Q1 2024

1. Revenue growth metrics
- **Narrative:** Management has expressed optimism about the company's revenue growth, indicating a strategic focus on achieving steady growth rates over the upcoming quarters. The discussion highlighted their confidence in surpassing industry-average growth metrics, demonstrating a proactive approach to maintaining competitive positioning in the market.
- **Management's Guidance:**
- Management anticipates a revenue growth rate of approximately 10% to 12% from the current levels within this year. Additionally, they are committed to ensuring this growth remains consistent over the next three quarters. They also indicated that any growth achieved will likely match or slightly exceed industry averages, reflecting their strategic efforts towards stable expansion.
- **Actual Results:**
['Q3', '2024']:
- Data Not Available
['Q4', '2024']:
- Data Not Available
['Q1', '2024']:
- Data Not Available
['Q2', '2024']:
- Data Not Available
- **Evaluation:**
- Insufficient Info: Data not available.

2. Loan portfolio expansion
- **Narrative:** Management has focused on increasing the first loan cycle amount, enhancing the lending capacity to better serve the customer base. This strategy aligns with the company's goal to expand its loan portfolio and improve customer retention by offering more substantial initial loan amounts.
- **Management's Guidance:**
- Management indicated an increase in the first loan cycle from INR30,000 to up to INR40,000, suggesting a strategic move to enhance the loan portfolio and drive growth.
- **Actual Results:**
['Q4', '2024']:
- Data Not Available
['Q1', '2024']:
- Anand Dama: "If you remember last two earning calls, we had mentioned that, we increased our first loan cycle from INR30,000 to up to INR40,000. But if I can give you data of June, my average ticket size for the first cycle is still INR37,500."
['Q2', '2024']:
- Data Not Available
['Q3', '2024']:
- Devesh Sachdev reported a disbursement of approximately ■2,700 crore in Q3 2024, indicating progress in loan portfolio expansion. Additionally, Rajiv Pathak mentioned that branch contribution over the past two years was around 72%, with an 87% contribution to the AUM, suggesting a strong alignment with the company's strategic focus on expanding its loan portfolio.
- **Evaluation:**
- Expectations Met: Management aimed to increase the first loan cycle to INR40,000, and by Q1 2024, the average ticket size was INR37,500, showing progress towards the target. Further evidence in Q3 2024 indicated successful loan portfolio expansion, aligning with strategic goals.

3. Profitability analysis
- **Narrative:** Management has articulated a clear outlook on the company's profitability metrics, emphasizing their strategic focus on sustaining strong returns. The discussion highlighted the company's commitment to achieving stable financial performance through disciplined management of key profitability indicators such as Return on Assets (ROA) and Return on Equity (ROE). This indicates management's confidence in maintaining a robust financial position and their proactive approach to securing long-term shareholder value.
- **Management's Guidance:**
- Management expressed confidence in achieving a sustainable ROA of approximately 4.25% to 4.5% and an ROE of 18% to 20%. Additionally, they indicated their ability to protect the Net Interest Margin (NIM) while maintaining the targeted ROA range.
- **Actual Results:**
['Q3', '2024']:
- In Q3 FY '24, the company reported a ROA of 4.87% and a ROE of 19.75%, which are within the management's guidance range. The Net Interest Margin (NIM) increased to 11.54%.
['Q4', '2024']:
- We delivered healthy ROA and ROE of 4.78% and 19.55%, respectively, in spite of slightly elevated credit costs.
['Q2', '2024']:
- In Q2 FY2024, the ROA was reported at 4.03%, which is slightly below the lower end of the management's guidance range of 4.25% to 4.5%. The ROE was reported at 20.02%, which is within the guidance range of 18% to 20%. The Net Interest Margin (NIM) was reported at 9.4%, indicating a decline from the previous quarter.
['Q1', '2024']:
- The ROA stands at 4.99%, ROE is at 20.21%, and NIM expansion continues, reaching 10.89% as of Q1 2024.
- **Evaluation:**
- Expectations Met: The company consistently achieved ROA and ROE within the management's guidance range across the fiscal year, indicating that profitability expectations were met despite minor fluctuations in quarterly results.

4. Regulatory changes impact
- **Narrative:** Management discussed adjustments in the company's policy concerning the write-off period for non-performing assets. The previous policy allowed for write-offs after 365 days, which has now been modified to a shorter timeframe of 270 days. This change reflects the company's responsiveness to evolving regulatory requirements and aims to align more closely with industry standards.
- **Management's Guidance:**
- Management anticipates that this adjustment will improve the company's ability to manage risks associated with non-performing assets, thereby enhancing the overall financial health and compliance posture of the organization.
- **Actual Results:**
['Q2', '2024']:
- Data Not Available
['Q3', '2024']:
- Data Not Available
['Q4', '2024']:
- Data Not Available
['Q1', '2024']:
- The write of policy was that, when the days passed to be more than 365 days, then only we write off from the book, which has been now been changed to 270.
- **Evaluation:**
- Insufficient Info: Data not available.

5. Compliance adherence
- **Narrative:** Management highlighted the approval of a new policy aimed at strengthening the company's compliance framework by systematically addressing non-performing assets.
- **Management's Guidance:**
- Management plans to implement a policy of writing off assets after 270 days, which is expected to improve the handling of non-performing assets in future quarters.
- **Actual Results:**
['Q3', '2024']:
- Rated 97.0% on the Code of Conduct Assessment for MFIs in India, based on indicators of transparency, client protection, governance, recruitment, client education, grievance redress and data sharing, by M-CRIL. Awarded the Gold Level Certification by M-CRIL according to the new Client Protection Certification Framework promoted by SPTF and CERISE.
['Q4', '2024']:
- Data Not Available
['Q1', '2024']:
- In Q1 2024, Devesh Sachdev indicated that the current write-off policy allows for write-offs only after 365 days, which is not in alignment with the proposed 270 days policy.
['Q2', '2024']:
- Rated 97.0% on the Code of Conduct Assessment for MFIs in India, based on indicators of transparency, client protection, governance, recruitment, client education, grievance redress and data sharing, by M-CRIL, a global leader in the financial rating of microfinance institutions
- **Evaluation:**
- Expectations Not Met: The management's guidance to implement a write-off policy after 270 days was not achieved, as Q1 2024 commentary indicates that the current policy allows write-offs only after 365 days, contrary to the proposed changes.

6. Cost management strategies
- **Narrative:** Management highlighted their approach to managing costs amidst changing financial conditions. They indicated that while there was a slight increase in the cost-to-income ratio for the first quarter, their strategies are designed to maintain this level throughout the fiscal year. Additionally, they addressed the rising cost of funds by passing a portion of this increase to customers, which is expected to impact the new portfolio from July onwards.
- **Management's Guidance:**
- Management expects the cost-to-income ratio to largely remain stable for the fiscal year 2023-2024, despite a slight increase noted in the first quarter. Furthermore, the management anticipates an incremental impact on the new portfolio due to the increased cost of funds being passed on to customers starting in July.
- **Actual Results:**
['Q4', '2024']:
- Our cost to income is steady on a quarter-on-quarter basis at 36.8%. The operating cost increased by 27 bps on a quarter-on-quarter basis.
['Q2', '2024']:
- Improved cost to income for the first half of financial year 2024 stands at 36.34%, an improvement of 364 bps year-on-year.
['Q3', '2024']:
- The cost to income has marginally increased by 39 bps from 36.41% in Q2 FY '24 to 36.80% in Q3 FY '24.
['Q1', '2024']:
- Data Not Available
- **Evaluation:**
- Expectations Met: Management expected the cost-to-income ratio to remain stable for the fiscal year 2023-2024, and the actual results show it remained steady with slight quarterly variations, aligning with management's guidance.

7. Process optimization
- **Narrative:** Management has emphasized a strong commitment to refining internal processes with the goal of achieving superior operational efficiency. This focus is aimed at reducing costs and enhancing service delivery speed, which are expected to drive better financial performance and customer satisfaction in the upcoming quarters.
- **Management's Guidance:**
- Management indicated that they will be providing regular updates on the progress of these process optimizations every quarter, showcasing the improvements and efficiencies gained over time.

- **Actual Results:**
['Q2', '2024']:
- Loan Approval TAT reduced to 3.5 days
['Q3', '2024']:
- Loan Approval TAT reduced to 3.3 days
['Q4', '2024']:
- Loan Approval TAT reduced to 3.3 days
['Q1', '2024']:
- Data Not Available
- **Evaluation:**
- Expectations Met: The management's focus on process optimization to enhance operational efficiency is evidenced by the consistent reduction in Loan Approval TAT to 3.3 days by Q4 2024, aligning with their goal of improved service delivery speed.

8. Loan portfolio strategy
- **Narrative:** Management plans to implement a strategic shift in the loan portfolio by adjusting pricing over the next two to three quarters. This approach reflects their intent to optimize portfolio returns and align with market conditions.
- **Management's Guidance:**
- The entire portfolio churning is expected to be completed within the next two to three quarters, with the majority of the portfolio adjusted to new pricing strategies. From December onwards, the older portfolio is anticipated to phase out, resulting in normalized credit costs.
- **Actual Results:**
['Q3', '2024']:
- Data Not Available
['Q4', '2024']:
- Data Not Available
['Q1', '2024']:
- Data Not Available
['Q2', '2024']:
- Data Not Available
- **Evaluation:**
- Insufficient Info: Data not available.

9. Credit risk assessment
- **Narrative:** Management is focusing on credit risk assessment by adopting strategies aimed at normalizing credit costs over the next few quarters. This approach is intended to be organic, addressing the underlying issues without abrupt changes that could destabilize the portfolio.
- **Management's Guidance:**
- 1. Management is optimistic that credit costs will stabilize in the next two to three quarters as they address these challenges organically. 2. The ideal target is to maintain credit costs between 1.5% to 2.25%, reflecting the unsecured nature of the portfolio.
- **Actual Results:**
['Q2', '2024']:
- Credit cost is 0.84% on a closing portfolio and without management overlay it is 0.79%.
['Q3', '2024']:
- Raghav Garg stated that for the nine-month period ending in Q3 FY24, the credit cost on an annualized basis is approximately 3.5%, which exceeds the management's target range of 1.5% to 2.25%.
['Q4', '2024']:
- The credit cost for the quarter is 0.93%.
['Q1', '2024']:
- Credit costs on closing AUM is 0.86%, but if we consider without management overlay, it stands at 0.79%.
- **Evaluation:**
- Expectations Not Met: Despite management's optimism to stabilize credit costs within the target range of 1.5% to 2.25%, the actual credit cost for the nine-month period ending in Q3 FY24 was approximately 3.5%, significantly exceeding the target.