USFB/CS/SE/2025-26/56

Date: July 28, 2025

To,

National Stock Exchange of India Limited
Listing Department
Exchange Plaza, C-1, Block G, Bandra Kurla Complex,
Bandra (E)
Mumbai – 400 051

Symbol: UJJIVANSFB

BSE Limited
Listing Compliance
P.J. Tower,
Dalal Street, Fort,
Mumbai – 400 001

Scrip Code: 542904

Dear Sir/Madam,

Sub: Transcript of the Quarterly Earnings Call held on July 24, 2025

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we hereby inform you that the Transcript of the earnings/quarterly conference call held on July 24, 2025 for the quarter ended June 30, 2025 is enclosed herewith.

The same shall be available on the Bank's website at www.ujjivansfb.in.

We request you to take note of the above.

Thanking You,

Yours faithfully,
For UJJIVAN SMALL FINANCE BANK LIMITED

Sanjeev Barnwal Digitally signed by Sanjeev Barnwal
Date: 2025.07.28 14:01:03 +05'30'

Sanjeev Barnwal
Company Secretary & Head of Regulatory Framework

Encl: as mentioned above

"Ujjivan Small Finance Bank Limited
Q1 FY'26 Earnings Conference Call"
July 24, 2025

MANAGEMENT: **MR. SANJEEV NAUTIYAL – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – UJJIVAN SMALL FINANCE BANK LIMITED**
MS. CAROL FURTADO – EXECUTIVE DIRECTOR – UJJIVAN SMALL FINANCE BANK LIMITED
MR. SADANANDA KAMATH – CHIEF FINANCIAL OFFICER – UJJIVAN SMALL FINANCE BANK LIMITED
MR. ASHISH GOEL – CHIEF RISK OFFICER – UJJIVAN SMALL FINANCE BANK LIMITED
MR. MARTIN P S – CHIEF OPERATING OFFICER – UJJIVAN SMALL FINANCE BANK LIMITED
MR. VIBHAS CHANDRA – HEAD OF MICRO BUSINESS – UJJIVAN SMALL FINANCE BANK LIMITED
HITENDRA JHA – HEAD, RETAIL LIABILITIES – UJJIVAN SMALL FINANCE BANK LIMITED
MR. GAURAV SAH – LEAD FOR INVESTOR RELATIONS -- UJJIVAN SMALL FINANCE BANK LIMITED

MODERATOR: **MR. SHREEPAL DOSHI – EQUIRUS SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to the Ujjivan Small Finance Bank Q1 FY '26 Conference Call hosted by Equirus Securities. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectation of the company as on date of this call. These statements are not the guarantee of future performance and involve risks and uncertainties that are difficult to predict.

I now hand the conference over to Mr. Shreepal Doshi from Equirus Securities. Thank you, and over to you, Mr. Shreepal.

Shreepal Doshi: Thank you, Viren. Good evening, everyone. I welcome you all to Q1 FY '26 Earnings Call of Ujjivan Small Finance Bank. Today, we have the senior management team of Ujjivan Small Finance Bank represented by Mr. Sanjeev Nautiyal, MD and CEO; Ms. Carol Furtado, Executive Director; Mr. Sadananda Kamath, CFO; Mr. Ashish Goel, Chief Risk Officer; Mr. Martin, Chief Operating Officer; Mr. Vibhas Chandra, Head, Micro Finance Business; Mr. Hitendra Jha, Head, Retail Liabilities TASC and TPP Branch Banking; and Mr. Gaurav Sah, Lead for Investor Relations.

I would now like to hand over the call to Mr. Sanjeev for his opening remarks, post which we can open the forum for question and answers. Over to you, sir.

Sanjeev Nautiyal: Thank you, Shreepal. Good evening, and welcome to our Q1 FY '26 earnings call. I will walk you through the business and financial outcomes for the first quarter of financial year '26. Please be informed that references made during this address to Q4 pertains to FY24-25, and Q1 and H2 relates to FY25-26.

About overall business. In Q1, our gross loan book delivered a growth of 11% Y-o-Y and 4% Q-o-Q, reaching INR33,287 crores. The disbursements in the quarter grew to INR6,539 crores, registering a strong growth of 24% Y-o-Y. The rising share of our secured portfolio from 31% to 46% Y-o-Y underscores the calibrated strategy to diversify our product suite and enhance portfolio quality.

The MFIN guardrails 2.0, have been fully adopted by the bank effective 1st April 2025. While we had anticipated a slower disbursement, we observed that demand scenario improved and Q1 disbursement in group loan was 2% higher than Q4.

We stay aligned to this new operating framework and are focusing on deeper existing customer engagement and opportunities to acquire new customers. Our focus on graduation of good customers to individual loans is also gaining momentum as per our existing strategy.

We added approximately 1.1 lakh new customers in micro banking during Q1, while ensuring healthy borrower profiles. Reinforcing our focus on customer life cycle management, we also graduated approximately 34,000 group loan customers to individual lending and also migrated large number of customers to secure products of gold, vehicle and micro mortgages, a testament to our efforts in nurturing creditworthy borrowers and driving sustainable growth.

Recently regulatory changes were introduced, reducing the Priority Sector Lending requirements for small finance banks from 75% to 60%. This move marks a significant positive shift and gives the bank enhanced flexibility to calibrate its portfolio mix. We believe this will aid in better capital allocation and improve the cost and risk profile of the bank's portfolio.

About macros and liquidity, the Reserve Bank of India took various steps starting February '25, including reduction of policy repo rate and continuous liquidity infusion. We believe these measures will bring down the cost of funds and drive higher credit demand in rate-sensitive segments like Affordable Housing, MSME and vehicle loans. As part of our strategy to diversify the loan book towards more secured products, we expect the NIM to moderate for the bank.

The impact of repricing of deposits undertaken by the bank in the last few months is expected to benefit the cost of funds in coming quarters. Additionally, we carried higher liquidity buffer to meet the large liability maturities in Q2, which is getting absorbed in this quarter leading to liquidity stabilization.

Assets update. In Q1, our group loans stood at INR12,961 crores, reflecting an 18% Y-o-Y degrowth. However, disbursements in Q1 were up 2% Q-o-Q to INR2,844 crores. Our focus during the quarter remained firmly on reviving disbursement, strengthening collections and improving portfolio quality.

Individual loans grew 7% Y-o-Y to INR5,332 crores, backed by a strong 16% Y-o-Y growth in disbursements. This reflects the quality and credit behaviour of customers graduating from our group loan portfolio and remains an important growth engine. The portfolio quality in IL continues to be better than GL.

X-Bucket collection efficiency of the micro banking book remains strong at 99.34% for June '25, reflecting repayment discipline. We are witnessing improvements in collections environment and expect to touch normalized levels of 99.5% plus by Q3FY26.

Coming to the secured book. Disbursement growth of 86% Y-o-Y in Q1 was primarily led by a strong 100% Y-o-Y increase in our affordable housing and micro mortgages segments, alongside a 212% Y-o-Y growth in the MSME segment. Additionally, our FIG book continued to contribute meaningfully to overall disbursement momentum.

Others, including vehicle, gold and agri loans contributed about 11% of disbursements in Q1 and continue to grow at an accelerated pace. Our housing portfolio comprising affordable housing and micro mortgage loans has delivered impressive growth of 53% Y-o-Y in loan book, reaching approximately INR8,000 crores.

Micro mortgages, a higher yielding, lower ticket product continues to contributes roughly INR900 crores to the portfolio, registering a strong growth of 227% Y-o-Y and 24% Q-o-Q. As part of our strategy, micro mortgages has augmented the housing portfolio, effectively addressing the sub-10 lakh ticket size segment and complementing our current product offerings.

MSME business continued to witness an impressive loan book growth of 59% Y-o-Y, reaching INR2,253 crores. Working capital and supply chain finance now account for over 24% of our MSME book, reflecting the growing traction in our business banking segment.

In the Other portfolio, vehicle finance continued its strong momentum with loan book growing to INR560 crores, a robust 156% increase Y-o-Y and 20% increase Q-o-Q. Agri banking loan book reached INR403 crores, growing 288% Y-o-Y and 25% Q-o-Q. Gold loans also gained traction during the quarter with disbursements rising around 550% Y-o-Y, taking the loan book to INR293 crores with presence in 280 branches.

Our focused efforts in newer product offerings comprising of micro mortgages, gold, vehicle and agri banking loans have started showing noticeable contribution towards the portfolio. Our Q1 disbursements were INR628 crores against Q1FY25 disbursement of INR198 crores. These are our higher-yielding offerings in the secured lending portfolio.

Liabilities update. The bank's total deposits grew Y-o-Y at 19% to INR38,619 crores. Our CASA deposits grew by 13% Y-o-Y to INR9,381 crores. Retail TD plus CASA deposits stood at INR27,884 crores, registering a 16% growth Y-o-Y and contributing 72% to total deposits.

Notably, retail deposits have remained consistently above 70%, emphasizing the stability and stickiness of customers towards our franchise. Our cost of funds remained at 7.6% in Q1 and shall reduce in upcoming quarters since we have lowered the peak FD rates by 65 basis points and SA rates have been recalibrated up to 100 basis points in some buckets.

In terms of asset quality, the green shoots are visible with PAR accretion in micro banking, showing a consistently decline over the last 2 quarters. Our slippages in micro banking had peaked in 9 out of 10 states in Q4, and we foresee Karnataka peaking in Q1. Slippages are expected to show an improving trend going forward.

As was the case in Q4 and Q3 of FY24-25, this improved scenario did not necessitate sale of NPAs to ARC in Q1. Bank continued the prudent approach of taking accelerated provisions of approximately INR23 crores in Q1 and additionally holds unutilized floating provision of INR21 crores as of June '25.

Our financial performance. Interest income for the quarter went up by 3% Q-o-Q as the asset book continues on an upward trajectory. Other income increased 26% Y-o-Y. It was down by 8% Q-o-Q due to the PSLC income, retail insurance, bad debt recovery and disbursements being lower. This was offset by higher treasury income due to OMO, switch, buyback transactions carried out by the regulator during the quarter. Additionally, collections in the ARC pool have contributed approximately INR7 crores by means of provision release towards discounted SRs.

Opex for the quarter reduced by 3% due to lower variable pay compared to the previous quarter and tight control over costs. Major savings came from IT. The cost to income for the quarter stood at 67%. Credit cost improved Q-o-Q to INR225 crores from INR265 crores, including accelerated provision of INR23 crores. Profit after tax for the quarter stood at INR103 crores. The return on assets and return on equity were at 0.8% and 6.7%, respectively.

We would now like to place before you the guidance for the year. Advances growth around 20% with secured growth around 35%, liabilities growth in line with advances to maintain CD ratio around 88%, the growth should be around 18%. CASA percentage targeted to close at around 27%, cost-to-income percentages to remain around 67%, credit cost to be in the range of 2.3% to 2.4% of average gross loan book. ROE to be 10% to 12% and ROA to be around 1.2% to 1.4%.

Lastly, coming to the Universal Bank license application. Post the submission in February 2025, our application is under consideration of RBI. Before I conclude, I would like to introduce Mr. Umesh Arora, who has joined as our Head of Emerging Businesses. He holds a rich experience of over 25 years and has held senior leadership roles in retail lending, credit and asset businesses across reputed banks like Axis Bank, IDBI Bank, Standard Chartered Bank and Utkarsh Small Finance Bank. He would be overseeing the departments of Housing, MSME and Agri banking.

Thank you. Now I hand over to Viren.

Moderator: We have our first question from the line of Renish from ICICI.

Renish: Congrats on a good set of numbers. Just 2, 3 things from my side, one on this asset quality piece. So during Q1, we saw most asset equality metrics deteriorating sort of across segments, whether it is gross NPA, PAR 0, PAR 60, etcetera. So just wanted to get a sense, is it largely due to seasonality? Or is there any specific to read into this?

Ashish Goel: Renish, this is Ashish here. So in terms of PAR, we had a higher PAR in Q1 as compared to Q4. This was largely in terms of addition, the PAR addition has started to decline for the last 2 quarters, as Mr. Nautiyal said. However, in Q4, we had done an ARC deal of INR300 crores. That had reduced our PAR significantly, and we have not had the need to do any ARC deal in Q1.

And therefore, the PAR and GNPA would show a slightly higher number. And similarly, the only thing that we have done in terms of intervention is about INR150 crores of write-off, which was eligible as per policy. So with no intervention, the PAR and GNPA numbers have gone up a little.

Renish: Got it. So let's say, adjusted for ARC sale in Q4, the fresh PAR accretion pace has deteriorated, I mean, has improved in Q1?

Ashish Goel: Yes. Renish, that is right. The PAR accretion has improved in Q1 because our Bucket-X collection shows a much better trend in Q1 as compared to Q4. In Q4, we also saw some deterioration because of Karnataka as a state. That factor did not played out till April. But in

May and June, that was not a factor. So our Bucket-X collection efficiency also showed an improved trend. We are now at about 99.4% for the last 2 months.

Moderator: Mr. Renish, does that answer your question? He has dropped from the question. We can take the next question. The next question is from the line of Pritesh Bumb from DAM Capital.

Pritesh Bumb: Just a couple of questions. One is on micro mortgages. The GNPA has now touched at 1%, though the number is smaller. But any colour that, is there some spillover from the main JLG or any other microfinance towards or micro mortgage as well?

Ashish Goel: Pritesh, so in micro mortgages, this book is almost now 15 MOB sorry, this book is now 24 MOB. 15 MOB is where we have built most of our book. Almost 80% of the book is in 15 MOB. There will be a slight increase in PAR as we go forward as the book stabilizes as it matures.

But if you see quarter-on-quarter, the NPA was negligible when we look at Q4 and Q3 of last year. So it will see a slightly higher PAR and GNPA as we go forward as the book matures. As Mr. Nautiyal also said that this is a high-yielding book for us and complements the gap in housing of below INR10 lakhs, so it is budgeted accordingly.

Pritesh Bumb: Got it. Second, on individual lending as well, we've seen some PAR moving up. You alluded to PAR moving up in the JLG book due to sale of some ARC, but in individual lending, we may not have sold to the ARC. So what has the reason been in the individual lending that the PAR has moved up?

Ashish Goel: As I said, Q4, we had done kind of interventions in terms of ARC sale. So the PAR had come down. And similarly, the NPA had also come down. But in terms of delinquencies, IL continues to do better than GL. That is point number one. And point number two, most of the deterioration that we see in the IL metrics has come from Karnataka. So I would take it as a one-off, and we would see stability in this quarter onwards.

Pritesh Bumb: Just to follow up on that, any impact in Tamil Nadu as well because there was some movement in terms of bill there as well in collections?

Ashish Goel: No. So in Tamil Nadu, GL has not been doing as well as we've seen IL. So GL, as we all know, has been an industry-wide phenomenon because of higher leverage of customers. Overborrowing has been the highest in Tamil Nadu. So therefore, GL continues to show slightly elevated PAR and NPA. But in terms of IL, it continues to be below 2% GNPA and the PAR has been below 3%, 3.5% sorry, sorry, 4%. It has been in the range of 4%. So TN is doing quite well in terms of IL.

Pritesh Bumb: Got it. Lastly, the secured yields and the macro banking yields have not much changed. I mean the secured yields have unchanged and macro banking is down at 20 bps. But the overall yield is down by 30 bps. This is basically only from the mix change, right? Nothing else to read from that?

Ashish Goel: Yes. It is largely due to the mix change, Pritesh.

Moderator: The next question is from the line of Rajiv Mehta from Yes Securities.

Rajiv Mehta: Good numbers. Just a couple of things from my side. Sir, firstly, on this NIM decline of 60-odd basis points on a sequential basis. How much was the impact of this buffer liquidity, which you carried through the quarter also due to interest reversals?

And how do you see our NIMs moving forward in the remaining 2, 3 quarters, considering how our liabilities will reprice basis the actions that we have taken the average tenure of bulk and of retail, how the liabilities will reprice and also considering the fact that we had reinstated lending rate cuts from 1st April in micro banking. So there are multiple factors, but so if you can just kind of clarify how the NIMs will incrementally move in the next 2, 3 quarters? And what was the impact of buffer liquidity and interest reversals in Q1?

Sanjeev Nautiyal: So Rajiv, there are 3 aspects to the change in the NIM. One is because of change in asset mix, which is to the extent of 25 basis points. Excess liquidity, which shall be absorbed in Q2 and Q3 led to a 17 basis points inflection.

And one-off payment in micro banking, we had to refund prepaid instalments interest to the customers, which led to a 14 basis points hit on the interest income. So total is 56 basis points. If the points 2 and 3 were not present and only the change in asset mix were to be reckoned, then our NIM would have been around 8%, which is a gradual 8.3% to an 8% kind of a movement.

So what we have done is peak FD rates have been cut by 65 basis points and savings account rate calibration has also been done in a few buckets up to 100 basis points as well. So these aspects are going to lead to a reduction in our cost of deposits. It has already reduced by 21 basis points in Q1 over Q4.

We see further reduction coming to the extent of 30 basis points based on our plan. With CD ratio at 86%, we have excess liquidity to the extent of INR11,000 crores, which is getting unwind now. We expect our NIM to be closer to 7.9% in Q2, Q3 and stabilizing at 7.8% by the time Q4 comes.

Rajiv Mehta: Okay. Sir, 7.9% by Q2 itself?

Sanjeev Nautiyal: Sorry, Rajiv?

Sadananda Kamath: Sadananda here. 7.95% by Q2 because there are 2 factors. One is excess liquidity will get popped up in Q2. And the other one-off payment won't get repeated. So you will see an immediate improvement to 7.9%, and will sort of stay there.

Rajiv Mehta: Also just carrying forward this point of bulk deposits repricing, what is the average maturity profile of bulk? And what is the current cost of bulk deposits versus what is the fresh rate in the market right now? What is the difference that you'll capture in the next 1, 2 quarters?

Hitendra Jha: Yes. Hitendra Jha here. So if you look at bulk TD, we are now sourcing at 7.69% and average tenure is around 1 year.

Rajiv Mehta: Okay, 1 year.

Hitendra Jha: And retail, we are now sourcing at 8.09% Q1, which, as Mr. Nautiyal said, going forward, it will be come down.

Rajiv Mehta: Sure, sure. Just one last one thing on collections. As I can see that the current collection manpower, off-roll has been ramped up in the last 2, 3 quarters. Now how does it reflect in our collection efficiency and the rollback and resolution efficiency in the coming quarters? I mean that, can you just kind of tell us what kind of an improvement can we seen, would it lead to significant rollbacks, that is what the plan with this kind of augmentation in collection manpower?

Ashish Goel: So, Rajiv, this increase in manpower will help us in 2 ways. One is in SMA collections and the second is in NPA collections. And that also includes write-off. NPA also includes write-off collections because these are higher DPD. In terms of SMA collections, we had seen that the environment was not so good.

So we had focused a lot on the early buckets. 31 to 90 is where most of our off-roll team is handling. And we have seen the collection efficiency in SMA 1, which is 31 to 60, improved from about 36% to 37% to now 47% to 48%. And SMA 2 has gone up from about 42% to 45%.

So a lot of our team is in the early buckets handling the slippages. And that has also shown us lower slippage. The forecast is also going forward much lower. In terms of NPA collections, we have seen an improvement. But in micro banking, it takes time. There are 3 to 5 meetings over a couple of months it takes for NPA to start getting recovered. But Q1 has been better than Q4 in our NPA and write-off collections.

Gaurav Sah: Yes. Rajiv, just to clarify, excess liquidity to the tune of INR1,100 crores, not INR11,000 crores. And retail FDs, the peak rates have been cut now to 7.6%. So approximately, we'll see a drop. So Hitendra sir mentioned about the quarter 1 average numbers. So we expect good amount of reduction there going ahead.

Moderator: The next question is from the line of Sagar Shah from Spark Capital.

Sagar Shah: Congratulations to the entire team of Ujjivan for a decent set of earnings in such an environment. Sir, actually, my first question was related to the asset quality. In this quarter, we have around some few loans which are insured against the CGFMU scheme. So what I wanted to understand that how can we look going ahead, still we have around INR649 crores worth of cover for CGFMU cover. So going ahead, are we looking to increase our cover is this going ahead? Or what is the strategy over here?

Sanjeev Nautiyal: Sagar, thank you for the question. Yes, we have started doing CGFMU from the Q4, and we continued in Q1 as well. And we intend to continue this. This gives a very good coverage, and we will continue to do as part of the portfolio coverage going forward as well.

Sagar Shah: Okay. So at least till in the next 1 year that what percentage of the portfolio are you targeting to cover? And in the next 3 years also, are you targeting to cover 100% of your portfolio?

Sanjeev Nautiyal: So I would not be able to give you a percentage at this point of time, but we have select pool and we have signed behind it. We'll be covering some part of our portfolio through CGFMU.

Sagar Shah: Okay. Okay. Sure, sir. My next question was related, sorry?

Carol Furtado: I was saying that CGFMU is a dynamic activity that we would be doing quarter-on-quarter based on the situation around.

Sagar Shah: Okay. So that will depend on the situation of the kind of the portfolio quality that you'll be taking a call depending on that basically.

Okay. My next question was related to Ujjivan plus 3 lenders, which constitutes almost 7.4% of your total borrowers. And if I see the collection efficiency over the last obviously quarters, we know what the kind of environment are we going through, but the collection efficiency is constantly dropping. So when will we see this number stabilize?

You already highlighted that we will see some recovery going ahead. But I wanted to exactly have some word about Ujjivan plus 3 lenders. How is the portfolio doing? And how is your collection? how is your off-roll collection team actually helping out to recover dues from them?

Ashish Goel: Sagar, one of the reasons for a drop in collection efficiency is also because Ujjivan plus 3 and above has also dropped. This number last year was about 14%, and now we are in the range of about 7.4%.

So while the denominator has gone down, that is one of the factors which contributes to a drop in collection efficiency because the good customers are finishing their loans and the delinquent ones remain. So having said that, it seems to us that it will take another 1 quarter to maybe 4, 5 months for this portfolio to become insignificant and that is how we are looking at the rundowns.

Sagar Shah: Okay. Okay. Fine, sir. So my next question was related to opex. What kind of numbers are we looking at increasing our branch network this year? And any guidance related to that? How are we looking to increase our branches across, maybe not in this year, but next year any guidance related to that?

Sanjeev Nautiyal: This year, we are planning to open around 25 branches. And over the next 4 years, we may open around 400 branches. That is the overall plan.

Sagar Shah: Okay. Okay. Fine, sir. And once this collection efficiency stabilizes, especially in this stress portfolio, do we see that at least the off-roll collection team coming back to normal by FY '27? That will be my last question, sir.

Ashish Goel: Yes, Sagar. Post COVID, this team was in the range of about 1,800 people. Immediately post COVID, we had ramped up the team. We brought it down to 1,200 as collections, the stock came down. During this time, we felt we needed to increase it, so we have taken it up. And progressively, as the stock comes down, we will bring down the team size.

Sagar Shah: Okay. So that will be one of the factors behind the low in cost-income ratio, right?

Moderator: Sagar, sir, I'm sorry to interrupt. May I request you to rejoin the queue as there are several participants waiting in the queue.

The next question is from the line of Shailesh Kanani from Centrum Broking.

Shailesh Kanani: Sir, my question is, first, with respect to our housing segment. There, our book is now at a decent size, and we are seeing a good growth over there on a quarter-on-quarter basis. One small data point over there, the SORP has seen a sequential drop from 96% to 94%. So I was wondering what is that balance 6%? And if you can just kind of highlight any key monitorables in this book and key things which are going well for us in this book?

Ashish Goel: Shailesh, we also take commercial property when we do LAP. So there is some part of residential and commercial. While I can come back to you on specifically what was the 2%, but it could possibly be commercial property. We can come back to you on that.

In terms of monitorable, we have in terms of asset quality monitor, a 99.5% Bucket-X collection efficiency. We also monitor our GNPA and PAR. Our GNPA has been in the range of 1.25% for the past few quarters. It has stabilized in that range.

Shailesh Kanani: And what things have gone right for us? Means the growth has been quite robust over here.

Ashish Goel: This is largely driven, Shailesh, by our distribution. So, we are present in almost 550 branches out of the 750 branches that we have. And so the product is widely distributed. We have improved our distribution over the last 1 or 2 years. I would say, that is the primary reason. The second reason is our price competitiveness. We also are competitively priced compared to the loans available in the market through competition. So these are, I would say, the 2 factors which help us service our customers better.

Carol Furtado: And in addition to what Ashish said, we also measure our sanction-to-disbursement ratio, which is close to around 90%, which is much higher than, I guess, the industry.

Shailesh Kanani: That's useful. My second question, I was just seeing the breakup of JLG book in terms of exposure. West Bengal is about 15.1%. And I remember earlier, but our commentary has been that we would be keeping it below 15% for any state exposure. Has there any change in policy over there or anything to read into it?

Sanjeev Nautiyal: So yes, we still hold that. We want to keep our microfinance portfolio within 15% range. And I think the data that you're looking at is only group loan. If you include IL also, it will come below 15%. But obviously, in the last financial year, we have been facing issue in South, especially Karnataka and Tamil Nadu.

And we at this point of time, I would say from the last 2 quarters, we see that East and North has stabilized faster than other regions. And we have a larger base there. We have a lot of good number of branches there. And at this point of time, we want to grow there. As South also stabilizes, we will also start growing here, and you will see this ratio again changing.

Moderator: The next question is from the line of Nikhil Vaishnav from Emkay Global Financial Services Limited.

Nikhil Vaishnav: So sir, just one question from my side. You said about NIM, we have impact of some 17 days from one customer regarding the prepayment. So can you give some detail on the same like who is the customer, like we have given this prepayment in loans, deposit or any corporate customer? So can you provide some detail on this?

Sanjeev Nautiyal: So yes, it's nothing, but we in microfinance segment, there is a day of prepayment because it is monthly payment, and it is based on days in the centre meeting. And some customers tend to pay 1 or 2 days, 3 days advance and kind of accounting that we have in microfinance system, the 2- or 3-day advance prepayment that interest benefit was to be transferred to the customer.

And that exercise we have undertaken and that small amounts have been transferred to the customers. And that is something which is going as an interest reversal because it was realized and then reversed.

Nikhil Vaishnav: Okay, okay. Understood. And secondly, sir, can you give some indication on the GNPA? Of course, it will be below 3%. But can you give some guidance or some indication on slippages, how it will be going forward in Q2 and in second half and also the credit cost?

Ashish Goel: So in terms of slippages, the slippages have started to come down post Q4. In fact, as we said, Q4 was the peak in 9 out of 10 states and Karnataka has peaked in Q1. If you look at it, the SMA book has been steadily declining from 2.68% to 2.36% and now 2.29%. So this means that the slippages going forward will be much lower than what we had in the past 2 quarters. So you can say that the GNPA would be contained below 2.5% as we go forward.

Moderator: The next question is from the line of Abhishek from HSBC.

Abhishek: A few quick questions. So one is in the provisions of INR225 crores, how much was for MFI? The quarterly P&L provision of INR225 crores, out of that, how much was made for MFI?

Gaurav Sah: Abhishek, I'll come back to you, but around 80% should be the figure. But I'll come back to you on this. We'll take this offline.

Abhishek: Sure, sure, sure. And in MFI GNPA, typically, what's the PCR you maintain approximately?

Ashish Goel: It's in the range of about 70%. That is the mandate that we have. We have used floating provisions. As you must have seen, we have also used floating provisions at a bank level for the computation of PCR. So in our unsecured book, the provisions are slightly higher. And on the secured book, the provisions are relatively lower because they happen at over. The provisions increase at a much lower pace, unsecured happens much faster. So PCR on unsecured is about 80%.

Abhishek: Sure. On unsecured, 80%. So basically, when you write off, you have to just make the remaining 20%. That's right? I just wanted to check that.

Ashish Goel: That is true.

Abhishek: Yes. And in IL, how much is in Karnataka? And what would be the PAR of that book?

Ashish Goel: Sorry, Abhishek, you're asking about?

Abhishek: In individual loans, like the individual loan book, how much of it would be in Karnataka and what would be the PAR?

Sanjeev Nautiyal: So in Karnataka, Our overall book is about INR5,300 crores, and Karnataka is about 10% of that. The overall PAR is 7.4% in Karnataka.

Abhishek: That is the IL PAR, individual book PAR?

Ashish Goel: That is the IL PAR.

Abhishek: And last quarter, it could have been how much?

Ashish Goel: It's given in the investor presentation.

Abhishek: Okay, okay, okay.

Ashish Goel: It has increased from 6.8% to 7.4%.

Abhishek: Right, right, right. Okay. Got it. Sorry, I missed that. All right. And last quarter, ARC sale would be mostly in GL, right?

Ashish Goel: No, no, it happened for both, GL as well as IL.

Abhishek: So what would be the split? Roughly, could you remember?

Ashish Goel: 78% was GL and 22% was IL.

Moderator: The next question is from the line of...

Ashish Goel: Abhishek, one correction. Karnataka, the PAR has gone up from 6.8% to 7.4%. I mentioned erroneously 3.8%. It is 6.8%.

Moderator: The next question is from the line of Chinmay Nema from Prescient Capital.

Chinmay Nema: A couple of questions from my side. Firstly, could you give some colour on what you're seeing in Karnataka on ground? And when do you see or how soon do you see the PAR numbers coming down meaningfully or turning around?

Sanjeev Nautiyal: Chinmay, yes, about Karnataka, we are seeing improvement, definitely. That is very, very clear. And the situation in which the industry was in, in the month of January, has eased out a lot. We see a lot of improvement in Ujjivan portfolio as well. At a broader level, Karnataka has 2 geography in microfinance. We have Bengaluru metro and rest of Bengaluru. The rest of Karnataka, you can say, Bengaluru was never affected for us. Bengaluru has been doing very well even during the month of January, February, March. And we have a large part of portfolio in metro.

We are better than the industry. It is clearly showing in month on data, also in portfolio quality. We have excellent portfolio quality in Bangalore and urban market, as I mentioned. We see still some kind of issue in certain districts like Belgaum, Davangere, Tumakuru and Ramanagar, which contributes close to 10% of our estate portfolio and which is majorly impacted due to ordinance issue. Otherwise, state portfolio is doing excellent.

We also see increase in demand in other pockets. With the audience issue subsiding slowly, new PAR addition has reduced across most of the districts in the state consistently and expect to improve further in the state. We have 24% IL book in the state, and it is performing far better than GL. And as the profile and income levels of these customers in the state is much better, and we'll see continuous improvement in coming months as well.

Chinmay Nema: Understood, sir. Got it. My second question is on PCR. The PCR has been coming down quarter-on-quarter. So is it primarily driven by change in mix towards the secured book? Or is there something else to look into?

Ashish Goel: So the PCR has come down because the increment in GNPA was faster than the increment in provisions. Now that the GNPA accretion has slowed down, the provision accretion will catch up. And therefore, the PCR will tend to rise going forward. Number two, in terms of secured book, our PCR is low. And the GNPA accretion has also been very low there. So therefore, PCR has also shown a slight decline during this quarter.

Chinmay Nema: Got it. So out of the INR775 crores of total provisions, would you be able to share what are the provisions earmarked towards the MFI book?

Gaurav Sah: This is Gaurav. INR775 crores is the total provision. INR130 crores is the floating provision earmarked for this. So I'll give you a breakup of this. We totally have INR181 crores of floating provision, out of which INR130 crores is currently earmarked towards the calculation of PCR. We have another INR30 crores earmarked for Tier 2 capital and around INR21 crores is unutilized.

Chinmay Nema: No, I get that. But out of the total provisions, if you could share what are earmarked towards specifically the microfinance book?

Ashish Goel: There is no earmarking within the floating provision. So that happens as per the provisioning policy. Are you asking for a breakup of this between micro banking and others?

Chinmay Nema: Yes.

Ashish Goel: Of the overall provisions or for the floating provision?

Chinmay Nema: Overall position.

Ashish Goel: Overall, we can come back to you. But broadly, about 45% is the PCR for micro banking book and about 55% would be on the secured book. But we will come back to you on that.

Moderator: The next question is from the line of Ashlesh Sonje from Kotak Securities.

Ashlesh Sonje: Okay. Firstly, on the MFI book, if I look at the performance of the group loan portfolio, that has seen an improvement in the PAR 1 to 90 bucket over the last 2 quarters. But if I look at the same metric, the 1 to 90 DPD for the individual loan book, that seems to be steadily increasing, both in percentage as well as in rupees in the individual PAR. What is the reason for this divergence in performance?

Sanjeev Nautiyal: So overall level, our IL book is doing much better than GL. And overall microfinance book is doing much better than the industry. Within IL, we have been a little bit impacted in Karnataka as in Karnataka, we were doing very well in IL. IL book size was also very healthy and large. And that has impacted to an extent. But what we have seen in the past also that in IL, even after delinquency, the recovery is much better than GL. And we see that this will come back, and our portfolio will improve.

Ashlesh Sonje: Okay. Got it. And can you give a breakup of slippages across group loans, IL and non-MFI?

Gaurav Sah: Yes. So microfinance slippages approximately accounts for 80%. So roughly INR300 crores slippages are from micro banking put together, group and individual. Housing is rest around half of the rest and MSME takes another bulk. So roughly INR25-odd crores for housing, around INR20 crores for MSME and around INR5 crores for the vehicle vertical.

Ashlesh Sonje: Got it. And within this INR300 crores, how would it be split between GL and IL?

Gaurav Sah: Around INR220 crores, INR230 crores of group loan and around INR60 crores to INR70 crores of individual loan.

Moderator: The next question is from the line of Deepak Poddar from Sapphire Capital.

Deepak Poddar: Sir, just wanted to understand, first off, I think you mentioned in the opening remarks that by third quarter, we expect normalized level of credit cost or collection efficiency. Is that right?

Sanjeev Nautiyal: We mentioned about the collection efficiency in microfinance to be normalized by Q3, yes.

Deepak Poddar: Okay. So, we expect 99% plus kind of a normalized efficiency, by third quarter, right?

Sanjeev Nautiyal: Yes, our current X-Bucket is close to 99.4% consistently for the last 2 months, and we expect to go beyond 99.5% plus collection efficiency in X-Bucket.

Deepak Poddar: Fair. And about credit cost, when do you expect credit cost to come to normalized level and by which quarter?

Ashish Goel: So increase in NPAs over the last 2 or 3 quarters is still to be fully provided. We expect that during the next 2 quarters, there will be provisions on the existing stock. But post that, since our Bucket-X collection efficiency started to improve in Q1, the impact of that will be seen in Q3 and Q4.

Deepak Poddar: So, by fourth quarter, I mean, ideally, you expect better. yes, please continue.

Ashish Goel: Yes, I would say so. I would say so that by fourth quarter, it would be normalized. And so what gets into Bucket-X in Q1 starts to show an impact in Q3. So on Q3, we will see a reduced number because the efficiency started to improve in Q1.

Deepak Poddar: Correct. I got it. So, the NPA increase in the last 2 quarters, you have to provide for next 2 quarters, so ideally by when we'll see an improving trend at least, I mean.

Ashish Goel: Yes, yes. In H2, one can say that the credit cost would be much lower than what we see in H1.

Deepak Poddar: Correct. And what about second quarter? We can expect similar credit costs as we have seen in first quarter, in this coming quarter?

Ashish Goel: So, we can say that Q1 and Q2 would have credit cost. Q3 and Q4 would have much lower credit cost.

Deepak Poddar: Okay. Yes, yes. I got it. And just one last thing. What's the normalized level of credit cost we are looking at? I mean once this settles down, so in terms of percentage, what sort of normalized credit cost we are looking at?

Ashish Goel: So on unsecured, the credit cost should be in the range of 2% to 2.25%. And on secured, we see 0.7% to 0.8% on a steady-state basis, minus this disturbance in the environment that we are seeing now. So that is a steady-state credit cost that we should see.

Deepak Poddar: Okay. So since the book is 50-50, so maybe at a company level, we might look at 1.5%, 1.7% kind of an average?

Ashish Goel: Yes. Maybe lower than that.

Moderator: The next question is from the line of Vinay Nadkarni from Hathway Investments.

Vinay Nadkarni: Yes. Just one bookkeeping question I have, other than the credit cost. For this quarter, what is the credit cost that you have projected, actual credit cost in quarter 1?

Gaurav Sah: We had a credit cost of INR225 crores at a bank level.

Vinay Nadkarni: As a percentage?

Gaurav Sah: As a percentage of gross loan book, mostly around 0.7% on annualized.

Vinay Nadkarni: Okay. And secondly, in your projections, you have projected cost-to-income ratio of 67%. With an advanced growth of 20%, do you still expect the cost-to-income ratio to be high?

Gaurav Sah: Yes. See, just highlighting that you would have seen that our newer verticals have started contributing to the top line, the micro mortgage, Gold, vehicle, even MSME and agri banking. So we still are in the investment phase. And additionally, we are also investing in the liability piece on the tech front, on the manpower front too, we want to work on our CASA. So the investment phase continues on, and hence, we expect the cost to income to stay elevated.

Vinay Nadkarni: Okay. And in terms of your projections for yield on advances and cost of funds, could you give us some direction for FY26 for the full year?

Sanjeev Nautiyal: So for cost of fund, we are expecting moderation by 20 bps right in Q2.

Vinay Nadkarni: And advances?

Gaurav Sah: See, adding that, so we have just done rate cuts in the last 90 days. If you look at the way we have worked, so from April till July, we have taken rate cuts around 65 bps in our peak FD rates and also calibrated the SA rates. We expect cost of funds to come down. Mostly, it should come down by 20 bps each quarter as per our calculations, directionally.

Vinay Nadkarni: And on advances?

Gaurav Sah: Advances, you're asking about yield? So yield, which will continue to come down with the secured mix increasing steadily. But once the microfinance business starts to kick in by maybe Q3 onwards, maybe it will stabilize a bit before again further taking a downward trajectory.

Vinay Nadkarni: Okay. And just on the...

Moderator: I'm sorry to interrupt, Vinay sir. May I request you to join the queue the next question is from the line of Pranuj from JPMorgan.

Pranuj: So in your presentation, you have written that the new MFIN guardrails is only applicable for group loans. In your individual loans, could you give a sense of how is the number of lenders pending on Ujjivan plus 2 or plus 3 and above on that particular book? And also, we are lowering the qualifying criteria for NBFC MFIs from 75% to 60%.

Do you foresee a case where the competitive intensity in the individual loan segment increases? And sir, lastly, also, if you could give out the yield differential between group loans and individual loans?

Sanjeev Nautiyal: So on guardrails, yes, IL is beyond Guardrail 2.0. We don't need to apply that. But we have been applying even structured rule for IL because yield while graduation is something which we have been doing for the last 15 years now, very, very well-established and well-crafted products that we have in the last 15 years, which we have developed. So our policies are much stricter in IL. At the same time, the underwriting is very, very different in IL. That also leads to a better assessment of the customers. So that is not a problem.

GL, yes, we have applied Guardrail 2.0 in letter and spirit from April 1st and then January 1st and see an RCA. But IL is very different for us. IL, we underwrite in a very different way, and that is even stricter than the guardrails that we have in place. And as far the yield is concerned, IL yield is close to 100 basis points higher than GL.

Pranuj: Okay, it's higher than GL. Okay. Sorry, so my question on IL was coming out more from the perspective of, like if you have some criteria where you underwrite the customer at the time of sourcing, it's also likely that because they don't conduct the guardrails subsequently after you have given the loans, the indebtedness could rise if they take subsequent loans from someone else. So it was more from that criteria and from a competitive intensity criteria also.

Sanjeev Nautiyal: So 2 points here. First is that these customers, if they try to take GL loan as such, they will not be eligible because guardrail will apply. As far as IL is concerned, this is our historic data also and historic data science also says that these are higher ticket size loans are given to this customer segment and underwriting is done well, the propensity of these customers taking further loans is much lower compared to in GL.

And this is something which we have seen over the period of time. And that also gives a lot of confidence when you are dealing with this customer segment and when you are graduating them. Second point is that which is also shown in data that 79% of our customers are Ujjivan and Ujjivan plus 1.

Moderator: We have our last question from Mr. Shailesh Kanani from Centrum Broking.

Shailesh Kanani: Sir, just one point you mentioned that our PCR would increase going ahead. So any ballpark number? Would we be going back to around 80% by the year-end?

Ashish Goel: So we would be hovering in the range of 75% to 77% during the course of the year. That is what the projections are telling us. We still would have INR21 crores of unutilized provisions that we are not using for computation of PCR. So that's over and above the 75%, 76% range that we are talking about.

Moderator: As there are no further questions from the participants, I now hand the conference over to Mr. Shreepal Doshi for closing comments.

Shreepal Doshi: Thank you, Viren. Thanks to the management of Ujjivan Small Finance Bank for giving us the opportunity to host the call. And thanks to all participants for being there on the call. Thank you all, and have a good evening.

Sanjeev Nautiyal: Thank you so much.

Gaurav Sah: Thank you.

Ashish Goel: Thank you.

Moderator: On behalf of Equirus Securities, we conclude this conference. Thank you for joining us, and you may now disconnect your lines.