



“South Indian Bank Q3 FY26 Earnings Conference Call”

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MODERATOR: **MR. JAY MUNDRA – ICICI SECURITIES LIMITED.**

Moderator: Ladies and Gentlemen, Good Day and Welcome to South Indian Bank Q3 FY26 Earnings Conference Call 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 touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Jay Mundra from ICICI Securities Limited. Thank you and over to you, sir.

Jay Mundra: Yes, hi. Thanks, Ikra. Good afternoon, everyone, and thanks for joining the call.

On behalf of ICICI Securities, we welcome you all to Q3 FY26 Post-Earnings Conference Call of South Indian Bank.

From the management side, we have with us Mr. P R Seshadri – M.D. and CEO, Mr. Dolphy Jose – Executive Director, Mr. Anto George T. – Chief Operating Officer, Mr. Vinod Francis, – the CFO, Mr. Jimmy Mathew – GM and Company Secretary, and other senior officials.

I will now hand the conference over to Management for their opening remarks, post which we can start the Q&A session. Thank you and over to you, sir.

P R Seshadri: Thank you very much, Jay. Thank you all for joining our call today. I am joined by all the colleagues as Jay has mentioned in the opening remarks in the room with me and on the phone lines elsewhere. So, once again, thank you very much for joining us today.

Let me start this call by highlighting our performance for the quarter-ended December:

The Bank declared a net profit of Rs.374 crores for the quarter, registering a growth of 9% compared with Rs.342 crores in Q3 FY25.

Total deposits grew by 12% to Rs.118,211 crores from Rs.105,387 crores on a YoY basis.

Gross advances grew by 11.3% to Rs.96,764 crores from Rs.86,966 crores on a YoY basis.

During March 2025, the Bank had technically written-off Rs.900 crores. Had it not been done, the YoY growth for this quarter would have been 12.4%.

Total business for the Bank grew by 12% to Rs.214,975 crores.

Pre-provisioning operating profit for the quarter grew by 11% to Rs.585 crores from Rs.529 crores.

Net interest margin for the quarter stood at 2.86%, which is an improvement of six basis points on a sequential basis.

The Bank declared a return on assets of 1.07% and return on equity of 13.49% for the December quarter.

Capital adequacy ratio for the Bank is at 17.84% and the tier-1 ratio stands at 16.88% as at December 31, 2025.

CASA balances grew by 15% year-on-year to Rs.37,640 crores versus the earlier figure of Rs.32,830 crores.

Provision coverage ratio, excluding write-off, improved by 1,177 basis points YoY to reach 83.5% and PCR, including write-off, improved to 91.57% during Q3 FY26.

The Bank declared a return on assets of 1.07% and return on equity of 13.49% for the December quarter.

Slippage ratio reduced by 17 basis points from 33 basis points in Q3 FY25 to 16 basis points in Q3 FY26. Overall gross NPA reduced by 163 basis points from 4.3% to 2.67% on a YoY basis. Net NPA reduced by 80 basis points from 1.25% to 45 basis points on a YoY basis.

Let me now take you through the “Other Operational and Financial Performance Indicators of the Bank.”:

We continue to grow our gold loan business, which now stands at Rs.21,303 crores with an average LTV of approximately 55%. This includes portfolios that may have been acquired by the Bank and an average ticket size of approximately Rs.2.46 lakhs. The gold loan book grew on an annualized basis by 26%.

We continue our focus on MSME and retail. MSME business loans now stand at Rs.14,019 crores, which is a growth of 12% excluding the write-off done during March 2025.

Mortgage loans, which are mainly given to MSME, is mapped in the investor deck given to you under the retail segment. And if this were to be remapped to MSME, the YoY growth would stand at 14%.

Retail segment continues to grow for us; it has grown YOY at 23%.

The home loan book as at December 2025 is Rs.8,430 crores.

The auto loan book is Rs.2,393 crores. As at December 2025, our PL loan book stands at Rs.2,217 crores.

This quarter, we also saw good traction on the disbursal of MSME and retail, including gold segments. On a YOY basis, MSME, in this case, including LAP, disbursements grew by 45% year-on-year, and retail loans, including gold disbursements, grew by 60%. These numbers are available in the investor deck for you to view.

We hope to continue to maintain the momentum in disbursements and collections in the coming quarters and to achieve our desired outcomes.

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

Moderator: Thank you very much. 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 the opportunity and congratulations on good performance. The first question is, last quarter and maybe even for the quarter before that, you said that in Q3 is when you may look to revise or keep the guidance of 12% asset growth. You would like to give any guidance on the loan growth?

P R Seshadri: We had said that we would do 12%... and actually, we have done 12%. If you were to add back the write-off that we have done in Q3, I mean in March of 2025, which is roughly Rs.900 crores. So, to add it back, we would be 12.43% year-on-year. So, on a like-for-like basis, we have done 12%. And we think that this being the busy season, the Jan-to-March quarter, there is a likelihood that we will participate in the increased demand for loans and have outcome better than that. So, what we said the last time around was that we want to be 12% and over. So, we are still sticking to that.

Digant Haria: Okay. I am asking this because on the retail part, especially gold loans is doing very well for the industry like banks are growing say 10-15% on a QoQ basis, so, in that context, it is a very good time for that retail portfolio of ours. So, I just want to know the corporate and retail portfolio. The retail mix still does not shift. The corporate still continues to be around 40%. When do we see that shift really happening like over the next 12 months, 18 months or will it be much longer where we see that shift? And second is that in gold loans, are we thinking of capping our gold loan exposure to something, because I think we can grow much faster, but we have somehow constrained our gold loan growth?

P R Seshadri: So, with respect to the second question first, at this juncture, we have not imposed any caps. Our total exposure of gold loans to our total book is roughly about 22%. So, we are monitoring it very closely and we have built new risk measurement mechanisms so that we can see how much risk we are taking, especially against volatility in gold prices. But this is something that we have been dialoguing with the board and it is a decision that we will have to take as to at what level we need to cap this, if at all. So, at this juncture, as I mentioned, we are not capping. With respect to the second question, this quarter we had 5% sequential loan growth. Only, I think approximately a fourth of the loan growth has come from the corporate end, and even that is on the transactional banking side. So, core

corporate book has not grown. The way we reported to you in the investor deck includes both our transaction banking balances and the corporate banking balances. So, the growth has been on the transaction banking balance and the level of growth there has been just, has been a smaller component of the total growth. So, as a consequence, there has been a realignment in the overall book and which is what has led to our increase in NIMs, etc., So, over time, you will see this happen. I think the size of our balance sheet and the fact that we are mainly reliant on our own branches to actually deliver business volumes imposes certain restrictions on how quickly we can alter the mix. That is definitely what we are trying to do and you will see a shift as we go quarter-on-quarter. So, in the medium term, I think we would near, I mean, head towards 33%, one- third corporate and the rest being retail, MSME and Agri. Thank you.

Digant Haria:

Thank you, sir, for the detailed response. The last question, if I may, in the last five quarters, our loan book has probably grown by say 15-16% and our NII, the net interest income, will we again claw back to that all-time high of Rs.882 crores? Now, will it be fair that next three-four quarters, at least, whatever the loan book grows, our NII also keeps pace with that?

P R Seshadri:

I think that would be a fair comment to make. I mean, we have absorbed 125 basis points reduction in NIM and as we go forward, we are entering a relatively favorable phase for deposit repricing. So, while there is going to be 25 basis points reduction in the repo link book, at the same time, approximately a fifth of our deposit book will also get repriced by approximately 80 basis points. So, given all of that, we think that we have hit basically a plateau at this point in time on account of the most recent repo reduction. Please remember that we pass on the repo rate cuts to our customers on a T plus 1 basis. So, as far as from South Indian Bank's point of view, the regulatory aim of transmission is achieved on the first day after the repo rate announcement. So, therefore, the full impact of the 25 basis points will be felt by us this quarter. But we think that we should be able to sort of manage that on account of repricing the deposit book. There will, of course, be this overhang of the repo rate cut. But having said that, we do not think it should materially alter our NIMs for the quarter. And going forward, subject of course to no further repo rate cuts, we think that the net interest margin that we report will start climbing as the book starts driving.

Digant Haria:

Perfect. Thank you. All the best, sir.

Moderator:

Thank you. The next question is from the line of Vivesha from CR Kothari and Sons. Please go ahead.

Vivesha:

Hello, sir. I have two questions. So, one is on the NIMs. So, what kind of NIM margin do we expect ahead, and what will be the contributors to the same, like in this quarter, we saw that the yield that you charge that also dropped while the cost of borrowing rose slightly, so, what is the NIM trajectory expected here?

P R Seshadri:

I could not hear you very clearly. So, I will paraphrase what I thought I heard. You said that you want to know where the NIMs will be and you are saying cost of our borrowing, I think that is the second

question that you asked. Now, with respect to NIM, I think going forward, subject to no further rate cuts our NIM will be stabilized during this quarter, there will be some slight downward pressure on account of the 25 basis points reduction that we had in December. But that will be countered largely by the fact that we have approximately 20% of our deposit book getting repriced during this quarter. So, we think that we should remain stable at the level that we are. There may be some marginal movements, but we do not think that is going to be very significant. At least that is the current view. But there is a bias of it being moving downwards on account of the 25 basis points. Now, with respect to cost of deposits, cost of deposits have been coming off; they came off 7 basis points in the last quarter from 5.41% to 5.34%. Now, I think the number that you are looking at is cost of funds, which also includes certain other activities that we do, including our borrowing on the repo market and so on and so forth, and the borrowing for purposes of reinvestment and so on and so forth, where there is a three basis points upward movement from 4.74% to 4.77%. I do not think that is a very material number or material change for us to be worried about, because that is driven by opportunities on a short term nature. I think the more important number to be looking at is the 5.41% to 5.34%, which is a seven basis points reduction in cost of deposits, which from our point of view is moving in the right direction.

Vivesha: Understood sir. And your GNPA dropped from 4.4% last year to now approximately 2.9%. So, what led to this drop and do we expect it to continue coming up in these levels?

P R Seshadri: So, gross NPA on a year-on-year drop is also partially contributed by a write-off of Rs.900 crores during March of 2025. So, that is a 100 basis points reduction in the book itself. So, from 4.5%, that would have brought it down to 3.5%. The rest is on account of excess of recovery over new NPA accruals. So, our NPA slippage rate is at 16 basis points for the quarter, not annualized. So, on an annualized basis, we are at 64 basis points and recoveries have been significantly larger than NPAs, and as a consequence of which, these numbers move in the direction that you mentioned.

Vivesha: All right. So, we expect it to stabilize at these levels coming ahead?

P R Seshadri: We expect these numbers to continue to improve in the near term, so, you will see them trending downwards.

Vivesha: Thank you. All the very best.

Moderator: The next question is from the line of Jay Mundra from ICICI Securities. Please go ahead.

Jay Mundra: Yes, hi, sir. Sir, I wanted to check for the last maybe 10 quarters, we have done ROA at 1% or maybe 1.05%, with now NIM pressure behind, hopefully, and growth also picking up in gold and MSME, how far are we from, let us say, maybe 1.3% kind of an ROA depending on the loan mix, or you think that the current run rate will continue, I mean, where are we step up on ROA? Thank you.

P R Seshadri: Thanks, Jay. As far as we are concerned, I think we will operate in the 100 to 115 basis points in the near term. I think there will be quarters in which there are other income forces that take us upwards, but I think what is going to happen is, as the NIM sort of stabilizes and there are no further rate actions from the Reserve Bank of India, at that point in time, because of the robust portfolio growth that we are having, we will see return on assets inching upwards. So, if I were to hazard a guess, in a 12-month period, we should end the 12 months at about 1.15% to 1.2% or thereabouts. Beyond that, I do not have a crystal ball to give you a view as to when we will hit 1.3% and so on and so forth.

Jay Mundra: Sure, sir. And lastly, sir, if you can quantify the impact, I mean, if you have any trade relief measures portfolio, RBI had given some dispensation, and if you can sort of provide some sensitivity to the export portfolio, right, given the global uncertainty on the trade side? Thank you.

P R Seshadri: So, good question, Jay. We were not getting too many requests for accessing those reliefs that the Government of India had provided. We are now beginning to get a few. So, as of this moment, I think about 16 of our customers have asked us to take a look at whether they can access this funding source. The exact quantum of that, I do not have at this point in time. But, from our point of view, the portfolio is continuing to look robust. We are not seeing any trend lines that are worrying right now. And obviously, all these exporters had orders that they fulfilled. And we think the importers also had certain commitments or they also had inability to actually switch suppliers very quickly, because of the fact that the current Indian suppliers were certified and were producing to a particular standard and so on and so forth. But if this situation were to continue in the long run, I guess given the steepness of the tariff, alternate sources will be found by the importers. So, therefore, these persons will take an impact. The situation is that the new credit that is being provided under the new scheme provides for an ROI advantage to the customer. And many customers are also trying to access that on account of the fact that it gives an interest rate benefit. So, I am not entirely in a position to isolate how many of these customers see this request as a potential method of dealing with stress, and how many of them are seeing it as a method of actually reducing their carrying cost of debt. So, it is a mixture of both. We are looking at it very closely. And as of this juncture, as I said earlier, we do not see any material deterioration in our portfolio.

Jay Mundra: Sure. Thank you, sir. All the very best.

Moderator: Thank you. The next question is from the line of Darshil Jhaveri from Crown Capital. Please go ahead.

Darshil Jhaveri: Hello. Good evening, sir. Thank you so much for taking my question. Sir, some of my questions have already been answered. So, I just want to know what is our guidance in terms of credit cost for this year and maybe next year if you can help us to understand that?

P R Seshadri: So, you are asking for credit cost as opposed to slippage?

Darshil Jhaveri: Yes.

P R Seshadri: I think the credit cost for this year that you see will be broadly in line with what we are seeing right now. It is not a material change, nor is the slippage likely to change in the near term, in this quarter, we do not expect very significant change. So, right now, the way the portfolio is behaving and given the fact that the slippages are in the 16, 17 basis points range, credit cost would be maybe half that. So, 7, 8 basis points would be the credit cost in the near term. Next year numbers are being worked out, but we do not see it materially changing from where we are unless there is a very significant event in the marketplace and unless some of the events that Jay Mundra, the previous gentleman, was talking about create some form of adverse conditions, which is not currently visible. So, as we get into the next year, we think that the current trend lines where the recoveries are greater than the new NPA slippages will continue over the next 12-months.

Darshil Jhaveri: Okay. That helps a lot, sir. And sir, just wanted to understand, like in terms of competition, majorly, like maybe in the retail segment and gold loan, like a lot of players want to get into that and are trying to aggressively grow out there. So, how do we see that is there some kind of undercutting happening or is there enough pie in the market for everyone, just if you could help me understand the competition intensity especially retail gold, sir?

P R Seshadri: I think what we have done during the year is we have broadened our product palette. We have increased the types of offerings that we have. We have taken advantage of the new RBI regulation that allows us to do loans for productive purposes where the LTV caps can be relaxed a little bit. So, we built our new systems, new processes, etc., which has enabled us to compete more effectively in the marketplace. We are now launching a ULI-based KCC Agri, in Tamil Nadu, Andhra Pradesh, Telangana and Karnataka. We are starting with Tamil Nadu and then we will roll it across to the other regions as well. So, we have increased the product types that we have, which is enabling us to sort of compete more efficiently. When it comes to price competition, there is price competition, but this is a product that is in some senses a relationship product and it is also a trust product. So, people come to a Bank that they have trusted and because they are leaving their gold there, they like to know that when they come back, it will still be available. And since we operate a great deal in semi urban and rural areas, trust requirements.

Moderator: Ladies and gentlemen, the line for management has been disconnected. Please stay connected while we get them reconnected. Ladies and gentlemen, thank you for being on hold. The management has been reconnected. Thank you and over to you, sir.

P R Seshadri: Thank you. I tried answering the earlier question. I do not know whether I answered it fully because I kept talking and I did not know whether I was disconnected. So, maybe you could tell me where -

Darshil Jhaveri: We heard still I think the trust of the customer is there. So, that is why gold loan, that is our USP, I think till that we have heard, sir.

P R Seshadri: Okay. So, I think trust is an important element and the fact that we have been around in those geographies for a long time, which is a part of trust I guess is also an important element and plus

processes, if you have got the processes down PAT, then it helps. We write approximately 3,000 to 4,000 gold loans a day. So, when you are doing those volumes, you need to do them relatively efficiently. And I think those are the areas where we have spent some time and energy sort of getting things right. So, pricing competition is there. I am not saying it is not there, but it is not insurmountable.

Darshil Jhaveri:

Fair enough, sir. That helps me, sir. So, that covers a lot of my questions. So, just one more thing, like in terms of partnerships, like, are we looking at, like when we said we are trying to grow mostly from our own branches, so are we looking at some other way of partnership or even like in the credit card segment, a lot of people are coming with co-branded credit cards, so, are we looking at some other ways to, penetrate in these other categories with the help of partnerships, sir?

P R Seshadri:

So, we have active an strategic alliances department which works on building relationships between us and other counterparties. In page #27 of our deck, you will see a list of counterparties that we work with currently. So, we are taking advantage of RBI's co-origination guidelines, and we do have an active partnership program. Our current balances on these partnerships is approximately Rs.1,900 crores or thereabouts, ex-credit cards.

Darshil Jhaveri:

Okay, okay, fair enough. Yes, that is it from my side, sir. Thank you so much, sir. All the best.

Moderator:

The next question is from the line of Suraj Das from Sundaram Mutual Fund. Please go ahead.

Suraj Das:

Yes. Hi, sir. Thank you for the opportunity. Sir, a couple of questions. First is on the MSME portfolio. I think the MSME portfolio has seen revival and then has started to grow for the past couple of quarters. And I think this is despite you are classifying mortgage loan given to MSME under retail. So, just wanted to check if you can highlight, let us say, what are the sectors or product or what are the geographies which is driving this growth? And also, I mean, what is your outlook on this growth going ahead? That is question one, sir.

P R Seshadri:

Okay. Thank you very much. I think MSME growth is actually quite broad-based. It is across the various categories. We manage MSME in two buckets. The first bucket is what we originate in our branches, we internally we call it MBG. And the second is what we manage through relationship managers, which is a separate vertical. And both of these have been growing quite well. The MBG piece is the one that we are more keen on growing because the yields there give us a clear NIM of 400 to 500 basis points. And these are smaller tickets, which means that the risk is diversified. And so far we have hit a peak disbursal of roughly Rs.300 crores in the month of December. We are hoping to double that with changes to our policies, practices, and also with increased sales effort, because that is going to be a huge driver of revenue for the institution as such. And that product works on a templated mode where we have credit scores that run, and these are all digitally underwritten and they have reasonably quick turnaround times. And we leverage as much data as is possible from GST data to tax return data to Bank account data and so on and so forth to arrive at a score that tells us whether the customer is bankable or not. And it is there that we have had very

significant growth in volumes. And all of this is originated by us. We do not pay any origination commissions and so on and so forth. So the economics for us is very, very positive. The second area, which I said is what we call emerging corporate business. These are the bigger tickets, which is written by the verticals. There also we have had very substantial growth on a year-on-year basis. And there, it is fairly broad spectrum of businesses that come to us from working capital to term facilities, to fund working capital gap, to Brownfield entities that are setting up incremental capacity, to lease rental discounting and so on and so forth. So it is a broad mix. Of course, the yields here are lower. I want to reiterate that we trade off a price for better quality. So, we are aiming to get a high quality, slightly better yields than what we have been achieving in our book. So, the aim is not to increase the risk density or riskiness of our portfolio at all, but to manage risk in such a fashion that we get an alpha on the yields and as a consequence an alpha on net interest margins. So I trust that answers your question.

Suraj Das: Yes, sir. That answers. So, out of this Rs.1,700 crores or Rs.1,800 crores disbursement that you are saying on the MSME, currently the MBG group contributes only Rs.300 crores?

P R Seshadri: No, no, that was in one month; that was in the month of December. So the exact numbers we can make available. I do not have the breakup with me.

Suraj Das: Yes. Thank you. Sure, sir. So the second question is on the housing side. I mean, while the LAP portfolio is doing well, the housing finance growth seems to be a bit volatile; I think this quarter it has again de-grown; the growth has been negative on a QoQ basis. Sir, is this a function of portfolio buyout or something like that or what is the rationale, sir, or probably what are -

P R Seshadri: There are two things that were driving it. One is, yes, there is some portfolio transactions that IBPC/portfolio buyout transactions, which are reflected in one period and not in another. But the broader problem is that yields on housing finance, especially prime housing finance have dropped to a very, very low level with nationalized banks now operating at 7.1% and some of them are even sub-7%. So we, during this quarter, because of the repo rate cut in the month of December, from a management standpoint, wondering whether we wish to participate or did not wish to participate. And if we wish to participate, at what level we wish to participate. Now, housing loans are very, very price sensitive. A good housing loan customer will go where the prices are lowest. So, as a consequence of that, we did lose volume in December. And I think, frankly, strategically, we have to decide at what levels we wish to participate here. And at those levels, the business may or may not be available in the type that we want to do. So that is one of the reasons why this has happened.

Suraj Das: Sir, got it. Sir, third question is in terms of, let us say, the entire co-lending partnership that you have, at present, what is the mix of the co-lending partner in the disbursement for let us say, the retail segment, saying good loan or unsecured retail, this Amazon tie-up, AXIO pay tie-up, or on the overall, let us say, how much portfolio buyout you do?

- P R Seshadri:** We can make that available. It is not readily available with me. We can get the data and give it to you. The overall book size is roughly approximately Rs.1,900 crores. A fair chunk of it is going to be gold. So, roughly about Rs.1,500 crores to my estimation will be gold and the rest would be unsecured and housing. So, that is where we are at, at this point. But the disbursement numbers are not readily available.
- Suraj Das:** Sure, sir. I will get in touch offline. And the last question, in terms of this non-interest income, the other line item, I mean, on the investor deck #32, the other line item is almost 40%-50% of your overall non-interest income. And that has been the case for the last few quarters. Sir, any specific line item, which contributes the more here?
- P R Seshadri:** I will turn this over to my colleague, Vinod Francis, our CFO, to answer this question for you. Thank you.
- Vinod Francis:** Good afternoon. So two major items that comes in is one is the income, what we derive from the bancassurance business and the other one is the recovery from the technically written-off accounts. These are the two major line items that constitute in that other income, others.
- Suraj Das:** Sure. Got it. Thank you so much.
- Moderator:** The next question is from the line of Darshan Deora from Indvest Group. Please go ahead.
- Darshan Deora:** Yes, thank you for the opportunity. Just had a question on this MSME loans. I was looking at slide #15 of the presentation, where you have given that table, giving a breakdown of the MSME loans. So just want to understand, so in one row, we have MSME, SME loans, about Rs.9,800 crores, and there is another row that says other. So is the first one, what you were explaining the MBG group and the second one, the relationship managed loans, is that the breakup?
- P R Seshadri:** Okay. So, we have sort of broken it down the way we reported to the Reserve Bank of India. Nowadays, to meet priority sector requirement, we need Udyam Aadhaar numbers. So the first number, MSME/SME, has those appropriate say, identifier to prove that they are MSMEs. Second category does not have files. They are MSMEs, they do not have those. So therefore, it has been reported separately. It also includes some transaction banking products, basically, bills discounted against LCs also is a part of the segment.
- Darshan Deora:** So, if we were to just take the split of the MBG versus what you had called out as the emerging corporate business, what would the split be?
- P R Seshadri:** We will make that available... going forward, we will present it in the deck.
- Darshan Deora:** Yes, it would be great if we could even include the mortgage business, which you said is being shown under retail. I understand this is for RBI classification purposes, but just for the investors to also understand, because I believe the company has put a lot of effort in terms of retraining employees,

etc., So just wanted to, see that how that is progressing. Any color you can share on that as well, like the efforts and the investments we have made, both on the employee side as well as the technology side, how is that progressing in terms of traction?

P R Seshadri:

So we have spent a lot of time and energy rearchitecting our processes as well as our systems. So in the deck, you will see a lot of new systems that have gone live over the last 24-months or so. These are all different products. We have different systems. So for working capital facilities to small businesses, we have something called GST Power. For LAP, we have something called LAP Power. These are all journeys in a fully digital mode that enable people to actually navigate this and get outcomes reasonably quickly. So those have been live now for a long period of time and our people have gotten used to them. We have also been spending a lot of time and energy retraining our staff. We have been sending our folks for intensive classroom sessions outside of our offices in third-party locations so that they can learn more about MSME businesses. So those are all now beginning to pay off because our people are now slightly better educated on the needs of MSMEs. So we will break up the slides, show you the difference between the emerging corporates as well as our branch-based businesses in the succeeding quarters so that that information is available to everybody.

Darshan Deora:

Great, great. That would be much appreciated. And my second question was just regarding the overall loan growth. So, we are going as per our guidance; we have hit roughly a 12% figure. What will it take for us to sort of move to the next orbit, like to move towards a 15% loan growth figure?

P R Seshadri:

See, I think we have to trade this off. We have to figure out whether that is better for us or to remain at this 12% level. So if you were to look at our cost of money, it is actually lower than many of our peers. So, we have a natural funding advantage. If we were to start growing very rapidly, we will lose that because we will have to offer deposit rates which are similar to deposit rates offered by the other people. Right now, we are priced 15 basis points lower than our larger peer in our main market. So, so even with that pricing disadvantage, we grow at about 12%. So strategy that we are currently following is to grow at this level, but grow the retail MSME, gold much faster, which means that over time, corporate will start shrinking. That we believe will have a bigger delta on the NIMs and profitability for the institution. There will come a point in time where our ability to grow will be significantly higher than what it is currently, at which point in time we will step up. So, if we go into the next year, our growth will increase from here. But we do not want to take it to 20% and so on and so forth, because that is going to be counterproductive from a P&L standpoint.

Darshan Deora:

Got it, got it. That was very helpful and wish you and the team best of luck for the next quarter. Thank you.

P R Seshadri:

Thank you.

Moderator:

Requesting the management members to please speak a little louder as when you are speaking, then there is some buzzing sound is coming from your line. Please increase your devices volume, sir.

P R Seshadri: Yes, ma'am. Can you hear me now?

Moderator: Yes, sir. Yes, yes, it is clear now. Thank you, sir. The next question is from the line of Parth M from 360 ONE Capital. Please go ahead.

Parth M: Thanks a lot. My first question is that your credit card book has been consistently declining. What exactly is happening? The delinquencies are rejigging that portfolio. That is my question one. Second is interest on income from investments at its highest level. So what exactly is driving this? And my third question is, slippages within the retail portfolio from the new book I think, at around Rs.93 crores for the quarter, slightly higher than previous quarter. So which segments are driving this? Yes, those are my three questions.

P R Seshadri: Okay, with respect to the cards business, as you are aware, we had a relationship with an external counterparty who was providing all the services associated with the cards business. And from March of 2024 onwards, fresh issuances have been stopped. We had engaged with both the counterparty as well as the regulator to try and have it restarted, but we have not had any success on that front. So, we are at this point in time working on alternate strategies as to how we can reenter the cards business. Point number one. Point number two, we could not quite hear what you said. So I will go directly to point number three and then come back to point number two. Now, majority of the losses that we had in the new book, roughly half of it is from the credit card business and a small portion of it is also from our portfolio buyout. So, we did see elevated losses on portfolios acquired by us by way of a DA transaction in the past. So this has been a significant increase in those losses that we noticed, which is embedded in the Rs.155 crores of slippages that we had in the quarter. Rs.17 crores is from portfolio purchases made, which is actually quite a small portfolio. So we are looking into it carefully to understand if there are any issues that we need to be worried about, and the rest of it is coming from personal loans and other such products. So those are non-material. So to repeat, 50% comes from credit card, Rs.17 crores comes from portfolio buyout, the rest is personal loan and other such products.

Parth M: And my last question is on interest on income from investment of Rs.497 crores?

P R Seshadri: That is the one that we were not able to hear.

Parth M: Okay, so I will repeat. So income from interest on investments, what exactly is driving this, because at Rs.497 crores, it is the highest in the last, I guess, last eight to 12 quarters?

P R Seshadri: That is because the investment book itself has grown quite significantly. So, if you see the investment book, last quarter it grew by what, Rs.7,000 crores or so. And while it shrunk a little bit between the prior quarter and this quarter, it is still at an elevated level. So consequently, we are getting higher interest coming in that.

Parth M: Sure, sir. Thanks. Thanks.

- Moderator:** The next question is from the line of Bhavya Sanghvi from Alchemy Capital. Please go ahead.
- Bhavya Sanghvi:** Thank you for the opportunity, sir. My question is regarding the CD ratio. So we see that the CD ratio has been inching up quite well. So I wanted to get a sense from you as to what would be the sustainable level that a Bank is thinking to take this? And a connected question is how the Bank is thinking on the liability side growth to support the deposits as the growth of deposit has been 6% CAGR in the last three years to fund the loan book growth in the future? Thank you.
- P R Seshadri:** Thank you very much for that question. With respect to CD ratio, we are at approximately 82% or so in the last quarter. We think that there is still some headroom available there. We can get to 85%, 86%. At the same time, we have also started looking at alternate funding sources. So, we have tapped other funding sources which are non-reserve required. But, from a liquidity management standpoint, I think we have done reasonably well. While CAGR over a three-year period may be low, year-on-year our liabilities have grown approximately 12% with the same ballpark range as our assets have grown. And as I mentioned earlier, we are growing this while keeping our cost of deposits under tight check. So, our belief is that if we were to pay higher rates, we can get higher liability growth. But that will militate against having higher NIMs. So, in order to manage both of them, we are sort of optimizing our asset growth in such a fashion that the liability and asset growth is roughly of the same amount and our total CD ratio remains within reasonable bounds.
- Bhavya Sanghvi:** Sure. Thank you, sir. And any specific targets on branch expansion in the next couple of years that Bank is thinking about? Thank you. That is all from my end.
- P R Seshadri:** We have not grown our branches in the last two years or so. We will be expanding, doing some amount of branch expansion, especially in our core areas, which is Tamil Nadu, Andhra Pradesh, Telangana, Karnataka. But those plans are in the future. In the near-term, there may be 10 or 12 branches that are built up.
- Moderator:** We will take this as the last question for today. I would now like to hand the conference over to the management for closing remarks. Thank you and over to the management.
- P R Seshadri:** I would like to thank all the folks who attended this call for being here with us. Thank you very much for taking time to attend our call and having interest in South Indian Bank. Thank you very much.
- Moderator:** Thank you, all. On behalf of South Indian Bank, that concludes this conference call. Thank you all for joining us today and you may now disconnect your lines.