

QUARTERLY NEWSLETTER – Q2

JULY-SEPTEMBER 2023

Message from Managing Director

We continued our strong performance despite Q2 being historically weaker due to seasonality factors. Given all foundational blocks in place, robust internal controls, and growing rural demand, our well-experienced team is confident of maintaining business traction in the second half of the year in line with our annual guidance.

Our growth story is led by robust customer additions where we focus on reaching millions of households through our last-mile infrastructure. In H1 FY24, we added 6.64 lakh new customers averaging roughly 1.1 lakh on-boarding every month. In line with our contiguous district approach enabling cultural familiarity, we have forayed into Andhra Pradesh and Telangana taking our presence across 16 states and 1 union territory. Our asset quality remains the best-in-class with a collection efficiency of 98.7% (excluding arrears) and GNPA of 0.77%.

A thriving business demands a continuous supply of funds which points to the strength of the liability profile. We continue to maintain a positive ALM mismatch, at least 6 months gap with the asset and liability maturity at 19.0 months and 25.2 months respectively. This is led by our planned diversification towards foreign borrowings and public NCD which has over 26% share of the total borrowings at the end of Q2 FY24.

On the back of our operating performance during H1 FY24, we aim to grow our AUM by 24-25% to cross the momentous INR 25,000 crore mark in the 25th year of our operations. I thank all our supporters including dedicated employees for their patient support during all courses of time. Wishing happy festival seasons to all our employees, their families, and all stakeholders.

-Udaya Kumar Hebbar

Brief Synopsis of our Financial Results for the Second Quarter Q2 FY 2023-24

Particulars (Cr)	Q2 FY 24	Q2 FY 23	% Change
Total Income	1,247.6	814.3	53.2% ↑
NII	772.0	516.2	49.6% ↑
PPOP	562.6	334.4	68.3% ↑
PAT	347.0	175.1	98.1% ↑

Growth and expansion

Particulars	Q2 FY 24	Q2 FY 23	% Change
Gross AUM (Cr)	22,488	16,539	36.0% ↑
No. of Borrowers	46.03 lakh	37.98 lakh	21.2% ↑
No. of Branches	1,877	1,684	11.5% ↑
No. of Employees	19,241	16,018	20.1% ↑



CEO Interview:

Read excerpts from our interview with Mr. Ganesh Narayanan, Chief Executive Officer, CA Grameen.

Q1) How do you see the delivery mechanism of microfinance institutions evolving in the coming years?

Microfinance has emerged as one of the vital channels to provide affordable capital to millions of low-income households. At the current juncture, the industry has reached a ~38% penetration with a certain maturity level. In the last 25 years, microfinance services have been given through the joint liability group (JLG) model where the power of social collateral was utilised. A certain portion of those customers who have demonstrated high entrepreneurial capability are shifted towards individual lending. On the other hand, given the penetration status and robust district-based expansion, many customers getting onboarded for the first time known as new-to-credit will continue to follow the group lending model.

Q2) Which growth areas are you focusing on in pursuing the INR 50,000 crore AUM mark?

We aim for a consistent growth of 20-25% in the microfinance business over the next 5 years, driven by our suitable products and competitive pricing. In line with our "Follow the Customer" philosophy, we have been piloting individual retail finance loans complementary to our customers and target markets. These products include individual unsecured business loans, mortgage-backed business loans, affordable housing loans, new two-wheeler loans, and gold loans.

We aim to leverage our existing large customer base which will continue growing at 10-15% CAGR. These retail products will help us to handhold our graduated customers beyond microfinance and continue to support their increasing financing needs. This would help us to increase wallet share per household and realise our vision of being the preferred financial partner to millions of low-income households.

Q3) Could you describe your leadership philosophy?

I follow a laissez-faire leadership philosophy where employees are given autonomy to make decisions leading to a sense of ownership and better outcomes. We constantly encourage collaboration among employees to move towards the same vision. Such an approach has helped facilitate new ideas and tackle difficult circumstances swiftly.

MFIN Elects Mr. Udaya Kumar Hebbar as its New Chairperson



Our MD, Mr. Udaya Kumar Hebbar, has been appointed as the Chairperson of MFIN (Microfinance Institutions Network), the association for the microfinance sector in India. Guided by a spirit of collaboration and social responsibility, Mr. Hebbar, alongside the new Vice Chairperson of MFIN, Mr. Manoj Kumar Nambiar, will work together to

propel the microfinance sector towards a brighter and more inclusive future.

~INR 989.58 Crore Raised via Public Issue of NCDs

After the completion of its maiden public issue of secured, redeemable Non-Convertible Debentures (NCDs) of INR 500 crore, the company successfully raised another INR 989.58 crore via tranche II. Opening with a base issue size of INR 400 crore on August 24, 2023, the NCD tranche II issue witnessed a valid subscription of 2.47X the base issue size. The NCDs are listed on both the National Stock Exchange of India Ltd (NSE) and the Bombay Stock Exchange (BSE) with IND AA-/Stable ratings by India Ratings and Research Private Limited.

Mr. Ganesh Narayanan Appointed as the New CEO

Mr. Ganesh Narayanan has been appointed as the Chief Executive Officer of CA Grameen from August 1, 2023, succeeding his previous position as the company's Deputy CEO and Chief Business Officer. With this transition, he will be at the helm, leading the company's strategic direction, while driving growth and innovation. Mr. Ganesh will be working closely with senior management and Mr. Udaya Kumar Hebbar, who will continue in his role as the Managing Director.

Honoured at the 'Top CEO & Investor Awards' Ceremony



Dr. G. Parameshwara, the Hon'ble Home minister of Karnataka, felicitated our CEO, Mr. Ganesh Narayanan at the 'Top CEO & Investor Awards' ceremony organised by Global Business Champions on September 16, 2023. The award recognized remarkable contributions made by the company to the economic progress and sustainable development of Tumkur district in Karnataka.

Operations Launched in Andhra Pradesh and Telangana

The company commenced its operations in Andhra Pradesh and Telangana during the quarter, adding eight new districts to its geographical outreach. This accomplishment will further strengthen our mission of financial inclusion.

Training Programs Conducted During July – September 2023:

- 1. People Management Program (PMP):** 159 Area Managers & 62 employees from enabling departments went through the PMP during this quarter. The program was aimed at enhancing inter and intra team collaboration, equipping participants with critical leadership competencies that will help them succeed in their roles.
- 2. IGNITE:** Skill enhancement training organized for around

30 employees from the IT department to help foster team spirit and enhance productivity.

- 3. Excellence Leadership Program:** Leadership training conducted for 30 managerial level employees by providing them with essential skills and strategies to unlock their leadership potential and excel in their professional journey. The program gave them a self-reflective experience, where participants explored their leadership style through a series of interactive sessions, activities and learning from their peers.

Highlights of our CSR Initiatives During July – September 2023:

- Conferred 'Grameen Vidya Pratibha' scholarships worth over INR 1.17 crores to 786 government school girls from underprivileged backgrounds for their excellent performance in class 10 board exams.
- Facilitated cancer screening and primary health care services via mobile clinic for 4,072 beneficiaries predominantly from tribal communities in Jharkhand.
- Organized a cancer detection and awareness camp in Dharwad district of Karnataka, in association with Indian Cancer Society, benefitting over 90 people.
- Imparted skill-development training to over 96 candidates in Maharashtra in association with Swades Foundation.
- Facilitated special education and vocational training for 108 differently-abled students, in association with The Coorg Foundation.
- Donated sports kits and water coolers to government schools in Gujarat, aiding around 1,453 beneficiaries.
- Imparted life skills training in WASH (Water, Sanitation, and Hygiene), Financial Literacy, and Career Guidance for 17,992 students from rural government high schools in Karnataka, Maharashtra, and Tamil Nadu.
- Upgraded the facilities of 319 Anganwadis across the nation by providing 6,380 baby chairs, 1,276 armless chairs, and 638 carpets, aiding around 10,391 beneficiaries.
- Donated RO drinking water dispensers, 3-seater chairs, tables, barricades, CCTV cameras, and almirahs to 298 rural police stations, aiding around 12,453 beneficiaries.
- Sponsored vocational training for 172 eligible candidates from lesser privileged backgrounds in Maharashtra, Karnataka, and Madhya Pradesh.
- 423 rural children regularly attended our free digital self-learning centres in Bagalkot district of Karnataka and Madurai region in Tamil Nadu.
- Distributed grocery kits to over 5,395 beneficiaries in the flood-affected areas of Karnataka, Kerala, Maharashtra, and Odisha.

Supporting Umadevi's entrepreneurial journey



Ms. Umadevi from Kanakapura in Karnataka has been our customer for four years now and runs a grocery store to support her family of five.

Umadevi aspired to expand her business. She found the right impetus when one of our loan officers introduced her to the Grameen Unnati loan (the company's high-ticket business loan of INR 2,00,000.) Speaking about her experience with the loan, she shares, "After learning about Unnati loan, I felt that its minimal documentation requirements, quick disbursal, and affordable interest rate features would benefit my business, while saving me from longer waiting periods.

So, I decided to apply for it. The loan was sanctioned to me within just 2 days of application and verification. I, then, utilized this amount as capital for my business. With higher capital investment flowing in, my business scaled up gradually. We are reaping good profits now." With a smile, she adds, "I have availed loans from the company on multiple occasions. Be it for our business or our children's education, the loans have helped us a lot. Thank you."