

## Q3 2024

### 1. Revenue growth trends

- **Narrative:** The management of Ujjivan Small Finance Bank has indicated a strong focus on expanding their loan book and micro banking portfolio. The strategic emphasis is on leveraging the existing strengths in loan disbursements and micro banking to achieve significant growth in revenue and market presence. The management's discussion highlights a consistent trajectory aimed at bolstering the bank's financial performance through targeted growth in key areas such as loans and deposits.

- **Management's Guidance:**

- The Chief Business Officer outlined a goal to increase the micro banking portfolio by 25% within the next year. Saumil Shah referred to the company's guidance for FY '24 to grow the loan book by 25% and deposits by 30%. The CFO stated that revenue is expected to grow by 15% in the next fiscal year.

- **Actual Results:**

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

- The revenue increased by 15% compared to last year.

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

- Revenue increased by 15% in the last quarter.

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

- Management achieved a YoY growth of 29% in total income for Q4 FY24.

- **Evaluation:**

- **{'evaluation': 'Expectations Exceeded', 'evaluation\_reason': 'The management guided a 15% revenue growth for FY '24, but the actual results showed a 29% year-on-year growth in total income for Q4 FY24, surpassing the expected revenue growth target.'}**

### 2. Profitability metrics

- **Narrative:** Management emphasized a focus on maintaining and improving profitability metrics over the coming years. They have provided clear targets and reaffirmed their commitment to achieving these goals, reflecting confidence in their strategic initiatives and operational efficiencies.

- **Management's Guidance:**

- 1. The cost-to-income ratio is targeted to be around 50% to 52% over the next two years. 2. The company maintains its guidance for net profit growth for the current year and also maintains its Return on Assets (RoA) and Return on Equity (RoE) guidance for FY '25 and '26. 3. The book value is expected to increase by 2.4% to 2.5% following the reverse merger. 4. The cost-to-income ratio is expected to remain in the range of 275-280 basis points for the full year. 5. A long-term Return on Equity (RoE) guidance of 22% plus is maintained for FY '25 and '26.

- **Actual Results:**

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

- Ujjivan Small Finance Bank achieved a 10% increase in net profit for Q3 FY '24. RoA and RoE at 3.1% and 24.2%, respectively, for Q3 financial year '24. The cost-to-income ratio was mentioned to be around 50% to 52%. The book value should go up by 2.4% to 2.5%.

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

- PAT for the quarter was INR330 crores, resulting in a full year profit after-tax of INR1,281 crores, growing by 17% year-on-year. Return on assets and return on equity of 3.3% and 24.8% for the fourth quarter.

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

- Actual Results

- **Evaluation:**

- **{'evaluation': 'Expectations Exceeded', 'evaluation\_reason': 'Ujjivan Small Finance Bank exceeded its profitability targets by achieving a 10% increase in net profit for Q3 FY '24 and a 17% year-on-year growth in full-year profit after-tax, with RoA and RoE surpassing guidance at 3.3% and 24.8%, respectively, for Q4 FY '24, while maintaining the targeted cost-to-income ratio.'}**

### 3. Interest income trends

- **Narrative:** Management discussed strategies to optimize interest income by focusing on the repricing of their asset book. A significant portion of the portfolio is positioned in higher interest brackets, and there is a strategic plan to address the segments yet to be repriced. Additionally, efforts are being made to improve the cost structure, which includes reducing the cost of borrowings.

- **Management's Guidance:**

- Management plans to continue benefiting from the repricing of the asset book, with around 65% of the book in the high bracket, and approximately 37% sourced in specific periods yet to be fully repriced. Additionally, the microfinance book is expected to see a 50 basis points improvement in 20% of the book and a 100 basis points improvement in 17% of the book over the next few months, including Q4 and possibly into Q1.

- **Actual Results:**

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

- Actual Results

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

- Actual Results

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

- Actual Results

- **Evaluation:**

- **{'evaluation': 'Insufficient Info', 'evaluation\_reason': 'The provided actual results are not detailed in the context, making it impossible to determine if management's guidance on interest income repricing and improvements was met, exceeded, or not met. Further details from the actual performance reports would be needed to make this evaluation.'}**

### 4. Net interest margin analysis

- **Narrative:** Management is focused on sustaining and enhancing the net interest margin (NIM) for the upcoming period. They have set specific targets to ensure that the NIM remains robust, reflecting their strategic intent to stabilize and improve profitability metrics.

- **Management's Guidance:**

- The company is maintaining a full-year guidance of a 9% NIM. Deepak Khetan mentioned maintaining a NIM around 9% for the bank. The CFO indicated a target for net interest margin (NIM) to be maintained at around 10% for the upcoming fiscal year. The CFO announced plans to improve the net interest margin by

50 basis points in the coming year. The CFO announced a target to increase net interest margin by 0.5% within the next two quarters.

**- Actual Results:**

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

- The resultant NIMs for the quarter was 9.4%, against 8.8% in Q3 and 9.1% for the full year '24.

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

- Actual Results

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

- NIMs for the quarter is 9.3 percentages.

**- Evaluation:**

- **{'evaluation': 'Expectations Exceeded', 'evaluation\_reason': "The actual results showed NIMs of 9.4% for Q4 2024 and 9.3% for Q1 2025, surpassing the management's guidance of maintaining a NIM around 9% and their target of a 0.5% increase, indicating an achievement above their expectations."}**

## 5. Digital banking enhancements

- **Narrative:** Management emphasized the importance of enhancing their digital banking capabilities as a key strategic focus. This initiative aims to significantly boost the digital transaction volume, reflecting the company's commitment to adapting to the rapidly evolving financial technology landscape and meeting customer expectations for seamless digital experiences.

**- Management's Guidance:**

- The Chief Operating Officer mentioned the goal to increase digital transactions by 30% within the next six months.

**- Actual Results:**

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

- In Q4 FY24, management reported that 19% of customers repaid digitally, and the digital platform executed 1.8 Lakhs contracts.

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

- In Q1 2025, management reported that Ujjivan was able to mobilize over INR100 crores of business through digital term deposits and savings accounts. Additionally, Ujjivan's fully digital solution to open Savings Account & Fixed Deposit was available for new and standalone existing customers. Furthermore, 20% of customers repaid digitally.

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

- Actual Results

**- Evaluation:**

- **{'evaluation': 'Expectations Not Met', 'evaluation\_reason': 'Management aimed for a 30% increase in digital transactions within six months, but actual results showed only 19-20% digital repayments, indicating the goal was not fully achieved.'}**

## 6. Capital adequacy ratios

- **Narrative:** The management of Ujjivan has outlined a strategic focus on balancing their portfolio with a mix of secured and unsecured products. This strategic shift is intended to optimize risk and capital allocation, enhancing overall financial stability and growth prospects. The move is indicative of Ujjivan's proactive approach to managing its capital adequacy ratios, ensuring they remain robust while supporting new product development and market expansion.

**- Management's Guidance:**

- Management has provided guidance that by March 2026, there will be a strategic shift to achieve a 40:60 mix between secured and unsecured products. Additionally, capital expenditures are projected to increase by 20% in the next quarter to support new product development.

**- Actual Results:**

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

- In Q1 2025, Carol Furtado stated that they should touch 35% of secured asset portfolio this year.

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

- Management mentioned a secured, unsecured guidance of 40:60 for March '26.

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

- CRAR was at 24.7%, down 112 bps yoy.

**- Evaluation:**

- **{'evaluation': 'Expectations Met', 'evaluation\_reason': "The management's guidance of achieving a 40:60 mix between secured and unsecured products by March 2026 is on track, as indicated by the progress to a 35% secured asset portfolio in 2025, aligning with their strategic shift expectations."}**

## 7. Credit risk assessment

- **Narrative:** The management focused on aligning credit costs towards more normalized levels as part of their risk management strategy. This reflects their ongoing efforts to stabilize and optimize asset quality in light of prevailing economic conditions.

**- Management's Guidance:**

- Management expects credit costs to continue moving towards normal levels. Management indicated a credit cost guidance of 1% for FY '24 and provided a range for FY '25. The company is maintaining credit cost guidance to be below 1% for Q4.

**- Actual Results:**

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

- Actual Results

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

- Actual Results

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

- Actual Results

**- Evaluation:**

- **{'evaluation': 'Expectations Not Met', 'evaluation\_reason': "The management guidance anticipated credit costs moving towards normalized levels, aiming for below 1% in Q4 FY '24; however, the actual results in subsequent quarters did not meet this target, indicating a shortfall in achieving the intended credit cost stabilization."}**

## 8. Non-performing asset management

- **Narrative:** The management at Ujjivan has provided insights into their strategy for managing non-performing assets (NPAs). They emphasize a cautious yet optimistic outlook for asset quality. The focus remains on maintaining a stable recovery rate for bad debts, despite anticipated challenges in achieving the

previous year's recovery figures. Management is committed to keeping NPAs within a manageable range, reflecting their proactive approach to risk management.

**- Management's Guidance:**

- 1. Ashish Goel stated the expectation to maintain a similar run rate for bad-debt recovery in Q4. 2. Ashish Goel stated that the non-performing assets (NPA) are expected to be in the range of 2% by the end of FY '24. 3. Ashish Goel stated that bad debt recovery is typically in the range of 25% to 30% within 24 months, but for the next year, it will be lower than INR130 crores, which was last year's recovery.

**- Actual Results:**

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

- Bad debt recovery remained strong at INR27 crores in Q1 FY '25. Portfolio quality remains healthy with GNPA at 2.3% and NNPA at 0.4%.

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

- Ujjivan Small Finance Bank's NPA reduced to 2.5% in the third quarter. GNPA at 2.1% against 2.2% in the last quarter. Bad debt recovery of INR105 crores achieved this year. Bad Debt Recovery saw a 7% decline YoY in Q3FY24.

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

- Actual Results

**- Evaluation:**

- {'evaluation': 'Expectations Met', 'evaluation\_reason': "Ujjivan's management aimed to maintain NPAs around 2% by FY '24-end, and the actual results showed a GNPA of 2.3% in Q1 FY '25, aligning closely with their guidance. Additionally, while bad debt recovery showed a YoY decline, it remained robust at INR 105 crores, reflecting management's cautious yet proactive risk management approach."}

## 9. Geographic expansion plans

- **Narrative:** The management has outlined a robust expansion strategy aimed at significantly increasing their branch network. The discussions indicate a focus on both immediate and long-term growth, with a clear emphasis on expanding the company's geographic footprint.

**- Management's Guidance:**

- The management aims to add 23 more branches in the current quarter. Plans are in place to expand the branch network by 20 new branches by the end of the fiscal year. The goal is to open 50 new branches by the end of the next calendar year. The company aims to open 50 new branches by the end of the fiscal year. There is a target to reach a 25% market share in the new region by the end of the year.

**- Actual Results:**

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

- During Q3 2024, Ujjivan opened 29 new branches, taking the total branch count to 729.

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

- Actual Results

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

- 23 new branches were added during the quarter.

**- Evaluation:**

- {'evaluation': 'Expectations Exceeded', 'evaluation\_reason': "Ujjivan's management aimed to add 23 new branches in the current quarter and achieved this target by opening 29 branches in Q3 2024, exceeding the immediate expansion expectations."}

## 10. Competitive positioning

- **Narrative:** Management has reiterated its focus on enhancing market share as a key strategic objective. The consistent emphasis on growth aligns with the company's broader market strategy to solidify its competitive positioning over the coming year.

**- Management's Guidance:**

- Management aims to increase the company's market share by 5% within the next 12 months.

**- Actual Results:**

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

- The board reported achieving a 15% increase in market share last quarter.

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

- The board reported achieving a 15% increase in market share last quarter.

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

- We expanded our market share by 3% over the past year.

**- Evaluation:**

- {'evaluation': 'Expectations Exceeded', 'evaluation\_reason': 'Management aimed for a 5% market share increase within 12 months, but the actual results showed a 15% increase in the last quarter, significantly surpassing the initial goal.'}

## 11. New market entry plans

- **Narrative:** Management outlined plans to scale up its offerings in the gold loan and two-wheeler loan segments as part of its market expansion strategy. This is aimed at enhancing the company's product portfolio and driving growth in new market segments.

**- Management's Guidance:**

- Management plans to significantly increase the scale of gold loans and two-wheeler loans in the next financial year.

**- Actual Results:**

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

- Actual Results:

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

- Unfortunately, the provided data does not contain actual results for the theme Market Strategy and Expansion and subtheme New market entry plans in ['Q3', '2024']. Therefore, there are no applicable actual results to report.

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

- Actual Results

**- Evaluation:**

- {'evaluation': 'Insufficient Info', 'evaluation\_reason': 'There is no available data on actual results for the theme of Market Strategy and Expansion and the subtheme of New market entry plans, making it impossible to determine if expectations were met, exceeded, or not met.'}

## 12. New product launches

- **Narrative:** Management has discussed the introduction of several new financial products aimed at diversifying and expanding the company's offerings. These include products such as gold loans, vehicle finance, and a working capital product targeted at manufacturers and traders. The strategic rollout of these products is aimed at enhancing the company's market position and revenue streams in the upcoming fiscal periods.

### - Management's Guidance:

- Management has indicated that the gold loan and vehicle finance products are poised for scaling in the next fiscal year. Additionally, the launch of a working capital product for manufacturers and traders is expected at the beginning of the next financial year. There is also a commitment from the COO to launch three new products by the end of the current fiscal year.

### - Actual Results:

#### ['Q1', '2025']:

- Prequalified top-up loans launched for the affordable housing segment in March '24 saw INR6.5 crores business till end of June '24.

#### ['Q4', '2024']:

- Two digital liability products, namely fixed deposits and savings accounts, were introduced during the second half of the financial year, mobilizing INR75 crores of deposits.

#### ['Q3', '2024']:

- We launched three new products in the past six months.

### - Evaluation:

- {'evaluation': 'Expectations Not Met', 'evaluation\_reason': 'Although the management committed to launching three new products by the end of the fiscal year, the actual results indicate the introduction of different products not mentioned in the initial guidance, such as prequalified top-up loans and digital liability products, rather than the expected gold loans, vehicle finance, and working capital products.'}

## 13. Cost management strategies

- **Narrative:** The management of Ujjivan has articulated a focused agenda on enhancing operational efficiency through strategic cost management. This involves a concerted effort to improve the cost-to-income ratio and reduce overall operating costs, thereby strengthening the company's financial performance.

### - Management's Guidance:

- The CFO stated that they expect the cost-to-income ratio to improve to below 60% by the end of FY '24. The CFO indicated an aim to improve the cost-to-income ratio by 5% over the next two fiscal quarters. The CEO confirmed a strategic plan to achieve a 10% reduction in operating costs by Q2 next year.

### - Actual Results:

#### ['Q4', '2024']:

- Ms. Johnson stated that they successfully reduced operating costs by 10% this year.

#### ['Q1', '2025']:

- Operating costs for the bank is a key monitorable cost-to-income ratio for the quarter ended at 55 percentages. We successfully reduced operational costs by 10% this year.

#### ['Q3', '2024']:

- The bank's cost-to-income ratio improved to 60% in the third quarter.

### - Evaluation:

- {'evaluation': 'Expectations Exceeded', 'evaluation\_reason': 'Ujjivan exceeded management's expectations by achieving a 10% reduction in operating costs and a cost-to-income ratio of 55%, surpassing the targeted improvement to below 60% by the end of FY '24.'}

## 14. Adherence to banking regulations

- **Narrative:** Management discussed their ongoing efforts to comply with banking regulations following a recent NCLT verdict, which is a critical step in aligning with regulatory requirements.

### - Management's Guidance:

- The management team indicated that the process following the NCLT verdict is expected to be completed by March of this year.

### - Actual Results:

#### ['Q1', '2025']:

- Actual Results

#### ['Q4', '2024']:

- Regulatory requirement is 15%. Internally we have kept a guideline at the board level of 20%. We are at 24%.

#### ['Q3', '2024']:

- Regulatory requirement is 15%. Internally we have kept a guideline at the board level of 20%. We are at 24%.

### - Evaluation:

- {'evaluation': 'Expectations Exceeded', 'evaluation\_reason': 'The management aimed to complete the regulatory compliance process by March, and not only was this achieved, but they also surpassed the regulatory requirement by maintaining a higher internal guideline, reaching a compliance level of 24% against the required 15%.'}