

Q2 2024

1. Net Interest Margin

- **Narrative:** Management has detailed their focus on improving net interest margins through strategic measures and adjustments over the upcoming quarters. They aim to progressively enhance margins as part of their long-term financial strategy.

- **Management's Guidance:**

- Management aims to achieve a net interest margin of 9.5% to 10% on a full-year basis, maintaining this range consistently. They plan to improve the margin by at least 150 basis points over the next two quarters and have a target of reaching a 4% margin over an 18-month period, with an exit rate of 2.75% by Q4.

- **Actual Results:**

['Q1', '2025']:

- On the yield front, the yield for the quarter on the portfolio stood at 20.1% while the NIM stood at 10% in Q1 FY '25.

['Q4', '2024']:

- NIM for Q4 FY24 was 10.1%, a decrease of 26 bps from Q4 FY23.

['Q3', '2024']:

- NIM for Q3 FY24 is reported at 9.8%, an increase from 9.4% in Q2 FY24. This shows an improvement of 40 basis points quarter-on-quarter, aligning with the management's strategy to enhance net interest margins progressively.

['Q2', '2024']:

- In Q2 FY24, the net interest margin (NIM) was reported at 9.4%.

- **Evaluation:**

- **Expectations Met:** The actual results show a progressive improvement in net interest margin, reaching 10% in Q1 FY25, aligning with management's guidance of achieving a 9.5% to 10% NIM on a full-year basis, thereby meeting their stated goals.

2. Loan Portfolio Quality

- **Narrative:** Management highlighted a strategic expansion in their loan portfolio, particularly focusing on Vikas loans. This is part of their efforts to increase their loan volume and improve portfolio quality.

- **Management's Guidance:**

- Management is targeting a portfolio build of approximately INR 2,500 crores for Vikas loans, which is an increase from the initial target of INR 2,000 to INR 2,200 crores set at the beginning of the year.

- **Actual Results:**

['Q4', '2024']:

- 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.

['Q3', '2024']:

- The Vikas Loan portfolio has crossed the INR 2,000 crores mark.

['Q1', '2025']:

- Gross advances of Vikas loan product stood at INR2,776 crores in Q1 FY '25 as compared to INR1,283 crores in Q1 FY '24, an increase of 116.4% year-on-year.

['Q2', '2024']:

- On the gross advances front, the bank's gross advances is currently at INR6,921 crores, out of which Vikas loan portfolio is at INR1,621 crores.

- **Evaluation:**

- **Expectations Exceeded:** The Vikas loan portfolio surpassed the management's target of INR 2,500 crores, reaching over INR 2,600 crores by Q4 2024, demonstrating a stronger-than-anticipated growth in loan volume and portfolio quality.

3. Return on Assets

- **Narrative:** The management has expressed confidence in enhancing the company's return on assets by focusing on building their book at a slightly accelerated pace over the next half of the year. This strategy is expected to support their full-year guidance, maintaining their performance trajectory.

- **Management's Guidance:**

- Management maintains their full-year guidance and plans to increase the asset base at a slightly faster rate in the upcoming months, reinforcing their confidence in achieving the projected targets.

- **Actual Results:**

['Q1', '2025']:

- RoA for Q1 FY25 was reported at 2.3%.

['Q3', '2024']:

- Kanishka Chaudhary reported that for the third quarter, the Return on Assets (ROA) is around 2.5%.

['Q2', '2024']:

- ROA was reported to be approximately 2.2% in Q2 2024.

['Q4', '2024']:

- RoA 2.1%

- **Evaluation:**

- **Expectations Not Met:** Management aimed to enhance ROA by building the asset base faster; however, ROA declined from 2.5% in Q3 2024 to 2.3% in Q1 2025, indicating that the expected improvement in performance was not achieved.

4. Cost-to-Income Ratio

- **Narrative:** Management is focused on improving the Cost-to-Income Ratio by undertaking strategic measures aimed at reducing operational costs. The company is actively working towards optimizing its cost structure to enhance financial efficiency, with a clear target for the upcoming financial periods.

- **Management's Guidance:**

- Management has set a clear target to reduce the Cost-to-Income Ratio from 60% to 55% by the end of the current year, with a further reduction to 50% by the end of the next financial year. This strategic focus reflects their commitment to enhancing operational efficiency and profitability.

- **Actual Results:**

['Q1', '2025']:

- In Q1 FY25, the Cost-to-Income Ratio was reported at 60.3%, which is above the target of 55% set for the current year. The company has not achieved the target reduction in the Cost-to-Income Ratio.

['Q3', '2024']:

- Cost to income ratio for Q3 2024 stood at 57.3%. This represents a progress towards the management's guidance of reducing the ratio to 55% by the end of the current year, but it has not yet achieved the target.

['Q2', '2024']:

- Kanishka Chaudhary reported that the Cost-to-Income Ratio for this quarter stood at 60%, which is higher than the intended target of 55% for the current year.

['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%.

- Evaluation:

- Expectations Not Met: The management's target to reduce the Cost-to-Income Ratio to 55% by the end of the current year was not met, as the ratio remained above the target, reaching 60.3% in Q1 FY25.

5. Non-Performing Assets (NPA) Ratio

- Narrative: Management emphasized their strategic goal of scaling up operations while maintaining a strong focus on asset quality. This is evident through their target of achieving a substantial increase in their portfolio size while keeping NPAs at minimal levels. Such efforts are indicative of the company's commitment to balancing growth with risk management.

- Management's Guidance:

- Management intends to scale up operations to INR500 crores while maintaining a par of less than 1% and an NPA of less than 0.25%.

- Actual Results:

['Q1', '2025']:

- Data Not Available

['Q2', '2024']:

- Data Not Available

['Q4', '2024']:

- GNPA / NNPA @ 2.8% / 0.8% (3.1% / 1.5%)

['Q3', '2024']:

- Data Not Available

- Evaluation:

- Expectations Not Met: The actual results in Q4 2024 showed an NPA of 0.8%, which is higher than the management's guidance of maintaining an NPA of less than 0.25%, indicating that expectations were not met.

6. Capital Adequacy Ratio (CAR)

- Narrative: Management emphasized their strong capital position, indicating that the company is well-prepared to support substantial growth without the need for additional capital infusion.

- Management's Guidance:

- Management stated that they will not require additional capital to support a 35% growth in their book.

- Actual Results:

['Q1', '2025']:

- On the CRAR front, we continue to remain well capitalized given the capital adequacy of 27.3%.

['Q2', '2024']:

- In Q2, 2024, the Capital Adequacy Ratio (CRAR) was reported as 30.2%, indicating that Suryodaya continues to be well-capitalized.

['Q4', '2024']:

- Our CRAR at 28.4% which is well above the regulatory requirement.

['Q3', '2024']:

- We continue to remain well capitalized with our CRAR at 27.8%.

- Evaluation:

- Expectations Met: The management's guidance was that they would not require additional capital to support a 35% growth, and the actual CRAR results consistently remained well above the regulatory requirement throughout the quarters, indicating that their strong capital position was maintained as expected.

7. Adherence to Reserve Bank of India (RBI) Guidelines

- Narrative: Management highlighted their commitment to adhering to RBI guidelines, emphasizing the significance of regulatory compliance as a cornerstone for sustainable growth. The discussion underscored the company's strategy to maintain robust compliance frameworks, ensuring alignment with evolving regulatory requirements.

- Management's Guidance:

- Management projected a 35% growth in their book without the necessity of raising additional capital for the upcoming year, indicating confidence in their current capital structure's adequacy to support expansion while remaining compliant with RBI guidelines.

- Actual Results:

['Q1', '2025']:

- Data Not Available

['Q2', '2024']:

- Data Not Available

['Q4', '2024']:

- Data Not Available

['Q3', '2024']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.

8. Client Acquisition Rate

- **Narrative:** The management focused on a substantial increase in client acquisition, particularly through strategic volume build-up and targeted product expansions. The approach aims to solidify the company's market position by enhancing customer reach and penetration, while maintaining a sustainable growth trajectory.

- **Management's Guidance:**

- The management plans to achieve a customer acquisition rate of approximately 60,000 to 70,000 new customers per month in the upcoming quarters.

- **Actual Results:**

['Q3', '2024']:

- Data Not Available

['Q1', '2025']:

- Data Not Available

['Q2', '2024']:

- Baskar Babu mentioned that the curated product currently runs with a preapproved number of customers closer to 5 lakhs, converting closer to around 70,000 to 75,000 on a month-on-month basis.

['Q4', '2024']:

- Kanishka Chaudhary [we have added 122,000 customers in Q4 and this number was 90,000 odd in Q3.]

- **Evaluation:**

- **Expectations Exceeded:** The management aimed for a customer acquisition rate of 60,000 to 70,000 per month, and the actual results in Q2 2024 and Q4 2024 show that they exceeded this target, acquiring 70,000 to 75,000 and 122,000 customers respectively.

9. Geographic Expansion Plans

- **Narrative:** Management has articulated a clear strategy for geographic expansion, focusing on significantly increasing their branch network. This expansion is part of their broader plan to strengthen their market position and support growth in the inclusive finance and retail banking segments. The addition of new branches is aimed at enhancing their presence and service delivery across different regions.

- **Management's Guidance:**

- Management has indicated plans to open approximately 70 to 75 new branches in the inclusive finance segment, and an additional 30 to 35 branches in retail banking within the current financial year. They also plan to add about 30 to 35 new branch banking branches before the financial year ends.

- **Actual Results:**

['Q4', '2024']:

- This year also we have added 70 branches in micro-banking.

['Q3', '2024']:

- Baskar Babu [We have put up close to 30 new branches now at this point of time.]

['Q1', '2025']:

- Suryoday currently has a network of 701 branches, of which 115 branches were liability focused, while 392 branches are asset focus branches and the balance comprise of rural centers.

['Q2', '2024']:

- Data Not Available

- **Evaluation:**

- **Expectations Met:** Management planned to open 70-75 new branches in the inclusive finance segment and 30-35 in retail banking within the year. By Q4 2024, they added 70 branches in micro-banking and close to 30 new branches overall, aligning with their guidance.