Q1 2024

1. Net Interest Margin
- **Narrative:** Management highlighted the strategic focus on Vikas loan customers as a key element in navigating the current interest rate environment. They are considering adjustments to interest rates to maintain competitive Net Interest Margins amidst rising rates over the past year.
- **Management's Guidance:**
- Management is contemplating a rate hike of 25 to 50 basis points in the Vikas loan segment within the current quarter, in response to the consistent rise in rates over the last four quarters.
- **Actual Results:**
['Q4', '2024']:
- NIM for Q4 FY24 was 10.1%, a decrease of 26 bps from Q4 FY23.
['Q2', '2024']:
- The Net Interest Margin (NIM) for Q2 FY '24 was reported at 9.4%, a slight increase from 9.2% in the previous year, indicating a 12 basis points improvement.
['Q3', '2024']:
- NIM (%) increased to 9.8% in Q3FY24 from 9.3% in Q3FY23.
['Q1', '2024']:
- Consequently, the NIM improved to 10.1% in Q1 FY '24 compared to 9.1% in Q1 FY '23.
- **Evaluation:**
- Expectations Not Met: Despite management's guidance to adjust interest rates to maintain competitive NIM amidst rising rates, the actual results showed a decrease in NIM from 10.1% in Q4 FY23 to 10.1% in Q4 FY24, indicating that their strategy did not maintain the desired margin stability.

2. Loan Portfolio Quality
- **Narrative:** Management discussed their cautious approach towards maintaining the loan portfolio quality by not significantly increasing ticket sizes, while also focusing on building up floating provisions to mitigate risks. The company's strategy includes gradually increasing the loan portfolio, specifically through the expansion of the Vikas loan portfolio, which is projected to reach significant levels by the end of the financial year.
- **Management's Guidance:**
- Management anticipates the Vikas loan portfolio to approach INR2,000 crores by the end of this financial year. They also expect credit costs to be around 1% to 1.5% for the full year to ensure the buildup of floating provisions.
- **Actual Results:**
['Q3', '2024']:
- The Vikas Loan portfolio has crossed INR2,000 crores mark.
['Q4', '2024']:
- Baskar B. Ramachandran [Vikas Loans, the individual loan portfolio offered to Bank's graduating JLG customers has surpassed Rs. 2,600 crores of AUM and now contributes over 53% of the inclusive finance portfolio. We have over 4.3 lakh Vikas Loan customers as of now.]
['Q1', '2024']:
- The bank's gross advances INR6,372 crores, out of which, our Vikas loan portfolio is at INR1,283 crores
['Q2', '2024']:
- In Q2 FY24, the Vikas loan portfolio was reported at INR1,621 crores, which is below the management's guidance of INR2,000 crores by the end of the financial year. Credit costs were reported to be higher than expected, at around 1.5% to 2%, exceeding the anticipated 1% to 1.5% range.
- **Evaluation:**
- Expectations Exceeded: The Vikas loan portfolio surpassed the INR2,000 crores mark by Q3 2024 and reached over INR2,600 crores by Q4 2024, significantly exceeding the management's year-end target.

3. Cost-to-Income Ratio
- **Narrative:** Management has articulated a strategy focused on optimizing the cost-to-income ratio through operational efficiencies. They emphasize expanding their branch network which is expected to leverage operating efficiencies, aiming to achieve a targeted cost-to-income ratio. Their approach indicates a proactive stance towards maintaining cost discipline while scaling operations.
- **Management's Guidance:**
- Management is confident in reducing the cost-income ratio over the next three quarters, aiming to maintain it very close to 55%. They have planned to expand the number of branches which should offset some costs through operating leverage. In the medium term, they target to achieve and maintain a 55% cost-to-income ratio.
- **Actual Results:**
['Q3', '2024']:
- Cost to income ratio excluding expenses towards the CGFMU scheme stood at 56.9% as compared to 60.7% for the 9-month period ending FY '23. The cost-to-income ratio for Q3 FY24 was 57.3%.
['Q2', '2024']:
- In Q2 FY24, the cost-to-income ratio, including the CGFMU guarantee expenses, stood at 61.5%. Without the CGFMU scheme, it was at 60% for the quarter.
['Q4', '2024']:
- Our cost to income excluding CGFMU investment stood at 57.1% as compared to 60% in FY23. Cost to income including CGFMU expenses stood at 61.6%.
['Q1', '2024']:
- In Q1 FY '24, the cost-to-income ratio improved to 57.5% compared to 58.3% for the corresponding quarter last year.
- **Evaluation:**
- Expectations Not Met: Management aimed to maintain the cost-to-income ratio very close to 55% over the next three quarters, but the actual results showed the ratio fluctuating between 56.9% and 61.6%, indicating they fell short of the target.

4. Return on Assets
- **Narrative:** Management has outlined a strategic target for the upcoming fiscal year, focusing on enhancing the company's financial performance metrics. The key emphasis is on achieving a more robust return on assets (ROA), with specific numerical guidelines provided to track progress throughout the year.
- **Management's Guidance:**

- The company aims for a return on assets of 2.25% for FY '24. Management provides guidance for a 2.2% ROA for the year. There is an aspiration to reach an ROA upwards of 3% towards the end of the year.
- **Actual Results:**
['Q3', '2024']:
- Kanishka Chaudhary reported that for the third quarter, the Return on Assets (ROA) is around 2.5%.
['Q2', '2024']:
- The actual Return on Assets (ROA) for Q2 2024 was reported at 2.0%, which is below the initial guidance of 2.2%.
['Q4', '2024']:
- In Q4 FY24, the reported Return on Assets (RoA) was 2.1%, which is below the initial guidance of 2.25% and the aspirational target of 3% towards the end of the year.
['Q1', '2024']:
- RoA for Q1 FY24 is 2.0%, which is below the initial guidance of 2.2%.
- **Evaluation:**
- Expectations Not Met: The actual Return on Assets (ROA) did not meet the management's guidance of 2.25% for FY '24, with Q4 reporting an ROA of 2.1%, falling short of both the initial target and the aspirational goal of 3%.

5. Non-Performing Assets (NPA) Ratio
- **Narrative:** Management has outlined a strategic focus on reducing and managing non-performing assets (NPAs) effectively. They are committed to maintaining a Gross NPA (GNPA) level below 2%, indicating a stringent approach to asset quality management. The management is also actively working towards recovering from the adverse impacts of the COVID period by setting internal targets for recovery and provisioning. This strategic focus is aimed at building floating provisions over the next several quarters to further decrease the net NPA ratio.
- **Management's Guidance:**
- Management aims to maintain a GNPA level below 2% in the upcoming quarters. Over the next three quarters, management will continue to make provisions in the books to build floating provisions, helping to reduce net NPA numbers. Management is confident in redeeming all security receipts by the end of the year. They plan to accelerate recovery from written-off GNPA pools, aiming for a recovery increase from INR4 crores to INR5-6 crores monthly over the next 12 months.
- **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. For the net non-performing assets, the NNPA has decreased to 1.4% from 4.8% in the corresponding period last year.
['Q4', '2024']:
- Our Bank's gross non-performing assets have reduced to 2.8% in FY24 from 3.1% in FY23.
['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.
['Q3', '2024']:
- In Q3 FY24, the Gross NPA (GNPA) ratio was reported at 2.9%, which is above the management's target of maintaining it below 2%. The Net NPA (NNPA) ratio stood at 1.4%.
- **Evaluation:**
- Expectations Not Met: Management aimed to maintain a GNPA level below 2%, but actual results showed the GNPA consistently above this target, at 2.9% in Q2 and Q3 FY24 and 2.8% in Q4 FY24, indicating the expectations for asset quality management were not met.

6. Capital Adequacy Ratio (CAR)
- **Narrative:** Management highlighted their current capital position, indicating no immediate need for additional capital to meet regulatory requirements. This suggests a strong capital adequacy, enabling the company to focus on strategic initiatives without the pressure of raising capital in the short to medium term.
- **Management's Guidance:**
- Management anticipates no requirement for raising capital over the next 24 to 30 months, from a regulatory standpoint.
- **Actual Results:**
['Q2', '2024']:
- We continue to be very well capitalized, and currently the CRAR of our bank is 30.2%.
['Q4', '2024']:
- Our CRAR at 28.4% which is well above the regulatory requirement.
['Q1', '2024']:
- Our capital adequacy ratio continues to be strong and currently at 32.7%. Healthy CRAR of 32.7%, well above statutory requirement.
['Q3', '2024']:
- We continue to remain well capitalized with our CRAR at 27.8%.
- **Evaluation:**
- Expectations Met: The management's guidance anticipated no need for raising additional capital in the short to medium term, and the actual results show consistently high CRAR figures well above the regulatory requirements, aligning with their stated goals.

7. Geographic Expansion Plans
- **Narrative:** Management has outlined plans for geographic expansion through branch network growth. They indicated that an increase in operational expenses is anticipated as a direct result of this expansion strategy.
- **Management's Guidance:**
- Management expects an uptick in expenses beginning in Q4 due to the ongoing branch expansion efforts.
- **Actual Results:**
['Q4', '2024']:
- In Q4 FY24, management reported the addition of around 70 branches over the year, contributing to a branch network growth of 20.5% year-over-year.
['Q1', '2024']:
- We have a network of 609 branches, of which 95 branches are deposit-focused, while 325 branches are asset-focused branches.

['Q3', '2024']:
- Baskar Babu [We have put up close to 30 new branches now at this point of time.]
['Q2', '2024']:
- 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 Met: Management anticipated an increase in operational expenses due to branch expansion, and by Q4 FY24, they successfully added around 70 branches, achieving a 20.5% year-over-year growth in branch network, which aligns with their guidance.

8. Credit Risk Management Practices
- **Narrative:** Management emphasized their proactive approach towards strengthening credit risk management practices. They highlighted the implementation of strategies to establish direct relationships and coverage through CGFMU (Credit Guarantee Fund for Micro Units), ensuring robust risk mitigation. This approach is underscored by their confidence in maintaining stable credit loss levels in the microfinance sector.
- **Management's Guidance:**
- Management anticipates no significant credit loss in the current or upcoming year, consistent with typical patterns in the microfinance and inclusive finance sector. They aim to sustain a normalized credit loss of 2% over a five-year period.
- **Actual Results:**
['Q3', '2024']:
- Data Not Available
['Q2', '2024']:
- Baskar Babu reported that currently, around 80% of the portfolio, including JLG and IF, is covered under CGFMU.
['Q4', '2024']:
- Kanishka Chaudhary: "more than 90% of the portfolio is insured."
['Q1', '2024']:
- I'm sorry, but it appears there is no input data provided for me to analyze. Please provide the actual results data from the knowledge graph for ['Q1', '2024'] so that I can assist you further.
- **Evaluation:**
- Expectations Met: Management's guidance anticipated no significant credit loss and aimed for a normalized credit loss of 2% over five years. With more than 90% of the portfolio insured under CGFMU by Q4 2024, the company demonstrated robust risk mitigation, aligning with their stable credit loss expectations.

9. Client Acquisition Rate
- **Narrative:** Management is focused on diversifying and expanding its product offerings to boost client acquisition rates. This includes plans to introduce new products that transition from micro home loans to micro Loan Against Property (LAP) with larger ticket sizes. The aim is to stimulate consistent business growth on a quarter-on-quarter basis.
- **Management's Guidance:**
- Management plans to introduce new products over the next three quarters, transitioning from micro home loans to micro LAP and exploring slightly larger ticket sizes to ensure growth on a quarter-on-quarter basis.
- **Actual Results:**
['Q3', '2024']:
- Data Not Available
['Q2', '2024']:
- Data Not Available
['Q4', '2024']:
- Kanishka Chaudhary [we have added 122,000 customers in Q4 and this number was 90,000 odd in Q3.]
['Q1', '2024']:
- As of Q1 FY '24, the customer base of the bank stood at 24.3 lakh, a growth of 21%.
- **Evaluation:**
- Expectations Met: Management aimed for consistent growth through product expansion, and the actual results showed a significant increase in client acquisition from 90,000 in Q3 to 122,000 in Q4, indicating alignment with their goals.

10. Management Experience in Microfinance
- **Narrative:** Management emphasized a steady approach with no immediate plans for expansion over the next two years, focusing on stabilizing current operations.
- **Management's Guidance:**
- Management has indicated no plans for expansion in the next two years.
- **Actual Results:**
['Q4', '2024']:
- Data Not Available
['Q1', '2024']:
- Our retail branch banking CBO has just joined us a couple of months back, 4 months back. They have been with us, both the retail leaders, asset leaders, have been with us for more than a year. Employee Count 6,386 (5,239 June-22)
['Q3', '2024']:
- Data Not Available
['Q2', '2024']:
- Data Not Available
- **Evaluation:**
- Insufficient Info: Data not available.