

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Weak Miss / Crisis Deepening **One-line:** The thesis has shifted from a "controlled pivot" to a "distressed restructuring" as the MFI book collapse has resulted in a material net loss, significant capital depletion, and a collapse in collection efficiency that management failed to anticipate.

Dimension	This Quarter (Q1 FY26)	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Weak Miss	Management guided for recovery in Q1; instead, PAT swung to a ₹239 Cr loss and GNPA hit 11.4%.	☐
Earnings Quality	Low	P&L decimated by credit costs (8.5%); PPop fell 61% QoQ as interest income stalled while funding costs rose.	☐
Guidance Confidence	Weak	Previous "peak pain" claims were breached; current guidance for Q3 recovery lacks conviction given static July collection data.	☐
Management Credibility	Weak	Failure to predict the depth of Guardrail 2.0 impact; credibility is strained by repeated guidance walk-backs on asset quality.	☐
Business Quality Signal	Deteriorating	Core JLG book (45% of portfolio) is in a tailspin; collection efficiency (ex-prepayments) fell to 82% from 86% PQ.	☐
Key Q&A Exchange	Q1 + Projections	Mgmt admitted they underestimated the impact of 3-lender limits (Guardrail 2.0) on borrower discipline.	☐
The Street's Primary Anxiety	Solvency & Recovery	Analysts focused on the ₹750 Cr capital raise and the true timing of the MFI bottom (now pushed to Q3/Q4).	☐
Capital Cycle Stage	Consolidation	Aggressive JLG disbursement cuts (-7% book growth) to preserve capital; shift to 100% recovery mode.	☐
Margin Trajectory	Deteriorating	NIM fell to 5.9% (from 6.4% PQ) due to interest reversals and high liquidity drag.	☐
Pricing Power	Stable	Secured yields (MSME) improved 150bps YoY to 13.7%, showing value in the non-MFI franchise.	☐
FCF Conversion & Quality	Distorted	Operating cash flow is effectively negative as credit losses exceed PPop; CRAR fell 129bps in 90 days.	☐
Competitive Moat	Stable	Retail deposit franchise remains resilient; Retail Term Deposits (RTD) grew 34% YoY.	☐
Balance Sheet Strength	Stressed	CRAR at 19.64% is safe but declining fast; Tier-1 at 16.71% necessitates the planned equity raise.	☐
Working Capital Efficiency	Deteriorating	SMA 1 & 2 remained elevated at 4.1%; X-bucket collection at 98.7% is insufficient to stop NPA accretion.	☐
Mgmt Guidance Track Record	Unreliable	Asset quality metrics have significantly worsened vs. "stabilization" signals given in Q4 FY25.	☐
Key Vulnerability	Concentration	71% of JLG book remains in Bihar/UP where systemic over-leverage is peaking.	☐
Management Tone	SOBER / Defensive	Management acknowledged "industry phenomena" but appeared reactive to the 3-lender cap impact.	☐

Sentiment: ☐ **Negative**

Key Takeaways: * **Positives:** The liability franchise remains the bank's only anchor, with Retail Term Deposits (RTD) growing 34% YoY and CASA+RTD reaching 74% of the mix. The pivot to secured assets is accelerating (now 45% of book vs 35% PY), and non-MFI segments are growing at 30%+ with improving yields. * **Negatives:** The MFI crisis is not over. GNPA spiked to 11.4% and the bank reported a significant loss of ₹239 Cr. Collection efficiency collapsed to 82%, and management's reliance on "Guardrail 2.0" as an excuse suggests they were caught off-guard by

borrower behavior. * **Street's Main Concern:** The timing of the "bottom." Analysts are skeptical of the Q3 recovery guidance given that July collection data showed no improvement over June. The planned ₹750 Cr equity raise is now seen as a "repair" raise rather than a "growth" raise. * **Forward Watchpoint:** The success and pricing of the ₹750 Cr equity raise and the X-bucket collection trajectory in September. If X-bucket does not return to >99%, further capital erosion is likely.

2. BUSINESS PERFORMANCE

2A. KEY METRICS

Metric	Current Qtr (Q1 FY26)	YoY Change	QoQ Change	Trend	Mgmt Commentary
NII Growth (%)	(30)%	↓	↓	↓	Impacted by massive interest reversals on fresh MFI slippages.
NIM (AUM basis %)	5.9%	↓ (9.4% PY)	↓ (6.4% PQ)	↓	Compression driven by NPA reversals and a 239% LCR liquidity drag.
Cost of Funds %	8.1%	↑ (8.0% PY)	↑ (PQ 8.3%*)	→	*PPT shows 8.1% vs 8.3% PQ; management cited reduction in TD/Savings rates.
Cost of Deposits %	8.7% (TD)	↑	↓	↑	Calibrated rate cuts (25bps) in savings and TD starting to reflect.
CASA Ratio (%)	20.0%	↑ (19.0% PY)	↓ (21.8% PQ)	□	YoY growth of 22% in CASA, but QoQ mix softened as RTD grew faster.
Credit-Deposit Ratio %	83.0%	↓ (93% PY)	↓ (87% PQ)	↑	Intentional calibration to align with lower disbursement run-rate.
Loans Growth (% YoY)	2.3%	↓ (31% PY)	↓ (7.5% PQ)	↓	Sharp deceleration; JLG book contracted 7% QoQ.
Deposits Growth (% YoY)	18.0%	↓ (23% PY)	↓ (23% PQ)	□	Steady retail build-up despite intentional moderation in accretion.
GNPA %	11.40%	↑ (2.81% PY)	↑ (9.43% PQ)	↓	Peaking stress in Bihar/UP JLG portfolio.
NNPA %	5.00%	↑ (0.32% PY)	↑ (4.84% PQ)	↓	Provisions increased but slippages outpaced them.
Slippage Ratio %	Not Stated	↑	↑	↓	Calculated loss of ₹239 Cr suggests slippages remain at record levels.
Credit Cost (%)	8.5%	↑ (2.7% PY)	↑ (4.7% PQ)	↓	Nearly doubled QoQ; includes significant aging provisions.
Collection Efficiency %	82.0%	↓ (96% PY)	↓ (86% PQ)	↓	MFI-specific (excl. prepayments); X-bucket at 98.7% for Q1.
Capital Adequacy %	19.64%	↓ (23.18% PY)	↓ (20.93% PQ)	↓	Tier-1 at 16.71% (down from 17.88% PQ).
PAT (₹ Cr)	(239)	↓ (201 PY)	↓ (19 PQ)	↓	First major quarterly loss since SFB conversion.
Fee Income Growth %	32% (YoY)	↑	↓ (52% QoQ)	□	Normalizing after accounting change in prior quarter.

2B. SEGMENT BREAKDOWN

Segment	Portfolio (₹ Cr)	YoY Growth	Yield (Disb)	Trend	vs Co Avg	Key Development
JLG (Micro-banking)	8,163	(19.4)%	24.0%	↓	High Yield	Portfolio shrunk ₹598 Cr QoQ; disbursements slowed by management.
MSME (Retail)	4,001	46.0%	13.7%	↑	Low Yield	Yields improved 150bps YoY; 95% secured book.
Housing Loans	929*	30.0%	11.1%	↑	Low Yield	*PPT discrepancy: Chart shows 1,179 but text says 929.
CE & CV Loans	1,179	17.0%	12.8%	↑	Low Yield	Used vehicle share hit 30% of disbursements (vs 5% PY).
Wholesale Lending	2,188	17.0%	10.9%	→	Low Yield	100% secured; focusing on 'A' rated corporate FI lending.
MBBL (Micro-Biz)	909	29.0%	24.0%	↑	High Yield	Performing better than JLG; penetration only 4% of JLG base.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Feasibility	Historical Delivery	Risk Flag
Guidance	Credit Cost	Q2 to remain similar; Q3 onwards reduction.	Requires CE to jump from 82% to >95% in 60 days.	Missed (Q4 guidance of "peak pain" was wrong)	High
Guidance	JLG Growth	Disbursements to improve in "next few months."	High risk; requires capital raise to maintain CRAR.	Missed (De-growth of 7% QoQ)	High
Strategy	Secured Mix	Target 50/50 mix in medium term.	Currently 45%; mathematically likely as JLG book shrinks.	Delivered	Low
Strategy	Capital Raise	Raising ₹750 Cr in next few months.	Market receptivity to a "repair" raise is key.	In Progress	Medium
Strategy	CGFMU	Incremental disbursements covered from Jan-25.	Covers ~95% of new JLG/MBBL portfolio.	Delivered	Low
Macro	Industry	Guardrail 2.0 impact now fully absorbed.	Assumes no further regulatory changes.	New Claim	Medium

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	V
1	5.0	Jai Chauhan	MFI Stress	Management Commentary	"What went wrong with projections and how reliable are current timelines?"	Management stated that the 3-lender cap (Guardrail 2.0) had a higher-than-anticipated impact on borrower discipline in first 3 months. Investment Implication: Future guidance is likely conservative or unreliable given the bank's inability to model regulatory behavioral changes.	None	2.5	D
2	4.5	Jai Chauhan	Collections	Financials	"Collection efficiency collapsed to 82%. What operational changes are being made?"	Management has intensified efforts via a 800+ member collection team and specialized call centers for overdue accounts. Investment Implication: Opex will remain high as the bank pays for "back-to-basics" training and field supervision.	None	3.5	S
3	4.5	Deepak Poddar	Credit Cost	Financials	"How should one look at credit cost	Management expects Q2 to be similar to Q1, with a drop starting from Q3	None	3.0	S G

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	V
					going forward?"	onwards. Investment Implication: FY26 is likely to be a zero-profit or loss-making year; no earnings recovery until H2.			
4	4.0	Deepak Poddar	Growth	Management Commentary	"What is the growth guidance for this year?"	Management guided for 30%+ growth in non-JLG book but refused to give a specific JLG growth target. Investment Implication: Total AUM growth will be muted (single-digit) as MFI de-growth offsets secured gains.	JLG specific target	2.0	H
5	5.0	Harsh	Fundraise	Capex and Allocation	"What is the update on the fundraise process and timeline?"	Management is intensifying engagement for a ₹750 Cr raise, targeting the end of Q2 or early Q3. Investment Implication: Capital is now a binding constraint; successful raise is the only catalyst for a stock floor.	None	4.0	S T
6	4.0	Sagar	Provisioning	Financials	"What is the PCR in MFI and will further provisioning	Management confirmed 62% PCR in MFI but noted that aging of	None	3.5	R

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	V
					be required?"	NPAs will require incremental provisioning. Investment Implication: Credit costs will not fall as fast as slippages because of mandatory aging-related hits.			
7	4.0	Anand Dama	CE Pockets	Business Overview	"Which states are contributing to the 82% collection efficiency drop?"	Management cited no specific state but highlighted "pockets" like Bhagalpur (Bihar) and Gorakhpur (UP) due to staff and local issues. Investment Implication: Risk is localized but recurring in the Bihar/UP core, suggesting geo-concentration remains the primary threat.	Specific state-wise %	2.5	V
8	4.0	Anant Mundra	MSME Stress	Financials	"Is there stress in the MSME segment as seen with other lenders?"	Management stated MSME is 95% secured and has seen no significant uptick in delinquencies compared to MFI/Wheels. Investment Implication: The secured	None	4.0	S

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	V
						pivot is fundamentally sound and remains the long-term thesis anchor.			
9	4.0	Henil Shah	ROE Target	Management Commentary	"How do we see FY27 and medium-term ROE?"	Management targets 15% ROE and 25-30% growth on a 3-year horizon, assuming MFI normalization. Investment Implication: Management is asking investors to look past a "lost" FY26; valuation now depends on trust in the 3-year plan.	FY26 bridge	2.5	C
10	4.5	Harsh Satya	Margins	Financials	"What is the realistic margin number at a normalized level?"	Management expects NIMs to stabilize at 8.5%+ in the medium term as cost of funds drops and mix shifts. Investment Implication: Current 5.9% NIM is a cyclical trough; upside depends on successful MFI recovery and CD ratio optimization.	None	3.0	D

PATTERN FLAGS & SENTIMENT

- **The "Guardrail" Scapegoat:** Management repeatedly attributed the Q1 deterioration to the MFIN 3-lender cap. While this is an industry-wide issue, Utkarsh's 82% collection efficiency is significantly lower than some peers, suggesting underlying portfolio weakness in Bihar/UP was exacerbated by the rule. This concern was not fully resolved as July data remains flat.

- **The "H2 Recovery" Narrative:** For the second quarter in a row, management pushed the recovery timeline forward. This has created a "credibility gap" where analysts are no longer pricing in a recovery until they see the SMA 1 & 2 numbers actually trend down (currently static at 4.1%).
- **Analyst Sentiment Verdict: Hostile and Skeptical.** The tone of the call was one of frustration, particularly regarding the failed guidance from Q4. Management's refusal to give a total AUM growth target was seen as a lack of visibility. The core risk is that the capital raise might be dilutive if the market prices it as a "distress" event.

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q4 FY25)	This Quarter (Q1 FY26)	Direction
Bottom Line	₹19 Cr PAT (FY25 Total ₹24 Cr)	₹239 Cr Net Loss	↓ (Severe)
Asset Quality	9.4% GNPA	11.4% GNPA	↓ (Deteriorating)
Collection Efficiency	86% (MFI)	82% (MFI)	↓ (Deteriorating)
Capital Adequacy	20.9% CRAR	19.6% CRAR	↓ (Depleting)
NIMs	6.4%	5.9%	↓ (Compressed)
JLG Portfolio	-18% YoY	-7% QoQ (-19.4% YoY)	↓ (Accelerated contraction)
Credit Cost	4.7%	8.5%	↓ (Aggravated)
PCR	59.2%	77.7%	↑ (Aggressive catch-up)
Governance	Management Stability	Independent Director Exit noted	↓ (Risk increase)
Strategic Focus	Pivot to Secured	Survival & Capital Raise	↓ (Crisis footing)

STOP HERE.