SURYODAY
A BANK OF SMILES

May 14, 2025

Ref.: SSFB/CS/14/2025-26

To,

National Stock Exchange of India Limited
Listing Department
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex,
Bandra (East), Mumbai-400051

Symbol: **SURYODAY**

BSE Limited
The Corporate Relations Department
Phiroz Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai-400 001

Scrip Code: **543279**

Dear Sir/Madam,

Sub: **Submission of the Transcript of the Conference Call held on May 09, 2025 on the Audited Financial Results of Suryoday Small Finance Bank Limited (the "Bank") for the Quarter (Q4) and Financial Year ended March 31, 2025**

Ref.: **Our Letter No. SSFB/CS/06/2025-26 dated May 02, 2025 and Letter No. SSFB/CS/11/2025-26 dated May 09, 2025, respectively pertaining to intimation of Conference Call and disclosure of Audio recording of Conference Call on the Audited Financial Results of the Bank for the Quarter (Q4) and Financial Year ended March 31, 2025**

In continuation to above referenced letters and pursuant to Regulation 30 read with clause 15 of Paragraph A in Part A of Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**SEBI Listing Regulations**"), kindly be apprised that the transcript of the aforesaid Conference (Earnings) Call held on May 09, 2025, on the Audited Financial Results of the Bank for the Quarter (Q4) and Financial Year ended March 31, 2025, has been made available on the Bank's website within the timeline prescribed under the SEBI Listing Regulations and could be accessed at following link and also enclosed herewith as an Annexure to this letter:

https://www.suryodaybank.com/assets/pdf/ssfb-q4-fy25-transcript-of-conference-call.pdf

The above is submitted for your kind information and appropriate dissemination.

Thanking You,
For **Suryoday Small Finance Bank Limited**

KRISHNA KANT CHATURVEDI
Digitally signed by KRISHNA KANT CHATURVEDI
Date: 2025.05.14 18:12:25 +05'30'

Krishna Kant Chaturvedi
Company Secretary & Compliance Officer
Encls.: a/a

“Suryoday Small Finance Bank Limited

Q4 & FY25 Earnings Conference Call”

May 09, 2025

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on May 09, 2025 will prevail

MANAGEMENT: **MR. BASKAR BABU RAMACHANDRAN – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER**
MR. HEMANT SHAH – EXECUTIVE DIRECTOR
MR. KANISHKA CHAUDHARY – CHIEF FINANCIAL OFFICER
MR. HIMADRI DAS – INVESTOR RELATIONS, HEAD

MODERATOR: **MR. SHAILESH KANANI – CENTRUM BROKING LIMITED**

Suryoday Small Finance Bank Limited
Q4 & FY25 Earnings Conference Call
May 09, 2025

Moderator: Ladies and gentlemen, good day, and welcome to the Suryoday Small Finance Bank Limited discussion on Q4 & FY25 Earnings Conference Call hosted by Centrum Broking Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Shailesh Kanani from Centrum Broking Limited. Thank you, and over to you, sir.

Shailesh Kanani: Thank you, Alaric. Hello. Good morning, everyone. Welcome to Suryoday Small Finance Bank Q4 & FY25 Earnings Call. On behalf of Centrum Broking, I would like to thank the management of Suryoday for giving us this opportunity to host this call. Today, we have with us the entire top management of Suryoday Small Finance Bank, represented by Mr. Baskar Babu Ramachandran, MD and CEO; Mr. Hemant Shah, Executive Director; Mr. Kanishka Chaudhary, CFO; and Mr. Himadri Das, Head, IR.

I would now hand over the call to Mr. Baskar Babu for his opening remarks, and then we will open the floor for the Q&A session. Over to you, sir.

Baskar Babu: Yes. Good morning, everyone, and thank you for joining Suryoday Small Finance Bank Limited's Q4 & FY25 Earnings Conference Call. We appreciate your time and interest today. I hope you had a chance to review our financial results and investor presentation, both of which are available on our website and on the stock exchanges. The bank's deposit and advances both crossed INR 10,000 Cr, a significant milestone.

The growth was driven by significant momentum in the mortgages and the wheels business on the asset side. And on the deposit side, it was driven by the retail franchisee as well as the digital channels. The microfinance sector is no longer about just loan growth and asset quality, but also about earnings resilience and cost efficiencies. The microfinance sector faced significant challenges, including rising delinquencies and liquidity constraints.

Delinquencies in microfinance loans remained high in the March quarter, primarily due to over leverage and the implementation of the guardrail is expected to address the leverage issue. Despite these challenges, the collection efficiency of MFI is expected to return to normalcy and credit costs are expected to stabilize by the third quarter of FY26.

Let me now provide an overview of Suryoday's performance for Q4 & FY25. Our gross advances stood at INR 10,251 Cr, which is a year-on-year increase of 18.5% compared to INR 8,650 Cr. The disbursements were at INR 6,989 Cr, up just 1% from INR 6,919 Cr.

While the disbursements remain at similar levels as in FY24, the wheels and mortgages business grew substantially with disbursements reaching INR 1,904 Cr, an increase of 33.6% from INR 1,426 Cr. Our deposit base has also expanded and stood at INR 10,580 Cr, which is a 36% increase from INR 7,777 Cr. The share of retail deposits now stands at 81.1% as of March 2025 compared to 78.8% a year earlier. Also, our CASA ratio has improved to 20.9%, up from 20.1% year-on-year.

Our current bucket collection efficiency stood at 98.7%. Our gross NPA currently is at 7.2% and the net NPA is 4.6%. The gross NPA stood at INR 734 Cr and the net NPA at INR 457 Cr, against which INR 460 Cr is receivable under CGFMU program. In effect, the CGFMU, claimable and the existing provisioning cover almost 100% of the GNPA as of March 31, 2025.

Now let's move on to our financial performance. Our total income increased by 12% year-on-year, rising from INR 1,182 Cr to INR 1,323 Cr. Our net interest income, NII, increased by 15% moving from INR 962 Cr to INR 1,106 Cr. The pre-provisioning operating profit decreased by 14.3% from INR 454 Cr to INR 389 Cr on a year-on-year basis.

Our cost of funds stood at 7.8%, up from 7.3%. Our cost-to-income ratio stand elevated currently at 70.6%. The profit after tax decreased by 46.8% year-on-year from INR 216 Cr to INR 115 Cr. We continue to maintain a healthy capital position with a CRAR at 25.8%, with Tier 1 capital at 24.5% and Tier 2 at 1.4%, well above the regulatory requirements of 15%.

Our customer base has grown to around 3.4 million as of March 2025 compared to 2.8 million in March 2024, marking a 21.4% increase. While the banking account has liquidity challenges in Q4 FY25, our bank has been able to manage its liquidity position well above the regulatory limits and have been able to achieve a credit-to-deposit ratio of 96.9%. We continue to cover our eligible portfolio under the CGFMU scheme to mitigate risk.

This coverage was initiated in FY23 when the NPA in the microfinance segment was at significantly lower levels. This coverage was taken as part of the prudent risk management practices to cover the unforeseen scenario of significant credit losses due to any external market scenarios. Another initiative which was initiated in FY25 was to develop our digital capabilities, which has helped us garner deposits through the digital channel.

Currently, the deposit sourced through the digital channel stood at INR 350 Cr with over 30,000 granular retail customers and a daily run rate of about INR 3 Cr. The digital sourcing channel opens up opportunities and enables us to cater to other requirements to our customer sourced through this channel. To sum it up, our bank has achieved a milestone of advances as well as deposits, crossing INR 10,000 Cr with gross advances of INR 10,251 Cr and deposits at INR 10,580 Cr.

Our non-IF book now constitutes over 50% of our total advances. In respect to the IF book, the bank continues to cover the entire regional portfolio under CGFMU scheme. The expense scenario in the microfinance sector has had an impact on the bank's performance during FY25 with GNPA increasing from 2.8% in March 2024 to 7.2% in March 2025. Of the gross NPA of INR 734 Cr, the bank is carrying a provision of INR 276.8 Cr, including floating provision.

The unprovided portion of GNPA stands at INR 457 Cr against which the expected CGFMU receivable is INR 460 Cr. The retail asset franchise particularly the mortgage and wheel business have shown substantial growth in FY25, thereby tilting in favor of the non-IF portfolio, the proportion to the total advances now crossing 50%.

On the deposit front, there has been 36% growth in deposits, primarily driven by retail franchise with CASA standing at 20.9% on the consistent acquisition of deposits through the digital channel. Our bank continues to diversify its portfolio, which is visible in the growth in the mortgages and wheels segment. In addition, the bank has started to focus on MSME segment and expect reasonable traction in this segment in the near future.

Overall, for the bank, FY25 had its share of challenges which is completely mitigated though by CGFMU cover and also its share of opportunities which is focused growth in the secured assets business and deposit franchise. The various initiatives drawn by the bank over the past few years such as investment in credit guarantee cover, investment in technology, focused on digital product offerings, both on the deposit side as well as advances front and a targeted focus on the MSME business are expected to drive the bank into FY26 and forward.

We remain committed to delivering consistent improvement across key business parameters with a strong focus on sustainable growth, asset quality and customer centric innovation. As we move forward, we have confidence in the ability to create long-term value for all stakeholders who are staying true to our mission of financial inclusion. Thank you for your continued trust and support.

Now I hand it over to Shailesh for the Q&A session.

Moderator: Thank you. The first question comes from the line of Saumil Shah from Paras Investments. Please go ahead.

Saumil Shah: I wanted to know more on your outlook for FY26. We are about to receive about INR 460 Cr of CGFMU claims against our net NPA of INR 457 Cr. So are we going to receive this claim in FY26?

Kanishka Chaudhary: So not all of the INR 460 Cr will come in the financial year, about INR 360 Cr is expected to come in the current financial year. But what this essentially means is that my entire net NPA is covered under the credit guarantee scheme.

Saumil Shah: Okay. So what would be your outlook for FY26 for the AUM growth and NPAs?

Kanishka Chaudhary: So far as our overall book growth is concerned, we will continue to work with the guidance of 30% to 35%, something that we have been targeting for the last couple of years. Equally, on the deposit side, we expect to grow faster. This is the first quarter when we have been able to achieve a CD ratio of less than 100%, and that's something that we'll continue to target.

I think the more important part is, one, in secured mix, our asset mix is going to see the shift. So secured mix is something that we'll target in the range of 55%. And so far as the GNPA and NNPAs are concerned, we will target a GNPA of somewhat less than 5%, NPA less than 3% and a credit cost of 1%.

Saumil Shah: So the GNPA less than?

Kanishka Chaudhary: 5%. NNPA less than 3% and credit cost of 1%.

Saumil Shah: Okay. And we are targeting a secured book of 55% for FY26?

Kanishka Chaudhary: Correct.

Saumil Shah: Okay. And sir, any guidance on ROA and ROEs?

Kanishka Chaudhary: So for ROA, we will be somewhere between 1.5%, 1.6%, and that translates to an ROE of anywhere between 11% to 12%.

Moderator: The next question comes from the line of Sarvesh Gupta from Maximal Capital.

Sarvesh Gupta: Sir, for this CGFMU, so right now your net NPA and receivable are the same. And you are saying around INR 280 Cr, you will receive in this financial year and the remaining INR 180-odd Cr, you will receive in FY27, right?

Kanishka Chaudhary: Yes.

Sarvesh Gupta: And will you write off these NPA post you receive these claims so your net NPA will go down to that extent?

Kanishka Chaudhary: Yes, so the effect of us receiving the claim money will be a reduction in the headline GNPA numbers.

Sarvesh Gupta: Okay. And secondly, are you still going to be collecting these return of accounts? Or are you not supposed to?

Kanishka Chaudhary: No, no, we are very much supposed to be collecting, expected to underwrite borrowers based on the credit guarantee scheme that we have subscribed to. And the credit guarantee scheme actually enjoins us to proportionately return any money that is collected by us towards principal recovery.

Sarvesh Gupta: And those written off pool, the collections that will happen from that account, so what percentage will come to you? And what percentage will have to be given back to CGFMU?

Kanishka Chaudhary: So it is in line with the coverage. So 72.75% is what goes to them and the rest comes and is retained by us.

Sarvesh Gupta: Okay. And in financial...

Baskar Babu: Just to clarify, while the entire eligible CGFMU claim based on various cohorts, we can make only 1 claim per year. So it depends on what we choose to claim, whether it's in Q2 or Q3. We choose to, technically speaking, in Q4, we'll get the entire amount which is eligible to be received in the year. But from a timing point of view, we may choose to do it in either Q1 and Q2 or Q1 and Q3.

So the amount actually receivable from a cash flow point of view, may be different in terms of maybe INR 250 Cr, INR 260 Cr. But the fact is that their entire net NPA as of 31st March is covered by the eligible claims as and when we make it. And since we have covered the entire eligible portion of CGFMU starting from the year FY23, fairly confident that our claim amount will also be the same as the amount received.

Sarvesh Gupta: Okay. And only principal is covered under this system, right, the interest that is not covered, right?

Baskar Babu: Correct.

Kanishka Chaudhary: That's right.

Sarvesh Gupta: Okay. And earlier, you were paying around 1% for the coverage since we have seen a very bad FY25 across the industries, have the premiums gone up for FY26 and EPS and what are those?

Baskar Babu: Karthik?

Kanishka Chaudhary: So for the first 3 years, it doesn't go up. The rates are locked in. Based on the portfolio performance and the claims that we make, the rates will go up in the next cycle after the first 3 years.

Management: But having said that, the only -- currently as per the grid, even assuming the worst case scenario of 15%, which is not the case, the premium will go up from 1% to 1.25%. But it will be anywhere depending upon the percentage of claims.

Sarvesh Gupta: Okay. And just to get a rough idea against this INR 450-odd Cr that you are going to receive, how much of premiums have you paid for this INR 450 Cr? Or the INR 5,000 Cr eligible book?

Baskar Babu: It's not exactly premium paid. It's a rolling premium. As of March 2025, on the portfolio covered, we have paid INR 155 Cr. Another 1% is payable on the entire portfolio, which we choose to cover, approximately, say, INR 5,000 Cr. There will be another INR 50 Cr payout from a cash flow point of view, which will happen in Q1.

Moderator: The next question comes from the line of Vijay Shah from Shah Family Office.

Vijay Shah: Sir, my first question is, as everyone is taking the CGFMU cover for which I understand there is a cooling period. How could you have taken that in FY23 being one of the early ones? So did you foresee asset quality would be bad? I'm just trying to understand the rationale behind this.

Baskar Babu: Yes. When the CGFMU, we kind of were planning to start taking the cover, the entire credit losses projected probably would have been less than 1%, 1.5% and the amount that would be on the portfolio also would have been the same, and we'll have to keep paying. The reason why we chose to take at that point of time is based on our historical cycles, which for every 4 or 5 years for various reasons; one, either it was demonetization, it was there after COVID. So post-COVID, the clear learnings that we had was to really kind of de-risk, when the going is good, specifically in terms of the inclusive finance portfolio. And when we studied the portfolio the scheme in detail, we've figured it that irrespective of the premium that you pay, for instance, as of now, we have paid INR 155 Cr and have made a claim received only INR 40 Cr last year because of the cooling period, as you rightly mentioned. We chose to look at it purely, purely as an insurance scheme where the amount of money claim is not necessarily to be the monetization. It kind of protects you in terms of an unforeseen scenario. Nowhere in FY23, would you have seen a scenario like this with a GNPA of 10%, 12%, 15% at the sector level. So it was more in terms of risk management and which will not be the first one. We also have kind of known people who are guiding us in terms of the scheme and why we took it. We continue to believe that coverage as available is good, specifically in terms of unsecured and more so, we address a segment which is low-income households and the risk that they are prone to are varied in numbers rather than pure only income loss. So that is the reason Mr. Shah.

Vijay Shah: Understood, sir. And sir, I understand that the total NNPA for IF is INR 441 Cr and we expect around INR 460 Cr. So sir, does it mean that we have zero NNPA or 100% PCR?

Kanishka Chaudhary: Yes. So considering the credit guarantee cover that we have in place, we effectively have a 100% coverage of the NPAs.

Vijay Shah: Understood, sir. And sir, my last question, so I wanted to clarify whether you will provide for any uncovered part in the next year, which will not see a P&L hit. So like is that right?

Kanishka Chaudhary: No. So as per our accounting policies now for the MFI book, the portion which is uncovered, we provide 100% upon it becoming NNPA. So for INR 100 loan, 72.75% is covered, 27.25% is not covered. So we provide 100% of that 27.25%.

Vijay Shah: Understood.

Himadri Das: For this uncovered NNPA of INR 441 Cr as of March, there is no P&L hit next year.

Moderator: The next question comes from the line of Sindhu Jha from Shakti Investment. Sindhu, are you there? Since there's no response from the participant, we'll move on to the next participant. The next participant is Ashlesh Sonje from Kotak Securities.

Ashlesh Sonje: Sir, a few data keeping questions. First. Can you share what was the credit cost and the ROA for your MFI business in FY25?

Kanishka Chaudhary: If you look at the credit cost, it will be around 7.5% to 8%. And that would effectively mean that we have an ROA of somewhere around -- just give me 1 minute, please.

Himadri Das: So basically, around INR 389 Cr, we have delivered before and we have a net credit cost of around INR 170-odd Cr. So which means on a balance sheet basis, it will be 1.8%, 1.9%. But if you are talking about 7-8% on MFI portfolio before CGFMU cover, so which means 25% is our cost, which is 2% to 2.5%.

Ashlesh Sonje: Okay. So only 25% of that INR 170 Cr would be a loss for you?

Himadri Das: No. That 25% what I'm talking about is the entire IF credit cost for us. So if there is a GNPA of INR 700-odd Cr, our credit cost would be around INR 140-odd Cr.

Ashlesh Sonje: Okay. So this INR 170 Cr is net of the CGFMU recovery which we expect.

Himadri Das: Absolutely, yes.

Ashlesh Sonje: Is that fair?

Himadri Das: Yes. On a balance sheet basis, it is 1.7%, 1.8%.

Ashlesh Sonje: 1.7%, 1.8% credit cost you're saying?

Himadri Das: On a balance sheet basis, yes.

Ashlesh Sonje: Okay. Understood. Secondly, can you just tell us the MFI slippages in each of the 4 quarters of FY25, please?

Baskar Babu: We specifically go to Q3 and Q4, which was kind of a little more pronounced. It was around INR 240 Cr approx and around INR 300 Cr in last quarter of the portfolio of around INR 5,000 Cr.

Himadri Das: So broadly, INR 750 Cr for a year. So last 2 quarters, INR 270 Cr and INR 304 Cr. Yes. INR 570 Cr.

Ashlesh Sonje: Understood. Okay. And lastly, can you talk about the CGFMU scheme? What makes you confident that the payout will happen? Because if you look at the balance sheet of NCGTC, the cash lying there seems to be fairly low.

Baskar Babu: To our understanding, it is pretty high. It's around well-funded, around INR 12,000 Cr to INR 15,000 Cr. So Karthik may have more details about that.

Management: So a couple of things here. If you look at the total premium that they have collected over the years to the total claim payments that they have made till date, it's still positive. So one is that. Second, obviously, the initial capital, which had been put in is itself completely intact, which is sponsored by the Government of India, Ministry of Finance. And there is a commitment from the Ministry of Finance, especially given the fact that there is a clear focus on the growth for the MSME segment. Purely basis numbers, as we speak, as I said, the premium collected till date is much higher than the claim payments -- payouts made till date.

Baskar Babu: And that said, we are not going to be commenting on the government's commitment to fund the Mudra units, micro units as well as in terms of the CGTMSE, we believe that while it is reasonably funded from this point of view, broadly, to our understanding is that including CGTMSE we look at it, premium to claims, 1:2 is broadly what they are comfortable with. We have paid as of now INR 155 Cr. We'll make a payment of another INR 50 Cr. That's closer to INR 200 Cr. And if you look at the claims, it's just a little above 2x. And this is a continuing premium which we pay. It's not a onetime premium paid. So on the entire book of INR 5,000 Cr, which we cover now will be around closer to 1% in this quarter.

And subsequently, all the disbursements is again paid at 1 -- 0.75%, 0.5%, and 0.25% depending on the quarter of disbursement. So we are not really looking at it. We are rather looking at it considerably as the INR 155 Cr is already kind of a provision made. And even if we had kind of just put the basic rate of interest, around closer to INR 175 Cr to INR 180 Cr is a premium paid.

Ashlesh Sonje: Understood. Sir, and I hope I can squeeze in a couple more questions, if you allow. If you can speak about the situation on the ground in Tamil Nadu, you have about 20% of your microfinance book over there. So how are the trends holding up in the last few days? That is one. And you have spoken in your presentation, you have guided for about 30%, 35% credit growth. Can you speak about the regulatory comfort around that kind of growth level?

Baskar Babu: One, the growth is going to be predominantly driven by like last year, if you look at it, both in our mortgages and CV portfolio, the growth was approximately INR 1,000 Cr, INR 500 Cr each in each of the portfolio. So even if we do not increase the disbursement run rate, what we had in Q4, not even the March run rate at the average of the Q4, we are likely to kind of have an increase in the secured portfolio, which is both mortgages as well as in CV of approximately close to INR 1,500 Cr. So on INR 10,000 Cr, around 15% to 20% is going to come on the overall asset on the advances from these 2 products.

What we are really projecting from our microfinance inclusive finance portfolio is just about a 10% growth, predominantly driven by 10 lakh preapproved customers that we have, which fit in well into guardrails 2. Of course, there are a little bit of slippages happens post funding -- but on our own analysis, more than the people borrow based on their capability, more than the amount, the number of lenders go beyond a point, which is 4 or 5, there is clearly a correlation in terms of higher stress.

That is on account of probably an ability to service multi-lenders, ability to service a few lenders for even higher loans, which are longer tenure is much better. And those people generally who take higher loans do have a very visible and solid cash flow-driven business. So we have -- however, that said, we are not really kind of using any of that data. We will stay comfortable under -- we implemented the guardrail 2 in November -- starting from November and December 100%. We'll continue to do it till we see complete stability.

We had introduced bank branches driven MSME product, which is phygital, digital in terms of decisioning, meeting the person and doing a CPV in terms of disbursements, a small portfolio at this point of time, but this seems to be a good one in terms of acquiring granular CASA in and around the catchment areas of the banks rather than only kind of focusing on the liabilities. This is liabilities through assets. As of now, it's holding good. The small portfolio run rate of around INR 10 Cr. We are not really accelerating there, but it will be an organic acceleration and targeting around close to 30% to 40%. Between these, we are likely to have around INR 2,000 Cr, which is 20%. And our inclusive finance portfolio from existing preapproved, we will be focusing on acquiring new customers at least for the next couple of quarters, certainly for the next 2 quarters. So that's the plan in terms of a 25% visibility. And then other products like FIG and supply chain financing at around INR 250 Cr book and supply chain financing mostly for A and above customers through the platform. We'll continue to do that rather than taking any risk in the supply chain financing at least for this year. So that's a broad plan for 30%. And what has to be kept in mind is 30% is on the base of a very small advances book of around INR 10,000 Cr. So we do believe that the regulator will be reasonably comfortable.

Ashlesh Sonje: Understood. And on the other question on Tamil Nadu, please?

Baskar Babu: So as of now, we are not seeing any massive disruptions.

Sasidhar Vavilala: We are so far well in control. We had 99.1 percentage current bucket collection efficiency. So we don't see -- so far, no clear visible signals. So far, so good.

Moderator: The next question comes from the line of Shailesh Kanani from Centrum Broking Limited.

Shailesh Kanani: Sir, just wanted to understand a few things. So we had done a loan sale to ARC, and it was a secured portfolio, predominantly your HL and LAP portfolio. But it resulted in significant loss. So what factors contributed to the steep haircut in this transaction?

Kanishka Chaudhary: So Shailesh, if you look at the ARC book that got sold, we had a principal outstanding of around INR 80 Cr and net of NPA provisions, it was around INR 50-odd Cr. So essentially, on that INR 50 Cr, we got around INR 31-odd Cr -- INR 30-odd Cr as purchase consideration, and that was largely split into 75% valuation for mortgage and 25% valuation for CV.

Shailesh Kanani: So just to elaborate further on this, I was under the impression that the secured book would get a better realization. So net book value was INR 52 Cr.

Kanishka Chaudhary: Yes.

Shailesh Kanani: So that was after provisions, right? Still it was INR 80 Cr in general outstanding, right?

Kanishka Chaudhary: Correct.

Shailesh Kanani: So still -- isn't the realization is on the lower side?

Kanishka Chaudhary: Yes. I mean having regard to the kind of assets that we had and it's more affordable on the mortgage side and CV is largely refinanced vehicles. So -- and most large -- and almost predominantly, it was the old book more than 3 years old. So that's the kind of -- that determine the kind of pricing that we have received.

Baskar Babu: Shailesh, earlier, we kind of did mortgages in the INR 10 lakhs to INR 15 lakhs, and they are not the micro mortgages. Even regular mortgages, between INR 10 lakh to INR 15 lakhs in states like Madhya Pradesh, not agri, but rural belt. So it is a segment which we defocused and completely kind of exited. So that small residual book, which we had, we thought it is better to kind of take it off through ARC and continue to have all the book unmanaged and which is on the current book, we kind of target less than 1% GNPA for the year in mortgages and probably much lower in the CV book. There's more like one time clean-up.

Shailesh Kanani: One more thing I've noticed in the FIG book vis-a-vis last quarter, we have seen some slippage over there, a small amount of around INR 11.7 Cr. Anything to read on that? What is that?

Kanishka Chaudhary: Yes. So we had one loan to Aviom Financials. That particular name has currently got into NCLT and the CIRP process. However, as things stand today, so we have provided 100% as a matter of caution and conservatism. But given how the thing is progressing, we expect substantial realization and a provision write-back in due course.

Shailesh Kanani: So our FIG book continues to be growing, right? Even in this year, FIG book has grown to a decent size. So if you can give some color on that? How is the quality over there? And any other accounts where we are seeing some early signs of stress?

Kanishka Chaudhary: No. So typically, we tend to do door-to-door tenors of 1 year with 1 month resets, fairly conservative in the kind of name selection. And overall, on a portfolio basis, as a policy, we try to see our FIG book is somewhere in the range of 10% to 12%. So given all of those factors, we do not expect accidents like these to happen.

I mean, we haven't ever had a credit cost in our FIG business all this while. So this is a rare one-off case. We are fairly conservative in name selection and most of these people have contiguous businesses some where we can look at as well. So that ensures that we are fairly conservative in our selection.

Shailesh Kanani: Okay. Just last question from my side. So we have seen as a year, a decent healthy deposit growth. However, when I see quarter-on-quarter as well, there has been a sharp jump in borrowings, right? So what is driving this? I think we had some funds which were supposed to be kind of replenished. Is that the same? And what is the cost of borrowing now for those funds?

Kanishka Chaudhary: So what we have essentially done is that the SLTRO money, which came to us for 4 years at 4% that has gone out. It was around INR 750 Cr. What has also happened is that short-term money in the form of IBPC, which typically used to come to us at 6 quarters, 6 half or a 6-month tenure that has also run off given the stress in the MFI book. So what we have essentially done is replenished all of that with funding lines from NABARD. We have basically got 3 and 5 year money floating rate at 8.5% from NABARD.

Shailesh Kanani: Okay. And just last question. On the SME book, in terms of QoQ performance, it still remains -- PAR 30 book remains kind of sticky, right? Any color on that?

Kanishka Chaudhary: Which book did you refer to, Shailesh?

Shailesh Kanani: IF.

Baskar Babu: Shailesh, as of now, while March looked good across at 99% plus collection efficiency on current, April has not been maintaining the same momentum. And it is not any particular state which showed up. Across the board, there has been almost a 50 basis to 100 basis points reduction. Based on March, had we really projected, the book would have been much less stickier in terms of 1 to 30 bucket, but that did flow in the month of April.

And hopefully, that is purely a one-off month and this month is not showing any of those signs. But only if it stabilizes at 99% and above, preferably in the 99.5% range, then you are likely to see a healthy book across other higher buckets. As long as it doesn't happen, then the stress continues to be there. The focus is we now kind of created a separate collection team for 1 to 30, call them recovery officers, but multi initiatives when you try the fact remains that the customer or the person who is sourcing and who is servicing them for long, even in the 1 to 30 bucket, that seems to be far more effective. And it's better also to kind of let them off in terms of chasing the GNPA customer, and that has to be a special force.

The question to ask is that where should the overlap be between handing over GNPA customer and at the time, well before that for at least 1 through 45 days during the transition and hopefully continuing in the various buckets. As of now, yes, things are from the 1 to 30 bucket is a little larger than our comfort zone, and we'll kind of have to wait and watch in this quarter. But hopefully, with the guardrails coming up, while there could be some indirect stress which will be created by the adjustment of our cash flows, which the customers are used to. But from a medium-term to long-term discipline, this will be very, very useful because guardrails 2 also states that companies cannot -- MFI loans cannot be given to people with more than INR 5,000 in default in the 60-plus bucket. So that also will hopefully bring in discipline because otherwise, irrespective of the default to other institutions, if a particular institution is comfortable in terms of repayment, they were kind of going ahead and funding and hence, the customer were in a position to choose to not to pay 1 or 2 and to pay only 1 or 2 institutions. Hopefully, this will bring in that discipline as well.

Himadri Das: Just to add, Shailesh, if you see the PAR increase is 6%, which is nothing but your GNPA. If you only talk about less than 90%, it is more or less same. So whatever GNPA is in this quarter that is 6%, that has increased from December. If you see 6% increase is only because of GNPA, which is an effect of current bucket of last quarter.

Also another thing, we have not written off anything. So PAR is looking high. So once we get CGFMU claim and from Q1 onwards, so Q1 would be another effect of Q4, which is much better than Q3. So you can see once we do write-off and once we do from Q1 and Q2, PAR should come down. So it is not PAR as such. It is only GNPA, which is going up.

Moderator: The next question comes from the line of Anant Mundra from Mytemple Capital.

Anant Mundra: Sir, what would be our credit cost for the year and for the quarter for the non-MFI book?

Management: For FY25, you're talking about or FY26?

Anant Mundra: FY25, what was it for FY25 for the non-MFI book for?

Management: 0.3%. 0.2% to 0.3%.

Anant Mundra: And how much was it for this quarter? Because we've done some sale to ARC. So I'm guessing it would be slightly elevated this quarter.

Management: So there is no extra provision as such for ARC sale. Whatever we have done till Q3...

Kanishka Chaudhary: For the purpose of the ARC sale, we essentially used our floating provision. So we did not take any additional provisioning to that extent for that book.

Anant Mundra: Okay. So we fully consumed the floating provision that we had on the non-MFI book?

Baskar Babu: We have some INR 37-odd Cr still remaining on our books. We consumed about INR 20-odd Cr for the purpose of this transaction.

Anant Mundra: Got it, sir. And sir, just a follow-up to what you mentioned to the previous participant, the collection efficiency in April has seen a slight dip as compared to March. Is that correct?

Management: Yes.

Sasidhar Vavilala: Historically, April and May are the low months, both for our collections as well as disbursals. So indeed, we are -- it is better than the trend. So typically, there is a 100 bps drop. We didn't drop 100 bps overall. So indeed, we did better business than March and April. So that way, we are bucking the trend. And hopefully, we should hold on to it in May.

Anant Mundra: Got it. And sir, so in the guidance that you mentioned, what kind of credit cost are you pencilling in for this year?

Kanishka Chaudhary: So we are considering a 1% credit cost on a net basis for FY26.

Management: However, if you add the CGFMU premium, which is also technically a credit cost that you can kind of add another 0.5% on the overall advances. We're likely to kind of make CGFMU premium payment of closer to around INR 70 Cr to INR 80 Cr. Even on INR 10,000 Cr, you can say that's another 80 basis points. So we are talking about in the range of 1.75% to 2% as a credit cost.

Anant Mundra: Got it. Got it, sir. But sir, like 1% credit cost is kind of the best that we can expect across cycles. Is this like -- I mean, are you assuming this to be this year to completely normalize and not have a higher credit cost?

Baskar Babu: Things are evolving. So it will be very kind of difficult or it will not be right to kind of call out. The stabilization has to be seen for a 6 months period. So in fact, since April was a little worse than May -- sorry, March, kind of come to any conclusion in terms of extrapolation, I would think that it will be able to resist that and see a clear trend for a couple of months. What is really coming out is that this, if we may call a crisis is much sharper and pronounced than we have seen anything in the last 15 years. This happened across states, not triggered by any specific external event. And probably the go back, I think the fundamentals has been a higher leverage on multi-institutional borrowings, not just the amount as a leverage, the number of lenders from whom they have taken loan is probably would have cost all of that.

So I would rather think that probably we have to see the trend for 3, 4 months before calling out in terms of any projection. But what we have done from our risk management is that the focus will be only on preapproved 10 lakh customers, of which 2.5 lakh customers are existing customers, 7.5 lakh customers are the ones who have paid and have exited and have not shown any proclivity in terms of taking loans even from the market.

But trying to kind of getting in touch with them and giving them -- closing it out, that would be the focus. It is not going to be getting new customers at all, including in branches where we opened in the last 1.5 years. We would stay put and rather focus only on new-to-bank Vikas loan customers. That is customers with excellent track record for at least a minimum period of 2 years with others. So that would be the focus to go. But is something which we can call out probably after a couple of months, probably by around July, August.

Himadri Das: And just to add, so if you see our Q4 slippage is INR 300 Cr, the number is INR 300 Cr. Now if I take a base case scenario of next year's total slippage of INR 300 Cr, INR 400-odd Cr and after CGFMU if I have to make 25% of INR 400 Cr which is INR 100-odd Cr. INR 100-odd Cr and another INR 10 Cr, INR 20 Cr. INR 110 Cr, INR 120 Cr, overall, advance of around INR 10,000 Cr to INR 11,000 Cr is 1% to 1.1%. So that's broadly our guidance, 1.1%, but as sir mentioned, this is as of now, what we are predicting, we will come back with the Q1 as well as the situation evolves.

Moderator: The next question comes from the line of Gurvinder Juneja from Fortuna PMS.

Gurvinder Juneja: I have 2 questions. One is about your cost-to-income ratio. Clearly, you're spending more to build your teams. I want to get some color where you are spending and what kind of capability you are building? It is the question on your digital deposits. The run rate now is a fairly healthy daily. I want to see if you think this is a sustainable run rate going forward?

Basbar Babu: Looks sustainable because it has been kind of growing consistently from around INR 1 Cr to INR 1.5 Cr to INR 2 Cr to INR 3 Cr. And the kind of profile we are seeing that we are not seeing any bulky deposits coming from there. The average size of the deposit is just about INR 1 lakh and the credit profile of the customers are coming in is far, far superior and different. So it looks like they are digitally savvy, 30 to 40 years kind of probably taking across various other SFBs and other institutions which are available on the digital platform. It's completely VKYC done. And we see that while the rate would have been a driver for many of the SFBs in terms of acquiring digital, the convenience is another factor which will start building up. So the premium -- the difference in the pricing premium may not be 100 basis points as it is now at this point of time. But the overall cost of mobilizing of that, including everything paid is around approximately 60 basis points.

Sasidhar Vavilala: Give you a consumer insight, the customers test the product with a small value and they foreclose the term deposit and basis the convenience, they will end up putting a higher value. So it's more the process how easy it is in terms of consuming the product and accessing money whenever they want that takes a little edge.

Baskar Babu: It's a small component. It's kind of currently at around INR 60 Cr per month incremental deposits because obviously, we have just started 4, 5 months back. So we don't have any insights in terms of the renewals. It's going to be even at the end of the year, even at this run rate, it will be substantially less than around 10% to 15% of our overall term deposits. So what we're mobilizing is predominant term deposits.

Gurvinder Juneja: Yes, sir. But I also wanted to understand your investments in people and other costs that you are building.

Baskar Babu: We'll be stabilizing in terms of employee expenses, if you look at it between even the Q4 and Q4 of FY25, the increase is about 7%. It is time to also rationalize in terms of we have done a huge investment in tech around closer to INR 200 Cr moving from profile to Finacle and which what gave us visibility in terms of our entire MSME journey is a 1-minute pre-approval journey.

However, we follow it up with a CPV and a visit in person to ensure that we can build a solid portfolio before we really scale it up. So those are the investments that we also introduced a secured credit card. We'll be rolling out now full-fledged. We see good traction there. And exactly to the point that most of the customers who come through the digital route are showing inclination in terms of blocking the limit and looking at the secured RuPay credit cards.

So some of these things will scale without a proportionate increase in manpower. And hopefully, our technology investments will come into play in doing that. We also introduced our new mobile banking and Internet banking, specifically mobile banking, which we believe is one of the best-in-class in terms of convenience for the customers. That's the feedback we have even before we really kind of get the feedback on a very formal basis.

So hopefully, these investments will play out. On the employee side, the intent is to probably keep it at around just about the main investments will go only towards the front end, business customer-facing people. And on the back end on the support function, it is more of just the same and with an increase of probably around 3% to 4% cost increase.

Himadri Das: Just to add, so what you are seeing is CTI is a little high because, of course, one is cost, like sir had mentioned. Secondly, what you have seen is an effective yield had come down because of non-paying book, which had resulted in a lesser revenue. And also our interest cost went up. One SLTRO, which was a low-cost borrowing gone out and also interest overall had gone up.

So if you see net interest income had not substantially contributed. And also other income, which is one of the major things, which is also related to your disbursement. Last year, the disbursement was lesser, that had not contributed. So overall, this is your income growth is lower than your cost growth. So that is why your CTI had went up. But what we are projecting once next year, the income should be there, and we are moving to a little secured mix and cost would be rationalized. And corporate cost should give us a leverage.

Moderator: The next question comes from the line of Rakesh Kumar from Valentis Advisors.

Rakesh Kumar: So just on CGFMU further to better understand this thing. So we have total CGFMU cover for INR 4,936 Cr amount IF portfolio. And against the INR 628 Cr gross NPA number, we are eligible to get INR 460 Cr number basically, correct?

Management: Correct.

Rakesh Kumar: And this claim that we have received of INR 32 Cr in the first quarter FY25, so when the claim was made and it was received in first quarter. So when the claim was made actually?

Management: The claim was made also in the first quarter, and we received it in the same quarter.

Rakesh Kumar: Is it? Okay. Because I was hearing because RBL management is also quite gung-ho and going for this scheme quite progressively from here on. But they said on the call is that it takes around 2 to 3 years to actually receive the entire claim. And on the rolling basis, this number keeps on adding and all that. So I was just curious to understand that when the claim was made. And so you are saying it was made in the same quarter and -- so when this NPA occurred against which we got the INR 32 Cr.

Baskar Babu: It's a pretty kind of well-designed scheme. It is not something which you cover and then it becomes an NPA, you kind of press the plug and then you take it. So it is purely a credit guarantee. It is not something which kind of pays up for itself as soon as you kind of take a cover and becomes an NPA. So the waiting period is approximately 1 year minimum.

But we will not be able to comment about other banks comfort or discomfort in terms of -- we have not -- just to repeat, we took it in FY23 when we did not even anticipate a credit loss of more than 1%, 1.5%. We'll continue to do it, and that's why we have chosen not to really do any selective coverage even in the year when we took. So it was 100% eligible CGFMU we decided to take it. As a bank, we wanted the robustness, and that's the reason and we'll continue to do so.

Rakesh Kumar: Understood, sir. So this INR 460 Cr what we are expecting to receive. So like this claim was made, what is the vintage of average vintage of this claim?

Baskar Babu: It's not as easy to get on, explain probably offline connect, that we will explain the entire CGFMU scheme. But if you wait till -you're assuming that we don't want to make any claim for Q1, Q2, Q3. And only in Q4, we make the claim and we kind of get all of that, probably we'll get closer to around INR 300 Cr.

Rakesh Kumar: Just the question was just to understand get the visibility of the money being received in FY26 or FY27. It was just to that, just to check that.

Kanishka Chaudhary: Yes. So out of the INR 460-odd Cr that has been shown, our reasonable belief is that if we make claims in Q1 and Q3, we will get somewhere around INR 350-odd Cr in the current financial year.

Rakesh Kumar: Got it. And second question related to this topic itself. So we had made INR 53 Cr expense that we had debited to P&L in FY24 and around INR 72 Cr, INR 73 Cr in FY25. We are showing that we have made a total claim -- we have made a total expense of INR 155 Cr. So the remaining amount when it was done?

Himadri Das: So INR 155 Cr is the cash that we have paid till now. What P&L shows is a little amortization. So INR 155 Cr, whatever INR 30 Cr, that will be amortized in coming years.

Rakesh Kumar: Okay. So the cash outgo -- cash outgo has happened?

Himadri Das: Yes.

Rakesh Kumar: But you are showing in the P&L as an expense of only INR 53 Cr plus INR 22 Cr.

Himadri Das: No, INR 53 Cr plus INR 70 Cr last year. This year INR 70 Cr and INR 50 Cr last year, INR 130-odd Cr and INR 155 Cr. So this INR 25 Cr will be amortized in coming years. So as the next year expense will also be amortized over the tenure of that product.

Rakesh Kumar: Got it. So the remaining amount, the INR 25-odd Cr, is there a provision made in the P&L because you are showing that this amount has been expensed. This amount has been paid to other parties. So is there any debit to the P&L of this remaining amount or not?

Himadri Das: No. So what I'm trying to tell you that INR 155 Cr is the cash outgo. And as per accounting policy, it is an amortization. Amortization, okay? So now it is like the same way you debit -- you purchase one asset of, let's say, INR 100 Cr, then you amortize for 5 years, right? INR 100 Cr is the cash outgo, 20 years is the P&L expense for 5 years. So that is how it is. INR 155 Cr till now is the cash outgo. Till now, INR 130 Cr is accrued in P&L. Next INR 25 Cr would be accrued in coming years -- coming next year.

Rakesh Kumar: So what we have paid so far is that INR 53 Cr plus INR 22 Cr, that's what we have paid. So remaining amount will be going for the next 2 years or 3 years, maybe 5 years in a fraction amount? Correct?

Kanishka Chaudhary: It's not that. So just to clarify, we have paid around INR 150-odd Cr till date. We have accounted and taken a hit in the P&L for INR 130-odd Cr out of the INR 155 Cr. The balance INR 25 Cr will be taken in the current financial year.

Rakesh Kumar: Okay. So you are saying in the Slide #23 is that as of March 2025, the bank has paid cumulative premium of INR 155 Cr. So that is a correct statement to make or a wrong statement to make?

Kanishka Chaudhary: No, that's the correct statement because the premium is paid in advance at the beginning of the period to take a life cover of -- like if you take a life cover of -- let's take our own employees. I pay INR 1 lakh insurance for a period of 1 year, and that is from the month of January 2025.

While I would make the payment of INR 1 lakh to the insurance company, which is not reimbursable in a normal course, I will account for only that 25% of that INR 1 lakh as an expense in the P&L because that is an insurance premium paid for that particular period. The amount is paid upfront, even in any credit -- any insurance policy, I make the payment, I take it on 31st of March, it's available till 31st of March next year.

I will expense only 1 day as an expense for that year and the remaining will go towards the next year. But the amount I wanted to make the payment is at the beginning. So it is an amount paid for covering a period of time and amortization is happening based on the period for which that insurance cover is available. So the statement of INR 155 Cr is right -- INR 122 Cr is right, I would think that probably we will kind of come back in terms of and explain it.

Rakesh Kumar: Yes. I think we'll have to discuss it more. I think because the number has not been expensed or not been provisioned, then I don't know how can we write this.

Management: Yes. We will simply state that what we paid is INR 155 Cr. What we accounted for is INR 120 Cr perfectly in line full disclosures made in line with the accounting policies.

Rakesh Kumar: Sure, sir, that was I needed to clarify.

Management: Sure. You can reach out to us, yes.

Moderator: The next question comes from the line of Deepak Poddar from Sapphire Capital.

Deepak Poddar: Sir, just wanted to understand now you mentioned that -- I mean, we have provided 100% coverage on our IF portfolio, right, after considering this CGFMU inflow, right? So this NPA will not have any impact on provisioning for this coming year FY26, right?

Kanishka Chaudhary: That's correct. Your understanding is correct.

Deepak Poddar: And now we are expecting a slippage of around INR 300 Cr and INR 400 Cr in FY26. So considering a INR 100 Cr slippage per quarter, and you will provide around 27.5% on that. So a provisioning of INR 25 Cr, INR 30 Cr is what we can expect from first quarter? Will that be a fair assumption?

Baskar Babu: It will not be -- the first quarter will not be any substantially different from Q4. it will be better, but not 50% or 60% down. And we are expecting the benefit of 99% collection efficiency in current bucket in March to come over in terms of Q2 and taper off towards Q3 and Q4. What we have said around the number is the slippages for the entire year, but not going to be proportionate. We're sliding from 40%, 35%, 25%, 20% approximately that way.

Deepak Poddar: So can you just repeat what is this 40% 25%, 30%?

Management: Ratio.

Himadri Das: So if you see last quarter, Q4, the slippage was around INR 300-odd Cr. So what we are trying to say, next quarter would be better, but not substantially better. Maybe if I am -- for an assumption, if I take a INR 200-odd Cr of slippage, I have to make a provision of INR 50-odd Cr for first quarter.

Next quarter, if the slippage is around INR 150-odd Cr, I have to make another INR 30-odd Cr. So what we are trying to say, it will slide down, let's say, INR 50 Cr, INR 35 Cr, INR 30 Cr, INR 25 Cr. In this way, it will be INR 100-odd Cr, not like INR 25 Cr each for each quarter.

Deepak Poddar: Okay, INR 50 Cr, INR 35 Cr, INR 30 Cr and INR 20 Cr. So that comes to around INR 50 Cr and INR 100 Cr -INR 130 Cr, INR 135 Cr.

Himadri Das: Yes. We are not giving any guidance for any quarter. What we are trying to explain is the rationale.

Kanishka Chaudhary: It's a sliding scale and not equally across the 4 quarters.

Management: Yes.

Deepak Poddar: Okay. I understood the trajectory. Okay. That's very clear. And overall, for the entire year, you mentioned credit cost of 1%, including the CGFMU benefit. Is that the right understanding?

Himadri Das: No. So what we had mentioned, like rightly you mentioned, INR 100 Cr and INR 110-odd Cr of provision for a full year, which means 1% odd on advances, which excludes the CGFMU claim. So rightly, you have said, right, INR 400-odd Cr, if there is a slippage, INR 100-odd Cr, I will take, INR 300-odd Cr has to be borne by, let's say, CGFMU. So it excludes CGFMU claim receivable. If I have to include CGFMU, the total credit cost would be, let's say, 4%.

Deepak Poddar: Understood. So if I have to consider INR 100 Cr to INR 110 Cr kind of provisioning for this FY26, your ROA outlook should have been much higher than 1.5% to 1.6%. So where is the disconnect? Because at INR 100 Cr, INR 110 Cr of provisioning, your ROA would be much higher, right?

Himadri Das: No. So another thing that we are guiding also the secured mix will grow up. So currently, we have a secured mix of 50%. Next year, we are projecting around 55%, where the effective yield difference is nearly 6%, so which -- so secured mix going up and CTI keeping same and provisioning INR 110 Cr, what we are projecting is 1.4% to 1.5% of ROA.

Deepak Poddar: Okay. So your NIMs will have some pressure, I mean, because of your secured mix going up?

Himadri Das: Yes. NIM will come down.

Moderator: The next question comes from the line of Sarvesh Gupta from Maximal Capital.

Sarvesh Gupta: Yes. So sir, firstly, I wanted to get some color on the existing situation in Karnataka. I mean we saw that it was basically behaving similar to other states till December, but I think there was a spike in February and then most players have reported a sort of resumption towards normalization March onwards. So what is your experience? And is it going to sort of linger on for a very long time? Or does it look like resolving much faster as it spiked up also in a short period of time?

Baskar Babu: Good thing is that there is no disturbance in the field in terms of collections. That pressure is not on. But however, there has been a slippage which happened. It takes time for customers to come back. It doesn't really bounce back in the very next month. Even the collection efficiency, which is of current bucket, which excludes people who have already slipped into the other buckets has not -while it bounced in March, in April, it was slipped. So again, I would kind of say that both Tamil Nadu, we'll have to wait and watch. As of now, nothing on the ground, nothing really felt, but we'll have to give it a couple of months to see if there is any impact at all.

Similarly in Karnataka before calling out that all is well and it has bounced back. There have been no disturbances reported, which is a good thing, which means that you can really go, visit the customers between 9:00 a.m. to 6:00 p.m. and on a regular basis, and those customers will continue to pay. It has not come back to anywhere closer to 99% in terms of current bucket collection efficiency. It's still kind of 300 basis points lower compared to the other states.

Sasidhar Vavilala: The impact is 8% of the portfolio for us.

Sarvesh Gupta: And secondly, on the Guardrail 2, so what has been the impact in this financial year that we have seen almost 40-odd days have passed. So how do you assess the impact of Guardrail 2 on your disbursement growth as well as credit costs?

Sasidhar Vavilala: So we have implemented it in November, and we saw a drop of 50 percentage business in new-to-bank customers. Then we pivoted from group to individual new-to-bank customers. New-to-bank Vikas loans were started from the month of December, and we started scaling up significant scale-up of new-to-bank Vikas loans started.

As we speak, previous month was -- disbursals were more than March month. So we are growing on disbursal. We don't see any challenge. Whatever hit we had to take, we took it in the month of November. November and December, we took the hit.

Sarvesh Gupta: And February onwards, it's sort of normal in terms of against your disbursement growth plans?

Baskar Babu: Yes. The number of customers disbursed has come down which will be a natural followed because JLG is virtually -- new to bank JLG is zero almost. So very, very marginal probably 5%. But new to bank Vikas loan customer, if you really meet the customer as a true and the 5 of them apply for a loan and 4 of them get rejected, you will not be able to fund the other one as well in the group model.

So the new-to-bank Vikas loan model, it's a customer who is being given on an individual basis. So if you approach 5, even 4 get rejected on Guardrails and one can still be funded if based on the track record, your individual loan. So we are seeing some traction on the new-to-bank Vikas loan and the portfolio also is holding good as of now.

So since it is new to bank Vikas loan straightaway coming in individual, again, I think we'll have a minimum give it a period of 6 months and probably a portfolio at least around INR 200 Cr to INR 250 Cr to call out in terms of that it's behaving much better than, say, JLG portfolio.

Sarvesh Gupta: So are you seeing some impact on the slippages side also because you were alluding that the exported collection efficiency had dropped in April. So I mean, is that more related to the sort of the weather or is it also to do with the Guardrail 2?

Management: No, not with Guardrail 2 because it got implemented across the sector only from April 1. So you won't have seen that impact immediately in that month, we're looking for a loan and it happened. So it was no more than -- on the entire base, no more than 5%, 6% of the customers take a loan in a particular month. So it's unlikely that it would have been the impact. We don't know the exact reasons for us to really call out. But usually, April is a little tepid than March. And there is certainly a heat impact. It is not like probably last year where heatwave was called out across well before we would see any impact. But this time, it doesn't seem to be the heatwave impact. We are not certainly present in many parts of North but even in others, it has been across the state. it was lower by a percentage. And I think it will also be neither right nor kind of both on the side to say that 1 month will become the projection for what will happen in the quarters.

But the good thing across the board is that there has not been any local disturbances reported in any significant manner. So hopefully, our ability to get in touch with the customer stays intact and the challenge that has to address is in terms of the attrition.

So if you have retention of good, well-performing employees is high and the ability to keep in touch with the customers is data-driven, scientific and real, we do think that customers have even slipped into the higher buckets will continue to be paying customers even if not on a regular basis. So April trend probably is not -- neither March nor April probably should be extrapolated to say whether it is always good or whether it is still continuously slipping.

Moderator: Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to the management for the closing comments.

Baskar Babu: Thank you for participating and look forward to your continued support and confident of delivering year that is far more robust and sustainable than FY25. Thank you very much.

Moderator: Thank you, sir. Ladies and gentlemen, on behalf of Centrum Broking Limited, that concludes this conference. You may now disconnect your lines.