



Utkarsh Small Finance Bank

August 07, 2025

BSE Limited
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Dear Sir/Madam,

Sub: Transcript of earnings conference call with the investors and analysts held on August 04, 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 August 04, 2025

We submit herewith the transcript of the Earnings / Conference call held on Monday, August 04, 2025 at 04:00 p.m. (IST) in connection with the Un-audited Financial Results of the Bank for quarter ended June 30, 2025.

This disclosure is also available on the Bank's website i.e. <https://www.utkarsh.bank/investors>.

This is for your information and records.

Thanking You

Yours faithfully,
For **Utkarsh Small Finance Bank Limited**

Muthiah Ganapathy
Company Secretary & Compliance Officer

Encl.: a/a

Registered & Corporate Office

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Utkarsh Small Finance Bank

“Utkarsh Small Finance Bank Limited Q1 FY '26 Earnings Conference Call”

August 04, 2025



Utkarsh Small Finance Bank



MANAGEMENT: **MR. GOVIND SINGH – MANAGING DIRECTOR AND
CHIEF EXECUTIVE OFFICER**
MR. PRAMOD KUMAR DUBEY – EXECUTIVE DIRECTOR
**MR. SARJUKUMAR PRAVIN SIMARIA – CHIEF
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MR. AMIT ACHARYA – CHIEF RISK OFFICER
**MR. VIVEK KASHYAP – HEAD - JLG SALES - MICRO-
BANKING**
MR. SOURABH GHOSH – HEAD - CONSUMER BANKING

MODERATORS: **MR. RENISH BHUVA – ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY '26 Earnings Call for Utkarsh Small Finance Bank hosted by ICICI 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 this conference call, please signal an operator by pressing *, then 0 on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Renish Bhuva from ICICI Securities. Thank you and over to you, sir.

Renish Bhuva: Yes. Thank you. Good afternoon, everyone and welcome to Utkarsh Small Finance Bank Q1 FY '26 Earnings Call. On behalf of ICICI Securities, I would like to thank Utkarsh management team for giving us the opportunity to host this call.

Today, we have with us the entire top management team of Utkarsh represented by Mr. Govind Singh - Managing Director and CEO; Mr. Pramod Kumar Dubey - Executive Director; Mr. Sarjukumar Pravin Simaria – CFO; Mr. Amit Acharya - Chief Risk Officer; Mr. Vivek Kashyap - Head - JLG Sales - Micro-Banking and Mr. Sourabh Ghosh - Head - Consumer Banking.

I will now hand over the call to Mr. Govindji for his opening remarks and then we will open the floor for Q&A. Over to you, sir.

Govind Singh: Thank you, Renish for hosting this call. Thank you everyone for taking the time to join us for our Q1 FY '26 Earnings Call. The 1st Quarter of FY '26 commenced amid the impact of two pivotal forces. First, the full-scale implementation of MFIN Guardrail 2.0 from April 1, 2025 and second, the lingering impact of elevated delinquencies carried over from FY '25.

As you are aware Guardrail 2.0 introduces caps on borrower-level leverage, restricting microfinance customers to no more than 3 lenders. While this framework is essential for long-term portfolio health, it did impose a temporary pause in the nascent recovery of collection sentiment that we had observed even in FY '25. The immediate effect was that our overdue buckets remained elevated longer than we had anticipated initially, reflecting both the guardrail adjustment process and the residual stress embedded in the portfolios.

While JLG business headwinds are there, our non-JLG portfolio sustained good momentum, growing 39% year-on-year and 2% quarter-on-quarter. The moderation in overall loan book growth was driven almost entirely by the contraction in our JLG book, which declined by 7% during the quarter. Conversely, the share of secured loans within the overall loan book increased to 45% as on June 25 from 35% as on June 24 and is likely to increase further.

On the liabilities front, total deposits registered a marginal decline of 0.4% quarter-on-quarter. However, we delivered 18% year-on-year growth in total deposits, driven by strong traction in retail term deposits, which grew by 34% year-on-year and 10% quarter-on-quarter, while our CASA deposits increased by 22% year-on-year, resulting in improved CASA plus RTD ratio of 74% as on June 25 from 67% as on June 24.

During Q1 FY '26, we intentionally calibrated deposit accretion to align with our moderated disbursement run rate and maintained a strategic focus on achieving sustainable and consistent deposit growth, driven by a well-diversified and granular low-cost retail deposit portfolio. The bank continues to enhance its digital and fintech capabilities through both direct initiatives and strategic partnerships, contributing to the higher deposit mobilization and cross-sell opportunities. We maintain a strong presence through our general banking branches across the top 100 centers of the country, predominantly located in metro and urban locations.

With our newly launched branches getting matured and ramped up, we remain optimistic about margin improvement and overall business scalability, with strategic focus on improving product per customer, higher wallet share, customer 360-degree perspective and digital enablement. Aligned with our strategy, our CD ratio declined to 83% as on June 25 against 93% as on June 24, and after netting off refinance borrowings from advances, CD ratio declined to 76% as on June 25. 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.

With respect to JLG loan book, we are cautiously charting a path towards long-term stability over short-term expansion. As we continue to focus more on collections, it has slowed down loan disbursements, resulting in a decline in JLG loan portfolio by 7% during the quarter, though the fresh NPA slippages reduced during Q1 FY '26.

We are working on back-to-basics programs, imparting training to newly inducted frontline staff about centre meeting processes and new customer acquisitions, implementing stricter screening processes, and greater client connects. Through a more disciplined lending approach, we are already focusing on streamlining the portfolio growth, while the impact may likely to persist for some time. The business is expected to stabilize in the next few months and better collection efficiency is anticipated by then.

We see significant growth potential in micro-banking business loans (MBBL), considering the large base of JLG borrowers and our MBBL penetration level of less than 5%. MBBL portfolio grew by 29% year-on-year, comprises 10% of our MB loan book, focused on graduating better-profile JLG customers with good repayment track record. This portfolio is behaving much better on collection efficiency and asset quality. Accordingly, MBBL portfolio is expected to grow faster henceforth.

We are seeing healthy traction in our non-JLG loan portfolio with our deepened focus on secured asset businesses. MSME loan portfolio expanded by 46% year-on-year to Rs. 4,001 crores, optimizing disbursement yield, which improved by more than 150 basis points over same quarter last year. Within this, we are also seeing steady growth in Micro LAP portfolio wherein disbursement yield is around 18%. We see good growth potential for this product in our geographies and given our strong franchise. Housing loan portfolio grew by 30% year-on-year to Rs. 929 crores, disbursement yield also improved by more than 40 basis points over same quarter last year. CE & CV loan book increased by 17% year-on-year to Rs. 1,179 crore. Within this, we are focusing on increasing share of used vehicle loans – its disbursement share increased to 30% for Q1 FY '26 which was around 5% during Q1 FY '25. We are strengthening our presence in BBG lending, entire portfolio is secured against immovable collateral. This book grew by around 48% year-on-year. We are seeing much better traction on cross sell on both sides, asset products i.e., MSME, housing and Micro LAP through our liability-focused GB branches and deposit account for our asset customers, essentially more products per customer. The overall gross loan book registered moderate growth of 2.3% year-on-year, primarily impacted by sharp decline in the JLG portfolio. However, we expect JLG disbursements to improve in next few months. Also, good growth is expected in MBBL portfolio.

Additionally, we foresee a continued healthy trajectory in the non-micro-banking segment which largely comprises of secured loans including high-yield products. We expect better loan book growth for FY '26. In terms of risk diversification, we have also registered with CGFMU for credit guarantee coverage on our eligible JLG and MBBL portfolio with effect from January 17, 2025. Accordingly, incremental JLG and MBBL disbursements from then onwards are getting covered under credit guarantee. This cover will further de-risk our JLG and MBBL exposures.

We continue to build and deploy higher collection force, also established a specialized call center focused exclusively on overdue accounts and implemented stricter oversight of field processes, ranging from center meeting discipline to effective monitoring and supervision. We continue to split large MB branches to maintain better control. With the help of these measures, fresh NPA accretion will decline meaningfully in next few months. Nonetheless, the carry-forward stress translated into a net loss of Rs. 239 crores for Q1 FY '26.

For us, FY '26 will be a pivotal year for operational and financial optimization with a strategic emphasis on improving asset quality first while scaling up all focused & profitability-driven businesses along with superior customer experience. Despite the losses, our capital adequacy ratio remained at 19.6%, as on June 30, 2025, comfortably above the regulatory threshold. Looking ahead to shore up our capital base, we have already embarked with equity fund raise initiative, planning to raise capital in next few months depending upon the capital market conditions and investor appetite. Concurrently, we have also secured all requisite statutory approvals on the proposed reverse merger of the holding company with the bank. With these approvals in hand, we are now examining the optimal sequencing of petition filing with NCLT application in tandem with the equity raise. Our surplus liquidity position stood at almost Rs.

3,900 crore as on June 25, which is higher than our usual liquidity requirement and LCR ratio of 239%. We don't have any short-term borrowing on our balance sheet.

We are also undertaking a business transformation project to make our technology architecture and business processes future-ready for our growth plans. While the near-term disruption from guardrail implementation and elevated carry-forward stress posed challenges, it has also highlighted the strength of diversified franchise, prudent risk management and deep customer connect. Through decisive actions, strengthening our collections framework, optimizing funding costs, shore-up capital and scaling up digital and secured lending initiatives, will gradually lay a solid foundation for sustained improvement in asset quality and a steady, balanced growth trajectory for months ahead.

Thank you once again. And now, we open this discussion for questions and answers. Thank you.

Moderator: Thank you very much. We will now begin with the question-and-answer session. The first question is from the line of Jai Chauhan from Trinetra Asset Managers. Please go ahead.

Jai Chauhan: Good afternoon and thank you for the opportunity. Am I audible?

Moderator: Yes, you are audible.

Jai Chauhan: So, I just have two questions. One, management provided optimistic guidance for Q1 FY '26 recovery, but the results showed further deterioration. So, what went wrong with the projection and how reliable are your current recovery timeline?

Govind Singh: Sorry, can you just repeat? We couldn't hear properly. Can you just repeat your question?

Jai Chauhan: Yes, sir. So, I was saying that management provided optimistic guidance for Q1 FY '26 recovery, but the results showed further deterioration. So, what went wrong with the projections and how reliable are your current recovery timeline? That was my question.

Govind Singh: So, I think we are referring to JLG because there is no impact on any other portfolio. In case of JLG, there was one more point of guardrail 2.0 of MFIN, which got implemented from 1st of April. And I think the industry also expected that there may not be much impact. But in first 2-3 months' time, we saw there was a higher impact more than anticipated. That may be true for the overall JLG portfolio. So, when initial guardrail came from MFIN, they put 4 lenders cap. And from 1st of April 2025, they changed it to 3 lender caps. Because of that, we saw some more slippages or little elevated credit cost during this quarter. And you must have seen that is more or less industry phenomena. I think anticipation was that it will not have that much impact. But the actual impact was little higher than what it was there. You must be aware that guardrail started from 1st of August 2024 and first tranche was in August, then in January 2025, some more changes and final changes happened from 1st of April 2025. And they had a little more

impact. That is mostly the reason. We don't expect any such thing to happen from MFIN or from any of the regulators. Whatever was to be done, that has been done and we have seen the impact so far. And now I think, of course, it is a matter of time. But recovery should start happening from here.

Jai Chauhan: Right sir, understood. Sir, my second question was, collection efficiency has collapsed from 96.2% to 82%. What specific operational changes are being implemented to restore this discipline and improve collection?

Govind Singh: So, there have been small change or small reduction in the overall collection efficiency for sure. Even in the X-bucket, there are some decline. And as we mentioned in our opening remarks also, we are able to connect to all the overdue customers through various channels. Right from our own business team which goes to field, then we have the large collection team of more than 800 people. And then we also through the call centers, approach these customers. So, I think you can see the efforts have been intensified now. And that is also causing some decline where we are not able to do disbursement to that extent because entire focus is right now on the collections part as far as the JLG is concerned. So, we have initiated a lot of new things and the tracking and supervision part has also been improved. We have got a lot of teams which are in place at the regional level and zonal level which is able to track the customers as well as the client. So, I think we have initiated a lot of things as far as the overall collection is concerned. And that certainly should yield results in days ahead.

Jai Chauhan: Got it, sir. That is it from my side. Thank you.

Govind Singh: Thank you.

Moderator: Thank you. The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

Deepak Poddar: Am I audible, sir?

Govind Singh: Certainly, yes. Please go ahead.

Deepak Poddar: Thank you very much, sir, for this opportunity. Sir, just wanted to understand first on the provisioning part. Now, you mentioned that we have seen the impact and going forward recovery you expect to start happening. So, how should one look at credit cost going forward? Currently, I think we had about Rs. 411 crores kind of a provisioning. So, how should one look at in coming quarters?

Sarjukumar P. Simaria: So, as just mentioned with the intervention that we are doing in terms of collection, in terms of headcount, in terms of bucketing focus, I guess Quarter 2 by and large will be the similar type. But Quarter 3 onwards, we should see a drop down.

- Deepak Poddar:** So, from 3rd Quarter onwards, we expect some decrease in credit cost?
- Sarjukumar P. Simaria:** Yes.
- Deepak Poddar:** And is there any timeline by when we can expect some kind of normalcy? By when we can expect normalcy in credit cost?
- Govind Singh:** So, as CFO mentioned that, we are certainly seeing a reduction in the overall pain, what we can, use the word. But, see, normalcy can happen once our regular collections reaches 99.5%. I am talking about the X-bucket. And currently, as on date, it is very difficult to pinpoint. But as we mentioned, next 3-4 months' time, we should be able to reach that level. That is what our estimate right now.
- Deepak Poddar:** No, reach that level is means you are talking about normalcy level in 3-4 months?
- Govind Singh:** Yes. So, normalcy will have two things. One, the X-bucket collections being on regular basis at 99.5%. That is one thing and maybe 99% upwards, in fact, that is what should happen. Plus, in terms of disbursement, obviously, now the disbursement will not be the type of disbursement which used to happen earlier. But disbursement where our portfolio doesn't de-grow and portfolio growth starts happening, I think that is what we expect, that is the second part of, second leg of the overall normalcy. That is again, our anticipation is around 3-4 months from now.
- Deepak Poddar:** So, on a conservative side, by 4th Quarter, one can expect some normalcy to resume, in terms of credit cost and in terms of growth?
- Govind Singh:** Yes, in both terms, I think collection, credit cost, what we mentioned, and also portfolio stability and portfolio starting not to decline and growing, in fact, towards the Quarter 3 and I think that is what we can expect, Quarter 3 and quarter 4 beginning.
- Deepak Poddar:** And now in the 2nd Quarter, one month has been passed, I mean, July month. So, how has been the collection efficiency, Micro-banking, which has reduced to 82% as of 1st Quarter? So, how do you see your collection efficiency in last 1 month?
- Govind Singh:** So, we have seen almost, entire last 4 months, even June and July, we have seen almost similar type of trajectory as far as JLG business is concerned. It has not gone down, but at the same time, it has not improved significantly also. I think it is almost the same trajectory that we have seen during July, which was there in the month of June, almost on the same line.
- Deepak Poddar:** And not gone up also, at least not deteriorated, it has not improved much?
- Govind Singh:** Correct. You are right.

- Deepak Poddar:** And how should one look at growth for this year? We expect a single digit kind of growth, muted growth this year because of all these issues?
- Govind Singh:** So, growth, as I mentioned, because of little uncertainty still remains there in JLG, we are not able to give any specific guidance. And JLG, because we have seen degrowth in the portfolio. So, I think you yourself asked about the normalcy or when disbursement start picking up, some assessment we have done. Maybe I can give a better guidance on the non-JLG part. Non-JLG, we are sure about, certain about 30% plus growth as far as non-JLG book is concerned, other than JLG. Right now, giving a specific guidance on the growth of JLG will be difficult, but non-JLG around 30% plus is what we can guide to the investors.
- Deepak Poddar:** And just one last thing from my side, now you have started, you mentioned you have started the CGFMU coverage. So, how much percentage of portfolio currently we have and how much we intend to cover over the period?
- Govind Singh:** So, as far as our intention is concerned, we will cover the entire portfolio. It is a matter of time. As and when new disbursement happens, this gets automatically covered. Almost close to 95% plus because it is only the direct agriculture which is not covered. And normally for JLG, direct agriculture is a very small portion. Indirect agriculture is anyway covered. Even most of our Microbanking business flow is covered under that. So, whatever is the new portfolio you are creating from middle of January that is getting covered automatically under this. I may not have the exact details of how much is already covered, but whatever disbursement are happening from the middle of January, under JLG and under MB business loan, they are getting covered under the guarantee scheme.
- Deepak Poddar:** Fair. That is very clear, sir. That is very helpful and all the very best to you. Thank you so much.
- Govind Singh:** Thank you. Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Henil Shah, who is an Individual Investor. Please go ahead.
- Henil Shah:** Hello, sir. Thank you for the opportunity. While I do acknowledge that there is stress in MFI, but look at it, our band, this has been much bigger even, so how can we expect profitability in FY '26 or it is a loss here?
- Govind Singh:** I think right now, it is very difficult to talk about this part unless we see the JLG portion getting normalized. As you mentioned, it will take some time. So, currently, it is very difficult to anticipate the year as far as the profitability part is concerned. We will require some more time. Maybe when we come next time, based on Quarter 2, we will be able to give better guidance as far as the profitability and the JLG overall growth is concerned for this financial year.

- Henil Shah:** And second question, sir, can we expect our operating profit to increase or it is in line similar range for next couple of quarters?
- Sarjukumar P. Simaria:** So, operating profit by logic in terms of disbursement and as we just mentioned about 30% growth on the non-micro banking. So, there are three factors that will lead to better operating profits. One, the growth in the non-micro banking portfolio at a higher yield that should increase our operating profit. Two, our cost of funds are likely to come down. We have already reduced our rates on term deposit and our savings account. We have already seen 20 basis point cost coming down on both of these from previous quarter to this quarter. So, the cost of funds should lead to further improvement in terms of the operating profit. And in terms of cost, we are steady state. We have done all the platform development. I guess what then is incremental inflation increase in cost. So, stability in cost with higher disbursement should see improvement our next 3 quarters, the PPOP or the operating profit. So, that is absolutely the execution plan.
- Henil Shah:** Thank you very much, sir.
- Govind Singh:** Thank you.
- Moderator:** Thank you. The next question is from the line of Harsh who is an Individual Investor. Please go ahead.
- Harsh:** Hi, can you give an update on the fund raise process?
- Moderator:** Harsh, can you speak a little louder?
- Harsh:** Can you please share an update on the fund raise process? What is the quantum and what are the timelines that we are expecting?
- Sarjukumar P. Simaria:** Right. So, if you recollect, we mentioned last time we have already taken approval from the board and the shareholders for a fund raise of Rs. 750 crore. I think we will intensify the engagement with the potential investor. We are hoping to do that. If not this quarter end, maybe early month after that. That is the timeline we are looking at. We were just waiting for the results and now we will intensify the discussions.
- Harsh:** Thank you.
- Moderator:** Thank you. The next question is from the line of Sagar from Spark Capital. Please go ahead.
- Sagar:** Thank you so much, sir, for the opportunity. My first question was related to provisioning. I wanted to know what kind of provisions are we, what is the PCR that we are holding in our MFI portfolio?

Sarjukumar P. Simaria: We are holding, ~62% in MFI.

Sagar: 62% in the PCR to the MFI portfolio, you are saying?

Govind Singh: Overall, the bank level, it is 59% and for JLG it is around 62%.

Sagar: So, is it safe to assume that in the next 2 quarters, we will be required to do further provisioning because of the accretion of NPAs? Because as far as my understanding goes, you will need to provide higher for the unsecured slippages, right?

Govind Singh: So, already the process is that we provide 40% at the first on NPA itself in case of JLG. So, that is why it is already on higher percentage. Obviously, based on the collections, we will have to see what is the additional requirement on quarter-on-quarter basis, based on the recovery and further slippages? So, very difficult to anticipate today, but yes, there will be some additional provision for sure in the next quarters also.

Sagar: Because for the NPAs that are accrued in the MFI portfolio, if we have done provisioning for 62%, then actually what my point was that you will need to provide 100% at least we will need to provide 100% for the NPAs that are already there in the micro-finance concept. So, that is why my point was that you will need to do further provisioning in the next quarters. Because all banks and NBFCs have done in the last 3 quarters 100% provisioning for the NPAs that are accrued actually because of this over-leveraging crisis. My second question was related to our diversification. For the diversification, my point was that in the MFI portfolio, the majority of the advances are coming from Bihar and UP. Almost 84% of the loans are sourced from there. So, what are the plans to diversify at least in the JLG portfolio?

Govind Singh: So, broadly speaking, it is not 84%. It is 68% actually, not 84%. But having said so, when we are talking about diversification, we are looking at it from two angles. One from the geography and second from the product angle. So, we also mentioned that our JLG portfolio, which has come down to almost 45% of our book right now, you are aware that we started from almost 100% in 2017. So, there is a long way we have come to that level and now it is only 45%. That is one part. As far as our own JLG business is concerned, we are working in 13 states, which is Northern and Central belt and we have seen some diversification. We have gone to places of Odisha and Rajasthan during the last 2-3 years and there is some diversification. But more diversification will happen because we are not going to grow our JLG book to that extent. The major growth will come from the non-JLG and which is Pan India. It is not limited or linked to any of the states. In fact, there we are a Pan India player, be it MSME, be it Housing, be it CE & CV businesses. So, overall diversification of the geography as well as product is happening on regular basis. And you will see that in the next 2-3 years' time, there will be significant diversification of the portfolio and geography. And that is a continuous process in our case.

- Sagar:** Can you quote that what is the share of secured to unsecured that you are eyeing in the next 2-3 year, sir?
- Govind Singh:** So, currently we are around 45% secured. And I think maybe if you look at medium-term plan, I think because JLG portfolio is coming down and others are very limited unsecured. So, at least we can expect in medium term, this mix will go to around 50-50 if you look at 2-3 years horizon. Our secured will be more than 50% going forward also.
- Sagar:** My third question was related to the leveraging of the existing branches. In the last 3 years, we have significantly expanded our network in terms of branches. But still the utilization of the branches, utilization of the employees is still very low compared to the industry. So, what are our plans to scale up? Because that will lead to operating leverage that will only scale your ROE. So, what are the plans to actually leverage our existing branches so that at least there will be more branches?
- Govind Singh:** So, sir, very important question. I think our entire focus is right now, as you mentioned about diversification that is one part. And secondly, on the operational efficiency. So, this year, other than barring a very few branches, which are basically split branches for JLG, we are not opening branches. Our idea is that we have enough number of branches right now. And you mentioned that during the last 2-3 years, we have opened many branches. So, we have a large manpower base and we have a large network base right now. And we have a good client base also. And that is what we have started. In fact, we have a big focus on the cross-sell right now. I also spoke when I gave the opening remarks. We have a big focus on the cross-sell part so that our customers are able to get more accounts or more products from us. So, there is a big focus on that. And you will see a big change because of that. Without expanding the network, I think we will be able to expand our balance sheet and that is what will be visible, sir. In fact, when we have to expand our other products like MSME or housing, in fact, we keep expanding to newer locations without opening a branch. So, that also keeps happening on a regular basis. So, you will see that the operational efficiency part will play a big role as far as medium-term next 2-3 years trajectory, next 2-3 years balance sheet, next 2-3 years performance of the bank is concerned, sir. That is the focus area for us right now.
- Sagar:** Thanks, sir. Got your point. My last question was that what is the PCR that we are eyeing for the MFI portfolio by the end of FY '26?
- Sarjukumar P. Simaria:** I guess you may consider about 10% more. Of course, as we said, that normalization happens and we have the collection efficiency for the interventions we have done. It should be plus 10% from where we are.
- Sagar:** Thanks, sir. Thank you so much and all the best.
- Govind Singh:** Thank you, sir.

- Moderator:** Thank you. The next question is from the line of Anand Dama from Emkay Global. Please go ahead.
- Anand Dama:** Thank you for the opportunity. In your presentation, it shows that your collection efficiency excluding the prepayments has dropped to 82%. Which states are basically contributing this? Is it the Uttar Pradesh, Bihar or other states like Karnataka where you have some presence and where you are seeing the dropping collection efficiency?
- Govind Singh:** So, in our case, there are some pockets where we might have challenges and just to talk of Karnataka, actually, we are not there in South at all. We are not in Karnataka. We are not in Tamil Nadu. And all these were the impact of guardrails only. And the resultant reasons of coming out of guardrails. So, there is no specific state per se. There might have been some pockets where we might have challenges. So, for example, some portion in the Bhagalpur in Bihar or some portion near Gorakhpur in UP. So, there might have been some elevated you can say collection issues in some of the pockets. But there is no geography specific, there is no state specific in our case. Unlike in some players, it might happen because of some of the states where there have been specific challenges. In our case, largely it is because the impact of guardrail 2.0.
- Anand Dama:** In these pockets also, is it more of economic distress, which you are seeing at the borrower level plus the MFIN guardrail? Or there is something more to it? Because I think we are also getting closer to the elections, so what basically explains the pocket wide stress that you are seeing?
- Govind Singh:** So, sometimes it may be specific to some entity also. Suppose you have some issues in terms of local level issues or sometimes we might have some staff issues or the distance from the branches issues. So, those might elevate these things. And in some pockets, last year we had seen there used to be a Karza Mukti Abhiyan or Andolan, what we say. We had some impact in some pockets of Bihar and the Gorakhpur and that belt of UP. So, these are very small, isolated things. But sometimes, they have an impact for a longer period. Sometimes, some pockets, again, there may be some specific issue because of some natural calamities or those types of things. Again, those are the isolated things. So, those might have been the reason. Sometimes maybe this operational issue with the entity also. As far as elections are concerned, as I mentioned in past also, and I think elections have never impacted the JLG part and especially in the places like UP and Bihar. And we don't foresee any challenge or anything on account of this. What generally happens because of elections, there may be some restriction on the local operational part, movement of cash and those type of things get little impacted during that period. But otherwise, as long as your operations or any impact on the collections part is concerned, this whole part is concerned, we don't anticipate and in past also, we have never seen that.
- Anand Dama:** Sir, secondly, my question was that, is it possible to get your 3 plus lender portfolio in terms of borrowers and also your outstanding loans?
- Pramod Kumar Dubey:** 24%-25% of our customers have more than 3 lenders.

- Anand Dama:** In terms of portfolio, how much outstanding loans?
- Pramod Kumar Dubey:** In terms of portfolio also, it is in the similar range.
- Anand Dama:** And of this 3 plus lenders portfolio, is it possible to tell us like what is into SMA and how much is into NPAs?
- Pramod Kumar Dubey:** No, at this point of time, it will be difficult to say. But it is certainly more than whenever the number of lenders are lesser.
- Anand Dama:** Sorry, I didn't get you sir.
- Govind Singh:** So, Anand, I can share the details with you. Maybe I don't have exact full details right now. But I agree that we have the experience that, there is a direct correlation between these two things. We have seen it many a times. And in the past also, during last, almost now it is one year. In fact, in August, the guardrails were put in place. Wherever there are more number of lenders, it has impacted badly. But I don't have the exact data right now with me. I will certainly share with you offline after this.
- Anand Dama:** And sir, third is, do you see any stress in the CV, CE segment? Obviously, your portfolio is pretty small. But still, in that segment, are you seeing some stress?
- Govind Singh:** So, for last, around a year, we saw some, not the way we have seen some of the things like JLG, but yes, it was a little higher than usual, you can say, we had seen and we had taken corrective actions also. Three things we have done. We have reduced our overall disbursement. In fact, we used to disburse almost Rs. 30-Rs. 60 crores. Now, it is in the range of Rs. 20-Rs. 25 crores per month. So, we have reduced that part. Some of the pockets where we thought that these may be vulnerable, we had stopped disbursement in those places altogether. And , in fact, some of our sales team, people are also moved to that. So, that before it goes out of hand, we should be able to control that. And another thing that we have done, we have focused more on the secondhand vehicles or used vehicles, which I spoke in my opening remarks also. It used to be almost 5% or so till one year back. Now, it is almost 30%. There the losses, because LTV is lower in that case. So, the propensity of losses is much lower. So, I think these are some of the things we have done so that it doesn't go out of hand as far as the wheels business is concerned.
- Anand Dama:** Thanks a lot.
- Govind Singh:** Thanks, Anand.
- Moderator:** Thank you. The next question is from the line of Anant Mundra from MyTemple Capital. Please go ahead.

- Anant Mundra:** Hello. Thank you for the opportunity. Sir, we have seen some other lenders give a commentary that there is some stress appearing in the MSME segment. And for us, I think that is the second largest portfolio. So, just wanted to check what has our experience been in this verticals?
- Govind Singh:** So, our experience is there is not much so far and largely because in case of our MSME, it is largely secured portfolio. These are all against hard collateral. I again don't have exact number, but almost 95% of our portfolio is a secured portfolio as far as MSME is concerned. A very limited portfolio is unsecured there. And we have not seen much change. There are maybe some fractional change, but any significant increase or delinquencies or over dues that we have not seen so far in MSME. I think we just mentioned to previous caller Anand that beside JLG, where we had seen little higher uptick was Wheels. In all other businesses, I think things are looking under control. Maybe few basis points here and there. That is the only difference.
- Anant Mundra:** Got it, sir. And sir, sorry if I might have missed this out, but did you call out what was the X-bucket collection efficiency in July for our JLG portfolio?
- Govind Singh:** No, I think we have not mentioned that, but it was at the same level of June. 98.6% was our X-bucket collection efficiency for July also.
- Anant Mundra:** Alright, sir. That is it from my end. Thank you.
- Govind Singh:** Thank you.
- Moderator:** Thank you. The next question is from the line of Henil Shah, who is an Individual Investor. Please go ahead.
- Henil Shah:** Hello, sir. Thank you for the opportunity once again. Sir, so how do we see FY '27, if you can guide us a little bit, since FY '26 is uncertain in terms of profitability due to JLG issue?
- Govind Singh:** So, sir, broadly speaking, as I mentioned, we are not giving guidance only because JLG uncertainty has not gone away completely. But if you look at a medium-term horizon, certainly, the way we have done our liability franchise, in fact, currently, we are restricting our liabilities just to not to take too many liabilities because our asset growth has been a little lower. So, that franchise is working very well. Our asset franchise, other than JLG, everything is working very well. Even within JLG, MBBL franchise is working well and we have got some other high-yielding products like Micro LAP and those type of things also. Even when we talk about used vehicles in wheels business, that is also giving better yield. And we have seen good improvement in the yield overall in MSME, be it MSME, be it housing also. So, in medium-term, we expect that we should be able to give a 15% plus type of ROE. If you look at next 3 years horizon or so, we are confident of giving that type of ROE on an overall basis. And a good growth of around 25-30% what we expect, if you look at a medium-term horizon. This year, I think, is a little difficult because of JLG issues.

- Henil Shah:** Can I ask one more question?
- Govind Singh:** Please, sir. All yours. Thank you.
- Henil Shah:** Sir, since we have registered with CGMFU, are we required to make provision in future if such situation arises or how? Can you throw some light on that?
- Govind Singh:** So, I think the way process operates, maybe CFO can say if I am not correct, the provision is required to be made upfront, in fact, in case of all guarantee schemes. As and when the guarantee claim become mature, you get claim money and then you have to net off from the provision you have made. So, first time you have to make the provision. That is my understanding.
- Sarjukumar P. Simaria:** That is correct.
- Henil Shah:** Thank you for the opportunity.
- Govind Singh:** Thank you, sir.
- Moderator:** Thank you. The next question is from the line of Harsh Satya, who is an Individual Investor. Please go ahead.
- Harsh Satya:** Hi, sir. I wanted to understand, as your secured loan book shrinks, what is the realistic margin number that one can expect at a normalized level? Because it is already shrunk quite substantially, but currently, of course, there are interest reversals which are happening. At a normalized level, what would your margin number be?
- Govind Singh:** So, one is that I think our unsecured will certainly come down, secured will go up. But within secured also, there are some little better yielding or high yielding products. And also, in terms of cost of fund is coming down, operational efficiency is also improving. So, again, what we can estimate on a medium-term basis, our margins will improve from here, which has really come down. In past, we were in the 9% plus, but I think 8.5% plus margin should not be a problem. NIM should not be a problem in medium term. Again, I am talking of medium term, it is not for this year. I want to make it very clear. This is for the medium term, to look at 2 to 3 years horizon from here. Close to 8.5% NIM should be possible with the change of mix that is important, change of mix. But because we will get the operational efficiency, we will get cost of fund decline and overall benefits of scale. So, I think that is what we expect.
- Harsh Satya:** Yes, very clear. Sir, with regard to your recovery, you said that Q2 onwards, you will start to see recovery because you blamed MFIN for Q1 FY '26. Q2 should start to see recovery, but you are also saying credit costs will remain elevated. Can you give us some perspective on what is happening? Are recoveries expected in Q2 or Q3 onwards? What should one see?

- Pramod Kumar Dubey:** Sir, as we mentioned, whatever NPA we have seen in the past, in the last year, Q3, Q4 and again in Q1, so incremental provisioning would be required to be done. So, even when the incremental slippages is on the lower side, we will have to provide for NPA which is not being collected. So, that is why there will be some lag in terms of NPA gross slippages and in actual credit cost in the quarter.
- Harsh Satya:** So, despite the recovery, you will still see a larger credit cost overall and therefore, a credit cost will largely remain flat in Q2. Is that right understanding and the right way to look at it?
- Pramod Kumar Dubey:** Yes, sir. That is right.
- Harsh Satya:** Understood. Thank you so much. That is all from me.
- Govind Singh:** Thank you.
- Moderator:** Thank you. As there are no further questions from the participants, I now hand the conference over to the management for closing comments.
- Govind Singh:** Yes. Thank you, everyone. Thanks a lot for joining our investors' call. And we have clearly mentioned currently, yes, there is a stress in JLG portfolio which we are working on and we are confident that it is a matter of few months from where things should become certainly much better from where we are today. And our all other verticals including the non-JLG part, then the liability part working really well. We are seeing a good traction in terms of operational efficiency part is concerned. Cost of funds are coming down. So, I think overall, while currently it might be a stress scenario, but if you look at the medium-term horizon, I think we should be able to do much better on all counts. In terms of all the KPIs, all the parameters we expect to do much better. So, once again, thank you very much for joining the call. And Renish and team, thank you very much for hosting us. Thanks a lot.
- Moderator:** On behalf of ICICI Securities Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.