Q3 2024

1. Revenue growth metrics

- **Narrative:** Management has reiterated their commitment to achieving a mid-20s percentage growth in Assets Under Management (AUM) for the Financial Year 2024. They have also indicated that more detailed plans regarding the growth strategy for both the Microfinance Institution (MFI) and Micro, Small and Medium Enterprises (MSME) verticals will be disclosed in the first quarter of Financial Year 2025.
- **Management's Guidance:**
- Management is on track to deliver an AUM growth of mid-20s in Financial Year 2024. Further strategic details on growth will be shared in Q1 of Financial Year 2025. The expected guidance is up to 3.5%. The company has been guiding a mid-20s growth for both MFI and MSME verticals.
- **Actual Results:**

['Q1', '2025']:
- Data Not Available

['Q2', '2025']:
- Data Not Available

['Q4', '2024']:
- Our AUM growth for Q4 FY24 was 23.45%, which is slightly below the mid-20s percentage growth target initially set by management for the Financial Year 2024.

['Q3', '2024']:
- Our AUM has grown by 23.57% year-on-year and 6.65% quarter-on-quarter to 10,693 crore.
- **Evaluation:**

- Expectations Not Met: The AUM growth for Financial Year 2024 was 23.45%, which is slightly below the mid-20s percentage growth target set by management, indicating that expectations were not fully met.

2. Profitability analysis

- **Narrative:** Management has consistently communicated their strategic financial targets, focusing on achieving sustainable profitability metrics. Over the past 18 months, the company has maintained a clear guidance trajectory to ensure steady returns on assets and equity across business cycles.
- **Management's Guidance:**
- Management reiterated their forward-looking profitability targets, aiming for a return on assets (ROA) of 4.25% to 4.5% and a return on equity (ROE) of 18% to 20% across cycles.
- **Actual Results:**

['Q2', '2025']:
- Data Not Available

['Q1', '2025']:
- In Q1 2025, the Return on Assets (ROA) was reported at 4.71%, and the Return on Equity (ROE) was reported at 20.21%.

['Q3', '2024']:
- In Q3 FY '24, the actual results reported a Return on Assets (ROA) of 4.87% and a Return on Equity (ROE) of 19.75%, which fall within the management's guidance range of 4.25% to 4.5% for ROA and 18% to 20% for ROE.

['Q4', '2024']:
- We delivered healthy ROA and ROE of 4.78% and 19.55%, respectively, in spite of slightly elevated credit costs.
- **Evaluation:**

- Expectations Exceeded: The actual results consistently exceeded the management's guidance, with ROA and ROE surpassing the upper end of their respective target ranges in Q1 2025, Q3 2024, and Q4 2024.

3. Cost management strategies

- **Narrative:** Management has articulated a clear strategy centered around managing costs effectively to enhance financial performance. This includes maintaining credit costs within a specified range and optimizing the cost-to-income ratio by excluding certain segments, indicating a targeted approach to cost management.
- **Management's Guidance:**
- Management is confident that they will be able to manage the credit cost within 3.5% for this financial year. Additionally, excluding the MSME segment, they anticipate maintaining a cost-to-income ratio around 32-33%.
- **Actual Results:**

['Q2', '2025']:
- Data Not Available

['Q1', '2025']:
- Credit Cost (Provisions) / % of Avg. On-Book Loan Portfolio 3.28% *0.88%* 1.18%

['Q4', '2024']:

- Data Not Available

['Q3', '2024']:

- Credit cost net of recoveries for Q3 stands at 0.94%. The cost to income for the first nine months of Financial Year '24 stands at 36.5%, and it marginally increased to 36.80% in Q3 FY '24 from 36.41% in Q2 FY '24.

*- Evaluation:**

- Expectations Not Met: The management aimed to maintain the cost-to-income ratio around 32-33% excluding MSME, but it stood at 36.5% for the first nine months of FY '24, indicating higher-than-expected costs.

4. Risk mitigation strategies

- **Narrative:** Management reiterated their commitment to maintaining a steady-state gross Non-Performing Assets (NPA) ratio between 1.5% to 1.8%, aligning with their risk mitigation strategy to manage credit risk effectively.
- **Management's Guidance:**
- Management expects the gross NPA ratio to continue within the range of 1.5% to 1.8% in the upcoming quarters, indicating a stable risk management outlook.

- **Actual Results:**
['Q4', '2024']:
- Data Not Available
['Q1', '2025']:
- Data Not Available
['Q2', '2025']:
- Data Not Available
['Q3', '2024']:
- Data Not Available
- **Evaluation:**
- Insufficient Info: Data not available.

5. Process optimization
- **Narrative:** Management emphasized the importance of periodic data sharing to enhance transparency and drive informed decision-making. The focus is on maintaining a consistent schedule for releasing detailed operational data to stakeholders, aligning with the company's strategic objective of process optimization.
- **Management's Guidance:**
- The management has indicated that they will continue to share granular operational data every six months, with the next release scheduled after the Q4 results. This regular data sharing is expected to contribute to operational improvements and stakeholder confidence.
- **Actual Results:**
['Q1', '2025']:
- Rationalized customer handling at RO level from ~540 to ~440, Cashless disbursement at 99.32% in Q1 FY25, Loan Approval TAT at 4 days
['Q2', '2025']:
- Data Not Available
['Q3', '2024']:
- Data Not Available
['Q4', '2024']:
- Loan Approval TAT reduced to 3.3 days
- **Evaluation:**
- Insufficient Info: Data not available.

6. Customer acquisition strategies
- **Narrative:** Management highlighted their focus on sustaining a growth trajectory in customer acquisition. They emphasized their commitment to achieving a consistent annual increase in new customer acquisition.
- **Management's Guidance:**
- Management expressed confidence in maintaining a 10 to 12% increase in new customer acquisition annually, aligning with their strategic goals.
- **Actual Results:**
['Q2', '2025']:
- Data Not Available
['Q3', '2024']:
- Our total customer base as of Q3 '24 is close to 3.8 million, having grown 11.2% year-on-year. Focus on new clients continues, added ~4.23 lakh ~12.0% YoY.
['Q4', '2024']:
- We added 5.15 lakh new customers during the year, a growth of around 14% over financial year '23. We added close to 1 lakh customer in this quarter.
['Q1', '2025']:
- Data Not Available
- **Evaluation:**
- Expectations Exceeded: The management aimed for a 10 to 12% annual increase in new customer acquisition, but actual results showed a 14% growth over the financial year '23, surpassing the upper end of their guidance.

7. Branch network strategy
- **Narrative:** Management has articulated a focused strategy on expanding the branch network to enhance operational efficiency and bolster the company's market presence. The approach includes the planned addition of new branches and strategic splitting of existing branches that have reached a certain asset under management (AUM) size or customer base. This expansion is aimed at optimizing branch performance and potentially tapping into new customer segments.
- **Management's Guidance:**
- Management has set a target to add approximately 200 branches in the Financial Year '24. They plan to continue the expansion by adding a significant number of branches in the following year, with specific guidance expected in Q1 of '25. There is also a plan to split branches that surpass certain thresholds in AUM size or customer count, which indicates a strategy to maintain manageable branch sizes and enhance service efficiency.
- **Actual Results:**
['Q2', '2025']:
- Data Not Available
['Q1', '2025']:
- Devesh Sachdev reported that in Q1 FY25, the company added 101 branches, bringing the total branch count to 1,398. Out of these, 47 branches were split from existing ones, aligning with the strategy to maintain manageable branch sizes and enhance service efficiency.
['Q3', '2024']:
- Our network has expanded to 1,242 branches across 22 states after the addition of 78 new branches in Q3, FY '24. 70% of the new branches added have been in non-top five states. We have added 1.83 lakhs new customers in Q3 and 4.23 lakh customers YTD in this financial year. 13 branches were split in H1 FY 24 for effective monitoring.
['Q4', '2024']:
- Devesh Sachdev reported that they have added 55 branches in Q4. Additionally, a total of 181 branches were added throughout the entire financial year '24, which represents about 10% growth.

- **Evaluation:**
- Expectations Not Met: Management set a target to add 200 branches in FY24, but the company only added 181 branches, falling short of their goal.

8. Credit risk assessment
- **Narrative:** Management has highlighted their strategic focus on maintaining a controlled credit cost environment. They aim to mitigate the impacts of external factors by setting a clear guidance on credit costs, which underscores their commitment to stabilize and normalize credit risk over the upcoming quarters.
- **Management's Guidance:**
- Management expects to close the fiscal year 2024 with a net credit cost of up to 3.5%, reflecting a proactive approach to managing credit risk. Looking forward, they anticipate a normalized credit cost starting from the next financial year.
- **Actual Results:**
['Q1', '2025']:
- The net credit cost for Q1 FY '25 is 1.28%, excluding the impact of stage movement and ECL strengthening.
['Q2', '2025']:
- Data Not Available
['Q3', '2024']:
- Raghav Garg: "And if I look at the credit cost for the nine-month period, I think that comes to on an annualized basis somewhere around 3.5% or slightly more than that, as per my calculations at least."
['Q4', '2024']:
- Our net credit cost for financial year '24 of 3.49% is in line with our guidance given in Q3 financial year '24.
- **Evaluation:**
- Expectations Met: The management expected to close FY 2024 with a net credit cost of up to 3.5%, and the actual net credit cost for FY 2024 was 3.49%, which aligns with their guidance.

9. Geographic diversification plans
- **Narrative:** Management highlighted the strategic focus on expanding operations in non-top 5 states, emphasizing the importance of geographic diversification to enhance market reach and operational resilience. This expansion strategy is aimed at tapping into underpenetrated markets and achieving a balanced geographic portfolio.
- **Management's Guidance:**
- Management indicated that a significant portion of their expansion, precisely 70%, has been concentrated in states outside the top 5, with 64 out of 156 new branches being established in just three of these states.
- **Actual Results:**
['Q4', '2024']:
- We are now present across 453 districts.
['Q1', '2025']:
- Branches increased to 1398 in Q1 FY25 with presence in 22 States & 470 Districts
['Q2', '2025']:
- Branches increased to 1463 in Q2 FY25 with presence in 22 States & 483 Districts
['Q3', '2024']:
- In Q3 FY24, Tarun Mehndiratta reported that 70% of the expansion has come in non-top 5 states. Branches increased significantly from 375 in 2018 to 1242 in Q3 FY24, with presence in 22 States & 446 Districts.
- **Evaluation:**
- Expectations Met: Management's guidance was to concentrate 70% of the expansion in non-top 5 states, and the subsequent reports confirm significant branch growth and geographic presence in these areas, aligning with their strategic goals.

10. Loan portfolio strategy
- **Narrative:** Management emphasized their strategic focus on maintaining a balanced loan portfolio to optimize risk and return. The company aims to sustain a portfolio mix of 65% to 70% secured loans and 30% to 35% unsecured loans within the MSME segment.
- **Management's Guidance:**
- Management is confident in achieving the targeted portfolio mix in the next three quarters, indicating a balanced approach to managing credit risk while enhancing returns.
- **Actual Results:**
['Q2', '2025']:
- MSME vertical is scaling up well with AUM at ■620 Cr, portfolio level secured mix at 78%.
['Q3', '2024']:
- This book now has a portfolio of Rs. 461 crore, which is 4.3% of our overall AUM. approx. 60% of this MSME book is secured.
['Q4', '2024']:
- Data Not Available
['Q1', '2025']:
- Data Not Available
- **Evaluation:**
- Expectations Not Met: Management aimed for a balanced portfolio mix of 65% to 70% secured loans; however, by Q2 2025, the secured loan mix reached 78%, indicating a deviation from the targeted balance, thus not meeting expectations.

11. State-level concentration
- **Narrative:** Management emphasized the importance of maintaining a balanced geographic strategy by ensuring that the company's exposure does not exceed 4% in any given district. This approach is aimed at mitigating risks associated with over-concentration and enhancing overall stability in their operational regions.
- **Management's Guidance:**
- Management expressed confidence in their district-level strategy, with the highest concentration currently at 1.59%. They are optimistic that this strategic balance will continue to be effective in the future.
- **Actual Results:**

['Q2', '2025']:
- Data Not Available
['Q3', '2024']:
- Data Not Available
['Q4', '2024']:
- Data Not Available
['Q1', '2025']:
- FY24 Q1 States 22
- **Evaluation:**
- Insufficient Info: Data not available.