



“South Indian Bank Limited
Q4 FY26 Earnings Conference Call”

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MODERATOR: **MR. AMANSINGH SAHAJSINGHANI – ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to the South Indian Bank Q4 FY26 earnings call hosted by ICICI Securities Limited. As a reminder, all participant lines will be on 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 star then zero on your touch-tone phone. Please note that this conference is being recorded.

I would now like to hand the conference over to Mr. Amansingh Sahajsnghani from ICICI Securities. Thank you and over to you, sir.

Amandeep Singh S.:

Thanks, Yashashree. Good afternoon, everyone, and thanks for joining the call. On behalf of ICICI Securities, we welcome you all to Q4 FY26 post-earnings conference call of South Indian Bank. From management side, we have with us Mr. P.R. Seshadri, Managing Director and CEO, Mr. Dolphy Jose, Executive Director, Mr. Anto George, Chief Operating Officer and Executive Vice President, Mr. Vinod Francis, SGM and Chief Financial Officer, Mr. Jimmy Mathew, SGM and Company Secretary, along with other senior executives of the bank.

I'll now hand over the conference 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. Good evening to all of you and thank you very much for joining us for the South Indian Bank Limited quarter 4 FY26 earnings conference call. I'm P.R. Seshadri, the Managing Director and CEO. I'm joined here by my colleagues that were introduced earlier and two others, Mr. Senthil Kumar, who is our Head of Credit, and Mr. Sony, who is our Chief Information -- CIO. At the outset, let me once again thank you all for being here with us today. We greatly appreciate it.

Let me start with the key highlights of financial performance for the financial year 2025 to 2026. The bank declared its highest ever net profit for the year at INR1,455 crores for the financial year 2025-2026, which implies a growth of 12% compared to INR1,303 crores in the prior year. Total deposits grew by 15% to INR1,23,346 crores from INR1,07,526 crores. Retail deposits, excluding bulk deposits, grew by 15% to INR1,20,116 crores from INR1,04,750 crores.

Gross advances grew by 14.5% to INR1,00,274 crores from INR87,579 crores. During the last financial year, we have done a technical write-off to the extent of INR1,163 crores, excluding which the year-on-year growth would be at 15.8%. Total business for the bank grew by 15% to INR2,23,620 crores. Net interest margin for the year was at 2.91%. The bank was able to show a healthy growth in the average advances during the period with a growth of 14%.

The bank declared a return on asset of 1.03% and a return on equity of 12.76% for the financial year. Net interest income for the year was at INR3,437 crore. The capital adequacy ratio of the bank stood at 19.66%, with the Tier-1 ratio standing at 18.76%, and the entire Tier-1 component is basically common equity Tier-1. CASA amount increased by 17.5% year-on-year to INR39,621 crores.

Provision coverage ratio, excluding write-off, improved by 810 basis points year-on-year to reach 79.87%, and PCR including write-off reached 94.10% at the end of the year. Overall gross NPA reduced by 177 basis points from 3.2% to 1.43%. Net NPA reduced by 63 basis points from 0.92% to 0.29%. Slippage ratio for the year was at 72 basis points.

Let me take you through the financial performance of the bank for the quarter ending March 31st, 2026. The net profit for the quarter was INR408 crores compared to INR342 crores during Q4 FY25. Net interest income for the quarter was at INR915 crores. Operating profit for the quarter was INR581 crores. Net interest margin for the quarter was 2.95%. The bank's return on asset for the quarter was 1.17%, and a return on equity for the quarter was 14.49%.

Slippage ratio for the quarter, not annualized, was 15 basis points. Credit cost for the bank for this quarter was low at 3 basis points. During the last financial year, our gold loan business grew by 46% and now stands at INR24,729 crores with an average LTV of 57.18%. This number includes those portfolios that have been purchased by us and an average ticket size of approximately INR2.71 lakhs.

Mortgage loans and auto loans are other areas of significant focus. On a year-on-year basis, we were able to achieve significant growth in mortgage loans, significant growth in auto loans, and our focus on MSME loans has ensured that our book has grown by approximately 15% for the year. We continue to maintain the momentum in disbursements and collections. And we hope that the trend lines that we've seen thus far, assuming that the environment is conducive, ensures that we reach the outcomes that we would like to see.

Our areas of focus as an institution remain portfolio quality. We are very happy to note that the SMA1 and SMA2 numbers have continued to improve. Slippage is at an all-time low. Shift from Corporate to MSME and Retail is visible in our balance sheet.

CASA balances have grown very significantly, demonstrating the quality of our liability franchise. There is a material increase in branch productivity that we are able to see and which is reflected in the fact that Retail and MSME businesses are growing.

Significant improvement in processes and systems have been realized. Our focus on digital channels are helping us improve our business and operating efficiency. This is the second year in which we've delivered positive operating leverage. Our focus on costs continue. So whilst the environment has been difficult and growing revenues have proven to be difficult, we've managed to ensure that jaws from an operating efficiency point of view, the jaws have opened up. With this, we'd like to open the floor for questions.

Moderator:

We'll take our first question from the line of Unmesh Shah, an Individual Investor.

Unmesh Shah:

Thank you very much, sir, for giving me opportunity to attend this con-call and congratulations once again for the good set of numbers. Your CASA, NPA, all have come to a very good set of numbers, sir, and also this capital adequacy ratio and everything is in line. Sir, my question is now, sir, that you know you have decided not to go for the second term or extension.

Is there any search operation going for succession plan for the bank or what is the new thing going on or how much time will it take or it may be internal person or from outside search is going on? If you can elaborate or if I am not too inquisitive, I will be happy if you can throw some light on this.

P.R. Seshadri: The Board is actively engaged in the search process. I can confirm that the search process is on. And the Board is fully cognizant of the need to ensure that this is done expeditiously and names communicated to RBI within the timeframe that is required.

And I am certain that the board would be updating shareholders as well as investors and others at the appropriate point in time once an outcome has been reached. So I guess the process is, to reiterate, the process is underway and we should expect communication from the bank, from the Board through the bank, at an appropriate point in time.

Moderator: Thank you. Next question is from the line of Siddharth Gollapudi, a Retail Investor. Please go ahead.

Siddharth Gollapudi: Hi, sir. Thank you so much for the opportunity to ask a question. First of all, congratulations on the great numbers. Sir, I had the similar question to what the first questioner asked, but I also have another question. I saw that in the numbers the other income had some significant decline this last quarter. So I just want to know what is the reason and is there any, in future, what are we going to do to ensure that the other income is also consistent to the previous quarters? Thank you, sir.

P.R. Seshadri: I'll request my colleague, our CFO, to answer that question. Post his answer, I'll give you context on how we think that we can regrow or start growing that revenue stream. So over to you, Vinod.

Vinod Francis: Thank you, sir. Am I audible?

Moderator: Yes, can you come closer to the microphone please?

Vinod Francis: Yeah, hope I am audible now.

Moderator: Yes, please go ahead.

Vinod Francis: So the dip in the other income is mainly because of the Treasury because in Q4, due to the market conditions, we were not able to generate much income over in the Treasury segment. So in Q3, we had an income of around INR77 crores, so that is almost nil in Q4. So that is the major element of dip in the other income.

P.R. Seshadri: Thanks, Vinod. To further address your query, we are branching out from Corporate into the Retail and MSME side of the house. And we are doing a lot of work to broaden out the fee base that we have as an institution. And the revenue stream that you can get, non-interest revenue that you can get on Retail and MSME, is significantly larger than what you can actually get on the Corporate side. And as that grows out, we think that automatically the revenue streams here will improve.

Thank you. My apologies for the fact that we inadvertently left the call. I was trying to explain that the non-interest income drop that you saw was largely on account of the fact that Treasury revenues were very minimal during this quarter, and I think that has been the feature across the industry. And I was also trying to tell you that the change in mix that we are looking at

automatically increases non-interest revenue. And we are also working on a whole bunch of new solutions which will also increase our revenue streams.

So there's been very substantial increase in our FX revenue streams. And in order to make that even more buoyant, we are working on a new solution called TF Online, which enables our corporate and MSME customers to engage with us for all export.

Thank you. I don't know where everybody lost me, but I just want to reiterate that the reduction in non-interest income is largely a one-off which is coming from the fact that Treasury revenues have been less than buoyant during the quarter, which is something that has impacted not just us, but has been a generic impact across the board.

And the bank has, A, changing its product mix will enable us to increase revenues on this front. And B, there are certain specific actions that we are taking with respect to our FX and trade platform which we are enhancing very considerably, which will enable us to engage with our customers on a non-funded basis more effectively such that we get significantly enhanced revenue streams.

Moderator: Thank you. We'll take the next question from the line of Jai Prakash Mundra from ICICI Securities. Please go ahead. Mr. Mundra, you can go ahead with your question.

Jai Prakash Mundra: Yeah, hi. Am I audible?

Moderator: Yes.

P.R. Seshadri: Yes, Jai, we can hear you.

Jai Prakash Mundra: Sure. Sir, just a question on -- while you mentioned that the Board has taken the succession thing, but any timeline, sir, as to what are the timeline and what are the processes? I mean, when does the search completes and when does the name go to RBI? Any broad timeline, sir?

P.R. Seshadri: Jai, I think we are aware of the fact that RBI requires a certain amount of time for the approval processes. The Board is cognizant of that, and I am sure that the outcomes will be, you know, the process will conclude and letters will be written to the RBI in due time for RBI to make its decisions and convey them to the Board in such a fashion that the new incumbent can be in position when required, which is, my term ends on the 30th of September.

And I expect that all of this will happen in such a fashion that the new incumbent can be in position before or immediately after the end of my term. So I think that's the best I can do at this point in time, Jai. There is little further information that I can provide in this context.

Jai Prakash Mundra: Sure. No, no, I think that is what I wanted to know. So thanks for that. And secondly, sir, on gold prices and the portfolio impact, right? While the LTV, I believe, is very comfortable, but that is on the blended level, right?

So, I mean, a 20% fluctuation in gold prices is not a unusual thing. So how do you control the LTV on, let's say, if the gold is 15,000 or 16,000 per gram and then suddenly or over the month

it comes down to maybe 13,500 types? So on the I mean, what is the risk mitigation on the gold loan at the higher end of the -- when the gold prices are higher? Thank you.

P.R. Seshadri:

I think it's a very good question. So during the year we've had to understand how to measure this risk. In gold, the risk is basically price volatility of gold itself is the risk. So as a bank we've put together, we are using the Value at Risk framework, and we've built a mechanism by which we actually measure this risk.

And using Value at Risk, we can see periods of volatility. And if we were to stress test our portfolio for that period of volatility, what is the portfolio that gets exposed as a consequence? And we have set caps on that as well. And that's the mechanism by which we are actually managing gold loan risk.

Now, we've had a situation, I think it was either in January or in February where gold prices came down all the way down to about \$4,100 per ounce from a peak of \$5,500. And at that point in time, we had an opportunity to test the various processes that we had set up. Actually, A, the process of figuring out who are these customers whose margins have been eroded. B, a process by which we communicate with these customers and ask them to repay or make margin payments to us so that they can restore the margin on the gold loan.

I'm glad to say that a very large number of customers made payments very, very promptly. Of course, we didn't have to follow through and ask the rest of the customers who were impacted, essentially because gold prices recovered thereafter.

But having said that, these are all tools that we have in place. Our experience on the margin calling front has been good, and that is how we are managing it. So, at a portfolio level, we have a Value at Risk metric which tells me how much risk I am running. So, if the peak-to-trough movement of gold is X in the last eight years or ten years, that in a 30-day period, a 30-day VaR has been X, then we ensure that we set a cap and do not exceed that cap.

Now, of course, if the price of gold were to dip by more than that, then there will be some incremental hit to the bank. And that is what we think can be addressed by the fact that we are in a position, we have a mechanism by which those accounts can be isolated, margin calls can be made, and our history is that we've been able to get margins to be refurbished in a very substantial number of these customers. I trust that answers your question, Jai.

Jai Prakash Mundra:

Yeah, no, sir, it does partially. I was, sir, also thinking that a few banks have told us that either they cap the LTV, not the LTV percentage, but LTV rupees crores, rupees thousand let's say, so even if the gold prices were to go INR16,000 per gram, they will cap at INR11,000, INR12,000, or they will take more moving average of 30 days. Anything of that sort or, you know, you have like what you mentioned VaR sort of an approach for risk mitigation?

P.R. Seshadri:

So, we already take a 30-day moving average. And we also, in addition, we apply something called a standard deviation. So, we apply a proportion, instead of applying one full standard deviation, we either apply 50% or 25% standard deviation to partially mitigate this risk.

So, to address volatility, we've tried to figure out some statistical method of doing it. But what I was trying to tell you was how we manage risk at a portfolio level. Because ultimately, if the price of gold goes from INR15,000 to INR10,000 and that is what it has historically done -- historically, let us say the maximum peak-to-trough has been 30% -- then we can then try and model how much of my portfolio will be at risk and then cap it.

At a VaR level, we can say that I want -- I don't want more than let's say 10% or 8% of my total capital should ever be at risk. That kind of measurement system is already in place. Now, of course, a real-life movement in gold can be very different from historical movements and these metrics that we have used may or may not really hold out. But it is -- it is the only substantive method by which we can do this and we are quite, you know, we are tracking this very on a constant basis and thus far our experience has been reasonably good.

Jai Prakash Mundra: Right. Oh, thank you so much, sir, for answering the question. I'll come back in the queue. Thank you.

Moderator: Thank you. We'll take our next question from the line of Darshan Deora from Invest Group. Please go ahead.

Darshan Deora: Yeah, thank you for the opportunity. So, my first question was on the write-off that 1,163 crores of write-off. How was this accounted for? Can you just explain that briefly, please?

P.R. Seshadri: Sure. I'll turn this over to our CFO, Mr. Vinod Francis, to answer this.

Vinod Francis: Yes, sir. Sir, with this regard to this write-off 1,163, so these all these accounts have already been 100% provided. Provisions have already been created. So, we are doing the technical write-off. It is not the actual bad debt write-off, but a technical write-off. So, there is no impact in the P&L, but the only impact that comes is in the PCR.

Darshan Deora: Got it. So, this reduced your GNPA, but your NNPA was not affected by this.

Vinod Francis: Not affected by the technical write-off.

Darshan Deora: Okay. I'm probably going to ask take this offline with you because I have some more questions around that. The other thing was regarding the gold loan book. So, INR25,000 crores currently is your approximately the gold loan book size, including retail and agri. How much of this would be organic and how much of this is, you know, like portfolio buyout or co-lending?

P.R. Seshadri: A vast majority is organic. Our portfolio buyout and co-lending, I don't have the exact number, but I suspect it'll be about 15%, but we can give you the exact number subsequently. It'll be let's say 10% or thereabout. Less than 10%, 7%, 8% . 8% to 10%.

Darshan Deora: Got it. And generally speaking, like this quarter, for example, what would be your total portfolio buyout you would say like across products?

P.R. Seshadri: Our total portfolio buyout across products is roughly in the order of magnitude of about INR2,000 crores at the end of the last quarter. And frankly, from our point of view, our learning has been that we would prefer pass-through certificates to portfolio buyout. There was a point

in time that where we privileged portfolio buyout for the reason that we had to demonstrate growth in the portfolio. But now that we have our machinery is working and all of that is happening, we are more inclined to do PTCs as opposed to portfolio buyouts because of the credit enhancement and the fact that, you know, some of the attendant problems that come with this are not present in that structure.

Darshan Deora: Got it. And you know that kind of leads me to your to my next question which is on the MSME. So, any update or anything else you'd like to share on the MSME in terms of the traction we are seeing?

P.R. Seshadri: So MSME has grown 15% year-on-year. And we are quite happy with it, but to give a more detailed answer I'll turn this over to my colleague Dolphy Jose, who is the Executive Director on the call.

Dolphy Jose: Hi, Darshan. This is Dolphy. So, the primary narrative for from the time we've started this MSME progress, progressively directionally going towards acquiring more organically and making our presence more substantial in the MSME segment. We continue to focus on better yield, better mix, better pricing discipline. So, we have gradually progressed towards building the MSME segment in growth supporting geography and markets.

And that's quite visible in the shift if you look at the recent progress and how it has developed. That will continue, and we intend to have concentrated resource allocation and avoid width and go after depth in the geography where we are moved recently and develop markets. And we are investing on infra, we are investing on manpower, etcetera. That is the way forward for MSME: deeper and not wider.

Darshan Deora: Got it. Got it. Appreciate that. That's all from my side. Thank you so much and wish you all the best for FY '27.

Moderator: Thank you. We'll take our next question from the line of Sandeep Joshi from Unifi Capital. Please go ahead.

Sandeep Joshi: Hi, sir. Thanks for the opportunity and congratulations for the good set of numbers. Sir, I had a couple of questions. Firstly, on the loan growth. So, you've grown our loan book at a healthy rate of around mid-teens during this financial year despite the write-off of about more than INR1,000 crores. And the heavy lifting was done by gold loans. So, in this context, at what rate do we intend to grow our loan book in FY '27, assuming gold might not contribute so significantly the way it did in FY '26? That's the first question.

P.R. Seshadri: Yeah, okay. Thank you, Sandeep. We think that we at the very least we'll grow at the industry rate. So, I mean going forward our aim is that if the industry grows at X, we'll grow at X. But we are a smaller institution, and therefore, you know, whatever be the vicissitudes of the industry, we should be able to carve a path for ourselves which is different.

So, I understand that the current view is that next year loan growth may be a little shallower than last year's loan growth, but having said that, we are still aiming to get between 15% and 16%. But if the industry were to do higher than that, we will match industry.

Sandeep Joshi: Okay, fair enough. My second question is on the employee expenses. So employee expenses declined materially during this quarter. So was there any one-off? If yes, so what was the nature and amount of that one-off?

P.R. Seshadri: Yes, it was a one-off. Let me, you know, hand this over to Vinod Francis, our CFO.

Vinod Francis: Yes, Sandeep. So this is a one-off item that has come up. That is mainly with regard to the write-back what we obtained based on the actuarial valuation. So that amounts to around say close to INR80 crores. So this is mainly at the year-end we go for the actuarial valuation in compliance with the Accounting Standard, so based on that we got a write-back of INR80 crores.

Sandeep Joshi: Okay, fair enough. And my next question is on the operating cost line item. I mean, over the last eight to ten quarters, you've done a commendable job in terms of keeping the operating costs largely flat over the last eight to ten quarters.

So how should we think about the same line item over the next couple of years? Can we expect a moderate growth in the operating cost line item, or will it grow in line with the business growth?

P.R. Seshadri: I think it's a very good question, Sandeep. I think basically what our strategy so far was that we sort of sweat all our assets as much as possible so that we can become more profitable and we become much more efficient. But there is an efficiency frontier. I mean, once you get closer to that efficiency frontier, beyond that efficiency growth becomes more and more difficult.

So I think we've reached a point where expenses cannot be kept at this level indefinitely and we will have to start doing a little bit of investment both in distribution, a little bit more investment in technology, and so on and so forth. So you will see expense growth coming forward, but we are hopeful that that will be more than compensated for by revenue growth.

So our aim is to ensure that we continue to have positive operating leverage. We are very, very thrilled that we've had positive operating leverage two quarters, two years running, and we'd like to make that a third year as well, which will then open up our pre-provisioning operating profit and profit before and after taxes as well. So I don't know if that answers your question. If you have anything else in particular, I'd be happy to answer that.

Sandeep Joshi: Yes, sir. That does answer my question. My last question is on the credit cost. So your slippages are trending down and your net NPA is now below 30 basis points. So in this backdrop, how should we think about credit cost on a sustainable basis over the next couple of years?

P.R. Seshadri: Very difficult to answer that question, Sandeep. My own view is that we've seen the trough when it comes to credit cost. Credit cost for this quarter was three basis points. I don't think a credit cost can be lower than this on an organic, under normal circumstances.

I think if anything, both slippages and credit cost should trend upwards, especially given the geopolitical stresses that we see emanating from the Middle East and elsewhere. How much it

will be? What the impact will be? Very hard for me to have a view on. In fact, I'll be honest with you, these are unknown, unknown

And I can't really tell you what they will be. And if there is somebody who is able to predict all of this, then I think I would love to understand how they are doing it and what mechanism they are using. But right now we are not seeing any material change in customer behaviour.

I mean, so far, obviously the crisis is still young and it takes time for these things to flow through. But our hypothesis is that both of these parameters will deteriorate for us, not improve.

Sandeep Joshi:

Sure, sir. Understood. Thanks. That's it from my side.

Moderator:

Thank you. We'll move to our next question from the line of Parth Gutka from 360 One Capital. Please go ahead.

Parth Gutka:

Yes, hi, sir. Thanks a lot for the opportunity. So, my first question is what would be the NIM drivers going into FY27 considering, we may see a rate hike maybe at the fag end of the calendar year or the fiscal year.

P.R. Seshadri:

The NIM drivers for us are largely change in asset mix, is the biggest driver. So, if we can get more larger proportion of our book to be Retail and MSME, automatically NIMs open up because on the corporate side we are dealing with very, very high-quality corporates and there the NIMs are very, very low. So product mix change is the biggest driver of NIM.

The other driver of NIM for us is going to be rate hikes. So on the way down, we were the most impacted institution essentially because of the fact that we give effect to an RBI rate change on a T+1 basis. So if repo rate changes today, we give effect to it tomorrow.

So on the way down, we hurt more, but it also makes us more responsible in trying to understand how to address that going forward. So, you know, so but we'll also be the biggest gainers when on the reverse side. So if rates were to be hiked and we are hoping that they are sooner rather than later, we will be a large, fairly substantial beneficiary of any such move.

The other thing that we are doing on the NIM side is basically changing the way we measure and task our folks. So we've been more biased towards the headline numbers in our goal-setting methodologies in the past, essentially because we used to be growth challenged at one point in time.

And now that we are growing quite nicely, our target setting and goal-setting mechanisms have been changed to include revenue goals as a specific goal, which means that there is pressure at the front end to also, you know, price these assets more appropriately.

So I think these are the two or three things that we are doing which will enable us to widen these NIMs. So over the last two quarters our NIMs have improved by about 15 basis points, I mean six basis points in Q3 and nine basis points in Q4.

And we don't have—as far as we are concerned these NIMs will continue to widen. I mean we don't see any reason why they should actually stop widening. I also request Vinod Francis to add his colors.

Vinod Francis: Yes, Parth. So in addition to what our MD was mentioning, another one more factor that can come in Favor for us is the repricing of deposits because we have almost say 60 to 65% of our deposit is due for repricing during this financial year, considering the average tenor of our deposits.

So that will also come in Favor of us because majority of these deposits having a higher prices which has been contracted earlier. So that we expect to come in Favor of us in addition to the levers what our MD was mentioning.

Parth Gutka: Yes. So sure, sir. So you mean to say 60 to 65% of the deposits will come for repricing, but this quarter if I observe, your cost of deposits have gone up by two to three bps if I'm not wrong.

Vinod Francis: Yeah, correct.

Parth Gutka: So what is actually happening? Because still the deposits are yet to reprice and our cost of deposits is inching up. So just trying to understand here.

P.R. Seshadri: Yes. So here in this current quarter what happened is that we have slightly moved the deposit rate considering the deposit growth. So if you see our deposit prices compared with the market rates, we were little lower than the other competitors.

So considering that to having some buckets to have the growth, we have slightly repriced the deposit rates and this has slightly resulted in the growth of cost of deposits by three basis points. But going forward what we expect is that the deposits which have already been contracted at a higher rate in the earlier years, that is yet to reprice, so that will be at a lower price in the current running rate.

Parth Gutka: Sure, sir. And my second observation was the non-resident deposits which you give in the investor deck. If I calculate that as a percentage of total deposits, that has been coming down. So are we losing, sort of market share in the non-resident deposits?

P.R. Seshadri: Our total staff strength, you know, we do have a representative office in the Gulf and our staff strength there is small. And their productivity has actually been inching up quite considerably. And I think we were, the rate of growth of our non-resident deposits has stepped up quite considerably during the last year.

So, we grew non-resident deposits 12% last year as against 7% the prior year. So, the way we see it, we are actually growing year-on-year. If we've lost market share, and I don't have the market share statistics with me, the SLBC will give us for Kerala and so on and so forth, but I don't have it readily available.

That it is quite feasible that we were losing market share at one point in time, but I think our performance during the last year has been significantly better. I don't know whether there's a

material change as a consequence of that in our market share. But rate of growth has kept up quite considerably and that is visible in the numbers that we we've shown you in page 21 of the deck.

Parth Gutka: Sure. And my last question is, sir, the impact of the one-time transition impact of ECL and do we hold any buffer floating provisions for the same?

P.R. Seshadri: I will ask our CFO Vinod Francis to respond.

Vinod Francis: Yes, Parth. So, with regard to this ECL transition, currently we are not holding any floating provision in our books. So, what we expect is that based on the current estimate, we don't estimate any material impact over there, mainly because of few factors that if you see our numbers, SMA numbers, is on a declining trend and is close to 0.6% of our total book.

So that is only the total SMA 1 and 2 numbers to the total loan portfolio. And another factor is that if you can see that our provision coverage ratio which is currently at close to 80%. So, considering the existing credit quality and the recovery pattern what we follow for the last two to three years, we don't expect any material impact due to this transition.

Parth Gutka: Sure, sir. Thanks a lot for answering my questions.

Moderator: Thank you. Next question is from the line of Niraj Jalan from BOBCAPITAL. Please go ahead.

Niraj Jalan: Thanks for the opportunity. Congratulations on a good set of numbers. So, my first question is like we note that the old book accounted for around 12% of the gross advances as of FY26. So, when do you expect the old book to completely run down?

P.R. Seshadri: Some of these loans are I think working capital facilities which they do annually renew. you know, the way we are seeing this today is that the old book has become quite a small proportion of the total book and therefore maybe the distinction between the old and the new is perhaps outliving its utility.

So, we are internally debating whether we need to do this segregation at this point in time or not because our losses across the board are so low, I mean our slippage rate for the for the quarter was only 15 basis points.

Whilst a substantial sizeable portion of that did come from the old book, but on an aggregated basis the slippage is so low that this distinction may or may not be really important. So, to answer your question, we don't, I can't really predict when this is going to run off because some of these are longer duration facilities.

The term facilities will anyway amortize to term, but I suspect that a large portion of these are now working capital facilities and consequently it's harder for us to estimate. The way we deal with this is that we reclassify an old facility as a new one if we are giving enhanced limits to them.

But in the event, we are just maintaining those lines, then continue to class them in the old set. So, it's an area of some debate within the bank as to whether we need to continue this distinction or whether to, you know, look at the whole thing as one bucket.

Niraj Jalan: Understood. Got it, sir. And sir, in the gross NPA movement, the reductions have increased to around 13 billion in Q4 versus 3 billion in Q3. So, what would be the breakup between recovery and write-off?

P.R. Seshadri: I will give this phone to my colleague Vinod Francis to answer that.

Vinod Francis: Yes, Niraj. With regard to the reduction in the gross NPA, one major factor is the technical write-off what we have done in the March quarter. That amounts to 1,048 crores for the March quarter.

Niraj Jalan: Okay.

Vinod Francis: And balance is the recovery.

Niraj Jalan: Okay. And this write-off is basically technical write-off?

Vinod Francis: That's the technical write-off.

Niraj Jalan: Okay. Understood. And sir, as you pointed out that there is hardly any impact like it's not material, the ECL transition impact, but on a steady state basis also as per your internal estimates, there won't be much of a material impact. That's correct?

Vinod Francis: Sorry, can you come again?

Niraj Jalan: So ECL transition impact, there are two kind of impact due to ECL transition: one is the one-time impact and the other is the on a steady state basis what would be the impact. Yes. So, I think you answered in the earlier call that the one-time impact would be not material. And I'm asking on a steady state basis, are you expecting an impact on the numbers?

Vinod Francis: Yes. So, what we expect is that our asset quality will continue to hold at this levels, maybe slight changes may happen in the future depending upon the market condition. But we don't expect any drastic change over there. So, by depending upon that, we don't expect any material impact over there also from the steady run also.

Niraj Jalan: Okay. Understood. And sir, with respect to the MSME segment, there was a sequential decline in the numbers, close to 2% odd there was a decline on a sequential basis. So, any stress you are witnessing on the MSME portfolio?

P.R. Seshadri: I think the decline is on account of write-off. It is not decline on account of anything else. We are not seeing any current no material stress that is visible at this point in time. In the MSME segment our write-off was 554 crores and the dip is roughly about 230 crores or 40 crores.

So, there's actually a growth quarter on quarter, but having said that, you know, we are not seeing any significant stresses at this point in time.

Niraj Jalan: Understood. And sir, last question from my side. Around 28%-30% of the total deposits are from the NRI deposits. Of this, I believe the deposits from the GCC region was close to 80% in FY23. So, what would be that number as of FY26 and are you also witnessing any stress due to the West Asia conflict on the NRI deposits per se? Yes, that is my last question.

P.R. Seshadri: We are not seeing any stress because of the NRI conflict, if anything we are seeing a slightly enhanced level of activity when it comes to inward remittances and deposits. The exact number as to what proportion of our NRI book is West Asia and what is not is not available with me right now and we will make it available subsequently. I mean I don't, I'm not carrying this information at this point.

Niraj Jalan: Sure, sir. Thanks for answering my questions. Thank you.

P.R. Seshadri: Thank you.

Moderator: Thank you. Next question is from the line of Varun from Bandhan Life. Please go ahead.

Varun: Yes, thanks for the opportunity and congrats on good set of numbers. So, first question is basically you know if I see last few years bulk of the growth has basically come from our existing branches. So, from next leg of growth perspective, do we need to add branches or would we look to continue optimize our existing network? How do you see it?

P.R. Seshadri: It's a very good question. We've been, you know, we started out with high cost-to-income ratios and our view was that we need to become more profitable by sweating assets that we have and make them more efficient. Our view is that we've now, you know, our total value addition from the branches have doubled over the last eight or nine quarters.

There is still some runway there and we can get more and that requires us to redo our processes and ensure that our systems are, you know, even more efficient so that ease of doing business improves. So that thing we will continue to do. We are also building out alternate distribution mechanisms, so earlier we were not working with market participant like DSAs and all of that and now we've started.

And our digital offerings have also improved very considerably. So we launched a new digital offering called SIB RED, which is a full-fledged digital bank in and of itself towards the end of March. And we continue to work on more of those kind of offerings. And we are building out fairly substantial digital asset which we didn't have in the past.

So for instance we have something called Fincredibles and we have a very active blog. Fincredibles I think is one of those entities which has a very large number of followers. I mean sometimes I wonder as to how we've got so many followers when some of the larger institutions don't seem to have you know such kind of offerings.

So the idea is to build more digital assets which gets us digital-friendly customers to come there and that we can use as a hook for originating business. So we are working on multiple things. We may have to start increasing our branches. There are parts of the Southern India where our branch density is quite low.

So, we've been talking at the board level to grow branches in Tamil Nadu, Andhra Pradesh, Telangana, Karnataka, Maharashtra, Gujarat and New Delhi. These are the areas where we would like to increase branches, but we will do that very, very deliberately and, you know, while ensuring that the efficiencies that we have been able to gain in the branches we continue to work on that, so that we make our method of doing business easier for our people and we get significantly greater throughputs from them because that's the only way to grow in a manner where income and costs grow commensurately. So I don't know if I've answered your question. If there's anything else, I'd be very happy to answer.

Varun: I broadly understood the thought process, but would it be right to conclude that from near to medium-term perspective branch expansion is not going to be the focus area.

P.R. Seshadri: Branch expansion is not going to be the only method by which we are going to grow business. I mean there will be some expansion. If you see our numbers for the last seven-eight quarters actually branches have not grown, they've only shrunk. So we came down from 955 to 948. So there will be some growth and but at the same time we will use every other distribution mechanism that is available to grow in a controlled manner.

Varun: Understood. And my second question is how do you see the, you know, the quality of customer franchise that we have today in terms of cross-sell potential and how do we see, you know, our preparedness today to sort of monetize this cross-sell opportunity, especially in the situation that our share of distribution income is still fairly low in our case. How do you see it?

P.R. Seshadri: When you say distribution income you mean income from sales of other third party products.

Varun: Yes, third party products.

P.R. Seshadri: Some of that is also because of, you know, our own reticence to, to push it very aggressively. And our belief is that we've been a very responsible institution. We've treated our customers well. We've tried to sell products that they actually need, and consequently we've turned out to be a very high trust institution, that's our belief. And we want to ensure that the trust that our customers have in us continues.

So which enables us to actually leverage our customer base and grow our balances quite nicely. And I think that is reflected in the fact that we got good CASA growth last year and this CASA growth has been, you know, generic growth across all our regions, all the states that we are operating in, we've had very substantial growth.

So I think we are in a good position to leverage the customer set. We have a good quality customer set. Obviously there are certain types of customers that we wish we had more, like for instance salary savings type of customers who work in large corporations where we are underrepresented. That's an area that we've started work on about 18 months or so ago and we are hoping that we will continue to grow that.

We are leveraging this base to sell internal products. So we sell personal loans to them. Our total personal loan base is largely, you know, pre-approved sale to our own customers. Our loss rate and loss experience on that book is very good, so you know we lose approximately 3.5% to 4%

where the spreads are 11 or 12 percent. So I think we are feeling reasonably confident about the quality of our franchise, and more importantly we are very happy about the fact that we've dealt with them in a mature manner and we have a relationship that we can exploit as we go forward.

Moderator: Thank you. We'll take our last question from the line of Deep Shah from Nv Capital. Please go ahead.

Deep Shah: Thank you for the opportunity. Sir firstly congratulations on a great set of numbers.

Moderator: Deep can you use your handset mode please your audio is very low.

Deep Shah: So sir, my question is slightly broad based you mentioned about your emphasis on product, loan mix change where you will focus more on retail segments. Sir, firstly I just want to understand if you have, I mean a product mix target over let's say a medium term let's say 38% of our loan book is currently corporate, right? So I mean do you have any target where you or sweet spot that you'd like to achieve over a two to three year period?

P.R. Seshadri: We would like to bring our corporate book down to about a third of our total balance sheet. Within that also we have certain lower-yielding assets which are basically, you know, LC bills, etcetera where we would like to bring that down. So we do have an internal target that we are working to, but I don't have it right here.

But I'll what I'll try and answer is in broad terms, which is basically we want to bring corporate down and within corporate there are some segments which are specifically even lower yield, which is this very short duration moneys that we give to very highly-rated corporates.

That again we want to bring down a little bit more so that the, you know, the corporate goes down from 38 to 33 and within the corporate the ultra-short duration goes down from roughly 20% or 25% of our book down to perhaps 10% of the book. Now the ultra-short-term assets have the advantage of providing liquidity buffers for us, but having said that the yield is so low that perhaps it's a good trade-off for us to have.

Now the difference that 5% on a portfolio basis we want to move to retail, MSME and agriculture where the spreads are significantly larger. Now I don't want to go into specific details of where how much it will grow, but we do have those numbers internally, but broadly that is what we are trying to do in the near term.

Deep Shah: Thank you.

Moderator: Thank you. We'll take our next question from the line of Jai Prakash Mundhra from ICICI Securities. Please go ahead.

Jai Prakash Mundhra: Yeah, hi, sir. Sir, quickly on this ECLGS scheme, so would it be fair to assume that your entire MSME portfolio will qualify because all are MSME and even the non-MSME I believe it is like MSME but those who are not registered with Udyam, will that be fair assessment? Because I think the ticket size is capped at INR100 crores so all MSME should ideally qualify, will that be correct?

P.R. Seshadri:

That is true.

Jai Prakash Mundhra:

Okay. And sir if you can recall let's say the ECLGS portfolio, I mean this a great scheme and the results of, you know, COVID scheme I think is very, very clear. But if you can recall your experience if you had to devolve any guarantee and how easy or difficult it is to redeem that guarantee from government?

That is number one in terms of procedure and in terms of did you claim any guarantee and did you finally get those guarantee? That is question number one. And the slippages in ECLGS book earlier that was I mean let's say similar to bank level slippages, right, in let's say FY23, FY24 period or was it lower higher?

That is the real question. So A, the slippages in ECLGS was it similar to overall bank level or lower higher and how difficult or easy was it to claim the NPA or slippages there?

P.R. Seshadri:

Yes, before I hand over this to Senthil, my colleague, he's not here. Yes, Senthil on the call.

Senthil Kumar:

I am on the line sir.

P.R. Seshadri:

Okay, wonderful, wonderful. So let me just sort of add to something on the on the new scheme, Jai, I haven't gone through the scheme and the terms of that scheme in detail. So whilst I believe that our entire MSME portfolio will qualify, I cannot assert to that with 100% certainty since we've not, you know, done the full research associated with it. Now Senthil is on the call, he's an expert on the ECLGS scheme, so maybe he can answer your questions better than I can. Senthil, over to you.

Senthil Kumar:

So, Jai, there are two parts to your question. One is with regard to whether the ECLGS portfolio behaves differently from the core portfolio of the bank. See, we have to understand that the ECLGS was fundamentally an add-on to the existing portfolio. So case goes bad the portfolio that is on the bank's book plus the ECLGS go down together. So there's no fundamental difference between the portfolio behaviour, only those that are not ECLGS availed clients, probably they were at a better footing on day one itself because they didn't have the requirement to take the incremental credit.

But if you were to look at the portfolio per se whether there was a significant difference between those who never availed and those who took, I don't think there was a significant difference. Now, the second part with regard to ECLGS claims. See, there are there are a set of processes which have been laid down which need to be followed to a tee

So getting the first 75%, I think generally has been easy. The second 25% have been a bit of a challenge because there are a few guidelines that are there on the ECLGS which says, see, suppose you were to go for a settlement with a borrower. That is not an allowed method of settlement under the ECLGS scheme.

So from the ECLGS scheme perspective, unless you complete the legal process, it's not possible for you to get the balance 25% in place. If you do a settlement with a borrower, the first 75% that you've collected also needs to be given back. So those I think are the challenges from a

government credit enforcement perspective. If you were to look at the ECGC scheme or the other schemes, OTS is allowed as a settlement model, so there's not been too much of a challenge.

ECLGS per se, wherever we have to do settlements with borrowers, we've found it to be a challenge in terms of the recovery from the guarantees. Otherwise I think from a process perspective if you've followed the process right, I don't think we've had challenges. And on the portfolio I don't think we've had too much of a difference between the portfolios that have availed ECLGS. I'm saying it behaved better than what we thought would be the final hit that we would have to take.

P.R. Seshadri: Senthil, the only difference may be that the new scheme may be, you know, slightly different from the old ECLGS, so we don't know, we haven't yeah, we haven't seen it fully. Yeah and. Sorry sir go ahead.

Senthil Kumar: Yeah. And this new scheme predominantly tries to target the airline segment and other than that the MSME segment. See, we don't have that sort of a stress on the portfolio at this point of time. So the earlier phase when we were to look at ECLGS 1, that was a phase when, you know, all the industries had a problem with regard to their business itself, there was a significant drawal, there was a significant challenges. That is when the first one came in. At this point of time if you had to look at underlying borrowers and the stress levels, I think we are at a much better footing, so we don't know how much of a requirement will come on the ECLGS drawal position itself.

Jai Prakash Mundhra: Sure. Then, sir, if you have any data question, sir, I wanted from Vinod sir. The breakup of this INR195 crores of other income and maybe for INR760 crores which is there for the full year, the other in the other income. Thank you.

Vinod Francis: Yeah, Jai. One major item that comes into that particular bucket is the bancassurance income and one another one is the recovery from technically written-off accounts. I will give you the breakup separately on a mail or something.

Jai Prakash Mundhra: Sure, sure. No, no issue, sir. Thank you and all the very best, sir.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to Mr. P.R. Seshadri, MD and CEO, for closing comments. Over to you, sir.

P.R. Seshadri: Thank you very much, ma'am. At the outset, allow me to thank all the folks who dialled into this call. We are very, very grateful for their time. We want to reiterate that we've had a very good year this year and a good quarter. And, you know, it's been a period of consolidation.

I think our balance sheet is in is in good shape. Our asset quality has improved very, very dramatically and we are well-positioned to meet the challenges that the environment throws at us. And we think that from a growth perspective we are well-positioned to actually achieve the growth numbers that we've set for ourselves. And we are very thankful for all the help and support that each one of our investors have provided us and we wish them the very best going forward. Thank you very much.

Moderator:

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