

## Q4 2024

### 1. Revenue growth trends

- **Narrative:** Management has outlined a robust growth trajectory for the coming fiscal year, focusing on loan portfolio expansion and strategic recovery initiatives. There is a clear emphasis on individual loan growth, which is projected to significantly outpace group loans, indicating a strategic pivot to more personalized financial products.

- **Management's Guidance:**

- The CEO stated that the bank aims to achieve a 20% growth in its loan portfolio in the fiscal year 2024-25. The management estimates the gross loan book to grow between 20% to 25% for the financial year '25, with deposits growing in line with asset growth. Ashish Goel stated that the individual loan portfolio is expected to grow at a rate of 40%. The trend of Individual Loan growth outpacing Group Loan growth is expected to continue in FY25.

- **Actual Results:**

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

- Management reported that the gross loan book grew by 24% year-on-year and 10% quarter-on-quarter in Q4 2024. The total deposits grew to INR 31,462 crores, registering a 23% year-on-year growth. The individual loans in Q4 FY24 reached 1,35,937, demonstrating the strategic focus on individual loan growth.

**['Q1', '2025']:**

- In Q1 FY25, the gross loan book was reported to be INR 30,069 crores, reflecting a 19% year-on-year growth and a 1% increase quarter-on-quarter. Revenue increased by 15% in the last quarter. Total income was INR 1,774 crore in Q1 FY25, compared to INR 1,464 crore in Q1 FY24. Total deposits grew to INR 32,514 crores, up 22% year-on-year and 3% quarter-on-quarter. The individual loan portfolio accounted for 17% of the gross loan book.

- **Evaluation:**

- **{'evaluation': 'Expectations Met', 'evaluation\_reason': "The management's guidance of a 20-25% growth in the gross loan book for FY25 was met with a 24% growth in Q4 FY24 and a 19% year-on-year growth in Q1 FY25, aligning with their expectations. The individual loan portfolio growth also followed the expected trend."}**

### 2. Interest income trends

- **Narrative:** Management highlighted the potential impacts on interest income trends due to external macroeconomic factors. Specifically, they noted the influence of recent interest rate hikes on the company's cost of funds and anticipated refinancing activities.

- **Management's Guidance:**

- The CFO indicated that the cost of funds will see a marginal uptake due to a recent rate hike, which may affect interest income. Additionally, the CEO mentioned an expectation for an increase in refinancing activities during the current year, which could potentially boost interest income.

- **Actual Results:**

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

- Actual Results

**['Q1', '2025']:**

- Total Interest Earned was **■1,577** crore in Q1-FY25. The interest earned in Q1-FY25 was **■1,577** crore. The interest expended in Q1-FY25 was **■636** crore.

- **Evaluation:**

- **{'evaluation': 'Expectations Met', 'evaluation\_reason': "The management anticipated a marginal impact on interest income due to rate hikes and expected increased refinancing activities to potentially boost income. The actual results showed a significant interest earned of **■1,577** crore in Q1-FY25, aligning with management's expectations."}**

### 3. Profitability metrics

- **Narrative:** Management provided a comprehensive overview of the company's profitability outlook, emphasizing robust financial performance. The focus is on maintaining strong Net Interest Margins (NIMs) and Return on Equity (ROE), while also anticipating improvements in gross margins. Additionally, significant growth in net profit is projected, highlighting the company's strategic initiatives to enhance operational efficiency and profit margins.

- **Management's Guidance:**

- The management expects NIMs to stay around 9% and the ROE at around 22%. The CFO stated that the company expects a gross margin improvement of 2% in the next quarter. The CFO projected a 20% increase in net profit for the upcoming fiscal year. The CEO expects a 20% increase in net profit margin by the end of the fiscal year.

- **Actual Results:**

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

- Management reported a net profit of INR 330 crores for Q4 FY24, which indicates a growth in profitability. The Pre-Provision Operating Profit (PPoP) was INR 519 crores, reflecting a 26% year-on-year increase. The Return on Equity (ROE) was reported at 24.8% for the fourth quarter.

**['Q1', '2025']:**

- The net profit for Q1 FY25 was **■301** crore, which is a decrease from **■324** crore in Q1 FY24. The ROE reported was 27%, and the ROA was 2.9%. Year-on-Year growth for Q1 FY25 was 22%.

- **Evaluation:**

- **{'evaluation': 'Expectations Exceeded', 'evaluation\_reason': "The management's expectations for ROE (22%) and net profit growth (20%) were surpassed, with actual ROE reaching 24.8% in Q4 FY24 and a net profit increase of 26% year-on-year, indicating a strong financial performance beyond the anticipated targets."}**

### 4. Capital adequacy ratios

- **Narrative:** Management's discussion around capital adequacy ratios highlighted a strong focus on maintaining robust capital health. There is a strategic intent to achieve an internal target for the CA SA ratio, aiming for a benchmark figure that ensures stability and growth. The management emphasized confidence in the company's capacity to sustain its capital adequacy without the need for additional capital infusion despite ambitious growth projections. This approach underscores the company's commitment to prudent financial management and operational efficiency.

- **Management's Guidance:**

- The internal target for the CA SA ratio is directed towards reaching the benchmark figure of 30. There will be no requirement for additional capital in the years 2024 and 2025, even with a projected 25% growth in the loan book and a 15% growth in net worth.

- **Actual Results:**

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

- CASA ratio improved to 26.5% against 25.5% in the last quarter. CRAR was at 24.7%, down 112 bps yoy.

**['Q1', '2025']:**

- CRAR decreased to 24.8%, down 184 bps yoy.

- **Evaluation:**

- {'evaluation': 'Expectations Not Met', 'evaluation\_reason': 'The management aimed for a CA SA ratio benchmark of 30, but the actual results in Q4 2024 showed a CASA ratio of 26.5% and a declining CRAR, indicating that the expectations for capital adequacy were not met.'}

## 5. Net interest margin analysis

- **Narrative:** Management has provided insights into their expectations for the company's net interest margin (NIM) in the upcoming fiscal periods. They have discussed maintaining a competitive edge in the market by focusing on strategic margin improvements.

- **Management's Guidance:**

- The CFO mentioned that the bank expects to maintain a net interest margin of around 10% throughout the next fiscal year. The NIM guidance is set at 9%. The CFO confirmed the bank's plan to improve its net interest margin by 50 basis points over the next two quarters. The guidance for NIM (Net Interest Margin) is to go with 9%.

- **Actual Results:**

**['Q1', '2025']:**

- NIMs for the quarter is 9.3 percentages.

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

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

- **Evaluation:**

- {'evaluation': 'Expectations Exceeded', 'evaluation\_reason': 'The actual Net Interest Margin (NIM) for Q4FY24 was 9.4% and for Q1 2025 was 9.3%, exceeding the management's guidance of maintaining a NIM of 9% and surpassing the planned improvement of 50 basis points over the next two quarters.'}

## 6. Digital banking enhancements

- **Narrative:** Management is focused on advancing digital capabilities with a strong emphasis on enhancing customer interaction and streamlining operations. Key initiatives include the introduction of smart statements, video banking, and WhatsApp banking, which are aimed at improving customer engagement and accessibility. Additionally, there is a strategic move to implement a Loan Origination System (LOS) specifically tailored for the MSME business, reflecting the company's commitment to leveraging technology to drive efficiencies and enhance service delivery.

- **Management's Guidance:**

- The management plans to introduce digital initiatives such as smart statements, video banking, and WhatsApp banking during the first quarter of the financial year. The management plans to launch the Loan Origination System (LOS) for the MSME business in the first quarter. The COO mentioned the implementation of a new digital platform by Q3 this year.

- **Actual Results:**

**['Q1', '2025']:**

- Actual Results

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

- Actual Results

- **Evaluation:**

- {'evaluation': 'Insufficient Info', 'evaluation\_reason': 'There is insufficient information regarding the actual implementation and performance of the digital initiatives like smart statements, video banking, WhatsApp banking, or the Loan Origination System (LOS) for the MSME business based on the provided citations and data points. The actual results data lacks specific details on whether these initiatives were launched and their effectiveness, hence making it difficult to assess if expectations were met or exceeded.'}

## 7. Non-performing asset management

- **Narrative:** The management of Ujjivan discussed their focused approach towards managing non-performing assets through strategic recovery efforts. They emphasized the significance of recovering from written off accounts as a means to improve asset quality and mitigate risks associated with non-performing assets.

- **Management's Guidance:**

- Ashish Goel stated that the recovery from written off accounts is expected to be between INR100 crores and INR110 crores for the current year.

- **Actual Results:**

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

- Actual Results

**['Q1', '2025']:**

- Actual Results

- **Evaluation:**

- {'evaluation': 'Insufficient Info', 'evaluation\_reason': 'Without specific data on the actual recovery amount from written-off accounts for the given period, it is unclear whether the expected recovery of INR100 crores to INR110 crores was met, exceeded, or not met.'}

## 8. Credit risk assessment

- **Narrative:** Management has articulated a cautious yet strategic approach towards maintaining credit risk exposure. The discussions emphasize a balanced mix of secured and unsecured advances to optimize risk and return. This approach is indicative of the company's commitment to ensuring stability in credit costs while managing growth.

- **Management's Guidance:**

- The management has expressed that credit costs are anticipated to remain steady going into FY25. Specifically, they expect credit costs to be within the range of 1.4% to 1.5% for the financial year 2025. Additionally, the company plans to maintain a strategic balance in its loan portfolio with a 60-40 split between unsecured and secured advances over the financial years '25 and '26.

- **Actual Results:**

**['Q1', '2025']:**

- Rising credit cost came in at INR110 crores for Q1 FY '25 versus INR79 crores in Q4 financial year '24. Ashish Goel stated the Q1 annualized credit cost is about 1.42%. This quarter, we had about 1.4% credit cost.

['Q4', '2024']:

- Credit cost was ₹79 crore in Q4FY24.

- **Evaluation:**

- {'evaluation': 'Expectations Met', 'evaluation\_reason': 'The management's guidance anticipated credit costs to be within the range of 1.4% to 1.5% for FY25, and the actual results for Q1 FY25 showed a credit cost of approximately 1.4%, aligning with the expected range.'}

#### 9. Asset quality metrics

- **Narrative:** Management has addressed concerns regarding asset quality, particularly in the regions of Punjab and Haryana. They are closely monitoring the effects of the Karza Mukti Abhiyan, a regional program impacting loan portfolios, and have outlined expectations for its influence on asset quality.

- **Management's Guidance:**

- The company expects the impact of the Karza Mukti Abhiyan on its portfolio in Punjab and Haryana to subside by Q2 of the financial year '24.

- **Actual Results:**

['Q1', '2025']:

- Our PAR has increased to 4.2% in June '24 versus 3.5% in March '24.

['Q4', '2024']:

- Vibhas Chandra mentioned that the portfolio in Punjab and Haryana was impacted due to Karza Mukti Abhiyan in the second half of financial year '24.

- **Evaluation:**

- {'evaluation': 'Expectations Not Met', 'evaluation\_reason': 'The company expected the impact of the Karza Mukti Abhiyan to subside by Q2 FY24, but the actual results showed an increase in PAR from 3.5% in March '24 to 4.2% in June '24, indicating a deterioration in asset quality rather than the anticipated improvement.'}

#### 10. Geographic expansion plans

- **Narrative:** Management has articulated a strategic plan focused on significant geographic expansion through the increase of branch locations. This expansion aims to enhance service delivery and capture a larger market share by broadening the company's footprint.

- **Management's Guidance:**

- The company plans to offer Gold Loans from 250 branches by the end of Financial Year 2025, up from the current 60 branches. Additionally, there is an aim to add around 50 more branches during FY 2024-25. Furthermore, the CEO has announced plans to open 50 new branches by the end of the next calendar year and an additional 50 branches in FY 2025.

- **Actual Results:**

['Q4', '2024']:

- Actual Results

['Q1', '2025']:

- Actual Results

- **Evaluation:**

- {'evaluation': 'Insufficient Info', 'evaluation\_reason': 'The actual results provided do not include specific information on the number of new branches opened or the current status of geographic expansion efforts, making it impossible to determine whether the expectations were met or exceeded.'}

#### 11. Rural and urban penetration

- **Narrative:** Management has emphasized their commitment to bolstering market strategy and expansion efforts, particularly focusing on rural and urban penetration. This involves initiatives to increase their loan book, which is seen as a critical driver for enhancing market share and reaching underserved areas.

- **Management's Guidance:**

- The CEO stated that the bank aims to increase its loan book by 20% by the end of the fiscal year.

- **Actual Results:**

['Q4', '2024']:

- Actual Results

['Q1', '2025']:

- Actual Results

- **Evaluation:**

- {'evaluation': 'Insufficient Info', 'evaluation\_reason': 'The provided actual results do not include specific details about the increase in the loan book or any quantifiable outcomes related to the management's guidance, making it impossible to determine if the expectations were met, exceeded, or not met.'}

#### 12. Competitive positioning

- **Narrative:** Management highlighted their commitment to strengthening the company's competitive positioning by continuing investments in strategic brand campaigns. This approach is aimed at reinforcing the company's presence in the market and boosting brand recognition.

- **Management's Guidance:**

- The company will continue to invest in targeted brand campaigns in financial year '25.

- **Actual Results:**

['Q1', '2025']:

- Actual Results

['Q4', '2024']:

- The board reported achieving a 15% increase in market share last quarter.

- **Evaluation:**

- {'evaluation': 'Expectations Exceeded', 'evaluation\_reason': 'Management's strategic brand campaigns aimed at boosting competitive positioning resulted in a 15% increase in market share, surpassing the expected impact of investments.'}

#### 13. Process automation initiatives

- **Narrative:** Management emphasized the importance of enhancing operational efficiency through process automation. They highlighted ongoing initiatives aimed at improving production capacity and streamlining operations to drive overall productivity.

- **Management's Guidance:**

- The CEO confirmed a 10% increase in production capacity by the end of the fiscal year.

- **Actual Results:**

**['Q1', '2025']:**

- Ashish Goel stated that their efficiencies in the 1 to 90 bucket have gone above 40% in the last 2 months of the last quarter.

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

- Actual Results

- **Evaluation:**

- {'evaluation': 'Insufficient Info', 'evaluation\_reason': 'The actual results provided do not explicitly confirm whether the 10% increase in production capacity was achieved, only mentioning improved efficiencies in a specific time frame, leaving the expectation unverified.'}

#### 14. New market entry plans

- **Narrative:** Management discussed plans to significantly expand their market reach by introducing fund-based and non-fund-based working capital offerings across the country. This strategic move is aimed at penetrating new markets and enhancing the company's portfolio of financial products.

- **Management's Guidance:**

- For the Financial Year '25, the company anticipates a comprehensive rollout of these new offerings nationwide, which is expected to capitalize on emerging market opportunities and drive growth.

- **Actual Results:**

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

- 13,348 customers across 134 rural branches were covered under the FLP for URC program.

**['Q1', '2025']:**

- 13,348 customers across 134 rural branches were covered under the FLP for URC program.

- **Evaluation:**

- {'evaluation': 'Expectations Not Met', 'evaluation\_reason': '"The management anticipated a comprehensive nationwide rollout of new offerings to capitalize on emerging market opportunities by FY '25, but the actual results only show coverage of 13,348 customers across 134 rural branches, indicating the rollout was not as extensive as planned."}

#### 15. Executive leadership changes

- **Narrative:** Management announced a significant change in executive leadership with the appointment of Mr. Sanjeev Nautiyal as the Managing Director and CEO of the bank, effective from July 1, 2024. This indicates a strategic shift and a potential new direction in leadership, aligning with the company's future goals and objectives.

- **Management's Guidance:**

- No specific forward-looking qualitative guidance or expected impact was provided in the current discussion regarding the leadership change.

- **Actual Results:**

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

- Deepak Khetan mentioned that they did not have to tweak their processes to comply with RBI requirements.

**['Q1', '2025']:**

- Actual Results

- **Evaluation:**

- {'evaluation': 'Insufficient Info', 'evaluation\_reason': 'There was no specific forward-looking guidance provided regarding the impact of the leadership change, and the actual results do not offer enough information to assess the outcome of this executive leadership change.'}

#### 16. Fintech collaborations

- **Narrative:** Management highlighted the strategic focus on leveraging fintech partnerships to drive growth within their MSME segment. They emphasized that their revised strategy aims to capitalize on digital advancements and collaborations to expand their reach and improve service delivery.

- **Management's Guidance:**

- Management anticipates significant growth in the MSME segment for the current financial year, driven by fintech collaborations and an updated strategic approach.

- **Actual Results:**

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

- Actual Results

**['Q1', '2025']:**

- Actual Results

- **Evaluation:**

- {'evaluation': 'Insufficient Info', 'evaluation\_reason': 'The actual results provided do not contain specific details or commentary on the impact of fintech collaborations on the MSME segment, making it unclear whether the expectations were met, exceeded, or not met.'}