

## Q2 2025

### 1. Loan disbursement growth

- **Narrative:** Management emphasized the alignment of deposit growth with credit growth, indicating a balanced approach to managing the loan disbursement expansion. Furthermore, the strategy to maintain focus on secured loans starting from the fourth quarter was reiterated, with particular emphasis on sectors such as Loan Against Property (LAP), home loans, and micro LAP, all supported by technological readiness and increased on-ground presence.

- **Management's Guidance:**

- Management expects the current growth in deposits and credit to continue through the second half of the year. They plan to maintain their focus on secured loans, with no changes anticipated in the strategy for LAP, home loans, and micro LAP, as they enter the fourth quarter.

- **Actual Results:**

['Q2', '2025']:

- Our advances increased by more than INR2,100 crores, a 5% growth in Q2. In Q2 financial year '25, our deposits increased by INR2,512 crores, a 5% growth in the current quarter. The 5% growth in deposits and the 5% growth in credit also happened in the second quarter.

- **Evaluation:**

- **Expectations Met:** The management's guidance of maintaining a balanced growth in deposits and credit was achieved, with both showing a 5% increase in Q2 as expected, demonstrating alignment with their strategic focus on secured loans.

### 2. Sectoral loan distribution

- **Narrative:** Management highlighted their strategic focus on expanding the retail lending portfolio, particularly emphasizing secured retail lending. The aim is to gradually increase the proportion of secured retail loans within the overall loan portfolio over the next few years.

- **Management's Guidance:**

- Management anticipates that, in 4 to 5 years, secured retail lending will constitute approximately 4 to 5% of the total loan portfolio, underscoring a dedicated effort towards secured lending.

- **Actual Results:**

['Q2', '2025']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

### 3. Profit margin trends

- **Narrative:** Management highlighted future expectations regarding profitability trends, indicating that strategic initiatives are in place to enhance financial performance in the longer term.

- **Management's Guidance:**

- Management provided guidance that the company will break even in the second year, with profitability and contribution to Return on Assets (ROA) expected to commence from the third year.

- **Actual Results:**

['Q2', '2025']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

### 4. Return on equity (ROE) enhancement

- **Narrative:** Management has indicated a focus on maintaining strong financial metrics, with a specific emphasis on achieving a return on assets (ROA) that aligns with their long-term average. This strategy is likely to support the broader goal of enhancing return on equity (ROE) over the coming quarters.

- **Management's Guidance:**

- The management expects the ROA to remain at its long-term average of 1.5%, suggesting stability and consistency in financial performance, which is a positive indicator for ROE enhancement in the future.

- **Actual Results:**

['Q2', '2025']:

- Return on Equity: 12.93% (Q2 FY 25), 14.36% (Q2 FY 24)

- **Evaluation:**

- **Expectations Not Met:** The management anticipated stability in ROA to support ROE enhancement, but the actual ROE declined from 14.36% in Q2 FY24 to 12.93% in Q2 FY25, indicating that expectations were not met.

### 5. NPA recovery focus

- **Narrative:** Management discussed their outlook on net NPA levels, aiming to maintain a stable and reduced net NPA ratio by the end of the year.

- **Management's Guidance:**

- Management expects net NPA to reach between 1-1.25% by year-end based on current visibility.

- **Actual Results:**

['Q2', '2025']:

- Our net NPA number has reduced to INR775 crores and the net NPA to 1.62% in Q2 financial year '25 from 2.34 in Q2 financial year '24.

- **Evaluation:**

- **Expectations Not Met:** Management aimed for a net NPA of 1-1.25% by year-end, but the actual net NPA was 1.62% in Q2 FY25, which did not meet the expected target range.

### 6. Cost-to-income ratio management

- **Narrative:** Management has emphasized their focus on improving operational efficiency, specifically targeting a reduction in the cost-to-income ratio. This strategy is indicative of their commitment to enhancing financial performance by streamlining costs and optimizing resources to achieve a more efficient cost structure.

**- Management's Guidance:**

- Management anticipates the cost-to-income ratio to moderate between 48% to 50% in upcoming quarters, with a continuous decline thereafter.

**- Actual Results:**

**['Q2', '2025']:**

- Data Not Available

**- Evaluation:**

- Insufficient Info: Data not available.

**7. Slippage ratio reduction**

**- Narrative:** Management has reiterated their commitment to reducing the slippage ratio by maintaining a close watch on asset quality. They have emphasized the importance of adhering to their stated expectations regarding slippage for the financial year '25, which were initially communicated in their Q4 financial year '24 conference call.

**- Management's Guidance:**

- Management expects slippage in the financial year '25 to be about INR800 crores and has indicated that they are on track to meet this target.

**- Actual Results:**

**['Q2', '2025']:**

- Our total slippage was INR354 crores as against INR607 crores in the first half last financial year.

**- Evaluation:**

**- Expectations Exceeded:** Management expected slippage to be about INR800 crores for the financial year '25, and by Q2, the slippage was INR354 crores, indicating a significant reduction compared to the first half of the previous year, surpassing management's expectations.

**8. Long-term growth strategies**

**- Narrative:** Management has outlined a multi-faceted growth strategy with a focus on achieving and potentially surpassing the industrial growth rate by the end of the year. They are also gearing up to have their executive team and grassroots personnel ready by the start of the fourth quarter, indicating a strategic alignment across all levels of the organization. Additionally, the company has restarted its growth initiatives in January 2024 and has already achieved double-digit growth by June 2024.

**- Management's Guidance:**

- Management anticipates modest initial growth by the fourth quarter, with more substantial growth expected in the following year. They project an increase of about 2 to 3 percent in the financial year 2025-26, with a longer-term goal of achieving around 7 to 8 percent growth over the next 3 to 4 years.

**- Actual Results:**

**['Q2', '2025']:**

- Data Not Available

**- Evaluation:**

- Insufficient Info: Data not available.

**9. Cost-to-income ratio trends**

**- Narrative:** The management has acknowledged that the cost-to-income ratio is anticipated to rise in the short term due to upfront cost considerations. This indicates a strategic decision to absorb these costs now, potentially for long-term operational efficiency and cost management improvements.

**- Management's Guidance:**

- Since we are taking the cost upfront, our cost-to-income ratio will be slightly higher in the current year.

**- Actual Results:**

**['Q2', '2025']:**

- The cost-to-income ratio for Q2 FY25 was reported as 47.06%, indicating a reduction compared to previous quarters.

**- Evaluation:**

**- Expectations Exceeded:** The management anticipated a higher cost-to-income ratio due to upfront costs, but the actual result showed a reduction to 47.06% in Q2 FY25, surpassing their expectations.

**10. Yield on advances trends**

**- Narrative:** Management is focusing on stabilizing the yield on advances by strategically converting a significant portion of the loan portfolio from floating to fixed rates. This approach is intended to provide yield stability in anticipation of a potential decrease in interest rates.

**- Management's Guidance:**

- Management anticipates that up to 50-60% of the portfolio could be transitioned to fixed rates, which is expected to stabilize yields during a future declining interest rate environment.

**- Actual Results:**

**['Q2', '2025']:**

- Yield on Advances for Q2 FY25 is 9.81%

**- Evaluation:**

- Insufficient Info: Data not available.