

Q1 2025

1. Branch network optimization

- **Narrative:** Management has articulated a robust expansion strategy aimed at significantly enhancing the branch network. The focus is on augmenting both general banking branches and micro banking branches, with a strong emphasis on liability-led branches to support the company's growth objectives.

- **Management's Guidance:**

- The company aims to open 50 new branches by the end of 2025 and plans include opening 60 general banking branches and over 100 micro banking branches within the financial year, culminating in a network of at least 150 new branches by the year-end. Activities related to this expansion are expected to be completed within the current quarter.

- **Actual Results:**

['Q2', '2025']:

- Data Not Available

['Q1', '2025']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

2. Retail and wholesale lending focus

- **Narrative:** Management has articulated a clear focus on enhancing their operational strategy with an emphasis on expanding both retail and wholesale lending. They are committed to significantly increasing their loan book, which underlines their growth ambitions in the sector.

- **Management's Guidance:**

- Management aims to increase their loan book by 20% in the next fiscal year, indicating a robust growth trajectory. They also expect their Net Interest Margins (NIMs) to be upward of 9%, projecting a target of 9.4% for the financial year.

- **Actual Results:**

['Q2', '2025']:

- Our gross loan book has grown by around 28% year-on-year and 1.6% quarter-on-quarter.

['Q1', '2025']:

- Loan portfolio grew 31% YoY

- **Evaluation:**

- **Expectations Exceeded:** The management's guidance was to increase the loan book by 20% with a target NIM of 9.4%. However, the actual results showed a year-on-year loan book growth of 28% and 31% in consecutive quarters, surpassing the initial expectations.

3. Micro banking initiatives

- **Narrative:** Management emphasized their confidence in achieving sustainable growth in the microfinance sector. They anticipate minimal disruption from recent changes in the business environment, projecting a steady expansion in their micro banking initiatives.

- **Management's Guidance:**

- Management conveyed that a 20% growth in microfinance is attainable without significant challenges. They also noted that any transitory impacts over the next three to four months would likely be limited to a single-digit effect on business growth.

- **Actual Results:**

['Q2', '2025']:

- Our loan portfolio growth during the quarter was impacted primarily by degrowth in JLG loan portfolio by 5.1% quarter-on-quarter, while non-micro banking loan portfolio has grown by around 10.8% quarter-on-quarter and 47% year-on-year.

['Q1', '2025']:

- Micro-Banking Business Loans (MBBL) 18,299 with 158% growth

- **Evaluation:**

- **Expectations Not Met:** Management anticipated a 20% growth in microfinance with minimal challenges, yet the actual results showed a 5.1% quarter-on-quarter degrowth in the JLG loan portfolio, indicating that expectations were not met.

4. Compliance enhancements

- **Narrative:** Management highlighted the importance of completing the regulatory formalities to approve and conclude an essential scheme. This step is critical for aligning with the company's compliance strategy and ensuring regulatory adherence.

- **Management's Guidance:**

- The company anticipates the completion of all necessary regulatory formalities for the scheme's approval within this quarter, emphasizing their commitment to compliance enhancements.

- **Actual Results:**

['Q1', '2025']:

- Data Not Available

['Q2', '2025']:

- 234d0bb20b465307c20f26bff925507b --> ISO 27001 Certification for IT operation

- **Evaluation:**

- Insufficient Info: Data not available.

5. Competitive landscape analysis

- **Narrative:** Management highlighted the implementation of a strategic initiative aimed at maintaining competitive parity with key competitors in the market, particularly focusing on aligning operational timelines with other Small Finance Banks (SFBs) and Microfinance Institutions (MFIs).

- **Management's Guidance:**

- Management indicated that the implementation of the new initiative took place on the 1st of August, and they anticipate that most of their competitors, comprising SFBs and MFIs, have already implemented or are poised to implement similar strategies within the next one to two months.

- **Actual Results:**

['Q2', '2025']:

- Data Not Available

['Q1', '2025']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.

6. Regulatory changes impact

- Narrative: Management discussed the potential impact of recommended changes by the Microfinance Institutions Network (MFIN) on the company's operations. The focus was on how these regulatory changes might affect the company's disbursement levels in the near future.

- Management's Guidance:

- Management indicated that the changes recommended by MFIN could lead to a decline in disbursement in the short term, potentially around a single-digit percentage decrease.

- Actual Results:

['Q1', '2025']:

- Data Not Available

['Q2', '2025']:

- To analyze the actual results for theme Regulatory Compliance and Governance, subtheme Regulatory changes impact in Q2 2025, based on the provided knowledge graph, I need to examine the data provided. Please supply the actual results data in the specified format so I can proceed with the evaluation.

- Evaluation:

- Insufficient Info: Data not available.

7. Credit risk assessment

- Narrative: Management has expressed a strategic focus on maintaining overall credit costs in the range of 2% for the year. The approach indicates a cautious yet confident outlook towards managing credit risk effectively. The discussion suggests that the company is in the process of implementing measures to achieve this target, with expectations of visible results starting from the third quarter onwards.

- Management's Guidance:

- Management anticipates that the credit cost will remain around 2% for the entire year. They expect improvements and better results in credit risk management initiatives to begin yielding significant outcomes from the third quarter of the year.

- Actual Results:

['Q2', '2025']:

- Credit cost at 3.9% for Q2, FY25

['Q1', '2025']:

- Credit cost was reported at 2.2% for Q1, FY25, excluding a floating provision of 20 crore.

- Evaluation:

- Expectations Not Met: Management anticipated maintaining credit costs around 2% for the year, with improvements starting from Q3, but actual results show a credit cost of 3.9% in Q2, FY25, indicating a failure to meet the target.

8. Non-performing assets (NPA) trends

- Narrative: Management has expressed optimism regarding the improvement in non-performing assets (NPA) trends. They anticipate a reduction in fresh slippages, particularly in the MSME and CE/CV segments, and expect a significant increase in recoveries and upgradations in the upcoming quarters. This indicates a strategic focus on bolstering asset quality and minimizing credit risk.

- Management's Guidance:

- Fresh slippages in MSME and CE/CV segments are expected to reduce significantly, with recoveries and upgradations picking up in Q2 FY25.

- The type of slippages seen in recent months are not expected to continue, with improvements anticipated to become evident from Q3 and Q4.

- The non-performing assets ratio is projected to decrease to below 2% by the end of the year.

- Improvement in slippages and recovery upgradation is expected in Q2.

- Management believes they should be closer to zero NPAs by the end of FY25.

- Actual Results:

['Q2', '2025']:

- Our gross NPAs increased from 2.78% as on June '24 to 3.88% as on September '24.

['Q1', '2025']:

- Data Not Available

- Evaluation:

- Expectations Not Met: The management anticipated a reduction in NPAs with improvements from Q3 and Q4, projecting a decrease to below 2% by the end of the year. However, the actual results in Q2 FY25 show an increase in gross NPAs from 2.78% to 3.88%, indicating the expectations were not met.

9. Provision balance tracking

- Narrative: Management has outlined a consistent approach to risk management by maintaining a steady increase in floating provisions. This reflects a strategic focus on sustaining a robust provision balance to mitigate potential risks in forthcoming quarters.

- Management's Guidance:

- Management plans to continue their strategy of adding 20 crores of floating provisions for each of the next three quarters to ensure adequate risk coverage.

- Actual Results:

['Q2', '2025']:

- The credit provision increased to INR 208 crores for Q2 FY '25. Floating provision accumulated number is INR 190 crore as on September 30, 2024. INR 173 crore was specifically created for unexpected stress in the micro banking portfolio and INR 17 crore is towards over and above floating provision on standard assets.

['Q1', '2025']:

- We created additional floating provision of INR20 crores in Q1 FY25 and our total floating provision increased from INR149 crores as on March 24 to INR169

crores as on June 24.

- Evaluation:

- Expectations Met: Management planned to add 20 crores of floating provisions for each of the next three quarters, and the actual results show that they added 20 crores in Q1, with a total accumulated floating provision of 190 crores by the end of Q2, aligning with their strategic guidance.

10. CASA ratio improvement

- Narrative: Management discussed the ongoing strategies to enhance the CASA ratio, emphasizing the importance of improving the cost of funds to bolster profitability. They highlighted efforts to optimize the deposit mix by increasing the share of low-cost current and savings accounts, which is projected to strengthen the bank's financial position.

- Management's Guidance:

Management did not provide specific forward-looking quantitative guidance for the improvement of the CASA ratio for future quarters. The focus remains on strategically managing the deposit mix to improve the CASA ratio over time.

- Actual Results:

['Q1', '2025']:

- Term Deposits grew by 8.6% and CASA by 5.3% in Q1 2025.

['Q2', '2025']:

- Our CASA deposit ratio was 19.6% as on September 24, against 19% as on June '24.

- Evaluation:

- Expectations Met: Management aimed to strategically improve the CASA ratio over time without specific quantitative targets, and the CASA ratio increased from 19% to 19.6% in Q2 2025, indicating alignment with their strategic goals.

11. Liquidity management

- Narrative: Management has outlined a strategy to optimize liquidity management by reducing surplus liquidity and channeling it into loan growth. This approach is expected to enhance net interest margins as the liquidity is efficiently deployed.

- Management's Guidance:

Management expects to utilize part of the surplus liquidity over the next two quarters to support loan book growth, which will, in turn, help in normalizing the liquidity drag and improve net interest margins.

- Actual Results:

['Q2', '2025']:

- Data Not Available

['Q1', '2025']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.

12. Long-term growth trajectory

- Narrative: Management has emphasized a robust long-term growth strategy, focusing on both micro-banking and non-micro-banking sectors. They plan to bolster customer acquisition efforts and increase loan book growth, particularly in the micro banking domain. The company also aims to diversify by increasing the share of secured loans and expanding in the MSME and affordable housing sectors.

- Management's Guidance:

Management is confident in maintaining around 20% loan book growth in micro banking for FY25. The overall loan book growth is projected to be around 30%, with a focus on increasing secured loans. They anticipate deposit growth to outpace credit growth, a reduction in the credit-deposit ratio, and credit costs to stabilize around 2%. The cost-income ratio is expected to range between 54% to 57%, with an ROA of more than 2% and ROE exceeding 18% for FY25. A growth of approximately 15% is expected in the Joint Liability Group (JLG) segment. Management anticipates around 20% growth in micro-banking and 50% growth in the non-micro-banking sector, particularly in MSME and affordable housing, driven by a smaller current base in these areas. The loan book is expected to grow by 20% in the next fiscal year.

- Actual Results:

['Q1', '2025']:

- Data Not Available

['Q2', '2025']:

- Gross loan portfolio growth 28% YoY, deposits growth 40% YoY

- Evaluation:

- Expectations Met: The actual results show a 28% YoY growth in the gross loan portfolio and a 40% YoY growth in deposits, aligning well with management's guidance of around 30% overall loan book growth and deposit growth outpacing credit growth, indicating that the expectations were met.

13. Strategic adjustments for FY24

- Narrative: In the first quarter of FY25, management has reported strategic adjustments to their lending practices, notably increasing disbursement yields in the MSME segment, as well as in housing and commercial equipment/vehicle sectors. These adjustments are in line with the company's broader strategic goals for the fiscal year.

- Management's Guidance:

Management has indicated an increase in disbursement yields in MSME lending by approximately 70 basis points, with a further increase of 20 to 30 basis points in the housing and CE/CV sectors.

- Actual Results:

['Q1', '2025']:

- Data Not Available

['Q2', '2025']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.

14. Partnership development

- **Narrative:** Management outlined their strategic intentions to pursue board approvals and regulatory filings for a proposed scheme, indicating a focus on formalizing partnerships and structural enhancements.

- **Management's Guidance:**

- Management plans to proceed with submitting applications to stock exchanges and securing necessary board approvals within the current quarter, utilizing the June results for determining the valuation swap ratio.

- **Actual Results:**

['Q1', '2025']:

- Data Not Available

['Q2', '2025']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

15. Cost-to-income ratio improvements

- **Narrative:** Management is focused on improving operational efficiency and cost management, particularly by enhancing the cost-to-income ratio over the forthcoming periods. This strategic focus indicates a commitment to optimizing resource allocation and improving profitability metrics.

- **Management's Guidance:**

- Management projects a 5% improvement in the cost-to-income ratio over the next two years.

- **Actual Results:**

['Q1', '2025']:

- The cost-to-income ratio for Q1 FY25 was reported at 54.1%, indicating an improvement compared to the previous period's 57.0%, aligning with management's guidance on improving operational efficiency and cost management.

['Q2', '2025']:

- Our cost-to-income ratio is 56.1% for H1 FY '25 albeit 58.2% for Q2 FY '25.

- **Evaluation:**

- **Expectations Met:** The management projected a 5% improvement in the cost-to-income ratio over the next two years, and the actual results show a substantial improvement from 57.0% to 54.1% in Q1 FY25, aligning with management's guidance.

16. Process optimization efforts

- **Narrative:** Management has identified certain operational bottlenecks in the previous quarter and is focused on process optimization efforts to address these issues. The leadership is optimistic about the effectiveness of these initiatives, with a strategic emphasis on reversing negative trends and improving operational efficiency.

- **Management's Guidance:**

- Management anticipates recovering from operational disruptions experienced in Q1, with a reversal in negative trends expected this quarter and further improvements projected for the next quarter.

- **Actual Results:**

['Q1', '2025']:

- Data Not Available

['Q2', '2025']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

17. Collection efficiency improvements

- **Narrative:** Management has outlined initiatives to enhance collection efficiency, focusing on strengthening collection efforts to maintain credit costs within the targeted range. Additionally, they foresee a significant improvement in collections for their Joint Liability Group (JLG) and microfinance segments in the latter half of the year.

- **Management's Guidance:**

- Management aims to reinforce collection strategies to sustain credit costs at around 2%. They anticipate notable improvements in JLG and microfinance collections during the third and fourth quarters.

- **Actual Results:**

['Q2', '2025']:

- Our collection efficiency declined from 96.2% in quarter 1 FY '25, and for the Bank as a whole, it was reported at 92.3% in Q2 FY25.

['Q1', '2025']:

- Data Not Available

- **Evaluation:**

- **Expectations Not Met:** Management anticipated improvements in collection efficiency for the third and fourth quarters; however, the actual results showed a decline in collection efficiency from 96.2% in Q1 FY25 to 92.3% in Q2 FY25, indicating that the expectations were not met.

18. Strategic decision-making

- **Narrative:** Management has initiated a strategic decision to implement salary increments starting from 1st April 2024, reflecting a focus on enhancing employee satisfaction and retention.

- **Management's Guidance:**

- Management indicated that the salary increments were rolled out at the beginning of April 2024, suggesting a proactive approach in addressing compensation to potentially improve operational efficiency and workforce stability.

- **Actual Results:**

['Q1', '2025']:

- Data Not Available

['Q2', '2025']:

- Data Not Available
- **Evaluation:**
- Insufficient Info: Data not available.