Q3 2023

1. Net Interest Margin
- **Narrative:** Management has expressed a clear focus on optimizing net interest margins in the coming quarters. They have laid out a strategy to gradually enhance margins by implementing targeted financial measures and maintaining a disciplined approach to cost management. The discussions reveal an intent to stabilize and improve the margins while carefully navigating interest rate dynamics and market conditions.
- **Management's Guidance:**
- Management aims to achieve net interest margins of 9.5% to 10% on a full-year basis, indicating a range-bound strategy despite fluctuations in deposit rates. They are targeting a net interest margin of 4% for the current year, with a specific focus on achieving a Q4 exit rate of 2.75%, which would serve as a foundation for further improvements next fiscal year. Additionally, management has set the goal to moderate margins by 55 basis points in the immediate term, with an ambition to increase this by at least 150 basis points over the next two quarters. They are also concentrating on maintaining operational efficiency by managing expenses to around INR 20 crores per quarter.
- **Actual Results:**
['Q2', '2024']:
- Data Not Available
['Q3', '2023']:
- Net Interest Margin for Q3 FY23 was reported as 9.2%, compared to 9.9% in Q3 FY22.
['Q1', '2024']:
- Consequently, the NIM improved to 10.1% in Q1 FY '24 compared to 9.1% in Q1 FY '23.
['Q4', '2023']:
- NIM: 10.4% in Q4FY23, 7.8% in Q4FY22, an increase of 260 bps.
- **Evaluation:**
- Expectations Exceeded: The actual Net Interest Margin for Q4 FY23 was 10.4%, which exceeded the management's guidance of a 9.5% to 10% range for the full year, indicating successful implementation of their margin optimization strategy.

2. Loan Portfolio Quality
- **Narrative:** Management highlighted their proactive strategy in expanding the loan portfolio, emphasizing a noteworthy increase in their target for Vikas loans. This adjustment reflects the company's commitment to scaling their operations and capturing a larger market share in the microfinance sector.
- **Management's Guidance:**
- Management is currently aiming for a portfolio build of around INR 2,500 crores for Vikas loans, which is an increase from the initial target range of INR 2,000 to INR 2,200 crores.
- **Actual Results:**
['Q1', '2024']:
- Data Not Available
['Q4', '2023']:
- Data Not Available
['Q2', '2024']:
- In Q2 FY24, the Vikas loan portfolio was reported at INR 1,621 crores, which is below the management's guidance target of INR 2,500 crores.
['Q3', '2023']:
- In Q3 2023, the Vikas loan portfolio was reported at INR 1,621 crores, which is significantly below the management's guidance target of INR 2,500 crores.
- **Evaluation:**
- Expectations Not Met: The actual Vikas loan portfolio reported in Q3 2023 and Q2 FY24 was INR 1,621 crores, significantly below the management's guidance target of INR 2,500 crores.

3. Return on Assets
- **Narrative:** Management has maintained a consistent focus on enhancing Return on Assets (ROA) through strategic growth initiatives. They are committed to building their loan book at an accelerated pace to achieve their ROA targets for the full year.
- **Management's Guidance:**
- Management reaffirmed their guidance to achieve an ROA of around 2% for the full year. They are confident in their ability to expand their asset base at a faster rate in the coming half year to meet this target.
- **Actual Results:**
['Q4', '2023']:
- In Q4 2023, the Return on Assets (ROA) was reported at 1.8%, which is below the management's guidance of achieving around 2% for the full year.
['Q2', '2024']:
- ROA reported at approximately 2.2% for Q2 2024, slightly exceeding the target of 2%.
['Q3', '2023']:
- Data Not Available
['Q1', '2024']:
- RoA for Q1 FY '24 was reported at 2.0%, meeting the management's guidance target.
- **Evaluation:**
- Expectations Exceeded: The Return on Assets (ROA) exceeded expectations by Q2 2024, reaching approximately 2.2%, surpassing the management's target of around 2%.

4. Cost-to-Income Ratio
- **Narrative:** The management has outlined a clear strategy to progressively reduce the cost-to-income ratio. The focus is on achieving significant efficiency improvements over the coming quarters, with specific targets set for the near and medium term. This reduction is indicative of the company's commitment to operational efficiency and financial performance enhancement.
- **Management's Guidance:**
- The management aims to reduce the cost-to-income ratio to below 55% by the end of the current year, with an ultimate goal of bringing it down to below 50% by

the end of the next financial year. The management has also reiterated their target to achieve a cost-to-income ratio of below 50% by end of 2024.
- **Actual Results:**
['Q2', '2024']:
- Data Not Available
['Q4', '2023']:
- Cost to income: 58.4% in Q4FY23, 70.9% in Q4FY22, a decrease of 1,250 bps.
['Q3', '2023']:
- Our cost-to-income stood at 56.7% as compared to 55.9% in H1 FY '23.
['Q1', '2024']:
- In Q1 FY24, the cost-to-income ratio was reported at 57.5%, showing an improvement from the previous year's corresponding quarter. However, this result is above the management's target of reducing the ratio to below 55% by the end of the current year.
- **Evaluation:**
- Expectations Not Met: The management aimed to reduce the cost-to-income ratio to below 55% by the end of the current year, but the actual result in Q4 2023 was 58.4%, indicating that the target was not achieved.

5. Non-Performing Assets (NPA) Ratio
- **Narrative:** The management of Suryodaya articulated a focused strategy to manage and minimize the Non-Performing Assets (NPA) ratio. Their approach is geared towards achieving a more robust financial health by systematically reducing NPAs over the forthcoming quarters.
- **Management's Guidance:**
- The management has set a target to reduce non-performing assets to below 2% by Q4 2024.
- **Actual Results:**
['Q2', '2024']:
- On the asset front, the bank's gross non-performing asset GNPA has reduced to 2.9% in H1 FY'24 from an elevated 9.9% in H1 FY '23.
['Q3', '2023']:
- On the asset front, the bank's gross non-performing asset (GNPA) has reduced to 2.9% in H1 FY '24 from an elevated 9.9% in H1 FY '23. For the net non-performing assets, the NNPA has decreased to 1.4% from 4.8% in the corresponding period last year.
['Q1', '2024']:
- Our gross nonperforming assets have reduced to 3% in Q1 FY '24 from 10% in Q1 FY '23. And net nonperforming assets have decreased to 1.6% in Q1 FY '24 from 5% in Q1 FY '23.
['Q4', '2023']:
- The actual Gross Non-Performing Assets (GNPA) ratio for Suryodaya in FY '23 was reported to be 3.1%, a reduction from 11.8% in FY '22. The Net Non-Performing Assets (NNPA) ratio was reported to be 1.5%, compared to 5.9% in FY '22.
- **Evaluation:**
- Expectations Exceeded: Suryodaya's management targeted reducing NPAs to below 2% by Q4 2024, and by Q2 2024, the GNPA had already reduced significantly from 9.9% in H1 FY'23 to 2.9%, showing a substantial improvement ahead of schedule.

6. Capital Adequacy Ratio (CAR)
- **Narrative:** Management expressed confidence in the company's current capital position, indicating no immediate need for additional capital infusion based on the regulatory requirements and anticipated growth trajectory.
- **Management's Guidance:**
- Management stated that a 35% growth in the loan book is expected not to necessitate raising capital for the next year.
- **Actual Results:**
['Q1', '2024']:
- Our capital adequacy ratio continues to be strong and currently at 32.7%.
['Q4', '2023']:
- The capital adequacy ratio for Suryodaya in Q4 2023 stands at 33.7%, with Tier 1 at 30.8% and Tier 2 at 2.9%. Additionally, the CRAR is reported at 33.7%, compared to 37.9% in FY22.
['Q2', '2024']:
- We continue to be very well capitalized, and currently the CRAR of our bank is 30.2%.
['Q3', '2023']:
- We continue to be very well capitalized, and currently the CRAR of our bank is 30.2%. CRAR 36.4% (41.4% 9MFY22)
- **Evaluation:**
- Expectations Met: Management aimed to maintain a strong capital adequacy ratio without the need for additional capital infusion, aligned with a 35% growth prediction. The actual results show a robust CAR around 30% to 33.7% across multiple quarters, meeting management's expectations.

7. Client Acquisition Rate
- **Narrative:** Management is focusing on strategic initiatives to enhance client acquisition rates, with a strong emphasis on scaling their loan book and customer base. They have set ambitious growth targets for the next few years and are making adjustments to their product mix to support these growth objectives.
- **Management's Guidance:**
- Management aims to increase the loan book by 20% over the next fiscal year while achieving a consistent acquisition rate of around 60,000 to 70,000 customers per month. Additionally, they are targeting a loan book growth to approximately INR 2,500 crores and expect to grow their business by 35% to 40% annually over the next three years.
- **Actual Results:**
['Q4', '2023']:
- Baskar Babu: "They are quite closer to around 30,000, 35,000 new customers every month, which comes through Vikas and graduate, they go to Vikas loan."
['Q2', '2024']:
- Baskar Babu reported that the curated product is currently running with a pre-approved number of customers around closer to 5 lakhs and converting closer to around 70,000 to 75,000 on a month-on-month basis.
['Q3', '2023']:
- Baskar Babu [So the curated product currently we run with probably a preapproved a number of customers around closer to 5 lakhs and converting closer to

around 70,000 to 75,000 on a month-on-month]
['Q1', '2024']:
- As of Q1 FY '24, the customer base of our bank stood at 24.3 lakh, a growth of 21%.
- **Evaluation:**
- Expectations Met: Although the client acquisition rate initially fell short, later quarters showed alignment with management's expectations, achieving 70,000 to 75,000 new customers per month, meeting the guidance targets.

8. Geographic Expansion Plans
- **Narrative:** Management is focused on expanding the branch network across tier-2 and tier-3 cities, indicating a strategic emphasis on increasing market presence in less saturated areas. The bank is investing in its branch network and manpower, with planned expansions in both the inclusive finance segment and retail banking.
- **Management's Guidance:**
- The company plans to open 50 new branches by the end of next year, with an expectation to add 30 to 35 fresh branches before the financial year ends. Additionally, they are targeting 70 to 75 branches in the inclusive finance segment and 30 to 35 in retail banking. This expansion is anticipated to enhance the company's market position significantly in the coming quarters.
- **Actual Results:**
['Q1', '2024']:
- We have a network of 609 branches, of which 95 branches are deposit-focused, while 325 branches are asset-focused branches.
['Q4', '2023']:
- We have currently a network of 577 branches, of which 95 branches are liability-focused while 324 branches are asset focus and the balance comprised of rural outlets.
['Q2', '2024']:
- Data Not Available
['Q3', '2023']:
- Currently, our bank has a network of 635 branches, of which 96 branches are deposit-focused, while 350 branches are asset-focused branches, and the balancing comprise of URCs.
- **Evaluation:**
- Expectations Not Met: The management planned to open 50 new branches by the end of the year, yet the actual results show a decline from 635 branches in Q3 2023 to 577 branches by Q4 2023, indicating a failure to meet expansion targets.