“Jana Small Finance Bank Limited

Q4 FY26 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day, and welcome to the Jana Small Finance Bank Limited Q4 FY26 Earnings Conference Call hosted by Nuvama Wealth and Investment 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 * then zero on a touch-tone phone.

Please note that this conference is being recorded. I now hand the conference over to Ms. Sanjana Faujdar from Nuvama Wealth and Investment Limited. Thank you, and over to you, ma'am.

Sanjana Faujdar: Thank you sir. Good evening, everyone, and welcome to the Q4 and FY26 Results Conference Call of Jana Small Finance Bank. We, at Nuvama sincerely thank the management team for giving us the opportunity to host this call. From the management, we are joined by Mr. Ajay Kanwal, Managing Director and the CEO; Mr. K.S. Raman, Executive Director; Mr. Abhilash Sandur, CFO; along with other members of the senior leadership team. I would now like to invite Mr. Kanwal to share his opening remarks, following which we will open the floor for Q&A. Over to you, sir. Thank you so much.

Ajay Kanwal: Thank you so much. Good evening, and a warm welcome to everyone. I will refer to the presentation, which has been uploaded, and I will be referring to specific page numbers so we can all be aligned. Let me start by Page Number 3. Last quarter, we had given specific guidance what to expect this quarter, both on PAT, credit cost and slippages. I'm very happy to report that we have met all the guidance’s that we had given for Q4 when we had declared the Q3 results.

The first one was PAT. We said we'll do PAT at INR140 crores to INR160 crores. We have come at INR140 crores. Our net credit cost is at INR156 crores. The gross cost is at INR192 crores, which is pretty much there. And SMA, we said we'll come below 4%, and we are at 3.66%. So all of them are met.

Now let's look at the Q4 numbers with a clear expectation of how the whole stress in MFI is behind us. We had signalled that very clearly in Q3, and you can see Q4 being a clear demonstrable quarter for that. So let me start with -- I'm on Page 3. The SMA for March '26 is lower than even March 2024 at 3.66% versus 3.99%. So we are exiting the stress period with a better SMA book than when we started with.

So the slippages, roughly about INR334 crores are the lowest since the first quarter of 2020, like April to June quarter '25. So in the last 8 quarters, this is one of the lowest slippages. So again, slippages back to where it should have been if there was no stress, we can see that in quarter 4.

Our net credit cost, which was 0.79% for the quarter is down to 0.47%. Importantly, we see it sustaining. So slippages, one of the lowest now among the last 8 quarters. SMA lower than we entered the crisis and net credit cost sustainably at low. So I think from the cost of credit, I think we've got a reasonably good handle now.

Now very importantly is to see how we're doing on the growth side, because the quality side is very clear. Assets have grown 23% year-on-year. Secured assets have grown 28%. We'll go into the details later, but 23% is very strong growth. Unsecured book under the guarantee program now is about 77%, which means 77% of all future NPAs will be covered in terms of expectation of receiving monies from the CGMFU/CGTMSE programs.

Our deposit book has also grown very healthy at 23% and the cost of deposits have dropped by 20 bps in quarter 4 itself versus quarter 3. If you take the full year, the drop is about 50 bps. Now as we all know, quarter 4 is when the deposit pricing is amongst the highest. And we have seen that quarter 4, we have obviously been pricing it lower, so, one should expect that quarter 1 of this financial year, we should probably see a more -- another moderation of cost of funds too.

Our PAT, INR140 crores. And I would like to draw your attention on the right-hand side because that chart is the right chart where you can see cost of funds is declining. The net interest margin is growing. It is growing more than the cost of funds decline purely because less interest in suspense and of course, a very strong and robust asset growth. I will now move on to Page 4. Now these are the key highlights.

First, like I mentioned, deposits now at INR 35,784 crores, 23% growth in FY26. Cost of funds down to 7.46%. We began with 8.03% in quarter 4 FY25. Secured assets. As we all know that we have been moving towards 80:20 secured, unsecured asset mix. That's been our direction for the last 8 years. We have grown 28% year-on-year, 9% in the quarter itself. Our secured book now stands at 72.6%.

I will show you the assets in detail in the further slides. We were the highest ever in our history of disbursements in quarter 4, INR 5,372 crores in secured disbursements. Interestingly, while December, we began the -- what was the best December ever in unsecured, the best quarter in unsecured in 8 years was this quarter, which is quarter 4. Portfolio grew 10%. It actually helped grow the year-on-year growth to 8.5%.

We did the highest ever disbursement in quarter 4, highest ever means highest ever in 8 years of INR 2,522 crores, which is a 24% growth quarter-on-quarter and as I mentioned, slippages are down. Our strategy of ensuring that we put the book under credit guarantee program hasn't changed, which is why the total guarantee program is at 77%. I would also like to mention that there has been a growth in cost.

These are specific areas where we have seen a growth, but we are primed for operating leverage because we have used last year to really grow some of the areas which will provide greater benefit this year. First one is, of course, the guarantee program cost has costed us INR55 crores. It will result in benefit of recovery from NPA from the guarantee programs in the future.

Higher disbursement is led to a cost of INR 77 crores. See, when we give commissions for any disbursement, whether it is a vendor payment for a valuation or a DSA commission or any legal cost, they are all borne upfront. They're not amortized over the period of the loan. That cost is INR 77 crores. So yes, cost is higher by INR 77 crores, but we will see the benefit of interest income in this year itself.

Some of the areas be it investment, collections, used car growth, that's seen a 55% -- INR 55 crores, sorry, of cost growth and of course, the new wage code, which is applicable to all has costed us INR 12 crores. So these are the big ones we have done this year so that we can build the momentum as we go into this year -- into the current financial year, and we will see the benefit of these expense.

Obviously, we don't have the same investment expectation this year. So cost growth will taper off significantly from the current -- the last financial year as compared to the last financial year. So this financial year will be a much lower cost run rate.

I'll move on to Page Number 5. And this is the important page. So first page was around slippages, SMA followed by our growth in asset in deposits, the strong Q4, and this is about the gross NPA. You can read here our credit cost for quarter 4, INR195 crores less recoveries, which is under other income. Starting this time, we've also started mentioning it specifically in our P&L because I think when we do credit costs so that we don't end up with different numbers, we have specifically mentioned it right here itself.

So net credit cost is INR156 crores at 0.47% at gross NPA at 2.33%, net NPA at 0.87%. Our additions to gross NPA has been at INR334 crores. The lowest was at Q1 FY25 before this, it was about INR324 crores. So merely about there. We are comfortable with how we're entering the new -- the current financial year with our credit portfolio health.

I'll move on to Page Number 6. It basically on the left-hand side gives you the state, which shows there is really a broad non concentrated distribution of branches. You will find the same true in the way we do assets and liabilities too. On the expansion plans, we have finished 80 branches in the last financial year, which is FY26. I just want to show you how we have spent that or how we built it.

12 branches are absolutely new. Split branches, size of branch becomes big. We have to split them, largely led by MFI growth, that's 26 and existing branches relocated to better spots to help liability growth as well as affordable housing, that's 42. In terms of cost, really, it is the split branches and new branches, which are really fresh cost.

Relocations are incremental cost only because existing branches do have cost, relocation makes costs higher, but they are not absolutely 100% new. Our FY27 plan is to take the same by another 78 branches, 40 will be relocations. So there will not be addition to the number of branches. 30 branches will split 8 will be new.

So 38 branches will get added as we go to next year. We finished in 822. So expect that to be at 860 branches next year. New products, credit line on UPI being tested right now with staff loans against shares and mutual funds, feared in FX as we go live with our AD1 license. That's broadly the plan for product launches and branches for next year.

I'll now move on to Page Number 8. And you will see here our biggest product is affordable housing, INR 8,174 crores, average ticket size, INR12.7 lakhs. Second highest secured product is Micro LAP, INR6,300 crores is INR6.7 lakhs, then MSME loans at INR5,281, Term loans to NBFC is INR1,935 crores. Strong growth in vehicle loans, which includes 2-wheeler and used cars, which has been an addition last year, which has grown at 79.6%.

Gold loans just like the industry, our gold loan is doing extremely well, and now the book stands at INR 2,358 crores, 140% growth from last year. Others basically is ODFD, some DA, some employee loans. We have seen a drop in ODFD of a large customer, which is why you can see others at negative 43%, but it has no real impact from NIM perspective. Our total secured loan stands at INR 26,332 crores.

Our unsecured book really has INR 9,674 crores as unsecured advances. It has grown at 10% in the fourth quarter. That's helped year-on-year growth of 8.5%. We are very happy with the growth in terms of how it's performing, and we'll talk about it from -- in the next page itself. And it's very good news because not only has the collections come back, but we've also seen very robust disbursements.

It probably points out that there are less players in the market than they were before the stress began because fundamentally, our branches haven't changed. Our number of people in sales haven't changed in unsecured. Yet we've seen such a strong growth, which has been our highest ever. It does point out to some unmet demand.

And so the available players are obviously getting a bigger benefit than they probably would have got if had all players come back. So that does point out to probably an advantage period till other players really come back.

I want to go to Page Number 9, an important page. It talks about our unsecured book. 77.1% of book is under guarantee program. I already told you that we paid INR55 crores in FY26. We paid roughly about INR25 crores, INR26 crores in the previous financial year. We have 77.1% book is covered for any event risk, which may arise. As of now, this book has a net NPA of INR184 crores, which you've highlighted there.

Out of the INR184 crores of net NPA, INR151 crores is under the guarantee program, of which we will receive some of the sums in quarter 3 this year and some of the money in quarter 3 next year. But fair to say that you should expect this 77% of unsecured book through this financial year cross the 90%-95% range or rather come to the 90%-95% range.

This strategy won't change, and we should probably receive our first reasonable size check from the guarantee program in quarter 3 this year. I will also want to highlight that the BC book has started doing 99% since January '26. Our own book has been doing 99% plus since December.

We are sitting in April now. Tomorrow is the last day. I can confirm to you that April will also be 99% for both the BC and the banks own books. So the trend continues to be healthy. I did want to make a mention of April because last April was a very bad one for us. We were ultra cautious this year. And I'm happy to report that, that challenge of April last year is not being seen at all in April this year.

I want to move to Page Number 12. This is our important slide. We always talk about this slide because this is why we do think that the bank has a competitive moat. This is where we will derive more operating leverage, and this is where we'll derive more loyalty from customers as we show you here, roughly about this is for all the affordable housing micro LAP customers.

Our average relationship, which is active is 4. If you add the property insurance and life insurance, we made a mention in the bottom. It will be 6.3 active products, so to say, for FY26. And you can see there has been, I would say, good work across wherever we are short. So I did expect gold to get better from 2.2% penetrative reach 2.9%. I still think there is enough and more room to go there.

We can see our preapproved business loan program at 20% -- it's moved from 18.5%. That's been a positive move. Our 2-wheel has gone up to 1.1%. I would expect this to between 5% to 7%. So all around growth. CASA balances are lower at 23.8% and we need to do some work here to try and see how we can get our CASA balances higher because they were at INR 28,000 crores for the previous year.

Key page for us because we do believe that this will stop the balance transfers out, and this will really create a one-stop shop, which is our anchor bank position for our customer base, which is the middle of India or as we call it the rising India.

I'll now move to Page 14. This is on cost of funds. So first, it shows you our CASA book. Year-on-year 22.6%, term deposit at 23%. We did lose CASA in quarter 4 at 4.8% loss largely driven through some of the government CASA we had where while we didn't have any challenges, we were certainly -- we did see some withdrawals as part of an industry group.

We are hoping to capture some of it back as things settle down, but it was a very short notice exit of some of the government-led CASA, which we couldn't make it up before March end. Other things, which is cost of funds continue to show decline. We would expect one more quarter of decline and then stability after that. Our CD ratio, including refinance is at 82.9%. Again, 83% of bulk deposits are one and above.

As we all know, our strategy always has been to take longer-term deposits and not shorter-term deposits. And as you know, people who put 1-year deposits, even though they are bulk in nature, don't have fly-by-night or a quick exit approach in their mind. So these are very stable deposits for us. And of course, 92% of our retail deposits are more than 1 year. Our LCR is very strong at 143%.

And on the right-hand side, you can see the distribution of geographies. We don't have any concentration risk on the deposit side either. So on the funding side, we've got very good support from National Housing Bank, from SIDBI, from NABARD. We continue availing those as well as grew our CASA and TD book at a strong 23% growth.

I want to move to Page 14 next. sorry, 15. And see, while this page is an important page, you will find that it's very difficult to pick up one thing in this page and saying this is the most standout because everything shows how a digital bank is really making terrific progress across the board. So you take it on the left-hand side, you will see mobile bank registration up 114%, mobile bank transaction up 36% and everything is in large numbers.

But for a bank which is an asset and a liability growth of 23% each, which is essentially focused on doing everything digital, it is normal to expect that this page every quarter will show great growth. And as a country, we are blessed with a very strong digital platform. So even you see

UPI, it's up 67% year-on-year. I would expect us to keep showing such very strong growth numbers in digital space every passing quarter.

I want to now move to Page Number 16. I think the important thing to see other than the -- so our advances is at INR 36,289 crores. These are gross advances. INR 35,784 crores is our deposit base. Our quarter 4 ROA is at 1.3%. Our ROE is at 13% and it does show that this is more like a normal position of the bank and our book value is at INR424. That gives you a sense of what a normalized quarter would look for us.

I would then move to Page 23, so that I leave enough time for questions. On Page 23, you will see that Sorry, the guidance is Page 22. So I really wanted to point out Page Number 22 and not 23 is the guidance for next year, which is a gross loan portfolio growth of 19% to 21%, deposit growth of 23% to 25% and PAT year-on-year should grow at 80% plus.

That kind of summarizes all that I have to say. I really want to point out Page Number 25 before I close because it's just not about quantity and quality. Business Times, along with KPMG judged Jana is the best Small Finance Bank, and that award was given to us in February 2026.

And I did want to share this because while yes, we've been through a stretch period as we're exiting, we are exiting in a very strong and healthy position. And we would try and make sure that we get this award next year, too. Thank you so much, and I would like to open the call to questions.

Moderator: First question from Varun Shivram from Choice Broking.

Varun Shivram: So I have 2 or 3 questions, sir. So first is looking at the NIM improvement in the unsecured business. So I wanted to know, does the bank expect any NIM expansion in the upcoming quarters?

Ajay Kanwal: So Varun, do you want to answer this question first, then you will come with the second one? Is that okay?

Varun Shivram: Yes, sure.

Ajay Kanwal: See, what's happening on NIM is 2 things. One is -- we haven't seen any customer pricing drop in any of our products. So what we were able to secure from customers as pricing, whether it is a microfinance customer or a housing customer or a LAP or MSME, we haven't seen any dip in pricing. What has happened in quarter 4 is because the slippages have reduced, interest in suspense has not increased.

So that is one reason why NIM has got better. Second, we have seen a 10% growth in our quarter-on-quarter on unsecured. That's the reason NIM has improved. Now if you extrapolate that to quarter 1 of this year and quarter 2, we do expect unsecured to keep growing. So yes, that should help NIM grow. We don't expect slippages to rise. So that should hold back because interest expense won't go up.

It won't decline significantly because we are at a very good spot right now, but that will not be the reason of NIM increase. We do expect at least one more quarter of cost of deposit decline. So yes, Q1 is deposit -- cost of deposit decline, improvement in NIM due to unsecured. And then Q2 will be flattish cost of deposit and still slight improvement in NIM because of unsecured growing, and you can expect the same behaviour in Q3 and Q4.

Varun Shivram: So like you elaborated on the slippages trend declining. So I wanted to know in the MFI and the unsecured, whether this trend will continue as well?

Ajay Kanwal: Great. So why don't I ask Raman, who is my -- rather who's a bank ED and who runs the microfinance business, and he has taken over in April last year. He is the reason for this brilliant performance. I would let him answer this question.

K.S. Raman: Thanks, Ajay. So I mean just to give you a little bit of trends, so unsecured slippages were around INR150 crores in the fourth quarter. It reduced by about 35% in the quarter. And if I compare with a year ago, it's reduced by about 50%. Also, the SMA book, if you look at the first line of Ajay on the decline in the SMA book, so the SMA book has also reduced by about 24% and therefore, we do expect the slippages to trend lower during the FY27.

Ajay Kanwal: We don't expect to see the decline steeply because I think we're reaching a point where it's kind of steadied up. And because that 99%-plus that we collect is only so much growth you will get in SMA and slippages. And like I mentioned earlier, our big bump, I would say, last year was not a great April. But today, sitting on 29th of April, I can say we are very, very different from last year.

We will cross the 99% in our unsecured MFI business. Our secured businesses are doing very well. Again, would cross 99% in all of those businesses. We are specifically focused on doing collections in April this year. So I can say slippage in SMA, we are very confident now.

Varun Shivram: Based on that, like are we seeing any stress signals on segments like SME or micro LAP or any housing portfolio side?

Ajay Kanwal: So listen, one is the only slight worry we had was on micro LAP. And if you see our page -- just give me a second. If you see our asset page, which is Page 8. So micro LAP, Varun, last year grew year-on-year only 9.4%. It was the weakest growth amongst all our secured assets. So consciously, we did some tightening across a few geographies, et cetera. We are very comfortable with it.

We don't see -- and I think because we had slow last year, we were able to kind of make sure that nothing that possibly a slip has arrived and whatever we had to kind of collect harder we have done. We are not seeing any signs here. We're very watchful on MSME on what happens with any spill over effects of the Middle East war. Nothing is visible to us, but it's unlikely nothing will impact us.

Right now, impact is unclear. We are very watchful. We're very careful. But yes, so that is the only thing on MSME, I'll be a bit more watchful. Other than that, existing book, I can't see any sign which should change our thinking on SMA or slippages.

Varun Shivram: Okay. Sir, last question from my end. What is your outlook on the credit cost percentage for the coming year? And do we see any additional provisioning requirement for the same.

Ajay Kanwal: So listen, we are not giving specific guidance on credit cost for next year. But if you take a quarter 4 number of 0.47%, which is a net credit cost, which is on Page Number 5, I think that should give you a good signal of what one should expect. I would probably urge you to view that we'll be in the same range or slightly better at best.

Moderator: Next question is from the line of Chaitya from Incred Equities

Chaitya: I had just a couple of questions. The first one is like, sir, the gold loan book has seen good growth this year. So does the yield on the same is at par with the pure play gold players

Ajay Kanwal: See, our ticket size tends to be closer to INR2 lakh. So for that pricing, yes, our gold yields are as competitive as the similar yields in the market. So it's higher than, of course, most nationalized banks, I would say. But it's not as high as the large NBFCs who are gold specialist because our ticket size is a bit more different. Secondly, I do think our opportunity in gold loans, which we need to do more of is our smaller ticket, high-yielding gold loans.

I think we have been less focused on it because the large workforce of our microfinance business, which could have really cross-sold gold in any significant way has been overly busy in collections. I think now that collections are in a steady state with 99% achieving much earlier before the month ends now.

I do expect that this year, our yields will improve in gold as more smaller ticket customers essentially from the microfinance cross-sell will make their appearance. So to answer your question, we are competitively positioned in terms of what customer yields there are. I would expect improvement in yields in gold in the coming financial year.

Chaitya: Okay. So the next question, sir, I want to ask is on the MFI segment, what is the percentage of growth are we expecting for the FY27

Ajay Kanwal: I will let Raman answer that.

K.S. Raman: Thanks, Ajay. And as you are aware, I think last few quarters, there was a stress -- I mean, in 2024 March, we used to be at about INR10,000 crores. And that had come down to INR8,900 crores in March '25. Now it's steadily gone up roughly about 10%. But as we speak, we're still below March '24.

Strategically, our focus continues to remain on growing secured faster. The secured book will grow by 25% to 30% and unsecured book is expected to grow by about 10% to 12%. So that's really the expectation over the next year or so.

Chaitya: The third question I want to ask is, sir, when do we plan to reapply for the universal banking? And what are the chances of getting it approved this time? And do we have any like impact on our valuation and growth trajectory if the application is delayed something like that?

Ajay Kanwal: So yes, now that our results are out, we would get back to working on resubmitting the application. I think that is what was in our mind because we needed the audited results to be completed. And we have maintained the gross NPA of 3% and 1%. So at least these are not the approval criteria, but these are the gating criteria for an application. We are diversified. We continue to diversified. So we do think we probably meet that criteria. But yes, the work to resubmit the application will start now.

The reason we wanted to apply for a universal bank was largely from a liability book position. We thought the velocity of deposits and the cost of deposits will improve as we change our name and drop the word small finance. We have not built that into our financials either for this year for sure and certainly for next year because whether we get Universal or not.

We still think we have a strong business case in our numbers. So when we are giving you the guidance for next year, which is 80% growth in PAT over this year, it doesn't have any impact of universal buying in the numbers.

Chaitya: Okay. And sir, last question I want to ask is regarding CASA. So any growth are we expecting for FY27?

Ajay Kanwal: See, CASA last year, we were in like a real super position in Q3. Unfortunately, for Q4, some of the government CASA went away too short of time to recover. But if you just say even in spite of the quarter 4 hiccup, where we lost about 8% quarter-on-quarter, we still did a year-on-year growth in CASA of 22.6%. Had it not been for the last quarter, it probably would be more like 27% to 30%.

So I think we should expect around 27% to 30% growth this year in CASA. We are very committed to get the ratio up. And our retail business in deposits is doing well. As you probably may have seen the ads, we've been the official banking partner to RCB. We are also upping our marketing spends.

So yes, CASA should do 27% to 30%. Our deposit growth rate, as we have already signalled in our guidance should 23% to 25% and without really taking up the number of branches high. We've already invested in the RMs, and you can see that in the cost increase for FY26. So I do think we are fully invested for a 20%, 25% growth without any significant investments now.

Moderator: Next question is from the line of Viral Mehta from RPML Capital.

Viral Mehta: So my first question is, do you expect the same mix of housing, gold and 2-wheelers to drive next year asset growth? Or do you see the mix changing?

Ajay Kanwal: So easy ones first. Gold, very easy, yes. Housing, yes. Vehicles, yes. I do think Micro LAP, which just did about 9.4%, will do better next year. So it will probably be in the 12% to 15% range. And I do think that commercial banking, which has done about 23.3% will probably be in the same range. So that's what will happen really.

So yes, affordable housing - primary leader, vehicle loans, gold loans, all 3 won't change. I do think you will see a little bit of a pickup in Micro LAP and which is why the total secured advances, which is looking like 27.6% year-on-year last FY -- in current financial year, we should be closer to 30%.

Viral Mehta: Okay, sir. And my second question is, do you see any sign of Iran war impact on your portfolio? How do you intend preparing for a prolonged war?

Ajay Kanwal: So this is a very tough one. There is no significant signs. What you can see is sporadic nature of customers. So I'll give you a simple real live issue. So one of our customers owns a petrol pump. And last thing, you would expect a petrol pump owner not be able to pay an EMI. And he did say that the number of tankers he's getting, which used to be 10 in the past, is down to 2. So obviously, he's getting less fuel to sell.

So obviously, he's feeling a bit stretched. So that's one example. We have not seen more examples like this, but we have to watch out because there will be some impact. It cannot be 0 impact. Now how significant with which customer class, we have to keep our eyes open. Like I said, April collections are very good. They're pretty much like March collections.

So we haven't seen any real impact in our business customers or even our individual retail customers as yet. We are just watching for sectors we have to be careful of in MSME. And fortunately, we always have a secured strategy. So we do think -- we have to keep watching out. But right now, nothing which worries us really.

Moderator: Next question is from the line of Rohit Rokde from Ambit PCG.

Rohit Rokde: So first of all, congrats on the good set of numbers. And so my first question is that how was the outcome of branding with RCB team during this IPL season? Did we see any major uptick in the number of deposits growth in April?

Ajay Kanwal: So April, we have seen a tick up in the CASA and the retail TD growth. I would -- I don't know whether it's sustaining, so I don't want to make a very strong case that this is the way we should look at it, but it did see a lift of about 15% in the month of April itself. I do think -- what I do think we will be investing more in our branding and marketing efforts as we go into this year.

You can see that one of the reasons is last year, there was so many challenges, the distraction of trying to fix the unsecured flow rate so high that we kind of missed a few things. So yes, we will be investing more in branding. And we think the RCB tie-up has been a very good tie-up for us. And fortunately, the team is playing well. So we hope that they continue playing well and we get as much advantage as possible from their good performance.

Rohit Rokde: Okay. My second question is that have we made any claims to CGMFU yet? What can we expect in terms of recoveries from them during the current financial year?

Ajay Kanwal: So I'll let Raman address that question.

K.S. Raman: Thanks, Ajay. No, we have not made any claim from CGMFU in FY26. The claim will start from Q3 of this financial year.

Ajay Kanwal: So per their process, no, I think July, August, you kind of start loading the claims. And around October, you should expect the payout. So no claims can be made, but it shall be made in July, August, with October being the first month, we should probably expect some payment. Our rough and ready estimate is we should expect about INR65 crores under CGMFU in quarter 3 this year.

Rohit Rokde: Okay. So my third question is actually how is the Used Car business performing now? And any new product launch expected during the current year?

Ajay Kanwal: Yes, so Used Car, for everyone's information we launched in October last year. We are now doing a strong run rate of INR25 crores disbursal a month. We have a scorecard, which has been tested. It's a digital process tested. We have got hundreds of partners, which are large distributors of used cars who are already signed up. which is why we are doing INR25 crores in March, and we expect to improve that.

We are operating in 15 cities. We expect to take that up to 35 cities by September. So used car touchwood launch has gone well. We should see some scale up this year. And we like everything we see about that business.

Rohit Rokde: Okay. Sir, my final question actually. So what was the reason for DA transaction which was done during the year?

Ajay Kanwal: Yes. So as you know, we have target to meet both SMF and Agri. SMF is small and marginal farmers and then the overall target of 18% on Agri. We comfortably meet the SMF target, which is a small and marginal farmer because we do a lot of -- we have -- as you know, we have 30% plus of unbanked rural branches, and we do engage a lot of farmers with our MFI group loan and individual loan product. We don't have much of corporate Agri business. We have -- we hadn't developed it.

So we tend to be short on Agri assets and which is why we do some DA, which is only about INR284 crores as of March end to meet the Agri criteria, it is so nothing else. As you know, small finance banks can't do any PSLC transactions. Unless they're short or long in any particular subcategory. And so this is just to meet that short requirement. We are starting to do Agri supply chain. We had hired the team in last year.

We have seen the first transactions actually start now. So I would still think we'll do probably a few DAs this year because the book is expected to grow -- the asset book will grow about 21% or 19% to 21%. So we will certainly need to do our quota of SMF and Agri. But I do think it will be not a big number at all. INR284 crores in already INR 36,000 crores book is not a big number.

Moderator: Next question is from the line of Suraj Shinde from Yes Securities.

Suraj Shinde: So my first question is on the recovery side. So recovery from bad debt is at around INR120 crores. So does this stand seem sustainable to you, sir? Or how do you see in the future as well?

K.S. Raman: The recovery, I mean, if you look at our last few years, we've seen similar trends in terms of recoveries. So these are primarily from accounts which are either fully provided or technically written off. And just from an accounting standpoint, some of it can be booked under the revenue line, but the bank's credit cost is to be adjusted with these recoveries as if the recoveries were not made. And that's really the key point. So I mean, back to your question, can we look at a similar trend going forward? I do believe so.

Suraj Shinde: Okay. Great, sir. And second question is on the cost of deposits have been sliding down. Do we know what is the incremental cost of deposit for this quarter? Given the tightness of liquidity, how do you intend to sustain that low cost of capital?

Ajay Kanwal: So listen, April, to be honest, has been -- there is not as much tightness of liquidity. I think the trend that is in the banking side is 84% of all new deposits in banking not Jana -- is in term deposit, only 16% is coming in CASA. So the real hard yard for certainly us and I guess, a lot of our peers is to grow CASA. Like I mentioned, quarter 4 is when you kind of have the biggest price amongst banks for deposits.

We have seen our quarter 4 pricing for deposits in FY26 lower than FY25. But because most of the deposits are really March maturities, you will see a full impact in quarter 1 this year. So yes, quarter 1 this year, cost of deposits will fall. Are we seeing a significant tightness in liquidity? There is no tightness in liquidity, which is visible. I think -- but do we expect interest rates to decline further?

I don't think so. I think we should see at least in our head from what we see customers doing and competition doing, you should expect flat interest rates. So no more decline beyond Q1 is how I would read it. So Q1 will probably be our lowest point of cost of deposit? Yes. And if we can do some better magic in growing CASA beyond the 27% to 30% that we are trying, then our cost of funds could come down in the further quarters.

Suraj Shinde: Okay. Great to hear. And one last question is on the borrowing in the Q4 have gone up significantly, around INR1,500 crores raised from financial institutions. So what is the cost of this fund that we have raised? And why we have raised this fund? So where do we see the utilizations coming from?

Abhilash Sandur: Sure. So to answer the first part of your question, which is the rate. The cost -- these are being raised from NABARD, SIDBI and NHB. Typically -- and these are longer tenure 10-year sort of borrowings. And the blended cost of these borrowings is around 7%, 6.9% to 7%. That's the range at which we borrow. So essentially, what it does is it primarily the focus of these borrowings is to enhance our ALM -- so because these are 10 years, 8 year and so on.

So this helps in improving our ALM. These are also long-term borrowings. So long-term stable borrowing. That's the reason we raised it. And also, there is no CRR SLR impact on these borrowings. So combination of these 3 is why we do the borrowing and the rate, which I explained is around 6.9% to 7%.

Ajay Kanwal: So clearly, I mean, the rate of this borrowing is lower than our cost of deposits. So that is one. The tenure is longer. And we are fortunate to have the refinance books available. So you have to have an affordable housing book, which meets the criteria of National Housing Bank to get refinanced. You need to have the MSME book to get SIDBI. You need to get the Agri book to meet NABARD. We have those asset books.

We could borrow more, honestly, because it's lower cost than deposit, but we also want to be prudent. So we tend to have about 12% to 15% of our total book funded through these long-term quasi-government financial institutions. And we intend to kind of remain with this percentage even going into next year or rather into this financial year.

Suraj Shinde: Okay. Okay. Sir, last question from my side. What is the guidance on the cost-to-income ratio for this financial year? Can this become -- can this come down below 60%?

Ajay Kanwal: We will make every attempt to do it. And I can tell you what will be in its favour. First is, like I said, a lot of the big investments that we made this year because the cost has been running hard relative to our revenue this year, I think that will show better results next year. So we don't have to spend so much in cost growth in current financial year. Secondly, our revenue will run much faster because obviously, we have had a very strong quarter 4.

We are also seeing an unsecured growth, which was a challenge last year. So if you take a combination of those 2, and of course, lower cost of funds this year versus average of last year, we should see better revenue, lower cost growth and hence, a better cost income. I just want to tell you and everybody else on this call that March '24, our cost income was 57%.

As a management team, we always remember that number. It also tells us that where we could be if things settle down the way we wish it to be settled down. And yes, we would be working as hard as we can to bring this down more significantly as fast as we can.

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

Ajay Kanwal: Thank you so much. Folks, I think first is to all our analysts, investors who are on this call, I must thank you for your patience. It's been a tough journey from April '25 to December '26. I think those 7 quarters have been hard for us. And thank you for your patience and beliefs. We did signal that quarter 3 was our bottom quarter. And quarter 4, just to make sure that nothing was lost in terms of what people should expect, we had given a quarter 4 guidance.

That's the only time we've done it, and that's only when we will do it. And we've met those guidance's. I think we're exiting the crisis in a much more solid shape, with SMA book lower, with secured book higher and with more diverse businesses because certainly, we have seen the gold business become a real business of size in the last 18 months. We have seen used cars quickly ramp up and now become a contributor this year. I missed answering a question in the past now that I'm talking about, remember, what are the products to be launched.

Our credit line on UPI, we've done all the work. We do expect that to have some solid results. That will go live this year. Our AD1 license with FX opportunity along with trade will go live this year. So we do think that we are very conscious on one thing. We've seen a big cost growth last year. We don't want to see that this year.

So very measured in terms of what we will spend on cost and we'll maximize our growth, which we have seen in quarter 4 and continue same growth through this year. And I really would try my best along with the team at Jana to make sure that we more than meet our guidance. Thank you so much.

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