

Q4 2024

1. Net Interest Margin

- **Narrative:** Management highlighted concerns regarding the potential impact of declining market interest rates on the company's net interest margin.

- **Management's Guidance:**

- Management is expecting at least a 100 basis points dip in net interest margin, contingent upon further declines in market interest rates.

- **Actual Results:**

['Q1', '2025']:

- Data Not Available

['Q2', '2025']:

- Net Interest Margin (%) decreased to 13.1% in Q2 FY25, which aligns with the management's guidance of a potential 100 basis points dip.

['Q4', '2024']:

- Net Interest Margin for Q4 FY24 stood at 12.0%.

- **Evaluation:**

- **Expectations Met:** The actual net interest margin in Q2 FY25 decreased to 13.1%, which aligns with management's guidance of a potential 100 basis points dip, meeting the expectations set by the management.

2. Loan Portfolio Quality

- **Narrative:** Management has emphasized maintaining a steady credit cost over the coming years, aiming to stabilize the financial performance of the loan portfolio. The focus is on achieving a consistent credit cost within a specified range to ensure portfolio quality.

- **Management's Guidance:**

- Management expects the credit cost to remain between 2.5% to 3% over the next 3 to 4 years on a steady state basis.

- **Actual Results:**

['Q1', '2025']:

- Data Not Available

['Q4', '2024']:

- Data Not Available

['Q2', '2025']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

3. Cost-to-Income Ratio

- **Narrative:** Management has articulated a focused approach towards reducing operational costs to improve the cost-to-income ratio. The emphasis is on achieving significant cost efficiencies over the upcoming quarters, which is expected to streamline operations and enhance profitability.

- **Management's Guidance:**

- Management aims to reduce operational costs by 5% over the next two quarters and anticipates a further reduction of 10% over the next quarter. They also noted that operational costs tend to stabilize by the end of the year, and they do not foresee significant deviations from this pattern in the coming year.

- **Actual Results:**

['Q4', '2024']:

- Cost to income stood at 26.6%.

['Q2', '2025']:

- Cost to Income Ratio for Q2 FY25 stood at 25.4%, which indicates a reduction in operational costs, aligning with the management's focus on improving the cost-to-income ratio.

['Q1', '2025']:

- Cost to Income Ratio for Q1 FY25 was reported at 28.7%.

- **Evaluation:**

- **Expectations Met:** The Cost to Income Ratio improved from 28.7% in Q1 FY25 to 25.4% in Q2 FY25, indicating a reduction in operational costs that aligns with management's guidance of achieving cost efficiencies over the quarters.

4. Capital Adequacy Ratio (CAR)

- **Narrative:** Management highlighted that maintaining a capital adequacy ratio of 25% is strategic for the company, indicating this level as a potential trigger point for considering an equity raise.

- **Management's Guidance:**

- Management suggested that a 25% capital adequacy ratio is optimal and serves as a threshold for initiating equity raising activities in the future.

- **Actual Results:**

['Q2', '2025']:

- Capital Adequacy Ratio for Q2 2025 was reported as 39.2%

['Q1', '2025']:

- CRAR (%): 65.8% (Sep-23), 62.7% (Dec-23), 48.2% (Mar-24), 35.2% (Jun-24)

['Q4', '2024']:

- The subsidiary NAMRA has a capital adequacy of 32.8%. CRAR: Arman (Standalone): 62.7%; Namra: 32.8%

- **Evaluation:**

- **Expectations Exceeded:** The actual Capital Adequacy Ratio consistently exceeded the management's guidance of 25%, with Q2 2025 reporting a significantly higher ratio of 39.2%, indicating a stronger capital position than anticipated.

5. Geographic Expansion Plans

- **Narrative:** Management has articulated a robust geographic expansion strategy, focusing on significant branch additions in key states such as Bihar, Jharkhand, Telangana, and Karnataka. This expansion is part of a broader strategic initiative to strengthen their market position in these regions. The plan also

includes the establishment of new branches and the potential exploration of new market territories over the next two years.

- Management's Guidance:

- The company is targeting the opening of 60 to 75 new branches, including certain split branches, with a focus on expanding in Bihar and Jharkhand. Expansion into Telangana and Karnataka is also anticipated, with operations expected to commence early next quarter. In Jharkhand, the plan is to open an additional 10 to 15 branches within the next two to three months. The management has set a goal to expand into three new markets over the next two years.

- Actual Results:

['Q2', '2025']:

- During the quarter, the company added 1 new branch taking total branch count to 93 branches in 5 states

['Q1', '2025']:

- During Q1 2025, the company reported opening 91 new branches over the last 12 months, which aligns with their geographic expansion plans. The total branch count has reached 434, with operations in 11 states, including 342 MFI branches serving 6.91 lakh active customers.

['Q4', '2024']:

- In terms of branch expansion, we have opened 67 new branches over the last 12 months, bringing our total branch count to 402 branches.

- Evaluation:

- Expectations Exceeded: The company opened 91 new branches over the past 12 months, surpassing the target of 60 to 75 new branches, and expanded operations into 11 states, exceeding the geographic expansion plans.

6. Client Acquisition Rate

- Narrative: Management highlighted their strategic focus on expanding the customer base, with an emphasis on increasing market penetration and growth. This is part of their broader strategy to enhance market position and achieve substantial growth in key regions.

- Management's Guidance:

- Management is aiming for a 15% increase in customer base within the next year.

- Actual Results:

['Q4', '2024']:

- Data Not Available

['Q2', '2025']:

- Active MFI Customers stood at ~6.91 lakh.

['Q1', '2025']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.

7. Sources of Funding and Cost of Funds

- Narrative: Management highlighted their focus on scaling up their Non-Convertible Debentures (NCDs), particularly retail NCDs, as a strategic approach to enhancing their sources of funding. This move is aimed at diversifying their borrowing avenues and improving their overall funding structure.

- Management's Guidance:

- Management anticipates increasing the proportion of retail NCDs in their borrowing mix from the current 12-13% to a significant 20-25% in the upcoming quarters.

- Actual Results:

['Q2', '2025']:

- Data Not Available

['Q1', '2025']:

- The proportion of retail NCDs in the borrowing mix for Q1 FY25 was 24.0%, which is within the targeted range of 20-25% as per management guidance.

['Q4', '2024']:

- In Q4 FY24, NCDs accounted for 13.8% of the borrowing mix, which is below the management's guidance of increasing the retail NCDs proportion to 20-25%.

- Evaluation:

- Expectations Met: The proportion of retail NCDs in the borrowing mix reached 24.0% in Q1 FY25, aligning with the management's guidance of achieving 20-25%, thus meeting expectations.