



# “CSB Bank Limited Q1 FY2026 Earnings Conference Call”

August 13, 2025, 05.30 PM IST

MANAGEMENT: **MR. PRALAY MONDAL**  
MANAGING DIRECTOR & CEO - CSB BANK

**MR. B.K. DIVAKARA**  
EXECUTIVE DIRECTOR - CSB BANK

**MR. SATISH GUNDEWAR**  
CHIEF FINANCIAL OFFICER - CSB BANK

**MR. RAJESH CHOUDHARY**  
CHIEF TECHNOLOGY OFFICER - CSB BANK

ANALYST: **MR. SHIVAJI THAPLIYAL**  
YES SECURITIES LIMITED

**Moderator:** Ladies and gentlemen, good day, and welcome to the CSB Bank Q1 FY '26 Earnings Conference Call, hosted by YES Securities. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I would now hand the conference call over to Mr. Shivaji Thapliyal from YES Securities. Thank you, and over to you, sir.

**Shivaji Thapliyal:** Thank you, Muskaan. Good evening, and a warm welcome to all those who have joined the call. The CSB Bank management is represented by Mr. Pralay Mondal, Managing Director and CEO; Mr. B.K. Divakara, Executive Director; and Mr. Satish Gundewar, Chief Financial Officer.

We specifically thank the management of CSB Bank for giving YES Securities the opportunity to host their results call. The management will first be making some opening remarks, after which we will throw the floor open for questions.

I now invite the management to make their opening remarks. Pralay, over to you.

**Pralay Mondal:** Thank you, Shivaji, and thank you, everybody, for joining the Q1 FY '26 call of CSB Bank. I will start with the global scenario and then get into CSB specifics. Global trade is impacted by uncertainties of U.S. stance on its tariffs with other countries. Though USA has announced the new tariffs, individual countries are still negotiating, making the outcome uncertain.

This uncertainty is getting reflected in currencies, rates and commodity prices. UK and EU have cut rates while U.S. Fed continues to hold on its rates. With weakening data in the U.S., it is likely that FED will cut rates further in the coming months. Global growth forecasts have been revised downward by major forecasters in recent months.

Indian growth has been steady over the quarter. The series of liquidity measures taken and the rate cuts announced by RBI has brought the rates down on assets and liability both - transmission has been good so far. Liquidity in the banking system has remained in surplus, supporting the financial stability. The inflation forecast has been revised lower. However, the projections for the next year are above 4%.

The deposit and credit growth in the system is evenly balanced right now with deposit growth on the rise and credit growth on the decline as compared to previous year. The pattern has impacted the banking sector NIM significantly. We expect the banking sector NIM to stabilize soon and the liquidity to remain comfortable. RBI may cut rates further in this fiscal year in the wake of uncertain trade negotiations with the U.S.

Now coming to CSB specifics. On financials, the quarter gone by will be recorded as one of the most exciting quarters in our SBS 2030 journey in view of the challenges it threw, the efforts and dedication we put in and what we achieved. I am happy to share that we have successfully

migrated to the new CBS Flexcube and rolled out 50-plus surround systems with twelve deployments within the CBS system, which makes it to sixty-two systems without losing sight of the balanced growth in the bank. It has been an extremely exciting quarter for us - from execution of this long-awaited transformation journey on the technology side, and all of us have been busy focusing on this particular aspect this quarter because based on this only, the future of the bank will be rebooted.

Coming to financials, specifically on profitability, net profit for Q1 stood at INR119 crores, up by 5% year-on-year. Operating profit of the bank grew by 28% on a Y-o-Y basis and stood at INR 220 crores. Other income registered a robust growth of 42% on a Y-o-Y basis and constituted 19% of total income for Q1 FY '26. Cost to income ratio was lower at 64.70% as on Q1 FY '26 as against 67.69% a year back in Q1 FY '25.

Despite the interest rate transmission dynamics between advances and deposits in a falling rate scenario, NIM could be maintained at 3.54%. We do not expect NIM to go down further from this level. ROA for the quarter ended 30/06/25 stood at 1.03%. As we know, our bank has a history of continuing to grow the ROA through the quarters and peaks in the Q4 of the year, and this year also we will see the same trend. Bank is holding the contingency provisions intact and is continuing with the accelerated loan provisioning policy.

On the liability side and the funding base, deposit growth momentum continues to be faster than the industry - grew by 20% Y-o-Y amidst an industry growth of around 10%. CASA grew by 13% Y-o-Y, and the CASA ratio stands at 23.49%. We have sufficient liquidity buffers and are maintaining LCR at comfortable levels.

We have been efficiently managing the liquidity risk because in Q4 of last year when liquidity was significantly negative, the bank took a call to manage the liquidity risk carefully. As that risk is coming down, we now see our CD ratio at around 92%. Average LCR for the quarter has been around 123%. NSFR ratio is around 120%.

On the asset side of the business, net advances grew by 31% Y-o-Y, again significantly higher than industry growth of close to 10% Y-o-Y. All the verticals have started contributing towards the asset growth with gold, corporate and SME portfolio registering a Y-o-Y growth of above 30% at 36%, 32% and 31%, respectively. Retail loans other than gold grew by 19% despite a deliberate moderation in agri, MFI and other unsecured loans, and we have been doing it for the last 18 to 24 months. Yield on advances for Q1 FY '26 is 10.73%.

Regarding the asset quality metrics, GNPA and NNPA ratio for the quarter was at 1.84% and 0.66%, respectively, as against 1.69% and 0.68% for Q1 FY '25. PCR now stands at 80.46% with PWO and 64.52% without PWO. Bank is holding a provisioning buffer of around INR194 crores over and above regulatory requirement; out of this, around INR105 crores is contingency provision. We have a robust capital base, CRAR of 21.71% and a Tier 1 ratio of 19.92%. We have low proportion of risk-weighted assets compared to the industry, which is 40-odd percent.

On the shareholder value creation, the book value per share is at INR258 right now. EPS for the year is -- INR27.42. ROE for the year is 10.9%. Like ROA, ROE also progressively grows for

us quarter-on-quarter, peaking in the fourth quarter and which again, this year will be no exception. On distribution, we have a network of 834 branches now and 800 ATMs as on 30/06/25.

In conclusion, I would like to say that our top line, both deposits and advances, have shown strong Y-o-Y growth of 20% and 31%, respectively. Compared to Q1 FY '25, our CASA book grew by 13%. All the three asset verticals viz retail including gold loan, SME and Wholesale Banking grew by more than 30% over Q1 FY '25.

On the profitability, while our operating profit grew by 28% on a Y-o-Y basis, net profit increase was at 5% due to slightly higher slippage and resulting provisions. However, we have recovered a decent amount subsequently in Q2 and expect portfolio quality to improve in this quarter itself.

If I look back and review the journey we completed in Q1 FY '26, I can proudly say that the CSB team has done a remarkable job in a truly short span of time, duly balancing the tech transformation and growth. We have achieved what we aspired for in building the platform for future. We have built a solid foundation for scaling the bank in terms of business and customer experience as we go along.

Given the complexities involved in such a massive project, it will take a couple of months more to fully stabilize everything. Once the systems are stable, we will kick-start the scale phase with a lot of confidence as we will be in a better position to serve our customers by providing innovative customized products, straight-through processes, seamless digital experience, higher operational efficiencies, etc.

We will also be benefited with lower costs and additional revenue streams. Thus, we will start the journey of becoming a respectable mid-sized bank by 2030. Hopefully, we can execute to reach that mission ahead of our targeted timeline.

As I have told in the past that as a part of our SBS vision, our sustain and build phase is expected to get over by beginning of FY '27. The real scale phase, which is the most exciting part of the journey is going to start from FY '27 beginning. FY '27, FY '28, FY '29 and FY '30, these 4 years, we will take the bank to a completely different spectrum.

I am happy to inform that with the technology transformation journey, which we have done successfully and one of the best which our partner says they have seen, we are actually ahead of the curve in terms of what we had planned and targeted. Hence, rebooting of the bank from our infrastructure capability, systems, processes, technology, people and products will be complete and our scale journey will be starting from FY '27, and all of us are excited for that journey.

With that, I hand it back for questions. Thank you very much.

**Moderator:**

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Bhavesh Kanani from Svan Investments.

**Bhavesh Kanani:**

This one is on the non-interest income. Essentially, last 4-5 quarters, we have seen NII remaining flat. It is the non-interest income, which is allowing us to do higher opex and still report the

growth at the bottom line. However, for some odd reason, the disclosures on non-interest income split have been discontinued in FY '25 itself. Would appreciate if that is available to the public in general. That was one.

Two, within that, if you can add some color on specifically the fees and commission line. While in past, you have shared that a large part of that is driven by insurance distribution income. Some color on the potential penetration that is still pending. Have we reached out to all the branches with ability and skill set to sell insurance or there is still some room left, which can be helpful in FY '26 in terms of growing the fee income?

Lastly on liquidity. While excess liquidity has come off sequentially, one would have imagined a little more reduction given that our loan book growth is quite healthy. Instead on the liability, we see that other liabilities have gone up sharply. Some colour on that would be helpful.

**Pralay Mondal:**

Bhavesh, last question, I did not understand. What does it mean?

**Bhavesh Kanani:**

Sir, essentially, when we met last time, the story was that we had amassed excess liquidity in Q4 given the situation back then. Now that the liquidity situation has improved at system level, that would allow us opportunities to normalize the excess liquidity which will allow us to fund growth without really taking hit on the NIM. That reduction in excess liquidity is quite small. I think, about INR200-odd crores compared to a loan book, which has sequentially grown by a larger extent. It appeared to be the case where we have funded the loan growth by increasing liabilities and that too is coming from -- not from borrowings or deposits, but there is a steep increase in other liabilities, which has crossed some INR2,000 crores odd. I was just wondering what is leading to that increase.

Incrementally, your sense on -- to what level liquidity can be paid down without really disturbing the 5% or 6% kind of liquidity we have usually maintained.

**Pralay Mondal:**

Got it Bhavesh. Let me try to respond to each of these questions. On the non-interest income and overall income, as you rightly said, that when we met, we were not focused on the non-interest income in this bank around 2-3 years back.

During last 2 years, we have put conscious effort in growing the non-interest income. It is just a matter of cycle of growth at such a rapid pace that, the interest income has not been growing well and there is some contraction of NIM, which you can see.

As I said before, liquidity, given where it was in fourth quarter, we said that we will not take any liquidity risk. From that perspective, we did take excess fund, which ensured the buffers as we did not know at that time that liquidity situation will change in the ecosystem. To that extent, we were carrying that cost through and which is to some extent impacted the NIM. That is the correct estimate.

Coming to non-interest income, insurance income continued to do well. Generally, our PSLC income goes up a little bit in the fourth quarter, and then it normalizes first quarter onwards. Our overall non-interest income is 19% of the total income and it generally varies between 17% to 19%.

Last to last quarter (Q4) it was 21%. Generally, it is somewhere around 17% to 19%. Core fee income is around 14% to 15%. We do not reckon the PSLC income as the core income. That is why you will see that this quarter, our overall non-interest income has come down compared to Q4.

Coming to your question that would it be sustainable? I think it is going to be more than sustainable because once we have given the technology transformation news to you, you know that next year onwards we'll start scaling up our transaction banking business and our retail assets business, which are all fee-oriented businesses like transactional fees, processing fees and many other fees. That will grow.

Insurance is a function of penetration into customers. Next year onwards, we will start building our customer acquisition significantly because huge amount of focus will be there. As more customers come in, penetration on a larger base will be higher. We will continue to do well in insurance business.

We are also going to implement CMS, trade and supply chain systems shortly and we are working on that. All of that will help in transaction banking business because we have built up a good wholesale team and wholesale portfolio. The transaction banking business will also have two phases.

I think as we grow the overall basic core book, our fee business will continue to grow, and there is no one-off in that. We are sitting on a large, given our size, fairly large AFS book, and we did not fully sell it out this quarter, because we know that yields will come down eventually through the year. From that perspective you will continue to see non-interest income to grow.

On your second question I have already answered on insurance, that we will continue to do well. On the liquidity question, I agree with you. If you look at our CD ratio this quarter, it has come to 91%. Generally, it was around 83% to 86%- in that range.

One of the points what you are saying, and we have done is that as the liquidity risk in the system is lower, we must start efficiently using the liability and we will use it better. That is why the CD ratio has gone up a little bit, but we will bring it down to somewhere between 85% to 90%- somewhere in that place. Previously, my guidance was between 80% to 85%. Now my guidance is between 85% to 90%. We will keep it in relation to the size of the balance sheet and within the liquidity comfort, which is there in the ecosystem.

I have always said that our liability franchise is not yet to the level where we want it to be. That journey will start now. We are waiting for the CBS migration to stabilise. After this, the products will get implemented. Next year onwards, we will see that the liability franchise is growing at a rapid pace.

That will not only help our liability book, but more importantly, we will have more customers through whom we will acquire and build the businesses. That is why we are starting to build our retail asset products and more retail liability products, current account products, trade products, CMS; all these things, ultimately to build that franchise.

Hence, last year, we did depend on FCY borrowings, CDs, and to that extent this support will be required for another 1 or 2 years. In parallel the liability franchise will be built as you know that it takes 2 to 3 years to build. That is broadly my response to your question.

**Bhavesh Kanani:** That is certainly helpful, sir. Just repeating the same request that if the mix of non-interest income is disclosed like we used to do in FY '24, that would only add to the wonderful plans that we have, and it will add to the confidence.

**Pralay Mondal:** Sure. I will check with our CFO on this.

**Bhavesh Kanani:** The last data-keeping one was the other liabilities. Is there anything to look into that number which has seen sharp increase sequentially?

**Pralay Mondal:** No, there is not.

**Satish Gundewar:** The other liability, what we are talking about is the INR2,600 crores that you see on 30 June is transitionally balanced. Because the reconciliation happens with a one-day lag and then it gets adjusted with our balance with RBI. It is not something which is of a permanent nature. It is just a one-day thing. When the reconciliation happens, then it gets settled.

**Bhavesh Kanani:** Okay. That is helpful. I hope you will share the disclosures on non-interest income on exchanges or on your website.

**Pralay Mondal:** Okay. Thank you very much for your question, Bhavesh.

**Moderator:** The next question is from the line of Mona from Dolat Capital.

**Mona:** Firstly, I missed your opening remarks. Sorry if I am repetitive. On the slippage base, INR139 crores, what would be the quantum of unsecured loans out of this, if any?

**Pralay Mondal:** Broadly, I can tell you that our unsecured portfolio is around 3% of the overall book. Yes, slippages have increased in the three businesses, which is unsecured personal loan, MFI, a little bit of credit cards. However, slippages will not be more than INR30 crores, INR35 crores. It is not significant.

I think to address your question, this quarter, our slippages have been a little higher in SME. That is primarily due to 3-4 accounts. Let me also add that what has happened this quarter is because we were busy on the migration, we had to take some time to reconcile the NPA and the related data and to get on it. We had the issue of not getting enough time to manage the NPA well in SME business. Recovery has happened in two three accounts subsequently. In another large account, due to the demise of a key person all of a sudden, the next generation is taking over the business and it will take some time. Here the good news is that this is almost fully secured and will not fully go bad at any point of time. Hence, as the business starts picking up, there is nothing much to worry about. Through the year, we should be able to upgrade/recover. Otherwise, there is not much of any exceptional slippage in any other portfolio.

**Mona:** So, is it fair to say that out of this INR139 crores, INR25 crores got upgraded so far already?

**Pralay Mondal:**

Yes, Close to INR 25 crores got upgraded so far.

**Mona:**

On the unsecured loans, which is, I guess, PL and some of the MFI portfolios probably had some FLDG cover. Is it the delayed recognition coming because there was some cover initially and now it is above that cover, which is why the recognition?

**Pralay Mondal:**

I do not think that is an issue. In general, FLDG is available only in one business, which is in MFI. We have collection efficiency related incentives linked to that. Some costs will come down. We have been consistent in retail loans if I look at it over the 4 quarters - 5 quarters. It is not that we have seen any major escalation happening suddenly.

Agri and MFI has also been more or less similar numbers across the last three quarters. There is not much aberration in any other product. If you look at it, our slippage in June 24 was INR103 crores, and now it is INR136 crores. Out of the INR136 crores, already INR25 crores recovered. To that extent, there is no exception anywhere.

Yes, we had 2, 3 strange situations in the SME portfolio, which had nothing to do with credit underwriting, trend, or an industry situation. It is just pure accidental kind of a situation. We are working with them, and these accounts are adequately covered. Hence, I am not so worried about the slippage this quarter. Yes, on the retail loans, what goes, that will not come back fully- but that has been the story for the last five quarters.

**Mona:**

Got it. Secondly, when I look at the cost of deposits, I understand a large part of it was bulk deposits. Given the sharp decline in rates on the bulk front, I believe the expectation was that the cost of deposits will come down and yet seeing it rising, which is unlike what we are seeing for the rest of industry in general. How do I read this? I mean, I was really surprised to see the cost of deposits rise during the quarter, because I would expect on the bulk deposits to reprice at lower levels, right? Your deposit growth has declined. So yes, how do we read this?

**Pralay Mondal:**

Mona, you are absolutely correct in your question. You will see that playing out in our portfolio as well from Q2, Q3 onwards. Two things happened here on the deposits. One is that, we took a lot of these bulk deposits as our assets growth last quarter was at 31%. Retail comes every day. Gold loans come every day, but wholesale and SME comes a little bit rear-ended. To fund that we had taken some bulk deposits towards end of the March quarter. At that time, there was no clarity about the liquidity position and what the RBI was looking at. Given that, the cost in that quarter came hardly for 10 days, 15 days or 20 days maximum. That cost has taken us throughout the whole of quarter i.e., for 90 days in Q1. This has primarily contributed to a five - six basis point increase in cost of funds.

The other thing which has happened, I was analyzing this- we knew that interest rates are going to fall, and we stopped taking long-term deposits like 3 years, 4 years, 5 years, etc. Our existing deposits which started maturing, got repriced at higher rates than what they were initially booked, i.e., their contracted rates a few years back. These two events have happened.

Having said that, our incremental cost for the last quarter, either in term/ CDs or it is on bulk deposits, you are absolutely right-we are doing better off. What it means is Q2, Q3 onwards, we will start seeing a drop in our deposit costs.



**Mona:** Okay. Also, if you could share what would be the expectation from a full year perspective on NIM and ROA?

**Pralay Mondal:** For us, typically, what happens is, let me take the ROA point first. If you look at it, year-on-year, our ROA has come down from 1.27% to 1.03%. On a quarter-on-quarter, it has come down significantly more and that is how it will play out this year also. Our ROA keeps increasing every quarter, and it culminates at a much higher level at the end of the year. For example, last year, in Q1, we were 1.27% and we ended the year with 1.79%. This year also, I think on an average, we should be somewhere around 1.5%. That was my guidance, and we will reach there.

On the NIM, we have bottomed out now. We will be anywhere between 3.5% to 4%. I will give a logic to this – a) our cost of funds will start coming down because as you rightly said, bulk and CD rates are coming down and our bulk is around 40%. From that perspective, it will, in a way, help us because retail will not come down that much compared to bulk. We think that our cost of funds will start showing better trends.

On your previous question, I wanted to also add that we tactically moved out some of the current accounts out of our base because we said that we want to build a proper current account franchise based on transaction banking, etc. That also increased our cost of funds a little bit. Now through transaction banking, wholesale, and other businesses we will start building the current account. That will also give us a little better cost of funds.

Thirdly, our EBLR plus T Bill portfolio, is around 17% and MCLR book is around 20%, which will reprice downwards through the year in the current scenario. However, our fixed book is around 60% and hence we will have a dual advantage on that front that yields will not come down strongly, and our cost of funds will come down. Given that I am confident that we will be in the range of 3.5% to 4%.

**Mona:** Sorry, how much is the EBLR which you have mentioned?

**Pralay Mondal:** EBLR plus T Bill linked loans which has a similar impact from a cost of funds perspective- when it comes down, the interest rate comes down - it is around 17%.

**Mona:** Just one question. If I look at your fee lines, the core fee lines ex of the treasury gains, are there any one-offs in the last fiscal, not this quarter, but in the last fiscal, in terms of syndication income or something because it looks like fee to assets is settling at a lower level?

**Pralay Mondal:** We had three syndications done so far. We have got a good wholesale team now and quality wholesale business has started coming into the bank, and that is seen with the kind of growth, which you have got both on the corporate banking and in the mid-market side this year, in a year when we actually almost run up INR1,000 crores of DA portfolio, which we represented in the wholesale book of the bank

This team did three syndications, one more syndication as we are talking, we are doing. Now we are doing those kinds of deals, because given the size of our balance sheet, we cannot take INR500 crore kind of exposure. We generally do not take more than INR150 crores or INR100 crores and rest we sell down and this happens through larger banks as well.

We had some syndication fees last year. As you know, we are net sellers in PSLC market and a lot of such transactions we do in the last quarter of the year. That is one of the reasons why our ROA and fee income is significantly higher in the Q4.

**Mona:** Got that. Just one last clarification. What would be the income from these three syndications deals for last fiscal?

**Pralay Mondal:** I shared as much as I could, we have done three syndication deals. We are working on the fourth one.

**Moderator:** The next question is from the line of Yash Dantewadia from Dante Capital.

**Yash Dantewadia:** Sir, my first question is regarding the NIM guidance that you just gave. Don't you think your guidance is very wide?

**Pralay Mondal:** Yash, I can only tell you that we live in a world today where we do not know what happens after few days. In that kind of a scenario with global turmoil and global uncertainties, it is better to be safe than feel sorry later. It is wide. If you want me to be sharper, I will say that we will be somewhere in between that curve, but it will vary from quarter to quarter. If you take for the full year, I am hopeful that we should be somewhere in between, which is closer to 3.7% or so.

**Yash Dantewadia:** Sir, can you please tell me if you factored in rate cut in this? If you have, what kind of rate cut have you factored in with the NIM guidance -- the current NIM guidance?

**Pralay Mondal:** See, people are saying that given where the inflation is, it will normalize for the base effect. Given that there is global uncertainty and we do not know which way it will play out. Everybody says that there is a reasonable chance of one rate cut somewhere between September to November 25. If that plays out, we have factored that in because we are lucky that our EBLR linked and T Bill linked portfolio is only 17%. The rate cut, even if it happens, its impact on MCLR will go to next financial year.

**Yash Dantewadia:** I am assuming you factored in fifty basis points, right?

**Pralay Mondal:** Twenty-five basis points.

**Yash Dantewadia:** Okay. Yes, my next question is regarding your loan book sort of -- by the end of this year, how do you think the mix is going to look between gold loan -- between all the sort of gold loan, LAP, etc, SME, secured/unsecured. Could you just give some guidance on how you are kind of envisioning the loan book to look like by the end of this year?

**Pralay Mondal:** What has happened this year, 1% has gone up in the gold, and that has got reduced from MFI and Agri business as we slowed down those segments. I mean, by that mix percentage formula, it went to gold. What I see now onwards is wholesale may go up by another 1% or 1.5% or even 2% this year.

Wholesale is around 23% now. It may go up to 25%. I do not see our MFI, agri and retail going up that much. If at all, it will remain at this level, maybe a few basis points here and there it can

come down also. Because our real retail journey will start from next year. We will not take risk in this environment at this point of time.

Our SME may go up by 50-odd basis points compared to where it is today, it is around 13% right now. We should be seeing somewhere between 13% to 14%.

I must mention here one thing that our retail portfolio, what we show also includes loan against securities, where gold is collateral security. These loans, based on the recent RBI circular, we may have to do differently. We may have to categorise differently. This itself will bring down the retail share further and that may come back to gold. Hence, gold for a very different reason, may go up a little bit.

In short, what it means is, retail will come down further as LAS will come down which is typically around INR2,000 crores right now for us. Some part of that may move to gold, some to the wholesale and some part to the SME.

**Yash Dantewadia:** Right. Sir, my last question is regarding your sort of exit ROE and ROA. I know you guided for an exit ROA. If you could just also guide for the exit ROE for this financial year?

**Pralay Mondal:** This is consistent as I have been telling over the years. ROA of 1.5% and ROE 15% is something, like the Lakshman Rekha for us, we have to achieve it, and we will aim to do that.

**Moderator:** The next question is from the line of Shivaji Thapliyal from YES Securities.

**Shivaji Thapliyal:** A few questions from me. Firstly, on asset quality, so well, traditionally, our book was not so mature. Therefore, it is not really throwing up slippages, even now slippages as compared with the broader banking universe is still under control, but nevertheless, some slippages are transpiring. Where would we put the credit cost guidance for the full year? Where would we put it on a steady-state basis, say, from FY '27 onwards? That is question one.

Secondly, from an opex standpoint, you have been making guidance in the past in terms of a glide path, I would like some reiteration or if there is any further color on how things are shaping up of late in that regard and where the number might end up for the full year this year and where we are probably going to head FY '27 onwards?

Thirdly, on the loan growth front, there, we have a small base, and I think growing 20% plus has never been a challenge in that sense. Nevertheless, what is the internal aspiration there from a 3-year perspective? If you could give us some color on that. Those would be my three questions.

**Pralay Mondal:** Thanks, Shivaji, for the questions. I will go one by one. General guidance on the asset quality has always been that GNPA will be less than 2%, NNPA will be less than 1%, and credit cost will be less than 50 basis points. That has been our overall vision till FY 2030.

We have been, of course, much lesser than that. Even this quarter, we are lesser. Our guidance for this year is GNPA, NNPA and credit cost all will be lower than where we are in Q1. Of course, we do not know the global uncertainty on account of the tariff announcements. I am just not taking that into consideration. If that happens, then we have to recalibrate.

Second part of your question is on opex glide path. If you look at it carefully, our opex glide path is going down to 50% by 2030. We hold on to that because our real story will emerge from next year as our liability franchise starts building, along with the cross-sell on assets, fees and transaction banking, wholesale, and SME, all of it together. The real orchestra will start playing out only from next year, and we will start seeing results from FY '28 onwards. Hence, I am pretty much holding onto the glide path of 50% on opex side - cost to income side.

If you look at it, this quarter even, our Y-o-Y growth on operating expense is only 12%. We have been pretty conservative in terms of our operating expense when we are massively investing into technology. To that extent, we are conscious of productivity and operating cost and on a year-on-year basis, it has come down.

On a quarter-on-quarter, cost to income ratio has gone up a little bit, of course, because the income and other income has come down a little bit. Once the ROA starts going up back to 1.5%, this by itself will come down to some extent. The real glide path - sharp glide path will be from FY '28 onwards and we are pretty confident of reaching 50% by 2030.

On the loan growth, on a 3-year basis, I think we will have a reverse trajectory. Every year our loan growth will only go up. Because even now we can grow faster than what we are growing in loans. Our constraint is liability. Once our liability franchise starts building up, the growth will go up at a higher rate. Based on bulk deposits, CDs and FCY borrowings and based on whatever little bit we are doing on the retail side, you cannot have a sustainable growth on the asset side.

Additionally, as the retail part of the franchise starts growing, we are pretty clear that wholesale and SME also has to bring in liability because they have a self-funding target, especially on current accounts, especially on low-cost funds etc. Once that starts playing out, we will be able to grow faster as multiple products will start building traction. Like last year, our wholesale started. SME has been growing for the last 2, 3 years. Retail part of this story will start next year, and gold will continue to grow as it is growing.

In Q1 FY 26, our SME, wholesale, and retail- all three verticals grew by 30% plus and when I say retail I include gold in that. All the three franchise, each of them growing 30% plus, shows that we have the sustainability and that now we have got the rhythm of building those businesses.

Our constraint comes on the liability side, and we are fully focused on that. Once we build that, our credit growth, which is right now somewhere between 20 to 25% safely, maybe well above 25% and as our liability franchise becomes better, we will do better growth on asset side. We are pretty focused. We do not have a capital issue. We have enough room and our CRAR is on the higher side. From all aspects, growth is not a problem for us.

**Moderator:**

The next question is from the line of Rushikesh Bhise, an Individual Investor.

**Rushikesh Bhise:**

I think most of my questions have been answered. Just wanted to ask regarding the ROA guidance. Previously, it was like in the range of 1.5% to 1.8% for the entire FY '26. Right now, you just mentioned that we will be touching around 1.5%. Are we like having 1.5%, I mean essentially reducing the guidance? Is it?

**Pralay Mondal:**

Thanks, Rushikesh, for your question. What I said was 1.5% ROA and 15% ROE is our Lakshman Rekha. We normally will not go beyond that. If we have that opportunity, we will do higher than that. Having said that, we all know the environment that we are in today. Not only us, if you look at the entire ecosystem, there are challenges in the ecosystem. There are both known unknown challenges and unknown known challenges right now, which are mostly coming from global uncertainty.

Given that, I think we will be happy to be around 1.5% this year. Our guidance of 1.5% to 1.8% is for our SBS 2030 journey. I am 100% confident that we will achieve that vision of 1.5% to 1.8% and maybe we will be closer to 1.8% as our retail assets and other franchisees starts picking up, our overall cost to income starts coming down and we leverage the branches and our franchise become better.

Our guidance of 1.5%, 1.8% in the past also is over SBS 2030, which is again the glide path or rise path, whichever way we look at it. This year, given the overall global uncertainty, 1.5% is something, which we should achieve, and we will be happy about it.

**Moderator:**

The next question is from the line of Yash from Dante Capital.

**Yash:**

My question is mainly regarding your gold loan yields. How do you see your gold loan yields moving from here?

**Pralay Mondal:**

Our gold loan yield typically has been in the range of 11.5% to 12%, depending on which products we are offering. Because of the regulatory guidelines that have come now, it is very clear. It is no longer a draft, no longer any guess work, it is in clear black and white. We know what business we can do, what business we cannot do.

Hence, I think our higher-yielding businesses will grow a little more because the loan against securities business, which was more of a re-pledger kind of business that comes slightly at a lower yield will come down and part of it will move to gold loans at a higher rate. From that perspective, I think we should not see a fall in yield in our gold loan. I think we should be somewhere around 11.8% in that range we will target.

**Yash:**

Yes. Sir, my last question is regarding your cost of funds. What kind of exit in cost of funds do we see by Q4? How do we see this number? You said it is going to come down, but do you have an estimate that you can share?

**Pralay Mondal:**

Very difficult, boss. The way situations are evolving, one day, the benchmark yields are say 6.2%, 6.3%, one day it is 6.5%, 6.6% and so on. Hence, how do I know which way it is going? Broadly, the way we are looking at it, I think from the current level, a twenty basis points drop is the minimum which we can aim for is my view.

**Yash:**

Right. As far as this technology platform and whatever you have been working on in the last maybe, I think, around 2 years, if I am not mistaken. What is this going to kind of help us the most in? What percentage of our collections are online today without the help of physical collections basically?

**Pralay Mondal:**

I will answer the second question first. Our CIO is sitting here. I will invite him to give you some broad perspective of what we have done and what we plan to do and how it will help because he and his team has worked very hard. Let him also come on this call and inform you on all what we have achieved.

On the collections, I can tell you is that while I understand the digital collections and all that, of course, we are invested into that. We are into tele calling collections- all of that together. Our overall retail book is small, which requires all this straight-through process collections and all that. That is small today. While we are building that capability, that opportunity itself is small.

On the credit card side, we do not have our own credit card product, and we do it through Jupiter and all. They have their collection set up, which they do, of course with all online and offline processes. In our case, you cannot do recovery with online alone. Given that, we are preparing for ourselves, but we do not have that portfolio size to test that as much, but we are building that.

SME and wholesale and those kinds of businesses, you need mostly legal, technical, all those kinds of things to collect. That is where our legal teams are very strong. Our primary recovery and collection on the SME and wholesale side is handled in an offline mode and on one-to-one transaction. That is the way it works.

On the technology, I will just say one line and then I will hand it over to Rajesh. It will help everybody. We must understand that we are coming off a legacy system where you cannot add one more product and if we do, then the system does not work. In Maarvel, we tried to introduce our premium liability product, and it could not be introduced properly.

We did not have transaction banking products. We did not have CMS. We did not have trade. We did not have supply chain. Our mobile banking, net banking was functional; but now on OBDX, we are moving at a different level. Our entire digital ecosystem, our ServiceNow platform, everything what we are doing is very differently. Today we are having two data centres along with 2 DR, which are most sophisticated and at the best places. We were on 11G on Oracle platform on the database. Now we are in 19C which is the latest.

That kind of a transformation is what we are doing, and it will help every business. On the wholesale side it will help with the transaction banking. On treasury side, also it would help for the transaction banking and some of the other systems that they are implementing. It will be of maximum help in acquisition of new retail customers, STP, onboarding, creating various services, various products etc. Why should the customer come to me if I am not able to give personalized product, STP, different kind of services with a good onboarding system and processes.

We have created an ecosystem around it through our VRM which is virtual relationship management. We have contact centres. We have created everything. We are just waiting for this connectivity to happen through the technology. SME- it will help in a big way. We are going to launch our new corporate net banking in the next 6 to 9 months, which will help us in a big way, both SME and corporate banking. Retail assets, LMS, LOS, all of that - which was not there in

the bank before. I mean how could we run our retail assets business without these products, without these systems.

All of these are now going to be functional. Given that it will help retail the maximum in my view. Gold loan is a functional business and hence the most touch and feel systems and better efficiency helps. We are also working on Neo; our acquisition platform which is digital. I think we are going to make significant investment there to upgrade it because our main focus will be on customer acquisition and the retail because liability franchise has to be built up. We are going to launch various current account products now, as we will have the systems and processes. Once we have the corporate net banking in place, it will be a different league altogether, on the kind of current account that we will do. That is a flavour on what we are planning to do on the business side.

Requesting Rajesh Choudhary, who is our CIO, who has led this entire tech transformation for the bank to give a 5-minute snippet on what we have done and what we plan to do and how it would help the bank. Over to you, Rajesh.

**Rajesh Choudhary:**

Thank you, Pralay. I think you covered quite a lot. I think in a quick summary, what we have done is we have an overhaul of the entire technology ecosystem in the bank, setting up 4 data centres, building new core banking, which we just went live in the month of May along with 50-plus different surround systems.

It has been a massive transformation, and that is what all the partners who have been working with us, tell us that they have not seen something of this kind. Of course, there are a lot of core banking transformations, which keeps happening, but so many systems going live together is something unique.

At this point of time, we have systems in place for the business. We are now ready to create products and build capability for doing business for all the respective business lines. We have also built capability to do the right compliance in the regulatory framework. There is a significant amount of regulations what we have to deal with.

Cybersecurity, information security, we have to ensure that the entire ecosystem is safe for our customers, for our employees and for the banking industry as a whole. We have put all the elements in place.

With respect to channels, with respect to payments, everything is overhauled. We have got everything brand new, and we are ready to deliver it to our customers. We will keep optimizing this. We will keep investing further, but the major overhaul has been done, and we are all geared up to do more and more business on this.

**Pralay Mondal:**

While you are talking about the regulatory framework, we have implemented a new FRM system, implemented a new compliance system. Almost everything is fresh and rebooted in the bank from a technology perspective, Yash.

**Yash:**

Yes. Sir, one last question before we drop off. Could you just give me the secured versus unsecured breakup of the book currently?

- Pralay Mondal:** Unsecured can be seen in two ways. Retail unsecured is only 3% of the overall bank's book. Then when you look at secured, some of the unsecured businesses are the best secured business. If you do business with Tata, if you do business with Jindal, which we have done, by the way, they are more secured than unsecured businesses. If I give you that ratio that may not be the right representation.
- Yash:** No, the retail one is more convenient.
- Pralay Mondal:** Retail one is 3% of the overall book and SME, we normally do not go for unsecured business. That is broadly what it is.
- Yash:** Out of the entire slippages during the quarter, - you said you have recovered INR25-odd crores, and you think you are going to recover more, right?
- Pralay Mondal:** That will take time. That will happen through the year because the business has to be restructured. The point is they are all secured businesses; they are well collateralized. Hence, the money will not go anywhere. Obviously, in SME, how you run the business is, normally you do not immediately call back the loan and say that give me the money or I will sell your property. You have to help them in rebuilding the business. That is what we are doing. These are recoverable. That is the point I am making.
- Moderator:** Ladies and gentlemen, that was the last question for today. I will now hand the conference over to the management for the closing comments. Over to you, sir.
- Pralay Mondal:** Thank you very much. We had a wonderful conversation, and thanks for patiently listening to us. Look forward to our next quarter analyst call again. Thank you very much. Have a wonderful evening.
- Moderator:** Thank you. On behalf of YES Securities, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.