Jana Small Finance Bank
A SCHEDULED COMMERCIAL BANK

"Jana Small Finance Bank Limited

Q1 FY27 Earnings Conference Call"

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ICICI Securities

CHORUS CALL

MANAGEMENT:	**MR. AJAY KANWAL – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER** **MR. KRISHNAN SUBRAMANIA RAMAN – EXECUTIVE DIRECTOR** **MR. ABHILASH SANDUR – CHIEF FINANCIAL OFFICER**
MODERATOR:	**MR. CHINTAN SHAH – ICICI SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Q1 FY27 Earnings Call for Jana Small Finance Bank, hosted by ICICI Securities 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 this 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 call over to Mr. Chintan Shah from ICICI Securities. Thank you, and over to you, sir.

Chintan Shah: Yes. So thank you, Iqra. Good evening, everyone, and welcome to the Q1 FY27 Results Conference Call of Jana Small Finance Bank. So first of all, I would like to congratulate Jana for the very strong performance in Q1. So from the management side, we have Mr. Ajay Kanwal, our Managing Director and CEO; Mr. Krishnan Subramania Raman, Executive Director; Mr. Abhilash Sandur, Chief Financial Officer; and other senior management team members.

So now without further ado, I would now like to hand over the floor to Ajay, sir. Thank you, and over to you, sir.

Ajay Kanwal: Thank you, Chintan. Let's move, folks, to our investor deck. I will speak of the deck. I will start with Slide number 3. And before I start, apologies, I think we are slightly late. So our profit for the first quarter, which is PAT, is INR155 crore. I think importantly, we have seen that our NIM has backed up now to 7.5%. It is made up of two real important contributions, the NIM increase. One is the cost of fund, which has been declining. So it's a 50 basis points decline year-on-year.

And second is the reduced slippage and NPA primarily on unsecured, which is why the interest in suspense is reduced and NIMs are improving. And of course, we have also see in our second quarter now sequentially of unsecured growth. So we have got the NIMs back up to where it should have been had there been no microfinance stress. So 7.5% NIM is what we see.

If you look ahead in the year, we would imagine our cost of funds would be flattish. Things have become a bit harder in terms of pricing of deposits in the first quarter, and we expect that to stay there for some time. And in terms of our assets, we have seen most of the change, which is improvement in both NPA as well as growth in unsecured.

Slippage is very important because it's not only lower year-on-year, it's also lower quarter-on-quarter. And especially people who have been on this call with Jana every quarter will remember that our first quarter last year was really a difficult one for us. So for us, there is an extra pleasure in seeing the first quarter come out well.

Our net credit cost is flat to our quarter 4 at 0.45%. Our secured assets grew at 29%. Slight increase in overall SMA, which we have pointed out here, more to do with the way the first quarter works than anything challenging that we can see in our books.

Deposits have grown strong year-on-year, though the first quarter has been flattish. And CASA growth has been great, 31% year-on-year, and first quarter has been very strong. So our retail deposit growth in CASA has been great in the first quarter, but overall deposits flat.

Folks who have been following us do know that we did raise some capital, out of which the first INR103 crore have been received by the bank. Once the TVS Group is approved by the Reserve Bank of India, we will certainly be receiving the next INR80-odd crore, and the balance, 75% of the total INR728 crore will come over the period of 18 months.

So overall, a very important quarter for us. It kind of cemented quarter 4, because quarter 4 was a real MFI is behind us, we have a very strong secured book. And first time we saw the PAT really come through. This is second quarter following that, and it's a very important quarter from that perspective. And during the first quarter of the year where things get a bit difficult, that ending like this gives us great confidence.

I will now move to Page number 4. We've never addressed this holding company rating downgrade in the past in such an obvious manner, which I thought I'll use the opportunity to. So as you all must know or probably should know, because Jana Holding and JCL have been our promoters for the longest period, they are the ones who hold the approvals.

The job of the holding company really is to invest in the bank, and they right now hold 16.9% stake. Their peak was at 44%. So last 4 years, they have been either mostly diluted because they've not been giving the bank capital. So bank has been raising capital since June '22, either through IPO or other private investors, but not through its holding company, which is why the 44% has been coming down.

And the last 4.99%, they've committed to sell to TVS Motors. So again, that 21% to 22% odd is down to a 16.9%. We really don't have any other connection other than the holding are promoter name. There are no Board members which are common. There are no cross-default linkage etcetera.

However, India ratings felt that since they had to downgrade the JHL and JCL rating, which fundamentally was a technical default to our minds because the NCD holders wanted more time to sell the shares and they've asked for 6 more months. There are no retail investors, there's nobody going to quote over it.

It's just an issue investors felt that our bank share price possibly has more opportunity in the future, next 6 months than they saw it currently, which is why they want 6 more months they want the extension done. But because of extension, it was a change in the original conditions of NCD issue, so it became a default moment.

We have seen both our share price and our business, and we find that our investors and clients have understood it. We are very thankful to both, and it is BAU for us. Following this action, which was on the 1st of July, CARE took their action where they said they are not putting us on watch, they're not doing anything. They obviously had anticipated this that some days, some challenge could happen, but didn't find that should impact the bank's rating or put it under watch. So that's putting this promoter event behind us as a nonissue, but I've also explained it that there's really no challenge except people at the holding company level wanted more time to sell.

I will then move on to our Page number 6, and I will do that because I realize there's a lot of questions. On this page you'll find our credit cost at 0.45%, which is flattish to Q4. And as you know, 0.45% credit cost was the lowest point of last year, and Q4 is always the best quarter. So I think that it is flat to Q4, which is a great positivity.

You can also see in the second box, additions during the year, where our additions to gross NPA below 291, again, it's been on a decline, but this has been a very good number for us. And now our gross NPA now stands at 2.24%, our net NPA 0.85% of the gross loan book and PCR rate at 62.4%. So credit wise, I think first quarter being strong gives us great confidence of what this year we can expect.

Sometimes there are questions on branches, so let me share. We are planning to open 78 branches. Only 8 of them are new branches, 30 are split, which means a branch really has too many more customers and we really need to split the branch for better management. So we'll split 30 branches into 2 separate locations.

This means only a premises cost and not a people cost largely. There are 40 relocations, which means the branches are not in good spots. We think if we change them to better spots, then we'll get more business. And so the 40 relocations, 30 split, 8 new branches are planned. We have executed on 7. And that's the plan for this year.

In terms of product launches, we have been testing the Credit Line on UPI now for a little over a quarter. We think we've got all the bases right now. We should go public with the Credit Line on UPI this quarter. We'll also be launching our loans against shares.

Our Nostro, etc., would be set up this month. We don't have an FCNR(B) offering right now. But if we are able to kind of put everything together and be comfortable with it, we may do a small one in August or September. But right now, FCNR(B), if that's a question in your mind, that is not something that we are ready to offer. So that's about the branches, what we expect and rather what's the plan and what products we are planning.

I would like you to move on to Page number 9. We always share the page. It tells what's growing and what's not growing. The things which are really growing superbly well and giving us great confidence is our affordable housing book, our MSME book, our vehicle loan book, our Gold loan book, and for last quarter, certainly, the MFI book, which is unsecured advances. All these businesses have immense strength in them. They've very well year-on-year and we certainly see them growing.

By design, we have reduced our term loan to NBFCs. It probably will keep this flattish as we go into the year because our own product lines are so strong that we will be able to do a 20% to 22% growth rate purely from our own businesses. So our NBFC might end up being flattish. That's our current thinking.

The one business which wasn't designed to not grow in the first quarter, which is Micro LAP. We have been slowly trying to amend the model more towards direct sourcing. It causes a blip in the quarter. So that's something that we are working on, and we will bring it to the positive growth rate second quarter onwards. That gives you a sense of what it looks like on the asset business, what to expect.

Since we have affordable housing, micro LAP, MSME, vehicle and Gold loans, we have five product lines in secured versus one unsecured product, which is basically MFI, nothing else, it is natural to expect that we'll always have more secured loan growth than unsecured loans every passing year. So our journey from a 72.8%, towards 80% will happen every passing year sure because we've got more secured product lines versus a single unsecured line.

I want to talk about Page number 10, and this is a very important page. November, '24, we decided that many of the elements in MFI could surprise us or be out of our control, while we will take all precautions, we will also take an additional precaution of putting under a guarantee program.

I'm happy to report that 79.8%, which is nearly 80%, of unsecured is under guarantee program. I also want to highlight to you in the last two columns, our net NPA is at INR214 crore. This is our net NPA at 30th June for unsecured. Out of this INR214 crore net NPA, INR196 crore is under the guarantee program. So we may have a year at which year will the money come into the bank, that is all the question now, but we are largely now covered from a net NPA, what to expect.

Also, remember this, if unsecured business is under guarantee program and performs well and the rest is secured book, we are moving to a nearly a secured bank by itself. And that gives us a lot of positivity of what this future will be because our missteps, whether it is MFI stress or COVID has always be unsecured. If you are putting a floor to unsecured now, I think the future will be much more resilient and stronger and better.

I'll now take you to Slide number 13. Slide number 13 is our favourite slide because it tells us what we are trying to do as a bank. And it's an Anchor bank where we want customers to have multiple relationships across all our products. I think we have not rounded this up to 4, which we normally do. So 3.9 is an active product, it doesn't include property and life insurance. I can see some changes now where our Gold penetration is now up to 3%. I remember last year, we were struggling at 2%. We've slightly seen our Two Wheeler penetration reaching 1.1%, even though the business has grown, and we think this will now be a better growth engine.

When I look at this chart, it also tells me that we need to launch a few more products to get the average relationships better. So Credit Line on UPI, when it goes live this quarter, I think we should expect the average relationships to improve from here. But clearly, something that has been working very well for us, and we remain focused on driving this harder.

I will now move on to the liability page, which is Page number 15. 97% of our retail and 83% of bulk deposit of 1 year and above. I think if you look at our CASA, it has grown very healthy in the first quarter at 7.1%. Our TD has gone minus 1.6%, mainly due to less growth in bulk. We have not given our retail…

Abhilash Sandur: Retail term deposit growth of 30.7%.

Ajay Kanwal: Right. Sorry, Abhilash can you share.

Abhilash Sandur: Our retail term deposit growth year-on-year is 31%. And quarter-on-quarter, it's 2.3%. While we have reduced the bulk deposits, the growth has come in retail term deposit. So I just wanted to add that.

Ajay Kanwal: Yes. Thanks. So one is that we are seeing stable because of our focus even on bulk, wherever we have bulk is 1 year and above, our retail continues 1-year plus. We have some work to do here because we would like to continue to maintain our 23% to 24% year-on-year growth in the total liability franchise. So we'll have to work harder in quarter 2.

I think April and May were a bit difficult months from a liquidity perspective. Prices went up on the deposit side, which we try to kind of hold against. But now we've kind of decided, in June, we've kind of increased our deposit rates.

And that brings me to the cost of funds. If you see quarter 1, 2027, we are at 7.4%. This represents a drop-off 60 bps from Q1 FY26. I do expect that 7.4% will remain nearly 7.4%, plus or minus 5 bps at best, during this year. I think the opportunity to drop cost of funds is now over. And yes, we will be reporting a much healthier growth in our deposit business in the next quarter.

I want to take you to Page number 18, where we'll do a quick scan. I think the most important thing here is our ROA is at 1.4% and our ROE is at 13.6%, something that we have been wanting to bring back to normalization for the last 2 years. We struggled a bit, and now we are back to where it needs to be. And as you can see on space, 64.9% is retail deposits. It's the second column, and it was 60.2%. So it's really a good jump here of 4.9% on retail deposits.

I will then move on to Page number 20. I just wanted to glance at two things here. One is net interest margin, so it is at 7.5%, which moved up well. We expect it to be steady around there. And Page number 21, I think the key highlight here is there is a drop in the borrowings. More to do with the overnight repo calls, long-term institutional finance from NABARD, SIDBI, NHB continue, and we thank the institutions for supporting us at all times, and that doesn't change at all.

In the P&L statement, I really wanted to focus on expenses. We have grown expense quarter 4 to quarter 1 by just INR10 crore. It's a very important focus for us. We expect to continue reporting very nominal growth in cost through this year by the virtue of a good 20% asset growth, and a very nominal cost increase. I do want to bring cost income back to much lower levels before the year is over.

Finally, I just want to finish with Page number 23 and reiterate our guidance of gross loan growth of 19% to 21%, a deposit growth of 23% to 25%, and a PAT of 80% plus for the year.

Thank you so much, and I'm happy that me and the team here can answer your questions.

Moderator: Thank you very much. We will now begin the question and answer session. First question is from the line of Jai Chauhan from Trinetra Asset Managers.

Jai Chauhan: Sir, could you please provide more insight on the slippages trend in the unsecured portfolio. And also do you expect the improvement witnessed this quarter is sustainable? And should we expect slippages to continue moderating over the coming quarters?

Abhilash Sandur: So in terms of unsecured slippages, quarter-on-quarter, it has reduced by almost 20%. And so that is expected to continue on the downward trajectory. So that is a question on slippages you had asked, which is almost from INR155 crore to it has reduced to INR125 crore, in terms of slippages.

Jai Chauhan: On unsecured.

Abhilash Sandur: Question was on unsecured so...

Jai Chauhan: Got it, sir. And I am just trying to understand the trend. How do you expect slippages to continue over the coming quarters?

Ajay Kanwal: So I will answer. See listen, we are at a good point now where we're doing 99%, plus or minus 0.1% since December. We've seen a slight uptick in our SMA book, nothing significant. So I would expect at least quarter 2 slippage will be probably flattish to quarter 1. And then we may see small drops in quarter 3 and quarter 4.

Jai Chauhan: Makes sense. And also could you share your outlook on credit cost for FY27?

Ajay Kanwal: I just want to add one thing to my earlier thing so that for all the folks who want to put this in Excel spreadsheet, it will be important. So the other piece we should all know about is, in the first quarter, we all focus on collections, which is why our slippages were low, and SMA, though it was seasonal in nature did not go up anything significantly.

But we couldn't spend too much time in recoveries. So while we might see a flattish slippage in quarter 2, or even a marginal uptick, we should also see an uptick or a better recovery in that quarter 2. I think that those will happen together.

On your question on credit cost, it was at 0.45% for quarter 4. It remains at 0.45% in quarter 1. It gives us great confidence because typically first quarter is a bit more of a shocker than quarter 4, and quarter 4 is always the best quarter in terms of performance. So one can expect that the 0.45% cost will at the minimum be maintained at the same levels in all the remaining quarters.

Jai Chauhan: Got it, sir. Also they factor in the provisioning requirements too, right?

Ajay Kanwal: Absolutely. So on the provisioning side, listen, gross NPA has reduced quarter-on-quarter, year-on-year for sure. Net NPA on the GLP is at 0.85%. And yes, I mean, even if you look at our provisioning expectations, it's pretty much flattish to down-ish, because the big change has already happened, which is the unsecured book is no more a problem, secured book was never a problem. So as long as we just keep our head down and execute, we'll absolutely be fine.

Jai Chauhan: Got it, sir. And sir, are you observing any emerging stress in MSME, Micro LAP and for affordable housing segments?

Ajay Kanwal: Nothing. See, listen Micro LAP, like I mentioned, we are trying to move more towards direct or rather percentage of direct contribution in the business needs to go up, which is why we had blip in growth. It had nothing to do with performance of the book. Affordable is doing absolutely fine. MSME is doing fine.

We haven't seen any Iran impact. We haven't seen any El Nino impact. Today is already the 15th of July, so the NACH and SI and collections for the month, the majority percentage is already in. We can't see that visibility in July, touch wood. So I must say that right now, it's all going as on the health of the book. We continue to be very positive.

Jai Chauhan: One last question. So we have seen a drop in Micro LAP and NBFC book. Do we expect this drop to continue?

Ajay Kanwal: See, NBFC was by design because we really thought that given our projections on Two Wheelers, Gold, MSE, affordable, we would achieve the 20% to 21% growth rate more comfortably. So NBFC would probably be the business that we slowed down on. So we probably will remain slow in that business through the year.

Micro LAP was our design to not to remain slow. So we have some work to do to get this whole direct versus DSA percentage right. We think we have sorted that out, and we are expecting July to kind of give us a different number than we have seen in the first quarter. But no, Micro LAP will be on the growth path, and we are focusing on it to go back to growth.

Moderator: Next question is from the line of Pranav from Haitong Securities.

Pranav: So I have a couple of questions from my side. So first one is the Gold loan portfolio has delivered strong growth this quarter. And given the recent correction in the gold prices, how do you see the impact on portfolio growth and asset quality going forward?

K.S. Raman: This is Raman here. Let me answer this question. So the book grew about 13.5% quarter-on-quarter. So we are sitting at about INR2,678 crore, we grew over 100% year-on-year. While gold loan prices have witnessed some correction, I mean from a risk management standpoint, we are comfortable because, on an average, across the portfolio, our LTV is 64%, to be precise, which is well within the regulatory limits.

Besides, what we also have is a pretty robust collateral monitoring mechanisms where we do daily price feeds and appropriate margin call mechanisms which are in place. So all of these, we believe, will mitigate the impact of any movement in gold prices. Therefore, we don't expect any material impact on asset quality. GNPA will remain around 0.5% and will be fully covered by the collateral realization.

Besides, I think we continue to see a healthy demand for gold loans. So I mean, those are really the few things that I would comment on as far as the gold loans are concerned.

Ajay Kanwal: See the other piece in gold loans, I'll add to Raman, we're at about 568 to 570 branches now? Our total branches are 820. We will be increasing our branches by another 50 to 75 in the next

2 quarters. So these branches are in locations where we have potential to do gold. And we're just phasing out our growth in different buckets. So we'll be adding a few more gold branches.

We certainly are increasing gold headcount in terms of people. So our bias is to keep increasing gold. And we don't see a market issue. Customers do like this idea of getting a gold in quickly and able to get the gold back when they pay the money, as long as you can do that basic good service model in an institution, they can trust, I don't see any issue with gold loan growth.

Pranav: Got it. A couple of more questions from my side. So in this quarter, also have seen growth in MFI segment. So what is the percentage of growth that we are targeting for FY27 in MFI?

K.S. Raman: This quarter, we grew 2.8% quarter-on-quarter, and we grew 18% year-on-year compared to first quarter last year. So book sits at about INR10,240 crore. Book is stabilizing, we've seen 5 continuous quarters of decline in slippages. And we do believe that we are at a place where it is stable. For FY27, we are targeting the portfolio not to be aggressively growing, to about 10% to 12%. That's really the targeted growth year-on-year.

Moderator: Pranav do you have more questions to ask?

Pranav: No. I'll fall back in the queue.

Moderator: Next question is from the line of Harshit from CBA Asset Management.

Harshit: So my first question is, I would like to understand how is the outcome of branding with RCB team during this IPL season? And did we see any major uptick in the number of deposit lead or CASA growth in April?

Ajay Kanwal: Yes. So our CASA grew very strongly in the first quarter, 7% quarter-on-quarter. And I would attribute a lot of that to, A, of course, good work at the bank of doing the advertising. But also, to be very honest, we were a bit lucky that RCB won the championship. So we could advertise till the very last match and also use that winning moment to kind of get more customer clicks and views. So it worked out very well for us.

And because it was largely official banking partner with a lot of advertising rights, it wasn't expensive realistically also. So it ended up being one of our best programs. It's the first time we ever did one, but it gives us great confidence in probably doing more programs like this certainly with RCB in the future.

Harshit: Okay. That is great, sir. So my other question is, have you made any claims to CGMFU yet? What can we expect in terms of recoveries from them during current financial year? And can you explain your Slide 10 in terms of INR214 crore NPA and guarantee cover of INR196 crore?

Abhilash Sandur: Sure. So in Slide number 10, if you go to Slide number 10, we have mentioned that we will claim INR65 crore in Q3 itself, okay? And what we are trying to explain in the slide is basically our NNPA, if you see is INR214 crore, against which the covered portion, which is a guaranteed portion, is INR196 crore.

So which leads to uncovered portion of only INR18 crore, even though there will be timing difference of the claim of the INR196 crore, of which only INR65 crore claimed now subsequently will claim balance. So we are mostly covered in terms of either we have provided or it is covered. So that's what we wanted to show in this slide.

Harshit: Okay, sir. And my other question is, how is your used car business performing? Any new product launch expected during current year?

Ajay Kanwal: So our used car business is doing very well. We launched it in October 2025. We have reached a monthly disbursement about INR45-odd crore. We are present in roughly about 50 cities. I have mentioned this in the past, our potential to grow a number of cities over 240 because affordable housing and Micro LAP is present in 240 cities. So we have enough and more cities to grow. Our plan is to first consolidate the first 50 cities. The first 50 cities that we are focused on cover about 70% of the market. And we are largely in used car finance we don't have a BT program. And we haven't launched our refinance program in used car. So it's largely the best part of the used car business, which is actually financing, buying and selling of used cars. So that's on the used car side.

On any other products, Credit Line on UPI goes live this quarter. That is the second quarter. We have a lot of expectations from it because the product is designed to be a mass scale product, and fulfill the needs, which is a small ticket need of either buying a consumer durable or having an education loan or an emergency medical or giving a small line of credit to your children when they're starting in other cities, et cetera. So it's very handy, very easy to operate.

The second product, in addition, we are launching is loans against shares after the Reserve Bank of India has approved the INR1 crore limit. We would like to add it to our wealth management portfolio of offering. That product will also go live in second quarter.

Thirdly, we are really fast-pacing our Nostro, et cetera so that we should be able to offer trade FX. Certainly, our first item would be to get at least the tail end of the FCNR(B) product, if we could.

Harshit: Okay, sir. Understood. Just one last question from my side. So the key growth drivers this quarter has been affordable housing, gold loans and vehicle loans. Do you expect a similar portfolio mix to drive your asset growth in FY27 or do you anticipate any change in the growth mix across segments?

Ajay Kanwal: So I would add MSE to that. MSE would grow very strongly. It has grown about 2% odd in the first quarter, but I can see the buildup in MSME. We should have very strong MSE quarter 2. Affordable shall continue its growth rate, probably see some acceleration. Two Wheeler, absolutely, yes, it will continue growth rate. We may see some advantages of really our strategic tie-up with TVS Motors coming up. We will certainly see a growth in gold, no change there.

Micro LAP has been negative in the first quarter, but I do expect it to get to positive in the second quarter. Those are the primary growth drivers. Somebody's already asked about unsecured where Raman has clarified that Q1 is never a big quarter for growth, so I think Q2 should be slightly better than Q1 for unsecured also.

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

Suraj: My first question is that deposit growth remained flat during Q1 FY27. Could you please elaborate on this key factors behind this performance?

Abhilash Sandur: So deposits, while it remained flat in terms of growth, Suraj, it is mainly because, like we explained earlier, there was a reduction in the bulk deposits. So our focus continues to be on CASA and retail that's where we have seen the growth on, okay. So, while for the quarter, CASA grew by 7.1%, retail term deposits have grown by 2.3%, bulk has a negative growth of approximately around 6%. So that has led to a flat growth in terms of overall deposit.

So what it has also done is it has ensured that there's a reduction in cost of funds, cost of deposits, cost of funds. So that has happened over the quarter, while bulk had a reduction of 6% has reduced our cost of funds as well.

Suraj: Okay. And what are your forecasts for FY27?

Ajay Kanwal: So I was just going to say that, like. Listen, I think we were slightly challenged in April and May because deposit prices hardened a bit, money available is a bit tight. We had to raise our deposit prices, which we did in June, which is why I expect cost of deposits to kind of plateau out at these levels.

We have already given a guidance of 23% to 25% growth in deposits this year. We have maintained that kind of a growth rate always in the past. So something that we are used to doing in the past, something that we strongly believe we'll do it this year also. And we'll, of course, try and make sure that when we finish the first half and give September results, then we'll have better growth on the deposit side available for everyone to see.

Suraj: Understood, sir. So my second question is the cost of funds has declined again in this quarter. So do you expect this trend to continue over the coming quarters also?

Abhilash Sandur: So cost of funds, we have seen decline for, I think, last 4 to 5 quarters now. It is on a decline trajectory. I think it will stabilize to reduce moderately only from now on. It will remain around 7.3% to 7.4% range. So it will be in this range. Because there will be also growth, which will come through bulk deposit, retail will also grow, we also increased a slight bit of rate, like Ajay mentioned, there is a slight increase in rates. So all those factors will contribute to either it will be in the range of 7.3% to 7.4%, in that range, the cost of funds will be at.

Suraj: Understood, sir. Sir, one last small question. What are your guidance on cost of income ratio for the financial year upcoming?

Abhilash Sandur: So I think it was covered during the opening remarks itself by Ajay. So cost-to-income ratio, we are currently at around 66.7% to 67% range, while over the period, like we also mentioned that our cost has grown only by 1.6% during the quarter. So the cost is now plateauing out and the growth is very nominal, which is expected over the year. So cost-to-income ratio will not go below 60%. However, it will reduce. It will go around 63% to 65% range during the year.

Moderator: Next question is from the line of Gulshan Singh from Sunidhi Securities.

Gulshan Singh: My first question is, do you see any sign of impact on your portfolio due to Iran war or El Nino? How do you intend preparing for the prolonged war?

K.S. Raman: Let me answer this question. This is Raman here. At this stage, we're not really seeing any material impact on our portfolio, we are obviously closely monitoring it, neither due to the geopolitical situation, nor even due to El Nino weather-related developments.

And the good thing for us is our portfolio is reasonably well diversified across geographies and customer segments. We are monitoring the MFI portfolio, which is about 27% of our total book. And we'll strengthened our portfolio monitoring through early warning indicators and stress testing, we look at vintage curves and so on.

If the geopolitical situation continues or if the weather conditions deteriorate, we believe that we are well positioned to respond to calibrated underwriting and tighter portfolio monitoring, plus enhanced collection efforts. And therefore, we do believe that we will be able to preserve the asset quality and the balance sheet will remain resilient.

Gulshan Singh: Okay. Got it, sir. And second question is there have been comments in media about the merger of the bank. Is the bank in the talk are the same?

Ajay Kanwal: Listen, no comment on market speculation.

Gulshan Singh: Okay. And sir, your CASA growth of 7% quarter-on-quarter, is it sustainable? And what do you expect your CASA ratio for FY27 whole year?

Abhilash Sandur: So 7% every quarter extrapolated, that's slightly unrealistic, it cannot grow 7% every quarter. Having said that, so year-on-year, we have grown around 31%, okay? We want to have a CASA mix of close to around 20%, CASA ratio, for the year. That's the projection which we have. Growth will be higher than the term deposit growth, so that is for sure. And we have put in all the efforts to increase CASA ratio to around 20%.

Gulshan Singh: Okay. Got it, sir. And one last question, you mentioned in the last con call that CASA decreased in Q4 due to government account losses. So have you received it back?

Ajay Kanwal: No. The government deposits, which were CASA-led, haven't come back. However, I must add that particular state government has issued empanelment list of banks, our name is very much there in that list. So I do expect that we should start getting the business again.

Gulshan Singh: So when can we expect this?

Ajay Kanwal: I would think we've been trying. We've got some fixed deposits. I suspect we'll start seeing either some flow in quarter 2 or maybe a bigger flow in quarter 2. Tough to predict. But listen, positive news is that since our management of all the accounts and fixed deposits was perfect for them and they did put us back on the list. So yes, I mean, tough to say whether we'll get a big flow this quarter or this quarter, but positive side is we'll definitely get the flow. The flow has started marginally. At what pace will it grow, tough to say.

Gulshan Singh: Okay. And sir, one last question. What is the impact of your promoter company's liquidity on your performance?

Abhilash Sandur: So there's no direct financial or operational impact on the bank. Like we mentioned during the opening remarks, there's no cost default linkage. And there's no liability on the bank to pay the debt of the promoter. And also, there's no obligation on the bank to pay the debt of the promoter. Bank is independently governed. There are no directors who is representative of the promoter.

So yes, it's fairly independent, so we don't operate together. So it's an independent entity itself. And the only relationship is currently, which is a 16.95% which they hold in the bank, and they have been named as a promoter.

Gulshan Singh: Okay. Great, sir. And I wish you all the best for the entire FY27 year.

Moderator: Ladies and gentlemen, in the interest of time, we will take that as a last question for today. I would now like to hand the conference back to the management for closing comments.

Ajay Kanwal: Thank you so much. So again, thank you for all investors for your confidence and for your time coming here today. For us, Q1 was a very critical quarter, like I mentioned. It was reaffirming the direction of what to expect from the bank in quarter 4 last year where we had declared a INR140 crore PAT.

Very importantly to me, the number of 80% secured now has even more meaning because not only we're traveling to a book of 80% secured, our unsecured book is also 80% under our guarantee program, which kind of puts a floor to future losses, if any event risk occurs. So I think we have taken the guarantee commission, which is not a small number, in our stride. We continue to pay a lot of commission this year and still achieve a PAT of 80%.

So that guarantee commission has now become part of our BAU costs. And imagine that a 1% guarantee commission, managing that would at least take us to INR80 crore to INR100 crore this year. So that's part of our cost base and we would like to do that because it gives us and all of you certainty what to expect in terms of credit cost in the future.

The third piece which we spoke a bit about, it will be our first year where, in quarter 3, we can anticipate some recoveries from the CGMFU program. That will be a first again for us and a very important one for us. We are committed to our cost being very slow growth. We have done large investments in the last 2 years. And we also see a decline in our collections, staffing in MFI, which is also helping our cost.

So all in all, I do think we've got largely everything aligned, and we will continue just executing, and we should probably see our best year ever in this year. Thank you.

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