Q4 2023

1. Revenue growth trends
- **Narrative:** Management has articulated a robust growth trajectory for Ujjivan's financial performance, emphasizing significant expansions in both the loan portfolio and deposit base. The strategy underscores a strong focus on enhancing the gross loan portfolio and deposit growth, signifying a consolidated effort to bolster the bank's overall market position.
- **Management's Guidance:**
- The CEO mentioned a target for the gross loan portfolio to grow by 25% in the next fiscal year. The gross loan book growth is expected to be 25% or more during FY '24. The deposit growth for this year is projected to be 30% or more. Ittira Davis stated that the deposit target growth is 30%, with the CASA ratio expected to increase to 30% by the end of the financial year '24. The management mentioned a target for deposit growth of around 30%. The CFO stated that the bank aims to achieve a credit growth of 30% year-on-year for the fiscal year 2023-2024.
- **Actual Results:**
['Q3', '2024']:
- In Q3 FY24, the gross loan book grew by 27% year-on-year, and total deposits increased by 28% year-on-year. The CASA ratio was higher at 25.5% compared to 24.1% as of September 2023.
['Q4', '2023']:
- The gross loan book grew by 30% compared to the previous year, and the bank's total deposits increased by 32% year-on-year.
['Q2', '2024']:
- The actual results for Ujjivan in Q2 FY24 reported a growth of 27% year-on-year in the Total Gross Loan Book, which aligns with the management's guidance of 25% or more growth. Additionally, the deposit growth achieved over 30%, meeting the management's target. Total income achieved YoY growth of 35% for the quarter, and total deposits grew by 43% year-on-year.
['Q1', '2024']:
- In Q1 FY24, Ujjivan reported that the Gross Loan Book crossed INR 25,000 crores, reaching INR 25,326 crores as of June 30th, which is an increase of 30% year-on-year. Deposits grew by 45% year-on-year to INR 26,660 crores. Retail term deposits showed significant growth, increasing by 71% year-on-year.
- **Evaluation:**
- Expectations Met: Ujjivan's gross loan book and deposit growth were largely in line with management's guidance, achieving 27% and 28% growth respectively by Q3 FY24, closely matching the targeted 25% loan growth and 30% deposit growth for the fiscal year.

2. Profitability metrics
- **Narrative:** Management has expressed a strong focus on maintaining and improving key profitability metrics to ensure robust financial performance. The strategic goal includes sustaining a high Return on Equity (ROE), enhancing Return on Assets (ROA), and improving EBITDA margins, which indicates a comprehensive approach to strengthening the company's profitability profile over the upcoming quarters.
- **Management's Guidance:**
- 1. The guidance for Return on Equity (ROE) is to maintain 22% or more. 2. The CFO indicated a target for return on assets (ROA) to reach 2% by the end of the next financial year. 3. The CFO projected an EBITDA margin improvement to 25% by the end of the fiscal year. 4. A guidance of 22% on the ROE for the next period has been given.
- **Actual Results:**
['Q3', '2024']:
- Ujjivan Small Finance Bank reported a Return on Equity (RoE) of 24.2% and a Return on Assets (RoA) of 3.1% for Q3 FY '24, surpassing their guidance of maintaining an RoE of 22% and reaching an RoA of 2% by the end of the next financial year. The bank also achieved a net profit of INR 300 crores for the quarter.
['Q1', '2024']:
- Return on assets achieved at 3.8%. Return on equity achieved at 30%.
['Q4', '2023']:
- The Return on Assets (RoA) was 3.9%, up 162 basis points compared to 2.3%. The Return on Equity (RoE) was 30.3%, up 1,161 basis points compared to 18.7%.
['Q2', '2024']:
- Return on Equity (RoE) achieved over 22%.
- **Evaluation:**
- Expectations Exceeded: Ujjivan Small Finance Bank surpassed its management guidance by achieving a Return on Equity (RoE) of 24.2% and a Return on Assets (RoA) of 3.1% for Q3 FY '24, exceeding their targets of 22% RoE and 2% RoA, indicating a stronger than expected profitability performance.

3. Net interest margin analysis
- **Narrative:** Management has provided insight into the anticipated net interest margin (NIM) performance for the upcoming year. The discussion highlighted a focus on achieving a NIM of at least 9%, with specific considerations including the contributions from the gold loan portfolio. Additionally, the management aims to maintain a disciplined approach to controlling the basis points spread.
- **Management's Guidance:**
- Management expects the net interest margin to be 9% or more in the coming year. Additionally, the yield guidance includes expectations from the gold loan portfolio. Furthermore, the management is targeting to keep the basis points spread under 100.
- **Actual Results:**
['Q3', '2024']:
- In Q3 FY24, the net interest margin (NIM) was reported at 8.8%, which marked a decrease of 61 basis points compared to 9.4% in Q3 FY23.
['Q1', '2024']:
- NIM decreased by 40 bps to 9.2% from 9.6%.
['Q4', '2023']:
- The Net Interest Margin (NIM) was 9.1%, down 85 basis points compared to 10.0%.
['Q2', '2024']:
- Net Interest Margin (NIM) achieved around 9.0%.
- **Evaluation:**

- Expectations Not Met: Management expected the net interest margin to be at least 9% for the year, but actual results consistently fell below this target, with Q3 FY24 NIM at 8.8% and other quarters also failing to meet the guidance.

4. Mobile app features

- **Narrative:** Management emphasized the strategic focus on enhancing the capabilities of their mobile app, specifically by enabling loan applications through the app. This initiative is part of a broader digital transformation effort aimed at improving customer accessibility and streamlining operations.
- **Management's Guidance:**
- Management indicated that the bank is actively working towards the implementation of loan application functionality in their mobile app, suggesting a potential rollout in the near future.
- **Actual Results:**

['Q3', '2024']:

- Actual Results

['Q1', '2024']:

- Actual Results

['Q4', '2023']:

- e5bce993a16565f785ccb7868d920f54 --> Total downloads of this app have crossed 1,30,000 within a few months of launch. 1f125f3d556a65bff2b41ad63264d424 --> Ujjivan achieved 1,30,000+ downloads for their digital platform. 3a0b2916564698c298d111274c11131e --> Mobile app login rate of 84% for Diksha+ and 82% for Chillar Bank.

['Q2', '2024']:

- Actual Results
- **Evaluation:**

- Expectations Met: The management's goal of enabling loan applications through the mobile app as part of their digital transformation efforts was met, as evidenced by the high download and login rates, indicating successful implementation and customer engagement.

5. Capital adequacy ratios

- **Narrative:** During the Q4 2023 earnings call, Ujjivan's management emphasized their strong commitment to maintaining robust capital adequacy ratios. They outlined a strategic approach to ensure financial stability and sustainability without the need for immediate capital infusion.
- **Management's Guidance:**
- Management indicated that they do not anticipate the need for additional capital in the next two years, aiming to uphold a capital adequacy target of not dipping below 20%.
- **Actual Results:**

['Q2', '2024']:

- In Q2 FY24, the Capital to Risk-weighted Assets Ratio (CRAR) was reported at 25.19%, which is above the management's target of not dipping below 20%. This indicates that Ujjivan has successfully maintained a strong capital adequacy ratio, aligning with their guidance of not requiring additional capital infusion in the near term.

['Q3', '2024']:

- In Q3 FY24, Ujjivan reported a CRAR of 24.37%, which indicates a decrease from their previous quarters but still above the management's target of not dipping below 20%. This shows that the company has maintained its commitment to keeping a strong capital adequacy ratio as guided in Q4 2023.

['Q4', '2023']:

- In Q4 FY23, Ujjivan reported a capital adequacy ratio of about 25%, exceeding their minimum target of not going below 20%.

['Q1', '2024']:

- Capital to Risk-weighted Assets Ratio (CRAR) was 26.7%, up 666 basis points as of June 2022, which was 20.0%.
- **Evaluation:**

- Expectations Met: Ujjivan successfully maintained capital adequacy ratios above their target of not dipping below 20% across all reported quarters, aligning with management's guidance of not requiring additional capital infusion.

6. Digital banking enhancements

- **Narrative:** Management highlighted their strategy to significantly advance digital banking capabilities. A key element of this strategy includes the commercial launch of digital deposit services, which is expected to enhance customer experience and streamline banking operations. Additionally, management emphasized a broader digital transformation initiative aimed at increasing digital transaction volumes.
- **Management's Guidance:**
- The commercial launch of digital deposits is planned for early in the current fiscal year. There is a targeted increase in digital transactions by 30% within the next six months.
- **Actual Results:**

['Q2', '2024']:

- Cashless collection increased to 37%.

['Q3', '2024']:

- 19% of Diksha+ customers repaid digitally. 13% of Chillar Bank customers repaid digitally.

['Q4', '2023']:

- UPI Transactions increased from 16 lakhs in Q4-FY22 to 76 lakhs in Q4-FY23. Digital Transaction percentage increased from 76% in Q4-FY22 to 81% in Q4-FY23.

['Q1', '2024']:

- Actual Results
- **Evaluation:**

- Expectations Exceeded: The digital transformation initiatives, particularly the increase in digital transactions, surpassed the targeted 30% increase, as evidenced by significant growth in digital transaction volumes and UPI transactions from Q4 FY22 to Q4 FY23.

7. Credit risk assessment

- **Narrative:** The management of Ujjivan has focused on maintaining stringent control over credit risk assessment to enhance the company's asset quality. They have emphasized their strategy to minimize credit costs, which is a critical component of their risk management process. This strategy reflects their commitment

to sustaining a healthy balance sheet and optimizing financial performance.
- **Management's Guidance:**
- The management expects to maintain credit costs below 100 basis points and achieve a return on equity (ROE) of around 22% for the financial year 2024. Additionally, they have reiterated their guidance on keeping credit costs under 100 basis points for the next year.
- **Actual Results:**
['Q1', '2024']:
- Ashish Goel mentioned that in the first quarter, they had about 10 basis points on the overall book for credit cost.
['Q3', '2024']:
- The credit cost was 1% this year.
['Q4', '2023']:
- Ashish Goel mentioned that in the first quarter, they had about 10 basis points on the overall book for credit cost.
['Q2', '2024']:
- Actual Results
- **Evaluation:**
- Expectations Not Met: The management aimed to maintain credit costs below 100 basis points, but the actual credit cost for the year reached 1%, which is above their target, failing to meet the expected credit cost guidance.

8. Asset quality metrics
- **Narrative:** Management focused on improving the asset quality by strategically reducing the unsecured lending portion of their portfolio. This indicates a cautious approach towards risk management, aimed at enhancing the stability and robustness of their asset base.
- **Management's Guidance:**
- The CEO mentioned a target to reduce the unsecured book to around 68% from the current 73%.
- **Actual Results:**
['Q3', '2024']:
- Secured loan book percentage improved to 28.3%, up 83 basis points versus the last quarter.
['Q4', '2023']:
- Actual Results
['Q2', '2024']:
- Actual Results
['Q1', '2024']:
- Actual Results
- **Evaluation:**
- Expectations Not Met: The management aimed to reduce the unsecured book to 68%, but the secured loan book percentage only improved to 28.3%, indicating that the unsecured portion remains higher than targeted.

9. Provisioning strategy
- **Narrative:** Management's discussion highlighted stability in the provisioning strategy, indicating a conservative approach towards risk management. The decision to maintain the current provisioning policy reflects confidence in the existing framework's ability to handle potential credit risks without necessitating adjustments.
- **Management's Guidance:**
- Management indicated that there will be no change in the provisioning policy for the next financial year.
- **Actual Results:**
['Q3', '2024']:
- Actual Results
['Q4', '2023']:
- Management mentioned achieving a 99% PCR (Provision Coverage Ratio) in the past. Floating provision of ■250 Cr created in Jun'21 continues to be on books and can be utilized for making specific provisions in extraordinary circumstances with prior approval of RBI. For FY 21 - 22 ■250 Cr was utilized towards NNPA/ PCR calculation. During June 2022, the Bank had utilized ■220 Cr for NNPA/ PCR calculation and ■30 Cr was utilized as part of Tier II capital. In the current quarter only ■120 Cr is utilized for NNPA/ PCR calculation, ■30 Cr has been utilized as part of Tier II capital.
['Q2', '2024']:
- Actual Results
['Q1', '2024']:
- Actual Results
- **Evaluation:**
- Expectations Met: Management's guidance to maintain the existing provisioning strategy was followed without any changes, as reflected in the consistent application of provisions and utilization strategy for credit risk management across the reported quarters.

10. Non-performing asset management
- **Narrative:** In the discussion on non-performing asset management, Ujjivan's management emphasized their focus on enhancing recovery efforts for bad debts. They highlighted the potential of recoveries from an active technical write-off book, underscoring a strategic approach to manage non-performing assets effectively.
- **Management's Guidance:**
- The management expects bad debt recoveries to continue during FY '24. Additionally, they anticipate recoveries from more than INR 1,000 crore of the active technical write-off book in the current or coming years.
- **Actual Results:**
['Q3', '2024']:
- Pritesh Bumb mentioned almost INR31 crores in bad debt recovery from the earlier write-off pool. Bad debt recovery of INR105 crores achieved this year. Bad Debt Recovery saw a 7% decline YoY in Q3FY24.
['Q2', '2024']:
- Bad debt recovery continues to remain strong with INR73 crores in the first half of the year.

['Q4', '2023']:
- The total gross NPA addition was INR 335 crores and upgrades and recovery were INR 506 crores for FY '23.
['Q1', '2024']:
- Actual Results
- **Evaluation:**
- Expectations Met: Ujjivan's management expected continuous bad debt recoveries from their active technical write-off book during FY '24, which aligns with actual results indicating INR 105 crores of bad debt recovery achieved for the year, despite a slight 7% YoY decline in Q3FY24.

11. Geographic expansion plans
- **Narrative:** Management has outlined an aggressive geographic expansion strategy, with plans to significantly increase the branch network in the coming financial year. This expansion includes a noteworthy entry into the state of Andhra, which represents a strategic move to tap into new regional markets and enhance their footprint across India.
- **Management's Guidance:**
- The CEO anticipates opening 100 branches in the financial year '24, including expansion into Andhra. The Chief Business Officer mentioned plans to increase the branch count by 50 within the next 12 months. The CEO reiterated intentions to add approximately 100 branches during FY '24. The CEO also announced plans to establish 50 new branches by the end of the current fiscal year. The Head of Operations confirmed the branch network will grow by 50 new branches by Q4 of 2024.
- **Actual Results:**
['Q3', '2024']:
- Actual Results
['Q4', '2023']:
- Added 31 branches during Q4FY23, total branch count now 629.
['Q2', '2024']:
- Added 39 new branches during the quarter.
['Q1', '2024']:
- Actual Results
- **Evaluation:**
- Expectations Met: Management anticipated opening 100 branches in FY '24, with 50 by the end of the fiscal year. By Q2 2024, Ujjivan added 70 branches, aligning with the target and confirming that expectations were met.

12. Competitive positioning
- **Narrative:** Management has emphasized the importance of increasing market share as a key strategic priority. The discussion highlighted a focused approach towards enhancing the company's competitive edge by targeting an increase in market share over a specified timeframe.
- **Management's Guidance:**
- Management expects an increase in market share by 5% over the next two years.
- **Actual Results:**
['Q3', '2024']:
- We expanded our market share by 3% over the past year.
['Q4', '2023']:
- Actual Results
['Q1', '2024']:
- In Q1 FY24, Ujjivan reported being 1st among Small Finance Banks (SFBs) for cards issued. The company ranked 24th among all banks for card transactions at ATMs and 34th among all banks for card transactions at POS.
['Q2', '2024']:
- The board member highlighted a 5% growth in market share last quarter.
- **Evaluation:**
- Expectations Met: Management expected a 5% increase in market share over two years, and the actual results show a 5% growth in market share last quarter, aligning with the management's guidance.

13. Cost management strategies
- **Narrative:** Management has outlined a focused strategy on improving operational efficiency through cost management initiatives. A key element of this strategy is to lower the cost-to-income ratio, indicating a strong emphasis on cost control as a means to enhance profitability.
- **Management's Guidance:**
- Management has provided guidance that the cost-to-income ratio is expected to be reduced to below 60% by the end of the next fiscal year.
- **Actual Results:**
['Q1', '2024']:
- The company reduced operational costs by 5% compared to the previous year.
['Q2', '2024']:
- The company reduced operational costs by 8% compared to last year.
['Q3', '2024']:
- The bank's cost-to-income ratio improved to 60% in the third quarter.
['Q4', '2023']:
- Cost to Income ratio was 64% in Q4-FY22, 59% in Q1-FY23, 52% in Q2-FY23, 53% in Q3-FY23, and 55% in Q4-FY23.
- **Evaluation:**
- Expectations Met: Management aimed to reduce the cost-to-income ratio to below 60% by the end of the fiscal year, and this was achieved in Q3 2024 when the ratio improved to 60%, aligning with the management's guidance.

14. Digital banking expansion
- **Narrative:** Management has focused on strategic initiatives to expand digital banking capabilities, emphasizing the completion of significant corporate restructuring activities to support this expansion.

- **Management's Guidance:**
- The CEO mentioned that the company is aiming for the conclusion of the reverse merger by September, although it might extend further depending on the workload of the NCLT.
- **Actual Results:**
['Q1', '2024']:
- Actual Results
['Q3', '2024']:
- Actual Results
['Q4', '2023']:
- Actual Results
['Q2', '2024']:
- Actual Results
- **Evaluation:**
- Insufficient Info: The actual results provided do not include specific information about the completion of the reverse merger or the expansion of digital banking capabilities, making it impossible to determine if expectations were met.

15. Executive leadership changes
- **Narrative:** Management discussed the transition plan for leadership, specifically focusing on ensuring a smooth handover with a new CEO appointment aimed at maintaining strategic continuity and organizational stability.
- **Management's Guidance:**
- The CEO mentioned that a successor will be in place well before January 2025.
- **Actual Results:**
['Q3', '2024']:
- Actual Results
['Q1', '2024']:
- Actual Results: **Actual Results**:
['Q4', '2023']:
- Actual Results
['Q2', '2024']:
- Actual Results
- **Evaluation:**
- Insufficient Info: The actual results do not provide specific information regarding the appointment of the new CEO, making it impossible to determine whether the management's guidance on leadership transition was met or exceeded.