Q1 2024

1. Branch network optimization
- **Narrative:** Management emphasized plans to significantly scale up their branch network over the next one to two years, indicating a focus on expanding their operational footprint.
- **Management's Guidance:**
- Management indicated a commitment to significantly scaling up branches over the next one to two years.
- **Actual Results:**
['Q3', '2024']:
- Data Not Available
['Q4', '2024']:
- Data Not Available
['Q2', '2024']:
- Alok Pathak: Now almost 250 branches are doing successfully.
['Q1', '2024']:
- Data Not Available
- **Evaluation:**
- Insufficient Info: Data not available.

2. Micro banking initiatives
- **Narrative:** Management discussed their operational strategy for micro banking initiatives, emphasizing a significant contribution from micro banking to the company's growth. They highlighted a strategic focus on improving lending yields and managing geographical exposure to optimize the microfinance portfolio.
- **Management's Guidance:**
- Management anticipates an improvement in microfinance lending yield by at least 100 basis points within nine months to a year. Additionally, they project a 3% to 4% decline in the geographical mix for microfinance in Bihar over the next one to one and a half years.
- **Actual Results:**
['Q3', '2024']:
- Data Not Available
['Q2', '2024']:
- Microfinance portfolio yield was close to 23% for the quarter and disbursement yield is about 25%.
['Q4', '2024']:
- Data Not Available
['Q1', '2024']:
- Puneet Maheshwari reported an increase in the lending rate for microfinance by 1% from November 2022 and an additional 1% from April 1, 2023, indicating a cumulative improvement of 200 basis points. However, only about 20% of the book is at the current rate of interest, with 40% being 1% lower and an additional 40% being 2% lower.
- **Evaluation:**
- Expectations Met: The management anticipated a 100 basis points improvement in lending yield within nine months to a year, and the actual results showed a cumulative improvement of 200 basis points by Q1 2024, meeting their expectations. However, geographical exposure data for Bihar was insufficient to evaluate that aspect.

3. Digital onboarding progress
- **Narrative:** Management highlighted the significant progress in digital onboarding, achieving a milestone where more than 95% of customers were onboarded digitally in Q1 of FY2024. This indicates the company's successful integration of digital technologies into its customer acquisition processes.
- **Management's Guidance:**
- While specific forward-looking guidance was not provided, the current achievement suggests continued emphasis on digital onboarding, potentially leading to enhanced operational efficiency and improved customer experience in future quarters.
- **Actual Results:**
['Q4', '2024']:
- Data Not Available
['Q3', '2024']:
- 1.76 lakh CASA account opened in Q3 FY24, 95% through Digital on-boarding
['Q2', '2024']:
- More than 95% of our liability customers were on-boarded through digital on-boarding in Quarter 2 of FY24.
['Q1', '2024']:
- More than 95% of customers are onboarded through digital onboarding in Q1 of FY2024.
- **Evaluation:**
- Expectations Met: The company consistently maintained digital onboarding for over 95% of customers across the first three quarters of FY2024, aligning with the management's emphasis on digital integration and operational efficiency.

4. Capital adequacy requirements
- **Narrative:** Management discussed the regulatory directive from the Reserve Bank of India (RBI) mandating a capital adequacy target of 26% to be achieved over a 15-year period. This indicates a strategic focus on long-term compliance with regulatory requirements.
- **Management's Guidance:**
- Management highlighted that there is no immediate decision taken regarding the compliance strategy, given the extended timeframe provided by RBI. This suggests a cautious approach towards capital adequacy planning in the near term.
- **Actual Results:**
['Q4', '2024']:
- CRAR for Q4 2024 was reported at 22.57%, which is below the 26% target mandated by the RBI.

['Q2', '2024']:
- We are at a really comfortable adequacy of 24.8% as of September 2023.
['Q3', '2024']:
- Utkarsh Small Finance Bank Limited CRAR is 23.18% as of Q3 FY'24.
['Q1', '2024']:
- As of Q1 2024, the Capital Adequacy Ratio (CRAR) was reported at 19.83%. This falls short of the long-term target of 26% mandated by the RBI, but aligns with management's guidance of a cautious approach given the extended timeframe. The CRAR was adjusted to over 25% after accounting for the capital raised through the IPO in July 2023 and Q1 FY24 profits.
- **Evaluation:**
- Expectations Met: Management's cautious approach towards capital adequacy planning aligned with the extended timeframe, and the gradual increase in CRAR from 19.83% to 24.8% by Q2 2024 reflects adherence to this strategy, even though the 26% target was not immediately met.

5. Market penetration strategies
- **Narrative:** Management outlined a strategic objective to increase market share within certain retail segments over the forthcoming period, emphasizing targeted growth in specific geographical markets.
- **Management's Guidance:**
- Management envisions achieving a 2% to 3% retail market share in selected markets within the next 18 months.
- **Actual Results:**
['Q2', '2024']:
- Data Not Available
['Q4', '2024']:
- Data Not Available
['Q1', '2024']:
- Data Not Available
['Q3', '2024']:
- Data Not Available
- **Evaluation:**
- Insufficient Info: Data not available.

6. Credit risk assessment
- **Narrative:** Management emphasized their strategic focus on lending to non-banking financial companies (NBFCs) with strong credit ratings. The company prioritizes entities that have been rated A or higher by external rating agencies, indicating a cautious approach to credit risk assessment.
- **Management's Guidance:**
- The company plans to continue its lending operations primarily with NBFCs that maintain a rating of A or higher, reflecting a strategy to mitigate credit risk while fostering stable growth.
- **Actual Results:**
['Q3', '2024']:
- 70% of book credit rated “A” category or higher by external credit rating agencies
['Q2', '2024']:
- Data Not Available
['Q4', '2024']:
- Data Not Available
['Q1', '2024']:
- ~75% of the book credit is rated “A” or higher by external credit rating agencies.
- **Evaluation:**
- Expectations Met: Management's guidance to focus on lending to NBFCs rated A or higher was achieved, as indicated by 70-75% of the book credit being rated “A” category or higher, aligning with their credit risk mitigation strategy.

7. Non-performing assets (NPA) trends
- **Narrative:** Management has indicated a strategic focus on reducing non-performing assets, particularly in the retail loan segment. This aligns with their broader risk management strategy to maintain asset quality and ensure financial stability.
- **Management's Guidance:**
- Management anticipates a significant reduction in slippages within the retail loans segment in the upcoming quarter. Additionally, they expect NPA levels to be maintained below 8%.
- **Actual Results:**
['Q4', '2024']:
- Our overall gross NPAs declined by 50 basis points during Quarter 4 FY24 to 2.51% from 3.04% as on December-23. On the asset quality side, gross NPA is 2.51 against 3.23, it has improved and net NPA is almost 0.03% against 0.39%. Net NPAs at 0.03% as on Mar-24; Carrying floating provision of ■149 crore; overall provision cover (including floating provision) at 99%.
['Q2', '2024']:
- Data Not Available
['Q1', '2024']:
- Our gross NPA has been improving quarter-on-quarter which is at 3.13% as of the June quarter 2023. Net NPAs declined to 0.3% as on Jun-23; Carrying floating provision of ■106 crore as on Jun-23; overall provision cover 90%.
['Q3', '2024']:
- Gross NPA increased by 20 basis points during Q3 FY24 to 3.04% against 2.81% as on September '23. On gross advances including IBPC book, gross NPA was 2.8% as on December '23, increased by 10 basis points over previous quarter.
- **Evaluation:**
- Expectations Exceeded: Management anticipated maintaining NPA levels below 8%, and the actual results show a significant improvement with gross NPAs declining to 2.51% and net NPAs to 0.03% by Q4 FY24, surpassing the expectations.

8. Provision balance tracking
- **Narrative:** Management outlined their strategy for maintaining a robust provision balance, focusing on setting aside a specific percentage of the Joint Liability Group (JLG) book to ensure sufficient coverage and mitigate future risks.
- **Management's Guidance:**
- Management anticipates maintaining a 1.5% provision of the JLG book as of March 2023, equating to approximately Rs.106 Crores of provision by the June quarter, in addition to the existing IRAC provision.
- **Actual Results:**
['Q4', '2024']:
- Govind Singh [the board has directed us or guided us to make 2% floating provisions on our JLG book]
['Q1', '2024']:
- Additionally, built floating provision buffer during this period; ■106 crore as on Jun-23
['Q2', '2024']:
- Data Not Available
['Q3', '2024']:
- Our provisions by virtue of that is at INR104 crores in Q3 FY24 against INR87 crores in the immediate previous quarter previous year end and it is increased from INR83 crores from the immediate previous Q-on-Q.
- **Evaluation:**
- Expectations Exceeded: Management anticipated maintaining a 1.5% provision of the JLG book by June 2023, but actual results showed a 2% floating provision, with provisions reaching ■106 crore by June 2023, exceeding the initial guidance.

9. CASA ratio improvement
- **Narrative:** Management has outlined a strategic focus on enhancing the CASA ratio as part of their broader deposit and funding strategy. They have indicated efforts to increase their CASA and CASA plus RTD ratios, aiming to strengthen their deposit base and improve funding stability.
- **Management's Guidance:**
- Management anticipates that over the next three years, they will increase the CASA ratio to approximately 35% and the CASA plus RTD ratio to between 75% and 80%, as they expand their base of advances and deposits.
- **Actual Results:**
['Q3', '2024']:
- The actual CASA and RTD combined ratio was reported at 68% against 60% in the previous year and quarter December 2022.
['Q4', '2024']:
- Our CASA ratio was 20.5% as on March 31, 2024
['Q1', '2024']:
- Our CASA on a standalone deposit basis has grown 20% year-on-year and our retail term deposits on a standalone basis has grown over 51%; however, the CASA to the total portfolio as on June 2023 is around 20% and CASA plus RTD is at around 62%.
['Q2', '2024']:
- Currently, it is around 66% or so. The CASA and the retail share going up from 62% to 66%. Term Deposits 8.2% CASA 5.3% Q2 FY24
- **Evaluation:**
- Expectations Not Met: The management aimed to achieve a CASA ratio of approximately 35% and a CASA plus RTD ratio between 75% and 80% over three years; however, the actual CASA ratio reached only 20.5% by March 2024, and CASA plus RTD ratios were reported at a maximum of 68%, falling short of the anticipated targets.

10. Retail deposit growth
- **Narrative:** The management has outlined a strategic timeline for the repricing of retail term deposits. With a broader maturity range of 20 to 24 months, the management emphasizes that approximately half of the retail term deposit repricing has already taken place. This reflects a focused approach on optimizing the deposit strategy over the forthcoming quarters.
- **Management's Guidance:**
- Management anticipates that the remaining half of the retail term deposit repricing will be completed over the next two to three quarters.
- **Actual Results:**
['Q4', '2024']:
- Data Not Available
['Q1', '2024']:
- Data Not Available
['Q2', '2024']:
- Retail Term Deposits grew by 50% YoY
['Q3', '2024']:
- By Q3 2024, close to 80% of the retail term deposits had been repriced, indicating significant progress towards completing the repricing process as per the management's guidance.
- **Evaluation:**
- Expectations Exceeded: By Q3 2024, 80% of the retail term deposits had been repriced, exceeding management's guidance to complete the remaining half over two to three quarters, indicating accelerated progress.

11. Liquidity management
- **Narrative:** The management emphasized their strategy of maintaining a strong liquidity position by exercising tight control over institutional deposits. This strategic approach is backed by a surplus liquidity of over Rs. 2000 Crores as of June 30, 2023. The focus is on optimizing liquidity management to support the company's financial health and operational flexibility.
- **Management's Guidance:**
- Management has indicated that by Q3, there will be a peak in the cost of funds, suggesting a strategic anticipation of market conditions to optimize funding costs.
- **Actual Results:**
['Q2', '2024']:

- We have also focused on prudent utilization of surplus liquidity and brought down surplus liquidity to close to Rs. 1,400 crores against more than Rs. 2,000 crores at the previous quarter end.
['Q3', '2024']:
- We are maintaining a comfortable liquidity position with surplus liquidity in excess of INR1,500 crores at the end of December '23. Govind Singh mentioned, "our liquidity position is quite good and when we started the year we had close to INR2000 crores surplus money with us" and "very close to INR1500 crores of surplus money at the end of December also."
['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%. Our CD ratio declined to 93.7% as on March 31, 2024, and if we net off refinance borrowings from advances, CD ratio declines to 84.3%. We don't have any short-term borrowings on our balance sheet. Cost of Funds Q4, FY24 8.0%. COF (incl. IBPC) reduces by ~10 bps to ~7.9% in Q4, FY24.
['Q1', '2024']:
- We maintain tight control on institutional deposit as we are having surplus liquidity of more than Rs.2000 Crores as on June 30, 2023.
- **Evaluation:**
- Expectations Met: Management expected a peak in the cost of funds by Q3 and maintained a strong liquidity position with surplus liquidity between INR 1,400 crores to INR 2,500 crores throughout the year, aligning with their strategic goals.

12. Reduction in bulk deposits
- **Narrative:** Management has emphasized a strategic focus on reducing bulk deposits to strengthen the company's funding profile. This involves decreasing reliance on large depositors, thereby mitigating concentration risk and promoting a more stable and diversified deposit base.
- **Management's Guidance:**
- Management highlighted a significant decrease in the concentration to top 20 depositors, from 28% in March 2022 to 21% as of March 2023, indicating progress in reducing bulk deposits and expecting continued efforts to further diversify the deposit base in future quarters.
- **Actual Results:**
['Q4', '2024']:
- Data Not Available
['Q1', '2024']:
- [Deposits Composition] Decline in Concentration to Top 20 Depositors % 22% 22% 21% 21% 19%
['Q2', '2024']:
- Sanjay Sharda: We have also cut down on top 20 depositors from 28% from March 2022 to 18% now in September.
['Q3', '2024']:
- Data Not Available
- **Evaluation:**
- Expectations Exceeded: Management aimed to decrease the concentration of top 20 depositors from 28% to 21% by March 2023. By September 2024, the concentration further reduced to 18%, surpassing the initial target and expectations.

13. Long-term growth trajectory
- **Narrative:** Management articulated a focus on leveraging strategic growth within their core microfinance business, projecting a significant portion of their portfolio to remain in this segment by the end of FY2026. They emphasized a consistent trajectory in loan book and deposit growth, with an expectation of maintaining these growth rates based on existing opportunities within their operational geographies.
- **Management's Guidance:**
- 1. Management anticipates that microfinance will constitute more than 50% of their portfolio by the end of FY2026. 2. They foresee maintaining their current growth trajectory in loan and deposit growth, which was previously recorded at 31% and 36% respectively, supported by adequate growth opportunities in their markets. 3. A contribution to the bottom line is expected from certain initiatives within the next 18 to 24 months. 4. Growth in the JLG sector is predicted to be around 20% on a medium-term horizon, with a faster growth expected in the MBIL individual lending product, which could see a rise of over 150% in the current financial year. 5. The management is confident that their AUM growth, which has been around 31%, will not drop below this level and could improve over the next two to three years. 6. Over the medium term, management expects a potential CAGR of 25% to 30%, driven by the organizational setup developed over the past few years.
- **Actual Results:**
['Q3', '2024']:
- Data Not Available
['Q4', '2024']:
- Loan portfolio grew 31% YoY.
['Q1', '2024']:
- Govind Singh: "our AUM growth has been in the range of 31%."
['Q2', '2024']:
- We have just crossed Rs. 500-crore mark on this micro banking individual loan.
- **Evaluation:**
- Expectations Met: The management expected a consistent trajectory in loan book growth at 31%, which was achieved as reported in Q4 2024, aligning with their guidance.

14. Geographic expansion plans
- **Narrative:** Management highlighted their focus on expanding into key cities such as Prayagraj, Patna, Varanasi, Dehradun, and Gorakhpur, aiming to strengthen their presence and tap into these growing markets.
- **Management's Guidance:**
- Management anticipates achieving a market penetration increase of approximately 2% to 3% in these areas.
- **Actual Results:**
['Q4', '2024']:
- Data Not Available
['Q1', '2024']:
- Data Not Available

['Q2', '2024']:
- Data Not Available
['Q3', '2024']:
- Data Not Available
- **Evaluation:**
- Insufficient Info: Data not available.

15. Strategic adjustments for FY24
- **Narrative:** Management highlighted strategic financial adjustments, specifically in relation to maintaining a robust margin and ensuring adequate capital allocation for key growth areas, such as Joint Liability Groups (JLG). The focus is on ensuring financial stability while preparing for future market demands.
- **Management's Guidance:**
- Management anticipates maintaining a margin of approximately 9.2% for the full year FY2024, indicating a steady financial performance. Additionally, a capital allocation close to Rs. 135 Crores for JLG, with potential adjustments leading to around Rs. 150 Crores by the end of March 2024, is expected.
- **Actual Results:**
['Q2', '2024']:
- Data Not Available
['Q3', '2024']:
- Data Not Available
['Q4', '2024']:
- Data Not Available
['Q1', '2024']:
- Data Not Available
- **Evaluation:**
- Insufficient Info: Data not available.

16. Cost-to-income ratio improvements
- **Narrative:** Management's discussion centered around maintaining operational efficiency with a focus on improving the cost-to-income ratio. They highlighted their strategy to keep the cost trajectory consistent with historical performance, while also aiming for enhanced returns on assets and equity in the near future.
- **Management's Guidance:**
- Management expects the cost-to-income ratio to remain consistent with the trajectory observed in FY2023, projecting a stable outlook for this metric.
- **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', '2024']:
- The cost-to-income ratio for Q1 2024 was reported as 57.0%, aligning with management's guidance for consistency with FY2023.
['Q2', '2024']:
- Cost to Income Ratio: Our cost to income ratio was at 56.5% for the quarter Q2 FY24.
['Q3', '2024']:
- Our cost to income ratio has improved to 54.7% in Q3 FY24 versus 56.5% in Q2 FY24.
- **Evaluation:**
- Expectations Exceeded: Management expected the cost-to-income ratio to remain consistent with FY2023, but the actual results showed an improvement, decreasing from 56.5% in Q2 to 54.7% in Q3, surpassing the stable outlook initially projected.

17. Collection efficiency improvements
- **Narrative:** Management has discussed their projections for the improvement of collection efficiency, indicating a strategic focus on enhancing this aspect over the upcoming years.
- **Management's Guidance:**
- Management expects a gradual improvement in collection efficiency, forecasting about a 15% to 20% increase over a period of two to three years.
- **Actual Results:**
['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.
['Q1', '2024']:
- Collection efficiencies, microfinance business on the regular contract have moved to about 98.5%
['Q2', '2024']:
- Collection efficiency for Q2 2024 is largely the same as it was in the previous period, with a collection efficiency in microfinance at about 98.5% for non-NPA book and around 25% for NPA book. The combined collection efficiency is close to 97%.
['Q3', '2024']:
- On the micro-banking collection efficiency and asset quality which has been little muted in Q3 FY24 at 96.3%. We have seen improvement in collection efficiency towards the month of December 23 and the current month of January 24 wherein we have inched towards closer to 97% collection efficiency. Collection Efficiency (excl. Pre-Payments) 97% 97% 96% Q3'FY24 Q2'FY24 Q1'FY24
- **Evaluation:**
- Expectations Met: The management's guidance projected a gradual improvement in collection efficiency, and the actual results show that collection efficiency improved to 97.6% by Q4 FY24, aligning with their forecast of 97% to 97.5% for that quarter.