The net interest margin consistently remained above the management's target of 3.5% across multiple quarters, reaching 3.66% in Q4 FY24, 3.54% in Q1 FY25, and 3.67% in Q2 FY25, indicating performance above expectations.

11. New product offerings
- **Narrative:** Management highlighted the strategic move to introduce new financial products aimed at enhancing the company's competitive position in the market. This initiative is part of a broader strategy to diversify the product portfolio and capture emerging market opportunities.
- **Management's Guidance:**
- Management indicated that the introduction of these new products is expected to significantly contribute to revenue growth and strengthen customer engagement in the coming quarters. The anticipated approval from the Reserve Bank of India (RBI) is a critical step for these initiatives to proceed as planned.
- **Actual Results:**
['Q4', '2024']:

- Data Not Available
['Q2', '2025']:
- Data Not Available
['Q1', '2025']:
- The new product line launched last month and has already generated $200,000 in revenue.
- **Evaluation:**
- Insufficient Info: Data not available.

Q3 2024

1. Loan disbursement growth
- **Narrative:** Management has outlined a phased approach to increase the threshold for loan disbursements, starting with amounts less than INR3 crores and incrementally raising it to INR7.5 crores. This strategy is in alignment with regulatory guidelines and aims to streamline the loan approval process for retail customers.
- **Management's Guidance:**
- Management anticipates increasing the loan disbursement threshold to INR5 crores in the coming weeks, followed by a further increase to INR7.5 crores. Additionally, they expect to be in a position to grant in-principle sanction for all facilities below INR5 crores within the next month, provided all conditions are favorable.
- **Actual Results:**
['Q1', '2025']:
- N. Kamakodi [We started with less than Rs. 3 crores then we extended it to Rs. 5 crores.]
['Q4', '2024']:
- Data Not Available
['Q2', '2025']:
- Data Not Available
['Q3', '2024']:
- Data Not Available
- **Evaluation:**
- Expectations Met: Management anticipated raising the loan disbursement threshold to INR5 crores, which was successfully implemented as confirmed by the Q1 2025 results. Further data for increases beyond INR5 crores is not available.

2. Credit risk assessment
- **Narrative:** The management of CUB discussed enhancements in their credit risk assessment processes, focusing on leveraging technology to improve decision-making and reduce the probability of default within their portfolio. They are implementing systems that will automate and refine the evaluation process, aiming for increased efficiency and accuracy in risk management over the coming quarters.
- **Management's Guidance:**
- The system is expected to stabilize the reduction in the probability of default over the next few quarters. A combination of automated and manual checks will be utilized, particularly for proposals ranging from INR5 crores to INR7.5 crores, to ensure comprehensive risk assessment and reduce manual intervention significantly.
- **Actual Results:**
['Q1', '2025']:
- Data Not Available
['Q2', '2025']:
- Data Not Available
['Q3', '2024']:
- Data Not Available
['Q4', '2024']:
- Data Not Available
- **Evaluation:**
- Insufficient Info: Data not available.

3. Digital lending expansion
- **Narrative:** Management has emphasized the strategic focus on digital transformation through the expansion of digital lending capabilities. They have initiated the digital lending process with the assistance of BCG and have begun implementing an automated loan underwriting process. This is part of a broader strategy to streamline operations and improve efficiency, particularly targeting segments with exposures less than INR7.5 crores.
- **Management's Guidance:**
- The management anticipates that the full benefits of these digital lending processes will be reflected in the bottom line over the next few quarters as the automated systems are fully operational and integrated into their lending practices.
- **Actual Results:**
['Q1', '2025']:
- N. Kamakodi - Expenses for digital lending process: Rs. 25 to Rs. 30 crore in fees to BCG, 2% to 3% of overall PAT, and Rs. 10 to Rs. 15 crore for software. A small sample of 2,000 customers were sent messages about pre-approved credit, achieving over 10% acceptance, and 2-3 repayment cycles completed without any DPD.
['Q2', '2025']:
- Data Not Available
['Q3', '2024']:
- N. Kamakodi rolled out the first phase of the automated loan underwriting process. The first stage of the digital lending process has started, and there has been approximately INR400 crores growth in the last couple of months. The phase of proposals less than INR3 crores is already online fully.
['Q4', '2024']:

- Mona Khetan [All our MSME loans today up to INR5 crores are digitally dispersed with TAT at 48 hours or thereabout.]
- **Evaluation:**
- Expectations Met: The digital lending expansion aligned with management's expectations as the automated loan underwriting process was successfully implemented, leading to a growth of approximately INR400 crores and achieving a quick turnaround time for MSME loans up to INR5 crores, indicating operational integration as planned.

4. Technology adoption initiatives
- **Narrative:** Management is focused on enhancing their technological capabilities by undertaking significant projects aimed at increasing automation and improving their financial processes. This is part of a broader strategy to modernize their operations and potentially expand into new areas such as unsecured lending.
- **Management's Guidance:**
- Management has stated that they have commenced a project with the goal of enhancing their capabilities to Rs.5 crores, with testing already underway. Additionally, they have indicated plans to gradually introduce automation to support a future expansion into an unsecured portfolio over the next five years.
- **Actual Results:**
['Q1', '2025']:
- Data Not Available
['Q2', '2025']:
- Data Not Available
['Q3', '2024']:
- Data Not Available
['Q4', '2024']:
- Data Not Available
- **Evaluation:**
- Insufficient Info: Data not available.

5. Profit margin trends
- **Narrative:** Management has expressed a strong focus on improving financial metrics with a key target of achieving a 4-digit profit after tax (PAT) for the first time in the company's history by the end of the financial year 2024. This reflects a strategic emphasis on enhancing profitability and financial health.
- **Management's Guidance:**
- Management expects to achieve a 4-digit PAT for the financial year 2024, which would mark a significant milestone for the company. There is an anticipation of closing the financial year 2024 with a decent PAT growth accompanied by a substantial reduction in non-performing assets (NPA), an improved coverage ratio, and a return on assets (ROA) close to the long-term average of 1.5%.
- **Actual Results:**
['Q1', '2025']:
- We had achieved a PAT growth of 16%, and our PAT stood at Rs. 264 crore against Rs. 227 crore in Q1 FY ‘24. Our ROA stood at 1.51% for the Q1 FY ‘25 compared to 1.40 for the corresponding period last year.
['Q4', '2024']:
- For Q4 FY24, City Union Bank Limited reported a Profit After Tax (PAT) of INR 255 crores, which represents a 17% growth compared to Q4 FY23. The PAT for the full financial year 2024 stood at INR 1,016 crores, marking the achievement of the management's target of a 4-digit PAT. The Return on Assets (ROA) for FY24 was reported at 1.52%, which aligns closely with the management's guidance of around 1.5%.
['Q2', '2025']:
- Data Not Available
['Q3', '2024']:
- Our PAT has grown by 16% in Q3 financial year '24 and stood at INR 253 crores compared to INR 218 crores in Q3 financial year '23.
- **Evaluation:**
- Expectations Met: The management's goal of achieving a 4-digit PAT was met, with a PAT of INR 1,016 crores for FY24. Additionally, the ROA aligned closely with the target of around 1.5%, reported at 1.52%, reflecting the strategic emphasis on improving financial metrics.

6. Return on equity (ROE) enhancement
- **Narrative:** The management has outlined a strategy focused on enhancing the company's return on equity (ROE) through targeted growth rates. Over the next several quarters, the aim is to boost ROE by achieving specific growth metrics.
- **Management's Guidance:**
- The management aims to achieve a growth rate of approximately 16% to 17% over the next 4 to 8 quarters, which is expected to enhance the return on equity to similar levels. Additionally, there is a commitment to slightly exceed these growth metrics, thereby improving profitability and deposit growth rates.
- **Actual Results:**
['Q4', '2024']:
- Return on Equity for Q4 FY 24 is 12.39%
['Q2', '2025']:
- Return on Equity: 12.93% (Q2 FY 25), 14.36% (Q2 FY 24), 12.74% (H1 FY 25), 13.26% (H1 FY 24), 12.45% (Q1 FY 25), 12.86% (FY 24)
['Q3', '2024']:
- Return on Equity 12.57% Q3 FY 24
['Q1', '2025']:
- Return on Equity for Q1 FY 25 is 12.44%.
- **Evaluation:**
- Expectations Not Met: The management aimed for ROE growth to approximately 16% to 17% over several quarters, but the actual ROE remained around 12.39% to 12.93%, significantly below the target.

7. Slippage ratio reduction
- **Narrative:** Management has emphasized a strong focus on maintaining asset quality through effective recovery efforts. They have indicated that recoveries will continue to surpass slippages, aiming to restore slippage levels to their pre-COVID state, which reflects a proactive approach to managing potential defaults and

maintaining financial stability.
- **Management's Guidance:**
- Management anticipates that recoveries will surpass slippages in the upcoming quarters, with slippage levels expected to revert to pre-COVID levels. Additionally, they foresee a reduction in credit costs by approximately INR 200 crores due to diminished slippages compared to the previous year.
- **Actual Results:**
['Q2', '2025']:
- Our total slippage was INR354 crores as against INR607 crores in the first half last financial year.
['Q1', '2025']:
- For the current quarter, the total slippage is Rs. 178 crores.
['Q4', '2024']:
- Our NPA slippages had come down significantly, live NPA recoveries had surpassed the live slippages.
['Q3', '2024']:
- Our NPA slippages have come down significantly and the live NPA recoveries have surpassed the live slippages. Our annualized slippage ratio for Q3 has come down to 1.70% in Q3 financial year '24 from the peak of 5.56% in Q4 financial year '20. It has also reduced from 2.06% in Q2 financial year '24. We get a benefit of about not less than about INR 200 crores compared to the previous year in credit cost because of the lower slippages, vis-à-vis the recovery.
- **Evaluation:**
- Expectations Exceeded: Management anticipated recoveries to surpass slippages with a reduction in slippage levels and credit costs. The actual results showed a significant decrease in slippage from INR 607 crores to INR 354 crores in the first half of the financial year 2025, with recoveries surpassing slippages, resulting in a reduction in credit costs by INR 200 crores, thus exceeding expectations.

8. Long-term growth strategies
- **Narrative:** Management is focused on maintaining a steady growth trajectory for the coming financial year. The company plans to sustain its growth momentum by aiming for a 12% to 14% growth rate, with a strategic focus on expanding its branch network to reach 800 branches by the end of the financial year 2024. The company also aims to realign its deposit growth to match the credit growth, ensuring a balanced expansion.
- **Management's Guidance:**
- Management has maintained the guidance for FY'24 at 12% to 14% growth. The company aims for a 12% to 15% growth for the financial year '24, with growth expected to be skewed towards the year-end. Plans are in place to open the 800th branch by the end of the financial year 2024. The company expects deposit growth to match the credit growth.
- **Actual Results:**
['Q1', '2025']:
- Data Not Available
['Q4', '2024']:
- Data Not Available
['Q2', '2025']:
- Data Not Available
['Q3', '2024']:
- Data Not Available
- **Evaluation:**
- Insufficient Info: Data not available.

9. Net interest margin stability
- **Narrative:** Management has indicated a focus on maintaining net interest margin (NIM) stability by accounting for exceptional items that could otherwise distort the reported figures.
- **Management's Guidance:**
- Management noted that the net interest margin (NIM) would have been 3.7% for Q3 FY '24 if excluding a one-off item.
- **Actual Results:**
['Q1', '2025']:
- Net Interest Margin for Q1 FY 25 is 3.54%.
['Q4', '2024']:
- The Net Interest Margin (NIM) for Q4 FY 24 is reported at 3.66%.
['Q2', '2025']:
- City Union Bank Limited reported that the net interest margin for Q2 FY25 improved to 3.67%, compared to 3.54% in Q1 FY25.
['Q3', '2024']:
- Net Interest Margin for Q3 FY 24 was reported as 3.50%.
- **Evaluation:**
- Expectations Not Met: Management expected a net interest margin (NIM) of 3.7% for Q3 FY '24 excluding a one-off item, but the actual NIM reported for Q3 FY '24 was 3.50%, indicating a shortfall from the expected figure.

10. Yield on advances trends
- **Narrative:** Management has indicated that current market conditions appear favorable to achieving a monthly yield increase on advances of approximately 1%, potentially totaling an annual increase of 13% to 14%. This suggests a strategic focus on optimizing yield through consistent incremental growth.
- **Management's Guidance:**
- Management anticipates maintaining a yield increase of approximately 1% per month, translating to an annual increase of 13% to 14%, assuming current conditions remain favorable.
- **Actual Results:**
['Q2', '2025']:
- Yield on Advances for Q2 FY25 is 9.81%
['Q4', '2024']:
- Our yield on advances for Q4 financial year '24 stands at 9.85% compared to 9.31% in the corresponding quarter last year.
['Q1', '2025']:

- Our yield on advances stood at 9.59% for Q1 FY ‘25 as against 9.53% for the same period last year and it was 9.85% in the Q4 FY 2024.
['Q3', '2024']:
- Yield on advances for Q3 FY 24 stood at 9.62% compared to 9.16% in the corresponding quarter last year.
- **Evaluation:**
- Expectations Not Met: Management anticipated a consistent monthly yield increase leading to an annual growth of 13% to 14%, but actual quarterly results show yields only rising from 9.31% in Q4 FY 2024 to 9.81% in Q2 FY 2025, indicating less growth than expected.

11. Cost-to-income ratio trends
- **Narrative:** Management emphasized their ongoing efforts to improve operational efficiency through strategic cost management initiatives. They highlighted the importance of optimizing the cost-to-income ratio as a critical component of their financial performance improvement plan.
- **Management's Guidance:**
- Management indicated that they are targeting an optimal cost-to-income ratio by implementing more rigorous cost control measures and enhancing operational efficiencies. They expect these initiatives to lead to a positive impact on the company’s financial performance in the upcoming quarters.
- **Actual Results:**
['Q4', '2024']:
- Our cost-to-income ratio for Q4 FY '24 is 51.26% and the same is at 47.06% for the FY '24.
['Q1', '2025']:
- Efficiency ratio 49.34%
['Q2', '2025']:
- Our cost-to-income ratio for Q2 financial year '25 had reduced to 47.06% as compared to 49.34% in Q1 financial year '25 and 51% in Q4 2024.
['Q3', '2024']:
- The actual cost-to-income ratio for Q3 FY 24 was reported at 48.64%, which shows a deviation from the implied improvement target suggested by management guidance. This indicates an increase compared to the 36.24% in Q3 FY 23, contrary to the management's emphasis on optimizing this ratio through strategic cost management initiatives.
- **Evaluation:**
- Expectations Not Met: Despite management's guidance on optimizing the cost-to-income ratio through strategic cost management, the ratio deteriorated in Q3 FY24 compared to Q3 FY23, and only saw minor improvements by Q2 FY25, indicating that the targeted improvements were not fully achieved.

12. Process automation initiatives
- **Narrative:** Management emphasized the importance of process automation initiatives to bolster operational efficiency and cost management. They highlighted the strategic focus on streamlining processes to expedite customer service responses, aiming to enhance overall productivity.
- **Management's Guidance:**
- Management indicated that with complete data input and supporting documents provided by customers, the company aims to process and respond to customer requests within the same day.
- **Actual Results:**
['Q4', '2024']:
- Data Not Available
['Q2', '2025']:
- Data Not Available
['Q1', '2025']:
- Data Not Available
['Q3', '2024']:
- N. Kamakodi [Earlier, this entire process used to take weeks, if not months.]
- **Evaluation:**
- Insufficient Info: Data not available.

Q2 2024

1. Loan disbursement growth
- **Narrative:** Management is focused on enhancing loan disbursement growth, particularly in the MSME sector. They have initiated a soft launch of a new product aimed at loans less than Rs. 3 Crores, which is currently being tested in select branches. This approach is indicative of a strategic move to boost loan disbursement by making the product widely available following the resolution of any initial implementation issues.
- **Management's Guidance:**
- Management indicates that the new MSME loan product will be available for all branches by the second half of November, following a successful soft launch phase and correction of any initial bugs.
- **Actual Results:**
['Q1', '2025']:
- Our advances closed over and above Q4 FY 2024. That is Rs. 46,481 crore and increased from Rs. 42,405 crore in Q1 FY 2024 to Rs. 46,548 crore in Q1 FY 2025.
['Q2', '2024']:
- We have seen about Rs.1,280 Crores or 3% credit growth during the Q2 2024.
['Q4', '2024']:
- Data Not Available
['Q3', '2024']:
- Data Not Available
- **Evaluation:**
- Expectations Exceeded: The management's narrative about enhancing loan disbursement growth through a new MSME product was not only achieved but surpassed expectations, as evidenced by the substantial increase in advances from Rs. 42,405 crore in Q1 FY 2024 to Rs. 46,548 crore in Q1 FY 2025,

indicating strong growth momentum beyond the initial guidance.

2. Regulatory compliance updates
- **Narrative:** Management emphasized the importance of adhering to regulatory frameworks and ensuring a seamless transition of responsibilities in compliance with regulatory limits. This includes strategic onboarding of personnel to facilitate a smooth handover and takeover process at the end of their term, which is crucial for maintaining regulatory compliance and operational continuity.
- **Management's Guidance:**
- Management plans to onboard key personnel within the regulatory limits to ensure a smooth transition of responsibilities, thereby maintaining compliance and operational efficiency in future quarters.
- **Actual Results:**
['Q3', '2024']:
- Data Not Available
['Q4', '2024']:
- Data Not Available
['Q1', '2025']:
- N. Kamakodi [Yes, for us, this one we had been in compliance even before the arrival of that circular.]
['Q2', '2024']:
- Data Not Available
- **Evaluation:**
- Expectations Met: Management's aim to maintain regulatory compliance and operational efficiency by onboarding key personnel was met, as evidenced by the statement in Q1 2025 that compliance was maintained even before the regulatory circular arrived.

3. Credit risk assessment
- **Narrative:** Management focused on maintaining robust credit risk assessment procedures in order to mitigate potential risks. The emphasis was on keeping credit costs at lower levels, similar to those achieved in the second quarter. This approach is part of a broader strategy to ensure financial stability and resilience in the face of potential economic fluctuations.
- **Management's Guidance:**
- Management expects credit costs to remain at lower levels in the second half of the year, consistent with the levels observed in the second quarter.
- **Actual Results:**
['Q1', '2025']:
- Data Not Available
['Q2', '2024']:
- Data Not Available
['Q3', '2024']:
- 4849a43b89fc23abc2e013681e3f17dc --> [Credit cost E / F 0.54 i3l 1.34 0.89 0.90 —# 0.27]
['Q4', '2024']:
- The net credit cost has significantly decreased to 0.24% for the financial year '24 compared to 0.90% in the financial year '23. The credit cost has come down from 20 basis points to 24 basis points.
- **Evaluation:**
- Expectations Exceeded: The actual credit cost for the financial year '24 decreased significantly to 0.24%, surpassing management's guidance of maintaining credit costs at lower levels consistent with the second quarter, which was around 0.90%.

4. Digital lending expansion
- **Narrative:** Management has highlighted the initiation of a digital lending expansion strategy through the soft launch of digital lending products. This initiative is aimed at enhancing credit growth, with a particular focus on achieving double-digit growth for the entire year. The strategy is expected to significantly contribute to improved performance in the latter half of the year.
- **Management's Guidance:**
- Management anticipates that the introduction of digital lending processes, which have already commenced, will lead to improved credit growth in the second half of the year. They also noted that while there has been a 2% to 3% quarterly growth in Q2, the new digital lending strategy is expected to further bolster growth.
- **Actual Results:**
['Q1', '2025']:
- A small sample of 2,000 customers were sent messages about pre-approved credit, achieving over 10% acceptance, and 2-3 repayment cycles completed without any DPD.
['Q2', '2024']:
- Data Not Available
['Q3', '2024']:
- bb2cdc7ca88ad9c0f71a47ebf6edf313 --> N. Kamakodi [Rolled out first phase of automated loan underwriting process.] 084cc3b0b6c45c281b31515c80dd3e66 --> [Unattributed] "first stage of digital lending process has started. And we also have started seeing about INR400-odd-crores growth in the last couple of months." 6535e68c207fad6027cce730149d7480 --> N. Kamakodi [First, the phase of proposals less than INR3 crores is already online fully.]
['Q4', '2024']:
- Mona Khetan [All our MSME loans today up to INR5 crores are digitally dispersed with TAT at 48 hours or thereabout.]
- **Evaluation:**
- Expectations Met: The management's strategy anticipated enhanced credit growth in the latter half of the year through digital lending expansion, which was realized as evidenced by the initiation of digital lending processes and achieving significant growth in credit, particularly with MSME loans being digitally processed within a 48-hour TAT by Q4 2024.

5. Cost-to-income ratio management
- **Narrative:** Management has acknowledged the challenges posed by the current interest rate environment, which limits treasury profit opportunities. In response, they are focusing on maintaining operational efficiency to manage the cost-to-income ratio effectively.
- **Management's Guidance:**

- Management anticipates that the cost-to-income ratio will remain within the range of 42% to 45%, even as they navigate through the constraints of the rising interest rate scenario.
- **Actual Results:**
['Q4', '2024']:
- In Q4 FY24, the actual cost-to-income ratio was reported as 47% for the current year, which exceeds the management guidance range of 42% to 45%. Additionally, the cost-to-income ratio for the last quarter was 51%.
['Q3', '2024']:
- Cost to Income: 48.64%
['Q1', '2025']:
- Our cost-to-income ratio for Q1 FY ‘25 stood at 49.34% as compared to 51.26% in the Q4 FY ‘24.
['Q2', '2024']:
- Data Not Available
- **Evaluation:**
- Expectations Not Met: The actual cost-to-income ratio consistently exceeded the management's guidance range of 42% to 45%, with values reported at 47%, 48.64%, and 49.34% in subsequent quarters, indicating an inability to meet the anticipated operational efficiency targets.

6. Technology adoption initiatives
- **Narrative:** The management emphasized the importance of digital transformation through the implementation of a Loan Origination System (LOS), which is expected to significantly enhance operational efficiency.
- **Management's Guidance:**
- Management projects double-digit growth in advances, primarily in the second half of the year, driven by the efficiencies gained from digitization and the launch of the LOS.
- **Actual Results:**
['Q1', '2025']:
- Data Not Available
['Q2', '2024']:
- Data Not Available
['Q3', '2024']:
- Data Not Available
['Q4', '2024']:
- Data Not Available
- **Evaluation:**
- Insufficient Info: Data not available.

7. Tier 1 capital ratio
- **Narrative:** Management has consistently maintained a robust Tier 1 capital ratio, indicating a strong capital position. This level of capital adequacy ensures that the company is well-prepared to meet regulatory requirements and absorb potential losses, contributing to financial stability.
- **Management's Guidance:**
- The management indicated that the Tier 1 capital ratio remains steady at approximately 200%, and this information will be updated on the company's website soon.
- **Actual Results:**
['Q4', '2024']:
- The actual Tier 1 capital ratio for FY 2024 was reported as 22.80%, which is lower than the management's guidance of approximately 200%.
['Q1', '2025']:
- Tier I Q1 FY 2025: 22.55%
['Q2', '2024']:
- Data Not Available
['Q3', '2024']:
- In Q3 2024, the reported Tier 1 Capital Ratio was 20.83%, which is below the management's guidance of approximately 200%. This discrepancy indicates a significant variance from the projected target.
- **Evaluation:**
- Expectations Not Met: The actual Tier 1 capital ratios reported for FY 2024 and Q1 FY 2025 (22.80% and 22.55% respectively) were significantly below the management's guidance of approximately 200%, indicating a substantial shortfall from expectations.

8. Profit margin trends
- **Narrative:** Management is optimistic about achieving significant profit growth despite facing some growth challenges. The company aims to mark a milestone by achieving a profit after tax (PAT) in the four-digit crore range for the fiscal year 2024, reflecting a strong focus on enhancing profitability.
- **Management's Guidance:**
- Management anticipates closing the fiscal year 2024 with a PAT exceeding a four-digit crore figure, marking the first time the company would achieve such a level of profitability.
- **Actual Results:**
['Q1', '2025']:
- Data Not Available
['Q4', '2024']:
- For Q4 FY24, City Union Bank Limited reported a Profit After Tax (PAT) of INR 255 crores, reflecting a 17% growth compared to Q4 FY23. For the full fiscal year 2024, the PAT stood at INR 1,016 crores, marking an 8% growth over the previous year.
['Q2', '2024']:
- Data Not Available
['Q3', '2024']:
- Our PAT has grown by 16% in Q3 financial year '24 and stood at INR 253 crores compared to INR 218 crores in Q3 financial year '23.

- **Evaluation:**
- Expectations Met: Management aimed for a four-digit crore PAT for fiscal year 2024, and the actual results showed a PAT of INR 1,016 crores, meeting their expectations.

9. Long-term growth strategies
- **Narrative:** Management has set a target for substantial growth in the fiscal years 2023-2024, aiming for a 12% to 15% growth rate with expectations of stronger performance towards the end of the year. Additionally, they are progressing towards full operational capability, with a significant portion of their products expected to be in full production by the next quarterly results.
- **Management's Guidance:**
- Management anticipates achieving a 12% to 15% growth rate for FY2023-FY2024, with performance skewed towards the yearend. They expect that by the Q3 results, 50% to 60% of their products will be in full production, with the remainder in soft launch or beginning to produce results.
- **Actual Results:**
['Q1', '2025']:
- Puneet - Growth performance: Flat on a low base for FY24, disappointing outcome.
['Q2', '2024']:
- Data Not Available
['Q4', '2024']:
- Data Not Available
['Q3', '2024']:
- Data Not Available
- **Evaluation:**
- Expectations Not Met: Management expected a growth rate of 12% to 15% for FY2023-FY2024, but actual results showed flat growth for FY24, indicating that expectations were not met.

10. NPA recovery focus
- **Narrative:** Management is focused on improving asset quality by reducing net Non-Performing Assets (NPA) to pre-COVID levels. The strategy involves achieving a net NPA within the comfort zone of 1% to 1.5% over the upcoming quarters, which is expected to significantly contribute to the targeted Return on Assets (ROA) of 1.5% for FY2024.
- **Management's Guidance:**
- Management anticipates closing FY2024 with an ROA of 1.5%, with NPA recovery being a major contributing factor. The expectation is to return net NPAs to between 1% and 1.5% as they progress. There is a target to reduce net NPA to pre-COVID levels, aligning with their strategic objectives. The internal goal is to first achieve pre-COVID net NPA levels, followed by reaching a comfort zone of 1% to 1.5% over the next few quarters. The current scenario of NPA recovery is expected to persist for another couple of years, providing opportunities for recovery.
- **Actual Results:**
['Q4', '2024']:
- The net NPA declined to 1.97% as on 31st March 2024, compared to 2.95% on the corresponding period last year. Net NPA has come down below Rs.1,000 Cr and NNPA % below 2%, back to pre-covid level.
['Q1', '2025']:
- The net NPA percentage for Q1 FY 2025 was reported at 1.87%, which is above the target range of 1% to 1.5% set by the management for NPA recovery focus. This indicates that while there is a reduction from previous levels, the target has not yet been fully achieved.
['Q3', '2024']:
- The net NPA declined to INR 941 crores as on 31st of December 2023 and is 2.19% for Q3 financial year '24, compared to 2.67% in Q3 financial year '23. The net NPA is also on a decreasing trend in the current financial year, with 2.51% in Q1 FY '24, 2.34% in Q2 FY '24, and 2.19% in Q3 FY '24.
['Q2', '2024']:
- Net NPA: 2.34%
- **Evaluation:**
- Expectations Not Met: The management aimed for a net NPA in the range of 1% to 1.5% by the end of FY2024, but the actual net NPA was 1.97% at the end of FY2024 and 1.87% in Q1 FY2025, indicating the target was not fully achieved.

11. Net interest margin stability
- **Narrative:** Management has discussed the stability of net interest margins (NIM) despite existing market pressures. They aim to maintain the NIM around current levels with minor fluctuations.
- **Management's Guidance:**
- Management anticipates that the net interest margins will remain stable with potential variations of plus or minus 10 basis points from the current NIM levels.
- **Actual Results:**
['Q1', '2025']:
- Net Interest Margin for Q1 FY 25 is 3.54%.
['Q4', '2024']:
- The Net Interest Margin (NIM) for Q4 FY24 was reported to be 3.66%, which aligns with the management guidance of maintaining NIM stability with minor fluctuations around current levels.
['Q2', '2024']:
- The net interest margin for Q2 FY 24 is reported at 3.74%, which is within the management's guidance of maintaining the NIM with variations of ±10 basis points from the current levels.
['Q3', '2024']:
- Net Interest Margin Q3 FY 24: 3.50%
- **Evaluation:**
- Expectations Met: The net interest margin remained within the management's guidance of minor fluctuations around current levels, with variations of ±10 basis points, as seen in the reported NIMs of 3.74% in Q2 FY24, 3.50% in Q3 FY24, and 3.54% in Q1 FY25.

12. Rate pass-through effects
- **Narrative:** Management indicated that they do not foresee any further interest rate hikes, maintaining a stable outlook with a 75% probability of no rate increases. This reflects a strategic position to manage yield without anticipating additional upward adjustments in rates.
- **Management's Guidance:**
- Management conveyed that there is a 75% probability of not expecting any rate hikes in the upcoming quarters, with only a 25% probability for a possible 25 basis point increase.
- **Actual Results:**
['Q1', '2025']:
- Data Not Available
['Q3', '2024']:
- Data Not Available
['Q4', '2024']:
- Data Not Available
['Q2', '2024']:
- N. Kamakodi [As I discussed with you all in the March quarter or two to three quarters back we missed in transmitting one or two rate transmissions in the last year which had some impact and further hikes we have already transmitted.]
- **Evaluation:**
- Insufficient Info: Data not available.

Q1 2024

1. Loan disbursement growth
- **Narrative:** The management of CUB focuses on enhancing loan disbursement growth through strategic initiatives. They are prioritizing their existing customer base, particularly in the MSME segment, to streamline processes and improve approval rates. There's a significant effort to improve retail loans, including housing loans, through a verticalization strategy, though this is expected to take a few quarters to a few years to fully materialize. The overall strategy includes leveraging partnerships, such as co-lending with NBFCs, to enhance the loan portfolio's growth and capacity.
- **Management's Guidance:**
- The company aims to increase its loan book by 15% in the next fiscal year. Growth in the newer portfolio of co-lending is expected to contribute significantly, with the expectation of forming 7 to 10% of the overall loan book in about five years. Regular MSME, commercial trading, and gold loans can grow at about 10% to 11%, with new lines of activities expected to contribute 25% to the growth rate, constituting 12 to 15% of the overall loan book in a four to five-year timeframe. A guided loan growth of 12 to 14% has been set.
- **Actual Results:**
['Q2', '2024']:
- We have seen about Rs.1,280 Crores or 3% credit growth during the Q2 2024.
['Q4', '2024']:
- Advances registered a growth of 6% from Rs.440 Bn to Rs.465 Bn Y-o-Y, indicating a performance below the guided loan growth target of 12% to 14% for the fiscal year.
['Q1', '2024']:
- Dr. N. Kamakodi stated that the advances had grown by 4% in Q1 '24 compared to Q1 '23, standing at INR 42,405 Crores.
['Q3', '2024']:
- ADVANCES 3,45,762 3,70,206 4,11,560 4,39,708 4,40,173 31-3-2020 31-3-2021 31-3-2022 31-3-2023 31-12-2023
- **Evaluation:**
- Expectations Not Met: The actual loan growth was 6% for the fiscal year, falling short of the guided growth target of 12% to 14%, indicating that the company's expectations were not met.

2. Digital lending expansion
- **Narrative:** The management at CUB has laid a strategic emphasis on enhancing digital lending capabilities to drive growth. They are focusing on streamlining the digital lending process, which is anticipated to significantly boost the company's growth trajectory. This digital transformation is expected to impact various segments, particularly the MSME sector, by reducing turnaround times and enhancing capacity utilization.
- **Management's Guidance:**
- The company aims to achieve a double-digit growth rate of 12 to 14% by the second quarter, driven by the digital lending initiatives. They anticipate that the benefits of a digitalized lending process will manifest in the second half of FY'24, contributing to this growth target. The digital lending advancements are expected to improve task efficiency and support the overall growth objective.
- **Actual Results:**
['Q2', '2024']:
- Data Not Available
['Q3', '2024']:
- bb2cdc7ca88ad9c0f71a47ebf6edf313 --> N. Kamakodi [Rolled out first phase of automated loan underwriting process.] 084cc3b0b6c45c281b31515c80dd3e66 --> [Unattributed] "first stage of digital lending process has started. And we also have started seeing about INR400-odd-crores growth in the last couple of months." 6535e68c207fad6027cce730149d7480 --> N. Kamakodi [First, the phase of proposals less than INR3 crores is already online fully.]
['Q4', '2024']:
- Mona Khetan [All our MSME loans today up to INR5 crores are digitally dispersed with TAT at 48 hours or thereabout.]
['Q1', '2024']:
- Data Not Available
- **Evaluation:**
- Expectations Met: By Q3, 2024, the first phase of the digital lending process was rolled out, showing growth in lending, and by Q4, 2024, MSME loans up to INR5 crores were digitally disbursed with a TAT of 48 hours, aligning with management's guidance of digital lending improvements supporting growth.

3. Technology adoption initiatives
- **Narrative:** Management is focused on enhancing operational efficiency through digital transformation initiatives. They are introducing digitization measures, including the implementation of scorecards, to streamline processes and reduce turnaround times (TAT) significantly. This initiative is expected to gradually increase key performance metrics over time.
- **Management's Guidance:**
- Management anticipates that the digitization efforts will reduce the soft approval time from the current 1-2 weeks to approximately 22 to 24 hours. Additionally, they expect a phased improvement in performance metrics, aiming to achieve over 50% efficiency upon the completion of digitization, with incremental improvements from the current levels of 30-35% to 35-40% in the interim.
- **Actual Results:**
['Q2', '2024']:
- Data Not Available
['Q3', '2024']:
- Data Not Available
['Q4', '2024']:
- Data Not Available
['Q1', '2024']:
- Data Not Available
- **Evaluation:**
- Insufficient Info: Data not available.

4. Sectoral loan distribution
- **Narrative:** Management has emphasized a strategic focus on diversifying the loan portfolio by expanding into new areas. This expansion is aimed at strengthening the company's internal capabilities and tapping into emerging sectors, reflecting a balanced approach to managing sectoral loan distribution.
- **Management's Guidance:**
- Management anticipates that 85% of the growth will be driven by the existing portfolio combination, while the remaining 15% will originate from new areas. This includes approximately 8 to 10% from co-lending and other innovative areas, and 5 to 7% from the increased retail sector and other segments that the company is actively developing.
- **Actual Results:**
['Q3', '2024']:
- Data Not Available
['Q2', '2024']:
- Data Not Available
['Q4', '2024']:
- Data Not Available
['Q1', '2024']:
- Data Not Available
- **Evaluation:**
- Insufficient Info: Data not available.

5. Profit margin trends
- **Narrative:** Management conveyed their strategic focus on maintaining a robust profit margin trend by targeting specific growth metrics. This involves achieving set percentage goals within the fiscal year to ensure financial stability and capital adequacy.
- **Management's Guidance:**
- Management expects to achieve a profit margin between 42 to 44% for the current fiscal year. Additionally, they are working towards reaching a 12 to 14% margin by the end of the year.
- **Actual Results:**
['Q2', '2024']:
- Data Not Available
['Q4', '2024']:
- N. Kamakodi - "Fourth quarter was 51 %. Year as a whole was 47 %."
['Q1', '2024']:
- Data Not Available
['Q3', '2024']:
- Data Not Available
- **Evaluation:**
- Expectations Exceeded: Management expected a profit margin of 42 to 44% for the fiscal year, but the actual results showed a margin of 47% for the year and 51% in the fourth quarter, surpassing their guidance.

6. Regional market focus
- **Narrative:** Management outlined its strategy to strengthen the company's market position by expanding its footprint. This involves entering two new markets by the end of the next year, signifying an aggressive approach to capturing additional regional market share.
- **Management's Guidance:**
- Management anticipates opening 20 new branches across the country over the next 18 months, indicating a robust growth strategy focused on increasing market penetration and accessibility.
- **Actual Results:**
['Q4', '2024']:
- Actual Results: Data Not Available
['Q2', '2024']:
- Data Not Available
['Q1', '2024']:

- Pan India presence with 752 branches, Strong presence in South India (669 branches) of which 519 are in Tamil Nadu alone, [STATE TAMILNADU No. of Branches 519], [STATE ANDHRAPRADESH No. of Branches 49]
['Q3', '2024']:
- Data Not Available
- **Evaluation:**
- Insufficient Info: Data not available.

7. Long-term growth strategies
- **Narrative:** The management has articulated a strategic focus on achieving double-digit growth in advances and PAT for FY 2024. They aim to expand their lending portfolio by venturing into retail and services sectors, along with maintaining growth in existing business segments like MSME, trading, agriculture, and gold loans. Additionally, there is a commitment to ensure smooth succession planning for the leadership transition.
- **Management's Guidance:**
- The management is targeting a double-digit advance growth rate between 12% to 14% for FY 2024. They plan to penetrate retail and services lending sectors to achieve a double-digit growth rate for the current year. The management expects an increase in revenue by 10% in the next fiscal year. They have set up a subcommittee to ensure smooth succession planning, with a focus on overlapping periods for leadership transition.
- **Actual Results:**
['Q4', '2024']:
- Data Not Available
['Q2', '2024']:
- Data Not Available
['Q1', '2024']:
- Data Not Available
['Q3', '2024']:
- Data Not Available
- **Evaluation:**
- Insufficient Info: Data not available.

8. NPA recovery focus
- **Narrative:** The management demonstrated a strong focus on improving asset quality through strategic measures aimed at reducing non-performing assets (NPAs). The emphasis was on achieving a significant reduction in net NPAs to pre-COVID levels, enhancing the coverage ratio, and ultimately improving the Return on Assets (ROA) to align with long-term targets. This commitment reflects a structured approach to strengthen the company's financial stability and operational efficiency.
- **Management's Guidance:**
- The management aims to close FY '24 with a substantial reduction in net NPA, improved coverage ratio, and ROA close to the long-term average of 1.5. CEO N. Kamakodi expects the net NPA to decrease to below 2%, nearing the pre-COVID level of 1.75% to 1.80% for the year as a whole. The target is set to reduce non-performing assets to below 2% by the end of this year. There is an expectation of recoverability of 40-50% from INR 1,400 Crs.
- **Actual Results:**
['Q4', '2024']:
- The net NPA declined to 1.97% as on 31st March 2024, compared to 2.95% on the corresponding period last year. The net NPA also came below the 2% mark, achieving the management's target.
['Q3', '2024']:
- The net NPA declined to INR 941 crores as on 31st of December 2023 and is at 2.19% for Q3 financial year '24, compared to 2.67% in Q3 financial year '23. The net NPA is also on a decreasing trend in the current financial year, that is 2.51% in Q1 FY '24, 2.34% in Q2 FY '24 and 2.19% in Q3 financial year '24.
['Q1', '2024']:
- The recoveries from the slippages in Q1 FY '24 amounted to INR 75 Crs, and upgradation to the tune of INR 23 Crs in the live NPA account were not considered in the NPA collection from 1st of July to the date of audit.
['Q2', '2024']:
- The net NPA has come down below Rs.1,000 Crores mark after many quarters. Net NPA: 2.34%.
- **Evaluation:**
- Expectations Met: The management's target to reduce net NPA below 2% was achieved, with the net NPA declining to 1.97% by the end of FY '24, aligning with the stated goals to return to pre-COVID levels.

9. Improved recovery strategies
- **Narrative:** Management has articulated a focus on improving recovery strategies, anticipating a positive impact on overall financial performance. The expectation is that enhanced recovery efforts will contribute to a reduction in slippages, particularly in the second half of the year, thereby offsetting any anticipated profit dips in the earlier quarters.
- **Management's Guidance:**
- Management anticipates a decrease in slippage rates and improved recovery for the entire year, which is expected to complement and stabilize profits in the latter half of the year.
- **Actual Results:**
['Q3', '2024']:
- The slippage of our Q3 financial year '24 is INR187 crores while total recoveries made is INR289 crores, comprising of INR224 crores from live NPA accounts, and INR65 crores from the technically written off accounts.
['Q2', '2024']:
- Our absolute slippage number for the Q2 FY2024 is Rs.225 Crores while the total recoveries made is Rs.299 Crores comprising of Rs.238 Crores from the live NPA accounts and Rs.61 Crores from the technically written off accounts.
['Q4', '2024']:
- For Q4 2024, the total slippage was reported at INR219 crores with total recoveries amounting to INR275 crores, which includes INR233 crores from live NPA accounts and INR42 crores from technically written-off accounts.
['Q1', '2024']:

- Total live recovery plus technical written-off recovery also improved between 2022 to 2023, about INR 250-odd Crs.
- **Evaluation:**
- Expectations Met: The management's guidance anticipated improved recovery strategies would decrease slippage rates and stabilize profits in the latter half of the year. The actual results showed consistent recoveries exceeding slippages across all quarters, aligning with management's expectations of improved financial performance.

10. Slippage ratio reduction
- **Narrative:** Management is focused on reducing slippage ratios as a key driver for achieving a significant profit milestone in the current fiscal year. They acknowledge that the recent spike in slippage and NPAs is temporary and anticipate returning to normalized levels. The company has also indicated improved recovery between FY '22 and '23, and aims for continued enhancement in this area.
- **Management's Guidance:**
- Management anticipates the incremental slippage to be reduced to below INR 1,000 crore, specifically between INR 850 to INR 1,000 crore for the year. They hope that total slippages for the whole year will be less than INR 1,000 crore, with a targeted reduction of INR 250 crore to INR 300 crore.
- **Actual Results:**
['Q4', '2024']:
- The total slippage for financial year '24 is INR 1,013 crores as against INR 1,276 crores in the financial year '23.
['Q3', '2024']:
- [City Union Bank Limited] Our NPA slippages have come down significantly and the live NPA recoveries have surpassed the live slippages.
['Q2', '2024']:
- Our slippage ratio for the Q2 has come down to 2.06 almost equal to the pre COVID level.
['Q1', '2024']:
- Because of the above changes in accounting, the slippages for the current quarter is elevated at 3.6 % (annualized basis), our gross NPA is at INR 2,081 Crs, Gross NPA stood at 4.91 %, our net NPA stood at INR 1,039 Crs and NNPA ratio to 2.51 %. Our standard restructured assets got reduced to 2.69 % of the total advances as on 30th of June 2023, from the peak level of 5.91 % to the total advances in September 2021. N. Kamakodi: "we used to have about, 2 to 2.5 % slippages before the COVID, which increased to about 3 to 3.5 %."
- **Evaluation:**
- Expectations Not Met: The management aimed to reduce total slippages to below INR 1,000 crore, targeting a reduction to between INR 850 and INR 1,000 crore. However, actual results showed total slippages at INR 1,013 crore for FY '24, which did not meet their guidance.

11. Cost-to-income ratio trends
- **Narrative:** Management has outlined a focus on improving operational efficiency and cost management by targeting a reduction in the cost-to-income ratio. This strategic initiative reflects their commitment to sustainable financial health by optimizing resources and managing expenditures effectively over the long term.
- **Management's Guidance:**
- Management aims for a 15% reduction in costs over the next two years.
- **Actual Results:**
['Q3', '2024']:
- In Q3 FY24, the cost-to-income ratio was reported at 48.64%, which represents an increase from the previous year (Q3 FY23) where it was 36.24%. This indicates a negative trend in operational efficiency and cost management compared to the management's guidance of reducing this ratio.
['Q4', '2024']:
- Our cost-to-income ratio for Q4 FY '24 is 51.26% and the same is at 47.06% for the FY '24.
['Q1', '2024']:
- The cost-to-income ratio for Q1 FY 24 is reported as 41.98%, which is an increase from 39.78% in the corresponding period last year.
['Q2', '2024']:
- Cost to Income for Q2 FY 2024 was reported at 46.34%, which shows the actual performance in terms of cost-to-income ratio trends.
- **Evaluation:**
- Expectations Not Met: The actual cost-to-income ratio increased from 36.24% in Q3 FY23 to 48.64% in Q3 FY24 and further to 51.26% in Q4 FY24, which is contrary to management's guidance of a 15% reduction, indicating a negative trend in operational efficiency and cost management.

12. Net interest margin stability
- **Narrative:** The management has expressed a focus on maintaining net interest margin stability by closely monitoring the current levels. This approach indicates a strategic emphasis on preserving the bank's financial health amidst varying market conditions.
- **Management's Guidance:**
- Management anticipates that the net interest margin will fluctuate within a range of plus or minus 10 basis points from the current level in the upcoming quarters.
- **Actual Results:**
['Q4', '2024']:
- The Net Interest Margin for Q4 FY 24 is reported as 3.66%, which is within the guidance range of plus or minus 10 basis points from the current level.
['Q2', '2024']:
- The net interest margin for Q2 FY 24 was reported as 3.74%, which falls within the anticipated fluctuation range of ±10 basis points from the previous quarters.
['Q1', '2024']:
- The net interest margin for Q1 FY24 was reported at 3.67%, which is within the management's guidance of fluctuating within a range of plus or minus 10 basis points from the current level.
['Q3', '2024']:
- In Q3 FY 24, the Net Interest Margin was reported at 3.50%, which is within the management's guidance range of fluctuating 10 basis points around the current level.
- **Evaluation:**
- Expectations Met: The net interest margin remained within the management's guidance range of plus or minus 10 basis points from the current level throughout all quarters of FY 2024, aligning with management's expectations for stability.

13. New product offerings
- **Narrative:** Management is focused on expanding the company's portfolio through the introduction of new products. This move is part of a broader strategic

initiative to strengthen market presence and drive growth.
- **Management's Guidance:**
- Management has set a target to launch three new products by the third quarter, indicating a proactive approach to capture emerging opportunities and enhance the company's competitive edge.
- **Actual Results:**
['Q2', '2024']:
- Data Not Available
['Q4', '2024']:
- Data Not Available
['Q1', '2024']:
- Data Not Available
['Q3', '2024']:
- Data Not Available
- **Evaluation:**
- Insufficient Info: Data not available.

Q4 2023

1. Non-performing asset (NPA) strategies
- **Narrative:** Management discussed their strategy for managing non-performing assets (NPAs) by highlighting a significant repayment schedule that has been adhered to, with 75% of the outstanding amount already repaid. This reflects a proactive approach in reducing NPA levels and indicates a positive outlook towards achieving full repayment.
- **Management's Guidance:**
- Management expects the remaining installment of the repayment schedule to be completed by June 30, 2023, thereby potentially reducing the NPA levels further and stabilizing the loan portfolio.
- **Actual Results:**
['Q3', '2024']:
- Data Not Available
['Q4', '2023']:
- Data Not Available
['Q2', '2024']:
- Data Not Available
['Q1', '2024']:
- Data Not Available
- **Evaluation:**
- Insufficient Info: Data not available.

2. Loan disbursement growth
- **Narrative:** Management highlighted their focus on enhancing loan disbursement growth, setting strategic targets to achieve substantial growth in their loan portfolio in the forthcoming fiscal year. This strategy is driven by a concerted effort to increase approval rates and capitalize on the anticipated back-ended growth.
- **Management's Guidance:**
- Management expects a loan growth target of 12% to 15% for FY2024, with a progressive increase in the approval proportion over the next few quarters. Additionally, they indicated that growth will be more pronounced towards the latter half of the period.
- **Actual Results:**
['Q2', '2024']:
- We have seen about Rs.1,280 Crores or 3% credit growth during the Q2 2024.
['Q3', '2024']:
- Data Not Available
['Q1', '2024']:
- Dr. N. Kamakodi reported that the advance had grown by 4% in Q1 '24 compared to Q1 '23, with the total standing at INR 42,405 Crores as of 30th June 2023.
['Q4', '2023']:
- Advances INR 43,971CR
- **Evaluation:**
- Expectations Not Met: Management set a loan growth target of 12% to 15% for FY2024, expecting more pronounced growth in the latter half. However, the actual results show only a 3% credit growth in Q2 and a 4% growth in Q1, which significantly falls short of the strategic target set by management.

3. Profit margin trends
- **Narrative:** Management provided insights into the anticipated profit margin trends for the upcoming fiscal year. They highlighted a slight expected decrease in profit margins compared to the Q4 average of FY2023, indicating a cautious outlook while maintaining stability in their financial performance.
- **Management's Guidance:**
- Management indicated that for the current year, the profit margin is expected to be within the range of the Q4 average of 3.65%, albeit 10 to 15 basis points lower. They also noted that the full-year margins are anticipated to be approximately in line with Q4 FY2023 figures, with a possible variance of plus or minus 10 basis points.
- **Actual Results:**
['Q2', '2024']:
- Data Not Available
['Q1', '2024']:

- Data Not Available
['Q3', '2024']:
- Data Not Available
['Q4', '2023']:
- Gaurav Jani: "we saw about nine basis points decline in the margins in FY2023"
- **Evaluation:**
- Insufficient Info: Data not available.

4. Return on equity (ROE) enhancement
- **Narrative:** Management is focused on maintaining strong return metrics, and has set a clear target for the Return on Assets (ROA) as a proxy for enhancing ROE. This indicates a strategic emphasis on improving efficiency and profitability in the upcoming fiscal year.
- **Management's Guidance:**
- Management is aiming to achieve a Return on Assets (ROA) of 1.5% for FY2024.
- **Actual Results:**
['Q2', '2024']:
- Return on Equity for Q2 FY 24 is 14.36%, for Q2 FY 23 is 15.98%, and for Q1 FY 24 is 12.10%.
['Q1', '2024']:
- Return on Equity 12.10% Q1 FY 24
['Q3', '2024']:
- Return on Equity 12.57% Q3 FY 24
['Q4', '2023']:
- Return on Equity Q4 FY 23: 12.10%, Q4 FY 22: 13.15%, FY 2022-23: 13.42%, FY 2021-22: 12.31%
- **Evaluation:**
- Expectations Not Met: The management aimed to enhance ROE by targeting an ROA of 1.5% for FY2024, but the actual ROE figures for Q1, Q2, and Q3 FY24 (12.10%, 14.36%, and 12.57% respectively) reflect a decline from the previous year's Q2 FY23 ROE of 15.98%, indicating that the strategic objective was not achieved.

5. Cost-to-income ratio management
- **Narrative:** Management has indicated a cautious approach in managing the cost-to-income ratio, acknowledging the potential challenges in maintaining current levels due to external factors such as treasury profits. They have provided guidance on the expected range for the cost-to-income ratio for the upcoming financial year.
- **Management's Guidance:**
- 1. In the absence of treasury profit, the cost-to-income ratio is expected to remain in the range of 42% to 45% in the next financial year. 2. There could be a slight increase in the cost-to-income ratio from the current 38%-39% to approximately 40%-41% for FY2023.
- **Actual Results:**
['Q3', '2024']:
- In Q3 FY24, the cost-to-income ratio was reported at 48.64%, which is above the guidance range of 42% to 45% for the next financial year and also exceeds the increase target of 40% to 41% for FY2023.
['Q2', '2024']:
- Data Not Available
['Q4', '2023']:
- The actual cost-to-income ratio for the period ending 31-Mar-2023 was 38.85%, which aligns with the management's guidance of approximately 40%-41% for FY2023.
['Q1', '2024']:
- COST INCOME RATIO (%) 40.37 31-Mar-2023 30-Jun-2023
- **Evaluation:**
- Expectations Not Met: The actual cost-to-income ratio for Q3 FY24 was 48.64%, which is above the expected range of 42% to 45% for the next financial year and exceeds the targeted increase range of 40% to 41% for FY2023, indicating that expectations were not met.

6. Slippage ratio reduction
- **Narrative:** Management has outlined a strategic focus on reducing the slippage ratio while simultaneously enhancing recovery efforts. This dual approach aims to strengthen the bank's asset quality and overall financial health.
- **Management's Guidance:**
- Management anticipates a reduction in slippage coupled with an increase in recovery for the current year.
- **Actual Results:**
['Q2', '2024']:
- Our slippage ratio for the Q2 has come down to 2.06 almost equal to the pre COVID level.
['Q3', '2024']:
- Our annualized slippage ratio for Q3 has come down to 1.70% in Q3 financial year '24 from the peak of 5.56% in Q4 financial year '20. It has also reduced from 2.06% in Q2 financial year '24. The NPA slippages have come down significantly and the live NPA recoveries have surpassed the live slippages.
['Q1', '2024']:
- Because of the above changes in accounting, the slippages for the current quarter is elevated at 3.6 % (annualized basis), our gross NPA is at INR 2,081 Crs, Gross NPA stood at 4.91 %, our net NPA stood at INR 1,039 Crs and NNPA ratio to 2.51 %.
['Q4', '2023']:
- Our slippage for FY 23 was at 3.02% which is 2 bps higher than our expected range. More than Rs.200 Crores of benefits we have got from NPA slippage minus recovery front for FY2023 compared to the FY2022.
- **Evaluation:**
- Expectations Exceeded: Management anticipated a reduction in the slippage ratio, and the actual results showed a significant decrease from 3.6% in Q1 to 1.70% in Q3, surpassing pre-COVID levels and exceeding expectations with live NPA recoveries surpassing slippages.

7. Improved recovery strategies

- **Narrative:** Management highlighted their focus on improving recovery strategies to bolster the company's asset quality. The discussion centered around the implementation of more robust recovery mechanisms expected to drive better performance in the latter half of the fiscal year.

- **Management's Guidance:**

- Management indicated that despite anticipated challenges in the first half of FY 24, the second half is projected to see compensation through business growth and enhanced NPA (Non-Performing Assets) recovery.

- **Actual Results:**

['Q3', '2024']:

- The slippage for Q3 FY24 was INR 187 crores, with total recoveries amounting to INR 289 crores, which included INR 224 crores from live NPA accounts and INR 65 crores from technically written-off accounts.

['Q4', '2023']:

- The NPA addition minus total recovery for FY 23 improved to Rs.222 Cr from Rs.481 Cr in FY 22.

['Q2', '2024']:

- Our absolute slippage number for the Q2 FY2024 is Rs.225 Crores while the total recoveries made is Rs.299 Crores comprising of Rs.238 Crores from the live NPA accounts and Rs.61 Crores from the technically written off accounts.

['Q1', '2024']:

- Recovery made 1,980 1,644 1,950 4,424 5,764 992; Upgradations 496 1,358 264 1,638 2,361 221; Total live recovery plus technical written-off recovery also improved between 2022 to 2023, about INR 250-odd Crs.

- **Evaluation:**

- Expectations Exceeded: The management's focus on improved recovery strategies resulted in significant recoveries, with Q3 FY24 showing INR 289 crores in total recoveries and a remarkable reduction in NPA addition, exceeding the anticipated performance improvements for the second half of the fiscal year.

8. Long-term growth strategies

- **Narrative:** Management has outlined a strategic focus on achieving consistent growth, targeting a 12% to 15% increase in annual profits. This growth is anticipated to align with business expansion and improved recovery processes. The strategy also incorporates a staggered growth approach, with expectations of more significant gains skewed towards the year's end.

- **Management's Guidance:**

- Management is aiming for a 12% to 15% growth for the current year, with expectations skewed towards the year-end. The company projects a 12% to 14% growth, acknowledging that Q1 might not reflect significant growth. Management expects a 12% to 15% growth in annual profit, driven by business growth and enhanced recovery efforts.

- **Actual Results:**

['Q2', '2024']:

- Actual Results: Data Not Available

['Q1', '2024']:

- Data Not Available

['Q3', '2024']:

- Data Not Available

['Q4', '2023']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

9. Net interest margin stability

- **Narrative:** Management has articulated a focus on maintaining stability in the net interest margin (NIM) amidst fluctuations in the cost of deposits. The discussions highlighted a balanced approach to managing interest income by potentially adjusting for expected changes in deposit costs, thereby aiming to sustain a consistent NIM.

- **Management's Guidance:**

- Management is guiding for a net interest margin of approximately 3.65%, with a tolerance range of plus or minus 10 basis points for FY2024. This guidance reflects the company's strategy to navigate anticipated variations in deposit costs.

- **Actual Results:**

['Q2', '2024']:

- The net interest margin for Q2 FY24 is reported as 3.74%.

['Q1', '2024']:

- Net interest margin for Q1 FY 2024 is 3.67%.

['Q3', '2024']:

- Net Interest Margin for Q3 FY 24 was reported as 3.50%, which is below the management's guidance of approximately 3.65% with a tolerance range of ±10 basis points.

['Q4', '2023']:

- Net Interest Margin for Q4 FY 23 was reported at 3.65%, aligning with management's guidance.

- **Evaluation:**

- Expectations Not Met: While the net interest margin was within or above the guided range in Q1 and Q2 of FY2024, it fell below the lower end of the tolerance range in Q3, indicating that the management's goal of maintaining NIM stability was not fully achieved.

10. Rate pass-through effects

- **Narrative:** Management elaborated on the effects of government measures on the bank's interest income dynamics, particularly focusing on the rate pass-through effects to borrowers and the impact of the credit-deposit (CD) ratio on net interest margins.

- **Management's Guidance:**

- Management anticipates a reduction in net interest margin by not less than 15 to 20 basis points due to changes in the CD ratio.

- **Actual Results:**

['Q3', '2024']:

- Data Not Available
['Q4', '2023']:
- Data Not Available
['Q1', '2024']:
- Data Not Available
['Q2', '2024']:
- N. Kamakodi [As I discussed with you all in the March quarter or two to three quarters back we missed in transmitting one or two rate transmissions in the last year which had some impact and further hikes we have already transmitted.]
- **Evaluation:**
- Insufficient Info: Data not available.

11. NPA recovery focus
- **Narrative:** Management has expressed confidence in maintaining the company's performance for the entire year, despite challenges expected in the first half due to the absence of last year's treasury profits and lumpy recoveries from NCLT cases. They anticipate that overall growth in Profit After Tax (PAT) and a reduction in Non-Performing Assets (NPA) will be achievable, with the Return on Assets (ROA) expected to surpass historical averages.
- **Management's Guidance:**
- Management foresees that while the initial half of the year may not show significant PAT growth due to the lack of extraordinary gains seen in the previous year, there is visibility for growth in PAT and a decrease in NPA, with ROA expected to exceed historical averages for the year as a whole.
- **Actual Results:**
['Q2', '2024']:
- Data Not Available
['Q3', '2024']:
- The net NPA declined to INR941 crores as on 31st of December 2023 and is at 2.19% for Q3 financial year '24, compared to 2.67% in Q3 financial year '23. The net NPA is also on a decreasing trend in the current financial year, that is 2.51% in Q1 FY '24, 2.34% in Q2 FY '24 and 2.19% in Q3 financial year '24.
['Q1', '2024']:
- The recoveries from the slippages in Q1 FY '24 amounted to INR 75 Crs, and upgradation in the live NPA account was INR 23 Crs. These were not considered in the NPA collection that occurred from July 1st to the date of audit.
['Q4', '2023']:
- During Q4 FY 23, the Gross NPA stood at Rs. 1920 Cr as of 31.03.2023 with a GNPA ratio of 4.37%, down from 4.70% in FY 22. The Net NPA improved from 2.89% in FY 22 to 2.36% in FY 23, and reduced sequentially from 2.67% in Q3 FY 23 to 2.36% in Q4 FY 23.
- **Evaluation:**
- Expectations Met: The management's guidance anticipated a reduction in NPAs, and the actual results show a consistent decline in net NPA percentages throughout the financial year, aligning with the management's expectations.

12. Yield on advances trends
- **Narrative:** In the management's discussion for Q4 2023, there is an emphasis on the anticipated adjustments in yield on advances. Management highlights the partial rate transmission in the current quarter, which is expected to result in an increase in yield on advances. Additionally, they acknowledge that margin pressures are a common challenge across the sector, with further repricing of deposits anticipated. This indicates a strategic focus on managing yield amidst fluctuating market conditions.
- **Management's Guidance:**
- Management expects some increase in the yield on advances in the current quarter due to partial rate transmission. Management anticipates potential repricing effects on the deposit side and possible changes in the CD ratio which could result in yield on advances varying by plus or minus 10 basis points going forward.
- **Actual Results:**
['Q2', '2024']:
- Data Not Available
['Q3', '2024']:
- Our yield on advances for Q3 FY 24 stood at 9.62% compared to 9.16% in the corresponding quarter last year.
['Q1', '2024']:
- Our yield on advances increase and it currently stands at 9.53 % for the current quarter.
['Q4', '2023']:
- N. Kamakodi mentioned that there is about a 15 basis points increase in the yield on advances.
- **Evaluation:**
- Expectations Exceeded: Management expected a yield increase due to partial rate transmission, varying by plus or minus 10 basis points. The actual yield on advances increased by 15 basis points in Q4 2023, surpassing the anticipated range.

13. Cost-to-income ratio trends
- **Narrative:** The management has indicated a shift towards a Cost-to-Company (CTC) based salary structure for employees starting in FY2024. This move is part of their ongoing efforts to enhance operational efficiency and manage costs effectively.
- **Management's Guidance:**
- The management has provided forward-looking guidance that the transition to a CTC salary structure is expected to have a minimal financial impact, projected to be less than 3% to 4% of the annual profit. This change is not anticipated to significantly affect the overall Profit and Loss statement of the bank.
- **Actual Results:**
['Q3', '2024']:
- Cost to income ratio for Q3 FY 24 is reported at 48.64%.
['Q4', '2023']:
- Our Cost to Income ratio for FY 23 is reduced to 38.85% as compared to 40.37% in FY 22.
['Q1', '2024']:
- The cost-to-income ratio for Q1 FY 2024 is reported at 41.98%, compared to 39.78% in the corresponding period last year.
['Q2', '2024']:
- Cost to Income 46.34% Q2 FY 24

- **Evaluation:**
- Expectations Not Met: The management guided for minimal financial impact from the CTC transition, yet the cost-to-income ratio increased significantly from 38.85% in FY 2023 to 48.64% by Q3 FY 2024, indicating higher operational costs than expected.

Q3 2023

1. Regulatory compliance updates
- **Narrative:** Management elaborated on their ongoing efforts to ensure regulatory compliance, highlighting the structured process they are following to meet necessary requirements. This involves completing essential paperwork, auditing, and submitting documents for regulatory inspection. The emphasis is on adhering to the stipulated timelines to achieve compliance by the end of the current year.
- **Management's Guidance:**
- Management indicated they are committed to completing the regulatory compliance process before the end of the current year and are actively working towards meeting the deadlines set for these requirements.
- **Actual Results:**
['Q1', '2024']:
- Data Not Available
['Q2', '2024']:
- The RBI inspection for the position as on March 31, 2023 was completed and there is no requirement of disclosure with respect to the divergence and asset classification or provisioning.
['Q3', '2023']:
- Data Not Available
['Q4', '2023']:
- We have completed necessary compliance for the 'Scale of Finance' and the required audit process. Post concall, we received one installment and waiting for the rest.
- **Evaluation:**
- Expectations Met: The management's guidance to complete regulatory compliance by the end of the year was met, as evidenced by the completion of necessary compliance for 'Scale of Finance' and the RBI inspection revealing no issues with asset classification or provisioning.

2. Non-performing asset (NPA) strategies
- **Narrative:** Management discussed their strategy for managing non-performing assets, focusing on the recovery of outstanding amounts. The emphasis was on ensuring that repayments from key accounts, such as SpiceJet, are on track to improve asset quality and reduce NPAs.
- **Management's Guidance:**
- Management indicated that if repayments from SpiceJet continue as planned, they expect to close the entire outstanding by June. This will make the full amount available for appropriation, positively impacting the bank's asset quality in the upcoming quarters.
- **Actual Results:**
['Q4', '2023']:
- Data Not Available
['Q2', '2024']:
- Data Not Available
['Q1', '2024']:
- Data Not Available
['Q3', '2023']:
- N. Kamakodi: Currently against the expectation of a 20% I have about 7% became NPA.
- **Evaluation:**
- Expectations Not Met: Management expected SpiceJet repayments to improve asset quality, but instead of closing the outstanding as planned, 7% became NPA against an expectation of 20%, indicating a shortfall in meeting targets.

3. Tier 1 capital ratio
- **Narrative:** Management discussed the implications of transitioning to the Expected Credit Loss (ECL) regime on the company's Tier 1 capital. They highlighted that this transition would involve adjustments to the Common Equity Tier 1 (CET-1) capital over a specified period.
- **Management's Guidance:**
- Management anticipates a requirement of approximately INR 200 crores, which will be adjusted against CET-1 capital over five years, as per the RBI's transitional arrangement.
- **Actual Results:**
['Q2', '2024']:
- Data Not Available
['Q3', '2023']:
- Tier I for Q3 FY 23: 19.41% compared to Q3 FY 22, which was 18.34%.
['Q4', '2023']:
- Strong Capital Adequacy ratio of 22.34% out of which Tier 1 constitutes 21.27%
['Q1', '2024']:
- Strong Capital Adequacy ratio of 23.02% out of which Tier 1 constitutes 21.98%
- **Evaluation:**
- Expectations Exceeded: The Tier 1 capital ratio improved significantly, reaching 21.98% in Q1 2024, which is well above the anticipated impact on CET-1 capital due to the ECL transition, exceeding management's guidance.

4. Return on equity (ROE) enhancement
- **Narrative:** Management has reiterated their focus on maintaining a stable Return on Assets (RoA), targeting a level of 1.5% for the financial year. This is aligned with their earlier declarations, despite short-term fluctuations in quarterly RoA figures.

- **Management's Guidance:**
- Management expects the RoA to remain steady at approximately 1.5% throughout the financial year.
- **Actual Results:**
['Q2', '2024']:
- Return on Equity for Q2 FY 24 is 14.36%.
['Q3', '2023']:
- Return on Equity for Q3 FY 23 is 12.21%
['Q1', '2024']:
- Return on Equity 12.10% Q1 FY 24
['Q4', '2023']:
- Return on Equity Q4 FY 23: 12.10%, Q4 FY 22: 13.15%, FY 2022-23: 13.42%, FY 2021-22: 12.31%
- **Evaluation:**
- Expectations Not Met: Management aimed for a stable RoA of 1.5%, but the actual Return on Equity figures ranged from 12.10% to 14.36%, indicating a performance below the targeted RoA stability, suggesting that expectations were not met.

5. Profit margin trends
- **Narrative:** The management has highlighted a consistent performance in profitability, achieving a quarterly Profit After Tax (PAT) of over INR 200 crores starting from Q4 of the financial year 2022. This trend underscores a stable and robust profit margin trajectory that the company aims to maintain.
- **Management's Guidance:**
- Management expects to continue achieving quarterly PAT of INR 200-plus crores consistently in future quarters, indicating a stable profit margin trend.
- **Actual Results:**
['Q2', '2024']:
- We closed the Q2 FY2024 with the profit after tax of Rs.281 compared to Rs.276 Crores in the Q2 FY2023.
['Q3', '2023']:
- Net Profit for Q3 FY 23 is INR 2,178 crores, indicating a continuation of the stable profit margin trend as expected by management.
['Q1', '2024']:
- The current quarter profit is at INR 227 Crs as against INR 225 Crs in the first quarter.
['Q4', '2023']:
- Data Not Available
- **Evaluation:**
- Expectations Met: The management aimed for a quarterly PAT of over INR 200 crores, and the actual results indicate consistent achievement of this target in Q1 FY2024 with INR 227 crores and Q2 FY2024 with INR 281 crores, confirming a stable profit margin trend as anticipated.

6. Long-term growth strategies
- **Narrative:** Management has reiterated their commitment to an ambitious growth trajectory by targeting a 15% to 18% credit growth for the financial year '23, aiming to push beyond pre-COVID growth levels in the subsequent years. They are also keen on improving the vision coverage ratio swiftly in the coming quarters.
- **Management's Guidance:**
- Management anticipates maintaining or slightly exceeding current growth levels in the next financial year, reflecting a robust strategic focus on recovery and expansion.
- **Actual Results:**
['Q2', '2024']:
- 10-year CAGR of about 15%
['Q1', '2024']:
- Data Not Available
['Q3', '2023']:
- N. Kamakodi: We had about INR 1,800 crores growth, which works out to about 17%, 18% to 20% growth.
['Q4', '2023']:
- Data Not Available
- **Evaluation:**
- Expectations Met: The management's target of 15% to 18% credit growth was aligned with the actual results of achieving approximately 17% to 20% growth in Q3 2023, meeting their stated growth expectations.

7. NPA recovery focus
- **Narrative:** Management has focused on improving asset quality by upgrading non-performing assets (NPAs) to standard accounts and reducing the net NPA effect. They aim for a significant improvement in the Provision Coverage Ratio (PCR) and are making strategic efforts to recover NPAs.
- **Management's Guidance:**
- The management targets to achieve a Provision Coverage Ratio of 50% without technical write-offs by 2024, potentially even earlier. They expect a specific account to be fully resolved by June next year, resulting in a reduced impact on the profit and loss statement for that quarter.
- **Actual Results:**
['Q2', '2024']:
- Data Not Available
['Q1', '2024']:
- The recoveries from the slippages in Q1 FY '24 amounted to INR 75 Crs, and upgradation to the tune of INR 23 Crs occurred in the live NPA accounts. However, these recoveries were not included in the NPA collection, which deviates from previous practices where such recoveries would have been considered.
['Q3', '2023']:
- Out of the divergence of INR 259 crores, 13 borrowers whose balance was more than INR 1 crore amount to about 89% or INR 230 crores and the balance INR 29 crores constitute about 218 borrowers where outstanding was less than INR 1 crore. Out of INR 186 crores, account worth of INR 47 crores got upgraded as standard during Q3 FY '23. Gross NPA for Q3 FY 23: 19,887 with a percentage of 4.62% compared to Q3 FY 22, which was 5.21%. Net NPA for Q3 FY 23: 11,245 with a percentage of 2.67% compared to Q3 FY 22, which was 3.44%.

['Q4', '2023']:
- Net NPA improved from 2.89% in FY 22 to 2.36% in FY 23, and it reduced sequentially from 2.67% in Q3 FY 23 to 2.36% in Q4 FY 23.
- **Evaluation:**
- Insufficient Info: Data not available.

8. Slippage ratio reduction
- **Narrative:** The management has been actively discussing strategies to reduce the slippage ratio, with a focus on aligning the figures closer to pre-COVID levels over the forthcoming periods. The goal is to achieve a more stable and improved asset quality, with a specific emphasis on reducing volatility and divergence in reported numbers.
- **Management's Guidance:**
- Management anticipates the slippage ratio for the current year to be between 2.5% and 2.8%. Looking forward, they expect it to decrease below 2.5% for the next year, with a gradual movement towards pre-COVID levels. The management is optimistic about reducing the slippage to between 2% and 2.5% and eventually below 2%, with stabilization expected in the second half of the next year.
- **Actual Results:**
['Q2', '2024']:
- Our slippage ratio for the Q2 has come down to 2.06 almost equal to the pre-COVID level.
['Q1', '2024']:
- Because of the above changes in accounting, the slippages for the current quarter is elevated at 3.6 % (annualized basis), our gross NPA is at INR 2,081 Crs, Gross NPA stood at 4.91 %, our net NPA stood at INR 1,039 Crs and NNPA ratio to 2.51 %.
['Q4', '2023']:
- Our slippage for FY 23 was at 3.02% which is 2 bps higher than our expected range.
['Q3', '2023']:
- The slippage during the Q3 financial year '23 is INR 439 crores.
- **Evaluation:**
- Expectations Exceeded: The management anticipated a reduction in the slippage ratio to between 2% and 2.5% with eventual stabilization below 2%. The actual results for Q2 2024 showed the slippage ratio decreased to 2.06%, almost reaching pre-COVID levels, surpassing the expectations set for the timeframe.

9. Net interest margin stability
- **Narrative:** Management highlighted the current stability of the net interest margin (NIM), which is approximately 4%. They indicated that their strategic focus is to maintain this margin within the range of 3.85% to 4% in the near future. This reflects an ongoing effort to sustain profitability levels amidst changing market conditions.
- **Management's Guidance:**
- Management forecasts that the net interest margin will remain stable, hovering between 3.85% and 4% in the upcoming quarters.
- **Actual Results:**
['Q2', '2024']:
- The net interest margin for Q2 FY 24 was reported as 3.74%, which is below the management's guidance range of 3.85% to 4%.
['Q3', '2023']:
- Net Interest Margin for Q3 FY 23 is 3.88%, which is within the management's guidance range of 3.85% to 4%.
['Q1', '2024']:
- Net interest margin for Q1 FY24 is 3.67%, which is below the management's guidance range of 3.85% to 4%.
['Q4', '2023']:
- In Q4 FY23, the net interest margin was reported to be 3.65%, which is below the management's guidance range of 3.85% to 4%. The net interest margin for FY 2022-23 closed at 3.89%.
- **Evaluation:**
- Expectations Not Met: The actual net interest margin consistently fell below the management's guidance range of 3.85% to 4% in Q1 FY24, Q2 FY24, and Q4 FY23, indicating that expectations for NIM stability were not met.

10. Rate pass-through effects
- **Narrative:** Management is focused on strategically managing interest income and yield amidst changing rates. They have outlined a plan to incrementally increase interest rates following the Reserve Bank of India's (RBI) rate adjustments, with a specific aim to balance the rate pass-through effect. The management is attentive to the timing of repricing term deposits, which is a crucial factor in their yield management strategy.
- **Management's Guidance:**
- Management plans to implement an additional 25 basis point hike following the current RBI rate increase. They anticipate that the overall transmission of these increased rates will be around 50% to 60%. Additionally, they expect that 70% to 75% of their term deposits will be repriced within one year, which will influence their interest income strategy.
- **Actual Results:**
['Q4', '2023']:
- N. Kamakodi: Normally you say 25% repricing happening every quarter and over the period of time, the deposits which were maturing were at about 6% to 6.5% and there were about 1% to 1.5% or even 1.75% incremental cost for that deposits which were maturing which resulted in the increasing cost of deposits.
['Q1', '2024']:
- Our cost of deposit stood at 5.36%, showing a sequential increase. We have had quite a strong rise in the funding cost, term deposit costs going up by around 90 bps or so.
['Q2', '2024']:
- N. Kamakodi [As I discussed with you all in the March quarter or two to three quarters back we missed in transmitting one or two rate transmissions in the last year which had some impact and further hikes we have already transmitted.]
['Q3', '2023']:
- Data Not Available
- **Evaluation:**
- Expectations Not Met: The management anticipated a 50% to 60% rate pass-through and 70% to 75% repricing of term deposits within a year, but the actual outcomes showed missed rate transmissions and a significant increase in deposit costs, indicating shortfalls in their strategic yield

management plans.

11. Yield on advances trends

- **Narrative:** Management provided insights into the future normalization of interest income, highlighting a specific focus on the upcoming quarter's financial adjustments.
- **Management's Guidance:**
- Management expects interest income to normalize in Q4 with an additional INR 32 crores of interest recognized.
- **Actual Results:**

['Q2', '2024']:
- Data Not Available

['Q1', '2024']:
- Our yield on advances increase and it currently stands at 9.53 % for the current quarter.

['Q3', '2023']:
- The interest income on advances for Q3 was on a lower side to the tune of INR 32 crores mainly because of the non-recognition of interest subvention of KCC agri loan.

['Q4', '2023']:
- 0ab37de2ed21c572ce31d3f19229e58f --> [Yield on Advances 9.31% 9.26% 9.23% 9.36%]
- **Evaluation:**

- Expectations Met: Management expected interest income normalization with an additional INR 32 crores recognized in Q4, and the yield on advances increased to 9.53% in Q1 2024, aligning with the anticipated adjustments.