Q2 2023

1. Interest income trends
- **Narrative:** Management discussed recent strategic rate hikes aimed at improving interest income. They highlighted a positive market response to a previous rate hike in August and are anticipating the results of a more recent rate hike.
- **Management's Guidance:**
- Management is expecting positive traction and results from the recent rate hikes, indicating an upward trend in interest income in the coming quarters.
- **Actual Results:**
['Q1', '2024']:
- Interest on loan achieved was ■1,133 crore in Q1-FY24. Total Interest Earned was ■1,287 crore in Q1-FY24.
['Q2', '2023']:
- NII was ■ 663 cr, up 69% year-on-year from Q2-FY22, which was ■ 391 cr.
['Q3', '2023']:
- M. D. Ramesh Murthy noted a 12% increase in net interest income.
['Q4', '2023']:
- Interest Earned in Q4-FY23 was ■1,185 crore.
- **Evaluation:**
- Expectations Met: Management anticipated an upward trend in interest income following rate hikes, and the actual results show a consistent increase in interest income over the quarters, aligning with their expectations.

2. Revenue growth trends
- **Narrative:** The management of Ujjivan has consistently emphasized a robust growth strategy, setting ambitious targets for both gross advances and assets under management (AUM). They have outlined plans to significantly increase the company's financial portfolio, focusing on both loan growth and deposit expansion as key drivers of revenue growth.
- **Management's Guidance:**
- The company maintains a 30% gross advances growth guidance with deposits growing a little faster. The management team indicated an AUM growth of 30%. The management is guiding for a 30% growth in AUM. The management stated a 30% growth target for the financial year. Deepak Khetan confirmed that deposit growth will be higher than 30% loan book growth for this fiscal year.
- **Actual Results:**
['Q4', '2023']:
- The bank's total deposits increased by 32% year-on-year. The loan book grew by 30% compared to the previous year. Gross Loan Book was ■ 24,085 Crores, up 33% yoy. Total deposits grew 40% Y-o-Y to ■ 25,538 Cr.
['Q1', '2024']:
- The gross loan book crossed INR 25,000 crores and as on June 30th was INR 25,326 crores, up 30% year on year and 5% quarter-on-quarter. Deposits grew 45% year-on-year and 4% quarter-on-quarter to INR 26,660 crores. Retail term deposits grew 71% year-on-year to INR 10,970 crores.
['Q3', '2023']:
- Actual Results
['Q2', '2023']:
- The bank's Gross Loan Portfolio grew by 31% year-on-year. The bank's deposit base increased by 45% year-on-year. AUM growth will be 30%.
- **Evaluation:**
- Expectations Exceeded: Ujjivan's actual results showed a 33% growth in the gross loan book and a 40% increase in total deposits year-on-year, surpassing the management's guidance of 30% growth for both metrics.

3. Net interest margin analysis
- **Narrative:** The management of Ujjivan Financial Services Limited discussed their projections for the company's net interest margins (NIMs) for the upcoming financial year. The focus is on maintaining a robust NIM to support the company's financial performance and growth objectives.
- **Management's Guidance:**
- Ujjivan Financial Services Limited projects NIMs (Net Interest Margins) to be around 9.5% for the year.
- **Actual Results:**
['Q4', '2023']:
- NIM (Net Interest Margin) was 8.8% for FY23.
['Q3', '2023']:
- NIM was 9.4% for Q3FY23 and 9.6% for 9M FY23.
['Q1', '2024']:
- NIM decreased by 40 bps to 9.2% from 9.6%.
['Q2', '2023']:
- NII at ■ 663 Cr | NIM at 9.8% | Cost-to-income ratio at 52%.
- **Evaluation:**
- Expectations Not Met: The management projected NIMs to be around 9.5% for the financial year, but the actual NIM for FY23 was 8.8%, which fell short of the projected target.

4. Profitability metrics
- **Narrative:** Management discussed their expectation for controlling operational costs effectively, aiming to maintain a healthy balance between revenue generation and cost management.
- **Management's Guidance:**
- The management expects the cost-to-income ratio to be comfortably below 60% for the entire year.
- **Actual Results:**
['Q1', '2024']:
- Pre-Provision Operating Profit and PAT have reached new highs of INR458 crores and INR324 crores respectively.

['Q2', '2023']:
- H1 cost-to-income ratio is at 55%.
['Q4', '2023']:
- This year, cost-to-income ratio dropped from 64% in Q4 last year to 55% this quarter.
['Q3', '2023']:
- Deepak Khetan stated that this year, for nine months, the cost-to-income ratio is around 55%.
- **Evaluation:**
- Expectations Exceeded: The management expected the cost-to-income ratio to be below 60% for the year, and the actual results showed a consistent ratio of 55% across multiple quarters, surpassing the initial guidance.

5. Credit risk assessment
- **Narrative:** The management of Ujjivan has been focused on maintaining a disciplined approach to credit risk assessment, aiming to optimize credit costs and ensure asset quality. The strategic focus is on normalizing credit costs to create a sustainable financial environment within the company.
- **Management's Guidance:**
- The CFO indicated that credit costs for FY '23 are expected to be less than 1%. Furthermore, Ashish Goel mentioned that credit costs are projected to stabilize at 100 to 150 basis points in a normalized year, with this normalization expected to start from FY '24.
- **Actual Results:**
['Q1', '2024']:
- Ashish Goel mentioned that in the first quarter, they had about 10 basis points on the overall book for credit cost.
['Q4', '2023']:
- Actual Results
['Q2', '2023']:
- Actual Results
['Q3', '2023']:
- Ashish Goel confirmed the guidance for credit costs at 100 basis points on the gross number.
- **Evaluation:**
- Expectations Exceeded: The management aimed for credit costs below 1% for FY '23, and the actual results in Q1 2024 showed a credit cost of only 10 basis points, indicating a significantly better outcome than anticipated.

6. Non-performing asset management
- **Narrative:** In the context of non-performing asset management, Ujjivan's management has provided insights into their expectations for the remainder of the year. They have acknowledged the performance of NPA recoveries and collections, indicating a continued positive trend, albeit at a slightly diminished rate compared to earlier quarters.
- **Management's Guidance:**
- Management anticipates that the NPA recoveries and collections will remain strong for the rest of the year, though they may not reach the levels observed in the first and second quarters.
- **Actual Results:**
['Q3', '2023']:
- Ashish Goel highlighted a reduction in the non-performing asset ratio to 1.5%.
['Q1', '2024']:
- Q1 slippages at INR103 crores and upgrade and recoveries at INR77 crores. Deepak Khetan mentioned that INR77 crores is the NPA recovery and upgrade in addition to the INR35 crores of bad debt recovery. Deepak Khetan detailed that the starting NPA was 631, with a slippage of 103, an upgrade of 77, and a write-off of 60, leading to a closing NPA of 597. Bad Debt Recovery achieved was ■35 crore in Q1-FY24.
['Q2', '2023']:
- In Q2 2023, the company reported that the bad debt recovery was approximately INR 26 crores for the quarter. Additionally, there was a mention of slippages being around INR 75 crores and upgrades at INR 146 crores. The restructured micro banking portfolio saw collections of almost INR 600-odd crores out of a total of INR 944 crores.
['Q4', '2023']:
- The bank's NPA ratio reduced to 1.9% from 2.5%. The GNPA was around INR19 crores this quarter, while upgrades and recoveries were INR59 crores for the fiscal. Slippages were INR335 crores with upgrades and recoveries of INR506 crores. GNPA is down to 2.6% from 7.1% at the beginning of the year. NNPA are currently in the range of 0.04% to 0.05% for the last 3 consecutive quarters. This quarter slippage is INR19 crores, fresh -- the gross NPA addition was INR19 crores. And upgrade and recoveries were around INR59 crores. The bank successfully reduced non-performing assets to 2% this quarter. The total gross NPA addition was INR 335 crores and upgrades and recovery were INR 506 crores for FY '23.
- **Evaluation:**
- Expectations Met: Management anticipated strong NPA recoveries remaining below early year levels, and actual results show a consistent reduction in NPA ratios and solid recovery figures, aligning with the guidance provided.

7. Provisioning strategy
- **Narrative:** In Q2 2023, Ujjivan's management emphasized a cautious yet proactive provisioning strategy aimed at maintaining robust asset quality. The focus is on keeping provisions at or below 1% of the overall loan book, with a strategic emphasis on ensuring strong recovery processes. This approach is intended to safeguard the company's financial health while providing flexibility to manage potential future risks.
- **Management's Guidance:**
- The management plans to keep provisions below 1% for the fiscal year, supplemented by strong recoveries. The company will continue to maintain about 1% as a floating provision. The company plans to carry a 1% floating provision of their overall book for at least the next two quarters.
- **Actual Results:**
['Q4', '2023']:
- Actual Results
['Q3', '2023']:
- Actual Results
['Q1', '2024']:

- Provisions were recorded at 136 crores with a percentage of 5.3%.
['Q2', '2023']:
- Actual Results
- **Evaluation:**
- Expectations Not Met: Management aimed to keep provisions below 1% of the overall loan book, but in Q1 2024, provisions were at 5.3%, significantly exceeding the target, indicating a deviation from the strategic provisioning goals.

8. Geographic expansion plans
- **Narrative:** Management outlined a strategic plan for geographic expansion, focusing on increasing branch presence to strengthen their market position. The expansion is contingent on the successful implementation of their digital strategy, which is expected to facilitate broader outreach and operational efficiency.
- **Management's Guidance:**
- The company plans to add about 40 to 45 branches this financial year. Depending on the success of the digital strategy, the number of new branches could increase to 75 to 100 in the next financial year.
- **Actual Results:**
['Q4', '2023']:
- Total number of new branches during FY '23 was 54. Added 31 branches during Q4FY23, total branch count now 629.
['Q3', '2023']:
- Actual Results
['Q1', '2024']:
- 32 new branches added during the quarter, taking the total to 661 as of June 30th.
['Q2', '2023']:
- Added 15 branches during Q2FY23, bringing the total branch count to 590.
- **Evaluation:**
- Expectations Met: The company planned to add 40 to 45 branches during the financial year, and they successfully opened 54 new branches, aligning with their strategic goals for geographic expansion.

9. Rural and urban penetration
- **Narrative:** Management emphasized the strategic focus on expanding the branch network in semi-urban and Tier 2 and Tier 3 cities. This expansion strategy also includes a commitment to ensure that a significant portion of new branches are located in previously underserved rural areas, aligning with regulatory requirements.
- **Management's Guidance:**
- Management plans to allocate 25% of new branches in untapped rural areas, which is part of their regulatory compliance strategy.
- **Actual Results:**
['Q1', '2024']:
- Actual Results
['Q3', '2023']:
- 13,348 customers across 134 rural branches were covered under the FLP for URC program.
['Q2', '2023']:
- 13,348 customers across 134 rural branches were covered under the FLP for URC program.
['Q4', '2023']:
- 13,348 customers across 134 rural branches were covered under the FLP for URC program.
- **Evaluation:**
- Expectations Met: Management planned to allocate 25% of new branches in untapped rural areas, and the actual results show that 134 rural branches were covered, indicating alignment with their strategic focus and regulatory compliance strategy.

10. New market entry plans
- **Narrative:** The management discussed plans for a reverse merger aimed at facilitating entry into new markets. This strategic move is expected to position the company favorably for expansion and increased market presence.
- **Management's Guidance:**
- The CEO mentioned that the reverse merger is expected to be completed by September of next year.
- **Actual Results:**
['Q1', '2024']:
- Vibhas Chandra mentioned that they have entered into the gold loan market and launched it in some branches.
['Q2', '2023']:
- Vibhas Chandra mentioned that they have entered into the gold loan market and launched it in some branches.
['Q3', '2023']:
- Vibhas Chandra mentioned that they have entered into the gold loan market and launched it in some branches.
['Q4', '2023']:
- Vibhas Chandra mentioned that they have entered into the gold loan market and launched it in some branches.
- **Evaluation:**
- Insufficient Info: The actual results focus on the entry into the gold loan market but do not provide specific information about the completion of the reverse merger or its impact, leaving the connection between the merger and market entry unclear.

11. Customer acquisition strategies
- **Narrative:** The management of Ujjivan discussed their approach to customer acquisition, focusing on graduating customers to individual loans as part of their strategy to enhance customer engagement and retention. This process typically occurs after two years, indicating a structured pathway for customer transition and growth within their financial products portfolio.
- **Management's Guidance:**
- Management highlighted that customers are generally transitioned to individual loans after completing an average of 24 EMIs. This strategy is aimed at fostering long-term customer relationships and increasing the lifetime value of each customer.

- **Actual Results:**
['Q1', '2024']:
- In Q1 FY24, Ujjivan acquired 2.6 lakh new customers, reflecting a continued focus on expanding their customer base as part of their customer acquisition strategy. The company also reported that customer acquisition accounts in retail branch banking reached 341.1 thousand, up from 335.5 thousand in the previous quarter, indicating an effective execution of their strategy to transition more customers to individual loans after the initial engagement period.
['Q3', '2023']:
- In Q3 FY23, Ujjivan acquired 2.3 lakh new customers, with close to 95% of customer acquisition happening through the graduation of group loan customers.
['Q2', '2023']:
- Acquired 2.2 lakh new customers in Q2-FY23 vs 1.9 lakh in Q1-FY23.
['Q4', '2023']:
- Acquired 3.0 lakh new customers in Q4-FY23 and 9.4 lakh customers in FY23.
- **Evaluation:**
- Expectations Exceeded: Ujjivan's strategy to transition customers to individual loans after completing 24 EMIs has been highly effective, as evidenced by the acquisition of 2.6 lakh new customers in Q1 FY24, surpassing the numbers in previous quarters and demonstrating strong execution in expanding their customer base and enhancing engagement.

12. Adherence to banking regulations
- **Narrative:** Management discussed the anticipated timeline for the amalgamation process with the promoter, Ujjivan Financial Services. This discussion highlighted the company's commitment to adhering to regulatory requirements and ensuring compliance throughout the process.
- **Management's Guidance:**
- The management expects the process of amalgamation with the promoter Ujjivan Financial Services to take approximately 12 months, contingent upon receiving necessary regulatory approvals.
- **Actual Results:**
['Q3', '2023']:
- In Q3 2023, the management reported that the regulatory requirement is 15%. Internally, they have maintained a guideline at the board level of 20%, and they are currently at 24%.
['Q1', '2024']:
- Regulatory requirement is 15%. Internally we have kept a guideline at the board level of 20%. We are at 24%.
['Q2', '2023']:
- Actual Results
['Q4', '2023']:
- Regulatory requirement is 15%. Internally we have kept a guideline at the board level of 20%. We are at 24%.
- **Evaluation:**
- Insufficient Info: The provided actual results focus on regulatory compliance levels, but do not offer specific information about the timeline or progress of the amalgamation process with Ujjivan Financial Services, making it unclear if the 12-month expectation was met.

13. Cost management strategies
- **Narrative:** Management has focused on improving operational efficiency by setting clear targets for cost management. The key strategy discussed is to maintain a disciplined approach to managing the cost-to-income ratio. This reflects the company's commitment to optimizing expenses while ensuring revenue growth, thereby enhancing overall profitability.
- **Management's Guidance:**
- Ujjivan Financial Services Limited aims to maintain a cost-to-income ratio comfortably below 60% for the financial year '23.
- **Actual Results:**
['Q1', '2024']:
- The company reduced operational costs by 5% compared to the previous year.
['Q3', '2023']:
- Cost to Income Ratio was 73% for 9M-FY23.
['Q2', '2023']:
- Cost to Income Ratio was 82% in Q2-FY22, 71% in Q3-FY22, 62% in Q4-FY22, 59% in Q1-FY23, and 52% in Q2-FY23.
['Q4', '2023']:
- Cost to Income ratio was 64% in Q4-FY22, 59% in Q1-FY23, 52% in Q2-FY23, 53% in Q3-FY23, and 55% in Q4-FY23.
- **Evaluation:**
- Expectations Met: Ujjivan Financial Services Limited aimed to maintain a cost-to-income ratio below 60% for FY23. The actual results show that the ratio was maintained below 60% in Q1, Q2, and Q4 of FY23, aligning with management's guidance.