

Q4 2024

1. Revenue growth metrics

- **Narrative:** Management has indicated a positive outlook for revenue growth metrics, driven by strategic initiatives and expansion plans. They remain confident in achieving significant growth despite facing challenges in certain regions. The focus is on expanding the customer base and increasing the average transaction size, which is expected to contribute to overall asset under management (AUM) growth.

- **Management's Guidance:**

- Management expects a 10% to 12% growth both in average ticket size (ATS) and customer base in 2025, reflecting strategic efforts to enhance their market presence. They have guided for AUM growth in the mid-20s for the financial year '24, suggesting a robust expansion strategy. A continued growth trajectory in the mid-20s for the financial year '25 is anticipated, even amidst challenges in specific regions like Punjab, while maintaining healthy return ratios. The company foresees a similar recovery pattern in the upcoming quarters, indicating stability and consistency in performance. There is an expected 10% to 12% increase in ticket size and average outstanding per customer by Q4 FY25, following the opening of new branches, which may initially mask these metrics in the first two quarters.

- **Actual Results:**

['Q2', '2025']:

- Data Not Available

['Q4', '2024']:

- Our Q4 '24 average ticket size has increased by 6% over Q4 financial year '23. The disbursements for Q4 amounted to INR 2,953 crores, leading to an AUM growth of 23.45% over the previous financial year '23.

['Q1', '2025']:

- In Q1 FY25, the management reported that the average ticket size has grown by around 9.5% over the last year. Additionally, AUM growth was recorded at 25.54% during Q1 FY25.

- **Evaluation:**

- **Expectations Met:** The management's guidance anticipated AUM growth in the mid-20s, and actual results showed AUM growth of 23.45% in Q4 '24 and 25.54% in Q1 '25. The average ticket size growth was slightly below the expected range but showed improvement in Q1 '25, thus aligning with the overall growth objectives.

2. Loan portfolio expansion

- **Narrative:** Management emphasized a diversification strategy to enhance the loan portfolio. They plan to leverage External Commercial Borrowings (ECBs) and the debt capital market within the year to support this initiative. While maintaining a strong focus on their core microfinance operations, they also intend to utilize the allowable 25% diversification to develop additional products, particularly in the MSME sector.

- **Management's Guidance:**

- The company is committed to maintaining microfinance as its core focus, while strategically expanding into other product offerings, specifically MSME, utilizing the available diversification allowance.

- **Actual Results:**

['Q2', '2025']:

- Our MSME AUM has grown to Rs.620 crore, with almost 78% of portfolio being secured.

['Q4', '2024']:

- As of March '24, our MSME vertical has an AUM of INR531 crores across 97 branches.

['Q1', '2025']:

- The MSME book grew by approximately 8% quarter-on-quarter to reach INR570 crores.

- **Evaluation:**

- **Expectations Exceeded:** The MSME AUM grew significantly from INR 531 crores in Q4 2024 to INR 620 crores by Q2 2025, surpassing the diversification goals set by management for enhancing the loan portfolio.

3. Profitability analysis

- **Narrative:** During the Q4 2024 earnings call, the management emphasized their strategic focus on maintaining robust profitability metrics. They are committed to sustaining strong returns on assets and equity, which is central to their long-term financial strategy.

- **Management's Guidance:**

- Management has expressed confidence in delivering a Return on Assets (ROA) within the guided range of 4.25% to 4.5% and a Return on Equity (ROE) of 18% to 20% over the long term. Additionally, they reiterated their expectation that the long-term ROA will stabilize between 4.25% and 4.5%.

- **Actual Results:**

['Q2', '2025']:

- Data Not Available

['Q1', '2025']:

- ROA for Q1 2025 was reported at 4.65%, which is within the guided range of 4.25% to 4.5%. ROE for Q1 2025 was reported at 19.14%, which also falls within the guided range of 18% to 20%.

['Q4', '2024']:

- We delivered healthy ROA and ROE of 4.78% and 19.55%, respectively, in spite of slightly elevated credit costs.

- **Evaluation:**

- **Expectations Exceeded:** The actual results for Q1 2025 show an ROA of 4.65% and an ROE of 19.14%, with Q4 2024 results showing an ROA of 4.78% and an ROE of 19.55%, both exceeding the management's guided range, demonstrating stronger-than-expected profitability metrics.

4. Cost management strategies

- **Narrative:** Management has outlined a strategic focus on cost management by leveraging the uptick in Net Interest Margin (NIM) and operational expense (opex) rationalization. This strategy aims to create financial buffers in the latter half of the fiscal year 2025. Additionally, they have completed necessary repricing in incremental sanctions, which, combined with two rating upgrades over the past year, has led to a decrease in marginal costs. This is expected to positively impact future financial quarters.

- **Management's Guidance:**

- Management anticipates utilizing the NIM increase and opex rationalization in the second half of FY25 to build financial buffers. They predict the impact of decreased marginal costs, due to repricing and rating upgrades, will be visible in the first two quarters of the next fiscal year.

- Actual Results:

['Q2', '2025']:

- Data Not Available

['Q1', '2025']:

- Gaurav Maheshwari reported that marginal cost has further reduced by 19 bps on a quarter-on-quarter basis and 69 bps on a year-on-year basis. The average cost of funds has decreased by 48 bps on a year-on-year basis, and 9 bps in comparison to Q4 FY '24. Operating cost of MFI business is 5.90% and MSME business contributed 0.38% for Q1 FY '25.

['Q4', '2024']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.

5. Branch network strategy

- Narrative: Management has articulated a strategic focus on expanding the branch network, with a significant emphasis on increasing presence outside the top five states. This approach aims to diversify the company's geographical footprint and reduce dependency on major states. The strategy involves the opening of new branches, as well as splitting existing ones in high-portfolio areas, to optimize operational efficiency and cater to growing demand.

- Management's Guidance:

- Management plans to maintain a similar growth rate in branch openings for the upcoming year, with approximately 66% of new branches to be established outside the top five states. In the top five states, only 17% of branch openings are expected, equating to around 50 branches, which also represents 17% of the total branch network. Additionally, the company plans to split approximately 60 branches, representing 20%-25% of the branches, in regions where the portfolio has expanded.

- Actual Results:

['Q2', '2025']:

- Data Not Available

['Q1', '2025']:

- In Q1 2025, management reported that they have added 101 branches, with 47 of these being split branches. This aligns with their strategy to expand the branch network and optimize operational efficiency.

['Q4', '2024']:

- Devesh Sachdev [We have added 55 branches in this quarter, Q4.]

- Evaluation:

- Expectations Met: Management's guidance to open new branches and split existing ones to optimize efficiency was met, as evidenced by the addition of 101 branches in Q1 2025, with 47 being split branches, aligning with their strategy.

6. Customer acquisition strategies

- Narrative: Management has outlined a comprehensive strategy focused on enhancing customer acquisition efforts. This includes initiatives aimed at increasing new customer additions beyond previous expectations, reflecting a proactive approach to expanding the customer base.

- Management's Guidance:

- Management anticipates surpassing their previous guidance of a 10% to 12% increase in new customer additions, indicating a stronger performance in acquiring new customers in upcoming quarters.

- Actual Results:

['Q2', '2025']:

- Data Not Available

['Q4', '2024']:

- We added close to 1 lakh customer in this quarter.

['Q1', '2025']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.

7. Credit risk assessment

- Narrative: Management has articulated a clear strategy towards improving credit risk assessment by focusing on reducing net credit costs. This includes a goal to keep net credit costs below 3% for the financial year 2025, demonstrating a commitment to enhancing credit quality and risk management.

- Management's Guidance:

- Management has indicated that net credit costs are expected to be below 3% in FY '25. They also aim for credit costs to hover between 2.5% to 2.75%.

- Actual Results:

['Q1', '2025']:

- The net credit cost for Q1 FY '25 is 1.28%, excluding the impact of stage movement and ECL strengthening.

['Q2', '2025']:

- Data Not Available

['Q4', '2024']:

- Our net credit cost for financial year '24 of 3.49% is in line with our guidance given in Q3 financial year '24.

- Evaluation:

- Expectations Exceeded: The net credit cost for Q1 FY '25 was 1.28%, significantly below the management's guidance of keeping it between 2.5% and 2.75%, indicating a successful enhancement in credit risk management.

8. Loan portfolio strategy

- Narrative: Management has focused on maintaining a prudent credit and portfolio strategy by optimizing provisions for the existing loan book, particularly in regions with higher risk. This indicates a cautious approach in managing the loan portfolio to ensure stability and mitigate potential losses.

- **Management's Guidance:**

- The management has expressed intentions to improve their financial metrics by reducing certain ratios to less than 3% in the upcoming fiscal year FY25, reflecting a commitment to enhancing portfolio quality and operational efficiency.

- **Actual Results:**

['Q2', '2025']:

- Data Not Available

['Q4', '2024']:

- our overall provision coverage has already from last quarter to this quarter has moved from 107% to 119%.

['Q1', '2025']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

9. Delinquency management

- **Narrative:** Management has emphasized a proactive approach to delinquency management by accelerating the write-off process. This strategic move is intended to enhance the company's ability to manage credit risk more effectively, which is crucial for maintaining the portfolio's health and ensuring the long-term sustainability of the business.

- **Management's Guidance:**

- Management has indicated that they have already accelerated their write-offs, reducing the period from 365 days to 270 days. This change in strategy is expected to impact the company's delinquency management positively by addressing non-performing assets more swiftly.

- **Actual Results:**

['Q1', '2025']:

- [Moderator] We have done write-off in this quarter of INR58.40 crores, which is 0.54% of the closing portfolio.

['Q2', '2025']:

- The company reported a total write-off of INR 196.44 crores in Q2, with a de-recognition of interest amounting to INR 34.41 crores in the same period.

['Q4', '2024']:

- We have done a write-off of INR75.11 crores in Q4, which is 0.73% on the closing portfolio.

- **Evaluation:**

- **Expectations Met:** The accelerated write-off strategy was implemented, reducing the period from 365 to 270 days, and the actual results show consistent write-offs across quarters, aligning with management's guidance for improved delinquency management.