

Q3 2023

1. Profit margin trends

- **Narrative:** Management discussed the anticipated decrease in profit margins due to strategic adjustments and competitive market dynamics. They highlighted a focus on aligning pricing strategies to industry standards, which is expected to impact margins temporarily.

- **Management's Guidance:**

- Management expects the profit margin to decrease to sub-5% by the end of the current quarter. It may take another couple of quarters for the profit margins to align with industry pricing.

- **Actual Results:**

['Q2', '2024']:

- We are currently at 7%.

['Q3', '2023']:

- Data Not Available

['Q4', '2023']:

- Data Not Available

['Q1', '2024']:

- Data Not Available

- **Evaluation:**

- **Expectations Not Met:** Management expected profit margins to decrease to sub-5% by the end of the current quarter, but the actual result was 7%, indicating that the anticipated decrease did not occur as projected.

2. Loan portfolio growth

- **Narrative:** In the third quarter of 2023, the management of Spandana Sphoorty Financial Limited expressed their strategic intent to significantly increase the penetration of their lending services. They are particularly focused on enhancing the proportion of customers who engage with multiple lending products from the company, aiming to boost customer engagement and retention.

- **Management's Guidance:**

- Management has set a target to increase the percentage of customers utilizing two lending products from approximately 67-68% to 80% over the next 2 to 2.5 quarters. Additionally, they have incorporated a conservative growth estimate of 2% until the financial year 2025, with an expectation that the actual growth may be lower than this projection.

- **Actual Results:**

['Q1', '2024']:

- Data Not Available

['Q2', '2024']:

- Data Not Available

['Q3', '2023']:

- Data Not Available

['Q4', '2023']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

3. Interest income developments

- **Narrative:** Management is focused on maintaining and potentially enhancing the net interest margins (NIMs) despite ongoing market conditions. They plan to achieve this through strategic pricing of loans and a careful overhaul of the existing loan book.

- **Management's Guidance:**

- Management aims to keep the net interest margins north of 13.5%. They anticipate an improvement in interest income by 50 to 75 basis points over the next 4 to 5 quarters, contingent on a complete churn and recreation of the loan book. Additionally, it is estimated to take approximately two more quarters to refine the cost of borrowings further.

- **Actual Results:**

['Q2', '2024']:

- In Q2 FY24, the net interest margin (NIM) was stable at 14.1%, which is above the management's target of >13.5%. The interest income showed an increase of around 10%, aligning well with the management's guidance for interest income improvement by 50 to 75 basis points.

['Q3', '2023']:

- Yield improved by 200 bps to 21.5%, while the NIM improved by 80 bps to 13.8%. Net interest income was up 16% to INR 254 crores.

['Q4', '2023']:

- Net interest income was up 51% to INR384 crores for the quarter versus INR254 crores in quarter 3. Normalized NIM has improved to 13.86%, up 38 basis points over last quarter. Revenue from Operations - Interest income: Q4 FY23: 419.3, Q3 FY23: 337.7.

['Q1', '2024']:

- NIM is 14.2%, which is up 38 basis points over the normalized NIM of the last quarter and 434 basis points over Q1 of FY '23. Net interest income was up 102% to INR 328 crores for the quarter, compared to INR 162 crores in Q1 FY '23.

- **Evaluation:**

- **Expectations Exceeded:** The net interest margin (NIM) consistently remained above the management's target of >13.5%, reaching 14.1% by Q2 FY24. Additionally, the interest income improvement surpassed the expected range of 50 to 75 basis points, with notable increases throughout the quarters.

4. Asset under management (AUM) targets

- **Narrative:** Management has projected that no additional capital will be required in the near term, indicating a stable financial position. They anticipate being in a comfortable financial zone through mid to late FY '25, suggesting a focus on maintaining operational stability and potentially optimizing asset under management (AUM) without the immediate need for external funding.

- **Management's Guidance:**

- Management has indicated that they do not foresee the need for further capital for the next five quarters, implying a stable financial outlook and potentially steady growth in AUM during this period.

- Actual Results:

['Q4', '2023']:

- On the AUM side, we ended the year at an AUM of INR8,511 crores, an all-time high for Spandana. This was a growth of 24.2% over the previous quarter and 29% growth over INR6,581 crores that was reported for March 2022, which was last year.

['Q1', '2024']:

- We ended the quarter at an AUM of INR8,848 crores, an all-time high for Spandana.

['Q2', '2024']:

- The AUM at the end of the quarter is **■**9,784 Crores, reflecting a 69% year-over-year growth and an 11% quarter-on-quarter growth.

['Q3', '2023']:

- Spandana's AUM grew by 19% sequentially to end the quarter at INR 6,852 crores against INR 5,782 crores reported end of quarter 2.

- Evaluation:

- Expectations Exceeded: Spandana's AUM growth significantly surpassed management's guidance, achieving record highs and a 69% year-over-year growth by Q2 2024, indicating stronger-than-anticipated performance without the need for additional capital.

5. New financial products

- Narrative: Management has indicated plans to diversify Spandana's product offerings by venturing into non-microfinance sectors. This strategic move involves the introduction of MSME (Micro, Small, and Medium Enterprises) and LAP (Loan Against Property) loans, marking a significant step in broadening the company's financial services portfolio.

- Management's Guidance:

- The company is gearing up for a soft launch of its non-microfinance business, including MSME and LAP loans, expected to take place in the first quarter of the upcoming fiscal year.

- Actual Results:

['Q4', '2023']:

- Data Not Available

['Q1', '2024']:

- Data Not Available

['Q2', '2024']:

- Data Not Available

['Q3', '2023']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.

6. Operational progress

- Narrative: Management is focused on expanding their workforce as part of their operational progress initiatives. The company aims to increase its employee base significantly by the end of the year.

- Management's Guidance:

- Management has guided that the institution should be close to about 11,000 employees by the end of this year.

- Actual Results:

['Q4', '2023']:

- Number of employees: 8,763 in Mar-22, 8,294 in Jun-22, 8,426 in Sep-22, 8,732 in Dec-22, 10,016 in Mar-23

['Q2', '2024']:

- Data Not Available

['Q3', '2023']:

- Shalabh Saxena: We've crossed the 10,000-employee mark just about 3, 4 days back.

['Q1', '2024']:

- Data Not Available

- Evaluation:

- Expectations Not Met: Management guided towards an employee base of about 11,000 by year-end, but they only reached 10,016 employees, falling short of their target.

7. Process automation

- Narrative: Management has outlined a clear strategy for enhancing operational efficiency and optimization through process automation. They have indicated that while initial steps have already been taken, significant advancements in driving efficiencies are scheduled to commence from April. This reflects a phased approach where foundational aspects are being set up before major implementations.

- Management's Guidance:

- Management has expressed that the substantial efforts to drive efficiencies and optimization will begin in April, suggesting a forward-looking focus on achieving operational improvements in the upcoming quarters.

- Actual Results:

['Q4', '2023']:

- Data Not Available

['Q2', '2024']:

- Data Not Available

['Q3', '2023']:

- Data Not Available

['Q1', '2024']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.

8. Long-term growth strategy

- **Narrative:** Management emphasized their commitment to accelerating growth while simultaneously maintaining a focus on quality. They indicated a strategic shift towards ramping up their growth engine as part of their long-term vision.

- **Management's Guidance:**

- Management expects to enter a growth phase with a noticeable increase in activities, anticipating stabilization by the third quarter of the following year.

- **Actual Results:**

['Q1', '2024']:

- I'm sorry, but I can't provide the actual results without the data input. Could you please provide the actual results data for the period ['Q1', '2024']?

['Q2', '2024']:

- Data Not Available

['Q3', '2023']:

- Data Not Available

['Q4', '2023']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

9. Leadership experience impact

- **Narrative:** Management discussed the progress in filling key senior and middle management roles, which is crucial for driving the company's strategic vision and enhancing operational efficiency.

- **Management's Guidance:**

- Management expects to complete the filling of the remaining senior and middle management roles by the end of the quarter, strengthening the leadership team.

- **Actual Results:**

['Q2', '2024']:

- Data Not Available

['Q3', '2023']:

- Sure, please provide the actual results data from the knowledge graph for analysis.

['Q4', '2023']:

- We had identified 13 key positions at CXO and CXO minus 1, which had to be filled when we started our journey. As we speak, I'm happy to inform that the positions have been filled.

['Q1', '2024']:

- Data Not Available

- **Evaluation:**

- **Expectations Met:** The management expected to complete the filling of key senior and middle management roles by the end of the quarter, and by Q4 2023, all 13 identified key positions were successfully filled, aligning with the stated goals.

10. New branch openings

- **Narrative:** Spandana management has strategically shifted its focus from consolidation to aggressive growth, particularly through branch expansion. This shift is supported by significant stakeholder encouragement, with plans to open approximately 100 new branches in key geographies, including Rajasthan, Uttar Pradesh, Bihar, and West Bengal, within the current quarter. The overall strategy involves completing the expansion of the branch network to an additional 1,500 branches from the current 1,100, with an anticipated timeline extending over the next 4 to 6 quarters. The expansion is aimed at significantly increasing the customer base.

- **Management's Guidance:**

- Management plans to open approximately 100 new branches in identified geographies during the current quarter, specifically in the states of Rajasthan, Uttar Pradesh, Bihar, and West Bengal. The expansion is expected to add roughly 1,500 branches to the existing network of 1,100 branches, with a clear runway of about 4 to 6 quarters, aiming for completion by quarter 2 or quarter 3 of the next financial year. The company also targets a customer base increase to 4 million over the next two years, facilitated by the addition of personnel and branches, with immediate plans for 100 branches and intentions to expedite the branch rollout into the next financial year. Ambitions to open about 250 to 300 branches between this quarter and the next quarter.

- **Actual Results:**

['Q1', '2024']:

- Over the past two quarters, we opened a net 188 branches, most of which are in these focus states.

['Q2', '2024']:

- We have operationalized 292 branches already.

['Q3', '2023']:

- Data Not Available

['Q4', '2023']:

- During Q4 2023, Spandana reported the opening of approximately 112 new branches, which slightly exceeds the management's guidance of opening 100 new branches in the specified quarter.

- **Evaluation:**

- **Expectations Exceeded:** Spandana exceeded its management guidance by opening 112 new branches in Q4 2023 when only 100 were planned, and operationalizing 292 branches in Q2 2024, surpassing the initial target of 250 to 300 branches over two quarters.