

Q2 2025

1. Branch network optimization

- **Narrative:** Management has outlined a strategic initiative focused on expanding the branch network to bolster reach and accessibility. This expansion is seen as critical to supporting the company's growth objectives and enhancing service delivery.

- **Management's Guidance:**

- Management has set a target to open 50 new branches by the end of 2024. Additionally, there is a goal to achieve the opening of 50 new branches over the next two years.

- **Actual Results:**

['Q2', '2025']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

2. Retail and wholesale lending focus

- **Narrative:** Management has articulated a strategic focus on expanding their lending portfolio, with a particular emphasis on both retail and wholesale segments. This expansion strategy is aimed at achieving substantial growth in the company's loan portfolio in the upcoming fiscal year, reflecting their confidence in market demand and internal capabilities.

- **Management's Guidance:**

- Management has projected a significant increase in their loan portfolio, targeting a growth rate of 20% over the next fiscal year. Additionally, they have set an objective to enhance their net interest margin to 5% in the forthcoming quarter.

- **Actual Results:**

['Q2', '2025']:

- Our gross loan book has grown by around 28% year-on-year and 1.6% quarter-on-quarter.

- **Evaluation:**

- **Expectations Exceeded:** The actual results show a 28% year-on-year increase in the loan portfolio, surpassing the management's projected growth rate of 20%, indicating that expectations were exceeded.

3. Micro banking initiatives

- **Narrative:** Management has strategically shifted focus from a predominantly micro banking-heavy portfolio to a more balanced approach, incorporating a larger proportion of secured lending. This transition reflects their ongoing strategy to mitigate systematic risks and diversify their lending portfolio.

- **Management's Guidance:**

- Management anticipates a significant improvement in the Joint Liability Group (JLG) segment in the upcoming months, indicating a resolution to current challenges faced in this area.

- **Actual Results:**

['Q2', '2025']:

- Our loan portfolio growth during the quarter was impacted primarily by degrowth in JLG loan portfolio by 5.1% quarter-on-quarter, while non-micro banking loan portfolio has grown by around 10.8% quarter-on-quarter and 47% year-on-year.

- **Evaluation:**

- **Expectations Not Met:** Management anticipated improvements in the JLG segment, but the actual results showed a 5.1% decline in the JLG loan portfolio quarter-on-quarter, indicating that the expectations were not met.

4. Consumer banking strategies

- **Narrative:** Management emphasized the ongoing refinement of their consumer banking strategy by focusing on improving customer selection processes. This strategic shift aims to enhance the quality of their consumer base and reduce non-performing assets, thereby strengthening their market position.

- **Management's Guidance:**

- Management expressed confidence that the improvements in customer selection will lead to a better situation within the next 1 to 2 months, suggesting a positive impact on the company's operational performance in the near term.

- **Actual Results:**

['Q2', '2025']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

5. Capital adequacy requirements

- **Narrative:** Management expressed confidence in the company's current capital position, emphasizing that they are comfortably meeting capital adequacy requirements. The discussion highlighted that there is no immediate need to raise additional equity, particularly tier 1 equity, for the current year.

- **Management's Guidance:**

- Management indicated that they do not anticipate the need to raise any tier 1 equity this year, as the company remains comfortably positioned concerning capital adequacy requirements.

- **Actual Results:**

['Q2', '2025']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

6. New product launches

- **Narrative:** Management has outlined plans to bolster the company's market positioning through the introduction of new products. This initiative is expected to not only expand the company's offerings but also strengthen its competitive edge in the market.

- Management's Guidance:

- Management has indicated plans to launch three new products in the next quarter, aiming to enhance their market presence and competitive stance.

- Actual Results:

['Q2', '2025']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.

7. Credit risk assessment

- Narrative: The management of Utkarsh has highlighted adjustments in their credit risk assessment strategy. They have revised the credit cost guidance upward, indicating a more cautious approach to managing potential credit risks. This adjustment reflects an anticipation of increased slippages in the upcoming quarters, suggesting a proactive stance in maintaining financial stability amidst potential market uncertainties.

- Management's Guidance:

- Management has provided guidance for credit costs, now projected to be in the range of 3.5% to 4.5% for the full financial year 2025. This revision from the earlier guidance of 2% suggests an expectation of higher slippages, particularly in Quarter 3. The management aims to stay within the upper cap of 4.5% for credit costs.

- Actual Results:

['Q2', '2025']:

- Credit cost at 3.9% for Q2, FY25

- Evaluation:

- Expectations Met: The actual credit cost for Q2 FY25 came in at 3.9%, which is within the revised guidance range of 3.5% to 4.5%, aligning with management's expectations for higher slippages and proactive credit risk management.

8. Non-performing assets (NPA) trends

- Narrative: Management has indicated that the operating environment and delinquency trends have been challenging, with expectations that these conditions will reach their peak towards the end of Quarter 3 of FY '25. They anticipate a reversal in these trends starting from Quarter 4 of FY '25.

- Management's Guidance:

- Management expects the delinquency trends to peak towards the end of Quarter 3 FY '25 and foresee a reversal beginning in Quarter 4 FY '25.

- Actual Results:

['Q2', '2025']:

- Our gross NPAs increased from 2.78% as on June '24 to 3.88% as on September '24.

- Evaluation:

- Expectations Met: The actual results showed an increase in gross NPAs from 2.78% to 3.88% by the end of September '24, aligning with management's guidance that delinquency trends would peak towards the end of Q3 FY '25.

9. Provision balance tracking

- Narrative: Management emphasized the importance of maintaining a robust provisioning strategy, focusing on both the JLG loan portfolio and unsecured loans. The approach involves creating additional floating provisions and a structured provisioning schedule for unsecured loans to strengthen the company's risk management framework.

- Management's Guidance:

- The company plans to create additional floating provisions specifically for the JLG loan portfolio starting October 1, 2024. This will complement the existing strategy of maintaining floating provisions at 20% of the standard provision for the period. For all unsecured loans, the bank will initiate a 40% provision once the loans exceed 90 days. This provision will increase by 15% each quarter, reaching 100% within 12 months. Management aims to ensure that provisioning levels reach 65% or higher, excluding floating provisions, as part of their proactive risk management strategy.

- Actual Results:

['Q2', '2025']:

- The credit provision increased to INR333 crores for H1 FY '25 and INR208 crores for Q2 FY '25. Floating provision accumulated number is INR190 crore as on September 30, 2024. INR173 crore was specifically created for unexpected stress in the micro banking portfolio and INR17 crore is towards over and above floating provision on standard assets. The provision coverage ratio including floating provision was 78% as on September '24.

- Evaluation:

- Expectations Exceeded: The actual results showed a provision coverage ratio of 78% including floating provisions as of September 2024, surpassing management's goal of reaching 65% or higher, demonstrating a stronger-than-expected risk management outcome.

10. Reduction in bulk deposits

- Narrative: Management focused on reducing reliance on bulk deposits to create a more stable funding base. This strategy is aimed at improving the company's cost of funds and reducing the volatility associated with bulk deposits.

- Management's Guidance:

- Management expects a decline in the Credit-to-Deposit (CD) ratio in FY '25, indicating a strategic move towards optimizing the deposit mix and reducing the proportion of bulk deposits.

- Actual Results:

['Q2', '2025']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.

11. Competitive funding sources

- Narrative: Management discussed the introduction of a differential rate of interest strategy to strengthen the company's competitive funding sources. This initiative aims to optimize the cost of funds and improve financial efficiency.

- Management's Guidance:

- Management expects the differential interest rate strategy, which includes rates of 23%, 24%, and 25%, to enhance the company's funding capabilities in the

upcoming quarters.

- Actual Results:

['Q2', '2025']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.

12. Long-term growth trajectory

- Narrative: Management articulated a strategic focus on stabilizing and expanding the Joint Liability Group (JLG) loan portfolio. They emphasized plans to normalize the JLG disbursement levels by Q4 FY '25, aiming for a flat performance compared to FY '24. For the medium term, the focus remains on achieving robust growth in both the JLG loan portfolio and the overall loan book.

- Management's Guidance:

- Management expects the JLG loan portfolio to normalize in FY '26 with an anticipated growth of around 14% to 15% year-on-year. Additionally, they project overall loan growth for the bank to be in the range of 25% to 30%.

- Actual Results:

['Q2', '2025']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.

13. Strategic adjustments for FY24

- Narrative: Management discussed adjustments in their growth strategy, indicating a recalibration of their loan portfolio growth expectations due to anticipated stability in the Joint Liability Group (JLG) segment.

- Management's Guidance:

- The company anticipates that while the non-micro banking portfolio will grow by approximately 45% to 50% year-on-year, the overall loan portfolio growth will moderate to around 18% to 20% for FY '25, revising earlier guidance of approximately 30% growth.

- Actual Results:

['Q2', '2025']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.

14. Geographic expansion plans

- Narrative: Management is focused on a strategic initiative to complete the reverse merger of the holding company with the bank, aimed at enhancing their operational and geographical footprint.

- Management's Guidance:

- Management anticipates the completion of the reverse merger process by the end of Q2 or early Q3 of the next financial year (FY 26), which aligns with their strategic timeline of 12 to 15 months.

- Actual Results:

['Q2', '2025']:

- Presence across 24 States / UTs PUNJAB|| WEST JHARKHAND 3% NGAL Other States 3% 3% 13% N MAHARASHTRA 24% BIHAR 8% NCT OF DELHI 9% HARYANA UTTAR 9% PRADESH 23%

- Evaluation:

- Insufficient Info: Data not available.

15. Cost-to-income ratio improvements

- Narrative: Management has articulated a clear strategy to enhance operational efficiency, focusing on reducing the cost-to-income ratio. This aligns with their broader objectives of optimizing financial performance and ensuring sustainable growth. The emphasis on cost management is part of a concerted effort to streamline operations and improve profitability metrics over the coming year.

- Management's Guidance:

- Management aims to achieve a 5% reduction in the cost-to-income ratio within the next year.

- Actual Results:

['Q2', '2025']:

- In Q2 FY25, the cost-to-income ratio was reported as 58.2%, which indicates an increase rather than the targeted reduction.

- Evaluation:

- Expectations Not Met: The management aimed for a 5% reduction in the cost-to-income ratio, but the actual result in Q2 FY25 showed an increase to 58.2%, indicating that the target was not achieved.

16. Process optimization efforts

- Narrative: Management of Utkarsh discussed their ongoing efforts to enhance operational efficiency through process optimization. They emphasized the importance of refining their internal processes to drive cost savings and improve service delivery. The focus remains on implementing strategic initiatives that streamline operations and reduce overheads, thereby enhancing overall efficiency.

- Management's Guidance:

- Management indicated that significant improvements in operational efficiency are expected to commence from the next quarter, though no substantial enhancements are anticipated in the current quarter.

- Actual Results:

['Q2', '2025']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.

17. Collection efficiency improvements

- **Narrative:** Management emphasized their ongoing commitment to enhancing collection efficiency and asset quality through strategic operational adjustments. This includes deploying experienced senior field staff to focus on critically identified branches and forming a dedicated task force to manage collections from accounts overdue by more than 30 days.

- **Management's Guidance:**

- Management anticipates that these targeted interventions will lead to significant improvements in collection efficiency and asset quality in the forthcoming quarters.

- **Actual Results:**

['Q2', '2025']:

- Our collection efficiency declined from 96.2% in quarter 1 FY '25 to 92.3% as of September 2025, indicating challenges in the targeted improvements.

- **Evaluation:**

- **Expectations Not Met:** Despite management's strategic operational adjustments to enhance collection efficiency, the actual results showed a decline from 96.2% in Q1 FY '25 to 92.3% in September 2025, indicating challenges in meeting the anticipated improvements.