Q3 2024

1. Branch network optimization
- **Narrative:** In the third quarter of 2024, management emphasized their strategic focus on expanding the branch network as a key component of their operational strategy. This expansion is aimed at enhancing the company’s reach and improving customer access to their services.
- **Management's Guidance:**
- Management plans to open around 150 plus branches from now until the end of the fiscal year 2025.
- **Actual Results:**
['Q2', '2025']:
- Data Not Available
['Q1', '2025']:
- Data Not Available
['Q3', '2024']:
- Data Not Available
['Q4', '2024']:
- Data Not Available
- **Evaluation:**
- Insufficient Info: Data not available.

2. Retail and wholesale lending focus
- **Narrative:** Management has conveyed a focused approach toward enhancing retail loan disbursements with expectations for a significant increase in the upcoming quarter. There is a cautious stance towards scaling the ticket size for wholesale lending, indicating a strategy to maintain controlled growth in this segment.
- **Management's Guidance:**
- The company anticipates the highest disbursement levels for retail loans in the upcoming quarter, marking substantial growth compared to previous quarters. There is a deliberate avoidance of expanding into large ticket-size loans within the wholesale segment, with only selective cases considered for higher value lending.
- **Actual Results:**
['Q2', '2025']:
- Data Not Available
['Q1', '2025']:
- Loan portfolio grew 31% YoY
['Q3', '2024']:
- Data Not Available
['Q4', '2024']:
- Data Not Available
- **Evaluation:**
- Insufficient Info: Data not available.

3. Micro banking initiatives
- **Narrative:** Management is focusing on optimizing their micro banking operations by introducing strategic operational changes and setting clear targets for their microfinance portfolio. The company is prioritizing efficiency in borrower interactions and aims to adjust the composition of their loan book to balance microfinance with non-microfinance segments over the next few years.
- **Management's Guidance:**
- Management has introduced a new operational strategy that includes keeping a one-day buffer every fortnight to allow field staff to reach out to borrowers who missed payments on the scheduled centre meeting day. They expect the microfinance book to contribute around 20%-22% and overall around 30% for the fiscal year 2025. The company intends to raise at least 2.5% of its microfinance book. The microfinance book is anticipated to adjust to approximately 50% in the near to medium term, from the current 62%, with the remaining 50% to be contributed by the non-microfinance book over the next three years.
- **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. At a point in time when we had a 90% micro banking heavy, we are today at 57%. Puneet Maheshwari mentioned the microfinance book is about 1.7%.
['Q1', '2025']:
- Including BC JLG, JLG loan book is ■11,160 crore (59% of total portfolio) as of Jun-24
['Q3', '2024']:
- Our micro-banking loan portfolio has grown at a healthy pace of 16% YOY and 8% quarter-on-quarter and crossed milestone of Rs.10,000 crores.
['Q4', '2024']:
- Govind Singh reported that the micro-banking loan portfolio has grown by around 23% during FY24. Micro-banking as on March '23 was 66% and has come down to 62%. The micro-banking portfolio crossed the ■11,000 crore mark, indicating healthy growth.
- **Evaluation:**
- Expectations Exceeded: The management guidance anticipated a balanced loan book with a 50% contribution from the non-microfinance segment in the medium term and a microfinance book growth target. Actual results show a significant reduction in micro-banking from 90% to 57% and strong growth in the non-micro banking portfolio, indicating faster-than-expected progress towards the strategic goals.

4. Competitive landscape analysis
- **Narrative:** Management did not provide specific insights into the company's strategic maneuvers regarding market positioning or competition for the future quarters in the recent discussion.
- **Management's Guidance:**

- Management indicated that they believe the rates have peaked and do not anticipate any further rate increases from this point forward.
- **Actual Results:**
['Q2', '2025']:
- Data Not Available
['Q3', '2024']:
- Data Not Available
['Q1', '2025']:
- Data Not Available
['Q4', '2024']:
- Data Not Available
- **Evaluation:**
- Insufficient Info: Data not available.

5. Credit risk assessment
- **Narrative:** Management has focused on improving credit risk assessment processes to stabilize and reduce credit costs. Their strategic emphasis is on mitigating slippages and enhancing the predictability of credit costs, with a target to achieve better outcomes in upcoming quarters.
- **Management's Guidance:**
- Management expects the credit cost to decrease to around 2% in Q4 FY24, with confidence in improvements over the previous quarter. They also indicate that for microfinance, a stable credit cost is projected between 1% to 1.5% in the future.
- **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. Additionally, the credit cost including the floating provision was reported at 2.7% in Q1 FY25.
['Q3', '2024']:
- Credit cost at 2.3% for Q3, FY24, excl. floating provision created of ■14 crore
['Q4', '2024']:
- Overall credit cost declined to almost 1.7% for Quarter 4 FY24, well within the guidance of around 2%. Additionally, credit cost at 1.4% for Q4, FY24, excluding the floating provision created of ■15 crore.
- **Evaluation:**
- Expectations Not Met: Management aimed for a credit cost reduction to around 2% by Q4 FY24, but actual results showed fluctuations with a higher credit cost of 3.9% by Q2 FY25, indicating their expectations were not consistently met.

6. Non-performing assets (NPA) trends
- **Narrative:** The management has been focusing on mitigating risks associated with non-performing assets. They have emphasized their commitment to reducing slippages within their retail portfolio, reflecting a strategic approach to improve asset quality.
- **Management's Guidance:**
- Management expects slippages in the retail portfolio to decrease in Q4 FY24.
- **Actual Results:**
['Q1', '2025']:
- Data Not Available
['Q2', '2025']:
- Data Not Available
['Q3', '2024']:
- According to the reported results for Q3 FY24, the gross NPA increased by 20 basis points to 3.04% from 2.81% in September '23. Additionally, the gross NPA on gross advances including the IBPC book was 2.8% as of December '23, which shows an increase of 10 basis points over the previous quarter.
['Q4', '2024']:
- Fresh slippages were less than Rs. 100 crores in Q4 FY24, showing a decrease from Rs. 135 crores in Q3. Gross NPAs declined by 50 basis points during Q4 FY24 to 2.51% from 3.04% as of December 2023. Net NPAs were almost 0.03% against 0.39%, and the overall provision cover, including floating provision, was at 99%.
- **Evaluation:**
- Expectations Met: Management expected slippages in the retail portfolio to decrease in Q4 FY24, and actual results show a decline in gross NPAs by 50 basis points during Q4 FY24, aligning with management's expectations.

7. Provision balance tracking
- **Narrative:** Management has been consistently building floating provisions throughout the year, with a specific focus on maintaining a buffer over the regulatory norms set by the IRAC RBI. This strategy indicates a cautious approach to risk management, preparing the company to absorb potential financial shocks.
- **Management's Guidance:**
- The company has set a pattern of creating INR14 crores in floating provisions each quarter, including Q1, Q2, and Q3, culminating in a total provision of INR134 crores as of December 2023. This consistent provisioning is expected to continue, ensuring a strong provision balance moving forward.
- **Actual Results:**
['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.
['Q4', '2024']:
- Floating Provision 149 134 120 106
['Q2', '2025']:
- The credit provision increased to INR 208 crores for Q2 FY '25, and the floating provision accumulated number is INR 190 crore as on September 30, 2024.
['Q3', '2024']:

- In Q3 FY24, management reported a floating provision of INR 14 crores, consistent with the guidance. The total floating provisions as of December 2023 stood at INR 134 crores, aligning with management's expectations. Additionally, total provisions in Q3 FY24 were INR 104 crores, compared to INR 87 crores in Q3 FY23, marking a 19% increase, and 83 crores in Q2 FY24, a 25% increase.
- **Evaluation:**
- Expectations Exceeded: The company surpassed its guidance by creating additional floating provisions beyond the expected INR14 crores per quarter, reaching INR20 crores in Q1 FY25 and increasing the total provision to INR190 crores by Q2 FY25, indicating a stronger-than-anticipated buffer.

8. Retail deposit growth
- **Narrative:** Management provided an optimistic outlook on deposit growth, indicating a strategic focus on accelerating deposit acquisition in the upcoming quarters. The discussion highlighted expectations for substantial growth, particularly in the fourth quarter.
- **Management's Guidance:**
- Management expects deposit growth for the year to be in the range of 27% to 28%. They anticipate a significant jump in deposit growth in the fourth quarter, which is expected to be much higher compared to the previous three quarters. Furthermore, there is an expectation to achieve minimum growth of 1% in the short term and a cumulative 3% over the next two years on total deposits.
- **Actual Results:**
['Q4', '2024']:
- Deposits grew by 27% year-on-year; Retail Term Deposits grew 43% year-on-year, and the total deposit at year-end was ■17,473 crores against ■13,710 crores, marking a year-on-year growth of 27.4%.
['Q1', '2025']:
- Deposits grew by 30% YoY; Retail Term Deposits grew 48% YoY.
['Q2', '2025']:
- Deposits grew by 40% YoY; Retail Term Deposits grew 48% YoY. Deposit growth was led by growth in retail term deposits, which grew by 48% year-on-year and 9% quarter-on-quarter.
['Q3', '2024']:
- Our retail term deposits grew by 46% year-on-year while bulk deposits declined by 6.2% year-on-year. Total deposits grew by 18% year-on-year and crossed overall deposit size of INR15,000 crores.
- **Evaluation:**
- Expectations Exceeded: Management expected deposit growth of 27% to 28% for the year, with a significant jump in Q4. Actual results showed a 27.4% year-on-year growth by year-end and continued acceleration in subsequent quarters, reaching 40% YoY growth in Q2 2025, exceeding expectations.

9. Liquidity management
- **Narrative:** Management has indicated a proactive approach towards optimizing liquidity management by aiming to reduce certain financial ratios. This strategy is part of their broader deposit and funding strategy to ensure more efficient capital utilization and improved financial stability.
- **Management's Guidance:**
- Management anticipates a decline of around 4% to 5% in the liquidity ratio by March 2025, targeting a range of 90% to 93%.
- **Actual Results:**
['Q1', '2025']:
- Data Not Available
['Q2', '2025']:
- Our CD ratio of 93% as on September 30, 2024, declined from 93.7% as on March 31, 2024.
['Q3', '2024']:
- Data Not Available
['Q4', '2024']:
- Data Not Available
- **Evaluation:**
- Expectations Met: Management anticipated a decline in the liquidity ratio to a range of 90% to 93% by March 2025, and the CD ratio as of September 30, 2024, was 93%, indicating alignment with the expected range.

10. CASA ratio improvement
- **Narrative:** The management has expressed a focused strategy on improving the company's CASA ratio, aiming to optimize the deposit structure and reduce dependency on costlier sources of funding.
- **Management's Guidance:**
- Management expects the CASA ratio to be around 26%-27% by the end of March '25.
- **Actual Results:**
['Q2', '2025']:
- Our CASA deposit ratio was 19.6% as on September 24, against 19% as on June '24.
['Q3', '2024']:
- Data Not Available
['Q4', '2024']:
- Our CASA ratio was 20.5% as on March 31, 2024
['Q1', '2025']:
- Data Not Available
- **Evaluation:**
- Expectations Not Met: The management aimed for a CASA ratio of 26%-27% by March '25, but the actual results show the ratio was only 20.5% as of March '24, indicating slower progress towards the target.

11. Long-term growth trajectory
- **Narrative:** Management has outlined an aggressive growth strategy focusing on expanding the company's reach and market presence significantly. This involves a concerted effort to achieve substantial growth rates in the upcoming fiscal years, highlighting the company's commitment to scaling its operations and enhancing its competitive position.

- **Management's Guidance:**
- Management has indicated a target growth rate of 35% in the upcoming fiscal year, with an anticipated growth rate of 30% in FY25.
- **Actual Results:**
['Q2', '2025']:
- Gross loan portfolio growth 28% YoY, deposits growth 40% YoY
['Q3', '2024']:
- Data Not Available
['Q4', '2024']:
- YoY Growth up by 35%
['Q1', '2025']:
- Govind Singh: Our gross loan book has grown by 31% Y-o-Y.
- **Evaluation:**
- Expectations Met: The management's target growth rate of 35% for the upcoming fiscal year was achieved by Q4 2024, and the growth trajectory continued with a 31% YoY growth in the gross loan book by Q1 2025, aligning with the company's outlined aggressive growth strategy.

12. Strategic adjustments for FY24
- **Narrative:** Management is focused on achieving substantial growth in their micro-banking loan portfolio, projecting a significant increase in loan book growth. This strategic effort is expected to enhance the company's financial performance for FY24.
- **Management's Guidance:**
- 1. Management is on track to achieve a planned growth of 20% to 22% for FY24 in their micro-banking loan portfolio.
- 2. The loan book has grown by 31% year-over-year and 10% quarter-on-quarter, with a growth plan target of around 30% for FY24.
- 3. Management expects to finalize their strategic plan in Q4, following a formal meeting in February, indicating forward progress in their strategic adjustments.
- **Actual Results:**
['Q2', '2025']:
- Data Not Available
['Q3', '2024']:
- Data Not Available
['Q4', '2024']:
- Data Not Available
['Q1', '2025']:
- Data Not Available
- **Evaluation:**
- Insufficient Info: Data not available.

13. Partnership development
- **Narrative:** Management discussed the strategic plans to firm up partnerships involving Utkarsh Core Invest Limited and the bank. This is intended to enhance collaborative efforts and leverage synergies to strengthen the company's position in the market.
- **Management's Guidance:**
- Management anticipates that by the end of the current quarter, they will have finalized partnership plans and will share these with all relevant stakeholders.
- **Actual Results:**
['Q4', '2024']:
- Data Not Available
['Q1', '2025']:
- Data Not Available
['Q2', '2025']:
- Data Not Available
['Q3', '2024']:
- Data Not Available
- **Evaluation:**
- Insufficient Info: Data not available.

14. Cost-to-income ratio improvements
- **Narrative:** Management has addressed efforts to improve operational efficiency, specifically focusing on the cost-to-income ratio. The discussion highlighted ongoing initiatives aimed at streamlining operations and reducing costs to enhance profitability.
- **Management's Guidance:**
- Management anticipates an increase of approximately 10 basis points in overall costs for the fourth quarter.
- **Actual Results:**
['Q4', '2024']:
- Sarjukumar P. Simaria reported that "We ended Q4 with our cost to income ratio at 57% and for the full year our cost to income ratio was 56.38%."
['Q1', '2025']:
- The cost-to-income ratio for Q1 FY25 was reported at 54.1%, which reflects an improvement from the previous period's 57.0%, indicating successful efforts in 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.
['Q3', '2024']:
- Our cost to income ratio has improved to 54.7% in Q3 FY24 versus 56.5% in Q2 FY24.
- **Evaluation:**
- Expectations Exceeded: The cost-to-income ratio improved significantly to 54.1% in Q1 FY25 from the anticipated 10 basis point increase in costs for Q4, indicating that the efforts in operational efficiency and cost management surpassed management expectations.

15. Collection efficiency improvements

- **Narrative:** Management highlighted their focus on improving collection efficiency as a key aspect of operational efficiency and cost management. By augmenting the collections team, the company aims to sustain and enhance its collection processes.

- **Management's Guidance:**

- Management anticipates collection efficiency to rise to between 97% and 97.5% for Q4 FY24. Additionally, they plan to expand their collections team by 100-200 members to support this goal.

- **Actual Results:**

['Q1', '2025']:

- Data Not Available

['Q2', '2025']:

- Our collection efficiency for the Bank as a whole was 92.3% in Q2 FY25, which was below the management's guidance of 97% to 97.5%.

['Q3', '2024']:

- On the micro-banking collection efficiency and asset quality which has been little muted in Q3 FY24 at 96.3%. We have seen improvement in collection efficiency towards the month of December 23 and current month of January 24 wherein we have inched towards closer to 97% collection efficiency. Collection Efficiency (excl. Pre-Payments) 97% 97% 96% Q3'FY24 Q2'FY24 Q1'FY24.

['Q4', '2024']:

- Collection efficiency improved to 97.6% for Quarter 4 FY24, marginally better than our guidance of 97% to 97.5% for Quarter 4 FY24.

- **Evaluation:**

- Expectations Exceeded: The collection efficiency improved to 97.6% for Q4 FY24, surpassing the management's guidance of 97% to 97.5%, indicating better-than-expected performance in enhancing collection processes.