Q4 2023

1. Non-performing asset (NPA) strategies

- **Narrative:** Management discussed their strategy for managing non-performing assets (NPAs) by highlighting a significant repayment schedule that has been adhered to, with 75% of the outstanding amount already repaid. This reflects a proactive approach in reducing NPA levels and indicates a positive outlook towards achieving full repayment.
- **Management's Guidance:**
- Management expects the remaining installment of the repayment schedule to be completed by June 30, 2023, thereby potentially reducing the NPA levels further and stabilizing the loan portfolio.
- **Actual Results:**
['Q3', '2024']:
- Data Not Available
['Q4', '2023']:
- Data Not Available
['Q2', '2024']:
- Data Not Available
['Q1', '2024']:
- Data Not Available
- **Evaluation:**
- Insufficient Info: Data not available.

2. Loan disbursement growth

- **Narrative:** Management highlighted their focus on enhancing loan disbursement growth, setting strategic targets to achieve substantial growth in their loan portfolio in the forthcoming fiscal year. This strategy is driven by a concerted effort to increase approval rates and capitalize on the anticipated back-ended growth.
- **Management's Guidance:**
- Management expects a loan growth target of 12% to 15% for FY2024, with a progressive increase in the approval proportion over the next few quarters. Additionally, they indicated that growth will be more pronounced towards the latter half of the period.
- **Actual Results:**
['Q2', '2024']:
- We have seen about Rs.1,280 Crores or 3% credit growth during the Q2 2024.
['Q3', '2024']:
- Data Not Available
['Q1', '2024']:
- Dr. N. Kamakodi reported that the advance had grown by 4% in Q1 '24 compared to Q1 '23, with the total standing at INR 42,405 Crores as of 30th June 2023.
['Q4', '2023']:
- Advances INR 43,971CR
- **Evaluation:**
- Expectations Not Met: Management set a loan growth target of 12% to 15% for FY2024, expecting more pronounced growth in the latter half. However, the actual results show only a 3% credit growth in Q2 and a 4% growth in Q1, which significantly falls short of the strategic target set by management.

3. Profit margin trends

- **Narrative:** Management provided insights into the anticipated profit margin trends for the upcoming fiscal year. They highlighted a slight expected decrease in profit margins compared to the Q4 average of FY2023, indicating a cautious outlook while maintaining stability in their financial performance.
- **Management's Guidance:**
- Management indicated that for the current year, the profit margin is expected to be within the range of the Q4 average of 3.65%, albeit 10 to 15 basis points lower. They also noted that the full-year margins are anticipated to be approximately in line with Q4 FY2023 figures, with a possible variance of plus or minus 10 basis points.
- **Actual Results:**
['Q2', '2024']:
- Data Not Available
['Q1', '2024']:
- Data Not Available
['Q3', '2024']:
- Data Not Available
['Q4', '2023']:
- Gaurav Jani: "we saw about nine basis points decline in the margins in FY2023"
- **Evaluation:**
- Insufficient Info: Data not available.

4. Return on equity (ROE) enhancement

- **Narrative:** Management is focused on maintaining strong return metrics, and has set a clear target for the Return on Assets (ROA) as a proxy for enhancing ROE. This indicates a strategic emphasis on improving efficiency and profitability in the upcoming fiscal year.
- **Management's Guidance:**
- Management is aiming to achieve a Return on Assets (ROA) of 1.5% for FY2024.
- **Actual Results:**
['Q2', '2024']:
- Return on Equity for Q2 FY 24 is 14.36%, for Q2 FY 23 is 15.98%, and for Q1 FY 24 is 12.10%.

['Q1', '2024']:
- Return on Equity 12.10% Q1 FY 24
['Q3', '2024']:
- Return on Equity 12.57% Q3 FY 24
['Q4', '2023']:
- Return on Equity Q4 FY 23: 12.10%, Q4 FY 22: 13.15%, FY 2022-23: 13.42%, FY 2021-22: 12.31%
- **Evaluation:**
- Expectations Not Met: The management aimed to enhance ROE by targeting an ROA of 1.5% for FY2024, but the actual ROE figures for Q1, Q2, and Q3 FY24 (12.10%, 14.36%, and 12.57% respectively) reflect a decline from the previous year's Q2 FY23 ROE of 15.98%, indicating that the strategic objective was not achieved.

5. Cost-to-income ratio management
- **Narrative:** Management has indicated a cautious approach in managing the cost-to-income ratio, acknowledging the potential challenges in maintaining current levels due to external factors such as treasury profits. They have provided guidance on the expected range for the cost-to-income ratio for the upcoming financial year.
- **Management's Guidance:**
- 1. In the absence of treasury profit, the cost-to-income ratio is expected to remain in the range of 42% to 45% in the next financial year. 2. There could be a slight increase in the cost-to-income ratio from the current 38%-39% to approximately 40%-41% for FY2023.
- **Actual Results:**
['Q3', '2024']:
- In Q3 FY24, the cost-to-income ratio was reported at 48.64%, which is above the guidance range of 42% to 45% for the next financial year and also exceeds the increase target of 40% to 41% for FY2023.
['Q2', '2024']:
- Data Not Available
['Q4', '2023']:
- The actual cost-to-income ratio for the period ending 31-Mar-2023 was 38.85%, which aligns with the management's guidance of approximately 40%-41% for FY2023.
['Q1', '2024']:
- COST INCOME RATIO (%) 40.37 31-Mar-2023 30-Jun-2023
- **Evaluation:**
- Expectations Not Met: The actual cost-to-income ratio for Q3 FY24 was 48.64%, which is above the expected range of 42% to 45% for the next financial year and exceeds the targeted increase range of 40% to 41% for FY2023, indicating that expectations were not met.

6. Slippage ratio reduction
- **Narrative:** Management has outlined a strategic focus on reducing the slippage ratio while simultaneously enhancing recovery efforts. This dual approach aims to strengthen the bank's asset quality and overall financial health.
- **Management's Guidance:**
- Management anticipates a reduction in slippage coupled with an increase in recovery for the current year.
- **Actual Results:**
['Q2', '2024']:
- Our slippage ratio for the Q2 has come down to 2.06 almost equal to the pre COVID level.
['Q3', '2024']:
- Our annualized slippage ratio for Q3 has come down to 1.70% in Q3 financial year '24 from the peak of 5.56% in Q4 financial year '20. It has also reduced from 2.06% in Q2 financial year '24. The NPA slippages have come down significantly and the live NPA recoveries have surpassed the live slippages.
['Q1', '2024']:
- Because of the above changes in accounting, the slippages for the current quarter is elevated at 3.6 % (annualized basis), our gross NPA is at INR 2,081 Crs, Gross NPA stood at 4.91 %, our net NPA stood at INR 1,039 Crs and NNPA ratio to 2.51 %.
['Q4', '2023']:
- Our slippage for FY 23 was at 3.02% which is 2 bps higher than our expected range. More than Rs.200 Crores of benefits we have got from NPA slippage minus recovery front for FY2023 compared to the FY2022.
- **Evaluation:**
- Expectations Exceeded: Management anticipated a reduction in the slippage ratio, and the actual results showed a significant decrease from 3.6% in Q1 to 1.70% in Q3, surpassing pre-COVID levels and exceeding expectations with live NPA recoveries surpassing slippages.

7. Improved recovery strategies
- **Narrative:** Management highlighted their focus on improving recovery strategies to bolster the company's asset quality. The discussion centered around the implementation of more robust recovery mechanisms expected to drive better performance in the latter half of the fiscal year.
- **Management's Guidance:**
- Management indicated that despite anticipated challenges in the first half of FY 24, the second half is projected to see compensation through business growth and enhanced NPA (Non-Performing Assets) recovery.
- **Actual Results:**
['Q3', '2024']:
- The slippage for Q3 FY24 was INR 187 crores, with total recoveries amounting to INR 289 crores, which included INR 224 crores from live NPA accounts and INR 65 crores from technically written-off accounts.
['Q4', '2023']:
- The NPA addition minus total recovery for FY 23 improved to Rs.222 Cr from Rs.481 Cr in FY 22.
['Q2', '2024']:
- Our absolute slippage number for the Q2 FY2024 is Rs.225 Crores while the total recoveries made is Rs.299 Crores comprising of Rs.238 Crores from the live NPA accounts and Rs.61 Crores from the technically written off accounts.
['Q1', '2024']:

- Recovery made 1,980 1,644 1,950 4,424 5,764 992; Upgradations 496 1,358 264 1,638 2,361 221; Total live recovery plus technical written-off recovery also improved between 2022 to 2023, about INR 250-odd Crs.
- **Evaluation:**
- **Expectations Exceeded**: The management's focus on improved recovery strategies resulted in significant recoveries, with Q3 FY24 showing INR 289 crores in total recoveries and a remarkable reduction in NPA addition, exceeding the anticipated performance improvements for the second half of the fiscal year.

8. Long-term growth strategies
- **Narrative:** Management has outlined a strategic focus on achieving consistent growth, targeting a 12% to 15% increase in annual profits. This growth is anticipated to align with business expansion and improved recovery processes. The strategy also incorporates a staggered growth approach, with expectations of more significant gains skewed towards the year's end.
- **Management's Guidance:**
- Management is aiming for a 12% to 15% growth for the current year, with expectations skewed towards the year-end. The company projects a 12% to 14% growth, acknowledging that Q1 might not reflect significant growth. Management expects a 12% to 15% growth in annual profit, driven by business growth and enhanced recovery efforts.
- **Actual Results:**
['Q2', '2024']:
- Actual Results: Data Not Available
['Q1', '2024']:
- Data Not Available
['Q3', '2024']:
- Data Not Available
['Q4', '2023']:
- Data Not Available
- **Evaluation:**
- Insufficient Info: Data not available.

9. Net interest margin stability
- **Narrative:** Management has articulated a focus on maintaining stability in the net interest margin (NIM) amidst fluctuations in the cost of deposits. The discussions highlighted a balanced approach to managing interest income by potentially adjusting for expected changes in deposit costs, thereby aiming to sustain a consistent NIM.
- **Management's Guidance:**
- Management is guiding for a net interest margin of approximately 3.65%, with a tolerance range of plus or minus 10 basis points for FY2024. This guidance reflects the company's strategy to navigate anticipated variations in deposit costs.
- **Actual Results:**
['Q2', '2024']:
- The net interest margin for Q2 FY24 is reported as 3.74%.
['Q1', '2024']:
- Net interest margin for Q1 FY 2024 is 3.67%.
['Q3', '2024']:
- Net Interest Margin for Q3 FY 24 was reported as 3.50%, which is below the management's guidance of approximately 3.65% with a tolerance range of ±10 basis points.
['Q4', '2023']:
- Net Interest Margin for Q4 FY 23 was reported at 3.65%, aligning with management's guidance.
- **Evaluation:**
- Expectations Not Met: While the net interest margin was within or above the guided range in Q1 and Q2 of FY2024, it fell below the lower end of the tolerance range in Q3, indicating that the management's goal of maintaining NIM stability was not fully achieved.

10. Rate pass-through effects
- **Narrative:** Management elaborated on the effects of government measures on the bank's interest income dynamics, particularly focusing on the rate pass-through effects to borrowers and the impact of the credit-deposit (CD) ratio on net interest margins.
- **Management's Guidance:**
- Management anticipates a reduction in net interest margin by not less than 15 to 20 basis points due to changes in the CD ratio.
- **Actual Results:**
['Q3', '2024']:
- Data Not Available
['Q4', '2023']:
- Data Not Available
['Q1', '2024']:
- Data Not Available
['Q2', '2024']:
- N. Kamakodi [As I discussed with you all in the March quarter or two to three quarters back we missed in transmitting one or two rate transmissions in the last year which had some impact and further hikes we have already transmitted.]
- **Evaluation:**
- Insufficient Info: Data not available.

11. NPA recovery focus
- **Narrative:** Management has expressed confidence in maintaining the company's performance for the entire year, despite challenges expected in the first half due to the absence of last year's treasury profits and lumpy recoveries from NCLT cases. They anticipate that overall growth in Profit After Tax (PAT) and a reduction in Non-Performing Assets (NPA) will be achievable, with the Return on Assets (ROA) expected to surpass historical averages.
- **Management's Guidance:**

- Management foresees that while the initial half of the year may not show significant PAT growth due to the lack of extraordinary gains seen in the previous year, there is visibility for growth in PAT and a decrease in NPA, with ROA expected to exceed historical averages for the year as a whole.
- **Actual Results:**
['Q2', '2024']:
- Data Not Available
['Q3', '2024']:
- The net NPA declined to INR941 crores as on 31st of December 2023 and is at 2.19% for Q3 financial year '24, compared to 2.67% in Q3 financial year '23. The net NPA is also on a decreasing trend in the current financial year, that is 2.51% in Q1 FY '24, 2.34% in Q2 FY '24 and 2.19% in Q3 financial year '24.
['Q1', '2024']:
- The recoveries from the slippages in Q1 FY '24 amounted to INR 75 Crs, and upgradation in the live NPA account was INR 23 Crs. These were not considered in the NPA collection that occurred from July 1st to the date of audit.
['Q4', '2023']:
- During Q4 FY 23, the Gross NPA stood at Rs. 1920 Cr as of 31.03.2023 with a GNPA ratio of 4.37%, down from 4.70% in FY 22. The Net NPA improved from 2.89% in FY 22 to 2.36% in FY 23, and reduced sequentially from 2.67% in Q3 FY 23 to 2.36% in Q4 FY 23.
- **Evaluation:**
- Expectations Met: The management's guidance anticipated a reduction in NPAs, and the actual results show a consistent decline in net NPA percentages throughout the financial year, aligning with the management's expectations.

12. Yield on advances trends
- **Narrative:** In the management's discussion for Q4 2023, there is an emphasis on the anticipated adjustments in yield on advances. Management highlights the partial rate transmission in the current quarter, which is expected to result in an increase in yield on advances. Additionally, they acknowledge that margin pressures are a common challenge across the sector, with further repricing of deposits anticipated. This indicates a strategic focus on managing yield amidst fluctuating market conditions.
- **Management's Guidance:**
- Management expects some increase in the yield on advances in the current quarter due to partial rate transmission. Management anticipates potential repricing effects on the deposit side and possible changes in the CD ratio which could result in yield on advances varying by plus or minus 10 basis points going forward.
- **Actual Results:**
['Q2', '2024']:
- Data Not Available
['Q3', '2024']:
- Our yield on advances for Q3 FY 24 stood at 9.62% compared to 9.16% in the corresponding quarter last year.
['Q1', '2024']:
- Our yield on advances increase and it currently stands at 9.53 % for the current quarter.
['Q4', '2023']:
- N. Kamakodi mentioned that there is about a 15 basis points increase in the yield on advances.
- **Evaluation:**
- Expectations Exceeded: Management expected a yield increase due to partial rate transmission, varying by plus or minus 10 basis points. The actual yield on advances increased by 15 basis points in Q4 2023, surpassing the anticipated range.

13. Cost-to-income ratio trends
- **Narrative:** The management has indicated a shift towards a Cost-to-Company (CTC) based salary structure for employees starting in FY2024. This move is part of their ongoing efforts to enhance operational efficiency and manage costs effectively.
- **Management's Guidance:**
- The management has provided forward-looking guidance that the transition to a CTC salary structure is expected to have a minimal financial impact, projected to be less than 3% to 4% of the annual profit. This change is not anticipated to significantly affect the overall Profit and Loss statement of the bank.
- **Actual Results:**
['Q3', '2024']:
- Cost to income ratio for Q3 FY 24 is reported at 48.64%.
['Q4', '2023']:
- Our Cost to Income ratio for FY 23 is reduced to 38.85% as compared to 40.37% in FY 22.
['Q1', '2024']:
- The cost-to-income ratio for Q1 FY 2024 is reported at 41.98%, compared to 39.78% in the corresponding period last year.
['Q2', '2024']:
- Cost to Income 46.34% Q2 FY 24
- **Evaluation:**
- Expectations Not Met: The management guided for minimal financial impact from the CTC transition, yet the cost-to-income ratio increased significantly from 38.85% in FY 2023 to 48.64% by Q3 FY 2024, indicating higher operational costs than expected.