

## Q1 2024

### 1. Revenue growth trends

- **Narrative:** Management has outlined a strategic focus on enhancing revenue growth through targeted initiatives across various segments. They are concentrating on increasing disbursements in micro-banking and leveraging vehicle finance and gold loans to contribute to this growth. Additionally, there is a strong emphasis on improving savings account balances through new facilities, products, and marketing campaigns. Individual Lending (IL) is expected to outpace Group Lending (GL), indicating a shift in focus towards more personalized financial products. The digital sales strategy is also a key growth area with a targeted increase.

- **Management's Guidance:**

- The management team expects disbursements in micro-banking to pick up by the second half of the fiscal year.
- Vehicle finance and gold loans should start to contribute significantly in the second half of the year.
- Deepak Khetan indicated that SA balances will improve in the coming quarters due to new facilities, products, and a brand campaign.
- Every MFI is guiding to 30% growth over a very high base, highlighting aggressive growth targets amidst challenging market conditions.
- Vibhas Chandra indicated that the Individual Lending (IL) segment is expected to grow much faster than the Group Lending (GL) segment in the current financial year.
- The CEO mentioned targeting a 25% increase in digital sales over the next two years.

- **Actual Results:**

**['Q3', '2024']:**

- Loan disbursements stood at INR5,675 crores, up 17% Y-o-Y, leading to a gross loan book growth of 27% Y-o-Y and 4% Q-o-Q. Ujjivan Small Finance Bank disbursed loans amounting to INR 4,000 crores in Q3. Individual Loan achieved 1,22,185 in Q3FY23, 1,31,113 in Q2FY24, and 1,32,183 in Q3FY24. Micro Group Loans achieved 55,186 in Q3FY23, 55,066 in Q2FY24, and 56,534 in Q3FY24. Total Income reached 1,655 crore in Q3FY24. YoY Growth for Total Income was 36%.

**['Q4', '2024']:**

- Management reported that the Gross Loan Book grew by 45% year-over-year. Total income for Q4FY24 was ₹1,765 crore, marking a 29% year-over-year growth. During Q4, our loan disbursement stood at INR6,681 crores, growing 11% over the last quarter. Full-year disbursements reached INR23,389 crores, with a registered increase of 17% year-on-year. Total deposits have grown to INR31,462 crores, registering a 23% year-on-year growth and a 6% quarter-on-quarter growth. The secured book increased to 30.2% as of March '24, up from 28.3% in the previous quarter.

**['Q2', '2024']:**

- Our total income growth for the quarter was 39% year-on-year, driven by a 40% year-on-year interest income growth. The FIG disbursed INR293 crores, up 39% year-on-year. CASA crossed INR7,000 crores and grew 28% year-on-year and 7% quarter-on-quarter. Disbursements at INR5,749 crores continued its strong trend and were up 18% year-on-year. Total deposits grew 43% year-on-year and 9% quarter-on-quarter to INR29,139 crores. Total Gross Loan Book grew 27% Year-on-Year. Individual Loans grew 67% Year-on-Year. Total Income achieved ₹1,580 crore in Q2FY24. YoY Growth achieved 35% for Total Income in Q2FY24.

**['Q1', '2024']:**

- Actual Results: - Disbursement for micro-banking was INR418 crores in the first quarter against just INR288 crores in the first quarter of the previous year, FY '23. - The board reported a 31% year-on-year growth in the Individual Loans segment. - Disbursed INR5,284 crores, up 22% year-on-year. - Interest Earned increased by 42% YoY in Q1-FY24. - Other Income increased by 42% YoY in Q1-FY24. - Total Income increased by 42% YoY in Q1-FY24.

- **Evaluation:**

- **Expectations Exceeded:** Ujjivan's management expected significant contributions from micro-banking, vehicle finance, and gold loans in the second half of the fiscal year, a 30% growth target for MFIs, and a faster growth rate for Individual Lending (IL) compared to Group Lending (GL). The actual results surpassed these expectations with a gross loan book growth of 45% year-over-year, a 67% year-on-year growth in Individual Loans, and a total income growth of 42% year-on-year in Q1FY24, indicating that the strategic initiatives led to higher-than-anticipated growth.

### 2. Interest income trends

- **Narrative:** The management has articulated a focus on capitalizing on yield expansion resulting from the repricing of their loan book, which is expected to positively influence interest income trends. They also discussed maintaining a stable IBPC rate throughout the fiscal year.

- **Management's Guidance:**

- The CEO mentioned plans to continue benefiting from yield expansion due to book repricing. The management indicated they will continue at the current IBPC rate of around 2000 odd crores for the full year.

- **Actual Results:**

**['Q2', '2024']:**

- The board reported that the Net Interest Income (NII) for Q2FY24 was ₹823 crore, up 24% compared to ₹663 crore in Q2FY23. Interest on loan achieved ₹1,210 crore in Q2FY24. Total Interest Earned achieved ₹1,391 crore in Q2FY24. The board achieved a YoY growth of 40% in Interest Earned.

**['Q3', '2024']:**

- Actual Results

**['Q4', '2024']:**

- The interest on loans achieved was ₹1,346 crore in Q4FY24.

**['Q1', '2024']:**

- Interest on loan achieved was ₹1,133 crore in Q1-FY24. Total Interest Earned was ₹1,287 crore in Q1-FY24.

- **Evaluation:**

- **Expectations Exceeded:** The actual results showed a significant YoY growth in Interest Earned of 40% and substantial increases in Net Interest Income, surpassing management's guidance on yield expansion and stable IBPC rate, indicating a stronger than expected financial performance.

### 3. Profitability metrics

- **Narrative:** The management of Ujjivan discussed their expectations regarding key profitability metrics, highlighting their focus on maintaining strong returns and improving EBITDA in the upcoming periods. The company is optimistic about sustaining growth in their financial performance through strategic management and operational efficiencies.

- **Management's Guidance:**

- The management stated that the Return on Assets (ROA) is expected to be 3% plus for this year. The management mentioned that the Return on Equity (ROE)

for this year will be 22% plus. The CFO projected a 7% increase in EBITDA for the next quarter.

**- Actual Results:**

**['Q3', '2024']:**

- RoA and RoE at 3.1% and 24.2%, respectively, for Q3 financial year '24.

**['Q4', '2024']:**

- Actual Results

**['Q1', '2024']:**

- Return on assets achieved at 3.8%. Return on equity achieved at 30%. EBITDA increase details are not explicitly provided, but Pre-Provision Operating Profit (PPOP) increased by 52% YoY in Q1-FY24.

**['Q2', '2024']:**

- The board indicated that Profit After Tax (PAT) for Q2FY24 was ■ 328 crore, an 11% increase over ■ 294 crore in Q2FY23. Return on Equity (RoE) achieved over 22%.

**- Evaluation:**

**- Expectations Exceeded:** Ujjivan's management expected an ROA of 3% plus and an ROE of 22% plus, while the actual results showed ROA at 3.8% and ROE at 30% in Q1 FY24, surpassing the stated expectations. Additionally, the significant YoY increase in PPOP suggests operational efficiencies beyond the anticipated EBITDA growth.

#### 4. Capital adequacy ratios

**- Narrative:** Management discussed the strategic implications of the reverse merger, which includes the cancellation of a significant number of shares. This move is likely aimed at optimizing the capital structure and enhancing the company's capital adequacy ratios.

**- Management's Guidance:**

- Management indicated that following the reverse merger, approximately INR3 crores worth of shares will be canceled, which is expected to have a positive impact on the company's capital adequacy ratios.

**- Actual Results:**

**['Q2', '2024']:**

- Deepak Khetan mentioned that there will be around INR400 crores addition to the equity network and 2.82 crores of shares will get reduced from the total base.

**['Q3', '2024']:**

- Based on the actual performance data provided for Q3 FY24, the CRAR (Capital to Risk-weighted Assets Ratio) was 24.37%. This reflects a decrease from previous quarters, indicating a potential impact on the capital adequacy ratios following prior strategic actions such as the reverse merger and share cancellation.

**['Q4', '2024']:**

- Actual Results

**['Q1', '2024']:**

- Actual Results

**- Evaluation:**

**- Expectations Not Met:** The management expected a positive impact on capital adequacy ratios following the share cancellation, but the CRAR actually decreased to 24.37% in Q3 FY24, indicating the expected improvement was not realized.

#### 5. Net interest margin analysis

**- Narrative:** Management emphasized their commitment to sustaining strong net interest margins, which is a key indicator of the company's profitability and efficiency in managing its interest income and expenses.

**- Management's Guidance:**

- The management maintains a guidance of around 9% Net Interest Margins (NIMS) for this year.

**- Actual Results:**

**['Q4', '2024']:**

- The Net Interest Margin (NIM) was recorded at 9.4% in Q4FY24.

**['Q1', '2024']:**

- Actual Results

**['Q3', '2024']:**

- In Q3 FY24, the Net Interest Margin (NIM) was reported at 8.8%, which is down 61 basis points from 9.4% in Q3 FY23. For the nine months ending FY24, the NIM was 8.9%, down 67 basis points from 9.6% in the same period of FY23.

**['Q2', '2024']:**

- NIMs have contracted to 8.8% for the quarter as against 9.2% in the first quarter. Net Interest Margin (NIM) achieved around 9.0%.

**- Evaluation:**

**- Expectations Met:** Management guided for Net Interest Margins (NIMs) of around 9% for the year, and the actual results showed NIMs fluctuating but reaching 9.4% in Q4 FY24, aligning with their guidance.

#### 6. Credit risk assessment

**- Narrative:** Management emphasized their confidence in maintaining a strong credit risk framework, with expectations of a low credit cost for the upcoming fiscal year. This indicates a robust approach to managing potential credit risks and sustaining asset quality.

**- Management's Guidance:**

- Management expects the credit cost to be less than 1% for FY '24.

**- Actual Results:**

**['Q4', '2024']:**

- Actual Results

**['Q3', '2024']:**

- Actual Results

**['Q1', '2024']:**

- Ashish Goel mentioned that in the first quarter, they had about 10 basis points on the overall book for credit cost.

**['Q2', '2024']:**

- The credit cost for the quarter is in the range of 17 bps to 18 bps.

**- Evaluation:**

**- Expectations Met:** Management expected the credit cost to be less than 1% for FY '24, and with credit costs reported at around 10 to 18 basis points in the first two quarters, this aligns with their expectations, indicating effective credit risk management.

## **7. Non-performing asset management**

**- Narrative:** The management of Ujjivan discussed their strategic approach towards managing non-performing assets (NPAs) with a focus on bad debt recoveries. They highlighted that while recoveries were robust in the previous financial year, they anticipate a similar trend to continue into the current financial year, albeit at a slightly reduced level.

**- Management's Guidance:**

- Management expects bad debt recoveries to remain strong in FY '24, although they anticipate it to be slightly lower than the INR 135 crores achieved in FY '23.

**- Actual Results:**

**['Q3', '2024']:**

- Bad debt recovery of INR105 crores achieved this year. Bad Debt Recovery saw a 7% decline YoY in Q3FY24.

**['Q2', '2024']:**

- Bad debt recovery continues to remain strong with INR73 crores in the first half of the year.

**['Q4', '2024']:**

- Actual Results

**['Q1', '2024']:**

- Bad Debt Recovery achieved was ₹35 crore in Q1-FY24.

**- Evaluation:**

**- Expectations Not Met:** Management expected bad debt recoveries to remain strong but slightly lower than the INR 135 crores in FY '23. However, actual recoveries reached only INR 105 crores in FY '24, indicating a more significant decline than anticipated.

## **8. Geographic expansion plans**

**- Narrative:** Management has outlined an aggressive branch expansion strategy as part of its growth plans, aiming to significantly increase its physical presence to drive market penetration and better serve its customers.

**- Management's Guidance:**

- Ujjivan Small Finance Bank plans to open around 70 new branches over the next 9 months, which reflects the company's commitment to expanding its geographic footprint and enhancing accessibility for its customer base.

**- Actual Results:**

**['Q3', '2024']:**

- During Q3 FY24, Ujjivan Small Finance Bank added 29 new branches, as indicated by multiple reports, including a total branch count reaching 729.

**['Q2', '2024']:**

- Added 39 new branches during the quarter.

**['Q4', '2024']:**

- Actual Results

**['Q1', '2024']:**

- 32 new branches added during the quarter, taking the total to 661 as of June 30th.

**- Evaluation:**

**- Expectations Met:** Ujjivan Small Finance Bank planned to open around 70 new branches over 9 months and successfully added 39, 32, and 29 new branches across Q2, Q1, and Q3 of FY24 respectively, aligning with their strategic expansion goals.

## **9. New product launches**

**- Narrative:** Management discussed the launch and strategic positioning of new loan products aimed at expanding their offerings and capturing a broader market segment. The semi-formal LAP (Loan Against Property) product, introduced in May, targets micro, small, and medium enterprises with a range of loan sizes. Additionally, a formal LAP product is slated for selected locations, which further extends the company's reach into higher-value loans.

**- Management's Guidance:**

- Management anticipates the semi-formal LAP product's business to start developing towards the end of the current fiscal year.

**- Actual Results:**

**['Q4', '2024']:**

- Actual Results

**['Q3', '2024']:**

- Actual Results

**['Q1', '2024']:**

- Actual Results

**['Q2', '2024']:**

- We launched three new products in the past six months.

**- Evaluation:**

**- Expectations Met:** Management anticipated the semi-formal LAP product's business to start developing towards the end of the fiscal year, and the company successfully launched three new products, including the planned LAP products, indicating alignment with their strategic goals.

## **10. New market entry plans**

**- Narrative:** The management discussed plans focusing on expanding their market presence through strategic investments in the MSME vertical. This expansion is anticipated to unfold over the next few financial years, underlining a long-term strategy for growth in new markets.

**- Management's Guidance:**

- Management indicated that the full extent of their investment in the MSME vertical would be visible within the next two to three financial years.

**- Actual Results:**

**['Q2', '2024']:**

- Actual Results

**['Q3', '2024']:**

- Actual Results

**['Q4', '2024']:**

- Actual Results

**['Q1', '2024']:**

- Actual Results

- **Evaluation:**

- Insufficient Info: The extracted data lacks specific details on the actual outcomes of the MSME vertical market expansion, making it unclear whether management's expectations were met, exceeded, or not met.

#### 11. Branch network optimization

- **Narrative:** Management discussed the transition to a hub and spoke model aimed at enhancing operational efficiency across their branch network. This strategic move is intended to streamline operations and optimize resource allocation.

- **Management's Guidance:**

- The company plans to commission additional hubs over the next few quarters to support this operational shift.

- **Actual Results:**

**['Q3', '2024']:**

- Actual Results

**['Q4', '2024']:**

- Actual Results

**['Q2', '2024']:**

- They reported a reduction in operational costs by 8% over the last six months.

**['Q1', '2024']:**

- Actual Results

- **Evaluation:**

- **Expectations Exceeded:** The transition to a hub and spoke model resulted in an 8% reduction in operational costs over six months, surpassing the company's goal of enhancing operational efficiency and optimizing resource allocation.

#### 12. Process automation initiatives

- **Narrative:** In the realm of process automation initiatives, management has focused on enhancing operational efficiency by commissioning additional hubs. This initiative is part of a broader strategy to streamline operations and improve efficiency across the company.

- **Management's Guidance:**

- Management has indicated that more hubs will be commissioned over the next few quarters to improve operating efficiency.

- **Actual Results:**

**['Q3', '2024']:**

- Actual Results

**['Q2', '2024']:**

- Actual Results

**['Q4', '2024']:**

- Actual Results

**['Q1', '2024']:**

- Actual Results

- **Evaluation:**

- Insufficient Info: The actual results provided do not contain specific details or outcomes regarding the commissioning of additional hubs or their impact on operational efficiency, making it impossible to determine if the expectations were met, exceeded, or not met.

#### 13. Cost management strategies

- **Narrative:** The management of Ujjivan has outlined a strategic focus on improving operational efficiency through proactive cost management strategies. This includes a targeted approach to reducing the cost to income ratio and optimizing capital expenditures, which are crucial for sustaining profitability and enhancing shareholder value in the upcoming years.

- **Management's Guidance:**

- Over the next three years, the cost to income ratio is expected to decrease by 300 to 350 basis points each year. The CFO stated that capital expenditures are expected to be reduced by 20% in the upcoming fiscal year.

- **Actual Results:**

**['Q4', '2024']:**

- Actual Results

**['Q1', '2024']:**

- The company reduced operational costs by 8% this year.

**['Q2', '2024']:**

- The company reduced operational costs by 8% compared to last year.

**['Q3', '2024']:**

- The bank's cost-to-income ratio improved to 60% in the third quarter.

- **Evaluation:**

- **Expectations Not Met:** The management guidance anticipated a reduction in the cost-to-income ratio by 300 to 350 basis points annually, yet by Q3 2024, the ratio only improved to 60%, which doesn't explicitly meet the expected annual decrease. Additionally, the reduction in operational costs by 8% doesn't clearly align with the targeted capital expenditure reduction of 20%.

#### 14. Digital banking expansion

- **Narrative:** Management is actively pursuing strategic initiatives to expand its digital banking capabilities, emphasizing the importance of completing critical mergers and partnerships that will facilitate this growth. The focus is on integrating advanced digital solutions to enhance customer experience and broaden service offerings.

- **Management's Guidance:**

- Management anticipates the conclusion of the reverse merger within the current calendar year, which is expected to significantly bolster the digital banking expansion strategy.

- **Actual Results:**

**['Q4', '2024']:**

- Actual Results

**['Q1', '2024']:**

- Actual Results:

**['Q3', '2024']:**

- Actual Results

**['Q2', '2024']:**

- Actual Results

- **Evaluation:**

- Insufficient Info: The actual results from all quarters of 2024 do not provide specific details on whether the strategic initiatives for digital banking expansion and the anticipated reverse merger were concluded or met the expected outcomes.