Utkarsh Small Finance Bank

November 11, 2026

BSE Limited
Scrip Code: 543942, 975790, 959644, 976203, 978213

National Stock Exchange of India Limited
Symbol: UTKARSHBNK

Dear Sir/Madam,

Sub: Transcript of earnings conference call with the investors and analysts held on November 04, 2026 - 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 04, 2026

We submit herewith the transcript of the Earnings / Conference call held on Wednesday, November 04, 2026 at 06:15 p.m. (IST) in connection with the Unaudited Financial Results for the quarter and half year ended September 30, 2026.

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
Digitally signed by Muthiah Ganapathy
Date: 2026.11.11 15:12:30 +05'30'

Muthiah Ganapathy
Company Secretary & Compliance Officer

Encl.: As above

"Utkarsh Small Finance Bank Limited

Q2 and H1 FY27 Earnings Conference Call"

November 04, 2026

MANAGEMENT: **MR. GOVIND SINGH – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER**
MR. SARJUKUMAR PRAVIN SIMARIA – EXECUTIVE DIRECTOR
MR. AMIT ACHARYA – CHIEF RISK OFFICER
MR. MANMOHAN SHETTY – CHIEF FINANCIAL OFFICER
MR. VIRENDER SHARMA – HEAD - MICRO BANKING
MR. SOURABH GHOSH – HEAD - CONSUMER BANKING
MR. ABHAY KATARIA – HEAD - ASSETS

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

Moderator: Ladies and gentlemen, good day, and welcome to the Q2 and H1 FY27 Earnings Conference Call of Utkarsh SFB hosted by ICICI Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes.

Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded. I would now hand the conference over to Mr. Renish from ICICI Securities. Thank you, and over to you, sir.

Renish Bhuva: Yes. Thank you, Muskan. Thank you. Good evening, everyone, and welcome to Utkarsh Small Finance Bank Q2 FY27 Earnings Call. On behalf of ICICI Securities, I would like to thank Utkarsh SFB for giving us the opportunity to host this call.

Today, we have with us the entire top management team of Utkarsh SFB represented by Mr. Govind Singh, Managing Director and CEO; Mr. Sarjukumar Simaria, Executive Director; Mr. Amit Acharya, Chief Risk Officer; Mr. Manmohan Shetty, Chief Financial Officer; Mr. Virender Sharma, Head Micro Banking; Mr. Sourabh Ghosh, Head Consumer Banking; and Mr. Abhay Kataria, Head Assets.

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

Govind Singh: Thank you very much, Renish. Thanks a lot, as always. Good evening, everyone, and thank you for joining us for our quarter 2 FY27 earnings call.

Let me begin by reflecting on the evolving operating environment for Utkarsh Small Finance Bank. Our business momentum is recovering. Fresh stress formation has reduced substantially. Collection efficiency remains strong. Credit costs have moderated and funding costs are declining and the contribution of diversified businesses is increasing. At the same time, our operating profitability is improving every succeeding quarter. These are important developments because they demonstrate that the improvement is not dependent on any single factor but is being supported by multiple levers moving in the right direction. Albeit our growth has been a little slow but steady, and the same is ready to pick pace now.

Our pre-provisioning operating profit increased to INR85 crores in quarter 2 FY27 compared with an operating loss of INR3 crores in quarter 2 FY26, registering a sequential improvement of 34% over quarter 1 FY27. For H1 FY27, PPoP stood at INR149 crores. Alongside this, credit costs have reduced sharply to 2.8% in H1 FY27 from 9.1% in H1 FY26. Consequently, the Bank's net loss declined by close to 80% Y-o-Y to INR70 crores in quarter 2 FY27 and INR104 crores for H1 FY27. While the reported loss in quarter 2 was higher than quarter 1, the previous quarter benefited from certain one-off items like CGMFU provision reversal and ARC transaction. Adjusting for these non-recurring items, the underlying net loss in quarter 2 was significantly lower sequentially. The combination of improving operating earnings and a

substantial moderation in credit costs is strengthening the underlying earnings profile of the bank.

The improvement in portfolio performance further reinforced this trend. Collection efficiency in the X bucket of JLG segment remained strong at 99.6% during the quarter compared with 98.6% in quarter 2 of FY26. The SMA pool within micro banking has contracted to 1.7% from 4.9% in September 2025. Fresh NPA slippages (net of recoveries and upgradations) declined to ~INR175 crores in quarter 2 FY27 against INR415 crores in corresponding quarter last year. For H1 FY27, this stood at INR300 crores compared with ~INR810 crores in H1 FY26. Consequently, GNPA as a percentage of gross loan portfolio improved to 5.9% as on September 2026, reflecting an improvement of almost 630 basis points year-on-year. These developments indicate that strengthened collection infrastructure, enhanced monitoring and more disciplined credit practices are translating into lower incremental stress and better portfolio performance.

Another important positive is the recovery in business activity. Total disbursements during H1 FY27 grew by 52% year-on-year, with JLG disbursements increasing by 2% and non-JLG disbursements registering growth of 94%. This supported gross loan portfolio growth of 7.5% year-on-year and 2.3% sequentially. The improvement reflects a gradual restoration of our business momentum while maintaining a calibrated approach towards customer selection and underwriting. Our focus remains on growing the portfolio through quality incremental lending rather than pursuing volumes at expense of risk-adjusted returns.

On the liability side, the bank has made meaningful progress in strengthening its deposit franchise. Total deposits grew by 7% year-on-year, supported by 14% growth in CASA deposits and 12% growth in retail term deposits. The CASA plus retail term deposit ratio improved to 82% from 78% a year ago, while the CASA ratio reached 21.4% as on September 2026. This improvement in funding composition is already reflecting in our cost of funds, which declined by ~50 basis points year-on-year to 7.4% in H1 FY27. With the benefits of deposit repricing and the improving liability mix expected to flow through progressively, we see further support to funding costs and margin stability. Taken together, improving business momentum, lower credit costs and declining funding costs are providing a stronger foundation for sustained earnings improvement.

Let me now touch upon the structural changes underway in our business model. Portfolio diversification continues to be one of our most important strategic priorities. The JLG portfolio, which constituted 88% of the gross loan portfolio in March 2020 (and 90% including BC JLG exposure), has now reduced to 24% (and 26% including BC JLG exposure). In contrast, secured lending has increased to 52% of the gross loan portfolio from 47% a year ago. This transformation is reducing dependence on traditional group lending and creating a more balanced portfolio with multiple growth and earning drivers.

Within micro banking, our micro banking business loan product continues to gain traction. The product enables us to graduate customers with demonstrated repayment discipline into individual lending relationships. Further, we have expanded the product to cater to new-to-bank customers as well. The micro banking business loan portfolio registered growth of 146% year-on-year and 15% sequentially during quarter 2 FY27 and now represents 35% of our micro

banking portfolio. With penetration currently at around 20% of our customer base, there remains considerable opportunity to scale this business further. We believe MBBL will play an important role in strengthening customer relationships, improving product penetration and diversification of the micro banking franchise.

Our other lending businesses are also contributing to the portfolio growth. The MSME portfolio expanded by around 8% year-on-year to INR4,489 crores, with Micro-LAP continuing to deliver disbursement yields of ~18%. The housing loan portfolio grew by 4% year-on-year to INR984 crores, while the BBG, the Business Banking Group portfolio recorded strong growth of 38% year-on-year. In the commercial vehicle and construction equipment segment, we are maintaining a calibrated approach towards asset selection, with used vehicles accounting for around 30% of disbursements. We are also expanding gold loan penetration through our digital loan origination system, which is expected to improve turnaround time, process controls and operational efficiency. These businesses collectively provide opportunities to deepen our presence across customer segments while creating a more diversified and stable earnings base.

To further strengthen the quality of incremental microfinance lending, the Bank registered under the CGFMU credit guarantee scheme for eligible JLG and micro banking business loan disbursement with effect from January 17, 2025. ~48% of our microfinance book relating to disbursements up to quarter 4 FY26 is already covered under this scheme, increasing to almost 80% upon including H1 FY27 disbursements. The CGFMU window is currently not open for fresh loan guarantees, as the scheme is undergoing the government approval process for its next phase. We expect the window is about to reopen soon and have already accrued the requisite 1% guarantee fee towards the eligible disbursements. This additional risk protection, together with strengthened underwriting and portfolio monitoring, supports our efforts to build a more resilient microfinance franchise.

From a capital and liquidity perspective, the Bank continues to maintain comfortable buffers. As of September 2026, surplus liquidity stood at around INR2,540 crores. The LCR was 177%, and CD ratio stood at 81%. Capital adequacy remained at 17%, comfortably above the regulatory requirements. The Bank had planned to raise INR500 crores through NCDs during the current financial year, of which INR300 crores was raised in September 2026 to support growth initiatives and reinforce capital adequacy. Additionally, on August 13, 2026, the Bank exercised the call option and redeemed its INR195 crores Tier 2 NCDs ahead of scheduled maturity after obtaining the requisite regulatory approvals. These initiatives reflect our focus on maintaining adequate capital strength while optimizing the overall funding structure.

On the proposed amalgamation of the holding company, Utkarsh CoreInvest Limited with and into the bank, the NCLT, during its hearing on October 22, 2026, took note of the NOCs and responses received from the concerned regulatory authorities. The matter is scheduled for its next hearing on November 19, 2026. The reverse merger is expected to be completed over the next few months, subject to NCLT proceedings.

Operational efficiency and technology-led transformation remain important enablers of our strategy. We have strengthened the collections infrastructure, operationalized a specialized call centre for overdue accounts and enhanced branch level monitoring and customer engagement.

Training programs for new frontline employees have been reinforced, with particular emphasis on centre meetings, customer onboarding and consistent field level execution. Our collection workforce supporting JLG and MBBL businesses now exceeds 1,400 personnel. For the secured portfolio, our focus is on containing fresh slippages and improving recovery from the existing NPAs. We have strengthened collection teams, field coverage and account level monitoring, while also strengthening litigation and recovery framework, along with focused efforts on repossession and settlements. These initiatives are helping improve execution standards and strengthening recovery outcomes across the portfolio.

Through the Utkarsh 2.0 technology transformation project, we are progressively integrating automation, data-driven decision-making and stronger monitoring mechanisms across the organization. Digital underwriting tools are helping identify and avoid overleveraged borrowers, while 360-degree control parameter mapping is enhancing visibility across the credit life cycle. The Bank also launched its new core banking system during the quarter. In parallel, we are improving the quality of new account sourcing and leveraging liability-focused general banking branches to cross-sell asset products, thereby increasing product penetration and customer wallet share.

Our cost optimization strategy is centered on improving productivity rather than expanding through additional branch infrastructure. Employee headcount was rationalized by close to 1,100 year-on-year, while the existing branch network is being leveraged more effectively. Workflow automation, digitization of customer journeys, reduction in manual intervention and simplification of products and processes are expected to further improve turnaround times, service quality and operational efficiency.

Looking ahead, our focus will remain on sustaining the improvement in collections, further reducing fresh stress formation, expanding secured lending and accelerating growth across diversified asset classes. We will continue to strengthen our deposit franchise, optimizing funding costs and improving operating productivity while maintaining disciplined underwriting and prudent risk management.

Our medium-term aspirations remain focused on achieving loan book growth of around 25% to 30%, increasing secured lending to around 55% of the portfolio, maintaining NIMs of around 8% and delivering a ROE of ~15% for FY28. We believe that the structural changes undertaken across all our businesses, coupled with improving operating indicators, provide a strong foundation for achieving these objectives.

To conclude, FY27 represents a pivotal milestone in the Bank's journey to restore sustainable earnings and strengthen the financial foundation. Having closed FY26 with a substantial loss, the bank has since executed a focused business revival strategy that has positioned the current financial year for a return to profitability. Our continued focus is on sustaining this positive momentum and building a stronger, more resilient and well-diversified franchise that delivers consistent and long-term value to all the stakeholders. With that, I would now like to hand over the call for Q&A session. Thank you very much.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Raj, an Individual Investor.

Raj: So, I was seeing the results, and I could see that there is a considerable improvement on the NPA, deposits and on the core revenue. So just two questions. One is on the provisions part, like last quarter, we were seeing that it was around INR109 crores. And in the current quarter, it was increased to INR166 crores. Even though there are improvement areas on reducing the non-secured loans and multiple improvement areas.

The provision part increased in the current quarter, so which directly reflecting on the final loss of around INR70 crores. So, the first question is on the provision part. And the second question is on the upcoming quarters, can we expect profitability on the reduction in the provision?

Sarjukumar Simaria: Mr. Raj, if you recollect the results of Q1, and we had started earlier from January '25 covering our entire micro banking portfolio under the CGMFU guarantee scheme. And that obviously is a premium cost. What we did in Q1 that once you have a premium cost, you have an ability to make a provision of only ~28% of the provisioning that is required and ~73% provision credit you can take because the portfolio is guaranteed.

Now, the provisioning that we did in Q1, as you see, it was INR109 crores as you spoke. But, actually, had we not taken the credit, real cost provisioning is ~INR190 crores. So, in that sense, it's INR190 crores, now which has become INR166 crores. So, actually the credit cost has come down.

So, just that a one-off credit that was taken in Q1, and that was taken pursuant to the regulatory norms available for credit available for the CGFMU cover that we have. Had we not taken that, then the provisioning as we speak, would have been higher by INR75 crores. And there was also a INR65 crores of ARC sale.

So, if I add both of that, then our provisioning line, which you see at INR109 crores in the previous quarter, would have reflected at ~INR250 crores. So, it's a provision of INR250 crores coming down to INR166 crores. And therefore, what I'm trying to say that there is also a continued kind of improvement in provision, beginning from almost last Q4 onwards, you will see complete provisioning reversal happening.

In fact, at a point in time, our peak provisioning was in MB portfolio of INR401 crores, which was in Q2 FY26, whereas today, in Q2 FY27, it is just INR92 crores. And therefore, the point as I'm saying is that there is a complete trend drop in slippages. Even our collection efficiency has remained above 99%, which is X-bucket, above 99.6%, 99.5%, through and for almost last six, seven months. So, the point that I'm trying to drive, there is a significant improvement as part of the commentary Govind ji gave.

Govind Singh: On the other point in terms of profitability, yes, certainly, I think we are looking at a much better trajectory from here onwards. As we mentioned that next year, we do expect that our numbers will be much better, the way we mentioned. And certainly, coming days will be much better in terms of profitability also.

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

Sagar Shah: First of all, congratulations to the management for holding the ship actually holding a better set of earnings. Sir, my first question was related to our sequential uptick in slippages actually. Means in this quarter, we did see slippages actually inching up to INR239 crores. So it was up on a sequential basis as well.

So can you highlight that which of the segments is actually facing stress in this scenario? Or is it because of drought or West Asia crisis? What is the reason? Can you throw some light on that, sir? That is my first question.

Amit Acharya: Yes. Hi, Amit, this side.

Govind Singh: Just one second before Amit, our CRO, speaks about the overall NPA. I want to make only one statement, as drought and these factors have a very temporary impact on collections sometimes, especially in JLG collections, especially when it happens in Bihar and those states. So, it has not impacted the NPA trajectory in any significant manner.

So that's not the reason for any drop. In fact, you must have seen that our collection efficiency remains almost at the same level. In some geographies, there might have been some delay in collection, but overall, it remains at the same level. But Amit can talk about the overall trajectory.

Amit Acharya: Yes. So just to share the breakup of INR239 crores, if you see from MB business, it came INR66 crores out of INR239 crores and non-MB was around INR173 crores. Out of that, CV/CE contributed INR30 crores, MSME contributed INR64 crores. And WSL was an outlier this time, as we had INR33 crores fresh slippages, though we recovered INR8 crores also. And in this WSL, if you see, this is a book of now close to 6 years old.

Almost for five years, we operated on a nil NPA basis. But as the book gets matured, it is bound to have some delinquencies there. But all these, be it WSL, CV/CE or MSME, are backed by securities, either by immovable properties or by the vehicle itself. And we have that collateral security efficiently covered. And all the recovery processes are on the track. Though SARFAESI takes some time. So that is why you see the recovery a little slower. otherwise, all in control as such.

Sagar Shah: Okay. So is it the reason behind the increase in provisioning, sir, from INR109 crores to INR166 crores, is it the reason, the higher slippages, is that the reason for providing more in this quarter, the credit cost going high?

Sarjukumar Simaria: I just explained a while ago, and I'll try to once again explain that if you really look at INR109 crores of the provision in Q1, we had taken a credit of CGFMU benefit that is available under the RBI regulation, and that credit was pursuant to the premium and the coverage that we have under the guarantee and that credit was INR75 crores. So, if that credit had not been there in Q1, this INR109 crores would have gone up by INR75 crores.

And as well, as I mentioned, in Q1, we did an ARC deal of INR65 crores. So, INR75 crores, and INR65 crores, if you add them, this INR140 crores is a quarter 1 event which has given a credit

and therefore, INR140 crores plus INR109 crores, had these two credits not been taken, and it was, as I said, an actual provision would have been around INR249 crores. Now INR249 crores, you have to compare with INR166 crores, which is where there is absolutely a normal event of slippages or the credit cost.

Sagar Shah: Okay. Okay. Fine, sir. I got your point. My second question was related to your other retail loans actually. The other retail loans has seen a good pickup in the disbursements actually. So, means I wanted to understand in the other retail loans, which are the segments actually this bank is targeting, especially towards the secured space?

Govind Singh: So, in secured, largely, we have multiple types, where the largest space is what we talk of as LAP. LAP can happen in multiple ways. So, we talk of micro LAP, which is below INR25 lakh, then the normal LAP, which is INR25 lakh upwards, in fact. And then sometimes we have a prime LAP also, which is INR1 crore plus. Plus, we also have a business banking group. Again, all the loans are backed by hard collateral only. So, the biggest focus for the bank remains that we are able to secure them through hard collateral. And a little bit also we are trying through gold. Our gold portfolio is around INR400 crores plus right now. So, efforts are that we should have either property or gold backed loans, the moment we are talking about secured part. So these are the two prime.

But in LAP, you are aware that, based on ticket size, the segment changes. So, that is with us also currently. And in future also, I mean, obviously, we have micro banking, which is almost 1/3 of our portfolio right now. But besides this, LAP will be the biggest segment in various forms for us.

Sagar Shah: Okay. So, within the secured space, MSME, affordable and CV loans, why is our disbursement or even our portfolio is not growing, sir, especially if you compare to the March '26 numbers and separate September '26 numbers, we have seen hardly any growth in these three segments actually. So why is the reason for that? So are we targeting only LAP or what is the reason actually that we are lagging behind in these three segments?

Govind Singh: So, I mean, I'll not use the word only LAP, but yes, LAP is the primary driver for us. As I mentioned, we have micro, we have mid-segment, normal segment and then we have a premium segment as well as SME, where we are growing through LAP only. The disbursements for quarter 2 got a little impacted because we launched our new CBS. And during that period, sometimes the business gets a little slow.

So, August month became a little slow and because there's a disbursement number that goes a little lower, that got reflected in the lower growth for, you can say, MSME and HL portfolio. But I think our focus remains on these portfolios. And, almost from 90-odd locations, we are operating for MSME and HL loan. And you'll see a good pickup in these businesses also.

Sagar Shah: Okay. Just my last question now is related to our digital initiatives. You have highlighted in one of the slides that the kind of measures that you have taken actually, especially on the AI side. So especially for underwriting for our MFI customers or even for -- as regards to MBBL loans, what are the AI-led digital initiatives actually exactly have we taken? Have we developed a separate

app for our customers, for our vendors? What exactly are they actually are the functionalities that you have done?

Amit Acharya: So, see, AI usage is largely something we have been calibrated about. As you will see, the other news is also that RBI is putting a framework in place for the cyber threat generating from AI usage as well. So, we have been very calibrated in our approach. It is for internal usage. In our internal processes, we have defined certain use cases where we can use the technology on the underwriting part, on the due diligence part.

It is not for the customer directly, but it is for our own underwriting space, doing some RCU activities, getting the summary on the bureau reports, putting those rules into the rule engine and using those product norms in an automated manner.

So, all that stuff we have worked on. We were working on the rule engine, LOS, all that stuff already on the JLG side. We have moved our retail lending loans also completely on the LOS and a lot of things have been automated, using the leverage on banking, using the Perfios, the banking analysis, using the Saverisk where you get all the financial or the other details about the companies, et cetera. So, that is how we are using it in a calibrated manner.

Sagar Shah: Okay. And just last suggestion from my side. Sir, I've highlighted in the first quarter as well. In this quarter, unfortunately, you haven't actually done -- if you can highlight the segmental-wise asset quality in the slides, in the MSME, CV and especially housing, what is the GNPA and net NPA of the particular segment, that would be quite good, sir, for at least for clarity for investors that how are we progressing on the secured loans?

Govind Singh: Point taken, point taken. We'll ensure that part. Sorry, missed it, but we'll ensure that part.

Moderator: The next question is from the line of Kunal Kochar from PhillipCapital India.

Kunal Kochar: Yes. Can you hear me? So, my question is related to the equity raise plans and also from the asset quality point of view, from the provision coverage that we have, how much would be covered under the Stage 1 and the Stage 2?

Govind Singh: So, maybe our CRO or CFO will talk about the second part. On the first part, obviously, we are at 17% capital adequacy. We have adequate coverage for this year, and our idea is not to raise capital immediately. I mean there's no plans to raise capital immediately. I'm talking about equity capital.

As we mentioned in my initial opening remarks also, we raised INR300 crores as Tier 2 capital during quarter 2. We have an approval for INR500 crores. So, our plan is to raise INR200 crores Tier 2 capital during this quarter, based on market conditions.

But we will not be going to equity market immediately unless there is some very specific transaction or something like that. And we will be looking at going for equity sometime in the next financial year only, not this financial year. We may not require this.

Amit Acharya: On overall provision coverage ratio. And if you need, I will give the breakup for secured or MB or unsecured as well. So, the overall PCR for September quarter stood at around 55.5%. Out of that, if you'll see our MFI/JLG book, PCR was 67.7%, and on the secured book, it stood at around 36%, and on the unsecured book, overall unsecured, including the retail unsecured, it stood at around 65.1%.

Kunal Kochar: Okay. But just on the overall book, like on the Stage 1 and Stage 2 assets, like how much would be the coverage there?

Amit Acharya: See, ECL, if you see, is not applicable to small finance banks. So, we do not create provisions based on that methodology, but we create as per the IRAC norms, which are driven by the regulatory norms as per RBI circular. And whatever standard provisions or NPA provisions are applicable.

On NPA provisions, if you see, we provide a little higher as compared to the regulatory norms. And it moves every quarter as the bucket moves, as the bucket movement within the NPA happens. So, every quarter, it increases.

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

Vinay Nadkarni: Yes, see my focus is basically on your branch network. You have one of the biggest branch network among the small finance banks. Why is the throughput from the bank so low branches? Because your quarterly -- I mean, your past is now passed.

But going forward, at least having a 2.3% quarter-on-quarter growth for a branch network of 1,100 while your other peers are growing at 5.5%, 6% quarter-on-quarter. What exactly is stopping you from growing faster there?

Govind Singh: No, I think there's nothing which is stopping us, but we had challenges which are higher than many of our peers. In fact, you are aware of this part. And some of the portfolio, because last year, we had some ARC transactions, which will move out from our portfolio also, the growth net of ARC would have been certainly higher than what we are showing. But I take your point, and in fact, that is what we are trying to do right now.

We have one of the largest network. And it's a mature network because we have not opened any branch during the last 18 months plus now. It's a mature one. And that's why, when I say 25% to 30% growth, it will come automatically from the technology, from the manpower, from the product and services we have got and from the network we have today, extensive network.

And you'll see significant improvement on a month-on-month basis, quarter-on-quarter basis and year-on-year basis, hence forth. Because, I think it has taken some time to stabilize various things.

And we also have a good product bouquet, whatever is required for a small finance bank, all relevant products are also available. Technology, we have changed wherever it was required or

upgraded wherever it is required. So, that's why, you'll see a significant improvement from here onwards.

Sarjukumar Simaria: Just wanted to add, I mean, if you really look at FY26 and largely, as we spoke about MFI, it was more collection, collection, collection first and then the disbursement. But if you really look, the green shoots have already begun from the last year, and this is probably to say that growth in disbursement actually creates a good interest accruing AUM.

We grew disbursements in Q4 by 30% Y-o-Y, which means Q4 over the previous Q4. We followed it by growth in the disbursements in Q1 of 50%, which is again Y-o-Y, this Q1 over the previous Q1, and it was almost 72% in the non-MFI book. And in Q2, we grew by 55% in disbursements. Of that, the non-MFI book grew by 87%. When you said set of branches, yes, we have about 780 in the MFI and we have around 330 in general banking branches. But the traction of growth has already come back. As I told you, there's green shoots, and you will see the momentum coming up as the quarters come up.

I guess I can also add that if I really look at H2 FY26 over H1 FY26, generally, the H2 disbursements are reasonably higher. I guess it was almost 60% of incremental disbursement deposited in H2 FY26 over H1 FY26. Even in this H2, which is the two quarters coming, we will see those disbursements keeping pace with what we have done earlier.

And now the opportunities are back. So, we will look forward to a disbursement growth keeping up the pace and the portfolio growth that Govind ji mentioned, around 25% to 30% on the full year basis.

Vinay Nadkarni: So you're expecting FY27 to be full year growth to be around what, 10%, 15%?

Govind Singh: No, no. We mentioned 25% to 30% is our growth expectation for this year. So, it is 25% plus.

Vinay Nadkarni: Okay. Because you have done 7.5% as of now, H1 to H1. So, you're expecting a real bumper growth in the next half.

Govind Singh: Yes. Yes. Certainly.

Sarjukumar Simaria: Which is what we have done last year also. And, then it catches up with the previous year.

Vinay Nadkarni: Yes. That's good to hear. Now the second thing is what it's a little intriguing is when I look at your secured portfolio increasing steadily and rapidly, in fact, your yield on advances also is going up. If I can't understand this. Generally, when you see secured going up, your yield on advances either stagnates or slightly tapers down. What is driving this yield on advances with your secured book also growing?

Sarjukumar Simaria: So, this is yield on advances. It's a combination of microfinance yield and yield of non-micro banking as well, as we see that disbursement is going up, including micro banking. If you see, there was a de-growth over early few quarters of last year. And therefore, when you do an embedded growth, you will see yield on advances going up.

Vinay Nadkarni: Okay. So you have given your wholesale banking yield on advances, but I don't see any mention of retail banking. Is it possible for you to share that number?

Govind Singh: Yes, certainly, we'll share.

Moderator: The next question is from the line of Darshil Jhaveri from Crown Capital.

Darshil Jhaveri: Sir, I just wanted to ask, in regarding our ROA target for this year and next year, sir?

Sarjukumar Simaria: So, we have said that we will have an ROE of 15% in FY28 because that is a building block of profitability for FY27. I remember mentioning a 2-digit ROE at the exit of FY27, which will become the base for the next year's ROE of 15%. I mean I have not worked out the ROA as we speak. But, that is an overall indication of where the returns on equity numbers will be.

Darshil Jhaveri: Fair enough, sir. And sir, just wanted to understand, right, in the current scenario where repo rate is increasing, we have been able to reduce our cost of funds. But if there are more hikes, right, will there be pressure on cost of funds? And will our target of 8% NIM come under certain pressure. Because right now, we are at 6.3%, right? With the increase of secured, that will also not be very NIM accretive, right? So, what is our pathway to reaching our targeted NIM, sir?

Govind Singh: So, two things will happen. One is that some of the costs will also get passed on to customers because almost 50% of our portfolio, I mean, broadly speaking, will be under floating rate of interest. So, when the rate of interest for deposits goes up. And second, because we have also completed a cycle where the rate of interest were lower.

So, the repricing of fixed deposits will take some time, even if the rates go up tomorrow because we are not dependent on any market borrowing. Our market borrowing is nil. I mean, for almost many years now, we have not had any market borrowing. So normally, when you have high market borrowing, your cost of funds immediately gets impacted.

But because we have largely term deposits, almost 80% of our deposits are term deposits only. And there, till the tenure is over, the rate remains the same. So, the hit because of the increasing rate of interest, will not come immediately. That is one part.

And second, the cost of funds in many of the cases will be passed on to the customers also. So that's another aspect that will happen. So obviously, I mean, when this remains on a sustained basis, there will be some impact. But overall, NIM will be productive either because of lower cost of funds or because of the passing on of the cost to the end customers.

Darshil Jhaveri: Okay. That's helpful, sir. And sir, just wanted to understand like secured, what are the yields that we are getting currently, sir? Rough also will do, right?

Sarjukumar Simaria: This is our disbursement yield that I'm talking. Retail MSME is giving us around 13%. Housing loan is about 11%. Your commercial vehicle and construction equipment is around 12.2%. Wholesale is around again 10.9% to 11%, personal loan is ~16% and gold loan is around 12%.

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

Ashlesh Soni: Sir, just a few questions from my side. Firstly, on the asset quality side, if I heard the numbers correctly, the CV slippages have remained high. When should we expect these slippages to come off meaningfully? Because right now, if I see the slippage ratio seems to be somewhere around 12% annualized.

Amit Acharya: Hi, Ashlesh. Amit this side. So, if you see, wheels slippages in the previous quarters were pretty high, which has come down from INR44 crores levels to last two quarters were INR27 crores, marginally higher this quarter was around INR30 crores. But at the same time, recovery and upgradations have also been increased. And, when initially we had a spurt in the delinquencies, last time also, I think I updated that we did a lot of policy and product norms intervention.

And we do track the portfolio, which we are building post those interventions. And if you see, from April '25 onwards, around INR400 crores is the outstanding, whatever we disbursed beginning April '25. And out of that, gross NPA or slippages, SMA-2, if you will see, it is below close to 1.2% and NPA is below 1% out of that particular portfolio.

So, whatever slippages still comes are from the legacy book, and we have strengthened the entire collection network framework in terms of repossession of the vehicles, the collection agencies have also been appointed so that we have a better collection and recovery percentage from the NPAs coming out of those legacy book.

Ashlesh Soni: And you would expect the next quarter slippages to come off meaningfully? Or are you expect this to continue for some more time?

Amit Acharya: It should come down because, if you see, for CV/CE, the starting buckets are very, very important that what are the flow rates from your zero DPD or SMA-1 bucket to SMA-2. And that is where, over last two months, we have seen that we are able to do much better and the flow rate from SMA-1 to SMA-2 has come down drastically. And collection team is pretty much focused on those buckets so that flow into NPA should be very, very minimal going forward.

Ashlesh Soni: Understood, sir. Sir, second one is on MFI. The 67.7% PCR that you have quoted, does that include the CGFMU guarantee? And if you can also share any color on the state-wise collection trends that you are seeing in the month of October, if there is any deterioration over there?

Sarjukumar Simaria: So, Ashlesh, 67.7% includes CGMFU guarantee. The only point I want to caveat is that the guarantee is up to the 31st March. After 1st April, since the point as in earlier introductory earnings call that Govind ji mentioned, we had to pay the premium for the two quarters. And therefore, whatever CGMFU credit that we have taken is only up to March, but it includes the CGMFU adjustments.

Virender Sharma: This is Virender. Just to give you a perspective, we are still holding on to the collection efficiencies and except a little drop on the Maharashtra side, where we have less than 5% of the portfolio. We are sustaining on the collections, and our collections look stable, and we hope we don't foresee any changes or any deterioration in the collections even after the impact of, say, some floods in Bihar in the last month, we have been able to bounce back, and we don't see any unforeseen event happening. So, looking forward to a stable collection efficiency in microfinance piece.

Ashlesh Soni: Understood, sir. And would be great if you can quantify the Maharashtra numbers on the collections front?

Virender Sharma: See, we have a portfolio of around 5% of our book. Percentage was close to 98.83%, which was for the month of October, whereas prior to that, we were averaging around 99.5% for full year.

Ashlesh Soni: Understood, sir. Sir, and just lastly, if you can indicate how the ROA improves from here?

Sarjukumar Simaria: Again, Ashlesh, I did mention about the ROE guidance. We want to look at ROE more from a perspective than ROA. And again, as I mentioned about CGFMU credit, we look at ROE more closely, which we say that we will exit 2 digit in Q4 this year and for the whole year FY28, 15% ROE.

Ashlesh Soni: Sir, just talking about FY27. If I have to build it in the model, which lines do you think would show an improvement broadly?

Sarjukumar Simaria: Ashlesh, all the lines, we spoke about the NIM going up and you would have seen that even as we speak from a 5.1% in Q2 FY26, we are at 6.3%. So, you will have an interest yield, you will have a cost, which will add up to the NIM. You also have an advantage of higher disbursements, which will give you a good other income because processing fee will go up.

We did mention, and I reiterate, that the cost of branch expansion is zero because we will drive the productivity with the existing infrastructure and with additional benefits derived from the core banking system and the LOS that we just spoke about, it is improving the productivity. And the most important part, sorting out the entire past legacy JLG book pain.

In fact, on a half yearly basis, our provision, which was INR872 crores for the half year last year, is INR275 crores this year. So there has been a constant drop in credit cost. Our credit cost at a point in time, you would have noticed Ashlesh, as a part of your analytical research, was 9.7%, whereas we are now at 3.3%. I just clarified again that Q1 when it's showing a credit cost of 2.3%, while it has increased to 3.3% in the current quarter, it appears that the credit cost has gone up.

But if I were to add back in my earlier answer to one of our investors' question, if I had to add back the benefits taken on account of the CGMFU and ARC, actually, our credit cost was 5.1% in Q1, which has improved to 3.3%. We are looking at the trajectory improving even in Q3, Q4. As a result of all these factors, this should lead to ROA and ROE both moving from, say, negative zone to a positive one bit by bit.

Moderator: The next follow-up question is from the line of Vinay from Hathway Investments Private Limited.

Vinay Nadkarni: Yes. Just two questions. You have now built a substantial write-off book. What is your recovery target for H2 and for FY28 because your recovery so far has not been anything substantial compared to the book that you hold?

Virender Sharma: So, on the recovery side, we have been able to get around INR20 crores in this financial year. And we expect that to be slightly growing higher in H2 for this piece. Normally, in the last 2 quarters, we nearly will be able to close to do -- I won't like to give number, but substantially higher in the next two quarters. We will be recovering that part of it.

Vinay Nadkarni: And what is the total write-off book?

Amit Acharya: So, on JLG side, if we exclude the ARC part, which we did for the write-off as well as the combination, I think the total write-off book for JLG available would be close to around INR600 crores

Vinay Nadkarni: And non-JLG?

Amit Acharya: Non-JLG, not so much because hardly the unsecured portion, the legacy book, which we must have done the write-offs. That's the book. On secured side, it happens very minimal. That should be entire, if I take all the 10 years horizon of the bank, so must be close to another INR250 crores, though I will have to check, but I'm just giving you a ballpark number.

Vinay Nadkarni: Okay. So not a very large. So around INR700 crores, INR800 crores, you're recovering roughly around INR50 crores to INR100 crores in a year.

Amit Acharya: Yes. Just to add what Virender said, so there is a large collection team now deployed on the MFI side also and their core target apart from doing the normal NPA recovery or bucket flow movement control, but they have a huge focus on this legacy book of write-off and to crack down these customers in terms of settlements or in terms of getting the entire recovery also. So, both the parts, and that is being tracked by Virender and his entire collection leadership team.

Manmohan Shetty: So just on the total cumulative write-off that we have done on the book since inception, that's about INR855 crores.

Vinay Nadkarni: Okay. And the last thing was on the cost-to-income ratio. If we are expecting a bumper H2, if you are targeting 20% growth from 7.5%, I'm expecting a real good H2 for you. How would you look at your cost-to-income ratio because your cost will not go up, right, what you said just now. So what kind of cost-to-income ratio are you expecting exit FY27? And what would be projected for FY28.

Sarjukumar Simaria: So, you are right. It was at a point in time, almost 110%, and you will appreciate that it's a factor of income that determines the cost-income ratio, the income over the previous quarters has been low by virtually all the reasons of slippages and all that. The cost correction has already happened. So now it's going to be a traction on the income with the cost remaining the same. We had in Q3 FY26, 110% cost-to-income ratio, which has already improved to 84%.

And we are looking at further improving this over the next two quarters, hoping to get this around 70% or 75% in this year and maybe going back to ~65% because then we will have to catch up for the growth as we speak as we go along in the next year. But around 60% to 65% would be a sustainable one in FY28.

Vinay Nadkarni: Yes, that would improve your ROA and ROE also.

Sarjukumar Simaria: Indeed.

Govind Singh: Certainly.

Moderator: The next question is from the line of Debobroto Das from Aavishkaar Capital.

Debobroto Das: Thank you for the update on Q2. My question is around Q2 FY27 provisionings. While the pre-provisioning operating profit has gone up from INR65 crores to INR85 crores quarter-on-quarter from Q1 to Q2 because of the provisioning expense, your PBT is booking worse off. If you can help us just understand or contextualize the Q2 provisioning, why it has gone up? And what is the outlook going forward?

Sarjukumar Simaria: So, for Q2 provisioning looks gone up or seems to be incrementally higher than Q1. But as I mentioned again that there is the actual Q1, if we really add back and the rightsizing of the provision on account of CGMFU benefits that we took and ARC deal we did. I repeat that INR109 crores of the provisioning in Q1 is actually to be added by INR140 crores. So it's actually INR240 crores.

So our provision in Q1 was INR240 crores, which has actually improved to INR166 crores. It's actually improved by INR90 crores, and it's not gone up. This is kind of to correct the events that we spoke in Q1.

Similarly, I did mention again that our credit cost was 2.3%, which has gone up to 3.3% in Q2. But technically, if I add back the event that I just mentioned, which is the credit, then our credit cost was 5.1%, which has improved to 3.3%. So, provisioning across the last five, six quarters and particularly a little bit tail remaining in the micro banking. Otherwise, it is improved significantly.

Debobroto Das: Got it. So I'm getting that H2 provisioning, you've already done most of your clean-up and H2 provisioning will be much lower, hopefully.

Sarjukumar Simaria: Yes, it will be on the improvement trajectory.

Govind Singh: Yes, decline. It will be a decline trajectory.

Moderator: The next follow-up question is from the line of Sagar Shah from Spark PMS.

Sagar Shah: Sir, my question was related to our CGFMU scheme actually. Now till Q1 FY27, you highlighted that the incremental disbursements in -- from January '25 to Q1 FY27, 80% of the loans were covered actually for JLG as well as MBBL. So what is the figure as of September 30, 2026, sir, out of the total loan book that we have for group loans that stands at INR4,747 crores and MBBL stands at INR2,586 crores. So what is the -- actually, what is the book that is covered under this scheme as on today?

Govind Singh: It's close to INR6,500 crores, which is covered under CGFMU. Close to INR6,500 crores.

Govind Singh: This is till September 30 of this year.

Sagar Shah: Okay. Yes, INR6,500 crores.

Govind Singh: Correct, correct. That's the right figure.

Sagar Shah: Okay. So out of that, how much has gone into NPA, sir? And have we claimed that amount under this scheme, at least till date?

Amit Acharya: INR209 crores is the NPA out of the CGMFU covered portfolio.

Sagar Shah: Okay. So when are we planning to claim, sir?

Amit Acharya: So, we have put up our first claim because we started last year mid-January. So, the claim got due only in this quarter.

Govind Singh: INR80 crores plus we have already submitted for claim, and is under process with the agency. So, around INR80 crores plus is already submitted for claims.

Sagar Shah: And sir, my last question was related to our employee strength actually. In this particular quarter as well, our headcount actually went low to almost 18,300. So now since we are rationalizing our employees and moving to collections, so I think that is the driver, if I'm not wrong, for the lower cost-to-income ratio as well.

So what is the headcount that are we targeting at least for the end of the year? And how are you planning to put into for disbursements especially for MSME, CV and the affordable housing front?

Govind Singh: Yes. So, we have done a lot of rationalization of employees and in some places, we might have increased also based on the requirement. So normally, typically, what happens now, there are a lot of, you can say, non-business departments where we must have done the rationalisation part, sometimes in the operations department type of places where we have done a lot of automation.

So, there has been a lot of rationalization in those places. And sometimes we might have –had excess people in the middle management, so that rationalization has also been done. So going forward, I think our number may not be significantly different from what it is today. There may be some increase at the FOS level.

For example, in terms of collections, especially in the micro banking part, there may be some increase in the collections part. But more or less, the number should be in the same range for next 6 months' time also.

We don't expect much significant change in this. 100, 200 number plus/minus on the current number. And the plus, if at all it happens, it will happen in the FOS segment, the feet on street segment, where we require people to go to either for collection or for bringing the fresh business.

But in the middle and senior management, we are not looking at any increase in the manpower at all. If at all, there may be at the FOS level in some cases. But probably the same range will be there. Any increase in the employee cost or employee number will not be significant.

Sagar Shah: So is it safe to assume, sir, that our H2 FY27 the recovery will be largely led by income and not by a reduction in opex?

Govind Singh: So opex reduction, we have done a lot of initiatives, not only the employee cost part, but even on various expenses, which undergo in case of any institution. We have done a lot of work on that part. So, the plus will be that the employee cost will not go up. I mean, largely in the same range. I mean, 1%, 2% plus/minus is always there.

Similarly, the opex will remain almost in the same range, but our business number will go up. So, I think in terms of ratio or in terms of overall percentage, it will come down because the numerator and denominator effect, the ratios will come down. Absolute number may not come down significantly from here because we have already done that part during the last two years.

Moderator: As that was the last question for the day, I would now hand the conference over to the management for closing comments. Over to you, sir.

Govind Singh: Okay. Thank you very much. Thank you very much, the ICICI team, and thank you all the investors for coming on this call and for all your support throughout the period. There have been tough times. We all know that part. But now we are seeing that the trajectory is much, much better, and we can see much better performance on a month-on-month basis and quarter-on-quarter basis on all the parameters we discussed today also. So once again, thank you very much, and happy Diwali to all those who joined this call. Thank you very much.

Moderator: Thank you. On behalf of ICICI Securities Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.

Note – Transcript has been edited for clarity.