



Utkarsh Small Finance Bank

November 19, 2025

BSE Limited

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Dear Sir/Madam,

Sub: Transcript of earnings conference call with the investors and analysts held on November 14, 2025 - Disclosure under Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations")

Ref: Earnings conference call with Investors and Analysts on November 14, 2025

We submit herewith the transcript of the Earnings / Conference call held on Friday, November 14, 2025 at 05:30 p.m. (IST) in connection with the Unaudited Financial Results for the quarter and half year ended September 30, 2025.

This disclosure is also available on the Bank's website i.e. www.utkarsh.bank.in.

This is for your information and records.

Yours faithfully,

For **Utkarsh Small Finance Bank Limited**

Muthiah Ganapathy

Company Secretary & Compliance Officer

Encl.: As above

Registered & Corporate Office

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“Utkarsh Small Finance Bank Q2 FY '26 Earnings Conference Call”

November 14, 2025



MANAGEMENT: **MR. GOVIND SINGH – MANAGING DIRECTOR AND
CHIEF EXECUTIVE OFFICER, UTKARSH SMALL
FINANCE BANK LIMITED**
**MR. PRAMOD KUMAR DUBEY – WHOLE-TIME
DIRECTOR, UTKARSH SMALL FINANCE BANK LIMITED**
**MR. SARJUKUMAR PRAVIN SIMARIA – CHIEF
FINANCIAL OFFICER, UTKARSH SMALL FINANCE
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**MR. AMIT ACHARYA – CHIEF RISK OFFICER,
UTKARSH SMALL FINANCE BANK LIMITED**
**MR. VIRENDER SHARMA – HEAD - MICRO BANKING,
UTKARSH SMALL FINANCE BANK LIMITED**
**MR. SOURABH GHOSH – HEAD - CONSUMER BANKING,
UTKARSH SMALL FINANCE BANK LIMITED**
MODERATORS: **MR. CHINTAN SHAH – ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to Utkarsh Small Finance Bank Q2 FY '26 Earnings Conference Call.

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 this conference call, please signal an operator by pressing *, then 0 on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Chintan Shah from ICICI Securities Limited. Thank you and over to you, sir.

Chintan Shah: Thank you. Good evening, everyone and welcome to the Q2 FY '26 Results Conference Call of Utkarsh Small Finance Bank. I would like to thank the Management of Utkarsh Small Finance Bank for giving us the opportunity to host the Earnings Call.

From the management, we have Mr. Govind Singh - Managing Director and Chief Executive Officer; Mr. Pramod Kumar Dubey – Whole-Time Director; Mr. Sarjukumar Pravin Simaria - Chief Financial Officer; Mr. Amit Acharya - Chief Risk Officer; Mr. Virender Sharma - Head Micro Banking and Mr. Sourabh Ghosh - Head Consumer Banking.

So now, without further ado, I would like to hand over the call to the management. Thank you and over to you, sir.

Govind Singh: Thank you, Chintan, thanks a lot. Thank you, everyone for taking the time to join us for our Quarter 2 FY '26 Earnings Call.

As we reflect on the 2nd Quarter of FY '26, it is evident that operating landscape continues to evolve, shaped by both regulatory recalibrations and legacy stress factors. The quarter was marked by a deliberate shift in strategy – balancing caution with forward momentum. Our focus has remained on strengthening the fundamentals, even as we navigate through transitional headwinds that have impacted certain segments of our portfolio.

One of the more significant developments this year has been the rollout of the revised regulatory framework under MFIN Guardrail 2.0, effective April 1, 2025, which limits borrower-level leverage to a maximum of 3 lenders, introduced a structural shift in microfinance lending dynamics. While the intent is to foster long-term portfolio resilience, the immediate consequence has been a slower than expected recovery in the collection sentiment. The adjustment process has taken longer to stabilise and overdue accounts have remained elevated, reflecting both the regulatory transition and residual stress from the prior fiscal.

In response, we have intensified our efforts to reinforce field-level discipline. A specialized call center dedicated to overdue accounts has been operationalized, and we have expanded our

collection workforce to almost 1,200 as on September '25. Additionally, we continue to split larger micro-banking branches to improve oversight and control. We are also working on back-to-basics programs to train new frontline staff on core processes, such as center meetings and customer onboarding, ensuring a more robust and consistent execution framework.

The overall gross loan book contracted by 2.3% year-on-year, primarily impacted by a sharp decline in the JLG portfolio. The joint liabilities group (JLG) business continues to experience headwinds, with disbursements slowing as we deliberately shift focus towards strengthening collections rather than prioritizing expansion. This strategic recalibration led to an approximately 11% contraction in the JLG loan book during the quarter, contributing to 2.3% year-on-year decline in our overall gross loan portfolio. However, fresh NPA slippages have reduced significantly during H1 FY '26 as compared to the second half of FY '25, indicating that our corrective actions are beginning to take hold. We remain cautious in this segment, focusing on long-term stability rather than short-term growth.

Despite the challenges in JLG, our micro-banking business loan (MBBL) portfolio has emerged as a bright spot, targeted at graduating JLG customers with strong repayment track record. This segment grew by 39% year-on-year and now constitutes 13% of our micro-banking loan book. With penetration still below 6%, we see considerable headroom for expansion. The MBBL portfolio has demonstrated better asset quality and collection efficiency, and we expect its share to increase meaningfully in the quarters ahead.

Over the past year, the Bank has undertaken several structural shifts in its operations, including the adoption of digital underwriting as a key operational transformation, avoiding lending to over-leveraged borrowers with multiple lender exposure and diversifying portfolios. This structural shift will eventually lead to a fundamentally stronger bank with less cyclicality in terms of credit costs and will provide multiple avenues for us to grow beyond JLG loans.

We have taken proactive steps to align with this transformation. Our JLG exposure has been consciously moderated to 39% and including BC JLG it is 41% of the gross loan book as on September '25, down from 88% and including BC JLG 90% in March '20. We expect this mix to reduce further over time, as we pivot toward secured lending, which now comprises 47% of our overall loan book, increased from 38% as on September '24 and is likely to increase further.

Our non-JLG lending businesses have maintained healthy momentum, growing by 30% year-on-year and 4% quarter-on-quarter. With our deepened focus on secured asset businesses, MSME loan book expanded by 33% year-on-year to Rs. 4,164 crores, while optimizing disbursement yield which improved by around 100 basis points from 12.4% in quarter 2 FY '25 to 13.4% in quarter 2 FY '26. Within this, the Micro LAP segment has shown promising traction with disbursement yields around 18%. Given our strong franchise and geographical reach, we anticipate continued growth in this product line. Housing loans also grew by 21% year-on-year to Rs. 947 crore, supported by improved disbursement yields by over 40 basis points from 10.9%

in Q2 FY '25 to 11.3% in Q2 FY '26. In the CV and CE segment, the loan book rose by 6% year-on-year to Rs. 1,144 crores. Notably, the share of used vehicle disbursements increased to around 40% in quarter 2 FY '26 from less than 10% in the same period last year, reflecting our strategic pivot toward more resilient asset classes. The BBG lending portfolio, entirely secured against immovable collateral grew by approximately 32% year-on-year.

These segments continue to perform well, driven by our disciplined approach to underwriting and risk management, while also enhancing portfolio diversification and delivering attractive yields. We are seeing much better traction on cross sell on both sides, asset products that is MSME, Housing and Micro LAP, through our liability-focused general banking branches and deposit accounts for our asset customers, essentially more products per customer. This multi-product engagement is enhancing customer stickiness and improving wallet share.

With healthier, diversified portfolios, and improved underwriting standards, the Bank is getting resilient and is now poised for a better trajectory in the second half of FY '26. Through a more disciplined lending approach, we are already focusing on streamlining the portfolio growth, while the impact is likely to persist for another one quarter, but the business is expected to stabilize in next few months, and better collection efficiency is anticipated by then.

On the liabilities front, total deposits remained flat quarter-on-quarter. However, we delivered 10% year-on-year growth in total deposits, driven by strong traction in retail term deposits, which grew by 29% year-on-year and 5% quarter-on-quarter. Our CASA deposits increased by 17% year-on-year and 6% quarter-on-quarter, resulting in an improved CASA-plus retail term deposit ratio of 78% as on September '25, from 68% as on September '24. We are consciously reducing reliance on bulk deposits while retail flows remain strong, supported by deeper cross-sell initiatives. We intentionally calibrated deposit moderation during the quarter to align with our moderated disbursement pace, maintaining a strategic focus on sustainable and consistent deposit growth, driven by a well-diversified and granular low-cost retail deposit portfolio. Deposits growth to accelerate in line with the revival in the disbursements. In line with RBI repo rate cuts, we have trimmed interest rates for savings as well as for retail term deposits. These calibrated actions are expected to drive a gradual reduction in our overall cost of funds. Our CD ratio declined to 79% as on September '25 against 93% as on September '24. And after netting off refinance borrowings from advances, CD ratio declined to 72% as on September '25, reflecting our prudent liquidity management.

In terms of risk diversification, we registered with CGFMU for credit guarantee coverage on our eligible unsecured JLG and MBBL portfolio, effective from January 17, 2025. Accordingly, incremental JLG and MBBL disbursement from then onwards are getting covered under credit guarantee, which will help de-risk our exposure and support portfolio stability. We ended the quarter with a surplus liquidity of around Rs. 4,400 crores, which is higher than our usual liquidity requirement, and an LCR of 224%. We have no short-term borrowings on our balance sheet.

On asset quality, we believe stress has peaked. The X-bucket collection efficiency in JLG segment has improved to 98.7% in the month of September 2025 as compared to 98.6% in the month of June 2025. We have tightened underwriting and reduced exposure to riskier segments. MFI stress is moderating, aided by calibrated disbursements, and improved borrower discipline under new guardrails. We expect asset quality to improve meaningfully from quarter 3 onwards. Pre-qualified loans to existing customers with no delinquencies are streamlining field operations, and exploring / innovation across products like unsecured business loans (individual loans), etc., will enable us to gain a higher wallet share of our existing customers with strong repayment track record, while preserving credit discipline and robust risk management.

With the help of these measures, fresh NPA accretion will start to decline meaningfully in the next few months. However, we acknowledge that legacy stress is still to be provided for, which will keep the credit costs slightly elevated in the near term. This will weigh on near-term profitability as we navigate through this phase, and the carry-forward stress from earlier periods translated into a net loss of Rs. 348 crore for quarter 2 FY '26. Despite the losses, our capital adequacy ratio remained at 17.2% as on September 30, 2025, comfortably above the regulatory threshold. In alignment with the Bank's commitment to long-term value creation, the Bank has successfully raised equity capital for an amount aggregating to Rs. 950 crores for augmenting its Tier-1 capital base to meet its future requirements through the rights issue in November 25. We thank all our investors for reflecting confidence in the Bank's strategic roadmap and future potential.

Concurrently, we have also secured all requisite statutory approvals for the proposed reverse merger of the holding company with the bank. With these approvals in place, we are now assessing the optimal sequencing of petition filing with the NCLT application.

We are also undertaking a business transformation project to make our technology architecture and business processes future ready for our growth plan. The Bank has already embarked on its Utkarsh 2.0 Technology Transformation Project, with several sub-projects already live and yielding benefits. These benefits include improved operational efficiency, higher productivity, automation and 360-degree control parameter mapping throughout the entire cycle from sourcing and disbursement to record-keeping and granular monitoring.

Looking ahead, FY '26 is shaping up to be a difficult year but is also a year of strategic recalibration. We are prioritizing operational efficiency, disciplined execution, and organisational agility. For the next 2-3-years period, the Bank targets the loan book growth of around 25% with a well-diversified portfolio with secured lending share of more than 50%. The focus will be on strong asset quality, cost efficiency, and prudent risk control. The Bank aims to maintain a NIM of around 8.5% and deliver a return on equity of about 15% supported by efficient operations and moderated growth towards the end of FY '28. While sectoral headwinds and regulatory transitions may continue to influence near-term performance, we remain

confident in the resilience of our franchise and the strategic direction we have charted for FY '27 and FY '28.

Thank you very much for your patient listening. Now, we can move to the question-and-answer session.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is on the line of Mayank, an Individual Investor. Please go ahead.

Mayank: Thank you for the opportunity. I just want to ask one question. We recently saw Government of Bihar announcing this Rs. 10,000 to women. So are we seeing any sort of, is it creating any sort of problem for bank because it will be beneficial?

Govind Singh: I think broadly speaking, it will be neutral from our perspective. It may have a positive impact on the borrower level, their own well-being of their livelihood level. But as far as our efficiency of operations are concerned, I don't foresee much impact because of that. A slight positive impact may be because people will be a little better off, but otherwise not much impact of that. And from the hardcore, our day-to-day operations angle, obviously, it is good for the people who have got it.

Mayank: And are you planning to like, you have issued a fresh issue, and you have issued the right. So in future, are you planning to do more equity dilution or like, is it fine for 2-3 years?

Govind Singh: So broadly speaking from our side, the current raise of Rs. 950 crore is good enough for next 24 months. You can say till September '27. That is how the plans are from our side. We don't intend to go to market for next 2 years' time.

Mayank: So then last question, like you said that this JLG is peaked out. So from quarter 3 onwards, we will be seeing improvement in net profit and everything, right?

Govind Singh: So as I mentioned in my opening remarks also, what we expect that the stress level, the delinquency is certainly, we have started seeing that coming down, especially if you look at the month of November also, we are seeing them coming down. So, the trajectory in terms of stressed asset, in terms of NPA accretion, in terms of profitability, we do expect that quarter 3 will be a little better than previous quarter and quarter 4 onwards, we can see much better trajectory as far as these efficiency ratios are concerned.

Mayank: Thank you.

Govind Singh: Thank you.

- Moderator:** Thank you. The next question is on the line of Vinit Agarwal from Aditya Birla Money. Please go ahead.
- Vinit Agarwal:** Hello. Hi, sir. Thank you for the opportunity. Sir, I have a couple of questions. So currently, we have around 1,100 odd branches, which is higher compared to some of our peers with higher book size than ours. So going forward, what is our stance? Like, do we continue to increase our branches at around 15% odd kind of growth rate? Do we plan to consolidate and focus on improving productivity?
- Govind Singh:** So certainly, our plan is more to consolidate. In fact, this year, we have not opened branches. And as you yourself mentioned, we have enough number of branches. In fact, over the last one year or so, whatever new branches we have opened, it is for better control as far as the JLG business is concerned. Otherwise, our idea is to consolidate because we have a large network of branches across the country now and we are across the country in all the relevant states. So, we don't intend to open many branches from now onwards, better to make those branches operationally efficient, because we opened quite a number of branches during last 3 and a half years. Post COVID, actually, we opened quite a number of branches. So, our first focus is right now to make these branches give a sizable business, and to make them more operationally efficient branches. So that is the focus. We may not be opening many branches now, at least in the near future.
- Vinit Agarwal:** And out of the total number of branches currently, how much will be deposit taking only?
- Govind Singh:** So you are aware that we have two types of branches. When we say general banking branches, these are the branches which are deposit-led branches, so today, out of around 1,100 branches, 331 hardcore deposit-led branches. Obviously, as a bank, even the other ones also can take deposit. But from the strategy angle, or from the business angle, these 331 branches across the country, which are normally at the large cities, large centers, metro locations, or very prominent places, are focused for the liability part. So these are 331 branches as on date.
- Vinit Agarwal:** And secondly, like we have faced high employee attrition in last one year. So I wanted to understand how is the scenario now?
- Govind Singh:** I think it was not only with us, it was an industry phenomenon, also, you must have seen that part, especially at the entry level, at the lower level, we have seen that part. We are fine. We are seeing that especially in this, you can say this quarter and henceforth, we expect that this will stabilize. Normally, it is higher in quarter 1, and that is true for other banks and other financial institutions also. And ours is not among that high. Obviously, it is higher than what it used to be in the past. It is a little higher than our past records. But we are certainly seeing a better response and the attrition rates are certainly coming down. I may not have the exact number right now, but these are certainly coming down. And we do expect that quarter 3 and quarter 4 will be much better from that angle.

- Vinit Agarwal:** And lastly, like data keeping one. Also, how much was the impact on yields due to interest reversal?
- Sarjukumar P. Simaria:** Yes, so interest reversal for this quarter was about impacting, in absolute terms, about Rs. 27 crores, would have been better off had the slippages for this quarter been not there. So it is about Rs. 27 crores impacting Q2 results.
- Vinit Agarwal:** Thank you so much, sir. I will fall back in the queue.
- Moderator:** Thank you. The next question is from the line of Sagar from Spark Capital. Please go ahead.
- Sagar:** Thank you so much for the opportunity, sir. My first question was related to the PCR. What is the PCR on the MFI book that we are holding right now, sir?
- Sarjukumar P. Simaria:** It is ~68% PCR.
- Sagar:** It is under JLG book, sir?
- Sarjukumar P. Simaria:** Yes.
- Sagar:** So I think it is less than the RBI prescribed limit. I think the RBI's supervision is around 80%, right, if I am not wrong. So may I know the reason why are we not providing enough actually so that at least we can clear our books before we start our new growth journey, sir?
- Sarjukumar P. Simaria:** So, I guess, not that I recollect if there is any RBI norm to that. In fact, we are making a provision over and above the IRAC or the RBI norms, so our provision scale is higher, by the way. So that is the first kind of clarity that I thought I would bring here on this call. Secondly, we have a roadmap of, as I said, policy when an account goes NPA, we start with 40% immediately, any account being on 91st day, and then we do 15% in each subsequent quarter. So there is a run rate rule book, and as it goes along, I guess this should be a bit higher in the coming quarter, and you will see further provisioning coming in terms of cushion as we go along in Q3.
- Sagar:** So is it safe to assume that in Q3, we will go from 65 to 80 as far as the unsecured portfolio MFI for the NPA without technical write-off?
- Sarjukumar P. Simaria:** That is something written on the book, we will have to deliberate and then go there. Obviously, as I said that we have a rule in terms of the policies that we have. In case we choose to do what you just mentioned, it may amount to an accelerated provision, we will have to look for adequate approvals, and then probably during the course of the quarter, decide on that.
- Sagar:** Sir, my second question was related to the unsecured portfolio, almost 80% of our majority of the portfolio is concentrated in Bihar and UP for us actually. So can you throw some light that

what is the situation on ground in both these 2 states? Is it at least improving what is the collection efficiency and how do we see the MFI portfolio going ahead actually? Do we see some disbursement growth going ahead?

Govind Singh:

So I think generally we have seen UP and Bihar are good place for microfinance. There are a lot of requirements, and that is why there is opportunity and we have seen in past also. This time during this last, you can say 18 months' time, we have seen little higher slippages in some of these states, you mentioned some of 2 states basically where we have a large concentration, and UP and Bihar, because our head quarter is in Varanasi, and UP and Bihar, that is where we started our operation in the beginning. So we have large number of customers there, even the ticket size is higher in that case and that is the reason why we have little higher concentration in Bihar and UP. If you look at the ground level operation, yes, initially, we had little challenges in this geography and that is why you had seen the elevated NPA level, maybe these were a little higher than some of the other places. But of late, we are seeing that normalcy is coming, I can use the word. If you look at the X-bucket collections, if you talk of, say, the month of November, they are all 99% plus now across, in fact, if you look at Bihar, if you look at UP and the adjoining area, all places it is now 99% plus as far as the X-bucket collections are concerned. So it is improving, certainly it is improving. Now, see, you also asked about the disbursement part. And that is not with us only, that is why you can see that almost 20%-25% decrease in the overall microfinance, number of clients' base and the AUM also across the country. The reason is because of the guardrails, lot of customers became ineligible for disbursement because they might be having some delinquency with other partners, with other funders. That is why it is a little difficult right now to, you can say disburse to the extent that used to happen in the past. Our idea is, now people are also looking at new to credit, new to bank and also you are seeing for last 15-16 months' time. Our sense is that, of course, I can talk on behalf of how the industry or the sector is shaping. So my sense is next 2-3 months' time, we should see almost regular type of disbursement. It is very difficult to predict the exact quantum, but disbursement will become very regular in next 2-3 months' time. That is the indication we are seeing from the market or from the ground.

Sagar:

So at least that would be for Utkarsh also, right?

Govind Singh:

That is true for all of the players, including Utkarsh. And in fact, Utkarsh being a bank, sometimes smaller player might be having some challenge in terms of getting funding also, so for banks or for larger entities, that should not be a problem. So my sense is from next 2-3 months' time, we should see a normal type of disbursement also for JLG book, which was not there for last 15 months or so.

Sagar:

So what is the slippage amount, sir, in this quarter? Can you please specify, gross slippages?

Govind Singh:

Yes. Our CRO will just give the number.

- Amit Acharya:** Yes, sir. The addition in this quarter was around Rs. 464 crores and recovery and upgradations were close to Rs. 48-Rs. 49 crores.
- Sagar:** So just one request from my side, sir. From next quarter, can you please specify the numbers in the investor presentation, including the write-offs and slippages so that we can have an idea about the GNPA?
- Sarjukumar P. Simaria:** There is a movement on slide 30, which tells you about additions quarter by quarter.
- Govind Singh:** You can see slide 30 of the investor presentation, I think it is already mentioned.
- Sagar:** Yes, sir. In the last quarter, it wasn't. So that is why I was asking.
- Govind Singh:** It has been incorporated now.
- Sagar:** Thank you. And sir, well, my last question was related to our secured advances. We have been growing very well in that segment. Almost 47% of the total loan book is concentrated there. So what I want to ask in that retail lending, basically, within the MSME, Housing, Gold, CV/CE loans, what would be the mix going ahead in the next year, actually, when we see some higher disbursement growth also in this segment? And secondly, what would be the mix going ahead in FY '27 & FY '28 between secured and unsecured? How do you see the bank going ahead?
- Govind Singh:** So if you look at the bank going ahead, broadly, the way I mentioned that we do expect that growth for secured will be higher vs. unsecured or for JLG type of growth. For unsecured, the growth may be around 15%-18% and for secured, it may be in the range of 30%-35% because they are newer businesses and smaller businesses that we have just started. So that is what is expected. And that is why you will see that every year, the secured is going up a little bit and unsecured portion is coming down. That is what we expect. In terms of MSME, Micro LAP, Housing, our focus has been more on the LAP type of businesses, where I get a property as a security, I will put it this way, it can be in multiple forms. Sometimes it can, even when I am talking about BBG portfolio, it is 100% secured by the underlying property. So we have a bigger focus on that. I think CE, CV businesses will be moderate growth on our side. We are not looking very hyper growth on these type of businesses, but wherever there is property security, I think that it will be the bigger focus as far as Utkarsh next 2-3 years' journey is concerned.
- Sagar:** Fine. And just last one from me that will we see our net NPA going down since you are saying that the provisioning will go up even in the next quarter. So can we see the net NPA inching below?
- Govind Singh:** Yes, certainly, we can assure you that our net NPA levels will start coming down on year-on-year and quarter-on-quarter basis from now. That you will certainly see from quarter-on-quarter.

Sagar: Fine, sir. Thank you so much and all the best.

Moderator: Thank you. The next question is from the line of Rahul Kumar from Vaikarya Fund. Please go ahead.

Rahul Kumar: Yes, hi. Did you split the slippages between MFI and non-MFI segment for the quarter and the last quarter?

Govind Singh: Yes, just for a second.

Amit Acharya: So, for MB business, it was Rs. 324 crores in the quarter 2 and for non-MB business putting together, it was around **Rs.139** crores.

Rahul Kumar: And what was it? Last quarter?

Amit Acharya: Last quarter, MB was close to Rs. 330 odd crores and non-MB business was Rs. 122 crores.

Rahul Kumar: And one question on the collection efficiency, actually what you disclosed in I think this quarter was, it was mostly around 98.6-98.7. So, we have seen for most of the other lenders, actually this collection efficiency has definitely improved in the quarter. Can you throw some light on what exactly is happening over here? Why isn't it improved for us?

Virender Sharma: Hi, this is Virender. I just wanted to clarify. Yes, we were in the two biggest pockets where the delinquency has been higher, which are bigger impacted markets like Bihar. In line with that, we have seen some collection force on corrective measures and yes, we were slower in that part of the geography for some period of time, but now we will be on par with the industry in the market. Yes, there was some system limitations earlier, but we have covered it. And going forward, it will be at par or better off in that market. That is what we have seen because there is a slight rebound in both UP and Bihar markets in this month.

Rahul Kumar: And on the disbursement side, obviously this quarter also, I think MFI disbursements have actually gone down. So, when do we expect this number to improve or do we expect, let us say, next 2 quarters to more consolidated on this number and then maybe from FY '27 onwards it will go?

Govind Singh: So, as I mentioned, our assessment is that, for next 3-4 months onwards, we should see a better, in terms of disbursement or at least portfolio will start growing. And as I mentioned, the disbursement was lower because of the guardrails, lot of people become ineligible for disbursement. But one thing I am sure is that the growth we had seen in JLG will be a moderate growth, when we are looking at next 2-3 years' time, I think maybe around 15%-16% type of growth is what we can expect in the JLG business.

Rahul Kumar: But if we look at overall mix of our loan book, can we say that we have sort of reached the bottom of our MFI share declining in the overall AUM?

Govind Singh: We have almost reached there. It is very difficult to pinpoint this, but certainly where we are right now, we expect that now portfolio in terms of collection efficiency, as Virender mentioned that we are already seeing almost across 99% plus for this month and this will certainly grow. In fact, I am talking across it is 99% plus. So overall, it is a little better than that only. So we expect that collection efficiency is growing. Similarly, we are also seeing a traction in the disbursement. It has not reached to the level where you can say, my portfolio is not de-growing, but my sense in the next 1 or 2 months' time, it will reach a stage where portfolio will not come down from there. So that is what we expect as far as the JLG disbursements are concerned.

Rahul Kumar: And if I look at the non-MFI book, is there a target at which we want to grow this business?

Govind Singh: So as I mentioned, broadly speaking, the JLG 15%-16% type of growth as a range, 2% plus minus. Similarly, for non-JLG, maybe 30% or maybe a little higher than that, that is the type of growth we expect for non-JLG. So certainly, that is why the share of non-JLG will keep growing and share of JLG in the overall book will, obviously, number should grow from here, but overall share will come down as far as JLG is concerned. And this is the growth rate that we expect. And as I mentioned, blended growth is around 25% or so. That is what we expect for the bank in next, if you look at FY '27 or FY '28. That is what we expect.

Rahul Kumar: But for the non-MFI book, would I be right in concluding that for past 2 quarters, our growth rate has been 1%-2%, am I doing something wrong?

Govind Singh: No, nothing. We are not doing anything wrong. Maybe it was a little slower in the initial phase and we have seen in past also. And as I mentioned here also, we expect that this will pick up in this quarter onwards. Normally, our quarter 1 in past also has been a little slow. And we expect this to pick from here. And we are not looking any additional type of products. You are aware that the type of products we are having, our idea is to scale those products. And, the property-backed products in the asset side are the prime focus from our side. Obviously, we are doing gold also. Even we are doing the secured credit card also backed by fixed deposits. We are also doing housing. We are doing BBG, where again, we are doing the business banking group. We are doing small working capital loans or term loans for the MSME segment or SME segment. I think these are some of the segments which we have chosen, and our idea is to grow these segments only.

Rahul Kumar: Thank you.

Govind Singh: Thank you.

- Moderator:** Thank you. The next question is from the line of Franklin from Reliance General Insurance. Please go ahead.
- Franklin:** Yes. Thanks for taking my question. Have we done any ARC sales in this quarter?
- Amit Acharya:** So not in the bulk side, but we had one NBFC borrower account with us, AVIOM India Housing, which we have sold to one of the ARC India SME Asset Reconstruction Company in this quarter, in the month of September.
- Franklin:** What would be the gross value for this asset? And how much provision we would have made?
- Amit Acharya:** Yes. So the outstanding was around Rs. 24 crores, and we had already provided fully for it in the previous quarter itself. And in this quarter, we did that ARC transaction.
- Franklin:** And what would be our cumulative write-offs that we would have done in the last maybe 2 years?
- Amit Acharya:** So last financial year, we did around **Rs.246** odd crores of write-off. And in this particular, till H1, we have done Rs. 366 crores. Out of that, Rs. 311 came in in this quarter only.
- Franklin:** And how much, historically, what is our recovery that we get from write-offs? And from this cumulative amounts, also what kind of recovery are we expecting? And over what timeframe, can we expect recovery?
- Govind Singh:** So normally, it obviously depends upon the type of class of assets also. So, if it is JLG, then we have seen in past, ranges from 12%-20% type of recovery. I am talking about the ones from the write-off book. And even in case of demonitisation book, we get even some recovery today also. So that is how it happens. But for the other asset classes, the recovery rates are higher. Sometimes it may go to 35%-40% also for the other asset classes. Blended may be around 20% or so, if you look from that perspective, broad number will be around 20% from the write-off books.
- Franklin:** So can we expect a similar recovery from the assets that have gone into write-off last couple of years?
- Govind Singh:** Yes, certainly yes. In fact, obviously, it is too early to talk about this part. But in past for example, in case of JLG, we never had a collections team. Now, there is a focused collection team. The results can be better also. Obviously, we are yet to experience that part. But that is my expectation that results can be even better this time because of the dedicated collection team for JLG portfolio also. Even for other unsecured loans, we have a dedicated team. So results may be even better also.

- Franklin:** And lastly, can you share a credit cost guidance? Because we are clocking around Rs. 1,300-Rs. 1,400 crores of NPA provision in the last couple of quarters. I just wanted to understand whether this run rate is likely to continue or how is it going to be?
- Sarjukumar P. Simaria:** So, as we just mentioned about the collection force headcount that we have increased. In fact, we have increased from at a level of 400-1200 headcount now. And with improvisation in terms of improvement, normalization boost, in terms of the disbursement being happening in the new book, all that combined effort, our credit cost is certainly going to be far better in Q3 and almost normalization from Q4 onwards.
- Franklin:** And what is your sustainable credit cost guidance, normalized number?
- Sarjukumar P. Simaria:** I guess we will give the guidance once we have complete queue or guardrail to in fact embedded by Q3 results and then that would be a better time to give the guidance for subsequent growth.
- Franklin:** Fair enough. Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Arun, an Individual Investor. Please go ahead.
- Arun:** Hi. Thank you for the opportunity. I have a question with respect to the regional focus of the business. So it is more to do with North. Is there any plans to expand in the South of India like Karnataka, Tamil Nadu and Andhra Pradesh in the future?
- Govind Singh:** So yes, because we have our headquarters in Varanasi, UP. So we have initial concentration in Uttar Pradesh and the northern part. But if we look at today, we are across the country, we are in 27 states and UTs and all the South states including Pondicherry and places like even Goa are covered by us, we are in Andhra, we are in Telangana, Kerala, Tamil Nadu, all places are covered by us. And obviously, it was in the second phase, first phase was more towards the northern followed by west. And we have 46 branches right now in southern states. And in fact, other than JLG, we are doing all type of businesses from that area also. So I am doing LAP business. I am doing MSME business. We are doing affordable housing also. And obviously, on the liability side, we are doing all businesses. Gold loan, we are doing from that area. So South also, we have started in a big way. And obviously, we are there in eastern part of the country also like Odisha and West Bengal and those states. So, the footprints, yes, it might have taken a little longer time, but we are currently only a player with a little skew in favor of maybe west and north because those were where we had started. As far as our operations are concerned, those were started early, but we are already a player across now.
- Arun:** Thank you.
- Moderator:** Thank you. The next question is from the line of Saurabh Jain, an Individual Investor. Please go ahead.

- Saurabh Jain:** Thanks for the opportunity. I want to understand your JLG portfolio. Out of the gross NPA, which is around Rs. 2,276 crores, out of that, how much is the JLG portfolio and the entire NPA of the JLG, is it unsecured or somehow it is covered under the CGTMSE?
- Govind Singh:** So as far as security is concerned, we mentioned in opening remarks also from January 17 of this year, our new portfolio of JLG and micro banking business loan, so entire unsecured part is covered under the guarantee scheme and today, it may be around Rs. 2,000 crore plus, which is part of this. Around 25% of our portfolio is covered under the guarantee scheme because this has just started.
- Amit Acharya:** Around Rs.1,850 crore is the MB JLG portfolio of NPA out of Rs. 2,276 crore.
- Saurabh Jain:** Sir, can you give me an idea that out of that standard JLG portfolio, how much amount is under stress that is under the special mention account that is SMA-3?
- Pramod Kumar Dubey:** Yes. So overall 5% is under SMA-0 plus 1 plus 2 of overall MB portfolio, plus 23% is in NPA.
- Saurabh Jain:** Sir, 5% is in SMA-0 and 23% is NPA?
- Pramod Kumar Dubey:** SMA 0 plus SMA-1 plus SMA-2, all three put together, 4.8%.
- Saurabh Jain:** Overall of the SMA advanced, it is 5% of the overall MB portfolio, correct?
- Pramod Kumar Dubey:** Yes. 4.87%.
- Saurabh Jain:** 4.87?
- Pramod Kumar Dubey:** Yes.
- Saurabh Jain:** Thank you.
- Moderator:** Thank you. The next question is on the line of Chintan Shah from ICICI securities. Please go ahead.
- Chintan Shah:** Yes. So sir, on the guidance front, so which we have mentioned, where in case 15% ROE, it would be there by 28. So sir, what kind of credit cost are we assuming for this ROE? So by affirming, what kind of credit cost and what are the margins which we are assuming if you could throw some light on that time?
- Sarjukumar P. Simaria:** So, whatever the disbursement that are happening from January, it is CGFMU insured. And the new disbursement is also happening under the cleaner less than 3 lender rule, the new regime, as we call Guardrail-2. With this combination and the normalization of collection, it should be

very evident as these both the factors combined, we are looking with secured and unsecured composition, credit cost of up to 2% on a steady state basis.

- Chintan Shah:** Sure. And anything on the margins on that front?
- Sarjukumar P. Simaria:** So, there are a couple of factors here. One is the cost of funds and we take the benefit of repo rates, we presume the cost of funds will go down, which will contribute to the NIM. We also have the revival of the disbursements, and once all the slippages get normalized. So that should add and with the growth in the retail book at a higher yield, in fact, as earlier mentioned, our 2-3 products have given us almost 40-100 basis point already began to see higher yield. If I take combination of all combined, we should be looking again sometime FY '28 at 8.5% NIM is what our execution plans are.
- Chintan Shah:** Sure. And sir, on the CGFMU scheme, also now you mean to say from January 17, 100% of our incremental disbursements are where CGFMU. And if you would just help us understand the math, how does the scheme mechanics exactly work, how much has to be borne by us, and how much is the premium to be paid, yes, some working on that would be helpful?
- Pramod Kumar Dubey:** Yes, so the entire disbursement, which is eligible for the scheme, we are taking cover for that. And normally, we have seen that 93%-95% of our disbursement is covered under the scheme. That is part one. Overall, premium cost would be in the range of 1%-1.2% of the AUM per annum. So that is the cost which is expected. So overall, what will be reimbursed by the agency? So whatever will be the economic loss, 3% first will be borne by the lender. And for balance 97%, 25% will be borne by us and balance, 75% will be borne by the agency. So overall, we can say 72%-73% will be reimbursed by the agency.
- Chintan Shah:** Understood. Also, just for a hypothetical example, if Rs. 100 is the disbursement, and of that, if 10% is the GNPA, means the slippages, so of that, 10%, that is 0.3 will be borne by us, and the remaining 9.7 will be set, 75-25?
- Pramod Kumar Dubey:** Correct.
- Chintan Shah:** And sir, there would be a maximum cap right of the Rs. 100 maximum, of 10% or 15% GNPA with be borne by them, so what is the cap on this?
- Pramod Kumar Dubey:** 15% of the portfolio.
- Chintan Shah:** So that way, this largely then basically helps us maintain our credit cost well within range for the MFI and non-MFI. So what will be the credit cost for the non-MFI portfolio, the non-JLG portfolio, this year, first 2 quarters, if we could break the credit cost for first half into JLG and non-JLG?

Amit Acharya: So, for this quarter, the non-JLG credit cost stood around **2.0%**.

Chintan Shah: That is an annualized number, right?

Amit Acharya: Yes.

Govind Singh: It was little higher because of the challenge in the wheels business, actually, must have seen that this quarter 2 was little challenging. Obviously, we are making more efforts towards that also. So it was little elevated for the wheels business, actually. That is why we are looking little on higher side for this quarter.

Chintan Shah: And so, what was that number in Q1, sir?

Amit Acharya: In Q1, it was around **1.9%**.

Chintan Shah: So it is 10 bps higher?

Govind Singh: Yes.

Chintan Shah: And sir, just one last question from my side. So from the par, once an MFI account slips into, becomes a 1+, so, how much percentage of that flow forward goes to 90 plus? So once an account becomes 1+, so, like, Rs. 100 becomes 1+, then, so, like, typically, 50-70 flows into 90+ or 30-40, what could be that number, any rough estimate?

Pramod Kumar Dubey: So there would be 3 buckets after that, 1 to 30, 30 to 60 and 60 to 90. And every bucket will have its own collection efficiency. So 1 to 30, normally, would have the collection efficiency of 50%-60%. Then, 30-60 would have collection efficiency of 40%-50%. And again, in 60-90, our collection efficiency is in the range of 55%-65%. So that is how we try to manage. And the balance will flow into 90+. And again, after it flows into 90+, collection continues. And we have, as we mentioned, more than 20% being collected from that amount in next 24 months.

Chintan Shah: Sure sir. And sir, what is the write-off policy for 90+ for the JLG portfolio?

Amit Acharya: So, it is the post NPA recognition, the account should have passed more than 365 days, then it qualifies for technical write-off.

Chintan Shah: So I think that is it from my side. Thank you for the detailed answers and wish you and the team, all the very best for the future quarters.

Govind Singh: Thank you.

Moderator: Thank you. The next question is on the line of Sagar from Spark Capital. Please go ahead.

- Sagar:** Yes, thanks for the follow-up. Sir, some few questions. Our SMA-1 and 2 book is going up, from March, it has gone up to 4% to now 4.4%. So basically, is it because of the wheels portfolio or still the stress in the JLG is emerging, sir?
- Sarjukumar P. Simaria:** JLG is largely the cause. I think earlier my colleague mentioned about the total provision of which almost 90% belongs to the JLG book. Likewise, this is largely attributable to the JLG delinquencies that we are seeing in the Q2.
- Pramod Kumar Dubey:** So, what exactly has happened that in the month of February and March, collection efficiency for 0 bucket in JLG had improved substantially. But again, after implementation of the guardrail 2 from April onwards, collection efficiency declined a little bit. And that is the reason it is 4.4%. But in Q3, again, we will be back to the normal. So you will see by quarter 3 onwards, it should be in the range of what we saw in the month of March.
- Sagar:** Basically, but my next question on related to that is, how much are out of our MFI portfolio, we have a lender plus 3 portfolio in us?
- Pramod Kumar Dubey:** Lender plus 3 portfolio would be **16.3%**.
- Sagar:** So, **16.3%** and lender plus 3 means includes Utkarsh, right? That means more than 3 lenders, including Utkarsh?
- Govind Singh:** Correct.
- Sagar:** So that is **16.3%** of the portfolio. So, that comes up to around, sir, it is out of our **Rs. 7,613** crores, almost more than **16%**. So still that portfolio, what is the collection efficiency in that portfolio, sir?
- Pramod Kumar Dubey:** So, this portfolio includes all the bucket customers, few of them are already into NPA or they are into the SMA bucket.
- Sagar:** So almost, you can say out of that Rs. ~1,300 crore portfolio, how much are into NPA, sir?
- Amit Acharya:** This would be, you see, it would be a little higher on the overall book of NPA, obviously, because these are the borrowers who got out of the guardrail. So obviously, their repayment behavior got changed drastically after implementation and others. So, this portion would be around plus 4, I would tell you, rather plus 3 is under control, but plus 4 would be around **61%**.
- Sagar:** Lender plus 4?
- Amit Acharya:** Yes.
- Sagar:** So that means around 5 lenders, right, including Utkarsh?

Amit Acharya: Yes.

Sagar: So how much that is **61%** of the portfolio?

Amit Acharya: Of that bucket, not the overall portfolio. You asked out of that portfolio, how much would be in the.

Sagar: Yes, out of the MFI portfolio, right?

Amit Acharya: No. The portfolio plus 4 lenders is ~6 %, **out of 6 % portfolio, 61%** are under NPA.

Sagar: Out of that **6%, 61%** are those, basically?

Amit Acharya: Yes.

Sagar: **61%** of those, which are, so how is that portfolio performing in terms of collection efficiency, including arrears?

Govind Singh: I think we may not have the exact data right now, but our trend we have seen, there is a straight inverse relationship between the number of lenders and the portfolio quality, higher the number of lenders that we have established. I don't have the exact numbers right now, but whenever we have Utkarsh plus 4, 5, 6, in fact, there we have seen the stress NPA and SMAs higher than our normal ones.

Sagar: Fine, sir. So basically, last question, so what is the net NPA of the secured portfolio, sir? Gross and net NPA?

Govind Singh: Just one second. Let me see.

Sagar: Yes. Sure.

Pramod Kumar Dubey: Actually, we track product wise rather than secured and unsecured because many products have secured as well as maybe a little bit of unsecured.

Sagar: But I think so your MSME, housing and CV/CE mostly secured, right? 95 % plus you have mentioned in the investor presentation, sir.

Govind Singh: Correct. Yes, absolutely.

Moderator: Thank you. The next question is on the line of Rajkahnapati, an Individual Investor. Please go ahead.

- Rajkahnapati:** Thanks for the opportunity. My understanding with the executive investor presentation is that the bank's performance and recovery would be good in the next 1 to 2 quarters. So wanted to know the executive's opinion, whether we can expect a positive PAT in the next 2 quarters so that it will be immediately reflecting on the stock price recovery as well?
- Govind Singh:** So broadly speaking, as I mentioned that we have still seen some stress. So obviously, quarter 3, we still looking into the, the stress of past because guardrail started from last 14-15 months. Some of the stress has already been covered, some is yet to be covered. So still, there may be little challenges in quarter 3. And obviously, not the type of things we have seen in the past, but little challenges because we still have to provide for some of the delinquents, some of the NPA. But we do expect that quarter 4 onwards should be much better from that perspective, from the profitability and overall growth and the quality of book angle. Quarter 4 onwards should be much better.
- Rajkahnapati:** Thanks for the details and all the best for the upcoming quarters.
- Govind Singh:** Thank you.
- Moderator:** Thank you. Ladies and gentlemen, as there are no further questions from the participants, I now hand the conference over to the management for closing comments.
- Govind Singh:** Thanks, everyone. And thanks, ICICI Securities for organizing. Thanks all the investors for your questions, your responses and your confidence in the team Utkarsh. As I mentioned in the beginning itself, that we had some challenging time for last 4-5 quarters. But we are coming towards the end of that period and as mentioned, we have committed to bounce back. And we have seen that things have started improving. And next 2 quarters will be certainly critical from our side also. And we have proper plans and good plans in place. And I think execution is right now on. And you should see much better performance, much better traction from Utkarsh going forward. So once again, thank you very much to all of you for joining this call and look forward to interacting with you on regular basis. Thank you.
- Moderator:** Thank you. On behalf of ICICI Securities Limited, that concludes this conference. Thank you for joining us and you may now disconnect the lines. Thank you.

Note – The numbers in bold in the transcript are edited for correct representation.