"Ujjivan Small Finance Bank Limited Conference Call"

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MANAGEMENT: **MR. B.A. PRABHAKAR – CHAIRMAN AND INDEPENDENT DIRECTOR**
MS. CAROL FURTADO – WHOLE-TIME EXECUTIVE DIRECTOR
MR. SADANANDA KAMATH – CHIEF FINANCIAL OFFICER
MR. ASHISH GOEL – CHIEF CREDIT OFFICER
MR. BRAJESH CHERIAN – CHIEF RISK OFFICER
MR. SIDDHARTH BHARADWAJ – HEAD OF INVESTOR RELATIONS

Moderator: Ladies and gentlemen, good day, and welcome to the Ujjivan Small Finance Bank Limited Conference Call. 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 the operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Siddharth Bharadwaj, Head of Investor Relations. Thank you, and over to you, sir.

Siddharth Bharadwaj: Thank you, Sagar. Good afternoon to all. I once again thank all participants for making time at such short notice. I will briefly introduce the forum present for this discussion. We have Mr. B.A. Prabhakar, Chairman and Independent Director; Ms. Carol Furtado, Whole-Time Executive Director; Mr. Sadananda Kamath, Chief Financial Officer; Mr. Ashish Goel, Chief Credit Officer; and Mr. Brajesh Cherian, Chief Risk Officer.

I would now request Mr. Prabhakar to share his opening comments without ado. Thank you.

B. A. Prabhakar: Good evening to all of you, and thank you all for joining us at such a short notice. We would like to address the recent developments regarding the early retirement of Mr. Sanjeev Nautiyal as MD and CEO of Ujjivan SFB. Mr. Nautiyal has not been keeping good health since mid-July and for a few days, he worked from home. Thereafter, he was on leave till yesterday and due to continued health concerns, he decided to tender in his early retirement request to the NRC. This development was taken up by the Board and after due consideration, accepted his request for early retirement. The Board places on record its appreciation for his valuable contributions and stewardship during his tenure.

The Board has requested Ms. Carol Furtado, the Executive Director, to take over as Interim MD and CEO, subject to RBI approval. Ms. Carol is a seasoned banker with over 3 decades of extensive experience across business, strategy, operations, people and institutional functions. Carol is a key member of the leadership team that laid the foundation and built Ujjivan throughout the journey. She has consistently taken on complex responsibilities and demonstrated the ability to lead beyond functional boundaries with a strong understanding of people and culture. She is also recognized for developing leaders, empowering teams and building a culture of ownership and accountability.

In her role as an Executive Director at Ujjivan, she has contributed significantly to business growth, transformation and organizational development. The NRC has been mandated to search for a successor for Mr. Nautiyal. On behalf of the Board, I wish to assure all stakeholders that the bank operates with strong governance standards, robust internal controls and a highly experienced management team. Our strategic direction, business priorities and execution capabilities continue to deliver our plans. Thank you.

Moderator: Should we open the floor for questions, sir?

B. A. Prabhakar: Just a minute, I will now request Carol to address the investors.

Carol Furtado: Thank you, Chairman. Good evening, and thank you all for joining us at short notice. On behalf of the Ujjivan team, I thank Mr. Nautiyal for his guidance and leadership during his tenure. We wish him good health. I would like to thank the Board for placing its trust in me as I take on these additional responsibilities. I assure the Board and all stakeholders that I will do my utmost to meet their expectations. Additionally, I assure all stakeholders of our continued commitment to our stated objectives.

As you are aware, our performance in recent quarters across liabilities and various asset products has gained momentum. Our performance across loan book growth and asset quality has resulted in a pristine and diversified loan book. Q1 loan book growth of approximately 29% year-on-year with GNPA at 2.2% is testament to our continued execution. Our strategic priority of diversifying the loan book has resulted in the secured book share growing past 50%. The diversification strategy is well on its trajectory. Funding this growth has also been done with due care and at minimal cost.

Even though the market has been under a lot of pressure on the deposits front, the bank has been able to grow the CASA book at a healthy 38% year-on-year with overall cost of funds at 6.9% for Q1. People strategy is a large part of Ujjivan. The mix of internal and acquiring the right talent from the market has been the cornerstone of our consistent performance.

Today, we are happy to announce the joining of Mr. Vikas Agarwal as Business Head, MSME. Vikas is a Chartered Accountant and a seasoned banker with over 25 years of experience across MSME, business banking, retail banking, credit, product development and distribution.

Our performance post Q1 retains the momentum both on business as well as strategic spends planned for FY27. Asset quality trends both on secured and unsecured businesses have tracked better or in line with the Q1 performance. As we look ahead, the festive season looks promising, backed by our capacity additions supported by robust domestic economic performance. This will be further augmented by the brand campaign poised for launch during the festive season.

We remain on track to meet our FY27 guidance. The Ujjivan team is committed to delivering strong performance in FY27 and beyond with no change to the strategy previously outlined and communicated. I would like to reiterate that the bank has continued to strengthen the depth of the Board and management team. This experienced leadership team has navigated the evolving business environment effectively and delivered strong results. We remain confident in our ability to meet stakeholder expectations in the forthcoming quarters.

I hand over back to the moderator.

Moderator: Thank you very much. We will now begin the question-and-answer session. Your first question comes from the line of Renish Haresh Bhuva with ICICI.

Renish Haresh Bhuva: My wishes to Sanjeev sir for better health. Sir, just one question on the FY27 guidance, right? I mean, though we already have a Board approval to raise capital. But let us say, because of this management change, if the capital raise has to delay, does it have or it will have any impact on our growth momentum maybe over the next 2 to 3 quarters?

Carol Furtado: Thank you, Renish. We remain on track to meet our FY27 guidance, and we are committed to delivering a strong performance. We remain well capitalized and committed to our growth plans for FY27.

Renish Haresh Bhuva: Okay. So, the management is it, if at all has to delay capital raising, that will not have any bearing on our FY27 performance is what you're trying to say, right, ma'am?

Carol Furtado: You are correct.

Renish Haresh Bhuva: Okay. Okay. And if I may allow for the second question.

Carol Furtado: Yes.

Renish Haresh Bhuva: Second, of course, on the talent pool, which you sort of highlighted in the opening remarks. So going ahead, obviously, we have to submit two names to the regulator. So, is there any initial discussion around who could be the successor to Sanjeev sir?

B. A. Prabhakar: We are starting the search process. In the normal course, we wanted to start somewhere around October, November. But because of this Mr. Nautiyal's early retirement, we are starting the search process quickly. We are hopeful that in about 3 to 4 months' time, we should be able to complete this process.

Renish Haresh Bhuva: So 3 to 4 months, you will submit names to the regulator or you are expecting by 3, 4 months, we'll sort of get the new MD?

B. A. Prabhakar: No, I think in 3 to 4 months, we'll be able to submit the names to the RBI.

Renish Haresh Bhuva: Okay. Okay. And after that, I mean, assuming 3 months cooling period, I think it will take at least 6 months for any new candidate to join, right?

B. A. Prabhakar: Yes, we'll factor that while identifying the candidates, now how quickly they will be able to join and accordingly, we will take a call. It's a bit early to say anything on that at this stage, yes.

Renish Haresh Bhuva: Okay. Okay. Thank you and best of luck, team.

Moderator: Thank you. Your next question comes from the line of Avinash Singh with Emkay Global. Please go ahead.

Avinash Singh: Thanks for the opportunity and wish Mr. Nautiyal a very quickly recovery and better health and also thanks to the new management team. The question is one that, of course, given that now we have nearly, I mean, FY27 or rather at the beginning of FY28 when we expect the new replacement, permanent replacement to come in, does it in any manner, of course, I mean, you have capital right now adequate to support FY27 plans.

If this capital raise to be delayed, does it any way alter your kind of the transition plan, the journey, I mean, from the SFB to eventually the universal bank that, of course, that is driven by in case of secured asset, higher growth in those areas. Does it any way kind of alter or delays those processes or it's like going to be business as usual and nothing changes as far as that journey towards universal bank is concerned? Thanks.

Carol Furtado: Thank you, Avinash. As I stated earlier, we remain on track to meet our FY27 guidance and our growth plans. We are well capitalized to meet these growth plans for FY27. Also, just to state, our strategic diversification is also well on its trajectory.

Avinash Singh: Yes. So I mean, any sort of a time line which we have to approach RBI again with that transition to universal bank or for now, I mean, it is kind of, you will think it at a later stage?

Carol Furtado: We would not like to comment on that. We are quite focused on meeting the goals that we have already laid down and our diversification strategy is, again, as I say, well on its trajectory. Yes, we are proceeding towards that.

Avinash Singh: Thanks.

Carol Furtado: Thank you.

Moderator: Thank you. Your next question comes from the line of Pritesh Bumb with DAM Capital Advisors. Please go ahead.

Pritesh Bumb: Hi, Ujjivan team. Good evening. First of all, deep appreciation for Mr. Nautiyal for steering and taking Ujjivan to new highs. My question was more of a clarity I just wanted, you mentioned that the search process will be taken expedited. I wanted to check that we'll also consider internal candidates, right? And will Carol ma'am be interested to be a MD, right now Interim MD, but later on as a permanent MD of the bank?

B. A. Prabhakar: We will definitely consider internal candidates. I'm sure Carol is very serious candidate now. She has also expressed her desire to be a candidate for a regular position as MD.

Pritesh Bumb: Sure. Second question was in continuation with some of the stated goals, especially in terms of business mix changes. With the new MSME head coming in, will we see any expedited change in growth strategy in terms of mix? And any further addition of team members left within the organization which you have fulfilled?

Carol Furtado: See, we will remain committed to the FY27 guidance. We also on the MSME front, we are going as per what we have planned ourselves for this financial year. The guidance terms will be met. We could share more details in the Q2 earnings call.

Pritesh Bumb: Sure Ma'am. Thank you so much and all the best to team Ujjivan.

Moderator: Thank you. The next question comes from the line of Shailesh Kanani with AMSEC. Please go ahead.

Shailesh Kanani: Yes. Good evening everyone and thanks for the opportunity. Thanks a lot for arranging this call and giving us clarity. So my first question is to Prabhakar sir. Just a clarification, just a further update on this. So given the abruptness, and management also, if you can confirm there is no material factor, right, apart from Sanjeev sir's health for his sudden exit?

B. A. Prabhakar: No, absolutely, no. Absolutely no. I think it is his personal call. But absolutely, there is no issue with regard to the business strategies or the working of the bank. I can assure you on that.

Shailesh Kanani: Thanks a lot. That's helpful. Sir, second question of mine. So we have had this little bit instability at the leadership level in the past as well. So are we thinking something specifically at the Board level for doing something differently this time so that this thing doesn't happen again like HSBC, UMB or something like that. Are there any plans on that front?

B. A. Prabhakar: No, we appreciate your concern. But, you know, this came up suddenly. Otherwise, Mr. Nautiyal had an unexpired term of nearly about a year. And he had also not expressed any intention not to seek a second term. So we did not feel the urgency at that point of time, but we will definitely keep it in mind in future to really have a more robust succession planning in such eventualities.

Shailesh Kanani: Sure. That's helpful. Sir, last question from my side, if Carol ma'am can answer. In first quarter earnings call, we have kind of mentioned that more than West Asia crisis, the El Nino impact would be something would be key monitorable from asset quality perspective and growth perspective. And in your opening remarks, ma'am, you have said that everything is on track. In fact, the trends are in line or better. So how should we read in terms of El Nino impact? It has been better? Should that be the right way of thinking about it?

Carol Furtado: See, like I said in my opening remarks, we have tracked better on both the secured and unsecured businesses or in line with the Q1 performance. As of now, we don't see any deviations from it.

Shailesh Kanani: So from the earlier kind of expect all kind of trends or kind of implications, we are not seeing any major impact from the El Nino. Is that the right understanding right now?

Carol Furtado: Nothing. Absolutely nothing.

Shailesh Kanani: Okay. Great. Thanks a lot and best of luck.

Carol Furtado: Thank you.

Moderator: Thank you. Your next question comes from the line of Ashlesh Sonje with Kotak Securities. Please go ahead.

Ashlesh Sonje: Hi team. Good evening. Just one question from my side. For the external candidates that you will consider, what is the typical desired profile that you would look for?

Banavar Prabhakar: Yes. No, those details are being still worked out. Probably we'll be able to share it later, I think.

Ashlesh Sonje: Okay, sir, perfect. That was the only question I had. Thank you.

Moderator: Thank you. Ladies and gentlemen, as there are no further questions, that concludes our question-and-answer session. I now hand the conference over to Ms. Carol Furtado, Whole-time Executive Director, for closing remarks. Over to you, ma'am.

Carol Furtado: Thank you. Thank you all for joining this call. I once again reiterate that we remain confident to delivering a strong performance in FY27 and beyond. Thank you. Have a good evening.

Moderator: Thank you. On behalf of Ujjivan Small Finance Bank Limited, that concludes this conference. Thank you, everyone, for joining us, and you may now disconnect your lines.