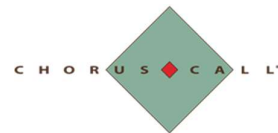




"City Union Bank Limited  
1QFY26 Earnings Conference Call"  
July 31, 2025



**MANAGEMENT: MR. R. VIJAY ANANDH – EXECUTIVE DIRECTOR –  
CITY UNION BANK LIMITED  
MR. V. RAMESH EXECUTIVE DIRECTOR – CITY UNION  
BANK LIMITED  
MR. J. SADAGOPAN – CHIEF FINANCIAL OFFICER –  
CITY UNION BANK LIMITED**

**MODERATOR: MR. JIGNESH SHIAL – AMBIT CAPITAL****Moderator:**

Ladies and gentlemen, good day, and welcome to City Union Bank Limited 1QFY26 Earnings Conference Call hosted by Ambit Capital. 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 this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Jignesh Shial from Ambit Capital Private Limited. Thank you. And over to you, sir.

**Jignesh Shial:**

Yes. Thank you, Amshad and good evening, everyone. On behalf of Ambit Capital, I would like to thank the management of City Union Bank for allowing us the opportunity to host 1QFY26 earnings call. We have along with us Dr. N. Kamakodi, MD & CEO, Mr. R. Vijay Anandh, Executive Director, Mr. V. Ramesh, Executive Director, and Mr. J. Sadagopan, the CFO.

I will now hand it over to Mr. R. Vijay Anandh, Executive Director of City Union Bank for opening remarks. Over to you, sir.

**R. Vijay Anandh:**

Thanks, Jignesh. Good evening, everyone. Hearty welcome to all of you for this con call to discuss the unaudited financial results of City Union Bank for the first quarter of FY 2026. The Board approved the results today and I hope you all have received the copies of results and the presentation.

First of all, we are very happy to share that for the first time in the history, we have crossed INR300 crores PAT. I hope all of you have received the notice of ensuring Annual General Meeting to be held on 13th August 2025, which will happen face-to-face at Kumbakonam after 6 years, along with the virtual mode as well. On behalf of the Board, I invite you all to participate in the AGM.

One of our directors, Shri N. Subramanian, had retired from the Board with effect from 19th June 2025 after completing 8 years tenure.

During 4QFY25 con call, we have stated the expectations for FY26 as follows.

We did achieve double-digit credit growth in all the quarters of FY25 and we stated that we will be back to double-digit growth.

With our efforts, our deposit growth is also back on track and we said that we will align with the credit growth.

We have reached our long-term average number with respect to credit growth, PAT, ROE, and NIM levels. We said that the positive momentum will continue.

We also committed that NIM will be in the range of 3.5% in FY25-'26. Largely, we are in line with the expectations conveyed on the last quarter call, no surprises.

During last financial year, we had seen positive credit growth in the first quarter of the year, first time in the previous 10 years. With that momentum in growth, we have achieved double-digit growth in all the four quarters of FY25. For 1QFY26, we have achieved 16% credit growth, the highest credit growth in June-to-June and our advances have increased from INR46,548 crores to INR54,020 crores in Q1.

As stated in our earlier calls, with improved efficiency level aided by the digital lending process, we have restored our consistent credit growth and we hope that the current trend will continue.

Deposits. Our deposits stood at INR65,734 crores for 1QFY26 as compared to INR54,857 crores in 1QFY25, registering a growth of 20%. During our last con call, we have stated that concentrated efforts were given to deposits front to support our credit growth. With our efforts, our deposit growth surpassed our expected levels for 1QFY26. The average CASA increased by 6% from INR15,057 crores in Q4 last year to INR16,478 crores in 1QFY26.

Asset Quality. On asset quality front, for the current quarter, the total slippages is around INR196 crores while the total recoveries is INR187 crores consisting of INR143 crores from live NPA accounts and INR44 crores from technically written-off accounts. It is almost equal and we are confident of maintaining recoveries more than slippages for the year as a whole.

Our gross NPA percentage had reduced to 2.99% in 1QFY26. Both gross NPA and net NPA, in both percentage and absolute terms, is reducing quarter-by-quarter for the last nine quarters continuously. For the past eight quarters, our GNPA had shown sequential decrease starting from 2QFY24, where it stood at 4.66%. Compared to 1QFY25, the GNPA has reduced from 3.88%, which is 89 bps reductions. Similarly, our net NPA number has reduced to INR635 crores and net NPA in terms of percentage is 1.2% for 1QFY26. In 1QFY25, our net NPA was 1.87%, which is a reduction of 67bps on Y-o-Y basis.

Overall, our SMA2 to total advances stands at 1.59% in 1QFY26 as compared to 2.22% in the similar period last year. Our SMA numbers had shown substantial improvement in the last financial year. It is stable in the current quarter as well. While we are hearing from multiple financial institutions about building stress in asset quality front, we are closely monitoring the situation and so far, we have not seen any sudden spike in the stress as of now.

PCR. In FY25, we increased our PCR without technical write-off to 60% to bring it closer to the industry level. For 1QFY26, PCR without TW had improved to 61%, which had

improved from 53% last year. Similarly, PCR with TW stood at 79% for Q1 FY '26, which has improved from 73% last year.

**Interest Income.** Our interest income had grown by 16% in 1QFY26 and increased to INR1605 crores from INR1388 crores in 1QFY25. Our yield on advances stood at 9.81% for the current quarter as against 9.59% in 1QFY25. Our NIM for 1QFY26 stood at 3.54%. During this quarter, the bank has passed the benefit to customers in line with the repo rate cuts.

During the last call, we said though there will be fluctuations in the annual NIM, we will be around 3.5%. That expectation continues. Even though the rate reduction was front-ended and happened much earlier than expected, we continue with our expectations. As suggested earlier, there will be a minor impact in Q2 as bulk of deposit repricing happens in Q3 but annual expectations continue to be around 3.5% as discussed in the last quarter con call.

On liability side, we have reduced the ROI on term deposits during April in tune with the industry levels and a slab of SB account undergone changes in the month of June, which will give reductions in overall costs going forward. The cost of deposits stood at 5.95% in 1QFY26 as compared to 6.02% for 4QFY25.

**Other Income.** The total other income for the year has increased by 27% from INR192 crores in 1QFY25 to INR244 crores in 1QFY26. The major contribution for this growth is from treasury profit of INR64 crores. For the current quarter, our operating profit had grown by 21% and stood at INR451 crores compared to INR373 crores in the corresponding period last year. We have achieved a PAT growth of 16% and our PAT stood at INR306 crores for 1QFY26 as against INR264 crores in 1QFY25. As I said earlier, we have crossed the INR300 crores mark in PAT for the first time in our history.

**Cost to Income.** Our cost to income ratio for 1QFY26 stood at 48.12% as compared to 48.21% in 4QFY25. As we had discussed earlier, our CIR will be in the range of 48 to 50% for the next few quarters.

**ROA.** As per the expectations we shared, the ROA is at our long-term average and stood at 1.55% in 1QFY26 compared to 1.51% in the corresponding period last year. Our ROA is over 1.5% consistently for the last five quarters.

To sum up, with our best efforts, we have accelerated to mid-teens. We will continue to explore various avenues of advances growth in addition to our core strength of MSME. With our growth engine up and running, we could see visibility in achieving mid-teen growth at least 2% to 3% over and above that of the industry.

Our deposit growth is also back on track and aligning with the credit growth. Expecting NIM in the range of 3.5% for FY '25-'26, as discussed in the last con call. ROA is expected to remain at our current level of 1.5 plus. We will achieve our PAT growth

with the help of better asset quality. Our cost to income ratio will continue to be in the range of 48% to 50% for financial year '26.

Thanks a lot. Open to questions.

**Moderator:** The first question is from the line of Anand Dama from Emkay Global. Please go ahead.

**Anand Dama:** Yes. Thank you for the opportunity. Our growth has been trending very well at about 16% Y-o-Y. Whereas you said that you would want to grow 2% to 3% above the system. So that's more of just a statement and you would continue to grow at more than 15% or 15% to 16% range? Or you believe that this growth run rate will actually come down during the year?

**R. Vijay Anandh:** Sir, we will continue to grow at the same level what we are growing subject to the market conditions are conducive and our overall numbers of SMA-0-1-2 on track, as I said in my note. So till that time we don't see any risk. We will continue to grow at the same pace.

**Anand Dama:** So do you really see any micro disruption or any asset quality risk on the SMA space? So to say, that there will be some risk on the growth trend in next 6 to 9 months?

**R. Vijay Anandh:** While we could hear this from other financiers, as of now we have not seen this. Our metrics are holding. Hence, from our side, we don't see that risk as of today.

**Anand Dama:** Secondly, if you can talk about your retail strategy, how are you stacking up now? And secondly, on your gold loan front, the agri-gold loan portfolio on a quarter-on-quarter basis is actually flattish. So is it because of the PSL guidelines that you have slowed down the growth in that segment? Or it is just a seasonal.

**R. Vijay Anandh:** I will try to answer the retail first before we go to the gold loan. Broadly, our retail strategy is on track. We said that LAP, HL, Affordable and Micro LAP. Yes, the retail engine has started giving us the good numbers from both branch, as well as from the DSA side. We did around INR825 crores for the last quarter, combining all these three. And hence, our retail, whatever we have planned, is taken off well.

With respect to gold loan book, our gold loan agricultural portfolio is INR76,198 million. If you see the presentation slide number 30, there are details.

**Anand Dama:** I saw that, but that was largely flat on a quarter-on-quarter basis. So just wondering whether this will remain different for a while because of the impact of PSL guidelines, or this should pick up?

**R. Vijay Anandh:** This is seasonal. Agri is a seasonal business fluctuation. So, this will move, based the seasonality.

- Anand Dama:** Okay. And in terms of margins, you guided for a 2.5% margin for full year. So, how do you see your...
- R. Vijay Anandh:** 3.5%. So I think what you're saying. 3.5% sir.
- Anand Dama:** Sorry, 3.5. So do you see a cost moving any cuts that you have done on the TD front or anything on the SAF front that you have done or you are planning to do that?
- R. Vijay Anandh:** I will give you the broad map. My advances have brought down the yield by INR135 crores. My reduction in deposit rate has given me INR64 crores. This means I have INR135 crores on left side and INR64 crores of deposit on the right side, which is giving me a net impact of INR71 crores.
- If you recall, my NIM used to be around 3.6% earlier. So, this INR71 crores impact will give me a 11-12 bps reduction. So, we will be around 3.48-3.49. Hence, we are confident of maintaining this 3.5%. That was the math behind this commitment. Also, just to add, our repricing is happening on deposits in the month of Q2. Hence, we should have this 3.5% on track.
- Anand Dama:** Sir, I think RBI audit was on. Any observations over there from RBI side?
- R. Vijay Anandh:** Its currently happening, sir. RBI audit is currently happening for us.
- Anand Dama:** That's very helpful. Thank you, sir.
- R. Vijay Anandh:** Thank you.
- Moderator:** Thank you. The next question is from the line of Mona Khetan from Dolat Capital. Please go ahead.
- Mona Khetan:** Yes. Hi, sir. Good evening and congratulations on a good set of numbers. So, firstly, on the margin front, so of the 100 bps of repo cut that has happened, how much is reflected in the yield reduction currently or how much is factored in the margin?
- R. Vijay Anandh:** We have passed the repo rate cut to everyone, to all the customers. So, we are at 9.93% in Q4 '24-'25. and has moved to 9.81% in '25-'26 Q1.
- Mona Khetan:** Right. So, of the 100 bps, is the first 50 bps fully reflected and the next 50 bps yet to reflect in the yield in the subsequent quarter?
- R. Vijay Anandh:** We have done it in June. So, we are more or less there in this.
- Mona Khetan:** Okay. So, the second 50...
- R. Vijay Anandh:** That is the math I gave in the first question. So, my advances repricing has brought down INR135 crores to me. My deposit repricing has given me a gain of inr64 crores. So, INR135 minus INR64 crores is INR71 crores is my net impact. And over and above

that, I will have the Q2 repricing happening for my deposits. So, broadly, we were in the range of INR3.6. This should give me a INR3.5 margin for us.

**Mona Khetan:** Got it. But I am just trying to understand, despite having a large share of EBLR loans, why is the yield reduction very limited? I mean, what is helping you here?

**R. Vijay Anandh:** So, before I give that, if you have given the finer pricing earlier, reduction will be low to that extent, number one. Number two, to answer your question, our EBLR is currently at INR48, fixed is INR30 and MCLR is INR17. So, our EBLR is only 48% of my book as we speak today.

**Mona Khetan:** Okay. Got it. And just secondly, on the SMA2, you mentioned, what is the current number? I missed that. And what was it last quarter?

**R. Vijay Anandh:** SMA2, the total advance is at 1.59% in 1QFY26 as compared to 2.22% earlier.

**Mona Khetan:** In Q4?

**R. Vijay Anandh:** In Q1.

**Mona Khetan:** And what was the same in Q4?

**R. Vijay Anandh:** We were almost in the same range, more or less.

**Mona Khetan:** Okay. All right. Thanks and all the best.

**R. Vijay Anandh:** In fact, we have come down a little bit, which is very marginal.

**Moderator:** Thank you. The next question is from the line of Hardik from ICICI Securities. Please go ahead.

**Hardik:** Yes. So, I mean, how should we look at your margins for the next quarter? Like, this is a 6 basis points margin declared in the quarter. And probably 50 basis points of repo rate current should be, you know, for 2 months it should be pending, right, to be reflected. So, for the next quarter, how should we look at your margins?

**R. Vijay Anandh:** Well, overall, we have said that we will be around 3.5 for the year. Next quarter we should, that is this quarter, Q2, we should be around 3.45 to 3.5. That's the number which we are looking at. And probably in Q3, we will be around 3.55 and Q4, we should be around 3.55 to 3.6.

**Hardik:** Okay. That's helpful. Sir, was there any one-off in net interest income in this quarter?

**R. Vijay Anandh:** Nothing, sir.

- Hardik:** Okay. And so, this final question is, sir, how do you look at your PCR? I understand that you have increased it, but, you know, it is still at around 60%. So, what is your PCR target for, let us say, like FY '26 or FY '27?
- R. Vijay Anandh:** There will not be much. We will be around 61 now. We could move to 63, 64 max because, you know, it's completely a secured business, whatever we are doing. We have negligible unsecured in our book. So, probably 63 to 64, we can look at.
- Hardik:** Okay, okay. Thank you. That's all from my side. Thanks.
- Moderator:** Thank you. The next question is from the line of Sonal Minhas from Prescientcap Investment Advisors. Please go ahead.
- Sonal Minhas:** Hi, sir. I am Sonal Minhas. I wanted to understand the reason for increasing the provisions in this particular quarter. Anything specific or this is just specific to Q1 provisions being on the highest side?
- Management:** So, we did -- actually, the provision towards bad debts got reduced from 78 to 70 for the current quarter, whereas the tax provision remains in the range of 75. We made 145 for the current quarter.
- Sonal Minhas:** Okay. So, nothing to read on the bad debts in terms of provisions?
- Management:** No, no. No, sir.
- Sonal Minhas:** Got it, sir. Okay. Sir, second, I wanted to understand the segmentation of the advances growth. Is this incremental growth of being from early teens to mid-teens largely attributable to the new verticals you have entered or this is largely working capital, cash and credit loans that is basically seen a higher rate of growth? So, what can we attribute the higher?
- R. Vijay Anandh:** I think I did give my number on retail. We did around only INR825 crores in retail. And mostly it is MSME growth what we used to do before and a JL. JL and MSME. So, our heart remains same. The JL is around INR700 crores. Retail is around INR825 crores and rest everything is MSME.
- Sonal Minhas:** Got it, sir. All right. That's it my side. Thank you.
- R. Vijay Anandh:** Thanks.
- Moderator:** Thank you. The next question is on the line of Parth M. Gutka from B&K Securities. Please go ahead.
- Parth Gutka:** Yes. Hi, sir. Thanks a lot for the opportunity. Sir, my first question is what is the credit cost guidance for FY '26? Now, this is in the light of because we are hearing that southern regions, there are some delinquencies coming up in Micro LAP and LAP



portfolio and both within secured and unsecured. So, can you just throw some light on that? What are we hearing on the ground? Yes, sir.

**R. Vijay Anandh:** Sir, we have just launched retail, you would be aware. And this is our second full quarter and it's too early for us to comment anything on the delinquency because as of now, we are not seeing anything. And to answer your question for the credit cost for the year, we should be somewhere between 0.2 to 0.25.

**Parth Gutka:** Okay, okay. Thanks a lot.

**Moderator:** Thank you. The next question is on the line of Himanshu Taluja from Aditya Birla Sun Life AMC. Please go ahead.

**Himanshu Taluja:** Sure, sir. Thanks a lot for the opportunity and congrats on a good set of the numbers. Sir, can you just throw some perspective on your MSME segment? Are you seeing any signs of stress in the segment and anything to read from a southern because we got to hear from some of the con calls that probably some of the southern states are showing some bit of the higher delinquency trends? Can you put some perspective around that? Would be very helpful.

**R. Vijay Anandh:** Sir, if you talk about MSME, we are completely secure. We do not give any unsecured MSME, number one. Number two, as of now, our SMA-0-1-2, as we speak, is currently holding and we don't see any issues as of today.

So, whatever the commitment I am giving is basis today's number. And as I said, SMA-2 is 1.59% of my advances, we just come down from 2.22%. And even from Q4, it is more or less flat or marginally down. So, we don't see much issue on MSME secure front, whatever we are.

**Himanshu Taluja:** Sure, sir. Thanks a lot. Thanks.

**Moderator:** Thank you. The next question is on the line of Krishnan ASV from HDFC Securities. Please go ahead.

**Krishnan ASV:** My questions have largely been answered. I just got one query. This is pertaining to just the demand environment within MSME. There has generally been a feeling that working capital requirements are pretty low because inflation is pretty benign. Just wanted to understand what you are hearing, what you are sensing from the ground, what your RMs are actually telling you?

**R. Vijay Anandh:** The market as of now is flat, I would say. So, when we meet the existing customers, some of the industries are doing well and some are looking flat. And based on the requirements, we are also analyzing and we are taking the exposure of the call. Even for the new-to-bank customers, we are looking at the business prospects and what kind of industry is operating and how is it going, and what is the demand.

And really, is there a need for working capital and what is going to be capex before we are taking the final call? As of now, the message from my existing-to-bank customers, we have not seen anything unusual. So, looks like it's stable and on track.

**Krishnan ASV:** I guess I am asking you because you kept highlighting that retail is relatively new only in the second quarter. Jewel loans remain where they were. A bulk of your credit growth has come on the back of MSMEs. But given that we are in a benign period, I was just wondering, are there any early signs about this growth beginning to taper off?

**R. Vijay Anandh:** That's what I said a couple of minutes back, sir. The matrix is holding. We do not see any unusual pattern in our matrix, whether it is SMA0 or 1 or 2. Probably, if something is not working as per our prediction or as per our plan, we could have switched off the engine. But we did not see anything as we speak as of today.

So, our monitoring is very close and very frequent. And probably every month we go back and check whether things are looking fine and it is well, well within the budget. So, we don't see anything for your question, sir, as of now.

**Krishnan ASV:** No, sure. Thanks. I think probably, I mean, can get in touch with you offline, with you to be offline, because I was trying to address the growth component, not the stress. But anyway, I will come to that later. The second issue was around all these tariffs. The noise that we are hearing around tariffs, generally seems a lot centered around the textile industry. Given our exposure to that industry, what is the sense you are getting there, sir?

**R. Vijay Anandh:** So, we came to know last night, last evening, and we immediately reached out to our customers. We have quite a good exposure there in textiles, as you rightly mentioned. Few of our customers are more Europe-oriented and out of my total exposure, only 20% of the customers seem to be with the US. And having said that, their profit margin should get compressed by 2%-3%. That's the number which they are saying on this tariff. So, nothing alarming.

So, we have around INR1,000 crores-INR1,200 crores in our total exports. And out of that, even if I take 20% and the margins, they are saying, when we did have a discussion in the morning with few of the seasoned guys and who does a decent export, their version is 2%-3% compression, nothing beyond that. And most of the players have started focusing on European segments now, so, to diversify the risk. So, I think it's broadly, I would say, flat and nothing much to worry, because materialistically, it is not a big number for us.

**Krishnan ASV:** Understood. Thanks. This answers my question. Thank you.

**Moderator:** Thank you. The next question is from the line of Himanshu Taluja from Aditya Birla Sun Life AMC. Please go ahead.

- Himanshu Taluja:** Sir, thanks for the opportunity. Again, just one question. If you put some perspective on the retail portfolio that you are building, currently what I can see is the housing and the personal loans. Can you put something, how much is the pure housing loans and the LAP portfolio and what is the blended yield of your housing portfolio?
- R. Vijay Anandh:** Sir, no personal loan. We do only home loan and LAP. No personal loan.
- Himanshu Taluja:** Okay.
- R. Vijay Anandh:** There is no personal loan. We don't do unsecured loans. We do only home loan and LAP. I have not taken it separately. Probably when I meet you, I will give it to you in person or probably I'll send it separately and send it across.
- Himanshu Taluja:** What is the blended yield that you have on the home loans and the LAP together?
- R. Vijay Anandh:** Home loan and LAP put together, we could be around 9.8, 9.85.
- Himanshu Taluja:** And any other plans to get into any of the other retail segments that you are trying to look at?
- R. Vijay Anandh:** No, sir. We have a huge presence in rural and UBR branches. So we want to get more active there in terms of affordable housing or home loan because basically we are doing branch-driven sourcing. As they said earlier, my DSA business is only 20%, 80% is coming from my home branches. So that strategy is still there. We have not changed our goalpost. So 80-20, as we speak, out of INR825 crores, INR160 crores alone has come from DSAs and direct. So we will also get into affordable and Micro LAP to our home branches.
- Himanshu Taluja:** Yes, sure. Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Param Subramanian from Investec. Please go ahead.
- Param Subramanian:** Yes. Hi, sir. Thanks for the opportunity and congrats on the quarter. Sir, I just wanted to understand from your MSME exposure, how much of the book is exposed to say exporting MSMEs? And do you see any signs? So of course, you know, textiles is one of the biggest sectors for us. But do you see any pressure that could come through from some of the announcements that are coming through today, for example? Yes.
- R. Vijay Anandh:** I think we just discussed INR1,000 crores-INR1,200 crores is my total exports. And say 20% is broadly with respect to US. So majorly textiles and we did have a candid discussion with our good customers who do a very decent business. So their version is -- most of them have migrated, I mean, moved their risk to European markets. And 20% who are doing with US, their view is that 2%-3%, there could be a margin compression. Beyond that, they don't see anything big negative in this. And anyway, our numbers are quite less, by the way.

- Param Subramanian:** Okay. So INR1,200 is the total exporting...
- R. Vijay Anandh:** Correct.
- Param Subramanian:** Exposure?
- R. Vijay Anandh:** Business out of the 20% is focusing on US market.
- Param Subramanian:** Okay. And this is within textile or this is across your MSMEs?
- R. Vijay Anandh:** Broadly textiles, sir. Textiles is major for us.
- Param Subramanian:** And others would not have any...
- R. Vijay Anandh:** Very very less, maybe carbon kind of stuff. Not a big number.
- Param Subramanian:** Okay. Fair enough. That's all I wanted to ask. Thank you and congrats on the quarter.
- R. Vijay Anandh:** Thank you, sir.
- Moderator:** Thank you. The next question is from the line of Bunty Chawla from IDBI Bank. Please go ahead.
- Bunty Chawla:** Good to listen, sir. And thank you for giving me the opportunity. Can you share some thought process on the fresh slippages of INR196 crores? From which segments have come? If you can give some bit of light on that.
- R. Vijay Anandh:** Okay. One second. MSME is 148, out of 196.
- Bunty Chawla:** And rest will be?
- R. Vijay Anandh:** Rest we have agri around 3%, CRE around 2%, educational loan around 0.7, which is again -- and all are very, very negligible numbers after that. Wholesale trade around 0.96%.
- Bunty Chawla:** Okay. And, sir, what we are observing, net addition has been negative up to Q3. From last two quarters, we are getting some bit of increase in net addition. For example, this quarter was around INR53 crores and last was INR20 crores. How one should see that number? Because we are targeting, it's always a number that should be higher than the slippage.
- R. Vijay Anandh:** I will answer in two questions, two parts in this here. For the current quarter, the total slippage is around INR196 and the recovery is INR187. So broadly, we are talking about INR9 crores difference. And as we said before, on an annual basis, our recoveries will be more than slippages. This is number one.

Number two, if you see our slippages, our slippages has come down from INR259 crores to INR196 crores. From Q4 March to June, from INR259.49, to be precise, we have moved to INR196.28, which is INR50 crores reduction.

**Bunty Chawla:** Okay. And sir, lastly, on the PCR, if we calculate, it has quite drastically improved from last many quarters to 51% to currently 60.76% or roughly 61%. Where is our thought process to bring by end of FY '26 this number?

**R. Vijay Anandh:** We would be around 63%.

**Bunty Chawla:** 63%. That was very helpful, sir. Thank you and congratulations, sir.

**R. Vijay Anandh:** Thank you, sir.

**Moderator:** Thank you. The next question is from the line of Pritesh Bumb from DAM Capital. Please go ahead.

**Pritesh Bumb:** So few questions. One is on the yield perspective. Basically, wanted to check what is the risk time for our working capital loans? I mean, just wanted to check how much pass on has happened, how much will it be?

**R. Vijay Anandh:** The rates were fully passed on. My EBLR is at 48. My fixed is at is at 30, 78 and remaining is MCLR. My yield was passed on.

**Pritesh Bumb:** Just wanted to check, although they are on EBLR, is there any reset or is it happening on T+1?

**R. Vijay Anandh:** See, the passing is based on the finer pricing. So the passing will happen based on the pricing what we have given. So to answer your question, our repo rate passing has finished and we have done with the customers. So net-net, that's what I've been giving the math.

In terms of advances, my negative is INR135 crores, my deposits, because of my reduction in rate, positive is INR64 crores. My net impact is INR71 crores as of now. My deposit repricing again is happening in the Q2 end. So effectively, I will have 11-12 bps cut. So that's the reason why we are saying we will be maintaining at 3.5 for the year.

**Pritesh Bumb:** Got it. Sir, but just on that question which I asked, basically what I wanted to check is generally the loans are for 1 year, right? Some working capital or cash credit can be for 1 year. So the reset happens immediately. Is that correct?

**N.Kamakodi:** If it is based on the EBLR, the passing on will happen immediately. For example, if we had already given finer pricing earlier, let's say some amount of discount given in the past, based on that much amount of whatever related to that risk rating, EBLR-related

rating is, say, for example, 10 percentage, which is I have already given 50 basis points consistent to the associated risk.

When 1 percentage reduction in the EBLR happens, the net impact to that customer will be only 50 basis points. You understand what I'm trying to say?

**Pritesh Bumb:**

Yes.

**Kamakodi:**

Finally, whatever that is, so like EBLR will come down by whatever percentage, but some amount of plus-minus will be there, depending upon the concessions given in the earlier period. Also, because of the composition of advantage, say, for example, close to 30 percentage of our loan book is from the gold loan, which is at the fixed rate. You also have MCLR. So, because of that, even if you have 1 percentage reduction in the overall EBLR, net impact will be only to that extent lesser, and that is what it has happened.

Maybe 5, 10 basis point extra can happen because some of the rate passing happened only in the June. They may not have impact for the entire quarter, but they will be having full impact for the second quarter. The question repeatedly came in the fourth quarter con call that, how are you certain that you would be able to maintain the margin of 3.5. We repeatedly explained this calculation, and we are sticking with that calculation even now.

Even after having the 50 basis point rate cut, which was front loaded, which we actually expected only towards the end of the current calendar year, even though it got implemented much earlier, we are still sticking with the expectations, which we shared during the last con call.

We expect, because we have a higher amount of repricing of deposits because of the maturity in the third quarter. So, the repricing of assets will be more in the second quarter, and that's why we say there maybe few basis point incremental reduction.

But year as a whole, whatever expectations we shared in the last con call that we will be having 3.5 percentage, I mean, 3.6 plus or minus 10 basis point to be precise, whatever we said. So, we still stick with the margins predictions or expectations, whatever we shared during the fourth quarter last con call. It is very difficult to get into the individual basis point wise calculations. So, we gave you a broader categorization calculations based on the composition of the loan and how they pass on.

What I can say you now is that the EBLR reduction that need to happen because of the rate reduction, whatever that has happened so far, has already been given full effect to all our existing customers currently.

**Pritesh Bumb:**

Got it. So, second question was on branches side. So, we've not added any branches this -- or maybe we added only one branch this quarter, and we have announced some

branch additions on the in this quarter. So, what kind of a branch addition we should see in this full year?

**R. Vijay Anandh:** On an average, we have been doing 75 branches per year, and we should continue this. And Q2, Q3 will be more. In fact, as we speak in Q2, we have opened quite a substantial branches in the first week. So, we have already done with, I think, 8-10 branches, and we will continue with that. And we will be around 75-80 branches for the year.

**Pritesh Bumb:** Okay. So, the follow-up on that is that will we see some opex increase, because we'll have to, you know, add people, maybe, because the branch cross operational and all.

**R. Vijay Anandh:** Once we open the branch, apportionate expenses will be there, and we will be at 15% expenses would be there, and fine. That's very normal, whatever we do in terms of branch opening.

**Pritesh Bumb:** Got it, sir. Okay, sir. Thank you so much. Thank you. That was my question.

**Moderator:** Thank you. The next question is from the line of Gaurav Jani from Prabhudas Lilladher. Please go ahead.

**Gaurav Jani:** Thank you, sir. Congrats on the quarter. Just a question on the fee income. So, last quarter, we had some bulked-up fees because of, I think Bancassurance. And that has actually probably come off this quarter. So, you know, that is number one. So, as to why there has been a reduction. And then, could we revert back to the previous level is my question. And I'll just come to the next part later.

**R. Vijay Anandh:** Sir, Bancassurance income is always very high on Q4, if you see. That's normally bound to happen. And with respect to the Bancassurance income, we are on target with what we have stipulated for Q1, Q2, Q3, Q4. I think this quarter, we have done around INR15.74 crores, to be precise. We moved from INR12 crores, we were at Q1 last year. And we have done INR15 crores this year. Last year, again, we moved from 12, 18, 16, 51. We expect the same trend to continue this year. We don't see any of that.

**Gaurav Jani:** Sure. And, sir, the next part is FY '25, right, versus FY '24. Because, obviously, of the kicker from the Banca, our fee-to-assets is improved by 10 basis points. What sort of a trend do you see that, you know, do you see a shaping up over the next, over the near to medium term, as to fee-to-assets as a percentage?

**R. Vijay Anandh:** We moved from INR54.64 crores to INR97.56 crores, sir.

**Management:** Proportional to the business?

**R. Vijay Anandh:** So, this is always directly proportional to the business. So, from INR54 crores, we have moved to INR97 crores. Now that we are having a 16% growth, we should exit with the decent numbers for the year.

- Gaurav Jani:** Understood. No, sir, what I meant is the fee-to-assets ratio, as to how do you see that shaping up overall, from a near to medium term?
- R. Vijay Anandh:** Sir, this is not a materialistically big number for us. We did INR54 crores in '23-'24. As I said, we did INR97 crores in '24-'25. And, this increment is always, vis-a-vis my business, what I am growing.
- Gaurav Jani:** No. I'll probably take it offline.
- R. Vijay Anandh:** Yes, one minute I just want to add. Earlier, we had our relationship with only one insurance company, LIC. Last year was the first year when we had, for the whole year, we had a tie-up with multiple insurance companies. So, we had a quantum jump last year. It cannot be just extrapolated year after year. So, normally, the bank insurance income will be growing in proportion to the business growth and branch growth, and that usual growth, we hope it will be continuing for the current year also.
- Gaurav Jani:** Sure, sure, sir. I'll probably take it off.
- Moderator:** Thank you. The next question is from the line of Ajit Kabi from BNP Paribas. Please go ahead.
- Ajit Kabi:** Hi. Congratulations for a good set of number. I have the first question from the line item in provisions. So, the provision number this quarter is around INR700 million, out of which, you know, the write-off made in this quarter is around INR744 million. So, and in the provision stock, there is hardly any movement. In last quarter, it was INR985 crores. Now, it came to INR982 crores. So, is it fair to assume that whatever provisions made this quarter was towards the write-off and no additional specific provisions has made in this quarter?
- Management:** No, sir. Actually, we have written off probably in D2 and D3 accounts, which further, we made earlier provision towards 50 and 70 to 80 percentage. So, the balance amount only to be provided for the current quarter. And whatever the addition happened around INR180 crores in the quarter mainly consists of SSA, which needs around 15 to 25 percentage of provisions only. So, it's all based on the IRAC norms and whatever the requirement we provided.
- Ajit Kabi:** Okay. So, can you give little idea, we are getting the restructuring, the provision towards the restructuring assets. Any idea about the standard asset provisions and any contingent provisions we were making earlier? Any idea or can keep the number for those contingent provisions in the standard asset provisions?
- Management:** Whatever the provision we made towards the MSME restructuring, also non-MSME restructuring earlier 2 years back. Now, after completion of successful 12-month period of repayment, the provisions are now, we are getting back. So that we don't need to



provide any additional provisions towards standard asset and whatever the requirement that's already provided off.

**Ajit Kabi:**

Okay. So, that's nice. The second question is from that gold loan. The gold loan has seen a significant sequential jump this quarter. We can see the gold loan has improved around 11% sequentially. So, I just want to know these loans, whatever you have disbursed or sanctioned in this particular quarter, are they to the existing customer or any new customer is already added?

Because in this season we see the high gold rates and gold prices already moved to a upper level. So, I just want to know whether those particular loans is over-leveraging or the new customers are going to -- are added in this quarter?

**R. Vijay Anandh:**

So, it's a combo of both existing to bank and new to bank and broadly, it will be 85, 15, kind of stuff between ETB and NTB, number one. Number two, in terms of LTV, it is very clearly documented. Regulatory, we cannot give more than 75%. That includes even the interest as well. So, when we start, we do with 67%, 68%. So, we have been doing this for the last so many years. So, it's not new to us. Hence, the portfolio is also holding and LTV is also well below the threshold limit.

**Ajit Kabi:**

And the last question for me is in the personal loan that we have around 3% of that entire loan book, which -- what carries in this personal loan? I just understood that personal loan is not unsecured loan. So, what are those sort of segment of loans which are included in this particular segment?

**R. Vijay Anandh:**

So, whatever we would have given to the existing MSME customers, we normally, we have a holistic relationship, we don't want them to go to some other bank, if he is married to us, because we are the sole bankers. So, we would have taken the call only for my existing to bank MSME borrowers. We don't do personal loans for new to bank customers.

**Ajit Kabi:**

That's it from my side. Thank you.

**R. Vijay Anandh:**

Thank you, sir.

**Moderator:**

Thank you. The next question is from the line of Krishnan ASV from HDFC Securities. Please go ahead.

**Krishnan ASV:**

Thanks for taking this again. I just wanted to go back to the query around EBLR. I mean, I could understand the math that you shared. Generally, conventionally, the way we think about it is we have 48% EBLR portfolio, 100 basis points that RBI reduced. Ideally, your yields would come off by INR48. Whereas what you're saying is, since you had given some borrowers a certain concessional pricing earlier, your pass through can be lower. And is that how you articulate it? Have I understood it correctly?

- Management:** Yes, you are right, Krishnan.
- Krishnan ASV:** Okay. And so, if you gave me a concessional rate earlier, the RBI would have no problem with this kind of a pricing? I mean, I'm just trying to understand, is there a reason? Are we running a regulatory risk?
- N. Kamakodi:** No. This is running for the past, like say, at least 10 years since the -- I mean, almost 7, 8 years since that this sort of things come. So far, no regulatory concessions, things have been raised.
- Krishnan ASV:** Got it. Understood. I was just asking because the EBLR is a relatively recent phenomenon, last 4, 5 years. And so, I was wondering if...
- Management:** There is something called a strategic discount. When have a finer pricing and all, depending upon the competition and all, sometime there will be requirement at a different time period. So, those things normally, like say, get adjusted. I mean, this is like something like the discount is front loaded. So, when the rates decreases subsequently, those things get adjusted.
- Krishnan ASV:** Got it. Got it. Understood. This was the only thing. Thank you. Thank you, sir.
- Moderator:** Thank you. The next question is from Chinmay Nema from Prescient Capital. Please go ahead.
- Chinmay Nema:** Good evening, sir. I just have one question. Could you talk about the competition that you see from large private banks on the MSME side?
- N.Kamakodi:** The competitions had always been there and they will always be there. With all the competition only, we also need to thrive, which we had been doing from 1904.
- Chinmay Nema:** So sir, in terms of service quality metrics like turnaround time, typically, how do you differ from other banks in this space?
- N. Kamakodi:** See, as I had been repeatedly saying in my multiple con calls, this is basically a commodity business and you need to continuously convince the customer that you are providing service for whatever price he is paying.
- Chinmay Nema:** Got it. Understood. Thank you.
- Moderator:** Thank you. The next question is from the line of Jai from ICICI Securities. Please go ahead. Jai, are you there? As there is no response on the participant, I now hand the conference over to the management for closing comments.
- N. Kamakodi:** So, thank you all for attending the conference call over here. So, when I was hearing, the bulk of the questions were particularly on growth, whether we will be having mid-teen or plus two or whatever it is. We are just giving a broader expectations.

What I have to clearly say is that as of now, everything is looking pretty good. So, the acceleration in the growth is pretty visible. Profitability, for the first time, we have crossed INR300 crores mark for the quarter. The slippage also has sequentially reduced from the fourth quarter. Even though you listen from multiple corners, that there are issues, so far we have not facing that, but we are very closely monitoring the situation. It gives us sufficient comfort that we should be able to maintain the growth rate and probably maintain the profitability as we move forward.

The margins should stabilize from the third quarter and also we have to increase the CD ratio and also you have the CRR rate cut. To that extent, if we are able to move, there will be further strengthening of the margins. There are enough levers to improve the margins if we are able to increase the thing. Earlier, there were issues of the LCRs and all, a lot of constraints on the liability side, which have been removed. Many uncertainties in the gold loans have also been taken out from the recent circular. So, there are enough opportunities now.

Moreover, currently, gold loans, particularly, are looking extra lucrative because yields are also supporting and it's also coming in the fixed rate, not getting affected by the decreasing interest rate scenario. Considering everything, I think the financial year should be progressing with a lot of positive hope. So, we are at the same time, because of the 25 percentage tariff now announced by the US or the other caution given by a few financial companies, particularly on the Karnataka and all. I mean, we have a little exposure in Karnataka.

But overall things look extremely positive, be it in terms of growth or be it in terms of the profitability. And we hope to complete this year in a decent way, both in terms of growth and also in terms of the quality. If at all, any changes in the pattern, we will be continuing to discuss with you during the forthcoming con calls.

So, in that background, to sum up, things are even shade better than what we anticipated maybe 6 months back. Things are turning out to be much positive and we hope this positivity will continue for the foreseeable future.

With these words, I once again thank you all for participating in this con call and hope to meet you all with better quarters in the future, be it in after September or December and March onwards. So, once again, thank you all and thanks for AMBIT for arranging this conference and thanks for all of you for attending this. And once again, we welcome you for attending our annual general meeting. Thank you all.

**Moderator:**

Thank you. On behalf of AMBIT Capital, that concludes this conference. Thank you for joining us and you may now disconnect your lines.