

May 13, 2026

Ref.: SSFB/CS/16/2026-27

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

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

Symbol: **SURYODAY**

Scrip Code: **543279, 960033**

Dear Sir/Madam,

Sub: Submission of the Transcript of the Conference Call held on May 08, 2026, on the Audited Financial Results of Suryoday Small Finance Bank Limited (the "Bank") for the Quarter (Q-4) and Financial Year ended March 31, 2026

Ref.: Our Letter No. SSFB/CS/06/2026-27 dated April 30, 2026, and Letter No. SSFB/CS/11/2026-27 dated May 8, 2026, 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 (Q-4) and Financial Year ended March 31, 2026

In continuation to the above referred letters and pursuant to the 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 8, 2026, on the Audited Financial Results of the Bank for the Quarter (Q-4) and Financial Year ended March 31, 2026, 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 attached herewith as an Annexure to this letter:

<https://suryoday.bank.in/assets/pdf/ssfb-transcript-q4-&-fy26.pdf>

The aforesaid disclosure will also be available on the Bank's website at:-

<https://suryoday.bank.in/investor-corner/#disclosure-to-stock-exchanges>

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

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

Krishna Kant Chaturvedi
Company Secretary & Compliance Officer

SURYODAY SMALL FINANCE BANK LIMITED

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“Suryoday Small Finance Bank Limited
Q4 & FY26 Earnings Conference Call”
May 08, 2026

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on May 08, 2026 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 – HEAD, INVESTOR RELATIONS**

MODERATOR: **MS. JUHI MANWANI – ARIHANT CAPITAL MARKETS
LIMITED**

Suryoday Small Finance Bank Limited
Q4 & FY26 Earnings Conference Call
May 08, 2026

Moderator: Ladies and gentlemen, good day, and welcome to the Suryoday Small Finance Bank Limited Q4 and FY26 Earnings Conference Call hosted by Arihant Capital Markets Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Juhi Manwani from Arihant Capital Markets Limited. Thank you, and over to you, ma'am.

Juhi Manwani: Hello, and good afternoon, everyone. On behalf of Arihant Capital Markets, I thank you all for joining into the Q4 and full year FY26 Earnings Conference Call of Sarvodaya Small Finance Bank Limited. Today from the management, we have Mr. Baskar Babu Ramachandran, MD and CEO; Mr. Hemant Shah, Executive Director; Mr. Kanishka Chaudhary, Chief Financial Officer; Mr. Himadri Das, Investor Relations, Head. So without any further delay, I will hand over the call to the management for their opening remarks. Over to you, sir.

Baskar Babu R.: Thank you, Juhi. Good morning, everyone, and thank you for joining us for the Suryoday Small Finance Bank Q4 and FY26 Earnings Conference Call. On behalf of the entire Suryoday team, I extend my best wishes to all of you and sincerely appreciate your continued interest and engagement with the bank. Our financial results and investor presentation are available on the stock exchanges and on our website, and I trust you have had an opportunity to go through them.

Taking you through the bank's performance for Q4 and FY26. FY26 has been a year of disciplined execution and gradual stabilization for both Suryoday and the broader microfinance industry. The year was characterized by tighter underwriting, elevated credit costs at the beginning of the year and a sharper focus on portfolio quality across the sector. While the challenges continued during the year, we have started seeing gradual improvement in collections, borrower behaviour and overall business momentum over the past few months.

The fourth quarter, in particular, has been encouraging for the bank. On the inclusive finance side, disbursements have largely returned to earlier run rates of ₹500 crores per month of disbursements, while slippages reduced meaningfully to approximately ₹74 crores from ₹116 crores in the previous quarter. Collection efficiency also continued to improve with the current book for inclusive finance portfolio inching towards 99.7%.

As highlighted earlier, our strategic shift from the JLG model towards individual lending continues to gain traction. Importantly, close to 99% of the inclusive finance portfolio remains covered under the CGFMU scheme, providing strong capital protection during periods of unforeseen industry stress. The CGFMU initiative has played a significant role during the stress cycle and has provided mitigation of approximately ₹650 crores in terms of P&L impact. Vikas

Loan disbursements during FY26 remained healthy, supported by continued traction in new to bank customers.

On the retail asset front, momentum across commercial vehicles and mortgages continued during the quarter. The commercial vehicle finance portfolio grew from ₹1,336 crores in March 2025 to ₹1,819 crores in Mar'26, registering a healthy year-on-year growth of 36%. Collection efficiency and asset quality in the portfolio remained stable during the year. Our focus continues to remain on calibrated expansion across secured retail asset segments while selectively scaling construction equipment financing.

Our mortgage book, including micro home loan portfolio expanded from ₹2,187 crores in March 2025 to ₹3,013 crores as of Mar'26, growing by 38% year-on-year. The strategy of focusing cash flow-based underwriting continues to deliver steady and sustainable growth. Asset quality trends are gradually stabilizing. As of Mar'26, our GNPA ratio stood at 6.5%. The CGFMU coverage continues to play a critical role in safeguarding the bank's balance sheet with a 100% client success rate on eligible portfolio since inception.

As of Mar'26, GNPA was ₹864 crores. NNPA was ₹542 crores against which ₹508 crores is receivable from CGFMU. On the liability side, our deposits expanded to ₹13,994 crores as of Mar'26, reflecting a year-on-year growth of 32.3% from ₹10,580 crores. While deposit growth remained below our earlier guidance, it remained aligned with the pace of non-NPA advances growth. Retail deposits continue to strengthen with their share improving to 86%. Our CASA ratio stood at 22.6%, underscoring improving deposit granularity and franchise depth.

Digital continues to be a key growth driver for our bank. Digitally sourced deposits continue to contribute meaningfully to incremental deposit accretion and are gaining momentum, enabling us to acquire customers at significantly lower acquisition costs and with high stability. On the digital asset side, we believe credit on UPI has the potential to become an important customer acquiring engine for our bank. We are seeing strong traction in this segment with more than 90% of the customers onboarded through this platform having CIBIL scores above 725, reflecting the quality of the customer franchise being built.

Along with the secured credit cards, digital MSME loans and digital deposits, these offerings are helping us build a fully integrated digital banking ecosystem. We now have a prequalified base of customers across these digital products, creating a very strong opportunity for future cross-sell and deeper customer engagement.

Moving to our financial performance. Net total income for FY26 increased by 10.2% year-on-year from ₹1,323 crores to ₹1,458 crores. Profit after tax for the year stood at ₹152 crores versus ₹115 crores last year. Our bank continues to maintain strong capital adequacy ratio of 20.5%, well above the regulatory requirement of 15%, providing adequate headroom for future growth.

Overall, with a largely CGFMU covered unsecured book, a growing base of granular retail assets across CVs, mortgages and MHL, strengthening deposit franchise and the robust digital infrastructure, we believe Suryoday is firmly on the right path to building a resilient long-term institution.

Many of the strategic initiatives undertaken over the past few quarters, including the transition from JLG to Vikas loans and the build-out of our digital asset ecosystem anchored around products such as credit on UPI, secured cards and digital deposits are now beginning to show results. With the growth momentum coupled with disciplined credit process improvement and cost efficiency and digital uptick, we believe FY27 will be a year of building momentum and consistency, setting the stage for healthier and consistent growth and profitability.

Thank you for your time. We'll now be happy to take your questions.

Moderator: Thank you very much. We will take the first question from the line of Sucrit D Patil from Eyesight Fintrade Pvt Ltd. Please go ahead.

Sucrit Patil: I have 2 questions. The first question to Mr. Ramachandran. In your point of view, how is the bank preparing to capture evolving demand in financial inclusion and retail lending while thoughtfully addressing challenges such as regulatory changes, credit risk and competitive pressures? And what strategic levers will you be putting into place that would be differentiating the bank in the coming quarters? That's my first question. I'll have a second question after this.

Baskar Babu R.: Thank you, Sucrit. So we have built our inclusive finance portfolio around JLG earlier. And as we saw that the customers are graduating and have taken 2 or 3 cycles, which is around 60%, 70% of the overall customer base of microfinance industry, we introduced Vikas loan as an individual loan. What the individual loan does is in terms of underwriting at the individual level broadly and more importantly, in terms of having a customer relationship, which is dependent on the customer behaviour, repayment and their economic growth.

So we currently have 75% of our overall portfolio in inclusive finance as individual loan, and that's growing at a healthy rate of around 40%, 45% year-on-year. With this base foundation which we built, we have started kind of buying products, I would say, rather than selling products to the customer in terms of PMJJY, PMSBY apart from the usual credit life, which cover comes with the loan on an optional basis.

These customers are not only microfinance customers, which would have been the case about 10 years back. They are graduating themselves to micro home loans, micro LAP, 2-wheelers, used cars, and we have introduced all these products over a period of time. And what we're really expecting this is not to really do a full-fledged scale immediately, but keep introducing and which we are fairly confident that we'll cover the customers with multiproduct, not only on the asset side, but also on the liability side. So this is broadly in terms of our inclusive finance. On the rest of the portfolio, which are also retail, which is mortgages and CV, as you see, both have grown healthily at about 40%, 45%.

Sucrit Patil: My second question to Mr. Kanishka is, as the bank continues to benefit from growth in deposits and lending, how are you prioritizing capital allocation between branch expansion, technology investments and shareholder returns? And what long-term cost efficiencies are being put in place to safeguard margins amid rising funding and compliance costs?

Kanishka Chaudhary: Yes. As you may be aware, at this particular point in time, our capital adequacy is about 20%. So we have a bit of a head improvement cushion and that certainly helps us. In terms of capital allocation, I think first, obviously, to the banking book; second, to the expansion. And to ensure that we are able to scale from here on, the operating leverage becomes extremely important for us.

And in the last 2 years, especially, we have consciously ensured that our corporate headcount and corporate costs are muted, and we are not growing the headcount there. Most of our headcount additions are on the frontline line of business functions. And our branch expansions are also extremely rationalized and economical. We focus on having branches of realistic costing and not very fashionable costing, and that ensures that we are able to operate and go live with our branches at the earliest and get working.

Moderator: We will take the next question from the line of Shailesh Kanani from Asian Market Securities.

Shailesh Kanani: Congratulations on good performance, sir. The slippages numbers were quite heartening in line with what we have been guiding a couple of quarters back. So my question is slippages on the RA book. That decline in RA book slippages seems to be a little minimal, right, from ₹39 crores in the third quarter to ₹32 crores. So my question is, even in the strongest quarter in the year, that is fourth quarter, it is nearing 1.8% of our book. So how should we think about this number on a steady-state basis? Or this is the number we should go with given that the yields what we are getting from this book?

Kanishka Chaudhary: I think at this point in time, there are 2 focus areas for us. So if you look at the commercial vehicle portfolio, there is one localized issue in the state of Odisha, which we are trying to address even as we speak. And large part of it is contained. Apart from that, if you look at the CV portfolio ex-Odisha, it's possibly one of the best in the industry, far better than the industry standards.

When it comes to mortgage, again, we now have a mix of deal sizes above ₹2 crores and the deal sizes in the range of ₹50 lakh to up to ₹2 crores. There are a couple of slippages on the high ticket cases, which we are currently in the process of resolving and getting resolutions through SARFAESI. So over the next 2 quarters, we see that our par numbers for these 2 headline secured asset businesses will come down.

Shailesh Kanani: How should we think about RA in terms of second half when the things normalize at CV and mortgage level?

Kanishka Chaudhary: I would look at anywhere between 1.25% for the portfolio overall put together.

Shailesh Kanani: The whole book.

Kanishka Chaudhary: Yes. The retail asset.

Shailesh Kanani: RA book. Total RA book, you're saying.

Kanishka Chaudhary: Yes.

- Shailesh Kanani:** Fair enough. Sir, my second question was with respect to digital liability franchise. So there seems to be significant momentum. Incremental deposit share has been increasing. So how should we anticipate the shift towards digital sourcing to impact our OpEx? And could you give some quantitative benefits coming out of this channel?
- Baskar Babu R.:** Digital, we've focused on digital deposits much, much ahead in terms of others coming on board. So we currently see a traction which is around closer to 50% of our incremental deposits, which is completely granular. Average ticket size of around ₹1.25 lakhs, constituting at least 2 deposits on average per customer. So which means the customer tests the platform and see the convenience in terms of both booking as well as in terms of withdrawing.
- In a behavioural pattern, what we see is that they come in with a smaller deposit, try even pre-closing it. And once that experience is comfortable or customer experience is good, then they start increasing the deposits. And what we have seen is an average is around ₹1.25 lakhs. The cost of acquiring is substantially lower than in physical channels. We will still continue to have lots of physical branches in presence from a touch point of view, but the sourcing organically through our own platform and through other partners' platform will constitute a reasonable portion.
- And as long as it is granular and as long as the profile of the customers are good quality, which is what we see even from their behaviour and pattern, we would like to focus on it. But however, what we will take care is not have a dependency on 1 or 2 platforms alone. That's why we are present in quite a few platforms and looks like this will be the way to grow in terms of granular deposits. And the next big thing that we need to build on that in terms of what other products can we cross-sell the customer by for the customers. That's the phase that we'll be entering into this year and onwards.
- Shailesh Kanani:** Sir, anything you can quantify on the savings plan with respect to OpEx over here? Because I'm assuming that this channel should be cheaper in terms of garnering deposits?
- Kanishka Chaudhary:** Yes. At this particular point in time, the way the arrangements are in place, this works out to be relatively economical. So we will continue to double down on this. I think the digital deposit channel has been one of our success stories, and it will continue to be a significant contributor to the deposit inflows, right? If you look at things as they stand today, about 50% of our net incremental flows are coming from the digital channel, and that will continue for this year as well.
- Shailesh Kanani:** Fair enough. Just one last question from my side. In terms of CGFMU claim, what can we expect in FY27 in first half and second half?
- Kanishka Chaudhary:** I think for this year, we will have 3 cohorts, which will qualify for claims in this current financial year. At this particular point in time, we are looking at the first cohort that is to be claimed somewhere in Q1, all things going well. And overall, I think we will be claiming somewhere in the region of ₹450 crores to ₹550 crores.
- Moderator:** We will take the next question from the line of Saumil Shah from Paras Investments.

- Saumil Shah:** Congrats on a very good set of numbers. Sir, we are guiding for 1.2% ROA for this June quarter and then gradually increasing to 1.6% by Q4 of this year. So how confident are we to achieve these targets? Because Q4 being the strongest quarter, we have done ROA of 1.1%. And now for June, we are guiding for 1.2%?
- Kanishka Chaudhary:** Right. So I think a couple of things come into play in Q1. So the first is that the paying book base increases for Q1 vis-a-vis what we had in Q4, right? Plus also the fact that with our -- hopefully, all things going well and our CGFMU claim going through, our paying book as a percentage of the total book will increase because the impaired book will go off. So at this particular point in time, I think 1.2% is quite achievable. You would also need to keep in mind that in Q1 is typically the time when you have most of the PSLC sales. So to that extent, a 1.2% ROA in Q1 vis-a-vis 1.1% in Q4 this year shouldn't be a challenge.
- Saumil Shah:** Okay. Okay. And on the slippages also, our slippages have reduced from ₹155 crores in Q3 to ₹106 crores in Q4. So how do we see these numbers going forward? Can we see further downside in coming quarters?
- Kanishka Chaudhary:** Yes. We would be targeting somewhere -- anywhere between ₹75 crores to ₹90 crores as a whole for the bank on a quarter-on-quarter basis, right? So that will be the kind of target that we'll be working on for the entire banking book as a whole.
- Saumil Shah:** Okay. So from ₹106 crores, we are expecting ₹75 crores to ₹90 crores.
- Kanishka Chaudhary:** Yes.
- Saumil Shah:** Okay. And on the CGFMU, I mean, I think you answered to the previous participant. But for Q1, how much amount are we going to claim for CGFMU?
- Baskar Babu R.:** We will program that as of now, around ₹510 crores is claimable of which around ₹28 crores is claimable only in the next year as we speak. So around ₹450 crores, we will time it out likely but quite a bit of that will be in Q1. We are yet to really decide in terms of whether we will claim in Q1 or we choose to claim in Q2. But as KC mentioned, there are 3 cohorts. So we have the flexibility in terms of choosing which cohort we want to kind of claim during the first quarter.
- Saumil Shah:** Okay. But the major portion would be in Q1?
- Baskar Babu R.:** Q1 or Q2, one of this.
- Saumil Shah:** Okay. Okay. And if may I ask one more question.
- Baskar Babu R.:** Sure.
- Saumil Shah:** So basically, our cost to income, what would be our guidance? Because at 73%, we are still very high.
- Baskar Babu R.:** 73% includes the premium which we pay on CGFMU. So that's also computed in the cost. We don't take it separately as a credit cost. So accounting wise, we do that. KC?

- Kanishka Chaudhary:** Yes. I think on a full year basis in the coming year, we will be targeting somewhere around 67% to 68%. So the goal is to come below 70% for sure.
- Saumil Shah:** Okay. And towards the CGFMU cover, how much are we going to spend for this year? Because I think every quarter, we are spending around ₹23 crores as of now.
- Kanishka Chaudhary:** It will be in the range of around ₹100 crores, ₹110 crores.
- Moderator:** We will take the next question from the line of Shubhranshu Mishra from PhillipCapital.
- Shubhranshu Mishra:** Question is around the credit on UPI. What is the monthly disbursement that we are seeing on this particular product? And what is the semi rate here? Also, how do we look at this in terms of asset quality recognition because the product is a short churn product of maybe 30, 45 days and the asset quality recognition is at 90 days. So if someone defaults on the 31st day, but somehow gets regular on the 30th day. Is it recognized in the IRAC norms of 90 days? Or how do we look at this asset quality? And if you can speak about the semi rates, 0 plus, 30 plus in this particular product?
- Baskar Babu R.:** This is a new product. So currently, what we are seeing is that closer to 97%, 98% of that gets paid, not necessarily on the exact due date. It's a very small ticket. Currently, the average ticket size, which is discussed by the limit is approximately around less than 10 grams. So the large scaling of product in terms of customers, the risk that we take is very limited. And what the customers behave is known on the 30th day, which is 30th to 45th day.
- Currently, the way we are running is that it is the delinquency generated out of every month. The nonpaying beyond 30 days is less than the overall fee income that we generate. We keep watching for it while it's a scalable product. Since this is one of the industry first, we'll be very, very careful in terms of monitoring on a month-on-month basis. There is a possibility that we'll be introducing, certainly the EMI product for seasoned customers.
- So in which case, probably part of the portfolio which is EMI. As of now, it is like a charge cut. Entire thing is paid at the end of the due date along with the grace period. Currently, we see around -- closer to around 1.5% in the 90 plus and it's not a product which builds up on AUM on a month-on-month because it gets repaid and restart. Currently, it's approximately around ₹200 crores is what we have as an outstanding at the end of the billing cycle. But every month, it is moving up. In terms of IRAC recognition, over to KC.
- Kanishka Chaudhary:** Yes. IRAC recognition is just like a term loan, right? So you will have the 90-day nonpaying criteria for determination of NPA.
- Shubhranshu Mishra:** Right. And what is the utilization of this particular credit line? What percentage of customers are utilizing it? And of the total limit, how much is getting utilized? And who owns this customer? Do we own it? Or does One97 Communications owns this? Can we do any kind of cross-sell of our own asset liability products to this particular customer?

Baskar Babu R.: As you know, the regulations insist that the customers be owned by the bank. The entire VKYC is done through our platform. The customer is technically owned by us. So obviously, we'll not cross-sell CLOU again to this customer or any of those products. But on a broad basis the ownership is with us. The customer relationship experience is owned by obviously One97 because it is one of the products that they cater to the customer. That is across all the platforms, whether it's the digital, while the customer is owned, there are no restrictions in terms of cross-sell. We would not cross-sell on the similar product that we have sourced from the customer. 30% of the customers, for instance, like as of, say, some time back, we had 10 lakh customers who are prequalified, around 5.5 lakh who have taken the sanction, which means that they have accepted the terms and conditions, of which approximately 3 lakh customers have utilized. And the average utilization keeps moving up on some of the new product. Currently, it's around 30% of the sanction of the people who have utilized the limit at least once.

Shubhranshu Mishra: Right, right. However, there was something contrary which was said on the Paytm call, they said that they own the customer. However, right now, what you said is that you own the customer. So I think I'll have to take this particular part offline.

Baskar Babu R.: Partnership both, yes.

Moderator: We will take the next question from the line of Ankur Kumar from Alpha Capital.

Ankur Kumar: My question is a repeat of a previous participant. You said Q4 is generally the best quarter and still you are expecting 1Q ROA to be better than this number. So I couldn't understand that part, sir. Can you please explain that?

Kanishka Chaudhary: No. As we exit Q4 and move to Q1, my paying book in Q1 will be much higher than Q4. And the second thing is that Q1 is also typically when most of the PSL sales occur, and that will provide an uptick to the income and which is the reason why we expect that we will have a higher ROA in Q1 vis-a-vis Q4.

Ankur Kumar: Got it, sir. And sir, in terms of economy, there are some headwinds in terms of monsoon also and this war-related crude hike. So how are we seeing our book behaving in April and May?

Baskar Babu R.: As of now, we don't see an impact for 2 reasons. One, most of the customers we cater to are low income households who are into service of forming day to day products. The impact of that happens obviously with a lag on both sides, even if the good times turn and then the growth is high, that there is always a lag impact in terms of the low-income households.

The only segment which can get impacted, which will be the commercial vehicle, if there's an increase in diesel prices substantially beyond 10% or 15%, likely that there could be an impact, which we have not seen in whatever experience we had, around 5% to 10% is taken and beyond that, it does really impact specifically in terms of large fleet operators. In terms of mortgages, there are quite a few customers who are MSME, though not into real large manufacturing. That could be impact on them on an indirect basis. As we speak today, while we do not see much of an impact, we will be cautious about it in terms of watching out for the impact of the war, if any.

- Ankur Kumar:** Sure, sir. And on this year, we have good enough growth expectations. So when can we expect a fundraise or it's like not going to come in coming 1 to 2 years?
- Kanishka Chaudhary:** Fundraise, I think, yes, it's something that we are constantly evaluating. And given that at this particular point in time, we continue to see ourselves growing at 30% plus and our CRAR at around 20%, which is our internal comfort zone. We would look to raise funds at a particular point in time in course of the year as things stand now.
- Ankur Kumar:** Given our price to book also is less than 1, so I think that will be not good enough for current shareholders, given if we want to raise right now.
- Baskar Babu R.:** Obviously, we are fully conscious in terms of the shareholders' dilution and the impact here. But however, as you know, in any financial institution, one of the core for it to grow on a sustainable basis is to really have adequate capital than required, which we have demonstrated right from the time we were MFI, capital adequacy higher than required, liquidity higher than required.
- All of this really shows up when there are testing times. We always fortify ourselves as the first priority. And we are not going to be obviously raising money, which is dilutive for the existing shareholders, but this will all be enabling. But we have space for Tier 2. Our intent would be to kind of do both of that parallelly. And the markets are markets which we will not be able to guess what it is.
- But if we are sustaining the performance as is, I'm sure we'll be able to raise money at a decent price, which will be only beneficial for the existing shareholders and also for the new incoming shareholders. This is a little question far ahead. But I think what we are really focused in terms of delivering what we are fairly confident in terms of Q1 entering into Q2. We did not burn all the candles in Q4. We kind of made sure that we are able in a position that we are able to sustain the performance of Q4, quite a bit of that into Q1 and start building up for the remaining quarters of the year.
- Moderator:** We will take the next question from the line of Darshil Jhaveri from Crown Capital.
- Darshil Jhaveri:** Firstly, congratulations on a great set of results, sir. Hopefully, I'm audible.
- Baskar Babu R.:** Yes, you are.
- Darshil Jhaveri:** Sir, just wanted to harp on a bit about our asset quality. Sir, we're guiding for around 3% GNPA, right? That would be a significant reduction from our Q4 GNPA, right? So would that be that our exit run rate in terms of Q4 GNPA FY27 would be significantly lower than 3%? Would it be around 2%, 1%? How would the movement be, sir, if you could help us explain that, sir?
- Kanishka Chaudhary:** So one element of that will obviously the claims that we will be making in course of the year. And those claims once realized, will help us write off our NPAs, right? And the second is obviously the incremental NPAs that we have in mind for the year where we are, as we said earlier, we are targeting to be in the range of ₹75 crores to ₹90 crores in a quarter.

- Darshil Jhaveri:** Okay. Fair enough. And just wanted to know in terms of the claims, so how quick is the government in giving us the claim, right? If just example, just like if we make it in end of quarter 1, then what is the time line that government does because getting money from government sometimes becomes a very tedious process. So I just wanted to know in your experience, how fast have been claims been processed and the money hits us, sir?
- Baskar Babu R.:** It's a credit guarantee trust. So we are not claiming parity from the government. It's a fully funded trust, the credit guarantee trust. So our experience fairly has been good. They will have obviously their own internal turnaround times for making the claim, which I presume will be around 60 days. So our experience has been well within the turnaround time, and we do not really expect anything to be substantially different than what it was in the past.
- Darshil Jhaveri:** Okay. Fair enough, sir. And sir, just we have mentioned 2x PAT in our presentation. So does that mean that we're targeting more than around ₹300 crores of PAT in FY27? I just wanted to confirm that.
- Kanishka Chaudhary:** Yes. I mean that's the kind of a target that we have in mind. So with the credit cycle in the MFI industry behind our back, I think that's the kind of number that we are targeting as a bank.
- Darshil Jhaveri:** That's great to hear, sir. And just I was attending another call. So I just want to know, they were speaking about like pressure in terms of cost of deposits increasing and yields also a bit decreasing. So what do you see the competitive environment right now in both of these aspects? Do we feel there could be any pressure in either cost of funds or in terms of our yields getting lower, sir?
- Kanishka Chaudhary:** Cost of funds have definitely hardened. It's becoming increasingly difficult to raise money. We have noticed that the elevated rates of Q4 haven't quite come down the way they typically come down in the earlier previous years. So there is a rush for deposits, especially among the small finance bank and the mid-sized banks as well.
- So that's, I think, a part of our deposit raising life in a bank these days. That's likely to continue. So for us as a bank, what accordingly we have done is that from a funding point of view, we use a mix of deposits and refinancing. We are possibly one of the few small finance banks that actively utilize our refinancing lines, and we shall continue to do so.
- Darshil Jhaveri:** Okay. So basically, we can continue our NIMs, right, what we have done in FY26?
- Kanishka Chaudhary:** Yes. So I think given the kind of mix that we have at this particular point in time, it's unlikely to change in a big way. So I think the NIMs will be maintained at this level.
- Moderator:** We will take the next question from the line of Rahul Kumar from Vaikarya Fund.
- Rahul Kumar:** Just one question. Based on your learnings from the past, what has been the impact of the farm loan waivers on the asset quality for our business?
- Baskar Babu R.:** That's a part of the cycle that we've all grown up with and customers also have really seen the promises versus what gets achieved. So overall, I think there has been a fair amount of maturity

even pre-elections, if there are any waivers which are announced, at least the industry has not seen any impact in Karnataka, has not seen any of the states where it has even gone to elections, including Bihar.

This is part of the cycle. Sometimes it gets aggravated in specific pockets in terms of loan waivers and so on. Even Karnataka, as you would see across the board, it has come back in 6 months' time as people realize that the waiver discussions are good for a couple of weeks, but doesn't really help them in terms of sustaining the access to credit. So while it is a challenge, and we can't really wish it away. But the fact is that at least all of us are mature enough to handle those cycles as and when they come.

Rahul Kumar: Okay. But let's say, during the past farm loan waiver in Maharashtra, what was your experience on the asset quality?

Baskar Babu R.: Pockets. In some pockets, like Kolhapur, Nagpur, we would have seen the impact, but is it really widespread. It would broadly put, probably you see the impact on around 10% of it. Wherever there are local heavy campaigns, which go on or kind of miss campaigns, I would say, rather. So you would see an impact, but usually, they all come back.

Industry has not seen any huge impact in the last 2 cycles of the last 6 years, whether it was a demand, whether it was COVID or whether even today's microfinance crisis when it happened because of various reasons which the industry is still figuring it out. But I don't think there's any point to it in terms of any political intervention.

Rahul Kumar: Okay. The second question which I had was, I think if I see the retail 30 to 90 bucket, that has increased pretty sharply versus quarter 3. So which are the segments where you are seeing the stress?

Sasidhar Vavilala: So retail assets, the way we need to look at it is we did a large write-off of ARC in last year Q4. So the numbers were additionally low. So that where it looks a little inflated, point one. And overall, the market is highly elevated on CV, though our metrics are significantly lower, 2x lower than the market CV stress, but that is one pocket. And mortgages for the old portfolio of mortgages and MHL Karnataka about 4% of the portfolio got elevated stress in Karnataka. But again, it's now back. Now even 90-plus customers, nearly 40% of them are paying regularly. So these are the pockets of stress.

Rahul Kumar: Sir, I was actually asking about the Stage 2 assets versus Q3, not necessarily versus last year.

Himadri Das: Yes. So you have to see, like Sasi was mentioning, so there are 3 things, one is CV, the little bit of stress that we have seen in the last quarter, the MHL part, which we have seen in Karnataka. But what you have to see is a credit loss. So credit loss nowhere in all the portfolio, it doesn't, it won't exit in CV not more than 0.75% and not in mortgage or MHL also, it won't, in mortgage at least, it won't be more than 0.5%. And in MHL, it can be maximum 1% to 1.5%. So there's an elevation, but I think credit loss will be under control.

Rahul Kumar: Okay. So you do expect this Stage 2 to gradually improve from this quarter onwards.

- Sasidhar Vavilala:** Our 61 to 90 bucket collection efficiency has actually significantly improved in the last 2 months. So that is also one of the reasons why Stage 2 is a little elevated. We need to now do rollback. Instead of collecting one EMI, we need to start collecting 2 and 3 EMIs.
- Rahul Kumar:** Okay. Third question, I think what would be the quantum of the CGFMU claim in the quarter 1?
- Baskar Babu R.:** As we mentioned that we have to decide in terms of timing, whether it is Q1 or Q2. But likely the majority of the eligible claims will be claimed within these 2 quarters.
- Rahul Kumar:** Okay. And total quantum would be somewhere around ₹500 crores?
- Baskar Babu R.:** Depending on when we make a claim, suppose we make in one cohort, eligible claim is the next number, and we choose to do it in Q1. The remaining which we are not eligible, we are not claiming can be claimed only in the subsequent year. So that time, I think on a very prudent basis, you can say ₹450 crores as a number, and max, it can go up to ₹475 crores.
- Rahul Kumar:** Okay. Got it. Understood. And the last question, I think our yields have also increased pretty sharply versus quarter 3 by 50 bps. So is there any one-off in the interest income?
- Kanishka Chaudhary:** No. So you will notice that there has been a significant increase in our paying book, and that reflects in the yield that you see Q4 versus Q3.
- Rahul Kumar:** But when I see the GNPA ratio for quarter 3 and quarter 4, it's pretty flat actually.
- Management:** So the mix of inclusive finance Vikas loan mix have also shot up. That's the primary reason. If you see the contributing money paying book has grown. And within the paying book, the higher yield paying book has grown.
- Baskar Babu R.:** And also the fact is that there has been an uptick in terms of the NPA collections. It has now moved to around what was around ₹5 crores, ₹6 crores has moved to around ₹15 crores during the last quarter. It will broadly sustain at around ₹12 crores. Part of that, what we collect is also interest component.
- So that would have added a little bit in terms of the increase in yields, which is now, as you know, it's a large book, we keep collecting at least through the year. We see at least collecting closer to ₹150 crores to ₹180 crores out of that. And a reasonable portion of that would be the interest income.
- Rahul Kumar:** Understood. Can I take the last question also?
- Baskar Babu R.:** Sure, please.
- Rahul Kumar:** So just on credit costs, 2 parts. A, I think our slippages have declined pretty sharply 40% versus quarter 3, right? But the credit cost continues to be flat on a quarter-on-quarter basis. So apart from this floating provision, what else actually led to this?

- Rahul Kumar:** Yes. And two, I think for, let's say, FY27 versus 1.4% credit cost in the quarter 4, what is the level of credit costs which we are targeting?
- Kanishka Chaudhary:** So primarily for Q4, it's floating provisions and nothing else, which is the reason why you see floating credit cost to be flat quarter-on-quarter. And I think for whole of next year, I am looking at somewhere around 1% of credit cost.
- Rahul Kumar:** Okay. So then in that context, do you think this target of 1.2% ROA is a bit more conservative in your view?
- Baskar Babu R.:** See, we're just coming out of the cycle, where one of the key assumptions is that broadly the asset quality carries through. And as one of the previous speakers asked is that the impact of the war is yet to really be seen, including in our segment. So I would say that it is a little more realistic. If there's any upside, it will be good. But I think I wanted to be clear that what we are reasonably certain with the confidence level of 90-odd percent is what we are really projecting.
- Moderator:** We will take the next question from the line of Harshit Khadka from RoboCapital.
- Harshit Khadka:** I just wanted to understand that the ₹3 crores of PAT that we are guiding and the ₹450 crores of CGFMU claim that we are seeing. So how much of the ₹3 crores of PAT is affected by that claim? ₹300 crores of PAT, sorry.
- Kanishka Chaudhary:** No. So this is more a balance sheet impact, right, because the claim that is realized essentially helps us write off our NPAs. So every claim that you make results in the reduction of your headline GNPA number, but it is unlikely to impact your P&L.
- Moderator:** We will take the next question from the line of Amey Kulkarni from Candour Asset Management LLP.
- Amey Kulkarni:** Congratulations to the entire team for making steady progress over the last 4 to 6 quarters. I had 2 questions. One is, have we already submitted our claim for CGFMU in April for one of the cohorts? And if not, what is preventing us from claiming at least one of the cohorts immediately in April itself? And the second question is, why have we postponed raising of funds? We could have at least raised Tier 2 immediately, right?
- Baskar Babu R.:** Yes. On the CGFMU, I think pretty detailed kind of the workings of CGFMU is that an account we can claim only after the 1 plus base year. First year is for the base year, second year is for the proposition year. And third year it becomes eligible. And behind the 6 months that account should have been an NPA for us to make the claim. So given all of that, we kind of do that exercise in terms of what is very optimal and also the timing.
- So currently, we are in a reasonably kind of comfortable situation that we will figure it out whether it has to be Q1 or Q2, where we can get a reasonably higher claim because the claim is once in a year for a particular cohort. And that's likely that the highest claim for us will be the cohort of FY25. So FY24 will be lower and FY23 will be significantly lower.

So if we have to choose to claim FY25, we would like to at least time it that whatever has become GNPA till February or March, we'll have to claim it. We can make the claim only in the month of September. So we will figure it out. As of now, whether it's April, we have not made a claim, I can say that. In May, not likely. Whether it will make in June or whether it will make in the subsequent quarter in which month, we are really yet to decide. Any other question?

Kanishka Chaudhary: Yes. On the funding question. Yes, like you said, yes, having regard and being cognizant to the price to book, our preference will be for Tier 2 to begin with. And that's something that is most likely to happen first. But insofar as equity raise is concerned, it will be a more detailed discussion and deliberation because we need to take care of our incumbent shareholders at the same time.

Baskar Babu R.: It has not been deferred, just to clarify. The Board said that we have a far more detail in terms of how much can we Tier 2, how much...

Amey Kulkarni: Just to confirm, right now, we haven't submitted any CGFMU claim right now. We will decide in due course, maybe in 1 to 3 months. We'll decide.

Kanishka Chaudhary: Yes, please.

Moderator: We will take the next question from the line of Arvind Shah from Capital.

Arvind Shah: My question is on the NIM that we expect to achieve over the course of this financial year. So given that the paying book is going to increase significantly as we go through the various cohorts for the year, do you think this remaining flat is a very conservative estimate because whatever income we make on that will be an additional addition to the net interest income, right? So from that perspective, what is it that you expecting some increase in cost of funds to offset all that?

Kanishka Chaudhary: No, I don't think that is likely. I think our NIMs will be range bound between 8% to 9%. Because, one, the paying book will now continue to increase since the credit cycle in MFI is behind us. And we will be able to protect that kind of a NIM because if you look at our mix as well, we are more or less there. We don't see further significant changes in our mix between MFI and non-MFI.

Arvind Shah: No, my simple question is mathematically, if 5% of your book is NPA, right, and nonpaying over the course of this year, that 5% gets added to your paying book against which you don't have any incremental cost of funding, then your NIM should disproportionately increase, right, mathematically speaking?

Kanishka Chaudhary: Yes, you are right. There will be an uptick in NIMs because if you look at NIMs as they are today, they are suppressed by around 0.50 or thereabouts. Yes, please.

Arvind Shah: Because we have seen an uptick.

Kanishka Chaudhary: Yes.

Arvind Shah: Yes. My second question is what is your typical secured book because we've seen as some of the other callers have pointed out, there's been an uptick in the 31 to 60 and the 90-plus buckets. So just wanted to understand the loss given default.

Baskar Babu R.: On the mortgages, the credit cost ultimately will come out much lower than the GNPA. So it may not necessarily be in commercial vehicle if the customer slips into even a repossession or the lack of tracing of the vehicle. I would say that while there has been an uptick, we would love to come and at the max, we would like to maintain this and focus in terms of resolving some of the mortgage cases, which are in GNPA, using FAC in terms of the reserve we have strengthened over the last year because it was a new portfolio in the last couple of years, the legal thing has been strengthened.

And if we're able to do it, even recover within the 6 to 9 months time, given that we fund the micro home loans, which is around ₹600 crores portfolio. We do not take SARFAESI and repossess on sale as the first option at all. The very fact that we have funded and likely to be the first home of a low-income household, the nudge is in terms of making them come back to the regular thing rather than in terms of using SARFAESI as a one-click button.

So for the other mortgages, which is LAP, we are, as KC mentioned, there are a couple of high ticket, not really high ticket, they are ₹3 crores plus, a couple of cases which we are fairly confident in terms of resolving and the net slippages will be much, much lower. And overall, what we are looking at as a bank is in terms of not to exceed around ₹90 crores in terms of on a quarter-on-quarter basis in terms of the slippages.

Moderator: We will take the next follow-up question from the line of Rahul Kumar from Vaikarya Fund.

Rahul Kumar: A previous comment you made, was that regarding on the farm loan waiver, was that regarding farm loan waivers impact on your MFI book or it was regarding MFI loan waivers which gets promised but don't necessarily impact your overall business, maybe in pockets they do. Was it around farm loan waivers or MFI loan waivers?

Baskar Babu R.: Both. Sometimes the spillover happens. The farm loan waiver, anything announced gets kind of treated as an MFI loan, which has happened at least in one state. So other than that, I think in the state which has seen microfinance business for longer, they have not had a significant, we're not saying not any impact, not any significant impact to derail the entire business in a particular state. In pockets, they sometimes become aggravated. We saw in Amravati, we saw in Kolhapur during the de-mon and subsequently in some of those markets. So otherwise, the industry has become reasonably mature, not to really kind of including the customers.

Rahul Kumar: Have they made any impact so far in any pockets?

Baskar Babu R.: Not in the industry. I can talk about broadly even the industry figure is available and hence, obviously not on us as well when I say across the industry. So we haven't seen any impact and hopefully will not.

Rahul Kumar: Great. So, so far, no impact on you or industry you know of?

- Baskar Babu R.:** As we understand, absolutely.
- Moderator:** We will take the next question from the line of Jagdeep Singh, an individual investor.
- Jagdeep Singh:** Very good set of numbers, and thank you for sharing the guidance in a granular way. Sir, I wanted to ask you, do we have leverage to increase the ticket size for the IL customers?
- Baskar Babu R.:** We do, sir. We do. We've done on a reasonably calibrated manner. So we have certainly increased over a period of time. The intent is since we are dealing with individual customers, as you really referred to, there is always a possibility, but it can't really operate on the same mold as earlier, which is 1-year loan, 2-year loan. Customers are really confident at the time of taking a loan and then even 1 year might slip, it becomes a stress.
- So we are really focusing in terms of moving towards 3 years for high-ticket loans. We'll selectively introduce and as we gain experience in the next 2 quarters, we look at, at least a portion of our portfolio, which is above ₹1 lakh strong. We have not used that lever as a simple one, cost remaining the same, higher the interest ticket size, higher the profit. We haven't really played that lever at all. We will do it very, very cautiously.
- Jagdeep Singh:** Okay. Okay. And sir, in one of the calls, we were listening to another industry company, and they had indicated that there is a lot of unmet demand. It seems that some few players have exited or they are not growing aggressively because of funds or God knows what. So do we have lever to go further in our disbursements?
- Baskar Babu R.:** Sir, which all of this put together is what we have done in our guidance. So I think consistent growth is our focus. So we will grow, we're targeting to grow at around closer to 20% to 30% of the asset size, which obviously means that we'll grow on the inclusive finance side as well.
- So other than that, as you know, that all the large, as we know, the large MFIs have access to all the liquidity that they can fund as per their risk appetite. It is smaller MFIs which would have got impacted, which is the top 10 or 15 have around 19% market share. So given the unmet demand being huge, is not something we have not seen at this point of time.
- Moderator:** We will take the next follow-up question from the line of Harshit Khadka from RoboCapital.
- Harshit Khadka:** I just wanted to understand that what kind of credit cost are we looking at for FY27 and FY28?
- Kanishka Chaudhary:** I think for the next coming year, our credit cost will be somewhere in the region of 70 to 80 bps. And that's what we have in mind at this particular point in time.
- Harshit Khadka:** Okay, sir. And we were also looking at some fund raise, right? So like are we going to do it? Are we planning it in FY27? Like what exactly are we looking at?
- Kanishka Chaudhary:** So there are a couple of factors. One is obviously our internal threshold when we start looking and that's about 20% of CRAR, where we are somewhere there. The second is obviously taking care of our incumbent shareholders, and we are cognizant of the fact that currently, we are trading at a discount to the book. The third is all options available to us. And like I said a while

before, Tier 2 will be the most likely option that we trigger when we go for a fundraise as a first step.

Moderator: Thank you very much. Ladies and gentlemen, that was the last question for today. And with that concludes the question-and-answer session. I now hand the conference over to Ms. Juhi Manwani for closing comments. Thank you, and over to you, ma'am.

Juhi Manwani: Thank you. On behalf of Arihant Capital, I thank you all for joining this call. I now hand over the call to the management for their closing remarks.

Baskar Babu R.: Thank you all for taking time out to participate in our call. Look forward to continuous engagement. Thank you very much.

Moderator: Thank you, members of the management. On behalf of Arihant Capital Markets Limited, we conclude this conference. Thank you all for joining us, and you may now disconnect your lines. Thank you.
