SEC/LODR/43/2025-26 **May 06, 2025**

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Dear Madam/ Sir,

Sub: Transcript of the Earnings Call for Audited Financial Results for the quarter and year ended March 31, 2025, and Business updates.

We wish to inform you that the transcript of the earnings call hosted by The Federal Bank Limited ("the Bank") for the Audited Financial Results for the quarter and year ended March 31, 2025, has been made available on the Bank's website at the following link, within the timeline prescribed under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015:

https://www.federalbank.co.in/documents/10180/1124414626/Transcript_Q4FY25.pdf/6ee3be49-5f6f-b835-8770-3aebef4e342a?t=1746527368619

We are also enclosing the transcript of the earnings call with this intimation.

This is for your information and appropriate dissemination.

Thanking you,

Yours faithfully,
For The Federal Bank Limited

SAMIR PRAVINCHANDRA RAJDEV
Digitally signed by SAMIR PRAVINCHANDRA RAJDEV
Date: 2025.05.06 17:44:02 +05'30'

Samir P Rajdev
Company Secretary

Encl: As above

Federal Bank Limited

Q4 FY'25 Earnings Conference Call

April 30, 2025

MANAGEMENT: **MR. KVS MANIAN – MD & CEO**
MS. SHALINI WARRIER – EXECUTIVE DIRECTOR
MR. HARSH DUGAR – EXECUTIVE DIRECTOR
MR. VENKATRAMAN VENKATESWARAN – GROUP PRESIDENT & CFO
MR. LAKSHMANAN V – GROUP PRESIDENT & HEAD (TREASURY)
MR. SOUVIK ROY –HEAD, INVESTOR RELATIONS

Moderator: Ladies and gentlemen, good day, and welcome to the Q4 FY '25 Earnings Conference Call of The Federal Bank Limited. 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 an operator by pressing start and zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Souvik Roy, Head Investor Relations, The Federal Bank Limited. Thank you, and over to you, sir.

Souvik Roy: Thank you so much, and good evening, ladies and gentlemen. Thanks for joining us this evening. I hope you had the opportunity to review our results and go through the investor deck, which we had already shared earlier. As always, I have been -- we are here with our entire senior leadership team, who will provide a comprehensive overview of the quarter that went by and our strategic priorities moving forward.

We will begin with our CFO, who'll walk you through the key financial highlights and the performance metrics for the last quarter. Following his remarks, our MD will share insights on our strategic direction, and we'll then open the floor for your questions.

So without further ado, I'll hand it over to our CFO.

Venkatraman V: Thank you, Souvik. Good evening, all of you, ladies and gentlemen, and thank you for joining this earnings call. Apologies for this 10-minute delayed start. Let me begin with a brief overview of the macroeconomic and banking sector backdrop. The Indian economy remained resilient amid global uncertainties. This was also bolstered by stable domestic demand and prudence monitoring policies.

RBI REPO rate cut and liquidity-enhancing measures will ensure that the economic focus on growth continues. Inflation is now within the RBI band and with increased liquidity, banks should be in a position to support growth. The banking sector experienced intensifying competition for retail and MSME deposits.

Asset quality remained stable with improvement in recovery, though challenges persisted in certain unsecured segments. Our bank navigated this environment by prioritizing growth, in the mid yielding, mass affluent and MSME segments to drive sustainable profitability and ensure quality growth.

Turning to our FY '25 quarter and full year performance, I'm happy to share a few highlights. We crossed a major milestone of INR5 lakh crore business at INR5.18 lakh crore was the 31st March number, which marks a significant milestone and our net profit entered the league of INR4,000 crores plus.

Our other income soured to a new high of INR1,006 crores driven by robust fee-based services. Our NIM improved by 1 basis point to 3.12% by despite the rate cut. And as you know, more than half of our book is back to external benchmark, showcasing our agility in a dynamic rate environment.

Core fee income grew at 6% Q-o-Q outpacing asset growth, reflecting our team's alignment towards a more rewarding franchise. We achieved our decadal best asset quality, supported by strong recoveries and adaptive slippages, a feat we have consistently delivered every quarter, even in a tough macro environment.

Credit costs for FY '25 was 38 bps, in line with our earlier guidance of 35 bps to 40 bps. On the deposit front, CASA grew by a very healthy 6.74% Q-o-Q. And more importantly, CA growth happened at a very, very strong 27% Q-o-Q and 35% Y-o-Y. The focus on liability growth is yielding results.

On the asset side, loans against property grew 20.5% Y-o-Y, gold loans grew 21% year-on-year despite a slowdown in Q4 due to certain regulatory guidelines. And our micro finance portfolio grew 19% despite we taking a conscious call to stall or rather to slow down the growth and not grow in Q3 and Q4. CV/CE grew at 35% year-on-year and credit card business grew at 19%. All of these play to the plan, which we had outlined in our Analyst Day of focusing on the mid yielding segments.

Our CRAR stood at a healthy 16.4%, positioning us for a self-sustaining franchise. In terms of distribution, we opened 85 branches during the year, and we were quite careful in terms of choosing the locations of this expansion.

On the quarterly results, net profit for the quarter was INR1,030 crores, up 14% year-on-year, driven by strong revenue growth and operational efficiency. On cost, we had a few one-off costs in the opex, which -- and traditionally, in Q4, our cost is always higher as compared to the other quarters. And in this quarter, we had a few one-offs, which is more towards the branch expansion.

We had almost 39 of the 85 branches opened in Q4. Our spends on campaign advertisement and card campaigns and a few other related expenses increase the cost. And hence, you see a slightly uptick in the CI ratio for this quarter. Having said that, our opex to assets for this year FY '25 is 1 bps lower than last FY.

On the balance sheet, total deposits grew 6.5% quarter-on-quarter to INR2.83 lakh crores and CASA deposits at INR85.7 lakh crores, up 6.74% Q-o-Q. Our CASA ratio was at 30.23% better than last year's CASA ratio. Advances rose 12% this year to INR2.38 lakhs. Our CD ratio was at a very comfortable 82.79% in Q4, ensuring balanced growth and liquidity. The focus on LCR continues, and we saw impressive results in this quarter in that direction. We degrew our wholesale deposits from financial entities which meant sure that our LCR improved further. And as at 31st March, it was at 145.

Asset quality, as I mentioned earlier, is robust with GNPA at 1.84% of advances, down 11 bps Q-o-Q and NNPA at 0.44%, stable sequentially. We strengthened our provision coverage to 75.37% over 400 bps improvement over last year.

Our capital position is strong with CET1 ratio at 15.04, well above regulatory requirements, providing ample headroom for growth. ROA was 1.24, up 2 bps over last year, and ROE of 12.82%, underscoring our progress towards sustainable profitability.

Strategically, we have accelerated our focus on mid yielding segments, which Mr. Manian will cover in his update. Before I hand over to Manian for his comments, I want to take this opportunity to thank our ED, Ms. Shalini Warrier, as this will be her last earnings call at Federal Bank. I want to take the opportunity to thank her on all our behalf for the excellent contribution and guiding the bank during the last few years. Over to you, Manian.

KVS Manian: Thanks, Venkat. Venkat has provided a detailed overview of our financial performance for the quarter, and I would like to offer some insights and highlights that underscore our progress and strategy execution. This marks my second full quarter leading the organization, and I'm confident in our direction and ability to execute.

In February, we shared our strategic vision and while 2 months is a short time frame to demonstrate transformative results, we are making meaningful strides in the areas we prioritized. Each month is an opportunity to advance our objectives, and we are pursuing our strategic teams with focus and momentum.

The quarterly results reflect several positive developments that align closely with our outlined strategy demonstrating our ability to deliver on our commitments. Our deposit growth has been good, with particular strength in CASA and even more notably in current account. Retail current accounts as well as wholesale current account acquisition has accelerated, acquisition of high-value savings account variant -- higher value savings account variant have shown significant uptick. Current account acquisition running at a 50% higher rate compared to the previous period.

The deposit mix has improved with greater granularity and enhanced LCR alignment as our reliance on financial sector deposits have significantly decreased. These factors have contributed to a robust LCR position.

We have successfully implemented key initiatives to strengthen our financial and operational framework. These include a new transfer pricing methodology, a RaRoC-based pricing model and a comprehensive business-wise profit and loss system, fostering a culture of accountability among business managers for profitability and ROE.

Additionally, we have introduced a robust business budgeting approach, tied to branch potential and rolled out revised score cards, aligned with our strategic priorities. These initiatives have been well received by our teams and are driving renewed energy and focus, positioning us for long-term success. These efforts have also optimized capital utilization, resulting in improved capital adequacy, a testament to our disciplined approach to resource management.

On the asset side, we set a strategic goal to accelerate growth in our Middle East portfolio. And we have achieved a robust 19% growth rate across most products in this segment. While gold loan faced challenges in the last quarter due to recent regulatory issues, the recent regulatory clarity positions us to resume steady growth in that product as well, consistent with our performance over the past year.

In the low-yield segment like home loans, HL and Corporate Banking, we are adopting a nuanced approach to growth. For HL, we are focusing on risk return trade-offs prioritizing customers who offer a broader revenue opportunity and relationship rather than competing on ultra-competitive pricing.

In Corporate Banking, we have significantly outpaced book growth with faster expansion in liabilities and fee income, guided by our customer level RaRoC framework. We also identified and exited a few large transactions which were not aligned to our strategic customer level RaRoC aspirations.

Our self-funding ratio has increased, as highlighted in the presentation, and fee income in this segment has risen significantly faster than the asset growth. Notably, 75% of our new corporate client acquisitions are in the mid-market segment, reinforcing our commitment to sustainable profitable growth, as outlined in our strategy document.

In the high-yield segment, our cards business is performing strongly with healthy growth in card acquisitions and balanced mix of organic and co-branded cards. As the credit environment stabilizes, we will increase our focus on personal loans to capture growth opportunities in this product. The microfinance segment requires continued caution, and we are approaching it prudently.

We have largely maintained our NIMs while achieving growth in our targeted areas. To enhance NIM stability, we have introduced measures such as resetting new floating rate loans at T+90 instead of T+1, shifting our car loan business to fixed rates and offering medium-tenure fixed rate loans in our Business Banking segment.

We have also reviewed and implemented new savings and term deposit rates recently. These steps reflect our proactive approach to balancing growth and profitability in a challenging environment.

On asset side, our asset side progress aligns with our strategic objectives, and we are confident in our ability to sustain growth in the coming quarters while managing NIM pressures and maintaining prudent risk return dynamics. As policy rates trend downwards, we are strategically managing asset yields and deposit pricing to balance growth and cost of funds objectives effectively.

Fee income growth has outpaced asset growth materially aligning with our strategy to diversify revenue streams. We continue to maintain and enhance asset quality and recovery efficiency, reinforcing the resilience of our portfolio. We have taken a significant accelerated provision against our unsecured book in the current year, thereby enhancing our book quality. All this is in line with our strategic objective of quality of earnings.

On the operational front, we are making steady progress across our strategic themes that I outlined -- the 12 themes that I outlined in our strategy document. For instance, our talent acquisition efforts have been highly successful with overwhelmingly strong interest from top professionals.

Of the 14 key N minus 2 level positions identified, we have filled 9 with new hires expected to join over the next 3 to 4 months. We are also thrilled to welcome Virat Diwanji, who will assume responsibilities from Shalini Warrier as she transitions to her entrepreneurial journey. Virat's addition significantly enhances our strategic and execution capabilities.

We have launched Operation Udaan previously known as Free the Branch in my strategy document led by a senior internal leader and supported by a big 4 consulting firm. This initiative is set to modernize our branch operations over the next 12 to 18 months, unlocking significant potential for efficiency and customer experience.

On the brand front, we are excited to have appointed Vidya Balan as our brand ambassador with our first ATL campaign featuring her set to launch in the coming couple of months. We are also collaborating with a brand design firm to refresh and elevate our brand identity with updates expected to roll out in the near term.

While it has only been a few months since we embarked on our strategic journey across 12 key themes, the progress we have achieved is encouraging. We are committed to maintaining this momentum. Our focus on these themes is laying a solid foundation for our future success. With a clear strategy, deliberate execution and a confident team, we are well positioned to continue driving progress and delivering value.

Thank you, and we are now open for questions.

Moderator: The first question is from the line of Mahrukh Adajania from Nuvama.

Mahrukh Adajania: I had a couple of questions. Now that you already started focusing on maybe loans and there was progress on that even in the fourth quarter, and do we expect that most of the consolidation on the lower yield segment is done? And can we return to the high teen loan growth in next year, that is in this year FY '26? That's my first question, and then I have a few others.

KVS Manian: Yes, you want to ask your questions and then...

Mahrukh Adajania: Yes. Okay. Then in terms of deposits, congratulations on the strong growth in current accounts. You had already -- that was the key takeaway even in your strategy day. But is most of it very sticky because for many other banks, the year-end CASA is not very sticky. But given that you've kind of started on a low base, will most of it be very sticky and will stay on the book. And also in terms of margins, right, there are many -- I mean, there are many more or at least 2 more repo rate cuts expected?

So where do you -- and then you will have an uptick in your mid-yield proportion. So what according to you is the level of margins below which you will not go overall for FY '26, right? Because the EBLR book is a high proportion. If you just do a rough math, it shows a big decline. But then the loan mix is also changing. CASA is also improving. So where do you see the bottom of margins in FY '26? These are my questions.

KVS Manian.: So coming to your questions, Mahrukh, if you really look at the -- we have provided that data. If you look at the medium yield segment, which I had also focused during my strategic presentations, the growth rates on our medium yield segment is fairly strong at 19%, right, on a Y-o-Y basis. And even on quarter-to-quarter basis, it's a strong number. So we are quite clear that that effort will continue.

There are a couple of things there, which can actually grow better. In fact, if you look at that our gold growth Q-o-Q was not as strong as the Y-o-Y number, and that was because of the regulatory issues headwinds that we faced at that point in time. The new circular is -- draft circular is, in fact, favorable from our point of view, and we are quite confident that we will be able to resume growth in the gold loan product.

So our mid yielding segment has shown strong potential for growth, demonstrated growth in the last quarter, and we are confident we'll continue the growth. On the -- you've also seen cards, which is what we have categorized as high-yielding products, has also grown strongly through the year. The product that has not grown there is personal loan which we believe that through this year, we will be able to revive growth in that product because we see, at least from our data, see clarity on credit environment being positive.

And of course, the MFI, which we want to be -- continue to be -- we'll continue to be cautious for a couple of more quarters or maybe at least 1 more quarter, if not further to see whether we can grow that. So I see immense potential in growing all these businesses. And I also mentioned to you that in the corporate side, as our -- while we have just begun the journey on the mid-market acquisition as we build that acquisition, I think we'll be able to build growth even in the corporate segment overall through the mid-market route.

On the home loan is where just now the last quarter and last year, the growth was muted -- relatively muted. That's the segment where, like I mentioned, we want to look at a holistic approach to customers there, and grow that business. Given all of this, I am reasonably confident we'll be able to get a reasonable rate of growth going on the asset side in the next year.

On the NIM, I would put it this way, Mahrukh, nobody knows that number. There are too many things there from our perspective. One is, of course, the policy itself -- policy rates themselves. Second is, we are changing our mix, as you can see, mid yield segments growing faster. Also, we have converted many of our products to fix from floating. We have changed T+1, to T+90, multiple factors playing, of course, our objective. And of course, we have cut savings rate, as you know, in April, so there are multiple levers playing.

Our objective is to try and minimize the impact, but it is difficult to yet give you the guidance for the year on where the NIM will be. Obviously, our attempt is to minimize the impact on NIM and try to keep it as opposed to it is today. But it is going to be challenging to keep it exactly at that level through the year.

And on the CASA side, let me put it this way that, yes, there is year-end effect in CA. We were also lucky to some extent because these happened at the end of the year, and we had large remittances inward into India, and they stayed for a few days with us, before getting remitted out to the final destination. So we were a bit lucky. But having said that, even on an average basis, CA has shown over -- close to 7% kind of average growth rate in the quarter -- for the quarter.

So while yes, there is -- as is usual in the CA business towards the end of the year, things do bump up a bit. But even on an average basis, we are fairly -- we have a strong growth there. So there is a fundamentally change in CA acquisition, our CA acquisition rate on the retail side, are at least 50% -- or close to 50% higher than what they were in the first 6 months of the year in terms of numbers and value.

So there is a fundamental shift that has also happened, and we are hoping to sustain momentum on CASA growth -- CA growth and SA growth, of course, SA we can do more. But it will remain a focus, and we are fairly confident the team will be able to deliver that. I hope I have answered all your 3 questions.

Mahrukh Adajania: Yes, thank you so much. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Rikin Shah from IIFL. Please go ahead.

Rikin Shah: I actually had quite a few questions. I'll bunch them up together unless you want me to break it down. But -- so the first one is that if we look at the reported margins, they are flat sequentially, but your loan yields are down 8 basis points and cost of fund is up 5 basis points sequentially. So how is the reported margin flat Q-o-Q? So that's the first question.

The second question is on the transition of REPO repricing from T+1 to T+90 days. I wanted to check whether this will be applicable only for the new disbursements or even the entire back book gets repriced accordingly. And an extension to this is that you did highlight that the SA rates have been cut by 25 basis points. But now given that your SA rates are in line with the front line banks for most of the buckets until INR5 million, do you see any other levers beyond INR5 million SA rate cuts, potentially or maybe TD rate cut to offset any margin pressure? So that's the second question.

The third one is on the quantum of corporate recovery, which you had highlighted in the presentation. So what is the quantum of the same? And where would it be included? Would it be included in the recoveries from the written-off accounts, which is shown under other income? Or is it netted off from the provisions? Because both of them are moving very favorably Q-o-Q. So that's the third one.

The fourth one is on the LTV on gold loans, right? So that has come off significantly by 6 percentage points to 62% now. So given that it was well below 75% limit, what were we trying to optimize here, which resulted in the degrowth and now that you believe that it can start growing? So that's the fourth question.

The fifth one is on the cost. So I just wanted to understand why are we attributing the cost related to branch expansion as a one-off because this is the medium-term strategy to go after the branch expansion, right? So why is that a one-off and why that may not recur in the future? And how do we think about the opex growth going ahead? So those are my 5 questions.

KVS Manian: Okay. Yes. So first one was NIM -- on NIM, Venkat?

Venkatraman V: Yes, I can. Rikin, on the NIM, what has happened is, the increase in yield on investments and increase in other earning assets have helped us ensure that the NIM is maintained, in fact, it's 1 bps higher than what it was in last quarter, 3.12 and the retained capital, which is as the 9 months capital, which is being used. That's number one.

Second one, your question was on transition, T+1 to T+90, whether it's on new or existing, it's on new. Third question was on SA rate cut 25 bps, this is beyond INR5 million, any other actions I'll ask Manian to respond on that. Before that, I will answer your question on the corporate recovery, it is shown in the provision line, it's netted there. Manian, the question on SA rate cut and LTV for gold, Harsh if you can just have some...

Rikin Shah: Venkat, sorry, just a follow-up on this before Manian takes the remaining questions. What will be the quantum of corporate recovery?

Venkatraman V: That was 97 was one big account. Yes, there are a few others. It will be around 110 to 115.

Rikin Shah: Okay. Got it. So if it is included in the or netted off from the provisions, then why is there a significant jump in the recovery from written off? Do we expect that to kind of taper down in going ahead or it can sustain at the current levels?

KVS Manian: Rikin, if you have seen traditionally, Q4, we have very good recovery from written-off assets because there's a large push and focus on that. I don't expect us to repeat that level of recovery at least in the coming quarters.

Rikin Shah: Got it. Perfect. Very clear. Thank you.

KVS Manian: On SA rate cut, Rikin, I mean, as you saw, we have cut based on what the market has done. And we -- our actions on that will remain agile and watch the market and do as per what the market demands. I mean if the market goes further down, we will go further down. We will remain our -- retain our competitiveness and yet try and optimize costs to the extent possible on the rate cut.

Harsh Dugar: I'll come on the LTV on gold loans. There has been on account of two reasons. One, the LTV is at 75%, but banks in general are required to maintain the LTV throughout the tenure of the loan and not just time of origination. Even accrued interest is what we factor in, and we keep a little bit extra margin so that we don't cross LTV at 75% at any point. That's number one.

The second point is that the gold prices has also increased significantly. Hence, LTV does look attractive, unless people take top up, and we do not really chase top-ups either. So that automatically also helps us because the gold prices has, in fact, done a significant uptick because of the gold price itself.

Venkatraman V: And Rikin, you had a question on the operating cost advance related. I think the context there is -- of the 85 branches which we opened in FY '25, nearly 50% of it was in Q4. That was one of the reasons where it got bunched up a bit, and you saw a bump in Q4. Having said that, it's one of the core costs based on our distribution strategy. And over the year, we will see it getting flat line.

Rikin Shah: Fair enough. Sir, the only extension Venkat here is that how should we think about opex growth going ahead? Because we are in the investment phase and those branch related costs is unlikely to taper off in the near term. So how should we think about it in next couple of years?

Venkatraman V: See, on the branch related, I will ask Manian to respond on that. But on the cost income related question which you asked, we expect to be operating around the 53% level. The range will be around 52.5% to 53.5% in the next few quarters. And then based on how the growth plays out, we will give you further guidance.

KVS Manian: If you look at our strategy document as well over the 3 years, we have not shown dramatic savings out of the operating cost, right? We are not guided a downward trajectory -- significant downward trajectory on the operating costs, and we stick to that as of now, we stick to that guidance.

Moderator: The next question is from the line of Xiyuan Gau from Schoenfeld.

Xiyuan Gau: Congratulations on a good set of numbers. Just want to understand on the remittance market share that has been trending down over the year. Just want to understand what's happening there? And what's our strategy on that? Is that one of the key focus? Or it's more like we are focusing more on the CA and...

Management: One sec please. You have to repeat your question. That was not very clear. We couldn't hear you.

Xiyuan Gau: Yes. Sorry about it. Just one question on the remittance market share, which has been declining a little bit over the years. But what's our strategy there? And what's driving that decline going forward?

KVS Manian: Yes. I'll ask my colleague, Shalini, to take this question.

Shalini Warrier: So just to come back on the remittance question that you've asked, our remittance market share has normally remained in the range of between 18% to 20%. We do some -- see some differences on a quarter-to-quarter basis, but we operate in that range. Having said that, over the last 6 to 9 months, we have focused also increasingly on 2 things: one, we've ensured from a profitability standpoint that we don't follow some of the trends of giving unnecessary discounts on rates, etcetera. So we've been quite disciplined about pricing. And therefore, our profitability from a remittance engine has actually gone up 14% year-on-year. That's one thing.

The second thing is in order to ensure that volumes continue to come through our counters, we've increased our exchange house partnership and other aggregator partnerships, including stretching out into non-GCC geographies like the U.S., the U.K., etcetera. We signed up with a few more remittance companies, and we are starting to see throughput to our counters. The coming quarters, we will see an increasing share from those partners as the technology solution gets embedded. So through both profitability action and volume actions, our remittance market share remains in that range bound that you saw in the presentation.

We are committed and clearly, it's a very integral part of the business. It's a corollary to our NR business. It's a business we know and understand very well. We have a 3-pronged strategy, including relationship management, operations and technology. We will continue to invest in that business to make it more and more robust and increase volumes on that. Hope that answers the question.

Xiyuan Gau: Yes. And on the corporate recovery, is any of the amount booked in the NII line? Recovery or corporate recovery?

KVS Manian: No. No, the recovery is booked in the provision line.

Xiyuan Gau: Got it. And also, you said that on the yield on investment, we managed to get it higher. Just want to understand, do we change prominently some of our portfolio allocation? Or how does that happen?

KVS Manian: I didn't get your question. Can you repeat it, please?

Xiyuan Gau: Yes. So you're saying that the yield on investment is helping margin this quarter. Just want to understand...

Lakshmanan V: There is no significant change on the investment strategy on the bank. Overall, from an investment standpoint, the mix, duration, etcetera, has already remained the same. It is a marginal move, but nothing significantly on the approach.

Moderator: The next question is from the line of Piran Engineer from CLSA.

Piran Engineer: So just a few questions and firstly, congrats on the quarter. Our agri slippages have been inching up for the past few quarters. Anything to read into this? That's question number one. The second is just a reiteration or just getting back to Mahrukh's question, on loan growth outlook, are we saying that it picks up from this 12%, 13% or 14% level currently in over the next 2, 3 quarters? Or are we refraining from giving any guidance? And third, if you could give us the average CASA ratio for the quarter and the prior quarter, that would be useful.

KVS Manian: So coming to the agri thing it is -- please read MFI in that. It is the MFI slippage that is causing that agri to be higher. Of course, our MFI portfolio is a small portfolio. But yes, there is slippage coming from that portfolio that is reflected in that agri number. So that is one. And as we've said, we have not grown that portfolio.

We have remained focused on asset quality there. And -- but having said that, the slippages are coming from there. That is number one. Second point you had was a guidance on the growth. Yes, we are guiding that -- the growth will -- should get better than 12% that we have seen. Yes, that is a broad guidance. That is true. We don't disclose our -- the CASA number, the average...

Piran Engineer: I mean you've given the rupee crore number, but you've not given the average deposit, so it's sort of you have a numerator not denominator....

KVS Manian: We have not followed the practice of giving that, we can...

Management: Given average CASA and EOP -- details of EOP for the rest of the split.

Piran Engineer: Yes, exactly, which is what the question is...

KVS Manian: We've already disclosed the CASA average, right?

Piran Engineer: Okay. Fair enough. And just one clarification, this 25 bps February repo rate cut was passed through right from the day after this repo rate cut, correct?

KVS Manian: Yes, yes, yes.

Piran Engineer: That's how we calculate the limit?

KVS Manian: We are on T+1 and 50% of our book is close to 50% of our book is repo. We are trying to migrate the new loans as well as existing loan on renewals, on non-retail loans to T+90, but that is a process, and that will not have an immediate impact on the -- it will take some time to migrate to that.

Moderator: The next question is from the line of Param Subramanian from Investec.

Param Subramanian: Firstly, again, on the NII line or margin. So the NII is down quarter-on-quarter, right, about 2.2%. So I want to understand, there is loan growth in the quarter. So how exactly are we saying that margins are flat quarter-on-quarter because that would imply that interest earning advances are down, right, on an average basis quarter-on-quarter?

KVS Manian: No. So -- Param, the loan growth -- average loan growth is -- and it is about average loan growth and EOP loan growth. That's the difference. That's what is causing the drop in NII.

Venkatraman V: Plus, It's a 90-day.

KVS Manian: Plus, it's a 90-day quarter instead of 91-day quarter. There are small, small things that are making it...

Venkatraman V: REPO rate cut.

KVS Manian: And REPO rate cut. Yes all 3 put together basically.

Param Subramanian: Okay. So actually -- so for example, last quarter on a flat loan book quarter-on-quarter you had shown a NII growth. Is it something related to that as well? You had shown 3% quarter-on-quarter NII growth. So is it that the base was inflated because we're just trying to understand this quarter-on-quarter movement because that is not tallying the margin that you are reporting.

KVS Manian: Yes it's a very technical thing Param. Last month there were 2 extra days. We'll pick it up separately and explain to you. Last month there were 2 extra days. So a lot of these calculations we have gone through. But yes there is no inflation of one and deflation of other all that business in any case.

Param Subramanian: I think I'll take this off-line. Yes. Another question I had on this -- on Slide 35 where you're showing that you've brought down the concentration of top 20 borrowers, depositors. But incrementally we are seeing that bulk rates have gone down right. And gone down more sharply than some of the retail rates. So is this -- are we sticking to this? Or will we be more nimble going ahead because opportunistically that's where the lower cost is?

KVS Manian: So Param actually we have been nimble. If you really look at the quarter 2 to quarter 3 our wholesale deposits drop significantly, and they have actually risen in the last quarter. Top 20 is about concentration not about the overall book. So if you look at wholesale rates were lower, so we did increase our wholesale deposits in the quarter. Q4, the wholesale deposits have actually gone up. And the mix has changed.

Our earlier wholesale deposits used to come from the financial entities. We have reduced dependence on them and actually got it from more LCR friendly and DICGC friendly sources. So therefore, we are absolutely nimble and agile in making sure the top 20 is about concentration. So actually we have expanded the base of wholesale depositors and increased our deposits without increasing the concentration.

Param Subramanian: Fair enough Manian. So basically going ahead also we will be nimble and looking at -- if it is...

KVS Manian: Absolutely. We will optimize cost of funds whichever way we can. And as I said earlier, in an environment where repo rates are only headed downwards. We have to be absolutely nimble in managing our cost of funds and therefore NIM. We will remain on top of that. And I didn't say that. But a small thing like our cash retention limits in our branches have halved in the last quarter. And that adds almost 1 bps to the NIM. So there are n number of things that are possible, and we will remain alert and agile to make sure that we optimize our NIMs.

Param Subramanian: Great very helpful Manian. Just one last question if I may. This has been asked before. Any number you would like to put around the medium-term growth say balance sheet growth that one should be looking forward to?

KVS Manian: Param we have given that guidance right? We have always said we will lay in 1.2x to 1.5x the industry growth rate or the nominal GDP growth rate both are roughly the same metrics, roughly come to the same thing. So that's the guidance that continues. And Param the evidences in seeing that in the results this quarter. If you see we chose to -- we had earlier said that we will choose to grow in mid yield segment.

And we have grown that mid-yield segment at an average of 19%. So clearly our intentions are evident right what we want to do.

Management: Param also on Page 17 of the deck we have also shown a trend analysis of our asset book, please go through that. It's something new that we have added. I think it will offer you a better explanation there as well.

Moderator: The next question is from the line of Deekshant B from DB Wealth.

Deekshant B: Sir congratulations on the strategy working out in our favour. Sir my first question is that, in the previous quarter you have mentioned -- actually in the previous quarter you have mentioned that we will wait for the credit cost environment to stabilize before we expand in the unsecured credit. Can you just paint a word picture at what point will press the accelerator to capture that market which can help us get more sort of credit growth in that market?

KVS Manian: Deekshant you can already see that on our credit card book, we have already started growing much faster. The growth rate is significant. If you have noticed the growth rate on our credit card book. So we think on credit cards, we were more -- we were getting more comfortable based on our underwriting standards and our book. We have got more comfortable and we are already pushing for growth in credit cards.

And both organic and inorganic have grown. We have got a balanced growth going there. That is one. On personal loan as I mentioned I think we have noticed that the slippages have come off. And we are getting more comfortable in growing that segment going forward. And that is one area where we are about to start pushing for higher growth.

The area that we are not yet I would wait for a quarter or 2 maybe is the MFI where we have still not seen slippages or the quality of the portfolio give us comfort to push the accelerator on that. So on the unsecured I would say, cards and PL we are okay to grow. On one we have begun to grow already. On one we will begin to grow now. And on one we will pause for a while more if that answers your question.

Deekshant B: Sir you mentioned the credit costs. If you can give us a ballpark number on like out of our total profitability, INR4,000 crores this year how much would be the profit from credit cards?

KVS Manian: It's still very small, very small Deekshant. So…

Deekshant B: So any ballpark number would be fine because the...

KVS Manian: And card business is about scale as well. It needs some time to scale up and deliver profitability. So right now the profitability is nothing much to write on about, still early.

Deekshant B: Are we above our breakeven cost right now sir?

KVS Manian: Yes we don't lose money. We don't lose money but we don't make money. Enough yes.

Deekshant B: Got it. Sir you have mentioned that we are right now going towards much more of a fixed interest loan book. And as you -- from a philosophical perspective also from a value perspective also, we believe in having much more fixed loan interest book going forward. So let's say in the next 6 to 7 quarters from 30% what is the growth that we are aiming to achieve?

KVS Manian: No, no. Deekshant there is a nuance difference between what you are seeing and what I would like to communicate. It's not that we prefer a fixed rate book. It is just that there are products which are better done on fixed rates. And when we move car loans from floating to fixed we thought we were getting more aligned to the markets. And also playing some part of our book -- better ALM match on some part of the book.

Playing -- we don't want to overplay the fixed rate game because that game looks good in some part of the cycle. And it will not look good in some other part of cycles. So we don't want to overdo any of this. We need to get the right portfolio mix, right balance the portfolio between fixed and floating, long and short. All of that we need a reasonable mix so we don't have a strategy to push very strongly for fixed product -- fixed rate growth.

Deekshant B: It would be in this range, plus-minus 2% to 3%?

KVS Manian: Difficult to comment-- I don't know the math on that. But let me put it this way. If you see CVC we want to grow fast which are fixed rate products right? Car loans we want to grow fast which are fixed-rate products. Personal loans and gold loans are fixed rate products right? So I would say -- and you know we want to grow these. So it will play out. I would say and corporate is largely floating rate and therefore it will be lower growth than these. So I would say, yes, it will inch upwards. I haven't done the math on where it will get, frankly.

Deekshant B: Sir, one last question here is as we are going towards more of expanding our CA book and also our corporate banking, could you just give us some sort of clarity into what is our major focus into the next -- which is the current financial year? I'm sorry, I wasn't able to enter into the Mumbai event that you had, I wasn't in town?

KVS Manian: No. So broadly speaking, current account is, of course, not only corporate. It is a corporate and retail strategy. We have said that we need to bring more focus into that. And, of course, there are many things, products, distribution, all of that we have to see. So current account is clearly -- as we had explained at that time, the big gap CASA ratio is on the current account side because we had 24% plus 6%, 6% was our CA ratio and 24% was the SA ratio.

So therefore, we saw an opportunity in CA and that's what we are continuing to focus both on retail and wholesale. And on the wholesale book otherwise, of course, our focus remains more holistic in terms of a customer based, RaRoC based approach to a customer. We want wallet share, which is a mix of advances, current account, foreign exchange business and any other fee business.

So we remain focused on maintaining customer level risk-adjusted returns. That's our strategy, and that will continue. And that has already begun to play out, as I explained in the -- in my opening remarks, beginning today and we will continue to be the focus.

Deekshant B: Sir, last question here. Our peers in the market have been able to be in the 40% ranges of our CASA book. Do you think that we can achieve that going forward, maybe in the next 1.5 years?

KVS Manian: 1.5 years?

Deekshant B: Like 6 to 7 quarters, 8 quarters?

KVS Manian: No. Look at our strategy document. We have guided that over 3 years we will get to 36% is what we have guided. We're not changing CASA ratio, at the same time growing the book is not possible to change it by 4%, 5% in a year. We will be realistic about it, but we will be able to grow it to those levels. Maybe in 5 years, if you are.

Deekshant B: Okay. Thank you so much. Really appreciate this.

Moderator: Thank you. The next question is from the line of M.B. Mahesh from Kotak Securities. Please go ahead.

M.B. Mahesh: Hi, sir. Just coming back on that margins again. So your yield on advances and cost of deposits have moved into different directions. So the number of days doesn't explain that moment. That's one. Second one is that in the last two quarters, you have significantly reduced your wholesale or the lower-yielding advances, it should have been margin positive on the yield side, even if you have some offsetting factors on the EBLR reduction? Just trying understand what are we missing here?

KVS Manian: Mahesh, as I said, there are many small elements which have caused the -- Venkat, do you want to take that?

Venkatraman. V: Sir I am saying only on the absolute NII drop, Mahesh is the 90 and 92 days, not on the NIM percentage. I hope that is clear.

KVS Manian: Yes. So the response on the 90 days was NII minus 2%, not on the NIM, okay? So just -- just clarifying that.

Moderator: Thank you. The next question is from the line of Jignesh Shial from Ambit Capital. Please go ahead.

Jignesh Shial: Thanks for the opportunity. Primarily, I wanted to understand, we are seeing a stagnation in your home loan book overall. You are saying you're focusing on better yield home loan product altogether. So if you can give some clarity what kind of customer profile or what kind of portfolio are you building it out here? Can you give some clarity on that, that would be really helpful. I have one more, but we will take it up later. But this is, if you can answer it?

KVS Manian: So we are not saying that we want to build a different customer profile. We are saying, as I said, we want to -- we want a more holistic relationship customers while doing home loan business, which means home loan customers should give us multiproduct relationship rather than just home loan because home loan per se is not a profitable enough for ROE accretive product. So the idea is not a different segment, the idea is to have a relationship which is more holistic and therefore look for growth in that kind of a segment.

Venkatraman. V: CA, SA, Insurance.

KVS Manian: Yes. So it can be multiple customers like we have SA he can be a saving account customer, he can be -- he can have our card, he can have wealth management business with us, he can do many things, insurance many things.

Moderator: Thank you. The next question is from the line of Kunal Shah from Citigroup. Please go ahead.

Kunal Shah: So questions are firstly on the ROA levers. When you look at it maybe because of EBLR, we will see compression on margins. Opex also you indicated it might not come off, credit cost also to remain broadly in a similar range. So would fee income maybe the only lever in the near term to manage the ROAs. And when we look at it particularly on the credit RWA, in fact, that's going up because of our focus on the mid-yielding segment.

So if I -- if we have to look at it in terms of return on risk-weighted assets then that seems to be still lower. So what initiatives are we taking to manage that? And secondly, on your EBLR. So EBLR, we could say one daily set, what is the kind of proportion if you look at because of changes which we are making up maybe based on the T-bills and moving more towards the fixed rate. So should we assume that EBLR on one day, in fact, would be broadly at a similar range or it might come up as the proportion of the overall book?

KVS Manian: Second part of the question, I didn't understand. First part of the question, Kunal, of course, like we said this is a multiple variables at play and we have to be agile. I think the only alternative in the current environment is to remain agile and manage these multiple variables. I mean, it is very difficult to say that this is one thing we will do and get our NIM management correct.

So I think our approach to this is like you have seen in the last quarter, remain agile, find options which will keep control on our NIM to the extent possible. Sitting here just now I cannot be telling you what exactly I will do two quarters later because I don't know what the exact situation, and facts at that point will be. All I can assure you is we are being extremely watchful and agile about this and we will watch what are the right steps at each point in time.

Like somebody mentioned on the call, we are on our first few banks to cut our interest rates on savings. So we will remain agile is all I can tell you and that's the initiative if you ask me. And the second part of your question, I didn't exactly understand EBLR related question, Kunal. If you want, we'll take that offline, I didn't exactly understand that question. We can take it offline.

Kunal Shah: Okay.

Moderator: Thank you. The next question is from the line of Parash Thakkar from SORT Capital. Please go ahead.

Paras Thakkar: Yes, thanks a lot and congratulation on a good set of numbers. Sir, first of all, fee income growth was very healthy. So do you expect the fee income growth to remain -- continue this kind of traction going ahead also?

KVS Manian: That is what our desire and intention will be Parash, that is what our intention and desire will be. We will do our best to keep that momentum.

Paras Thakkar: Correct. And basically based on your asset plan for the duration when can we return to the normal NIM, even if the repo rates are cut by 50 bps more, you will try and protect your NIMs, as you said in various ways. But just based on asset liability duration point of view, when can you come back to the normal. I mean that when the deposit gets repriced to the extent the rate cuts happen on the asset side?

KVS Manian: Yes. So about a year, if you ask me, the broad principle wise about a year.

Moderator: The next question is from the line of Krishnan ASV from HDFC Securities.

Krishnan ASV: This was related to Slide 17. I just want to understand the mix as it is moving towards mid-yielding businesses, that's very visible '24 over '25. But is the economics in any of these businesses is also trending given your focus on doing more with the same customers. Can you just walk us through how this economics used to be, say, 2 years back vis-a-vis what are we targeting now and next few years?

KVS Manian: I didn't get your question. Economics in what Krishnan?

Krishnan ASV: The economics of that segment. So the mid-yielding segment, which you have highlighted in orange, which is now at 50%, earlier it used to be at 48%, is the economics of that business. What I mean is the return on assets that you make on that business, what did it used to be, say, 2 years back, The Federal Bank of -- The Federal Bank 2 years back, what would it have looked like? Vis-a-vis what's your aspiration? Where do you intend to take it? Where do you think are the low-hanging fruits to take?

KVS Manian: So Krishnan, broadly in principle, I'm not getting into specifics of each product. But the fundamental choice of mid-yielding assets was that they will be more ROA accretive than the low-yielding products, right? And low-yielding products for ROA accretion need other -- like corporate, for example, can be low ROA lending, but it can enhance ROA through other means like fees and things like that.

Whereas products like CV/CE, these products, they -- on a standalone basis, they have the ability to deliver reasonable ROA, right? Of course, any cross-sell and anything is a bonus on top of that. But fundamentally, some of these mid-yielding products have ability to deliver better ROA. So that's the principle behind chasing what I call the mid-yielding segment.

And historically, of course, there are products there which were -- like, for example, CV/CE is a new business, a relatively new business. It is about a 3-, 4-year old business, a 4-year-old business. And it has gone through a learning phase. Now the team is more confident of pressing the accelerator on that, which was not the case, say, 2 years back or 3 years back, right? They were still learning the business.

We have stated in our strategy document that we'll get into businesses like tractor, we'll get into businesses like business loans, so there are all these mid-yielding -- I think there is immense potential in the mid-yielding segment to look for products which are standalone better ROA products. And that's part of the strategy. I don't know whether I answered what you're looking for.

Moderator: The next question is from the line of Kaushik Poddar from KB Capital Markets.

Kaushik Poddar: Yes. On the cost-income ratio, which is a little high around 56%, 57%, where do you see it in another 2 years?

KVS Manian: In our strategy document, we have given a guidance on our cost-to-income ratio. In fact, it is one item, on which I have not shown gain in reaching our targeted ROA and ROE. And we have essentially guided a flattish cost-to-income number over the next 2 to 3 years. So 53 handles -- that handle is what you should expect in the medium term for us to remain at.

Because we will invest -- we have several elements of investments, which, of course, we will -- as I have always said, we will calibrate those investments along with outcomes on revenue so that we can -- we earned the right to invest through enhancing revenues. But broadly, I would say, we are not expecting significant deviation either way from our cost to income. So if you look at the annual cost to income this year is what 54.

Moderator: The next question is from the line of Anand Swaminathan from BofA.

Anand Swaminathan: Manian, since you've joined, has there been any change in the structure of the relationship in any of the fintech, any product changes, anything you can highlight in terms of any change in approach to your fintech channels?

KVS Manian: So on the card side -- credit card side, of course, we had a regulatory issue on doing business. We have resumed business with one of the fintechs on that, which is Scapia. The other 1 is still under scrutiny in RBI and dialogues at RBI and the partner level. We will see and resume it in a form that may be slightly different, but we'll work towards -- will fit into our strategy.

On the personal loan side, from a distribution perspective, we are enhancing relationships with more fintechs, because we are treating them as distribution partners. And that is something that we are expanding. On the savings account side, just now, there are 2 partners we had, we continue to engage with them in the same way, except that we have reduced focus on numbers and focus a bit more on quality of acquisition of accounts with them and cross-sell. Cross-sell and quality of acquisition has been a higher focus with those 2 partners. So those are the changes.

Anand Swaminathan: Sure. And the decline in the personal loan account number is purely on a conservatism or anything else happening there?

KVS Manian: Yes, like I said, through the last year, we remain conservative on the personal loan. We are looking at relaxing some of that, given the portfolio performance, which has given us confidence to go back and relax some of those norms. But yes, through the last year, we had taken our loans, and that is reflected in the lack of growth in the portfolio and also, of course, the decline rates that you see. Yes. Can we take one last question?

Moderator: Sure. Ladies and gentlemen, this will be the last question for today, which is from the line of Jai Mundhra from ICICI Securities.

Jai Mundhra: Just one question. Assuming no further rate cut from RBI and the basis you have tweaked your savings account, how should one look at the margins in the near term?

KVS Manian: First of all, I must say, ghee sugar in your mouth. No rate cuts from RBI is not something that I'm thinking about just now. But that situation is quite hypothetical. I think there are going to be rate cuts and we have to remain agile and see how we manage our NIM. No rate cut is not even a base case scenario or extreme case scenario probably just now.

Jai Mundhra: Sure, thank you, sir.

KVS Manian: Thank you, everybody. Thank you for joining us today. We really appreciate it. Thank you for all the questions, and we remain committed and confident of continuing on our -- this journey, which is an exciting journey, that we are all looking forward to. Thank you so much.

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