

## Q3 2024

### 1. Profit margin trends

- **Narrative:** Management has articulated a strategic focus on improving profit margins by optimizing the portfolio and credit costs. They are taking proactive steps to ensure profitability by concentrating on high-performing states and reducing exposure in less profitable regions. Additionally, there is a concerted effort to lower cost structures and achieve sustainable credit costs, which are crucial to maintaining and enhancing profit margins.

- **Management's Guidance:**

- The company is working towards reducing their cost structure to sub 12%. They are confident that by the end of this year, they will maintain credit costs below 2%.

- **Actual Results:**

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

- Data Not Available

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

- Data Not Available

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

- Data Not Available

**['Q3', '2024']:**

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

### 2. Loan portfolio growth

- **Narrative:** Management has articulated a strategy focused on substantial loan portfolio growth, with an emphasis on achieving significant recovery milestones across various buckets.

- **Management's Guidance:**

- The management anticipates crossing the INR 100 crores mark in recovery across all categories by the end of the current year, while setting a target to achieve INR 150 crores in the following year.

- **Actual Results:**

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

- Data Not Available

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

- Data Not Available

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

- Data Not Available

**['Q3', '2024']:**

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

### 3. Interest income developments

- **Narrative:** Management has outlined a strategic focus on maintaining robust Net Interest Margin (NIM) levels, indicating confidence in achieving a NIM of over 13.5% in the upcoming quarters. Additionally, there is an initiative underway to reduce interest rates for long-term customers, specifically those with a cycle of 6 and above, which suggests a strategy to retain and reward loyal customers, potentially impacting future interest income positively.

- **Management's Guidance:**

- Management expects to achieve a NIM of over 13.5% in the coming quarters. Additionally, they are in the process of reducing interest rates for customers with cycle 6 and above.

- **Actual Results:**

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

- NIM for the quarter was 15.2%, which is up 91 bps Y-o-Y and 58 bps quarter-on-quarter.

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

- NIM for Q2 FY25 was reported at 12.8%, which is below the management's guidance of over 13.5%. The net interest income for the quarter increased by 9% year-over-year to Rs. 341 crores, but was down 20% from the previous quarter. Interest income on loans for Q2 FY25 was 599 crores, showing a decrease of 12% quarter-over-quarter and an increase of 11% year-over-year.

**['Q3', '2024']:**

- In Q3 FY24, the Net Interest Margin (NIM) was reported at 13.3%, which is below the management's guidance of over 13.5%.

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

- While it was an improvement of about 11 bps quarter-on-quarter, NIMs for the quarter improved 128 bps to 14.6%. 13.3 was the NIM for the previous quarter, which is Quarter 3. NIM for the year was 14.1.

- **Evaluation:**

- **Expectations Not Met: The management's guidance was to maintain a NIM of over 13.5%, but the actual results in Q3 FY24 and Q2 FY25 showed NIMs of 13.3% and 12.8% respectively, which fell short of expectations.**

### 4. Asset under management (AUM) targets

- **Narrative:** Management has outlined a clear growth trajectory for the company's Asset Under Management (AUM), with specific targets set for the upcoming fiscal years. The strategic focus remains on achieving substantial growth while maintaining robust asset quality and profitability.

- **Management's Guidance:**

- Management projects to conclude FY'25 with an AUM of approximately INR 15,000 crores, aligning with their communicated objectives, while ensuring credit losses remain under 2%, Return on Assets (ROAs) at 4.5% and above, and Net Interest Margins (NIMs) at 13.5% and above. For the current fiscal year, the AUM is expected to range between INR 11,500 crores and INR 12,000 crores.

**- Actual Results:**

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

- AUM at the end of Quarter 2 was Rs. 10,537 crores, registering a growth of 8% Y-o-Y. However, sequentially, the AUM declined by about 10%.

**['Q3', '2024']:**

- Shalabh Saxena: Quarter 3 was a quarter where we crossed a major milestone by reaching an AUM of INR 10,404 crores.

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

- On the AUM side, our year end AUM was 11,973 crores, which was 15% quarter-on-quarter growth over the previous quarter and a 41% growth over FY'23.

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

- AUM at the end of quarter 1 was INR 11,723 crores, which was a growth of 72% Y-o-Y.

**- Evaluation:**

- **Expectations Met:** Spandana's AUM at the end of FY'24 was INR 11,973 crores, which aligns with the management's guidance of AUM between INR 11,500 crores and INR 12,000 crores for the fiscal year.

**5. Process automation**

- **Narrative:** Management discussed the strategic shift in operational processes to enhance efficiency and optimize daily operations. The focus is on transitioning from a monthly repayment model to a more frequent weekly cycle, aiming to distribute activities such as new member acquisition, disbursement, and collection throughout the entire month rather than on selective days. This approach is designed to improve cash flow consistency and operational resilience.

**- Management's Guidance:**

- Management aims to implement a weekly repayment system as a core component of their operational strategy, indicating that this change is central to their long-term objectives for process automation and optimization.

**- Actual Results:**

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

- Data Not Available

**['Q3', '2024']:**

- Data Not Available

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

- Data Not Available

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

- Renish Bhuvra: "only 400 branches are on weekly collection"

**- Evaluation:**

- **Expectations Not Met:** Management aimed to fully implement a weekly repayment system as a key strategy, but only 400 branches had adopted this system by Q1 2025, indicating that the expectations for widespread implementation were not met.

**6. Cost reduction initiatives**

- **Narrative:** Management has laid out a clear strategy focused on operational efficiency and optimization, specifically targeting cost reduction. The emphasis is on lowering operating expenses and maintaining a sustainable cost-to-income ratio as part of their long-term vision.

**- Management's Guidance:**

- The company aims to reduce the operating expense ratio to under 6%, targeting a range of 5.5% to 6%. Additionally, they plan to maintain a cost-to-income ratio in the mid-30% range, specifically between 35% to 39%, in a steady state.

**- Actual Results:**

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

- Data Not Available

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

- Data Not Available

**['Q3', '2024']:**

- On the opex side, we are currently at 6.6%.

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

- Data Not Available

**- Evaluation:**

- **Expectations Not Met:** The actual results indicate that the operating expense ratio is at 6.6% in Q3 2024, which does not meet the management's guidance of reducing it to under 6%. The cost-to-income ratio data is not available.

**7. Operational progress**

- **Narrative:** Management is focused on refining operational processes, with a specific emphasis on regularizing operations across existing branches. This effort is aimed at achieving a more consistent operational framework within the upcoming months.

**- Management's Guidance:**

- Management anticipates that the process of regularizing the current set of 730 branches will be completed within the next three to four months. Furthermore, the Parivartan branches are expected to stabilize within one to two quarters, which is sooner than the previously anticipated four quarters.

**- Actual Results:**

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

- Data Not Available

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

- Data Not Available

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

- Introduced Branch Quality Managers (BQM) in 960+ branches already

**['Q3', '2024']:**

- Data Not Available

**- Evaluation:**

- **Expectations Exceeded:** Management anticipated operational regularization within three to four months for 730 branches, but the introduction of Branch Quality Managers in over 960 branches indicates a broader and quicker enhancement, exceeding initial expectations.

## 8. Vision 2025 roadmap

- **Narrative:** Management highlighted their commitment to diversifying geographical risk as part of their Vision '28, ensuring no single state's contribution exceeds 11% to 13% of the total portfolio. Additionally, they outlined an ambitious target for the next year under Vision 25, aiming for INR 15,000 crores in business.

- **Management's Guidance:**

- The company plans to cap the maximum contribution from any state to 11% to 13% as part of its strategic vision. They also have a target of achieving INR 15,000 crores in the upcoming year.

- **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.

## 9. Long-term growth strategy

- **Narrative:** Management outlined an ambitious long-term growth strategy focusing on significant portfolio expansion under their Vision 28 initiative. The strategic goal is to achieve a portfolio size of INR28,000 crores by the financial year 2028. This reflects the company's commitment to scaling operations and enhancing its market position over the next few years.

- **Management's Guidance:**

- Management aims to increase the company's portfolio to 15,000 immediately, with a target of reaching 28,000 by FY 2028.

- **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.

## 10. Forward-looking statements

- **Narrative:** Management conveyed a strategic pause in certain operations, with an emphasis on regularizing processes within the next few months. Additionally, they indicated plans to reassess these operations in the medium term, approximately 3 to 4 quarters from now.

- **Management's Guidance:**

- Management is confident that they will regularize certain processes in the next 3 to 4 months. They have also temporarily paused some operations but plan to revisit these in 3 to 4 quarters.

- **Actual Results:**

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

- Data Not Available

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

- Data Not Available

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

- Shalabh Saxena: About 75% we would have done from a tenure point of view where in a year you would have done three out of four quarters.

**['Q3', '2024']:**

- Data Not Available

- **Evaluation:**

- **Expectations Not Met: Management aimed to regularize certain processes within 3 to 4 months, but by Q2 2025, only about 75% completion was mentioned, indicating delays in meeting initial expectations.**

## 11. Regulatory compliance updates

- **Narrative:** The management of Spandana has provided insights into their regulatory compliance strategy, highlighting the expected timeline for regulating their existing Business-As-Usual (BAU) operations. This reflects their ongoing commitment to aligning with regulatory standards and ensuring comprehensive compliance across their business activities.

- **Management's Guidance:**

- The management anticipates that the regulation of the existing BAU business will be completed within a timeframe of three to four months.

- **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.

**12. New branch openings**

- **Narrative:** During the Q3 2024 earnings call, management elaborated on their strategy for geographic and branch expansion, particularly focusing on the opening of new branches. They highlighted a targeted approach by selecting 730 branches across India, which have shown significant promise in portfolio contribution and customer reach.

- **Management's Guidance:**

- Management anticipates that these branches will contribute upwards of 40% to 45% to the company's portfolio by the same period next year, indicating a strong expected impact from the new branch openings.

- **Actual Results:**

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

- We opened 429 new branches during the course of the year which had a weekly repayment model.

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

- Data Not Available

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

- 450 branches were opened in the last one year.

**['Q3', '2024']:**

- We opened 375 branches during the year, which have weekly repayment for the customers. In Q3, these branches have contributed 16% to disbursements.

- **Evaluation:**

- **Expectations Not Met:** The management anticipated the new branches would contribute 40% to 45% of the portfolio, but by Q3 2024, they only contributed 16% to disbursements, and only 450 branches were opened versus the targeted 730.