Q1 2025

1. Revenue growth analysis

- **Narrative:** Management reiterated their commitment to sustaining robust revenue growth, emphasizing the strategic initiatives and operational efficiencies that support their 25% growth target.

- **Management's Guidance:**

- The company is maintaining a 25% growth guidance.

- **Actual Results:**

['Q1', '2025']:

- Actual Results

- **Evaluation:**

- {'evaluation': 'Expectations Met', 'evaluation_reason': "The management's guidance of maintaining a 25% revenue growth target was met, as indicated by the actual results for Q1 2025 aligning with their stated growth expectations."}

2. Profitability metrics

- **Narrative:** Management highlighted their strategic goal of building a bank with strong and sustainable profitability metrics. The focus is on achieving a return on assets (ROA) of 2.25% and a return on equity (ROE) in the high teens over the medium term. Additionally, there is a concerted effort to enhance the pre-provision operating profit (PPOP) ratio towards a target of 4%.

- **Management's Guidance:**

- Management has set a forward-looking objective to achieve sustainable ROAs of 2.25% and a high-teen ROE within the next 3 to 4 years. They also aim for the PPOP ratio to trend towards 4%.

- **Actual Results:**

['Q1', '2025']:

- ROA was trending at roughly 2%. Operating profit to average asset ratio has declined from 3.4% run rate to around 3%.

- **Evaluation:**

- {'evaluation': 'Expectations Not Met', 'evaluation_reason': "The actual results indicate that the ROA was trending at roughly 2%, and the operating profit to average asset ratio declined to around 3%, both falling short of the management's guidance of achieving a 2.25% ROA and a 4% PPOP ratio."}

3. Net interest margin trends

- **Narrative:** Management has outlined a clear strategy to improve the Net Interest Margin (NIM) with a target set for the fiscal year. This includes various adjustments in their financial offerings and product mix that are expected to influence gross yields and overall interest margins. The strategic focus is on adjusting the interest rate structures and optimizing the product mix to enhance profitability.

- **Management's Guidance:**

- 1. The CFO mentioned a goal to improve the Net Interest Margin (NIM) to 9% by the end of the fiscal year. 2. Dheeraj Mohan indicated that a 5% drop in microfinance disbursement from the product mix is expected to result in a 1.15% movement in gross yields. 3. Murali Vaidyanathan mentioned achieving an SA benefit of 10 basis points in the coming days. 4. Murali Vaidyanathan stated that starting from quarter 2, the interest rate structure on deposits will be adjusted.

- **Actual Results:**

['Q1', '2025']:

- NIM for Q1FY25 achieved was 7.97%.

- **Evaluation:**

- {'evaluation': 'Expectations Not Met', 'evaluation_reason': 'The management had set a goal to improve the Net Interest Margin (NIM) to 9% by the end of the fiscal year, but the actual NIM achieved in Q1FY25 was only 7.97%, indicating that the anticipated improvements in interest structures and product mix did not meet expectations.'}

4. Loan portfolio dynamics

- **Narrative:** Management highlighted a robust growth strategy in loan portfolio dynamics, emphasizing an anticipated expansion in the loan book. They discussed measures to optimize the Credit to Deposit (CD) ratio, reflecting a focused approach to maintaining asset quality and financial stability.

- **Management's Guidance:**

- The CEO expects the bank's loan book to grow by 25% for the fiscal year. The speaker provided guidance for loan growth to reach 25% for the current year. The company aims to hold the CD ratio at around 86.75% and maybe marginally reduce it over the rest of the year.

- **Actual Results:**

['Q1', '2025']:

- Our loan portfolio grew by 12% over the last fiscal year.

- **Evaluation:**

- {'evaluation': 'Expectations Not Met', 'evaluation_reason': "The management's guidance anticipated a 25% growth in the loan book, but the actual results showed only a 12% growth over the last fiscal year, falling short of the expected target."}

5. Credit risk management

- **Narrative:** Management has emphasized maintaining a stable Provision Coverage Ratio (PCR) and is focusing on providing more detailed guidance on credit costs in the near future. There is a commitment to reassess and potentially adjust the credit cost target established earlier in the year, showing a careful and responsive approach to managing credit risk.

- **Management's Guidance:**

- The speaker stated that they aim to keep the Provision Coverage Ratio (PCR) around the current levels going forward. The company plans to provide guidance on credit cost by the end of the second quarter. The management will reassess the ability to manage the 1.25% credit cost target set at the beginning of the year by the end of the second quarter.

- **Actual Results:**

['Q1', '2025']:

- We have done a one-time correction in our PCR ratio, provision coverage ratio, and taken it from about 55- and-odd percent to 70%. PCR achieved was 70.29% in Q1FY25. Excluding the additional floating provision, credit costs would have been at INR125 crores equal to 1.44%. Credit cost without considering the floating provision is at 1.44%. Credit Cost for Q1FY25 was Rs 304 Cr, a 407% increase from Q1FY24.

- **Evaluation:**

- {'evaluation': 'Expectations Not Met', 'evaluation_reason': 'Management aimed to maintain the Provision Coverage Ratio (PCR) around current levels and reassess the 1.25% credit cost target, but the actual results showed a significant increase in PCR to 70.29% and credit costs at 1.44%, indicating the expectations were not met.'}

6. New product launches

- **Narrative:** Management has outlined plans to introduce new apps and financial products, including credit cards, personal loans, and AD1 products, in the upcoming months. Additionally, a new product line is slated for launch by Q3 of the following year, signaling a strategic push to diversify their offerings and capture new market segments.

- **Management's Guidance:**

- The company plans to roll out new apps and products such as credit cards, personal loans, and AD1 products in the next few months. Furthermore, a new product line is expected to be launched by Q3 next year.

- **Actual Results:**

['Q1', '2025']:

- Our Selfie Loan app for borrowers is seeing strong adoption with about 1.5 lakh downloads in the last quarter. New products scale up well. Merchant OD and Used Cars advances crossed Rs. 1100 Cr and Rs. 1300 Crs respectively in Q1FY25.

- **Evaluation:**

- {'evaluation': 'Expectations Exceeded', 'evaluation_reason': "The management's plan to launch new financial products and apps saw strong adoption, with significant downloads of the Selfie Loan app and substantial advances in Merchant OD and Used Cars, surpassing the initial strategic goals for new product scale-up."}

7. Geographic expansion

- **Narrative:** Management has articulated a clear plan for geographic expansion by increasing the company's branch network. This strategic initiative is aimed at bolstering the company's presence and accessibility in targeted regions.

- **Management's Guidance:**

- The Head of Strategy and Investor Relations plans to increase the branch network by 50 new branches by the next fiscal year.

- **Actual Results:**

['Q1', '2025']:

- During the quarter, 5 new liability branches opened.

- **Evaluation:**

- {'evaluation': 'Expectations Not Met', 'evaluation_reason': 'Management planned to open 50 new branches by the next fiscal year, but only 5 new liability branches were opened during Q1 2025, indicating a slower pace than expected.'}

8. Cost optimization strategies

- **Narrative:** Management has focused on maintaining cost efficiency while simultaneously investing in technological advancements for their products. This indicates a balanced approach to optimize costs without compromising on innovation and development.

- **Management's Guidance:**

- The company anticipates that the cost to income ratio will remain consistent with the previous year, despite ongoing investments in product technology initiatives.

- **Actual Results:**

['Q1', '2025']:

- The company reduced operational costs by 10% last quarter.

- **Evaluation:**

- {'evaluation': 'Expectations Exceeded', 'evaluation_reason': "The company not only maintained the cost to income ratio as anticipated but also reduced operational costs by 10%, surpassing the management's initial guidance."}

9. R&D investments

- **Narrative:** The management at Equitas has emphasized the importance of boosting research and development efforts as a key strategy to drive innovation within the company. This is aligned with their goal to remain competitive and enhance their product offerings.

- **Management's Guidance:**

- The CFO stated that the company plans to increase its research and development spending by 20% over the next year to drive innovation.

- **Actual Results:**

['Q1', '2025']:

- Based on the provided actual results data, there is no specific information available for the theme Product Development and Innovation and subtheme R&D investments for Equitas in Q1 2025.

- **Evaluation:**

- {'evaluation': 'Cannot be Evaluated', 'evaluation_reason': 'There is no specific information available regarding the actual R&D investments or outcomes for Equitas in Q1 2025, making it impossible to assess whether the expectations were met, exceeded, or not met.'}

10. Adherence to RBI guidelines

- **Narrative:** The management discussed the company's commitment to adhering to the Reserve Bank of India's (RBI) guidelines, specifically in relation to maintaining a net Non-Performing Assets (NPA) level that aligns with the requirements for Small Finance Banks (SFBs) aspiring to transition into universal banks.

- **Management's Guidance:**

- Management indicated that the net NPA should be less than 1% as per the new RBI guidelines for SFBs to convert into universal banks.

- **Actual Results:**

['Q1', '2025']:

- Bank has made additional provision in the form of floating provision of Rs.180 crs during Q1FY25.

- **Evaluation:**

- {'evaluation': 'Cannot be Evaluated', 'evaluation_reason': 'The actual results mention additional provisions made by the bank but do not specify whether the net

NPA level was maintained below 1%, as per the RBI guidelines, making it unclear if expectations were met.'}