

Q1 2025

1. Revenue growth trends

- **Narrative:** The management of Ujjivan has outlined a comprehensive growth strategy focusing on expanding its loan portfolio and enhancing its market presence. The emphasis is placed on significant growth in both general loan books and specific segments such as affordable housing. The management aims to sustain and build upon prior growth rates, targeting increased market penetration and operational expansion across various regions.

- **Management's Guidance:**

- 1. The company aims to grow its loan portfolio by 20% by the end of the fiscal year. 2. Management expects a 42% year-over-year growth and a 6% quarter-over-quarter growth in the affordable housing book size by Q1 FY 2025. 3. The bank targets a 25% increase in its loan book for the fiscal year 2024-2025. 4. There is a plan to continue the growth trend of over 40% in the coming years. 5. The company expects to achieve around 10% growth in Bihar for the current year. 6. The company aims to grow its outstanding by 20%, maintain a 20% return on equity, achieve a 9% net interest margin (NIM), keep credit costs within 1.70%, increase its secured book to around 35% by the end of the financial year, and actively pursue a Universal Bank license within this financial year.

- **Actual Results:**

['Q1', '2025']:

- The gross loan book was INR30,069 crores as of June '24, up 19% year-on-year and 1% quarter-on-quarter. The affordable housing segment achieved a book size of INR5,199 crores, registering a growth of 42% Y-o-Y and 6% Q-o-Q. Revenue increased by 15% in the last quarter.

- **Evaluation:**

- **{'evaluation': 'Expectations Met', 'evaluation_reason': 'Ujjivan's actual results show a 19% year-on-year growth in the gross loan book and a 42% year-over-year growth in the affordable housing segment, which aligns closely with the management's guidance of a 20% loan portfolio growth and 42% growth in affordable housing.'}**

2. Profitability metrics

- **Narrative:** The management of Ujjivan has outlined a robust strategy to maintain strong profitability metrics in the coming quarters. They are focused on sustaining a significant growth in their asset book while ensuring a high return on equity (ROE). Additionally, there is an emphasis on improving retail deposit quality and achieving better cost efficiency. The financial leadership has also highlighted goals for enhancing gross margins, which indicate a comprehensive approach to bolstering overall financial performance.

- **Management's Guidance:**

- The management aims to maintain a 20% asset book growth and achieve a full-year ROE of 20%. The objective is to achieve granular retail deposits at a lower cost, with an improvement target from 70% in March '24 to 74% as on June '24. Ashish Goel mentioned that the ROE should remain in the range of 20%. The CFO provided guidance on achieving a gross margin improvement of 2% by the end of the fiscal year. Carol Furtado indicated a 20% ROE for this year.

- **Actual Results:**

['Q1', '2025']:

- Increased disbursements and increased collections have given us a very high ROE of 27%. PAT for the quarter was INR301 crores, resulting in a healthy ROA and ROE of 2.9 percentages and 20.9 percentages.

- **Evaluation:**

- **{'evaluation': 'Expectations Exceeded', 'evaluation_reason': 'The management's aim for a 20% ROE was surpassed with an actual ROE of 27% for Q1 2025, indicating that the company's profitability metrics exceeded expectations.'}**

3. Net interest margin analysis

- **Narrative:** The management of Ujjivan has expressed a strategic focus on maintaining a stable net interest margin as part of its financial performance and growth objectives. This focus is indicative of the company's efforts to ensure profitability and financial stability in the coming quarters.

- **Management's Guidance:**

- The Chief Financial Officer mentioned that the bank expects to maintain a net interest margin of 8% for the remainder of the year.

- **Actual Results:**

['Q1', '2025']:

- NIMs for the quarter is 9.3 percentages.

- **Evaluation:**

- **{'evaluation': 'Expectations Exceeded', 'evaluation_reason': 'The management expected to maintain a net interest margin of 8%, but the actual result for Q1 2025 showed a net interest margin of 9.3%, surpassing their expectations and indicating stronger financial performance.'}**

4. Capital adequacy ratios

- **Narrative:** Management has outlined a strategic approach to maintain a robust capital position. This involves setting specific targets for the CD ratio to optimize liquidity management and reduce negative carry. Additionally, the company aims to achieve a balanced asset portfolio composition in the coming years.

- **Management's Guidance:**

- The management team has set a target to maintain the CD ratio at 85%, inclusive of IBPC securitization, as part of their liquidity management and negative carry reduction strategy. The 60-40 composition, with 40% being the secured asset portfolio, is expected to be achieved by FY '26.

- **Actual Results:**

['Q1', '2025']:

- Credit To Deposit Ratio was 85% as of Jun'24, adjusted for IBPC/ Securitisation book.

- **Evaluation:**

- **{'evaluation': 'Expectations Met', 'evaluation_reason': 'The management's target to maintain the CD ratio at 85% was achieved by Q1 2025, as the actual results show the ratio was indeed 85% as of June 2024, aligning with their strategy for liquidity management and negative carry reduction.'}**

5. Credit risk assessment

- **Narrative:** The management of Ujjivan has discussed their strategic approach to credit risk assessment in the context of a challenging microfinance environment. They are adopting a cautious stance towards acquiring new credit customers due to the current slowdown. Additionally, the management is focused on maintaining a disciplined credit cost framework for the fiscal year.

- **Management's Guidance:**

- The management is confident of meeting their FY '25 credit cost guidance. The credit cost is expected to be in the range of 1.7% for the full year. For the first

half of the year, the credit cost will stay within the range of 1.4% to 1.6%. The entire year's credit cost is expected to remain within 1.7%. They have set a target for 5% to 7% of BBB and below-rated corporates in their portfolio. An issue related to overlending in a specific state is expected to be resolved in 3 to 6 months.

- Actual Results:

['Q1', '2025']:

- Actual Results

- Evaluation:

- {'evaluation': 'Insufficient Info', 'evaluation_reason': "The actual results for Q1 2025 are provided without specific details on credit cost performance or resolution of the overlending issue, making it impossible to determine if management's expectations were met, exceeded, or not met."}

6. Digital banking enhancements

- Narrative: Management discussed the launch of digital current accounts specifically targeting the MSME (Micro, Small, and Medium Enterprises) segment. This initiative is part of a broader strategy to enhance their digital platform capabilities, indicating a focus on catering to niche markets and improving digital banking services.

- Management's Guidance:

- The management outlined strategic plans to enhance the digital platform, which includes launching new digital current accounts for the MSME segment. This is aimed at boosting their digital presence and potentially increasing customer engagement and market share in this segment.

- Actual Results:

['Q1', '2025']:

- Actual Results:

- Evaluation:

- {'evaluation': 'Insufficient Info', 'evaluation_reason': 'The actual results data provided lacks detailed information on the outcomes of the digital current accounts launch for the MSME segment, making it impossible to determine if the strategic goals were met, exceeded, or not met.'}

7. Non-performing asset management

- Narrative: The management is focused on improving the company's asset quality by setting specific targets for bad debt recovery and closely monitoring the non-performing asset (NPA) levels. This is part of a broader strategy to enhance financial stability and reduce risk exposure over the coming quarters.

- Management's Guidance:

- The management has set a target to collect over INR100 crores in bad debt recovery for the year. They also expect the NPA to peak at about 2.7% to 2.8% by the end of the financial year, after which a reducing trend is anticipated.

- 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%.

- Evaluation:

- {'evaluation': 'Expectations Exceeded', 'evaluation_reason': 'The management aimed for bad debt recovery of INR100 crores for the year, and in Q1 alone, they achieved INR27 crores, indicating a strong start. Additionally, the GNPA was better than expected at 2.3%, below the anticipated peak of 2.7% to 2.8%.'}

8. Asset quality metrics

- Narrative: The management highlighted the strategic intention to improve the asset quality by increasing the proportion of secured assets in the company's portfolio. This strategy is aimed at enhancing the overall stability and quality of the company's asset base.

- Management's Guidance:

- Management intends to reach a secured book of 40% by the end of the year and plans to achieve a 60-40 ratio (40% secured) over the next two years.

- Actual Results:

['Q1', '2025']:

- Carol Furtado mentioned they initially set guidance for a 60-40 ratio of secured to unsecured assets, and they continue to maintain it.

- Evaluation:

- {'evaluation': 'Expectations Met', 'evaluation_reason': "Management's goal to maintain a 60-40 secured to unsecured asset ratio was achieved, aligning with their guidance and demonstrating success in their strategic intention to improve asset quality."}

9. Competitive positioning

- Narrative: Management emphasized their focus on competitive positioning by aiming to significantly boost their market share. This involves strategic initiatives to enhance their presence in key markets over the coming year.

- Management's Guidance:

- The CEO mentioned that the company aims to increase its market share by 5% within the next 12 months.

- Actual Results:

['Q1', '2025']:

- Actual Results

- Evaluation:

- {'evaluation': 'Insufficient Info', 'evaluation_reason': "The actual results for market share increase are not provided in the current dataset, making it impossible to determine if the company's aim to boost market share by 5% within 12 months was met or exceeded."}

10. Geographic expansion plans

- Narrative: Management is focused on expanding Ujjivan's geographic footprint to enhance its market presence. The discussion highlighted the strategic goal of increasing branch presence across various districts and states to support growth and volume generation in the coming quarters.

- Management's Guidance:

- Management anticipates opening 50 new branches within the next 18 months, as confirmed by the Executive Director. They also aim to leverage the existing diversified presence of 752 branches across 326 districts in 26 states to achieve their strategic objectives, with expectations of restoring normalcy by the end of H1 FY '25 and increased volume generation from Q3 onwards.

- Actual Results:

['Q1', '2025']:

- Actual Results

- **Evaluation:**

- {'evaluation': 'Insufficient Info', 'evaluation_reason': "The actual results for Q1 2025 are provided, but there is no specific information or data available to determine how many branches have been opened. Therefore, it's unclear if the geographic expansion expectations were met, exceeded, or not met."}

11. Process automation initiatives

- **Narrative:** Management emphasized the importance of process automation in boosting operational efficiency. They highlighted ongoing efforts to integrate advanced technologies aimed at streamlining operations, which is expected to enhance productivity and reduce costs in the forthcoming quarters.

- **Management's Guidance:**

- The Chief Operating Officer indicated a 15% increase in operational efficiency by the next quarter.

- **Actual Results:**

['Q1', '2025']:

- Ashish Goel stated that their efficiencies in the 1 to 90 bucket have gone above 40% in the last 2 months of the last quarter.

- **Evaluation:**

- {'evaluation': 'Expectations Exceeded', 'evaluation_reason': 'The management guided for a 15% increase in operational efficiency, but the actual results showed efficiencies improved by over 40% in the designated time frame, surpassing the initial expectations.'}

12. New product launches

- **Narrative:** The management is focused on expanding their product offerings by targeting the mid-premium and Green Funding segments. They have strategically planned to introduce new products to strengthen their market position and cater to emerging consumer demands.

- **Management's Guidance:**

- The company plans to launch three new products by the end of the next fiscal year, with specific aims to have these products ready by Q3 of the upcoming year.

- **Actual Results:**

['Q1', '2025']:

- Actual Results

- **Evaluation:**

- {'evaluation': 'Insufficient Info', 'evaluation_reason': 'The actual results only provide data for Q1 2025, without enough detail to determine if the three new products were launched by Q3 of the upcoming year as planned, leaving an incomplete picture of whether expectations were met or not.'}