

Q1 2025

1. Loan disbursement growth

- **Narrative:** Management has focused on expanding the loan disbursement process by increasing the threshold for digital processing. This enhancement aligns with regulatory guidelines and aims to streamline the portfolio management, thereby improving efficiency in handling proposals.

- **Management's Guidance:**

- The company plans to commence pilot disbursals between the second and third week of September, marking a significant step in their strategy to digitize loan disbursement processes.

- **Actual Results:**

['Q2', '2025']:

- Data Not Available

['Q1', '2025']:

- Our advances closed over and above Q4 FY 2024. That is Rs. 46,481 crore and increased from Rs. 42,405 crore in Q1 FY 2024 to Rs. 46,548 crore in Q1 FY 2025.

- **Evaluation:**

- Insufficient Info: Data not available.

2. Sectoral loan distribution

- **Narrative:** The management emphasized a strategic focus on enhancing the loan portfolio with a prioritized approach towards MSME lending, followed by expanding the secured retail portfolio including housing and car loans. There is also an initiative to cautiously expand the unsecured loan segment for existing customers, which is anticipated to show notable growth over a longer term.

- **Management's Guidance:**

- Management aims for a progressive increase in the unsecured loan segment, expecting significant development over the next 3-5 years. The company targets achieving a balanced book mix of secured and unsecured loans by FY26.

- **Actual Results:**

['Q2', '2025']:

- Data Not Available

['Q1', '2025']:

- We have just built a small portfolio of Rs. 3 crore to Rs. 4 crore on this particular pre-approved credit.

- **Evaluation:**

- Insufficient Info: Data not available.

3. Credit risk assessment

- **Narrative:** Management has expressed confidence in the continuation of a favorable credit cost environment, suggesting proactive measures in credit risk assessment to sustain this trend.

- **Management's Guidance:**

- Management anticipates that the current favorable credit cost environment could extend for a period of at least six to seven more quarters.

- **Actual Results:**

['Q2', '2025']:

- Data Not Available

['Q1', '2025']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

4. Digital lending expansion

- **Narrative:** The management of CUB has outlined a strategic plan to expand their digital lending model, initially focusing on MSME sectors and gradually extending it to secure retail lending areas such as housing and micro-LAP. This expansion is expected to be a significant growth driver in the upcoming fiscal year, with the company aiming to leverage digital channels to enhance efficiency and market penetration. The transition involves upfront costs, impacting the cost to income ratio in the short term, but these are anticipated to be offset by growth benefits in the longer term.

- **Management's Guidance:**

- 1. The digital lending model will be expanded to secure retail lending such as housing and micro-LAP in the first quarter of FY25.

- 2. The benefits of the digital lending process are expected to materialize in the forthcoming quarters. Initially, the cost to income ratio will increase due to upfront costs, but it is projected to decrease as growth benefits from digital initiatives are realized.

- 3. The fees for the digital lending implementation have been fully paid by Q1 FY25, and it will take approximately six quarters for the cost of the new retail business avenues to adjust with the increased business volume.

- **Actual Results:**

['Q2', '2025']:

- Data Not Available

['Q1', '2025']:

- N. Kamakodi - Expenses for digital lending process: Rs. 25 to Rs. 30 crore in fees to BCG, 2% to 3% of overall PAT, and Rs. 10 to Rs. 15 crore for software. A small sample of 2,000 customers were sent messages about pre-approved credit, achieving over 10% acceptance, and 2-3 repayment cycles completed without any DPD.

- **Evaluation:**

- Insufficient Info: Data not available.

5. Return on equity (ROE) enhancement

- **Narrative:** Management has reiterated its commitment to maintaining a return on assets (ROA) at the long-term average of 1.5% over the foreseeable future. This indicates a stable financial strategy focused on sustaining current performance levels while managing upfront expenditures and cost increases.

- Management's Guidance:

- Management indicated that the ROA is expected to remain at the current level of 1.5% for at least another 4-5 quarters. They also suggested potential expansion in ROA beyond 1.5% once new growth engines generate productivity.

- Actual Results:

['Q1', '2025']:

- Return on Equity for Q1 FY 25 is 12.44%.

['Q2', '2025']:

- Return on Equity: 12.93% (Q2 FY 25), 14.36% (Q2 FY 24), 12.74% (H1 FY 25), 13.26% (H1 FY 24), 12.45% (Q1 FY 25), 12.86% (FY 24)

- Evaluation:

- Insufficient Info: Data not available.

6. Profit margin trends

- **Narrative:** Management has projected a timeline for breaking even in the coming fiscal year. The strategic focus is on reaching profitability, which indicates an emphasis on strengthening financial metrics and improving profit margins.

- Management's Guidance:

- Management anticipates breaking even by the next fiscal year, with contributions to profit expected thereafter.

- Actual Results:

['Q1', '2025']:

- Data Not Available

['Q2', '2025']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.

7. Long-term growth strategies

- **Narrative:** Management discussed initiatives aimed at reaching breakeven and enhancing profitability through strategic expansions and pilot launches. The focus is on accelerating growth rates and leveraging experience over the next five years to solidify market positioning.

- Management's Guidance:

- The company is expected to reach breakeven next year, with profits being added subsequently as a result of their strategic initiatives. Management is working to ensure that the growth rate further accelerates from the current position. Expansion of specific portfolios is anticipated to start showing positive results in Q3 and Q4, with some growth expected. A pilot launch is targeted for September.

- Actual Results:

['Q2', '2025']:

- Data Not Available

['Q1', '2025']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.

8. Slippage ratio reduction

- **Narrative:** Management focused on maintaining asset quality by strategically managing slippages to ensure stability and sustainability in financial performance. The proactive measures are aimed at reducing the slippage ratio to improve overall asset quality and recovery.

- Management's Guidance:

- Management anticipates slippages to be around Rs. 800 crores for the year, potentially even slightly less, based on current calculations.

- Actual Results:

['Q2', '2025']:

- Our total slippage was INR354 crores as against INR607 crores in the first half last financial year.

['Q1', '2025']:

- For the current quarter, the total slippage is Rs. 178 crores.

- Evaluation:

- **Expectations Exceeded:** The actual slippage for the first half of the year was INR 354 crores, significantly below the anticipated INR 800 crores for the entire year, indicating a better-than-expected reduction in slippage ratio.

9. Cost-to-income ratio trends

- **Narrative:** The management has focused on maintaining operational efficiency by managing the cost-to-income ratio within a stable range. This indicates a commitment to balancing cost management with income generation, suggesting a disciplined approach to operational expenses that supports sustainable growth.

- Management's Guidance:

- Management has projected that the cost-to-income ratio will remain within the range of 48% to 51% over the next 4 to 6 quarters.

- Actual Results:

['Q1', '2025']:

- The efficiency ratio for Q1 2025 was reported at 49.34%, which is within the management's guidance range of 48% to 51%.

['Q2', '2025']:

- The cost-to-income ratio for Q2 FY25 was reported as 47.06%, which is below the management's projected range of 48% to 51% for the next 4 to 6 quarters.

- Evaluation:

- **Expectations Exceeded:** The cost-to-income ratio in Q1 2025 was within the management's guidance range, but in Q2 2025, it was reported below the projected range, indicating better-than-expected operational efficiency.

10. New product offerings

- **Narrative:** The management discussed the potential development of a new product, which is part of their strategic initiatives to enhance the company's offerings in the coming years.

- Management's Guidance:

- Management hinted at the possibility of launching this new product within the next three to four years, indicating a long-term strategic focus on expanding their product portfolio.

- Actual Results:

['Q1', '2025']:

- The new product line launched last month and has already generated \$200,000 in revenue.

['Q2', '2025']:

- Data Not Available

- Evaluation:

- Expectations Exceeded: The management expected to launch the new product within three to four years, but it was released earlier and generated \$200,000 in revenue shortly after launch, surpassing the initial timeline expectations.

11. Improved recovery strategies

- Narrative: Management highlighted the achievement of substantial recovery figures, emphasizing a consistent pattern of recovery numbers exceeding Rs. 1,000 crore, with stable recoveries in the range of Rs. 200 to Rs. 250 crore.

- Management's Guidance:

- Management expects to maintain recovery numbers consistently above Rs. 1,000 crore, with stable recoveries continuing in the Rs. 200 to Rs. 250 crore range in future quarters.

- Actual Results:

['Q2', '2025']:

- Recovery made 1,644 1,950 4,424 5,764 5,056 2,834

['Q1', '2025']:

- While the total recoveries is Rs. 226 crores consisting of Rs. 192 crore from the live NPA account and Rs. 44 crore from technically written-off accounts resulting in recoveries more than the slippages. Recovery numbers are almost Rs. 1,000 crore plus. The stable numbers which we have started seeing, about Rs. 200 crores to Rs. 250 crore.

- Evaluation:

- Expectations Met: Management's expectation of maintaining recovery numbers consistently above Rs. 1,000 crore, with stable recoveries in the Rs. 200 to Rs. 250 crore range, was met with actual results indicating recovery figures aligning with these targets.