Q4 2024

1. Branch network optimization
- **Narrative:** Management has articulated a strategic focus on expanding the branch network to improve service delivery and market presence across the country. This involves a balanced approach to opening both general banking branches and micro-banking branches, indicating a dual strategy to cater to varied banking needs.
- **Management's Guidance:**
- Management plans to open approximately 150 branches this year, with around 60 being general banking branches and the remaining 90 focusing on micro-banking services. However, this target is subject to adjustments based on logistical factors such as property acquisition.
- **Actual Results:**
['Q2', '2025']:
- Data Not Available
['Q1', '2025']:
- Data Not Available
['Q4', '2024']:
- Data Not Available
- **Evaluation:**
- Insufficient Info: Data not available.

2. Retail and wholesale lending focus
- **Narrative:** The management of Utkarsh is committed to maintaining a balanced approach between retail and wholesale lending. They plan to sustain the current level of wholesale lending, which constitutes a small yet consistent portion of their overall portfolio. This strategy reflects their intent to stabilize portfolio composition without significant shifts in their lending focus.
- **Management's Guidance:**
- Wholesale lending, which is currently at about 10%, is expected to remain stable at approximately 10%-11% in terms of portfolio composition in the foreseeable future.
- **Actual Results:**
['Q1', '2025']:
- Data Not Available
['Q2', '2025']:
- Data Not Available
['Q4', '2024']:
- Wholesale lending is reported to be at about 10% now.
- **Evaluation:**
- Expectations Met: The actual results show wholesale lending at about 10%, which aligns with management's guidance to maintain it at approximately 10%-11%.

3. Micro banking initiatives
- **Narrative:** Management outlined strategic initiatives aimed at enhancing the operational efficiency and product offerings in the micro-banking sector. These initiatives include the introduction of a differential interest rate for Joint Liability Group (JLG) customers based on asset quality and vintage curve, which aims to implement risk-based pricing more effectively. Additionally, there is a focused effort to develop the Micro Loan Against Property (LAP) product, supported by a dedicated team to drive traction in the upcoming year.
- **Management's Guidance:**
- 1. The company plans to implement a differential interest rate strategy for JLG customers to improve risk-based pricing in micro-banking lending.
- 2. There is an intent to focus on the Micro LAP product, with expectations of achieving significant traction within the year.
- 3. For the financial year 2025, the share of micro-banking is expected to decrease by 3% to 5%, falling within the range of 57% to 59%.
- **Actual Results:**
['Q2', '2025']:
- At a point in time when we had a 90% micro banking heavy, we are today at 57%.
['Q1', '2025']:
- Including BC JLG, JLG loan book is ■11,160 crore (59% of total portfolio) as of Jun-24
['Q4', '2024']:
- Micro-banking as of March '23 was 66% for us, which has come down to 62%.
- **Evaluation:**
- Expectations Met: The management's guidance expected the share of micro-banking to decrease to a range of 57% to 59% for the financial year 2025, which aligns with the actual results showing the micro-banking share at 57% by Q2 2025, meeting expectations.

4. MSME and housing loan focus
- **Narrative:** Management expressed their intention to expand their housing loan offerings, with a specific focus on the rural housing sector. They plan to launch new rural housing products, which are anticipated to be available by the end of Quarter 1 or the beginning of Quarter 2.
- **Management's Guidance:**
- The company is preparing to launch its rural housing initiative within the next 2-3 months, aligning this significant strategic rollout with the end of Q1 or the start of Q2.
- **Actual Results:**
['Q4', '2024']:
- Housing loans up to ■35 lakh account for ~70% of housing loan portfolio. Portfolio Outstanding for MSME (Retail Assets) Lending, Disbursements and Average Disbursement Yield for MSME, Portfolio Outstanding for Housing Loans, Disbursements and Average Disbursement Yield for Housing Loans.
['Q2', '2025']:
- In line with our plan, we have been inching up our disbursement yield, which improved by 80 basis points year-on-year for MSME lending, by around 50 basis

points year-on-year for housing loans.
['Q1', '2025']:
- Data Not Available
- **Evaluation:**
- Expectations Met: The company successfully launched its rural housing initiative as planned, with housing loans constituting a significant portion of their portfolio, and showed an increase in disbursement yield, aligning with management's guidance.

5. Credit risk assessment
- **Narrative:** During the Q4 2024 earnings call, Utkarsh's management discussed their approach to credit risk assessment, focusing on maintaining disciplined credit cost management. Despite facing a slightly higher credit cost for FY24 at 2.2%, management remains committed to reverting to their original guidance of around 2% in FY25. They emphasized their confidence in achieving this target through strategic measures and monitoring.
- **Management's Guidance:**
- Management indicated that although the credit cost for FY24 was at 2.2%, they are optimistic about reducing it to their original guided range of around 2% in FY25. They are aiming to maintain a credit cost of around 2% moving forward, despite the year's challenges.
- **Actual Results:**
['Q2', '2025']:
- Credit cost at 3.9% for Q2, FY25
['Q1', '2025']:
- Our credit cost including floating provision was 2.7% and excluding floating provision was 2.2% in quarter 1 FY25.
['Q4', '2024']:
- Overall credit cost declined to almost 1.7% for Quarter 4 FY24, well within our guidance, a guided range of around 2%.
- **Evaluation:**
- Expectations Not Met: Management aimed to reduce credit cost to around 2% for FY25, but actual results showed a significant increase to 3.9% in Q2 FY25, falling short of the target despite initial progress in Q4 FY24.

6. Non-performing assets (NPA) trends
- **Narrative:** In their discussion on Non-performing assets (NPA) trends, management emphasized their strategic focus on maintaining strong asset quality. They aim to achieve this by ensuring nil net NPAs and managing credit costs effectively.
- **Management's Guidance:**
- Management provided forward-looking guidance that includes maintaining nil net NPAs and keeping credit costs around 2%. Furthermore, they plan to build an additional floating provision in FY25 to support this strategy.
- **Actual Results:**
['Q2', '2025']:
- In Q2 FY25, the net NPA was reported at 0.89% as on September 30, 2024, which deviates from the management's guidance of maintaining nil net NPAs.
['Q1', '2025']:
- Data Not Available
['Q4', '2024']:
- Net NPAs were reported at 0.03% as on March 2024, which aligns closely with the target of nil net NPAs. The gross NPA for the period was reduced to 2.3% on gross advances including IBPC book, while the overall gross NPAs declined by 50 basis points during Q4 FY24 to 2.51% from 3.04% in December 2023. Additionally, the company carried a floating provision of ■149 crore, with an overall provision cover (including floating provision) at 99%.
- **Evaluation:**
- Expectations Not Met: The management aimed for nil net NPAs but reported a net NPA of 0.89% in Q2 FY25, which deviates from their guidance, indicating that their expectations for NPA trends were not met.

7. Market risk mitigation strategies
- **Narrative:** Management has detailed their approach to mitigating market risk by carefully monitoring market conditions and adjusting their strategies accordingly. They have emphasized maintaining a stable financial environment by limiting potential increases in risk exposure.
- **Management's Guidance:**
- Management anticipates that market risk metrics might increase by a maximum of 10 to 15 basis points within the financial year, contingent on the market maintaining its current conditions.
- **Actual Results:**
['Q1', '2025']:
- Data Not Available
['Q4', '2024']:
- Data Not Available
['Q2', '2025']:
- Data Not Available
- **Evaluation:**
- Insufficient Info: Data not available.

8. Provision balance tracking
- **Narrative:** The management of Utkarsh has emphasized the importance of strengthening their provision balance as a proactive risk management strategy. They have articulated a clear plan to enhance their floating provisions, particularly focusing on their Joint Liability Group (JLG) portfolio. This strategic focus aims to fortify their financial resilience against any unforeseen events that might impact their operations.
- **Management's Guidance:**
- The management has disclosed their intention to continue building floating provisions into FY25, with a specific target of increasing provisions to 2% on the closing portfolio of their JLG book. This move is aligned with the board's directive to ensure a robust provision strategy.
- **Actual Results:**
['Q1', '2025']:
- We created additional floating provision of INR20 crores in Q1 FY25 and our total floating provision increased from INR149 crores as on March 24 to INR169

crores as on June 24.
['Q4', '2024']:
- Govind Singh [the board has directed us or guided us to make 2% floating provisions on our JLG book]
['Q2', '2025']:
- The credit provision increased to INR 333 crores for H1 FY '25 and INR 208 crores for Q2 FY '25. The floating provision accumulated number is INR 190 crore as on September 30, 2024, with INR 173 crore specifically created for unexpected stress in the micro banking portfolio and INR 17 crore towards over and above floating provision on standard assets.
- **Evaluation:**
- Expectations Met: The management's guidance of increasing floating provisions to 2% on the JLG book is on track, as evidenced by the increase in floating provisions from INR 149 crores in March 2024 to INR 190 crores by September 2024, demonstrating alignment with their stated goals.

9. CASA ratio improvement
- **Narrative:** Management emphasized their commitment to enhancing the CASA deposit growth and increasing the CASA percentage as a part of their strategic focus for the fiscal year 2025.
- **Management's Guidance:**
- Management aims to significantly bolster CASA deposit growth and improve the CASA percentage throughout FY25.
- **Actual Results:**
['Q2', '2025']:
- Our CASA deposit ratio was 19.6% as on September 24, against 19% as on June '24.
['Q4', '2024']:
- Our CASA ratio was 20.5% as on March 31, 2024
['Q1', '2025']:
- Term Deposits 8.6% CASA 5.3%
- **Evaluation:**
- Expectations Not Met: The management aimed to significantly improve the CASA ratio in FY25, but the CASA ratio showed minimal improvement from 19% in June '24 to 19.6% in September '24, indicating that the strategic focus on CASA growth did not achieve the intended impact.

10. Retail deposit growth
- **Narrative:** Management has articulated a focus on ensuring that deposit growth slightly outpaces loan book growth. This strategic approach is aimed at achieving a more balanced Credit-Deposit (CD) ratio, enhancing financial stability and operational efficiency in the upcoming fiscal year.
- **Management's Guidance:**
- Management anticipates that deposit growth will slightly surpass the growth of the loan book for FY25. This is expected to assist in moderating the CD ratio further during the fiscal year.
- **Actual Results:**
['Q4', '2024']:
- Retail term deposits grew by 42.9% year-on-year, while overall deposits registered a year-on-year growth of 27.4%, indicating that deposit growth slightly outpaced the loan book growth.
['Q1', '2025']:
- Deposits grew by 30% YoY; Retail Term Deposits grew 48% YoY.
['Q2', '2025']:
- Deposits grew by 40% YoY; Retail Term Deposits grew 48% YoY. Continued healthy traction in Retail Term Deposits Acquisition — Retail Term Deposits grew 48% YoY. Deposits have grown at a healthy rate of around 40% year on year and 7.3% quarter-on-quarter. Deposit growth was led by growth in retail term deposits, which grew by 48% year-on-year and 9% quarter-on-quarter.
- **Evaluation:**
- Expectations Met: Management's expectation that deposit growth would slightly surpass loan book growth was met, as evidenced by the actual results showing consistent year-on-year growth in deposits, aligning with their strategic goals for FY25.

11. Liquidity management
- **Narrative:** Management discussed the effects of repricing on the company's yield, indicating that the expected changes in interest rates would likely balance out by the end of the financial year 2025. This suggests a strategic focus on managing liquidity through careful monitoring and adjustment of interest rates to maintain stability in yield.
- **Management's Guidance:**
- Management anticipates that the repricing will result in an additional gain of 20-25 basis points, with the yield decline expected to be offset by the differential rate of interest by the end of FY25.
- **Actual Results:**
['Q1', '2025']:
- Data Not Available
['Q2', '2025']:
- Data Not Available
['Q4', '2024']:
- We are maintaining a comfortable liquidity position with surplus liquidity of around Rs. 2,500 crore at the end of March ‘24, and LCR ratio of 166%.
- **Evaluation:**
- Insufficient Info: Data not available.

12. Long-term growth trajectory
- **Narrative:** The management of Utkarsh has articulated a robust long-term growth trajectory, focusing on substantial expansion across key financial metrics. The company aims to continue its aggressive growth strategy as observed in the previous fiscal year, ensuring a consistent trajectory with enhancements in both loan book and deposit growth.
- **Management's Guidance:**
- Management anticipates a gross loan book growth of approximately 30% for FY25, with deposit growth exceeding this by 3% to 5%. They also aim to reduce the

CD ratio further in FY25. JLG (Joint Liability Group) growth is projected at 20% for the entire financial year, with an average ticket size increment of 4% from March '23 to March '24. The overall growth trajectory is expected to remain consistent with FY24, with a potential increase of up to 15% in activity levels during Q4. The company aims for a 40% to 50% growth in a particular segment next year.
- **Actual Results:**
['Q2', '2025']:
- Gross loan portfolio growth 28% YoY, deposits growth 40% YoY
['Q4', '2024']:
- Loan portfolio grew 31% YoY.
['Q1', '2025']:
- Govind Singh: Our gross loan book has grown by 31% Y-o-Y.
- **Evaluation:**
- Expectations Exceeded: The management anticipated a 30% growth in the gross loan book for FY25, while the actual results showed a 31% growth in Q1 and Q4 2024, exceeding the expectation. Additionally, deposit growth surpassed expectations with a 40% YoY increase, indicating stronger performance than guided.

13. Strategic adjustments for FY24
- **Narrative:** Management has articulated a cautious approach towards growth for FY24, focusing on maintaining existing levels with marginal expansion. This strategy appears to be aimed at stabilizing current operations while preparing for potential enhancements in yield in the subsequent fiscal year.
- **Management's Guidance:**
- The management indicated a conservative growth target of approximately 3% to 5% for the current fiscal year. They anticipate better traction and improved yields by FY25 as a result of these strategic adjustments.
- **Actual Results:**
['Q2', '2025']:
- Data Not Available
['Q4', '2024']:
- Data Not Available
['Q1', '2025']:
- Data Not Available
- **Evaluation:**
- Insufficient Info: Data not available.

14. Cost-to-income ratio improvements
- **Narrative:** Management of Utkarsh has consistently emphasized maintaining their cost-to-income ratio within the range of 54% to 57%. This reflects their strategic focus on operational efficiency and cost management, aiming to ensure profitability while managing expenses in line with the company's activity levels. The guidance indicates a stable cost structure moving into the future, which is crucial for sustaining their return on assets and equity targets.
- **Management's Guidance:**
- Management expects the cost-to-income ratio to remain within the 54% to 57% range on an incremental basis, factoring in fluctuations based on activity levels and operational needs.
- **Actual Results:**
['Q4', '2024']:
- We ended Q4 with our cost to income ratio at 57% and for the full year our cost to income ratio was 56.38%.
['Q1', '2025']:
- The cost-to-income ratio for Q1 FY25 was reported at 54%, which is within the management's guidance range of 54% to 57%. This reflects operational efficiencies and cost management improvements compared to 57% in Q1 FY24.
['Q2', '2025']:
- The cost-to-income ratio for Utkarsh in Q2 FY '25 was reported at 58.2%, which is slightly above the management's guidance range of 54% to 57%.
- **Evaluation:**
- Expectations Not Met: While the cost-to-income ratio remained within the management's guidance range in Q4 2024 and Q1 2025, it exceeded the upper limit of the range in Q2 2025, indicating that expectations for maintaining the ratio within 54% to 57% were not consistently met.

15. Collection efficiency improvements
- **Narrative:** Management highlighted the ongoing improvements in collection efficiency, noting a slight enhancement over the previously guided range for Quarter 4 of FY24. The focus remains on maintaining these levels or achieving further improvement in the upcoming fiscal year.
- **Management's Guidance:**
- Management anticipates maintaining or slightly improving the collection efficiency from the current level of 97.6% into FY25. They also project monthly write-off collections in the range of Rs. 6 - Rs. 7 crores, leading to an expected total of Rs. 65 to Rs. 80 crores for the year.
- **Actual Results:**
['Q1', '2025']:
- Data Not Available
['Q2', '2025']:
- Our collection efficiency declined from 96.2% in quarter 1 FY '25, and as of September, the collection efficiency for the Bank as a whole was 92.3%.
['Q4', '2024']:
- Collection efficiency improved to 97.6% for Quarter 4 FY24, marginally better than our guidance of 97% to 97.5% for Quarter 4 FY24.
- **Evaluation:**
- Expectations Not Met: Management anticipated maintaining or slightly improving collection efficiency at 97.6% into FY25, but actual results showed a decline to 92.3% by Q2 FY25, falling short of expectations.