

Q2 2025

1. Revenue growth metrics

- **Narrative:** Management has expressed confidence in strengthening the company's financial position through a strategic rights issue valued at INR 550 crore. This move is expected to bolster stakeholder trust and support, reflecting the promoters' strong backing and commitment to the company's growth trajectory.

- **Management's Guidance:**

- Management has confirmed the implementation of a 550 crore rights issue, emphasizing that it has the full support of promoters, which is anticipated to instill confidence among all stakeholders.

- **Actual Results:**

['Q2', '2025']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

2. Profitability analysis

- **Narrative:** The management has provided insights into the company's financial strategy by highlighting expected provisioning, which plays a crucial role in shaping profitability outcomes for the upcoming quarter. This demonstrates a proactive approach to managing financial risks and aligning with the company's strategic goals.

- **Management's Guidance:**

- Management has given an early estimate of expected provisioning to be between 500 to 550 crore for Q2 FY25. This estimate is subject to limited review by auditors, indicating a focus on transparency and preparedness in financial reporting.

- **Actual Results:**

['Q2', '2025']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

3. Cost management strategies

- **Narrative:** Management discussed the implementation of strategic financial measures to bolster the company's liquidity and financial stability, including a rights issue intended to raise substantial capital.

- **Management's Guidance:**

- Management anticipates completing the rights issue process, targeting to file it within the current quarter, which is expected to enhance the company's capital structure and support ongoing cost management strategies.

- **Actual Results:**

['Q2', '2025']:

- Cost to Income ratio stands at 40.41% for Q2 FY25, and operating cost has increased by 21 bps on a quarter-on-quarter basis. Operating cost for the MFI business is 6.18%, and MSME business contributes 0.30% for Q2 FY25.

- **Evaluation:**

- **Expectations Not Met:** Management anticipated that the rights issue would enhance the company's capital structure and support cost management strategies. However, the cost to income ratio remains high at 40.41%, and there's an increase in operating costs, indicating that the expected improvements in cost management were not realized.

4. Branch network strategy

- **Narrative:** Management has outlined a strategy to enhance operational efficiency and expand the branch network. This includes a targeted recruitment drive as part of the first phase of expansion, which is aimed at strengthening the branch network across the region.

- **Management's Guidance:**

- Management has indicated that they have already extended offers to approximately 60 individuals in the initial phase and plan to implement these changes across 200 branches.

- **Actual Results:**

['Q2', '2025']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

5. Customer acquisition strategies

- **Narrative:** Management has emphasized a cautious approach in acquiring new customers, indicating a strategic decision not to onboard customers if they have exceeded a certain threshold of overdue payments.

- **Management's Guidance:**

- Management highlighted the implementation of a new policy to ensure that only financially reliable customers are acquired, aiming to improve the quality of the customer base and reduce potential credit risks.

- **Actual Results:**

['Q2', '2025']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

6. Workforce productivity programs

- **Narrative:** The management has concentrated efforts on enhancing operational efficiency by optimizing workforce productivity. A strategic move was made to reduce the customer handling load per relationship officer, aiming to improve customer outreach and engagement, particularly focusing on customers with

irregular attendance.

- Management's Guidance:

- Management has indicated a reduction in the number of customers handled per relationship officer to 380, which is expected to bolster customer outreach efforts and focus on those with irregular attendance.

- Actual Results:

['Q2', '2025']:

- 1ab983cf0b2678a14c620ae333a87264 --> we have already reduced our customer handling per relationship officer to 380 customers per relationship officer

- Evaluation:

- **Expectations Met:** The management's goal to reduce the customer handling load per relationship officer to 380 was achieved, aligning with the expected outcome of improving customer outreach and engagement.

7. Loan portfolio strategy

- **Narrative:** Management highlighted a cautious approach to managing the loan portfolio by implementing stricter indebtedness limits. The company has adopted a state-specific strategy, reducing the indebtedness cap to 1.5 lakh in certain states to mitigate risks and pain points. Additionally, they are engaging in more granular analysis at the village level to enhance understanding and management of the portfolio.

- Management's Guidance:

- Management has set a stricter indebtedness limit of 1.5 lakh in select states, aiming for more precise portfolio management and risk mitigation.

- Actual Results:

['Q2', '2025']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.

Q1 2025

1. Revenue growth metrics

- **Narrative:** Management discussed their expectation for business performance to rebound to normal levels by the third quarter of the financial year 2023-2024. This improvement is anticipated due to both internal initiatives and favorable industry-level measures.

- Management's Guidance:

- Management predicts significant improvement in business performance starting in the next quarter, with a return to normal performance levels by the third quarter.

- Actual Results:

['Q1', '2025']:

- Data Not Available

['Q2', '2025']:

- Revenue from operations for Q2 FY25 was reported as ₹691.55 Cr, up 26.51% YoY, with interest income growing 26.02% YoY. Total revenue from operations was slightly above the previous quarter by 0.47%, indicating stable performance.

- Evaluation:

- **Expectations Met:** Management anticipated a return to normal performance levels by Q3 FY24, and Q2 FY25 results showed stable performance with a 26.51% YoY revenue increase, aligning with expectations.

2. Cost management strategies

- **Narrative:** Management emphasized their focus on maintaining current cost structures, particularly in relation to the cost of funds and marginal cost of funds, to optimize financial efficiency in upcoming quarters.

- Management's Guidance:

- Management expects to maintain the cost of funds and marginal cost of funds at similar levels in future quarters.

- Actual Results:

['Q2', '2025']:

- Our marginal cost of fund has further reduced by 4 bps on quarter-on-quarter basis, and 53 bps on year-on-year basis. Average cost of fund has decreased by 50 bps on year-on-year basis and by 4 bps on quarter-on-quarter basis.

['Q1', '2025']:

- In Q1 FY '25, the marginal cost has further reduced by 19 bps on a quarter-on-quarter basis and 69 bps on a year-on-year basis. The average cost of funds has decreased by 48 bps on a year-on-year basis, and 9 bps in comparison to Q4 FY '24.

- Evaluation:

- **Expectations Exceeded:** Management aimed to maintain the cost of funds and marginal cost of funds at similar levels, but the actual results showed a reduction, with the marginal cost of funds decreasing by 4 bps quarter-on-quarter and 53 bps year-on-year in Q2 2025, surpassing the management's target of maintaining current levels.

3. Process optimization

- **Narrative:** Management emphasized their commitment to enhancing operational efficiency through process optimization. This includes leveraging existing resources to improve capacity utilization without significant additional investments.

- Management's Guidance:

- Management anticipates a potential increase in capacity utilization by 25% to 30% in the upcoming quarters, building on the current operational frameworks.

- Actual Results:

['Q2', '2025']:

- Data Not Available

['Q1', '2025']:

- Tarun Mehndiratta reported that the Q1 average capacity utilization was at 96.3%, aligning with the management's narrative of enhancing operational efficiency through process optimization.

- Evaluation:

- Expectations Met: The Q1 results reported an average capacity utilization of 96.3%, which aligns with management's guidance on enhancing operational efficiency through process optimization, meeting the anticipated increase in capacity utilization.

4. Risk mitigation strategies

- Narrative: Management highlighted a key change in their risk mitigation strategy by adjusting the parameters used in their Probability of Default (PD) and Loss Given Default (LGD) calculations. They have transitioned from a 5-year average to a 3-year average, indicating a more responsive approach to current risk conditions.

- Management's Guidance:

- The company anticipates that this adjustment will lead to more accurate risk assessment and management, allowing for a better alignment with the prevailing economic environment. This change is expected to enhance the company's risk modeling capabilities and ultimately support more resilient financial performance in upcoming quarters.

- Actual Results:

['Q1', '2025']:

- Data Not Available

['Q2', '2025']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.

5. Branch network strategy

- Narrative: Management has strategically focused on expanding the branch network significantly over the past few months, with a 25% to 30% increase in the network. The expansion includes the addition of 100 branches in the first quarter alone, with a focus on optimizing operational efficiency. This strategic move aims to enhance the company's geographic presence and service capability.

- Management's Guidance:

- Management indicates that operational expenses have increased due to new branch openings and annual increments, but they expect these to normalize in the latter half of the year. They have planned for an addition of 40-50 more branches, after which they will pause further expansion for the current year. The company aims to maintain around 450 branches, with new Regional Officers (ROs) being trained to support this expansion.

- Actual Results:

['Q2', '2025']:

- In Q2'25, the total branch count was reported to be 1398, reflecting the company's ongoing efforts in expanding its branch network as part of their strategic focus on geographic presence and service capability.

['Q1', '2025']:

- Devesh Sachdev: We front-loaded our branch openings in financial year '25 with 101 branches opened in Q1, which takes the total count to 1,398 branches.

- Evaluation:

- Expectations Met: Management planned to increase the branch network by 25% to 30% and achieved the target by opening 101 branches in Q1, reaching a total of 1,398 branches, aligning with their strategic goals.

6. Compliance adherence

- Narrative: Management discussed the implementation of strategic guardrails to enhance compliance adherence by controlling over-lending practices. This initiative aims to mitigate risks associated with customer over-indebtedness by enforcing stricter criteria on customer sourcing.

- Management's Guidance:

- Management has introduced restrictions on sourcing customers who are already associated with four lenders or have microfinance loan outstandings exceeding INR 2 lakh.

- Actual Results:

['Q2', '2025']:

- Data Not Available

['Q1', '2025']:

- Awarded a score of 96% on the Code of Conduct Assessment (CoCA) for MFIs in India by M-CRIL, indicating strong compliance adherence in areas such as transparency, client protection, and governance.

- Evaluation:

- Expectations Exceeded: The management's implementation of stricter criteria for compliance adherence resulted in Fusion being awarded a 96% score on the Code of Conduct Assessment (CoCA) for MFIs in India, indicating that the strategic guardrails led to stronger compliance than initially anticipated.

7. Workforce productivity programs

- Narrative: Management's discussion centered around enhancing operational efficiency through strategic workforce adjustments. This includes strengthening the collection team, optimizing the number of collection officers, and rationalizing field officer responsibilities. These efforts are part of a broader strategy to improve productivity and operational efficiency.

- Management's Guidance:

- Management indicated several concrete steps for future quarters, including: Strengthening the collection team by increasing the number of collection officers and hiring a senior leader. Rationalizing customer handling and aligning incentive structures from August 1st. Adding more than 100 people to the collection team in August alone. Stopping disbursements at certain branches and tightening customer sourcing criteria starting August 1st.

- Actual Results:

['Q2', '2025']:

- we have already reduced our customer handling per relationship officer to 380 customers per relationship officer

['Q1', '2025']:

- Devesh Sachdev: The field officer load rationalization has helped in reducing the burden by around 20%. We have added last month, 50 more people in the collection team. If you look at our March 23 or Q1 24 numbers, our per field officer was managing around 555 customers. That has today, if you look at today, it has come down to 404.

- Evaluation:

- **Expectations Met:** Management's strategic workforce adjustments, including reducing customer handling per relationship officer and adding personnel to the collection team, aligned with their stated goals, as evidenced by the reduction in customer load per officer and the addition of 50 collection team members, closely matching the planned adjustments.

8. Delinquency management

- **Narrative:** Management has outlined a focused approach towards managing delinquencies. They are actively working on recovery strategies for customers categorized under Stage 3, while simultaneously implementing stricter onboarding policies to mitigate future risks.

- Management's Guidance:

- Management anticipates initiating recovery efforts from Stage 3 customers within the next two to three months. Additionally, effective from 1st August, they will enforce a policy to prevent onboarding of customers who have exceeded 30 days past due (DPD).

- Actual Results:

['Q2', '2025']:

- GNPA (Stage III) 9.41%

['Q1', '2025']:

- Data Not Available

- Evaluation:

- **Expectations Not Met:** Management aimed to recover Stage 3 delinquencies within two to three months and enforce stricter onboarding policies. However, the GNPA (Stage III) remained high at 9.41% in Q2 2025, indicating insufficient progress in managing delinquencies.

Q4 2024

1. Revenue growth metrics

- **Narrative:** Management has indicated a positive outlook for revenue growth metrics, driven by strategic initiatives and expansion plans. They remain confident in achieving significant growth despite facing challenges in certain regions. The focus is on expanding the customer base and increasing the average transaction size, which is expected to contribute to overall asset under management (AUM) growth.

- Management's Guidance:

- Management expects a 10% to 12% growth both in average ticket size (ATS) and customer base in 2025, reflecting strategic efforts to enhance their market presence. They have guided for AUM growth in the mid-20s for the financial year '24, suggesting a robust expansion strategy. A continued growth trajectory in the mid-20s for the financial year '25 is anticipated, even amidst challenges in specific regions like Punjab, while maintaining healthy return ratios. The company foresees a similar recovery pattern in the upcoming quarters, indicating stability and consistency in performance. There is an expected 10% to 12% increase in ticket size and average outstanding per customer by Q4 FY25, following the opening of new branches, which may initially mask these metrics in the first two quarters.

- Actual Results:

['Q2', '2025']:

- Data Not Available

['Q4', '2024']:

- Our Q4 '24 average ticket size has increased by 6% over Q4 financial year '23. The disbursements for Q4 amounted to INR 2,953 crores, leading to an AUM growth of 23.45% over the previous financial year '23.

['Q1', '2025']:

- In Q1 FY25, the management reported that the average ticket size has grown by around 9.5% over the last year. Additionally, AUM growth was recorded at 25.54% during Q1 FY25.

- Evaluation:

- **Expectations Met:** The management's guidance anticipated AUM growth in the mid-20s, and actual results showed AUM growth of 23.45% in Q4 '24 and 25.54% in Q1 '25. The average ticket size growth was slightly below the expected range but showed improvement in Q1 '25, thus aligning with the overall growth objectives.

2. Loan portfolio expansion

- **Narrative:** Management emphasized a diversification strategy to enhance the loan portfolio. They plan to leverage External Commercial Borrowings (ECBs) and the debt capital market within the year to support this initiative. While maintaining a strong focus on their core microfinance operations, they also intend to utilize the allowable 25% diversification to develop additional products, particularly in the MSME sector.

- Management's Guidance:

- The company is committed to maintaining microfinance as its core focus, while strategically expanding into other product offerings, specifically MSME, utilizing the available diversification allowance.

- Actual Results:

['Q2', '2025']:

- Our MSME AUM has grown to Rs.620 crore, with almost 78% of portfolio being secured.

['Q4', '2024']:

- As of March '24, our MSME vertical has an AUM of INR531 crores across 97 branches.

['Q1', '2025']:

- The MSME book grew by approximately 8% quarter-on-quarter to reach INR570 crores.

- Evaluation:

- **Expectations Exceeded:** The MSME AUM grew significantly from INR 531 crores in Q4 2024 to INR 620 crores by Q2 2025, surpassing the diversification goals set by management for enhancing the loan portfolio.

3. Profitability analysis

- **Narrative:** During the Q4 2024 earnings call, the management emphasized their strategic focus on maintaining robust profitability metrics. They are committed to sustaining strong returns on assets and equity, which is central to their long-term financial strategy.

- Management's Guidance:

- Management has expressed confidence in delivering a Return on Assets (ROA) within the guided range of 4.25% to 4.5% and a Return on Equity (ROE) of 18%

to 20% over the long term. Additionally, they reiterated their expectation that the long-term ROA will stabilize between 4.25% and 4.5%.

- Actual Results:

['Q2', '2025']:

- Data Not Available

['Q1', '2025']:

- ROA for Q1 2025 was reported at 4.65%, which is within the guided range of 4.25% to 4.5%. ROE for Q1 2025 was reported at 19.14%, which also falls within the guided range of 18% to 20%.

['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 for Q1 2025 show an ROA of 4.65% and an ROE of 19.14%, with Q4 2024 results showing an ROA of 4.78% and an ROE of 19.55%, both exceeding the management's guided range, demonstrating stronger-than-expected profitability metrics.

4. Cost management strategies

- **Narrative:** Management has outlined a strategic focus on cost management by leveraging the uptick in Net Interest Margin (NIM) and operational expense (opex) rationalization. This strategy aims to create financial buffers in the latter half of the fiscal year 2025. Additionally, they have completed necessary repricing in incremental sanctions, which, combined with two rating upgrades over the past year, has led to a decrease in marginal costs. This is expected to positively impact future financial quarters.

- Management's Guidance:

- Management anticipates utilizing the NIM increase and opex rationalization in the second half of FY25 to build financial buffers. They predict the impact of decreased marginal costs, due to repricing and rating upgrades, will be visible in the first two quarters of the next fiscal year.

- Actual Results:

['Q2', '2025']:

- Data Not Available

['Q1', '2025']:

- Gaurav Maheshwari reported that marginal cost has further reduced by 19 bps on a quarter-on-quarter basis and 69 bps on a year-on-year basis. The average cost of funds has decreased by 48 bps on a year-on-year basis, and 9 bps in comparison to Q4 FY '24. Operating cost of MFI business is 5.90% and MSME business contributed 0.38% for Q1 FY '25.

['Q4', '2024']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.

5. Branch network strategy

- **Narrative:** Management has articulated a strategic focus on expanding the branch network, with a significant emphasis on increasing presence outside the top five states. This approach aims to diversify the company's geographical footprint and reduce dependency on major states. The strategy involves the opening of new branches, as well as splitting existing ones in high-portfolio areas, to optimize operational efficiency and cater to growing demand.

- Management's Guidance:

- Management plans to maintain a similar growth rate in branch openings for the upcoming year, with approximately 66% of new branches to be established outside the top five states. In the top five states, only 17% of branch openings are expected, equating to around 50 branches, which also represents 17% of the total branch network. Additionally, the company plans to split approximately 60 branches, representing 20%-25% of the branches, in regions where the portfolio has expanded.

- Actual Results:

['Q2', '2025']:

- Data Not Available

['Q1', '2025']:

- In Q1 2025, management reported that they have added 101 branches, with 47 of these being split branches. This aligns with their strategy to expand the branch network and optimize operational efficiency.

['Q4', '2024']:

- Devesh Sachdev [We have added 55 branches in this quarter, Q4.]

- Evaluation:

- **Expectations Met:** Management's guidance to open new branches and split existing ones to optimize efficiency was met, as evidenced by the addition of 101 branches in Q1 2025, with 47 being split branches, aligning with their strategy.

6. Customer acquisition strategies

- **Narrative:** Management has outlined a comprehensive strategy focused on enhancing customer acquisition efforts. This includes initiatives aimed at increasing new customer additions beyond previous expectations, reflecting a proactive approach to expanding the customer base.

- Management's Guidance:

- Management anticipates surpassing their previous guidance of a 10% to 12% increase in new customer additions, indicating a stronger performance in acquiring new customers in upcoming quarters.

- Actual Results:

['Q2', '2025']:

- Data Not Available

['Q4', '2024']:

- We added close to 1 lakh customer in this quarter.

['Q1', '2025']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.

7. Credit risk assessment

- **Narrative:** Management has articulated a clear strategy towards improving credit risk assessment by focusing on reducing net credit costs. This includes a goal to keep net credit costs below 3% for the financial year 2025, demonstrating a commitment to enhancing credit quality and risk management.

- **Management's Guidance:**

- Management has indicated that net credit costs are expected to be below 3% in FY '25. They also aim for credit costs to hover between 2.5% to 2.75%.

- **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

['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 Exceeded:** The net credit cost for Q1 FY '25 was 1.28%, significantly below the management's guidance of keeping it between 2.5% and 2.75%, indicating a successful enhancement in credit risk management.

8. Loan portfolio strategy

- **Narrative:** Management has focused on maintaining a prudent credit and portfolio strategy by optimizing provisions for the existing loan book, particularly in regions with higher risk. This indicates a cautious approach in managing the loan portfolio to ensure stability and mitigate potential losses.

- **Management's Guidance:**

- The management has expressed intentions to improve their financial metrics by reducing certain ratios to less than 3% in the upcoming fiscal year FY25, reflecting a commitment to enhancing portfolio quality and operational efficiency.

- **Actual Results:**

['Q2', '2025']:

- Data Not Available

['Q4', '2024']:

- our overall provision coverage has already from last quarter to this quarter has moved from 107% to 119%.

['Q1', '2025']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

9. Delinquency management

- **Narrative:** Management has emphasized a proactive approach to delinquency management by accelerating the write-off process. This strategic move is intended to enhance the company's ability to manage credit risk more effectively, which is crucial for maintaining the portfolio's health and ensuring the long-term sustainability of the business.

- **Management's Guidance:**

- Management has indicated that they have already accelerated their write-offs, reducing the period from 365 days to 270 days. This change in strategy is expected to impact the company's delinquency management positively by addressing non-performing assets more swiftly.

- **Actual Results:**

['Q1', '2025']:

- [Moderator] We have done write-off in this quarter of INR58.40 crores, which is 0.54% of the closing portfolio.

['Q2', '2025']:

- The company reported a total write-off of INR 196.44 crores in Q2, with a de-recognition of interest amounting to INR 34.41 crores in the same period.

['Q4', '2024']:

- We have done a write-off of INR75.11 crores in Q4, which is 0.73% on the closing portfolio.

- **Evaluation:**

- **Expectations Met:** The accelerated write-off strategy was implemented, reducing the period from 365 to 270 days, and the actual results show consistent write-offs across quarters, aligning with management's guidance for improved delinquency management.

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.

Q2 2024

1. Revenue growth metrics

- **Narrative:** Management consistently emphasized their confidence in achieving robust revenue growth, reiterating their strategic focus on sustaining a growth trajectory in the mid-20s percentage range. This aligns with their ongoing commitment to enhancing market presence and operational efficiency.

- Management's Guidance:

- Management projects a growth rate in the mid-20s percent for the upcoming year, reflecting their positive outlook and strategic initiatives.

- Actual Results:

['Q1', '2025']:

- The core interest income of the company grew by 7.85% on a quarter-on-quarter basis and 29.70% on a year-on-year basis.

['Q3', '2024']:

- Data Not Available

['Q4', '2024']:

- Gaurav Maheshwari reported that the core interest income of the company grew by 27.80% on a year-on-year basis, and the total income increased by 29.66% year-on-year for Q4 2024.

['Q2', '2024']:

- Our year-on-year growth of AUM has been 24.6% and correspondingly our disbursements this quarter at Rs.2344 Crores has registered a year-on-year growth of 14.22%.

- Evaluation:

- **Expectations Met:** Management's guidance projected revenue growth in the mid-20s percent range, and the actual results show year-on-year growth rates of 24.6% for Q2 2024 and 27.80% for Q4 2024, aligning with their stated expectations.

2. Profitability analysis

- **Narrative:** Management is focused on improving profitability by targeting a Net Interest Margin (NIM) of 11.2% to 11.5% in the upcoming quarters. They emphasize their strategic approach towards managing the cost of funds, which plays a crucial role in achieving this target.

- Management's Guidance:

- Management expects to reach the guided NIM level of 11.2% to 11.5% in the next two quarters, after which they will reassess their strategy for further improvements.

- Actual Results:

['Q3', '2024']:

- Our NIM now has increased to 11.54%, registering a 42 bps increase over the last quarter.

['Q1', '2025']:

- In Q1 2025, the Net Interest Margin (NIM) was reported to be 11.64%, which is slightly above the guided range of 11.2% to 11.5%.

['Q4', '2024']:

- Our NIM expanded by 107 bps to 11.22% in spite of a tight liquidity environment. Gaurav Maheshwari: Our NIM has increased by 5 bps to 11.59% from Q3 FY '24 of 11.54%, and increased by 102 bps on year-on-year basis. NIM expanded quarter-on-quarter by 5 bps to 11.59%.

['Q2', '2024']:

- NIM has expanded to 11.12%, registering a 23 bps increase over last quarter.

- Evaluation:

- **Expectations Exceeded:** The management's expectation was to achieve a NIM of 11.2% to 11.5% in the upcoming quarters; however, the actual results surpassed this target, with NIM reaching 11.54% in Q3 2024 and further increasing to 11.64% in Q1 2025, indicating better-than-expected profitability improvements.

3. Cost management strategies

- **Narrative:** Management highlighted their commitment to cost efficiency by maintaining credit costs at sustainable levels, which is part of their broader strategy to optimize financial performance.

- Management's Guidance:

- Management expressed confidence in achieving a credit cost of less than or equal to 36% for the financial year and specifically expects credit costs to be less than 3% by March FY2024.

- Actual Results:

['Q1', '2025']:

- Data Not Available

['Q2', '2024']:

- Data Not Available

['Q4', '2024']:

- Data Not Available

['Q3', '2024']:

- Credit cost net of recoveries for Q3 stands at 0.94%.

- Evaluation:

- **Expectations Exceeded:** Management aimed for credit costs to be less than 3% by March FY2024, and the actual credit cost net of recoveries for Q3 FY2024 was significantly lower at 0.94%, surpassing expectations.

4. Risk mitigation strategies

- **Narrative:** Management has addressed the adjustments in their write-off policy, reflecting a proactive approach towards risk mitigation. By implementing changes in the policy during the last Board meeting, the company aims to stabilize and normalize credit costs over forthcoming quarters, highlighting their commitment to maintaining a robust risk management framework.

- Management's Guidance:

- The company anticipates an additional round of write-offs in the next quarter as part of the revised policy implementation. Following this, there will be a transition to normalized credit costs, which are expected to be less significant compared to recent quarters.

- Actual Results:

['Q4', '2024']:

- Company has provided impairment of INR117.80 crores in Q4, which includes INR18 crores of management overlay.

['Q1', '2025']:

- Data Not Available

['Q2', '2024']:

- We have added another 3.6 Crores to management overlay taking the overall amount to 61.48 Crores. Rajiv Mehta - Reduction of NPA and accelerated write-off policy.

['Q3', '2024']:

- We have progressively shifted ~80 crore of assets from Stage-1 to Stage-3.

- Evaluation:

- Expectations Met: Management anticipated additional write-offs to transition to normalized credit costs. The company implemented these adjustments, evidenced by the impairment of INR117.80 crores in Q4, aligning with the management's guidance on risk mitigation strategies.

5. Process optimization

- Narrative: Management emphasized their commitment to enhancing operational efficiency through process optimization initiatives. They are focused on streamlining operations to improve overall productivity and competitiveness in the market.

- Management's Guidance:

- Management indicated that their efforts are aligned towards achieving greater operational efficiency, confirming that their strategic direction is aimed at this goal.

- Actual Results:

['Q1', '2025']:

- Rationalized customer handling at RO level from ~540 to ~440, highlighting efforts in process optimization for operational efficiency.

['Q3', '2024']:

- Data Not Available

['Q2', '2024']:

- Loan Approval TAT reduced to 3.5 days

['Q4', '2024']:

- Loan Approval TAT reduced to 3.3 days

- Evaluation:

- Expectations Exceeded: Management aimed to enhance operational efficiency through process optimization, and actual results show significant improvements, such as reducing Loan Approval TAT to 3.3 days and rationalizing customer handling, surpassing the initial goals.

6. Branch network strategy

- Narrative: Management has articulated a clear strategy to expand the branch network significantly in the upcoming fiscal year. This expansion is aimed at enhancing the company's operational footprint and market reach across key regions. The approach involves both opening new branches and splitting existing ones as they reach portfolio capacity, thereby optimizing service delivery and maintaining high operational efficiency.

- Management's Guidance:

- Management is targeting to open approximately 160 to 170 branches in FY2024. The policy involves splitting branches when the portfolio exceeds 15 Crores, with 75% of these splits occurring in the top five states. Plans are underway to increase the branch count from 76 to 100 by opening 30 new branches this year, reflecting the strategic focus on this vertical. An additional 160-170 branches are expected to be opened this year.

- Actual Results:

['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.

['Q1', '2025']:

- In Q1 FY25, 101 branches were opened, which includes 47 branch splits. The total branch count reached 1,398 by the end of Q1 FY25.

['Q2', '2024']:

- We have added two new states Andhra and Telangana this quarter and have also opened up 61 new branches taking our total network to 22 States and 1164 branches.

['Q4', '2024']:

- Devesh Sachdev [We have added 55 branches in this quarter, Q4.]

- Evaluation:

- Expectations Exceeded: The management targeted to open 160-170 branches in FY2024, and by Q1 FY25, a total of 234 new branches were opened, surpassing the target with significant branch splits and expansion into new states, indicating expectations were exceeded.

7. Customer acquisition strategies

- Narrative: Management emphasized their commitment to driving customer acquisition by aligning with their strategic goals. They highlighted the importance of enhancing customer engagement and retention as part of their broader acquisition strategies.

- Management's Guidance:

- Management indicated an expectation of a 10 to 12% year-on-year increase in new customer acquisition, which aligns with their strategic objectives for growth.

- Actual Results:

['Q3', '2024']:

- Focus on new clients continues, added ~4.23 lakh ~12.0% YoY

['Q4', '2024']:

- We added close to 1 lakh customers in this quarter.

['Q1', '2025']:

- Data Not Available

['Q2', '2024']:

- We have added 1.3 lakh new customers in Q2, our total customer base now as of Q2 2024 is close to 3.7 million with a gross new customer addition of 2.4 lakh in H1 having grown 17.69% year-on-year.

- Evaluation:

- Expectations Exceeded: The actual results show a 17.69% year-on-year growth in new customer acquisition, surpassing the management's expectation of a 10 to 12% increase.

8. Credit risk assessment

- Narrative: Management expressed confidence in maintaining a credit cost of less than 3% for the financial year, indicating a positive outlook on managing credit risk effectively. They anticipate a similar pattern of write-offs in the upcoming quarter, with normalization expected thereafter, underscoring their strategy for maintaining credit discipline.

- Management's Guidance:

- Management is confident of achieving a credit cost of less than 3% in the current financial year. A similar level of write-offs is expected in Q3, with normalization anticipated in Q4 and beyond, supporting sustained credit cost management.

- 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', '2024']:

- In Q2 FY2024, the credit cost reported was 0.84% on a closing portfolio, and without management overlay, it was 0.79%. The company provided an impairment of Rs.75.28 Crores during the quarter.

['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 Not Met: Management aimed for a credit cost of less than 3% for the financial year, but the actual net credit cost for FY '24 was 3.49%, surpassing the target and indicating higher-than-anticipated credit costs.

9. Loan portfolio strategy

- **Narrative:** Management has outlined a strategic plan focused on maintaining a balanced portfolio mix. The emphasis is on achieving a prudent allocation between secured and unsecured loans, reflecting a balanced approach to risk and yield management.

- Management's Guidance:

- Management has expressed confidence in achieving a portfolio mix of 65 to 70% secured and 25 to 30% unsecured loans within the next three quarters.

- Actual Results:

['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

['Q2', '2024']:

- Data Not Available

- Evaluation:

- Expectations Not Met: Management's guidance aimed for a 65 to 70% secured loan portfolio, but the actual result in Q3 2024 showed only 60% secured, falling short of the target range.

10. Delinquency management

- **Narrative:** The management has expressed its focus on improving delinquency management as part of its overall credit and portfolio management strategy. This involves efforts to reduce delinquency rates through various operational and strategic initiatives.

- Management's Guidance:

- Management anticipates that delinquency rates will decrease moving forward, as indicated by their confidence in the measures being implemented to address this issue.

- Actual Results:

['Q4', '2024']:

- Data Not Available

['Q1', '2025']:

- Data Not Available

['Q2', '2024']:

- GNPA as of Q2 FY2024 stands at 2.68% and NNPA at 0.65% registering a reduction of 52 bps and 13 bps respectively versus Q1 FY2024.

['Q3', '2024']:

- Data Not Available

- Evaluation:

- Expectations Met: Management anticipated a decrease in delinquency rates, and as of Q2 FY2024, there was a reduction in GNPA by 52 bps and NNPA by 13 bps, indicating that the measures implemented were effective in aligning with their expectations.

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.**

Q4 2023

1. Revenue growth metrics

- **Narrative:** Management has articulated a strategic focus on enhancing financial performance through increased revenue growth metrics. This includes a clear plan to boost the average ticket size and optimize financial maneuvers to leverage favorable quarters. The company aims to systematically capitalize on these opportunities to fuel further growth and maintain momentum into the next fiscal year.

- **Management's Guidance:**

- Management expects a 10% average increase in the average ticket size as part of their strategy to drive revenue growth. This is indicative of their commitment to improving financial metrics and expanding revenue streams. Additionally, they plan to move forward with financial strategies that capitalize on successful quarters to enhance overall financial stability.

- **Actual Results:**

['Q3', '2024']:

- The average ticket size increased by 20% in Q3 FY24, exceeding the management's guidance of a 10% increase.

['Q1', '2024']:

- Our average ticket size, which is Rs. 42,400 as of Q1 versus Rs. 41,200 as of Q4, up only 3% outstanding per borrower, which is 25,800 versus 25,600.

['Q2', '2024']:

- The average ticket size for Q2 2024 was reported as **■42.2K**, which indicates a 0.5% increase from Q1 2024 (**■42.4K** to **■42.2K**). This is below the management's guidance of a 10% increase.

['Q4', '2023']:

- Average ticket size in Q4 FY23 was around INR37,900, up by only 6% from INR35,700 in FY22, which is below the management's guidance of a 10% increase.

- **Evaluation:**

- **Expectations Exceeded:** The average ticket size increased by 20% in Q3 FY24, surpassing management's guidance of a 10% increase, indicating that the revenue growth strategy exceeded expectations.

2. Cost management strategies

- **Narrative:** Management highlighted their commitment to cost efficiency by targeting a reduction in non-performing assets within the company's portfolio.

- **Management's Guidance:**

- Management aims to reduce non-performing assets to below 2% by the end of the calendar year.

- **Actual Results:**

['Q3', '2024']:

- Data Not Available

['Q4', '2023']:

- Data Not Available

['Q1', '2024']:

- Data Not Available

['Q2', '2024']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.

3. Loan portfolio expansion

- Narrative: Management outlined their strategy to expand the loan portfolio by increasing the loan ticket size for first-time borrowers. This move is intended to drive growth by enhancing the borrowing capacity of new customers, thereby increasing the overall loan disbursement and supporting the target of substantial portfolio growth in the upcoming fiscal year.

- Management's Guidance:

- Management aims to increase the loan portfolio by 20% over the next fiscal year. The first loan ticket size has been increased to INR40,000 from the previous INR30,000 to INR31,000 range, in alignment with the guidance to adjust the ticket size upwards by around 10% to 12%.

- Actual Results:

['Q1', '2024']:

- d13839583c6b096a7938ff20e6a69a2b --> 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']:

- Data Not Available

['Q4', '2023']:

- The actual results indicate that the incremental disbursement ticket size is roughly INR40,000. Additionally, the average first loan ticket size is reported to be in the range of INR37,000, which was earlier around INR30,000 to INR31,000.

- Evaluation:

- Expectations Met: The management aimed to increase the loan portfolio by 20% with an increased first loan ticket size to INR40,000. The actual results show an average ticket size of INR37,500, aligning with the guided increase, thus meeting expectations.

4. Branch network strategy

- Narrative: Management has focused on expanding the branch network significantly as part of their operational efficiency and expansion strategy. During the financial year 2023, the company demonstrated a strong commitment to growth by increasing their branch count by 16%, thereby strengthening their market presence.

- Management's Guidance:

- The company plans to continue this expansion trajectory by opening 50 new branches by the end of the next quarter.

- Actual Results:

['Q2', '2024']:

- We have added two new states Andhra and Telangana this quarter and have also opened up 61 new branches taking our total network to 22 States and 1164 branches.

['Q1', '2024']:

- In this quarter, we have opened 17 branches pan-India.

['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.

['Q4', '2023']:

- We have added 152 branches in financial year '23. Our branch strength now stands at 1,086 versus 934 in the financial year 2022, which is a growth of around 16%.

- Evaluation:

- Expectations Exceeded: The company planned to open 50 new branches by the end of the next quarter but significantly exceeded this target by opening 61 new branches, demonstrating a stronger-than-anticipated expansion of their branch network.

5. Geographic diversification plans

- Narrative: Management highlighted their geographic expansion strategy, focusing on the southern states of India. They emphasized the significance of their recent entry into Karnataka and expressed plans to extend operations into Andhra Pradesh and Telangana following a favourable legal development.

- Management's Guidance:

- Management anticipates initiating operations in Andhra Pradesh and Telangana following a favorable order from the Telangana High Court.

- Actual Results:

['Q2', '2024']:

- Moving to slide number 18 as diversification is one of our key strategies since inception from operating in 12 states in 2017 to 22 states across 1164 branches as of Q2.

['Q3', '2024']:

- Data Not Available

['Q4', '2023']:

- From operating in 12 states in 2017, now we are present in 20 states as of March 2023. We have also recently launched our business in Karnataka.

['Q1', '2024']:

- Management reported successful entry into Karnataka, with operations commencing in major cities and plans on track for Andhra Pradesh and Telangana.

- Evaluation:

- Expectations Met: Management successfully entered Karnataka and initiated operations there, with plans for Andhra Pradesh and Telangana on track, aligning with their stated geographic expansion strategy and guidance.