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National Stock Exchange of India Ltd., Exchange Plaza, 5th Floor, Plot No.C/1, G Block, Bandra-Kurla Complex, Bandra (E), Mumbai – 400 051. SCRIP CODE: SOUTHBANK	BSE Ltd. Department of Corporate Services (Listing), First Floor, New Trading Wing, Rotunda Building, P J Towers, Dalal Street, Fort, Mumbai – 400 001. SCRIP CODE: 532218

Dear Madam/Sir

Sub: Conference call for Investors/Analysts –Transcript of the Conference Call

Pursuant to Regulation 30,46 and all other applicable provisions of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015 and in continuation to our letters SEC/ST.EX.STT/116/2025-26 dated October 13, 2025 and SEC/ST.EX.STT/126/2025-26 dated October 17, 2025, we wish to inform you that, the transcript of the conference call for Investors and Analysts held on Friday, October 17, 2025 at 16:00 hrs (IST) is attached herewith and made available on the Bank's website at www.southindianbank.com under the following link:

https://www.southindianbank.com/userfiles/file/sib_q2-fy25-26_earnings_call_transcript.pdf

This is for your information and appropriate dissemination.

Yours faithfully,

JIMMY MATHEW Digitally signed by JIMMY MATHEW Date: 2025.10.22 19:17:50 +05'30'

(JIMMY MATHEW)
COMPANY SECRETARY

Encl.: as above

"South Indian Bank Q2 FY '26 Earnings Conference Call"

October 17, 2025

MANAGEMENT:	**MR. P R SESHADRI – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER, SOUTH INDIAN BANK** **MR. DOLPHY JOSE – EXECUTIVE DIRECTOR, SOUTH INDIAN BANK** **MR. ANTO GEORGE T – CHIEF OPERATING OFFICER, SOUTH INDIAN BANK** **MR. VINOD FRANCIS – CHIEF FINANCIAL OFFICER, SOUTH INDIAN BANK** **MR. JIMMY MATTHEW – COMPANY SECRETARY, SOUTH INDIAN BANK**
MODERATOR:	**MR. HARDIK SHAH – ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to the South Indian Bank Q2 FY '26 Earnings Conference Call hosted by ICICI Securities.

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 '*', then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Hardik Shah from ICICI Securities. Thank you and over to you, sir.

Hardik Shah: Thank you. Hello, everyone. Good afternoon. On behalf of ICICI Securities, we welcome you all to Q2 FY '26 Post Earnings Conference Call of South Indian Bank.

From the management side, we have with us MD and CEO - Mr. P R Seshadri; Executive Director - Mr. Dolphy Jose; Mr. Anto George T – COO; Mr. Vinod Francis – CFO; Mr. Jimmy Matthew - Company Secretary, and other senior officials from the Bank.

I now hand the conference over to the Management for their opening remarks, post which we will have a Q&A session. Over to you, sir.

P R Seshadri: Thank you, Hardik. Good evening to all of you and thank you for joining us for the South Indian Bank Limited Q2 FY '26 Earnings Conference Call. I am joined by a host of my colleagues as Mr. Shah just pointed out.

Let me start with the key highlights of financial performance for September quarter FY '26:

The Bank declared a net profit of Rs. 351 crores for the quarter, registering a growth of 8% compared to Rs. 325 crores in Q2 FY '25. Total deposits grew by 10% to Rs. 115,635 crores from Rs. 105,451 crores on a Y-o-Y basis. Retail term deposits grew by 11% during the same period. Savings accounts balances grew by 10% and current account balances grew by 11% in the same period. Advances grew by 9% to Rs. 92,286 crores from Rs. 84,714 crores on a Y-o-Y basis. One must take into account the fact that in March of this year, at the end of the last financial year, we had taken a technical write-off of Rs. 900 crores. So, if you were to correct for that accounting policy, our gross advances for the year grew at approximately 10%. The total business for the Bank grew by 9% to Rs. 207,921 crores.

Operating profit for the quarter came in at Rs. 535 crores. Net interest margin for the quarter stood at 2.8%. The Bank declared a return on assets of 1.02% and a return on equity of 13.11% for the September quarter. The capital adequacy ratio of the Bank is at 17.70% and the Tier-1 ratio stands at 16.79% as at September 30, 2025. CASA balances, as I mentioned earlier, increased by 10% year-on-year to Rs. 36,841 crores versus Rs. 33,531 crores at the end of the prior period. Provision coverage ratio, excluding write-off, improved by 1,005 basis points to reach 81.29% and provision coverage ratio, including write-off, improved to 90.25% during Q2 FY '26. Overall, gross NPA reduced by 147 basis points from 4.40% to 2.93% on a year-on-year basis. Net NPA reduced by 75 basis points from 1.31% to 56 basis points.

Let me now take you through the other financial and operational performance highlights of the Bank:

We continue to grow our gold loan business, which now stands at Rs. 18,845 crores with an average ticket size of approximately Rs. 2.71 lakhs. The gold loan book grew by 13% year-on-year. Home loan and auto loan, another area of focus for us in the retail segment, on a Y-o-Y basis, they were able to achieve 25% growth in home loans and 25% growth in auto loans. The home loan book, as at the end of September 2025, stood at Rs. 8,849 crores and the auto loan book, as at the end of September 2025 at Rs. 2,288 crores. As at the end of September 2025, our personal loan book had crossed Rs. 2,209 crores.

This quarter, we have been seeing good traction in the disbursal of MSME and retail loans, including gold. On a Y-o-Y basis, our MSME business disbursement has grown by 127% when you compare the disbursals for Q2 of this year versus Q2 of the prior year. Retail loans grew by 51% against the same time last year. As a consequence, corporate advances as a percentage of total advances reduced from 42% in the preceding quarter to 40% now.

With this, we open the floor for questions. Thank you.

Moderator: Thank you very much, sir. We will now begin the question-and-answer session. The first question is from the line of Digant Haria from GreenEdge Wealth. Please go ahead.

Digant Haria: Hi. Thank you for giving me the opportunity. Sir, the question is that if I look at our net interest income line, we are back to where we were say around 10 quarters back, like Rs. 808 crores and if this looks like the other income line item that has done the heavy lifting over these 8-10 quarters? I would just want to understand from you if it was just this environment which led to this particular thing in the net interest line item that our yield dropped and competition was very high or was it something else? And just that in the other income line item, is it recurring? That 1.6% of our assets, is it something that can continue or there has been windfall gains over the last 8-10 quarters in this line item? That is my question, sir.

P R Seshadri: Thank you very much. I think that is a very good question. So, I will try and answer the first question first. The net interest income, the yield compression that you saw was an account of the reduction of the external benchmark rates. So, when RBI announced the 100 basis points cut during the first half of this year that is what is going through now. In our case, we ensured full transmission as quickly as possible so that we got to the bottom of the rate cycle. So, what you see now at 2.8% is, to the best of our knowledge, the lowest ebb in terms of interest rates from a NIM perspective. We expect NIMs to recover going forward. And the reason why we are a little bit more impacted than other banks is that we had a large corporate book and within that corporate book, we had a large preponderance of very short duration assets, and you can see that in the quantum of disbursal. So, every quarter we tell you how much we disbursed, and we put out numbers like Rs. 50,000 crores of disbursals. A large component of that is actually disbursals to corporate accounts for 15 days, 30 days, and so on and so forth. So, when the repo rates came down and there was significant infusion of liquidity into the system, the short end of the assets actually yield dropped significantly more than in the longer end. And since we were overexposed to that, we got impacted than some of the other institutions who have actually come out with their results so far. But during this quarter, there have been some secular changes in the construct of our balance sheet. If you have our investor deck, you can see that the quantum of loans that we are doing both on retail and MSME has risen very dramatically. And the total proportion of loans to corporate, after a very long time, has actually started moving in the direction in which we wanted it to move, i.e., to reduce. So, our view is that this 2.8% that you see right now is perhaps the trough that we have hit. And going forward, you would see NIMS expanding. So, that is our view. With respect to other income, I will turn this question over to our CFO to answer as to how predictable and repeatable this is. Our own view is that if you were to look at our income over the last 10 quarters, we have been in the same ballpark number for a longish period of time. And at a preliminary level, we don't see very significant issues with that. So, over to Vinod, our CFO, to give you more detailed answer.

Vinod Francis: Yes, good evening. So, a question on other income. We have been almost in the same line for the few quarters and the extra income that has one-off item that has come in this line item is hardly Rs. 50 crores. So, except that everything are repetitive in nature, which we can expect in the coming quarters also to flow.

Digant Haria: Sir, you mean it is more transaction, it is more recurring in nature, and it is linked to the balance sheet growth or the services that we provide. Is that and then we don't go back to what we were 2 years back, say just 1.2% of the assets, we don't go back to those numbers again, right? Is that the right assumption?

Vinod Francis: Yes, we don't expect to go back to that level. Because hereafter the incomes what we see is a repetitive of nature and we expect that to come in the coming quarters also.

Digant Haria: Right. Sir, thank you and that is a very detailed explanation. Sir, last one small question I had is on the gold loans. We have almost reached Rs. 18,800 crores, but sir, if you just see the gold loan market in general, it is exploding like most of the NBFCs are doing something like 7%-8% growth Q-o-Q, not Y-o-Y, quarter-on-quarter. So, I just wanted to know that do we still do it more like an agri loan product or we are genuinely putting our energies in it as a retail/SME product where we can probably charge more also, but we have to be a little faster in giving and disbursing the loans and stuff?

P R Seshadri: So, I think we are as good as the best of them in terms of having a process that is simple, quick and easy when it comes to customers. We also have an income generation product, which is allowed by the new RBI regulations. So, we have got every product that the street actually needs. I think we have some leeway on the pricing side, which we have yet to sort of explore. So, from our point of view, there are limits to how much the gold can actually grow. As a Bank, we will start hitting prudential caps at some point. At this point in time, we are about 20.4% of our balance sheet is gold. So, it is not possible for us to expand this indefinitely. So, I think we have had approximately Rs. 1,800 crores or so of very significant growth. We think that will continue in the near term. But at some point in time, we will have to pull back and see what is appropriate for a balance sheet of this size. And we think that there is an upside on the yield, which we hope to capture during this quarter.

Digant Haria: All right. Thank you so much and all the best. Thank you very much for the detailed answer.

Moderator: Thank you. Next question is from the line of Aditya Mundra from Mytemple Capital. Please go ahead.

Aditya Mundra: Yes, hello. Are you able to hear me?

P R Seshadri: Yes, go ahead.

Aditya Mundra: Thank you for the opportunity. Just a couple of questions. Sir, typically our yield on funds, not advances, the fund is about 7.13%. So, just to clarify, what do you take in the denominator on the fund side exactly?

P R Seshadri: Let me turn this over to Vinod Francis – our CFO, to answer that in detail.

Vinod Francis: In the case of cost of funds, we have the denominator with the treasury operations also. So, that also comes as a denominator.

Aditya Mundra: Sorry, sir. If you could just come again, I missed it.

Vinod Francis: Yes, with regard to the yield on funds, the current number is 7.13%, but the denominator includes treasury operations also, the funds raised and lent by the treasury. So, that yield generated by the treasury also flows into that yield on funds.

Aditya Mundra: So, along with your other liabilities, which is deposits and Tier-2, it is the treasury liabilities, treasury funds raised also, which is included in that?

P R Seshadri: Yes.

Aditya Mundra: And both on the cost of funds side and yield on funds side?

Vinod Francis: Correct.

Aditya Mundra: And sir, like you mentioned, the NIM will bottom out most likely with 2.8%, but RBI recently was a bit more dovish in the sense that we can expect some more cuts. So, in spite of that, do we expect the NIM to stabilize here and then maybe improve?

P R Seshadri: I mean, if RBI were to cut. Yes, go ahead.

Aditya Mundra: And just for the credit cost guidance also, because I think it is probably the lowest credit cost that, so what is the annual credit cost stabilized number that we should take? So, these two were the last questions?

P R Seshadri: So, with respect to NIM, it is hard for us to, if the reference rates were to drop again, there will be an impact on our NIMs. We are not insulated from that. And the way we have been sort of passing on these expeditiously, I suspect we are one of the banks where the entire transmission has already taken place. And from our point of view, it is better for us to have visibility on the underlying rates, as opposed to trying to stagger them over a period of time. So, therefore, as long as there is no incremental change to the reference rate, we are reasonably confident that our NIMs will only recover from here. However, if there is a change to the reference rate, the impact will be reasonably quick on our P&L. So, there is this possibility. If RBI's tone is dovish, there could be an impact. We have a few levers, which we will try to mitigate that best we can. But having said that, those impacts will flow through. With respect to cost of NPA or cost of credit, our slippage ratio was at 21 basis points. Last quarter, it was at 20 basis points. Our portfolio continues to be in good shape. Our SMA2 is at about 30 basis points. SMA1+2 is well shy of 100 basis points. So, we are reasonably confident that the cost of credit in the near term will be very contained and at levels that you are seeing at this point in time. I don't think there is much challenge on that. Let me just turn this over to our CFO for a more detailed answer.

Vinod Francis: So, nothing to add more on to what our MD has mentioned. So, we expect that in the coming quarters, the yields to pick up and the NIM to get improved in the coming quarters.

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

M B Mahesh: Greetings. Two questions. One is on the ECL guidelines. If you could just kind of give us some numbers around what is the current stock of SMA 0, 1 and 2? And how are you looking at the guidelines from a P&L impact?

P R Seshadri: So, thanks, Mahesh. Our SMA 1 and 2 is about 80 basis points. 0 is in the neighborhood of about 200 basis points. I don't have the exact number with me. It is in ballpark in that level. So, we are moving from about 40 basis points to 500 basis points. The Stage-II assets is defined as 30 plus and above, right? Not SMA 0, 30 plus and above. So, basically, I have to keep 460 basis points incremental provisions over less than 100 basis points of assets. So, we don't think that is going to be a very big challenge, Mahesh.

M B Mahesh: Sorry, you have to go through some numbers. I think it is a bit fast for me. What is 500 basis points and 460 basis points?

P R Seshadri: So, basically, the , ECL norms that RBI has just said, basically says that in Stage-II assets, where we were keeping 40 basis points of reserves, that has to move to 500 basis points. So, there is a 460 basis point delta there. So, that delta will get applied to a portfolio which is a little less than 100 basis points. Ballpark is SMA 1 and 2 for us. So, if you apply this 460 basis points on 80 basis points, it is not a very material number in terms of impacting future credit costs at this point in time. And we are holding on an experienced loss basis, we are holding fairly conservative levels of provisions because our provision coverage ratio, including write-off, is north of 90% and excluding write-off is north of 80%. So, we don't see very significant impact, frankly, at this point in time, because the portfolio is very tightly controlled.

M B Mahesh: Perfect. And this is your second question. On the cost of funds, how do you see cost of funds kind of moving over the, or cost of deposits moving in the next 2 quarters, I think, if you have visibility of that?

P R Seshadri: See, we are seeing some tightening of liquidity. I think there is, but as of this moment, we are not seeing any movement by anybody to increase cost of deposits. We have been trying to manage our cost of money as tightly as possible. We don't, I think, as of this moment, our going in hypothesis is that it is going to be benign and there will not be very significant change going forward. As of this moment, our peak rate at which we borrow is the same as some of the large PSUs in this country. So, we are priced lower than some of our larger private sector peers in terms of peak fixed deposit rate offerings. So, if the rates were to drop and our competitors were to drop a little bit, we will also follow and drop our rates even more. But right now, we think that status quo will be preserved. If anything, there may be a bias towards, unless there is a very significant infusion of liquidity, there may be a situation where it gets a little tighter. But right now, our operating principle is that it won't change and this is the status quo that will preserve.

M B Mahesh: And last question, in terms of near-term visibility, any worry on stress on any of the portfolios, or it looks absolutely clean?

P R Seshadri: As of this moment, we have no indication of stress anywhere. Of course, we have a large corporate book. And with corporate books, you have event risk. So, those will come from left field, but we are not seeing anything material at this point in time.

M B Mahesh: Thank you.

P R Seshadri: Thank you.

Moderator: Thank you. Next question is from the line of Rohan Mandora from Equirus Securities. Please go ahead.

Rohan Mandora: So, sir, during the quarter, we can see there is a sharp increase in both borrowings and investments. So, is it a call that we are taking on the interest rate, or is there something else we should read into this?

P R Seshadri: See, we have grown our HTM book a little bit, because we do believe that we are hoping that interest rates are headed in our favor in the future, which at some level is a call on the interest rate. We have also grown our AFS book. So, if there is a change in the interest rate regime, it will give us a trading opportunity subsequently. And we have used some of this excess SLR to actually borrow and do some treasury-related lending activities so that we can make a little bit of arbitrage on the treasury side. So, if you were to try and summarize it in one line, perhaps, there is a view that interest rates would soften going forward.

Rohan Mandora: Sure. So, that is one. Second is, sir, on Tier-1 capital, what is the AFS reserve movement for the quarter? How much did it decline?

Vinod Francis: So, as on 30th September, AFS reserve is in debit balance of Rs. 10 crores.

Rohan Mandora: Debit of Rs. 10 crores. And so, the Tier-1 capital in absolute terms has declined too. So, is it largely due to AFS reserve?

Vinod Francis: It is not because of AFS reserve. Yes, it is not because of AFS reserve. That is a point only comes around, say, 25 basis points. But the thing is that we have increased our investment book over there. Almost Rs. 7,000 crores have increased. And in the case of the bond repayment, we have repaid the Tier-2 bonds also. So, both has contributed for the entire capital adequacy ratio to come down a few basis points.

P R Seshadri: No, but what has moved? Investment fluctuation reserve has moved from Tier-1 into Tier-2.

Vinod Francis: Yes. We have created the investment fluctuation reserve. So, that has moved the Tier-1 capital by a few basis points..

Rohan Mandora: Got it. And lastly on the slippage guidance for the full year, FY '26?

P R Seshadri: So, slippage as of this moment has been, our total slippage for the first 2 quarters is about Rs. 380 crores or so. We think that full year, if all goes well, we will be double of where we are at this point in time. So, we don't see any material degradation from the level that we are currently at.

Rohan Mandora: Got it. Thank you.

Moderator: Thank you. Next question is from the line of Utkarsh Kedia from BFS. Please go ahead.

Utkarsh Kedia: Yes. Sir, thank you so much for the opportunity. Actually, most of my questions are already answered. I just want to ask about the auto loans. So, as the government are reducing the GST rate, so I actually want to know can the GST rate cuts and easing of regulatory can increase the demand for auto loans?

P R Seshadri: That is our going in hypothesis that it will increase sales of automobiles and it will have a very positive impact on the lower end of the auto market, which was struggling in terms of the ticket sizes, the lower, the smaller cars. Unfortunately, in the month of September, for which we have full data, which is all completely disclosed, for the early part of September, the market was frozen because people were waiting for the GST cuts to take effect. And therefore, we had only 10 days within which, transactions happened. Our view is that momentum continues to remain really strong. And we have visibility to only what we can see through our flows and we are seeing very strong flows on the auto loan side. And if that is an indicator of how strong the market is outside, I would think that the auto sales will be very buoyant as we go into Diwali and post Diwali and so on and so forth.

Moderator: Thank you. Next question is from the line of Rakesh Kumar from Valentis Advisors. Please go ahead.

Rakesh Kumar: Yes. Thank you, sir. So, firstly, pertaining to slide number 13, there has been improvement, like, across the states of the geographies that branch value added that we see. But if we try to see the corresponding number in the P&L, either margin or the core fee number, the percentage to asset or maybe the PPOP as a percentage to asset. So, what could be the corresponding number of this branch value addition?

P R Seshadri: It is very hard to actually put a corresponding number to this. The way this thing works is, it is the expected net present value of future cash flows that the branch is generating. And the branches only sell retail and MSME loans along with depository products. So, the way to find a correlation between Slide #13 and what is really happening on the ground is to see the volumes that are being generated, that is the closest correspondence. So, you will see that MSME business volumes have increased by 127% year-on-year. You see retail has grown by 50% plus year-on-year because the sales value added is based on expected future revenue, and it is represented by the expected NPV of future cash flow streams, it will not have 1:1 correlation with the P&L that you can see. So, I trust that answers your question.

Rakesh Kumar: Yes, correct. So, the second question I have is pertaining to the corporate book, which is close to 40% of our book. And same was the scenario in March ‘24 also. So, credit mix was kind of the same, at least pertaining to the corporate book. Now, looking at the maturity, average maturity cycle and the disbursement run rate, like, corporate book is virtually on EBLR. And rates are obviously have declined and might decline more, as you also have the same view, based on the investment book structure that we have made. But there is no corresponding change that we have seen on the liability side from March '24 to now. So, basically, asset side is taking the hit of declining interest rate. But on the liability side, we do not have such characteristics and because of which margin is looking lower. So, there are two things, either we fund our corporate book, that kind of liability, or we reduce the corporate book itself, so that we do not take that much hit. So, your opinion, sir?

P R Seshadri: No, I think it is a very good question that you ask. Let me, before I get to answer that question, with respect to that sales value added, if you want to really understand what we do, you can reach out to our team, and we can have our decision science folks to walk you through it. So, that you fully, it is a little hard to give a 2-minute exposition on what we are trying to do. With respect to your second question, I think it is a very good question. Structurally, it may not be bad for us to actually not chase balance sheet growth and chase reassignment or assets from one side to another. So, because it may actually give you outcomes, which are a little bit better than doing what we are currently doing. It is possible. It is technically feasible. But having said that, we are operating in a competitive market. We are, size has its advantages, and consequently, were we to do something, it will have a long-term impact on us. As an institution, we have been a growth-challenged institution for a long period of time. And only now, we are participating in the marketplace in a manner which is similar to that of other institutions. So, strategically, from our point of view, we would like to do that. Now, to address some of your questions, we have grown our current account, savings account balances, quite nicely. And our average balances have also grown. We have historically kept our peak interest rates in our book at the shorter end. So, while people are offering high rates in the longer end, we have offered them always at the shorter end. So, our highest rate that we offer today is a year. And 6 months ago, it used to be a year and 7 days. So, our repricing cycle will hopefully happen faster than some of our competitors. So, right now, as you see, our interest rates move downwards. You are not seeing the full benefit that we are likely to get. And we are hopeful that as the year matures, you will see a faster rundown in our cost of money as compared to some of our competitors. And one of the things that we are very conscious of is where we price our deposits. So, to the best of my knowledge, our highest rate at which we borrow money today is the same as that at which the State Bank of India is borrowing money. And there is very little that you can do other than to manage your liability book in that manner. So, we have kept the duration low, we have kept the rates low. The repricing cycle has to work its way through. And there isn't a very large market on the retail side for shorter duration money. So, from a retail customer, I cannot take 90-day money or 75-day money, it is not an offer. From bulk depositors, I can take 30-day money, 45-day money, and so on and so forth. So, we have tried to stay away from the bulks, and we have tried to build a franchise. And the cost of building a franchise is this. Dolphy, you want to say something?

Dolphy Jose: Hi, Rakesh. Dolphy, here. On the advances book, and on the balance sheet mix, that is the effort from our end to get the right mix. So, cycling out the low-yielding, high-quality corporate and replacing it with retail and MSME, so if you see in this quarter's results, we have actually grown the balance sheet, but it is not really lopsided. The growth is across. So, we have the MSME and the retail, both the vertical firing. We had a mutual growth for almost three quarters earlier. And we started picking up from the last 2 quarters, typically. And we are kind of on course with the guidance where we want to grow this MSME specifically in the 15%-18% kind of a growth trajectory. If you see, there has been an 11% growth, Y-o-Y, on corporate. But if you see, YTD growth is only 3%. So, it is a conscious effort, sustaining corporate growth, but really significantly trying to grow the retail and MSME. So, eventually, as MD mentioned that, yes, we were a growth challenged Bank, so we need to grow. And from here on, the mix is going to change.

Rakesh Kumar: Understood, sir. Thank you. Thank you so much, sir.

Moderator: Thank you. Next question is from the line of Jai Mundhra from ICICI Securities. Please go ahead.

Jai Mundhra: Yes, hi. Good evening, sir. Sir, on MSME, right, so this quarter, we have now finally seen book growing versus it was consolidating. So, this is up 6% Q-o-Q and adjusted for write-off would be up 8%. How should we see this momentum as we end FY '26 and maybe for FY '27? What would be the growth aspiration for MSME loan books?

P R Seshadri: Jai, why don't I ask Dolphy to answer that question? Our ambition is to grow this as quickly as possible. We have to, as over the next 18 months or so, we would like to bring the corporate book down to about third of our total book. And that slack has to be taken by retail and MSME. So, for that to happen, MSME bookings have to grow from here. So, let me request Dolphy to give you an answer to this.

Dolphy Jose: Yes, hi, Jai. I mentioned earlier, so the challenge of a 40% share of our overall advance book coming from corporate and to cycle it out is going to take a while. So, what we thought is that corporate as a vertical itself has to cycle out a good portion of the corporate book and get to a stable book with a higher or better yielding book. So, we have lately started, have actually identified this as a mid-corporate group which we intend to start opening up quickly. And that should probably give us some balance in the corporate book itself. And as far as MSME retail is concerned, specifically MSME, we have two bifurcation in the MSME book. We have MBG which is up to Rs. 2 crores and ECG which is above Rs. 2 crores-Rs. 35 crores. This we have got to the green label after good 10 quarters earlier. And now we are positively growing in the green label. And we are as of now around 9% growth in either of the segments, which we are sure that we will end the year about 17-18%.

P R Seshadri: Jai, our aim is to grow this at (20%+) a year, boss, if not more. That is the ambition.

Dolphy Jose: And keep the corporate book stable with a better yielding book. That is the way we go forward from here.

Jai Mundhra: Sure, sir. And sir, MSME, sir, what would be the blended yield, roughly, maybe the range or maybe the blended yield for MSME book?

P R Seshadri: So, the MSME book, which is originated by our branches, where we have large, almost everything is originated by our own folks. There the yield as of now is 10%. The yield that on the bigger ticket stuff, which is, it is a little lower, it will be north of 9. So, there is 100 basis points difference between the two of them. So, that is where the two are.

Jai Mundhra: And last question, sir, on OPEX, right, so far, we have been calibrated headcounts, and maybe the branches also. How should one look at OPEX and when do you start seeing any addition, if any, on headcount and branches? And what would be the result on the OPEX?

P R Seshadri: Thanks, Jai. So, far, 8 quarter or 9 quarter period, we have kept our basically expenses relatively flat. And that has been achieved by taking headcount down. And our strategy was that we will continue to do this till we start seeing productivity in our branches. So, till we fix our systems, till we fix our process, get reasonable products out on the street, we will continue to manage this in a very defensive manner. Now, we are seeing green shoots. At this point in time, we will be looking at some hiring on the sales side. And also some hiring to build some other capabilities. So, for instance, we do not currently have a wealth management proposition. So, hiring to set all of those up, but we will do that in a calibrated and moderated basis. This first half year, we have positive operating leverage. We don't have it for this quarter, but on a consolidated basis for the half year, we do have it. Our aim is to try and keep delivering positive operating leverage year-on-year. Last year, we did have it. This year, we hope to deliver that. So, the message, Jai, is that there will be more hiring. I think the reduction in our staffing levels have reached the bottom. Targeted hiring of sales staff, maybe some amount of hiring to set up new products, all of that will take place, but in a very calibrated manner. So, I don't want to give you a number of how much we will hire, etc. But safe to tell you that probably our headcount will not continue to drop the way it has dropped now. And there will be some increase in expenses, which means that we must, at the same time, build mechanisms to deliver revenue growth as well, which is something that we are working on.

Jai Mundhra: Sure. Thank you, sir. All the very best.

P R Seshadri: Thank you.

Moderator: Thank you. Next question is from the line of Sandeep Joshi from Unifi Capital. Please go ahead.

Sandeep Joshi: Yes, hi. Thanks for the opportunity. Some of my question has been answered. I had a couple of questions. So, firstly, on the retail segment, so the retail segment has grown at a healthy rate of about 22%, about Rs. 26,000 crores now. My question is, is the growth over the last year, is it entirely organic in nature, or do we have some sort of portfolio buyouts?

P R Seshadri: It is largely organic. We do have portfolio buyouts there. But the total quantum of portfolio buyout, I don't have it really at hand with me. We can give you the numbers, perhaps subsequently. Let me see if we can get the numbers now. So, if you have another question, perhaps you can ask that while we try and get to the total number of portfolio buyout.

Sandeep Joshi: Yes, I am just trying to understand, is the intent over years is to grow 20% on organic basis for the retail segment as well? Because in the MSME segment, the intent is to grow by around 20%. Is the intent similar in the retail segment organically?

P R Seshadri: So, on a YTD basis, the growth in the portfolio buyout is approximately Rs. 670 crores.. So, it is across all products. I was saying that the intent in both retail and MSME is to grow (+20%). Those are aggressive goals that we are setting ourselves. We are hoping that we can achieve them. And it does require a fair amount of work, both in our process and systems and technology, etc., which we are really working on. So, we will be growing this balance sheet aggressively, both retail and MSME.

Sandeep Joshi: Got it. My second question is, we wanted to build some digital assets through maybe a partnership model, for example, co-lending also, where there will be no involvement of branch employees. So, where are we in that journey?

P R Seshadri: So, that is progressing really well. So, we do have a series of such co-lending arrangements. So, approximately Rs. 1,500 crores of assets we have at this point in time. We have co-lending arrangements. Our first one was the Amazon Checkout Finance is housed with us. We have housing loan with Godrej Housing Finance. We have gold loans with FEDFINA and IIFL and Rupeek. And then we have personal loans with MoneyView and Muthoot FinCorp, who in turn are riding on others. So, these are all live and there are a whole bunch of them that are in the process of going live. We also have loan against mutual funds, and so on and so forth. So, in our investor deck, page 27, we have listed it. The total balance sheet is north of Rs. 1,500 crores. We hope to end the year at about Rs. 3,000 crores or so, if all goes well. So, that becomes another engine of growth for us. And you were talking about digital assets. These are not the only digital assets we are building. We are also building digital assets with which we can actually engage customers. So, we have an asset called FinCredibles, which is our short video blog asset. And then we have it both in Malayalam and in English. In English, we have more than 100,000 subscribers, approximately 100,000 subscribers to that asset. So, what we are trying to do is most banks have a website and an app, but we want to create something which enables us to originate customers in the future. So, those digital assets are also continuing to progress reasonably well.

Sandeep Joshi: Thank you for the detailed answer. Just a data keeping question. Is it possible to share the recovery and the upgrade number within the movement of NPA for this quarter and the last quarter?

P R Seshadri: Just give us a minute. We will try and pull that out and give it to you. Recoveries for the quarter were Rs. 352 crores, out of which GNPA reversals were Rs. 234 crores. And the interest on NPA reverse to income, approximately 60 crores, right? And write-off to the extent of some Rs. 66 crores. So, recovery from write-off of Rs. 66 crores. So, we can give you the exact numbers subsequently in a manner that is consistent with all the policies that are applicable.

Sandeep Joshi: So, I just want to cross-check. So, the Rs. 350 crores is within the movement of NPA, which is recovery and upgrade. That number is Rs. 352 crores for the quarter?

P R Seshadri: Correct. That is true.

Sandeep Joshi: Is it possible to share what was the number for last quarter?

P R Seshadri: Last quarter was in the neighborhood of about Rs. 250 crores. So, the total cumulative number is present in our invested deck at Rs. 606 crores on page 17. Rs. 254 crores was the number for the prior quarter.

Sandeep Joshi: Got it, sir. Thank you.

Moderator: Thank you. Next question is from the line of Vidhi Shah from CRK. Please go ahead.

Vidhi Shah: Hello, sir. Can I know the current book value and also your guidance on NIM and the total deposit?

P R Seshadri: Ma'am, what was the first question? Current book value?

Vidhi Shah: Yes.

P R Seshadri: Current book value is 40.8, if I am not mistaken, Rs. 40.8. It is there in the investor deck, ma'am. You can take a look at it. And what was the other, Rs. 40.6, NIM guidance. Ma'am, I hate to give you a number, but our belief is that we are at the bottom of the interest rate cycle. So, we are at the trough and we will rise from here. So, we do have some levers which we are employing. But our aim is to get past 3% the fastest we can. If reference rates were to drop and RBI and its next policy or something comes to that that may pose a little bit of a challenge. But absent that, we think that we are at the bottom of the rate cycle and from here, our NIMs would be strengthening.

Moderator: Thank you. Ladies and gentlemen, we will take this as the last question for the day. I would now like to hand the conference over to the management for the closing comments.

P R Seshadri: Before we close, we would like to wish all of you the very best for Deepavali and thank you very much once again for attending this call. We greatly appreciate it. Thank you very much.

Moderator: Thank you, sir. On behalf of ICICI Securities, that concludes this conference. Thank you all for joining us and you may now disconnect your lines.