



Utkarsh Small Finance Bank

May 15, 2026

BSE Limited

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Dear Sir/Madam,

Sub: Transcript of earnings conference call with the investors and analysts held on May 11, 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 May 11, 2026

We submit herewith the transcript of the Earnings / Conference call held on Monday, May 11, 2026 at 04:00 p.m. (IST) in connection with the Audited Financial Results for the quarter and financial year ended March 31, 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

Company Secretary & Compliance Officer

Encl.: As above

Registered & Corporate Office

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“Utkarsh Small Finance Bank Limited
Q4 FY '26 Earnings Conference Call”

May 11, 2026



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

MODERATOR: **MR. CHINTAN SHAH – ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to the Utkarsh Small Finance Bank Limited Q4 FY '26 Earnings Call 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 now hand the conference over to Mr. Chintan Shah from ICICI Securities. Thank you, and over to you, sir.

Chintan Shah: Yes. Hi, Gitesh. Thank you. Good evening, everyone, and welcome to the Q4 FY '26 Results Conference Call of Utkarsh Small Finance Bank. We would like to thank the management for giving us the opportunity to host this call.

From the management, we have Mr. Govind Singh, Managing Director and CEO; Mr. Sarjukumar Pravin Simaria, Chief Financial Officer; Mr. Amit Acharya, Chief Risk Officer; Mr. Virender Sharma, Head Micro Banking; Mr. Sourabh Ghosh, Head Consumer Banking; and Mr. Abhay Kataria, Head of Assets. Yes. So now without further ado, I would like to hand over the floor to the management. Thank you, and over to you, Govind sir.

Govind Singh: Yes. Thank you, Chintan. Thanks a lot. Thanks for hosting this call. Thank you, everyone, for joining our quarter 4 FY '26 Earnings Call. The fourth quarter of FY '26 has been a period of renewed growth, proof of resilience and cautious optimism. And, as part of the industry, we also went through adverse impact of MFI segment, as you are aware, guardrails for a longer period of 1.5 years.

However, for us, FY '26 has been a year of deliberate choices – prioritizing stability over speed, quality over quantity and resilience over short-term expansion – so that we emerge with a fundamentally stronger, less cyclical franchise that can deliver sustainable returns over the medium and long term.

FY '26 began under the shadow of legacy stress and a cautious environment. Over the course of the year, we focused on stabilizing collections, tightening underwriting and rebalancing the portfolio mix. These actions were designed to arrest deterioration, reduce fresh slippages and create the conditions for a durable recovery. By quarter 4 of FY '26, we began to see tangible green shoots: disbursements improved meaningfully, SMA pools contracted, fresh NPA slippages declined sharply, recoveries and upgradations increased and collection efficiency strengthened – all of which point to the strategic measures taking hold.

Concretely, disbursements improved across both JLG and non-JLG segments in quarter 4 FY '26: JLG disbursements grew 58% quarter-on-quarter and 2% year-on-year, while non-JLG disbursements grew 41% quarter-on-quarter and 51% year-on-year. These improvements will expand the portfolio base going forward and reflect a calibrated return to lending activity. At the same time, our X-Bucket collection efficiency in the JLG segment improved to 99.7% in March 2026, up from 98.5% in April 2025, the highest level in the last 4 quarters – a direct outcome of strengthened field execution and targeted collection initiatives. Fresh NPA slippages (net of recoveries and upgradations) reduced to ~INR170 crores in quarter 4 of FY '26 against ~INR710 crores in the quarter 4 of FY '25. Our GNPA ratio improved by ~330 basis points quarter-on-

quarter to 7.7% as on March '26. These are the early, measurable signs that our corrective actions are beginning to deliver.

A central theme of FY '26 has been structural de-risking of our unsecured exposure and a strategic pivot toward secured and higher yield, lower risk portfolios. This is a deliberate, long-term shift to reduce cyclical risk in the credit cost and create multiple avenues for growth beyond JLG lending.

We have consciously moderated our JLG exposure to around 28% of the Gross Loan book (and around 30% including BC JLG) as on March 2026, down from nearly 88% (and 90% including BC JLG) in March 2020. This reduction reflects both selective contraction of the JLG book, which declined by around 10% during the quarter and a purposeful shift of new flows into alternative products. As a result, secured lending now comprises 51% of our Gross Loan book, up from 43% a year ago. This structural shift is already changing the risk profile of the bank and will, over time, enhance stability of margins.

Within micro-banking, our micro-banking business loan – targeted at graduating JLG customers with proven repayment discipline – have shown exceptional traction: MBBL portfolio grew 122% year-on-year and 40% quarter-on-quarter and now represent 27% of our micro-banking loan book. Penetration remains below 15%, which gives us significant headroom to scale this product to a much larger share of our customer base while preserving asset quality.

To further de-risk incremental flows, we have registered with CGFMU for credit guarantee coverage on eligible JLG and MBBL disbursements with effect from 17th January, 2025. ~45% of our microfinance book for disbursements till quarter 3 FY '26 is already covered under the guarantee scheme. And, counting quarter 4 FY '26 disbursements, ~70% of the microfinance book is covered. This coverage materially reduces incremental portfolio risk on new disbursements and supports portfolio stability as we scale higher quality, secured products.

Diversification beyond JLG has been a key strategic priority and FY '26 has seen healthy momentum across our non-JLG lending businesses. These segments not only broaden our revenue base, but also deliver attractive yields and more resilient collateral profiles.

MSME loan book expanded by 15% year-on-year to INR4,456 crores, supported by the newly started Micro LAP segment which is delivering disbursement yield of ~18%. Housing loans grew by 8% year-on-year to INR990 crores and our BBG (Business Banking Group) portfolio, fully secured against immovable collateral, grew by 19% year-on-year. CV and CE segment was indicating the need to look at the mix of new versus used vehicles as the former was signalling riskier behavior and therefore, the loan book contracted by 1% quarter-over-quarter to INR1,090 crores and the share of used vehicle disbursements grew to almost 30% in FY '26 from less than 15% a year ago, reflecting our strategic tilt toward more resilient asset classes. Collectively, these moves are increasing the share of secured assets in the book and improving overall portfolio resilience.

On the liabilities side, our focus has been on building a granular, low-cost deposit base and aligning deposit growth with disbursements. Total deposits were broadly stable, with 0.4% year-

on-year growth and around 3% quarter-on-quarter growth, while retail term deposits grew by 20% year-on-year. Our CASA deposits increased by 11% year-on-year and 13% quarter-on-quarter, lifting the CASA plus RTD ratio to 83% as of March '26 from 71% as on March '25. And the CASA ratio improved to 24% as on March 2026. These improvements reflect better quality of account sourcing and a conscious reduction in reliance on bulk deposits.

In response to the RBI repo rate cuts, we have phased reductions in interest rates on savings and term deposits to remain competitive while optimizing cost of funds. These calibrated repricing have driven a reduction in our overall cost of funds by more than 45 basis points year-on-year and more than 20 basis points quarter-on-quarter, moving from 8.3% in quarter 4 FY '25 to 8.1% in quarter 3 FY '26 and to 7.9% in quarter 4 FY '26. We expect cost of funds to reduce further as repricing continues to take effect.

We also maintained prudent liquidity buffers: our CD ratio declined to 83% as on March 2026 from 87% as on March 2025 and we ended the quarter with surplus liquidity of almost INR3,800 crores and an LCR of 175%. These metrics provide us the flexibility to support calibrated disbursements while preserving balance sheet resilience.

Income compression led to elevated cost-income ratio for the financial year which impacted the PPop, if adjusted for interest reversals due to fresh NPA slippages, then PPop would be ~INR140 crores. Despite pressures from legacy book leading to elevated credit cost and hence, the loss, our capital position remains healthy. We reported a net loss of INR188 crores for the quarter, driven by provisioning for legacy stress. Our capital adequacy ratio stood at 17.7% as on March 31, 2026, comfortably above the regulatory thresholds.

To strengthen the Tier 1 base and support future growth, we successfully completed a Rights issue of INR950 crores in November 2025, which has been helping to strengthen our capital cushion.

In parallel, we proactively addressed legacy stress through the ARC Sale of stressed JLG portfolio. This was a deliberate, value-enhancing decision that improves balance sheet strength and positions the company on a much cleaner footing for sustainable growth.

On the reverse merger part, following creditors and shareholder approvals obtained in accordance with the process of amalgamation, the second motion petition was filed with the NCLT on April 5, 2026 for the scheme of amalgamation of holding company (UCL) with and into the bank. The reverse merger is expected to complete in the next few months, subject to NCLT proceedings.

Operational discipline has been a central pillar of our FY '26 response. We expanded our collections workforce for JLG and MBBL to more than 1,200 as on March 2026, operationalized a specialized call center for overdue accounts and split larger micro-banking branches to improve oversight and control. Training programs for new frontline staff emphasized core processes such as center meetings and customer onboarding, ensuring consistent execution across the field. These structural investments have contributed directly to the improved collection metrics and reduction in SMA and the fresh slippages we reported in quarter 4 FY '26.

Technology and process transformation have also been critical. Our Utkarsh 2.0 technology transformation project is delivering tangible benefits in automation, productivity and risk control. Digital underwriting capabilities are helping us avoid lending to over-leveraged borrowers, while 360-degree control parameter mapping strengthens monitoring across the credit cycle. The bank is also in the process of launching new CBS in quarter 2/3 of FY '27. These investments are not only improving the efficiency, but also enhancing our ability to underwrite and monitor risk at scale.

We also recognize the importance of our people. During FY '26, we incurred a one-time impact related to new Labour Codes, LTIP and ESOP grants and other employee benefit obligations in quarter 3 FY '26 and its incremental impact in quarter 4 of FY '26. While this weighed on the near-term profitability, it reflects our commitment to compliance, employee welfare and building a motivated, capable workforce to execute our strategy. Training, productivity initiatives and organizational agility will remain central to our transformation journey.

Throughout FY '26, we took a range of decisive actions to address legacy stress and position the Bank for sustainable growth. These included tightened underwriting standards, calibrated disbursements, targeted recoveries and upgradations, selective portfolio resolutions and measures to improve borrower discipline under the new guardrails. We have also been proactive in de-risking incremental flows, as we have mentioned earlier, through CGFMU coverage for eligible JLG and MBBL disbursements and by shifting new originations toward secured and higher-quality products.

We also have taken steps to improve the quality of new account sourcing and to cross-sell asset products through our liability-focused general banking branches, thereby increasing product penetration per customer and improving wallet share. These actions, taken together, are designed to reduce the probability of future stress and to create a more diversified, resilient earnings base.

We view FY '27 as a consolidation year – a period to convert the green shoots seen in quarter 4 FY '26 into sustained momentum while continuing to strengthen the franchise. Our near-term priorities will be to sustain improved collection performance, continue calibrated disbursements into higher-quality segments, deepen secured lending and accelerate liability mobilization to support growth in the prudent manner.

In the coming years, we are aiming for loan book growth of 25% to 30%, with secured lending comprising around 55% of the portfolio, maintaining NIMs of above 8% and delivering a ROE of around 15%. Achieving these targets will require steady execution across underwriting, collections, product diversification, liability mobilization and technology-enabled risk management. While sectoral headwinds and regulatory transitions may continue to influence near-term performance, we remain confident that the strategic direction we have charted will deliver a stronger, more sustainable franchise over the medium term.

In essence FY '26 has been a year of challenge and purposeful transformation. We have moderated risk, strengthened collections, diversified our portfolio, deepened our liability franchise and reinforced our capital base. The quarter has shown that the bank is on the path of recovery with increase in quality disbursements, better portfolio and deposits mix, improved

asset quality with lesser fresh slippages and higher recoveries / upgradations, decline in SMA pool.

We will continue to prioritize operational efficiency, disciplined execution and organizational agility. Our strategy is not about chasing rapid growth at the expense of stability; it is about building a fundamentally stronger institution that can withstand cycles, deliver sustainable returns and create enduring value for all the stakeholders. We thank you for your continued support and confidence. With this, I conclude, and now we'll move to question-and-answer session. Thank you.

- Moderator:** The first question is from the line of Sagar Shah from Spark Capital.
- Sagar Shah:** Congratulations to the management for posting at least better set of earnings as compared to few quarters. Sir, I had some few questions. My first question was related to our asset quality. On the asset quality, you have mentioned the PCR on the bank level of around 59%. I wanted to understand what is the PCR that we are holding for secured as well as unsecured both of them individually?
- Govind Singh:** Yes, sure sir, Amit, can you just mention that.
- Amit Acharya:** Amit this side. So, if you see on the overall book, PCR is 59.3%, as you mentioned. On the entire secured book, it stood at 39.0% and on entire unsecured, it stood around 65.4%.
- Sagar Shah:** Okay. So, 64.5% that you are saying is for -- is it safe to assume that includes MSME unsecured as well as MFI, right?
- Amit Acharya:** Yes, right.
- Sagar Shah:** But for...
- Amit Acharya:** 65.4% sorry, when I mentioned unsecured 65.4%, it includes all unsecured loans, including MFI.
- Sagar Shah:** Right, sir. So only for MFI, what is the PCR that you're holding, sir, now?
- Amit Acharya:** Only for JLG if you see it would be 66.3%.
- Sagar Shah:** Only for JLG and for MBBL as well as JLG mix then.
- Amit Acharya:** More or less on the same side 66.3%. Because for MBBL and for JLG we do the same kind of provisioning.
- Sagar Shah:** Okay. So is it safe to assume that still some sort of provisioning is still left in the next 2 quarters for especially MBBL and JLG is concerned because even if we want to recognize 80% provisioning, aging provision, so still the some sort of provisioning is left in the next quarters. Right for MBBL as well as and for JLG.
- Amit Acharya:** Yes, it is there. So, 85% provisioning and some portion on 70% is still remaining.

- Sagar Shah:** Okay, so. Now next year from FY '28 onwards, we are migrating to ECL based provisioning. So, what I wanted to understand that how well are we prepared for actually model our asset quality towards that, because over in the ECL model, our provision has to be more aggressive especially on the SMA 2 assets. So how ready are we. Have we figured out a model? How ready are we for the ECL transition sir?
- Sarjukumar Simaria:** Well, in this Ind AS implementation from 1st April, 2027, SFBs are exempted. So, no, we still don't have to follow that. I guess it will be some time before RBI brings us into that. Having said that, while we have pro forma Ind AS that we do and given honestly, the provisioning for the last year in terms of slippages that has happened, I guess our ECL provisioning perhaps or the accounting provisioning would be equal to or maybe higher. But to your question on preparedness for Ind AS next year, it doesn't apply to us in terms of statute requirement.
- Sagar Shah:** Okay. Fine, sir. My second question, sir, was related to the MSME portfolio. Our GNPA in the last quarter, you mentioned was upwards of 3.6% GNPA on the MSME front. So now it constitutes 23% of your total lending portfolio. So, what is the GNPA right now? And how is the something like still now the real impact of the West Asia actually conflict is going to reflect in the coming quarter. So how -- what is the GNPA right now? And how well are we prepared to actually face that? Are we facing stress in some of our existing portfolios?
- Amit Acharya:** Sir, if you talk about retail MSME portfolio, the gross NPA stood as on March '26 at 3.4% and if you see, we do fund to a very normal ticket size. So, we do not fund like INR20 crores or INR30 crores kind of borrowers who have some export or larger export limits or the foreign currency exposure. So as far as geopolitical situation is concerned, there has been no abnormal behavior in our portfolio so far, which we have been monitoring for the last 2.5 months when Iran-U.S. situation got worse. So, we have a close monitoring on it. As far as it is concerned, there has been no issue or portfolio behavioral change in our portfolio as far as MSME is concerned.
- Sagar Shah:** Okay. So MSME, the GNPA has come down to 3.5%, sir?
- Amit Acharya:** 3.4%.
- Sagar Shah:** 3.4%. It was at 3.6% you mentioned in the last quarter.
- Amit Acharya:** Yes. I just wanted to add one more point. When we talk about this MSME portfolio, largely it is secured by hard collateral like residential or commercial properties. So, there is a security available to the bank in case of any default.
- Sagar Shah:** Okay. So just one suggestion, sir, from my point or from my end. Within the MSME, you have around 3 segments. Within the MSME, you have the secured business loans, you have unsecured business loan, you have LAP also. So, if you can just give the break up actually within your INR4,456 crores worth of portfolio, that would be very helpful, sir, to understand that what -- at what direction the bank is going actually. That would be very helpful.
- Now my third question, sir, was related to the disbursements. So, disbursements in JLG have actually are going up for the first time in almost, I think, in last many quarters actually. So, what

is the reason behind the same? Because our disbursements for 3 consecutive quarters have declined. Now it has moved up to INR1,310 crores. So where are we exactly finding the value? And have we actually something like still have you gone tough through the underwriting? What is the new portfolio? How is the new portfolio doing actually? And what changes have you made in our existing underwriting systems?

Virender Sharma:

Thanks. This is Virender. Just to answer your question, as you know that in April '25, the guardrails were implemented and there was a sudden what you call, increase in par, which led to our focus of more on to the collection side and focusing on building up the collections.

By third quarter or October, November, we had nearly stabilized on our collections. We always had the, what you call distribution and the people to do that part. Once the collection in early bucket started stabilizing, we started putting the trust on sales back, and we are adhering to all the guidelines as specified in the MFIN 2.0 guidelines.

Even industry had seen an upward trend towards the disbursement. And FY '25, '26 portfolio after this is behaving very well with respect to the collections also. So, I will say still we are only at a 70% optimum capacity of disbursal and we should be stabilizing in the same ranges right now.

Sagar Shah:

Okay, sir. Lastly, what is the steady-state credit cost that we are eyeing for FY '27, FY '28, sir? FY '27. Any target?

Sarjukumar Simaria:

Yes. In the previous call, we had mentioned about 2.5% steady state -- 3% to 3.5% for FY '27 and 2% to 2.5% in FY '28. With this trajectory of slippages being arrested significantly in terms of SMA going down significantly, with the background that the new disbursements are happening under the new guardrail with the background that we have a CGFMU cover, I guess this is a very conservative number, but we will still stick to the fact that it will be around 3% for FY '27 to 2% to 2.5% in FY '28.

We will do better than that, assume the trajectory the way we are looking at it and the industry as well is endorsing coming back of the disbursement and the collection being 99.5% plus, I guess this is a conservative number that I'm giving you.

Moderator:

The next question is from the line of Shivam Singh, an individual investor.

Shivam Singh:

I wanted to ask what is the amount that we are going to get back in CGFMU cover in the last 1 year that insurance that we have taken for MFI?

Sarjukumar Simaria:

So, the way it happens that I would say the maturity of NPA as we speak, I think still it's not an NPA that the disbursement that we have started, while our portfolio as of 31st March, 70% is covered under CGFMU, but the maturity of claim has yet not arrived. I guess I would hope it doesn't arise, frankly. But maybe 1.5 years, it takes the claim and the settlement, but we are also not even wanting to account this credit.

And therefore, the entire numbers that we have said is without even considering the credit at this point because that's kind of an experience, and we don't want to set into a windfall gain. At the

moment, the cost of premium is embedded in the P&L. And since we don't have the NPAs from the new book, well, it appears to be a cost of premium, but we just protecting our future in terms of any adverse development for future. So, for your question to say that is anything mature under CGFMU, the answer is probably too early to give a number on that.

Govind Singh: Just to summarize that, we have taken the cost of CGFMU for last more than a year now since quarter 4 of last year but we have neither taken accounting benefits nor we have got any claim so far. So only expense part has gone. But in case something goes to that extent, in future, we'll get the benefit. But in current one, we have not taken any benefit. Only expense has been taken into account.

Shivam Singh: And sir, how much of our capital got freed up because of that? As I know that the risk weightage is adjusted if we take the cover.

Govind Singh: No. Even that has not been done by us. So, as I mentioned, we have not taken any benefit of any guarantee scheme. We have done a very plain accounting where we have not taken any benefit of this. So, as I mentioned, whatever is there, only expense part have been taken. No, benefit either in terms of getting any claim or any adjustment in the NPA or capital adequacy has not been done by us.

Shivam Singh: Okay, sir. And sir, regarding our Prime Minister's comment in the previous few days, what is our stance like we are trying to grow at 30%. And given the nature of the geopolitical situation, are we like what is the segment that we are targeting? And how do we ensure that our credit cost does not increase.

Govind Singh: So, you see, I mean, you are aware that last year has been a year where we could not grow. So, we are at the almost same level. So, we have a real low base right now from that perspective. And we have got a full infrastructure in terms of manpower, in terms of number of branches and the lines of products and our channels.

So, I think around 30% growth should not be a problem in the normal one. Obviously, we understand microfinance well, so that remains our focus area. And besides, as you mentioned, there are various types of LAP products, which we have been focusing upon, including the small ticket LAP and normal LAP as well as the BBG products.

So, I think LAP and JLG will still remain our key products for going forward also. Obviously, we've done something like Gold Loan, which we think that we'll be able to grow bigger this year. There are some of the new area also which we started around 1 to 2 years' time. We think that there should be further growth in that part.

As far as the credit cost is concerned, we do understand the statement from the Prime Minister, but I don't foresee any challenge because I think most of our portfolio is for income generation and smaller ticket size. We don't foresee much challenge. And anyway, I think we are in a recovery path, and we have got a good machinery as far as collection is concerned. So, we don't foresee any major impact because of that.

- Shivam Singh:** Okay, sir. That was really helpful. And sir, in the secured segment, like if there is a default, what is the time line in which we can get physical control of the asset and auction it off? And what is the LTV value of the secured asset that we are lending to?
- Amit Acharya:** Amit this side. So normally, when we assess the NPA case and bank decides that we'll have to go on the SARFAESI route from there, various processes are involved and it takes around 6 to 8 months is a period. So somewhere 6 months, somewhere 8 months depending on the situation, but that is a normal scenario. 6 to 8 months, you are able to dispose of the property completely by inviting the bid under the SARFAESI. So that is one.
- Second is the normal LTV, if you will see on the portfolio side, it would be less than 65% around it should be there because mostly we do residential property on a loan value at 70%. So, on an outstanding portfolio basis and including our own portfolio, like micro LAP we offer only 50%, and we do not go beyond that also. So overall, it should be below 65% to 60%.
- Shivam Singh:** Sir, what is the average tenure of these loans?
- Amit Acharya:** Average tenure you see because the LAP may have smaller borrowers opting for a longer tenure, so the average tenure would be around 12-13 years would be the average tenure given. But if you will see the entire portfolio, largely in secured in housing and MSME, customer takes this loan on an average of 8-9 years and dispose off or foreclose the loan within this particular period.
- Shivam Singh:** Sir, what would be the risk weightage for this loan?
- Amit Acharya:** This is when we talk about LAP, 75% is the risk weight largely.
- Moderator:** The next question is from the line of Rahul Kumar from Vaikarya Fund.
- Rahul Kumar:** Just one question. What are our capital raise plans?
- Govind Singh:** Immediately, we are not having any plans for capital raise. I know, it is 17.7% but I think, this year we should be able to sail through on this capital base. Our idea is to first focus more on the at least when I'm talking, so when I say capital raise means I'm not talking equity capital. Obviously, we have other means of taking capital like tier-2 capital and sometime offloading some of the balance sheet items also.
- Idea is to not go to capital market on immediate basis and raise through tier two or some other means this time, in case there are any shortfall or immediate requirement is there. But, not to capital market.
- Moderator:** The next question is from the line of Utpal Saikia as an individual investor.
- Utpal Saikia:** Actually, my question only is that in the last con call, the management has mentioned, we are targeting for 15% ROE in FY '28. I want to know only are you in line on that path? Also what I hope is that worst is behind. That is the only question from my side.
- Govind Singh:** I'll confirm that 15% if you're looking FY '28 and certainly we are there. We'll exit FY '28 above 15% ROE. As far as worst is behind, yes, the worst is behind us. I mean, you must have seen,

the type of provisioning even if you have to take for quarter four also, it is largely on the legacy portfolio.

I mean, we are creating a new good portfolio because of guardrails also. Also, we have got a guarantee cover issued. We don't foresee much challenge going forward. Whatever provisioning you have seen, off late or maybe this quarter also is largely on account of the legacy portfolio.

- Moderator:** The next question is from Bhumin Shah from Equirus AMC.
- Bhumin Shah:** By when we are planning to reach net NPA ratio of less than 1% and how are you planning to provide provisions for the same?
- Govind Singh:** Can you just repeat the question? We can not hear it properly. Can you just repeat little louder, please?
- Bhumin Shah:** Can you hear me?
- Govind Singh:** Now it is better.
- Bhumin Shah:** By when are you planning to reach net NPA ratio of less than 1%? Because before the crisis I think as we are operating in the range of 0.3% to 0.5%, and how are we planning to provide provisions to reach this ratio? If you can provide some more.
- Govind Singh:** I think FY '28 is what we expect that we should be reaching this range and one obviously through, reduction in the overall NPA, recovering whatever are the NPA of past, whatever % is possible. Certainly, as you can see that we have been providing for the NPA in past also. Now we have gone to below 3.5%. Idea is to recover as well as providing for whatever is the balance NPAs are there in next few quarters. Our estimate is that in FY '28, net NPA should be in the range you just mentioned.
- Bhumin Shah:** Of 0.3 to 0.5 or less than 1%?
- Govind Singh:** No, less than 1%. Within 1%. We have already reached ~3.3% net NPA in FY '26, and idea is to reach below 1% by FY '28.
- Moderator:** The next question is from the line of M.B. Mahesh from Kotak Securities.
- M.B. Mahesh:** Sir, one question. On the non-mfi slippages, it has been running still high, about 4 odd %. If you would just kind of tell us, what is driving this number?
- Govind Singh:** Mahesh. Amit, our CRO, is just about to respond to you.
- M. B. Mahesh:** Yes, no issues.
- Amit Acharya:** If you see the non-MFI space or retail space, Wheels has been one of the problem area for us in the past, which we are trying to address. If you see the collection efficiency or the resolution percentages across the buckets in the last 3, 4 months, since November onwards, we have controlled the NPA percentages.

But yes, we need to bring it down drastically. The resolution in the earlier buckets. Flowing into NPA bucket, the SMA 1 and 2, we have tried to arrest it and which we have done successfully. Second is that the portfolio makes movement. The past more than 12 months, we are trying to move away from new and doing more of the used. If you see the disbursement percentage contribution of the used on the overall portfolio, you will see it hovers around 12%.

Whereas from last 7 to 8 months disbursement, you will see the needle has moved to close to 30%. 30% around the used vehicle business is being done. Also, we did lot of portfolio analysis last year, and we did lot of policy norms and other parameter intervention basis the portfolio analysis. If you see the last 18 months' disbursement, including new or used, whatever the bank has done, the disbursement post October 2024, the last 18 months, the new portfolio is performing pretty well as compared to the earlier portfolio.

The NPA levels hovers below 2% post 2024 portfolio created. Wheels has been a major contributor in the overall. Otherwise, if you see the other portfolios like Housing or LAP or even Micro LAP portfolio, or our BBG, which is a working capital portfolio, again, all these backed by hard collaterals like residential or commercial properties. They are under tolerance levels. Wheels has been the contributor in the overall retail lending, which you will see in at least another 2 quarters. This would also be in a very under control level.

- M. B. Mahesh:** Perfect. Sir, Govind sir, in your opening remarks you had mentioned a PPop number, which is adjusted for, I think, the slippages in terms of the interest income reversal. That number was INR140 crores. Did I hear that correctly?
- Sarjukumar Simaria:** That's right. We had INR56 crores of PPop, and we had a reversal during the whole year, all four quarters combined of ~INR84 crore. That adds up to INR140 crores, INR84 crore is pure reversals on the slippages that happened during the four quarters.
- M. B. Mahesh:** On interest reversal.
- Sarjukumar Simaria:** On interest reversal due to slippages that go into the quarter and you reverse the last 3 months income.
- M. B. Mahesh:** That number is INR140 crores for the quarter if you adjust for slippage, interest reversals.
- Sarjukumar Simaria:** No, no. It is INR140 crores PPop for the full year.
- M. B. Mahesh:** Okay. Perfect. In your assessment, this number for next year, how are you looking at it, if you have some sense of it?
- Sarjukumar Simaria:** No. If the trajectory of collection efficiency as we are seeing remains and the disbursement going around in the new guardrail, I guess this reversal should be arrested. It's a combination of your standard book going into GNPA, which you lose the interest.

By and large, I guess our steady state interest income, though not visible now, but that should find its revival in the coming quarters, next 4 quarters. The reversals by the nature will be less.

We will see that the book that where the interest accrual actually has to happen will be returning back.

M. B. Mahesh: Perfect. Perfect. Perfect. What will be outstanding stock? If you look at your collection that you're seeing today, if you could just kind of give us a color on how much of recovery that you're currently seeing of the stock of bad debt which has been written off?

Sarjukumar Simaria: Written off collection, and I've done this back of the envelope try to say that you know in the P&L, whatever is the credit for, write-off versus the write-off number on inventory, it works out to 12%-14% recovery.

M. B. Mahesh: That has not changed as yet. It continues to remain in the same range.

Sarjukumar Simaria: That is right. I just want to add, Mahesh, here that we have this headcount for collection that we ramped up primarily to erase the slippages from X-bucket to SMA. Now, that normalization has already happened or maybe a quarter more to work on that.

If that actually goes the way we are looking at, the allocation of that headcount, at least some decent 30% kind of a headcount will then be shifted for collecting the write-off or NPA. I presume in the sense that it's in execution plan, the write-off collection should be better off in the coming years because that extra collection force should now get allocated to collect the legacy or the NPA or the write-off pool.

M. B. Mahesh: Perfect. Just 1 last question. Assuming that you are able to grow next year at 25%-30%, adjusting for the collection machinery that is sitting there, any sense on how much of opex will be required against it?

Govind Singh: How much of?

M. B. Mahesh: Opex. The operating expenses?

Sarjukumar Simaria: Only for the collection team you are saying?

M. B. Mahesh: No, no. I'm just saying in your sense, given that you have built some machinery around all the other assets, is it fair to assume that the opex is going to be meaningfully lower than the loan book? Just trying to understand some direction between the past investment made versus the growth that you're likely to see in the book next year?

Sarjukumar Simaria: I mean, as I said that one way to look at it is this collection force. When normalization happens, you may tend to. I guess the idea is to go on the write-off collection. Even if it is to continue the cost, I guess the delta will be in multiple in terms of retaining them, taking that cost and getting a credit on the P&L line for the NPA collection that I just mentioned to you, write-off and NPA.

Govind Singh: Mahesh, so I may not have exact numbers, but it will happen in 2 parts. First part is that I have got a cost, and I expect that I should be able to raise 20%-30% growth in the portfolio with the same cost. That is one thing will happen. Second, suppose I have around 1,200, 1,300 people who are hardcore collection people only. Our expectation, and that is what is happening right now, the cost may be around 25%-30%, whatever the amount they bring.

Suppose they bring in INR1 lakh, their cost may be around INR30,000. This is again a ballpark number. Because we have a large pool even, which needs to be recovered, and we have seen in first 2-3 years' time, I mean, we are able to recover the chunk. Thereafter, it is 1 person, 2 person only. Idea is that at least for next 1 to 1.5 years, let us keep this team there and whatever is their cost, at least three times of that we'll be able to recover from this collection team. These are 2 numbers. I don't know the exact number the way you expect, but this is how I think how it will happen. Virender, do you want to add something?

Virender Sharma: Mahesh, in the last quarter we collected close to INR50 crores from this NPA and write-off pool with this 900-odd people at that time in the field which is close to some 20% of the collected value from this pool.

This vertical or this collection will continue to be stable for at least next couple of quarters, which will give us an upside on that side.

Govind Singh: Indeed, the other side because the case load has actually gone down significantly in the range of now 330-350. Our expectation is that we'll be able to build, as I mentioned, additional 25%-30% portfolio with the same cost. The cost may not go down, but the income and the top line will go up by around 25%-30% with the same cost. I think that is what will happen now.

Moderator: In the interest of time, we will take that. That was the last question for the day. I now hand the conference over to the management closing comments.

Govind Singh: Thank you, ICICI team for this, and thanks to all the investors for your continued support. As you have seen, I think, things have changed significantly during last few quarters, and we expect that next few quarters should be a significant improvement in the trajectory.

As we have mentioned that for FY '28, at least in the next two years' time, we should be back to 15% ROE and good overall returns across all KPIs. Thank you for your support, and we will keep exploring and keep talking to you. Thank you. Thanks a lot.

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