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Tamilnad Mercantile Bank Ltd
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Dear Sir/Madam,

Sub: Transcript of the Earnings Conference Call – Q4 Results

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we wish to inform that the transcript of the earnings conference call hosted by the Bank on the Audited Financial Results of the Bank for the Quarter and Financial Year Ended March 31, 2026, has been made available on the Bank's website at the following link:

Transcript of the Earnings Conference Call – Q4 Results

We are also attaching the transcript of the earnings call with this intimation.

Kindly take the information on record.

Yours faithfully,
For Tamilnad Mercantile Bank Limited

SWAPNIL ASHOK YELGAONKAR
Digitally signed by SWAPNIL ASHOK YELGAONKAR
Date: 2026.04.30 18:43:19 +05'30'

Swapnil Yelgaonkar
Company Secretary & Compliance Officer

Tamilnad Mercantile Bank Limited

Q4 and FY 2025-26 Earnings Conference Call – Transcript

April 27, 2026

Management:

Mr. Salee S Nair, Managing Director & CEO

Mr. Vincent M D, Executive Director

Mr. Sanjoy Kumar Goel, Chief Financial Officer

Moderator: Ladies and gentlemen, good day, and welcome to the Q4 and FY '26 Earnings Conference Call hosted by Tamilnad Mercantile Bank Limited. This conference may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involves risks and uncertainties that are difficult to predict.

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 touchtone phone. Please note that this conference is being recorded.

Today on the call, we have with us the following management representatives: Mr. Salee S. Nair, Managing Director; Mr. Vincent Menachery Devassy, Executive Director; Mr. Sanjoy Kumar Goel, Chief Financial Officer. I would now like to hand the conference over to Mr. Salee S. Nair, the Managing Director from Tamilnad Mercantile Bank Limited. Thank you, and over to you, sir.

Salee Nair: Yes. Thank you, and good evening to all of you. Today, we have come out with our yearly results for FY '26 and before I really get into that, I really I want to take you back to our con call after my quarter 3 results. That was in January of FY 26, wherein we had given certain guidances, I would like you to look at those guidances that we have given. What we have stated in the con call in January after the Q3 FY '26 results is that what we have stated is we will grow that CASA by 15% in quarter 4.

We have stated that the deposit growth will be in the 13% to 13.5%. Advances growth will be in the 16% to 17%. Total business would grow 15% plus. Net interest margin will be 3.90% to 3.95%. ROA will be 1.85% plus and ROE will be 14% plus and GNPA will be less than 1%. So that's the guidance we gave. In fact, we gave guidance for our quarter 2 and quarter 1 also and you will recall that we have exceeded all the guidances, quarter 1 guidance, quarter 2 guidance and I just stated the quarter 3 guidance. And we will look at where we stand in respect of those guidances shortly. So, coming back to the FY '26, it has been a year of transformation for us, and it's something that I stated in FY '25, at the close of FY '25 itself that we have unleashed a lot of transformation journeys, automation, technology infusion, structural changes, etcetera, and that the impact of that will be felt in FY '26 and more specifically, I stated that it will be felt more in the quarter 2 of FY '26. And where do we stand in when we close the year. Very clearly, we have been able to raise the foundation for growth. CASA share decline has been arrested and revoked. The quarter also saw the highest deposit growth in past 39 quarters and that is 10 years. It's the highest advance growth recorded in the past 40 quarters. Business growth, when we close the year is 9.35% over the last 10-year CAGR, compound annual growth rate, that we achieved in the last 10 years. FY '26, we have closed 9.35% over that. So that the transformation that has been achieved. And this all comes from the current portfolio, but the quality continuously has improved.

On book PCR is at 10 year high, credit cost is under control, lowest GNPA gain in the last 40 years. Why I'm saying 40 years is because 40 quarters not years, 40 quarters. Why I'm saying is 40 quarters our numbers are readily available and we see that the lowest in the last 40 quarters, and the lowest ever SMA percentage. We'll come to those numbers little later. Business, the present footprint has also expanded, 44 branches we opened, 15 of them outside Tamil Nadu, 12 CMCs were set up. The liability RMs were introduced, digital transformation is nearing completion. All these are actions that happened in FY '26. So what is the impact on the market, the shareholder value delivered has gone up 50% in the last 12 months, market capitalization cost of INR10,600 crores, the shareholder funds after the results is above INR10,000 crores with a book value of INR638 and the Board also has declared or rather recommended a dividend of 125% for FY '26.

So now coming back to what I just stated earlier in my opening statement on the guidances. Look at the guidance of CASA growth. We stated that we will grow 15% plus, FY '26 and the growth eventually is 22.35%. CASA stands at INR17,365 crores, that is of 22.35% year-on-year growth. Your total business is at 17.37% and total business aggregates on 31st March '26 to INR1,15,091 crores, and against our guidance for the year of 15%.

So 17.37% achievement against our guidance of 15%. The deposits, we stated, will be in the 13% to 13.5%. We ended up at 14.94%. The advances, we said, we would be in the 16% to 17%, we ended up at 20.32%. This 20.32% is also after selling a INR1,000 crores to the IBPC, Inter-Bank Participation Certificates. If you add that back, it is actually 22% plus. So this the strong business growth has also resulted in strong profitability parameters.

The net interest income is up 24.04%. It's at INR704.45 crores. Operating profit for the quarter was 29.29% year-on-year. Net profit is INR373.65 crores, which is 28.01% year-on-year. ROA, where we had given a guidance of 1.85% plus, as these are at actually 2.05% and ROE, where we said will be 14% plus, we have actually able to break the 15% mark, and it is at 15.03%.

So all this growth that we have delivered in excess of the guidance we have given have come back on the strong business growth, particularly the advances growth and all these are translating, look at the CASA share that we have CASA share had touched 26.44% on 31st of March '25. It is up 1.7% now to 28.14%. For the quarter, the net interest margin, 4.18%. The cost-to-income ratio is at 44.80%.

Credit cost, I think, has largely been met by resolutions or the provision write back stands at 1 basis point, 0.01%. GNPA, as a consequence of the kind of efforts we have taken is at 0.73%, and net NPA is at 0.18% and SMA, I'm including SMA-0, 1 and 2 is at 1.29%. So this is down 1.26% from last year.

So portfolio at risk 1 day is at 2.02%, which is SMA-0, 1, 2 and NPA together is only 2.02% of the advances portfolio. I think that I wonder if any other bank has been able to get to that kind of the number in India. So, the PCR on-book PCR is 74.89%. That's a full 3.87% over last year, our 31st of March '25 number, and PCR with technical write-off is 96.14%.

If I get into some of the granular details; deposits, current accounts, I mentioned the total deposits grew at 14.94%. The breakup this year, current account has gone up 25.62%. We did have a lot of initiatives here. The TBG was brought in last year and that has now begun to kick in and 25.62% is the result. Savings Bank, again, is 21.04%. That's a good story that we have to say and the CASA overall is at 22.35%. Deposits per se, like I said, has grown 14.94%.

So it is growth strengthened across the quarters. Quarter-after-quarter, we have been growing. The CASA has been moving up. The deposits have been growing. Every quarter, we have bettered the previous quarter's growth. So that's the story that TMB is putting on the table today.

On the advances side, retail, agri, MSME has all grown. In fact, on a year-on-year basis, retail, which is largely driven by the gold loan portfolio is up 62.33%; agriculture 8.03%; MSME is another story that we have. MSME, if you recall, has been degrowing until as late as the first quarter of FY26. It has now turned around and has delivered a 14.88% growth Y-o-Y. So that's another story that we would like to see and this story will get strengthened in FY27 as well.

So, overall, the advances have grown 20.32%. As I said, this advance growth of 20.32% is coming after we have sold off INR1,000 crores of our portfolio through the IBPC route in Q4 of FY26. Now if we take that also into account, real advances growth is 22.57%. Again, the last 3, 4 quarters, that advances have been consistently moving up. The growth every quarter is bettering the previous quarter.

For the first time, we have also showcased the profitability, the ROA of our advanced portfolio, the retail advanced portfolio, the yield is at 9.98%. The NPA there is 0.13%, and the ROA is 2.21%. So, this is a good portfolio with a very, very comfortable ROA at 2.21%. Agri advances, again, riding on the gold loans is at 2.04% ROA where the NPA, thanks to the gold prices is at 0.16%.

MSME, another big story where we have a growth of 14.88%, yield is at good at 10.52%, resulting an ROA of 2.58% on a portfolio basis. The gold loan portfolio is something that the gold prices are something that we watch 24/7. And the sensitivity, if you look at Slide number 14 of what we have sort of uploaded into the exchanges, our ability to withstand gold price reduction is 25%.

If there's a gold loan price reduction of up to 25% can easily be absorbed by our current portfolio. The portfolio LTV is just 53.25% as of 31st of March '26. Portfolio yield is 10.11%, it's a good yield for a gold portfolio and the gold loan share in the overall advances is 46.44% and again, here, let me also tell you that the LTV is calculated not on the gross rate of the portfolio, but on the net rate. And the gross rate to net rate difference is about 9.33%. So that also adds to the cushion which I mentioned earlier that our ability to withstand a gold price reduction to 25% without causing a stress is enhanced by this, the gross rate to net rate difference of 9.33%.

We are also in the process of setting up asset resolution branches to manage the portfolio and the agri portfolio, apart from the MSME stress also to manage the portfolio LTV/margin calls

and auctions of gold loan if and when there is a need. Incidentally, any breach of LTV up to 90% will trigger a margin call and our counter action, including options, will kick in.

And if you look at the portfolio risk for gold, it is just 12.31%, which is just about 5 basis of the overall gold loan portfolio. So, to summarize the gold loan portfolio that we have is literally gold standard. Unsecured portfolio, we have stated in the last quarter as well as the previous quarter, we are this is a bank that has been lending on a secured basis. We have not been on the unsecured space at all and the unsecured space is just INR64 crores, which is about 10 basis points of our overall advanced portfolio, practically negligible.

On the export credit, I think West Asia crisis, we have our own exposure to the West Asian countries, it's just 50.95%, which is just 10 basis of our overall portfolio. So, to that extent, it is limited, of course. If the war carries on, the impact on or the indirect impact is something that we are making an assessment of. We certainly hope the Government will step in with the package if the crisis continues.

Finally, on the financial performance itself, as I said, the quarter performance, interest income has been riding on core business. I think the core business revival, the growth of advances catching 20% or rather including IBPC at 22% has helped us give a net profit number of 28.01% growth. And that's riding on interest income of 15.55%, non-interest income of 20.67%, and containing the total expenditure at 11.58%.

Let me also add here that normally, we give a performance-based incentive to our employees, and that is given for a year in the following year. For the first time so for FY25, we gave it in FY26, in quarter 1 of FY26. For the first time, we have made a break with that practice and the PBI, the performance-based incentive for FY26, which has been computed at INR49.80 crores, we have accounted for it in quarter 4 of FY26 itself.

So the net profit that you are seeing here, 38.01% is after accounting for the PBI INR49.80 crores. So, remember, quarter 1, we accounted for the PBI of FY25 and quarter 4, we have accounted for the PBI of FY26. So, 2 terms of PBI accounted for 1 year and the net profit that we showcased today, 28.01%, is after accounting for the PBI of INR49.80 crores, which, like I said, ordinarily should have been taken in absorbed in FY27.

If you normalize for that, the cost-to-income ratio is just about 39.54% for quarter 4. And the operating profit, you see has jumped to 41.62%. So all these are translating into higher shareholder value. So net worth of the capital and reserves have crossed INR10,000 crores for the first time.

Book value per share is INR638, earnings per share is INR23.60 and like I said earlier, ROA is all this has impacted the ROA, which has crossed 2% for quarter 4, and it's at 2.05%. And return on equity of course, again has broken the 15% mark and it is at 15.03%. And the balance sheet likewise has improved to INR75,299.60 crores.

And the point is this INR75,299 crores of balance sheet is today consists of more than INR10,000 crores of capital, which points out to the resilience of the balance sheet itself. The fact that we have 13% of our balance sheet is actually funded by capital, gives us the ability to take in a higher CD ratio.

Going on to the asset quality. I think we have been known for us maintaining a high level of asset quality and that gets reflected in the quarter 4 results as well. Your GNPA is at 0.73%, NNPA at 0.18%. So today, the net NPA that we hold is just about INR97.41 crores. Provision cover on book, like I said earlier, is 74.89% and overall is 96.14%.

Asset quality, consistent improvement across quarters. I think that is something we are focused in the presentation that we have uploaded, Page Number 23. And it is, like I said, is at INR97.41 crores. So this INR97.41 crores or the gross NPA number, which is INR388.21 crores, which is the gross NPA number.

If I look at the gross NPA number of INR388.21 crores, which is 0.73%, which has a provision of INR229.98 crores, which is a PCR of 74.89% is covered by average collateral of INR127.52 crores.

So when we resolve the NPA, we are on INR388.21 crores where we have provided provision of INR229 crores. Much of what we have provided INR229.98 crores, we expect it to come back. Thanks to the collateral cover that the GNPA currently has.

Slippage again is under control. I think and SMA, like I said earlier, is trending down. And today, 31st March '26, it is just INR686 crores, SMA, we are talking about SMA-0, SMA-1 and SMA-2. And all 3 combined is just 1.29%. This I did mention earlier that across portfolio just 1 day is 2.02% for the bank including SMA and NPA together is just 2.02%. The stressed asset is also a downward trajectory, INR218 crores is where we stand today.

Along with the GNPA, the stressed number is just 1.14%. Let me also tell you standard restructured advances are also covered, which was contracted during the COVID period are also covered to an extent of INR250 crores of provisions, right and that INR250 crores of provision, we have not returned back. We are maintaining it and we hope to address it against the expected credit loss when that kicks in or kicks in on the 1st of April '27.

So, our calculation shows that as of 31st of March '26, the change in norms from current IRAC to new ECL which, like I said, will kick on 1st of April, should have a INR279 crores impact. The INR250 crores of provision that we hold in the book, COVID book, which stands to where 2018 and which we hope to taper down further by the 31st of March '27 to largely cushion this impact of ECL additional ECL requirement.

Of course, RBI has also come out with the LCR requirements. I think it is going to benefit us to the extent of about 4% and on the key ratio, our cost of deposit has quarter-on-quarter sequentially has moved down from 5.83% to 5.71%. So some of our earlier higher price deposits

that we have contracted is getting repriced and that is having a bit of a positive impact. It has come down, while the yield on advances is down on a 6 basis, which is holding on.

And that is one of the reasons why the core business is actually kind of giving us the kind of profit that the bank has delivered for quarter 4. The NIM is at 4.18% as a consequence. And it is up sequentially from 4.04% and NIM for the overall year is at 3.98%. So, the capital adequacy is 33.73%, again thanks to the fact that our risk-weighted assets are just about INR20,000 crores. Thanks to our large amount of gold loan portfolio, our capital adequacy is at 33.73%.

Cost-to-income ratio contained at 44.80% despite the fact that the entire PBI of INR49.80 crores that we should have accounted for in FY27, we accounted for in its entirety in quarter 4 of FY26. The credit cost is under control and of course, during the year, we have also opened 44 branches. One thing we have not been able to deliver as per our commitment, we did promise to the investor community that we will open 50 branches in FY26.

We have been able to open only 44 branches, 15 of them have been opened outside the state of Tamil Nadu, so 30% or one-third of the branches are outside the state of Tamil Nadu. 7 branches are also in the process of being opened, but they slipped beyond that I mean, it has gone beyond the 31st of March '26. So net impact is we have been able to open only 44 branches. And the other the structural changes that we have got in the branch openings.

We are now deploying the branch managers in advance to drive local market penetration and business development. So, the structural changes that we have got in there, they have also seen the business for new branches opened actually move up significantly. In FY25, the new branch on an annualized manner / on annualized basis, the business of new branch was just about INR19.57 crores in FY25.

We have, because of structure changes and posting of the branch managers, choosing the centers carefully. We have been able to deliver in FY26, per branch business of INR40.16 crores. So new branches opened since this thing has now started contributing significantly in FY26, which has contributed 15% to the incremental growth. And the digitization drive, I think I've spoken extensively on whatever we are trying to do on the digital front and some complete transformation we are trying to bring in.

And that's also having absolute impact in releasing bandwidth in the branches. And one of the parameters we have mentioned here, the transaction count. In FY25, our branches across the counter did 2.64 crores, 26.3 million transactions across counter, FY25. Even after increasing the number from 578 branches to 622 branches, that is 44 branches incremental opening 44 branches, this count, this transaction, the manual transaction count across the counter and the branches have come down from 26.3 million to 24.10 million. So that's something that will eventually release / is releasing bandwidth for further growth.

So, the modernization is also underway and we have taken a lot of HR initiatives and during that it's all summarized, it's all converging into business growth. And we are happy to say that FY26 has been clearly a year of reckoning and we have, we stand today facing FY27 with much greater

confidence as in April of '26, today, we are in a much, much stronger position and stronger to face the coming year.

Yes. I think I'll stop here. And we will open ourselves to questions and answers. Like I said, my CFO is here, my Executive Director is here, my CFO is here, my Head of Resource Mobilization and Deposits here, and also my Head of Credit is also here. And we are now open to questions from you, if any. Yes. Thank you.

Moderator: Thank you. Our first question comes from the line of Digant Haria from Greenedge Wealth. Please go ahead.

Digant Haria: Thank you for the opportunity and congratulations, sir. It has been your under promise and overdeliver continues even in this quarter, more strongly. So congratulations, sir. Three questions from my side. Sir, first is that if we you said we are on a very strong footing for FY27. Would you like to guide anything in terms of the loan book growth for this year? Because I think the macros have turned a little bit sour because of the war in the Middle East.

Salee Nair: Yes. Despite that West Asia crisis, the U.S. tariffs still took completely wear out. What we are stating for FY26, as you, FY27, as you just mentioned, that we would like to understate and overperform or under guide and overperform. I think we'll continue that. But despite that, we are reaching out a tad higher on the deposit trend. We are saying that in FY27, we will grow at least 1% higher than what we did in FY26.

Digant Haria: Okay. Okay. So you are saying credit growth will be at least as much as what we saw this year, like FY26, what was the loan growth?

Salee Nair: Yes, I'm coming to that. So, I think that we should be in the 16% kind of number for deposit growth. And that the advances that we did of 20% is something that we will defend in the current year as well.

Digant Haria: Right, sir. So that's great to know. Sir, second question is that the gold loans was your Dhurandhar for last year, right? Gold loan was something which helped us a lot. What will be the Dhurandhar for FY27? Will it again be gold loans or you see some other segments also picking?

Salee Nair: Now we are having our Dhurandhar 2 also coming up. I think that is where if you look at, I've also showcased that our MSME has also been giving us good ROA. I think we have put it in this for the first time, we are looking at we will give more granular data on the profitability parameters of specific portfolios going forward in the next quarter onwards. But this time, we have made an attempt.

And our MSME, like I said, grew 14.88% year-on-year, right and the ROA there the yield is at 10.52%. So this is one portfolio we will be looking to cushion the impact of gold loan, slowing down on the gold loan growth. And like I said initially that in the first quarter, we did there was

actual degrowth. So, it is from the quarter 2, it started picking up. The quarter 2, quarter 3 and now quarter 4, we ended up with 14.88%, and this is something that you will see.

This is the story you need to watch for FY27 in the MSME space. We are putting our systems in place, your loan management system, CMCs, the credit management centers are in place. The loan management system went live. I think the Phase 1 has been done and Phase 2, we should be doing it in the first quarter. We should get the Phase 2 also done, which means to answer you, Dhurandhar 2 is going to be MSME.

Digant Haria: Right, sir. Brilliant. Very good to hear that. Sir, all the best. And last question is one data point, that in the last quarter, in our retail, we had INR6,700 crores of gold loans. What would that number be for this quarter?

Salee Nair: INR6,500 crores

Digant Haria: Sir, it was great. You put on disclosure that you were setting up some auctioning centers in case there is a price fall and the overall LTV.

Salee Nair: We are taking all the countermeasures in advance. So we want to be prepared because we did see a slight price coming down as a consequence of the initial stage of the war. So we want to be fully prepared. We have put in place systems where margin calls can be had. We are in a centralized call center.

We are also putting we are looking at creating asset resolution branches, specifically in addition to the normal recovery that happens across also to tackle the gold loan delinquency. Let me also tell you on the gold loan, we have the portfolio LTV, I think if you have seen it, I think I did mention as well is only 53.25%.

Digant Haria: Yes, sir, it is there in the slide. I have seen, I have seen it, sir.

Salee Nair: And to answer you on the retail, it is INR6,507 crores.

Digant Haria: Yes. Sir, and housing was 4,000 last quarter, that would have also grown, right, this quarter?

Salee Nair: No. Housing loan has not. In fact, our housing loan disbursements sorry, sanctions have crossed 22%. So there is always a lag between the sanctions and disbursements. While the sanctions have gone up, the housing loan portfolio itself is, slightly degrown from last time.

Digant Haria: Okay, okay, okay. Yes, sir, and I think the retail gold loan portfolio has also degrown, right? It was INR6,700 crores last quarter, it is INR6,500 crores this quarter, right? So it has degrown by INR200 crores?

Salee Nair: The reason is that RBI has come out with the regulation saying that we have a sizable gold loan portfolio. If you look at the slide, INR24,790 crores of gold loan portfolio and I just mentioned that retail is INR6,500 crores, so the rest remaining is about INR18,000 plus crores is agri gold loans, right.

RBI came out with rather a directive that up to INR2 lakhs, you have to cannot get collateral. So there was a shift from agri gold loans to retail loans in the third quarter. But subsequently, RBI came and clarified that if you are taking it on a voluntary basis, you can take it from farmers also for agri gold loan purposes Agri purposes. In quarter 3, we had an increase in the retail gold and that has been somewhat replaced by agri gold loan in quarter 4. So, both are now in sort of with Agri gold loan growing faster than your retail gold loan.

Digant Haria: All right, sir. And sir, now we can grow along with everyone else, when the gold loan keeps growing. We have grown, but there is this reclassification which created some confusion?

Salee Nair: As a portfolio, we don't I mean, from your perspective, investor perspective, the color of the loan doesn't matter, whether you call it an agri gold loan or whether we call it a retail gold loan. It is giving us the 10.11% is the combined yield.

Digant Haria: Right, sir. Perfect sir. Thank you so much. Wish you all the best.

Salee Nair: Thank you.

Moderator: The next question comes from the line of Varun from Share India Securities.

Varun: Good evening sir and congratulations once again on your superb set of numbers, your company has been delivering quarter-on-quarter and you have set a new benchmark, in fact, a benchmark and size of benchmark for yourself itself. So, can you throw some light on the slippages number, no doubt, it's down on a year-on-year basis around 31%?

So, I was just looking at the bifurcation there are slippages in agri portfolio has actually gone up around INR19 crores. So, what is the reason for this, if you can just throw some light on this? And also you were highlighting that your home loan portfolio has degrown from last time. So can you just put a number? How much has it degrown?

Salee Nair: What is the second question?

Varun: Home loan business, housing loan portfolio has degrown, right?

Salee Nair: Yes, Coming back to the first one, your slippage, right?

Varun: Yes, sir. Agri slippage.

Management: Yes, in fact the slippage in agri. This is in the sense agri processing unit. And there was a single account, totalling INR16 crores and that has resulted in INR19 crores. And let me also tell you, let's say, clear visibility on the recovery of that account. I call and I think most probably when we reassemble for the next quarter, this would have been recovered.

Salee Nair: And let me also add to that, that from the record of recovery angle this is a standard asset. I think these actually is being serviced. But we as part of our clean-up because the activity has stopped, we have, even though it's a standard asset, we've actually taken a call to make it NPA.

Management: Downgraded it because we've also checked a bit there.

Salee Nair: So that we can move ahead with the resolution of it in the first quarter.

Management: The GST turnover, although RBI is not asking us to go that soft and it's a matter of abundance precaution we have grown that far and also declassified it as NPA.

Varun: Sir, what you said about recoveries?

Management: Sorry.

Varun: I think you said next quarter when we meet, we'll expect some recoveries right?

Salee Nair: We are talking about quarter 1 of FY27.

Varun: Okay.

Management: And what is the next question here.

Varun: Sir what about the housing loan portfolio that has degrown? How much is it?

Salee Nair: Like I said home loan is something that we are focusing back. I think we started the focus back in quarter 4. And like I said, sanctions have actually moved up 22%, so 22%. But for that to get translated into actual disbursement, I think you will see this going forward and gold loan, the other aspects of gold loan is from an ROA perspective, it just delivers 1.01 ROA. So from a priority angle, this has taken a little bit of a lower priority, but we are in the game to push this up.

Varun: Okay, sir. Okay. One last question, I just wanted to ask you, sir. I mean just as you said that you had an aim of 50 branches for FY26, but you have opened I think around 44. So what could be the branch addition number for FY27 as we go ahead?

Salee Nair: We are proposing 60 branches in FY27. Hopefully, in FY27, April – sorry FY27 April when I take this call again, hopefully we should have met that. FY26 is one of the only perhaps the only miss that we had is that we promised 50 branches to ourselves and we were able to open only 44. But for FY27, we are actually promising 60.

Varun: Okay. Great sir. Thank you for giving that number and once again thanks a lot for giving me a chance to ask these questions and best of luck for your future. Thank you very much.

Moderator: Thank you. The next question comes from the line of Lakshmi Narayanan from Tunga Investments. Please go ahead.

Lakshmi Narayanan: Yes. Thank you. Few questions. So there has been a write-off of close to INR150 crores this year. I just want to know across how many accounts is this? And does this include the Andhra account, which was more than INR125 crores, INR130 crores in NPA. And second question is that in the other segment there is…

Salee Nair: No. Sorry. I think the we had two rounds the write-offs, right? And I think first was in the quarter 2 and the second was in this quarter 4. I will get you that, I'll just get you that. And let me tell you the Andhra Bank sorry, not Andhra Bank, Andhra account that you are I don't know from where you got this Andhra account, but let me tell you, Andhra account is not part of that write-off.

Yes. I got it, yes. Yes. So, we have in fact, if you look at it, we have written off INR149.69 crores. It is not part of it, the one you are referring to. It is a series of accounts. It has been written off in two lots, like I said, INR66 crores in quarter 2 and INR83 crores in quarter 4. And, of course, I must admit that, that write-off has helped us reduce it.

It is part of the balance sheet management that we all any bank does. But going beyond that, if you look at it, your cash recovery from upgradation is INR103 crores. If I take it my Slide number 22, INR97 crores plus INR6 crores, INR103 crores against a fresh addition of INR85. So there is a natural reduction, an absolute amount reduction in the NPA itself, despite the write-off that you mentioned of INR149. So come back that Andhra account is not there.

Lakshmi Narayanan: Sir, the GNPA of around INR198 crores in the others, how is it concentrated? Is it that Andhra account is actually part of this? Can you just yes, help me with the concentration of this INR198 crores, is it that two or three accounts are more than INR150 crores in the balance itself?

Salee Nair: No, I think it is one account, that INR164 crores. And then a small, a few of the residual amount are still there in the earlier resolutions that have happened, so which are undergoing resolutions now. So I think a couple of them are already in the NCLT also.

Lakshmi Narayanan: Got it. Sir, I think in previous calls, I mean, if I had heard right, you alluded that, that could be a write-back of some of these NPAs because that the collection would be strong. So is it on track or and how are you thinking about these large GNPAs? Is there a possibility of write-back?

Salee Nair: One, if you look at my credit cost, right? There is no credit cost, my credit cost is practically not there, right? The reason for that is the credit cost, which I just mentioned that INR85 crores of it has happened because that's the cost, the credit cost or the provision cost of that has been largely been met by the recoveries being happening. So that is the reason why credit cost is low. And this large account that you have mentioned, hopefully we are hoping that this gets resolved this year. What is the other question, Narayanan?

Lakshmi Narayanan: No, I was just asking it for the write-back, I mean do you expect any full recovery of this?

Salee Nair: You will notice some interesting amount coming back is our luck, some of these items, you really need luck, particularly when the legal system in the country takes the kind of time it does. So hopefully, we should be able to tackle it this year.

Lakshmi Narayanan: Got it. Sir, and one question on gold loan. So I just want to understand what is the LTV at origination because I see that there are different LTVs for different classes of loan seekers, right? So, there are, so I just want to understand what is the gold loan LTV at originations blended?

And second, when you actually do it, do you actually include the interest accrued when you actually calculate the LTV because these are all bullet payments, I understand. So how does that work?

Salee Nair: The LTV that you see in the slide is not the principal LTV. It is the principal the dues on that particular date, which is principal plus interest. Okay. That is the first clarification I want to give you. And the normal LTV is 75% that you give. And we have a certain different kind of calculation does not it is actually not on the market price.

Lakshmi Narayanan: RBI talks about only consumption?

Salee Nair: And also, that is the reason our calculation of LTV is not strictly in comparison to what the market does because we have built in a certain system where cushions are available. I think if I if you go to slide numbers, there is a gold loan slide. Where is it? Yes, you'll see the gross weight. You'll see the net weight. 37.3 tons of gross rate portfolio, we have gold loan covered by 37.38 tons, right and the net weight is 37.19 tons, which is 9.3% lower. The LTV is not on the gross weight that we calculate, it is on the net weight. That is one of the reasons why despite the gold prices being where it is, our portfolio is able to sustain a 25% reduction.

Lakshmi Narayanan: Got it. And is it safe to assume that at origination, the same number is there? Like it's if somebody is taking gold loans today, is that number between around 54% to 56%?

Salee Nair: No, no, no. That will be in the 75%, right? And it varies for example, some of the gold loan will be slightly higher. And the LTV is actually calculated on the maturity value, not on the rate not on the principal. You get it now?

Lakshmi Narayanan: It's including interest, I miss it.

Salee Nair: I hope I don't know whether I've made myself clear.

Lakshmi Narayanan: No, I think my question is that what is the LTV at origination now? Because this is as a blended book you're giving, what is the standard LTV because I understand the LTV – yes?

Salee Nair: One, let me tell you what you are seeing here is a blended rate, which is in some sense, perhaps will not have much of a meaning when there is a reduction price. I'm not saying that. I'm talking about the LTV that we say, it is 75% and 80% in some cases. It is not the principal LTV, It is the LTV at maturity. Let me give you an example. If you are talking in terms of 80% LTV, in some cases, we actually give 80% LTV also.

And it is a 1-year goal. The 80% LTV, what is the amount here to pay after 1 year? And based on what is that after 1 year. For example, if it's 10%, the current LTV at which you give today the loan would be 72%, including interest, it become 80%. LTV is always cash closure on the maturity. If it is 6 months, the LTV will be tightly higher. If it is 1 year, the LTV would be lower.

That is one of the reasons why we are available to sustain a 25% sensitivity. We have maturity against other banks, which is on the rate, the day it is given, and then the interest is added to that. We add the interest to arrive at the LTA. Let me put it that way. Okay?

Lakshmi Narayanan: Okay. Got it, sir. Sir. And as the other part, sir, you mentioned maybe in the next time, you can actually give the retail loan split across segments and also gold loan split across various things like that…

Salee Nair: We're trying to be more and more transparent; I think we'll continue to do that.

Lakshmi Narayanan: Sir, and do you actually track your market share growth across branches and across your regions. What has been your market share growth in terms of assets and liabilities?

Salee Nair: We do track it now. In fact, monthly track it, it has now become a component of the performance-based incentive. I did mention earlier that we gave a 49 in a growth performance-based incentive, which we have absorbed this year in quarter 4, which if we have not absorbed, gone by earlier practice, it would have been higher, the profit could have been higher. That PBI component that we calculate also has a component of the local growth. Local market growth vis-a-vis my branch. So now we started tracking what is the growth in the branch versus what the industry has in the same location.

Lakshmi Narayanan: Got it. Sir, on the technology side, can you just help me understand how much you have spent in technology last year and how much you intend to spend in this year? And how much you're capitalizing and how much your expansion?

Salee Nair: My technology spend this year is 15.80% higher. We have that exact number. Let me also tell you that technology spend in the year will not give a proper reflection because many of these are milestone payments and these are happening. I can tell you that the fact that I continue that within 15.80%, we have our spend has been higher than last year.

Moderator: Thank you. The next question comes from the line of Digant Haria. Please go ahead.

Digant Haria: Yes, sir. Thank you for the opportunity again. Sir, this question was mainly again of gold loan that really have 11% yield, right? Which are slightly better than agri gold loans, is that correct?

Salee Nair: Correct, correct. Retail loan, the rate of interest is better than the agri gold loans.

Digant Haria: Right. Sir, in all the new branches, we are offering that, right? So, if there is no branch where gold loan product is not offered, right? We are well spread across our branches…

Salee Nair: Our intention is to offer it across all the branches. But some of the branches in a metro, etc., may not have much of a demand for it. But the product is offered across.

Digant Haria: Okay, sir. Thank you. Sir, and lastly, on the margins, like we have had like a sharp, very good improvement, like first two quarter, the margins were flat or struggling because the whole

interest rate cycle was against us. This quarter especially has been very strong. Like is this quarter margin sustainable? Or you feel that it depends on macros and how the deposit rates…

Salee Nair: It depends on the various factors. You did mention macros will have an impact on it. And this time because the loan growth was good, there has been a movement. We had some surplus cash, which was going at lower yield, that has moved into a higher yield or loan portfolio. So that has added.

So the full-up has come from the growth in the advances portfolio. And also simultaneously, some of the high-priced the deposits we have taken is getting repriced. So, we have got the benefit of that. And if you ask me whether this will sustain? This kind of level is going to be very difficult to sustain. But still, we believe we'll be able to defend a 3.9% to 4% NIM.

Digant Haria: Okay, sir. Okay, I think, sir, that is good for today. I know I could ask a lot of questions. Thank you so much and all the best.

Moderator: The next question comes from the line of Parth Gutka from 360 ONE Capital.

Parth Gutka: Sir, my first question is what proportion of your deposits are yet to reprice?

Salee Nair: I think by the first quarter, our original high what we have taken is 8% will be fully repriced. But having said that, deposit is a challenge for all the across the industry. So significant impact of that repricing may not accrue in the first quarter, that is what we anticipate because resource because to keep the advances machine running, we have to enough to increasingly focus on the resource mobilization. And given the challenges that the industry has, we don't expect that pricing benefit to really accrue to us in this quarter, which means that we may have to have to continue contracting term deposits.

Parth Gutka: Okay. It's fair enough. And my second question was, sir, when I look at your investments to NDTL ratios, it has come down from 32% to 25%. And still there is some scope to reduce that further. So are we thinking on that line that you can move from investment, some funds from investment to advances?

Salee Nair: We will always like to keep a cushion for contingencies that is there. I think that is something that in terms of we use it to the core and borrow against that. The fact that it has reduced from 32% to 25%, as we just mentioned, is one of the factors that has helped us drive the profits up. But no, we will certainly continue to have maintained a reasonably good cushion there. And that is where the focus is back on the deposits. And as I said, 16% deposit growth for the year is something that we are committed to.

Moderator: The next question comes from the line of Pramukh from MyInvestBuddy.

Pramukh: Congratulations on the nice set of numbers. I wanted to ask you about the succession planning for the next one, right? Like how are you taking care of that? And yes...

Salee Nair: Sorry I didn't get that. Success planning, where are you talking in terms of HR succession planning or...

Pramukh: Like for like the next 3 years, right, like who will be the next CEO and things like that, do we have a plan in place for that?

Management: Certainly, there is a plan.

Salee Nair: No, if you're talking in terms of what our succession plan is, we have a detailed succession planning going to the next 4, 5 years.

Pramukh: Okay. That's right. And another thing is about like the cybersecurity, right? So, like there is Claude Mythos coming up and there was an internal rating present. So, is that covered? Like, we are safe on that, right?

Salee Nair: Yes, I think cybersecurity as the investments in IT and automation goes up, we have to be vary cyber fraud, cyber-attacks, etcetera. And that is something that this bank is investing in preventing and we have 24/7 war room looking at this aspect, and we have just got ourselves a call center, AI-based call center. And we have also contracted with one of the best names in the world.

I think the largest names in the world in terms of supporting us from a cybersecurity angle. So we are on the job there. I think we are fully aligned to it, of the idea. There is a repeated audit of our own system to see that they are full proof. Apart from that 24/7 such frauds and attacks are being watched by watched on by us.

Moderator: The next question comes from the line of Parth from ICICIdirect.

Parth: Sir, I had one data-driven question. So I wanted to ask you, in your advances mix, what is the difference between EBLR, MCLR and repo-linked? Can I get the number?

Salee Nair: MCLR, EBLR do you, have it? What is the portfolio linked to MCLR and portfolio linked repo, right? Repo-link?

Parth: Yes.

Salee Nair: External benchmark rate and the internal. I think it is 50-50.

Parth: So basically, because I was seeing your advances yield. So, it was it has declined by 10 basis points, right? And the rate cut was around 125 basis points. Just I want to know the reason and why it was so low?

Salee Nair: You don't hold me to this, okay. I tell you the rate cut is actually passed on to the MSME segment. I think there I think we are happy to see the yield has come down. But where we have prevented from passing on or rather reprice the rate of interest or reduce the rate of interest in the consumption gold loans. So there, though it is linked to interest, though it is linked to MCLR,

we have strategically been looking at it, pricing it slightly better. So that's the overall yield remains at the appropriate band.

Moderator: The next question comes from the line of Darshan Deora from Indvest Group.

Darshan Deora: Firstly, congratulations on a great set of results. Secondly, also appreciate the higher disclosure that you all have started from this quarter, especially the segment-wise ROA. Firstly, I wanted to ask you, you had mentioned the ROA on gold loans? I missed that figure. Can you just repeat it?

Salee Nair: I think it is 2 point one second, I'll give you the number. I thought this was there in the slide, but it's now, I see it is missing. But I'll just give you that. It is 2.05%.

Darshan Deora: Okay. So now given that we're sort of stepping on the accelerator when it comes to MSME growth, which I see is at 2.6% ROA. What would you, what should we assume as the ROA target for FY27?

Salee Nair: ROA target for FY27. Incidentally, MSME advances once you start expanding the MSME advances, you may have to cannibalize a bit of your ROA. I think that's something that we are prepared to do that, because the 10.52% yield, as we expand the portfolio, it's going to be difficult to be defended.

So, ROA in MSME advances from 2.58% that we have showcased is going to come down. Certainly going to come down. And, but from an overall perspective, I'm talking about in retail, once you start pushing the housing loan with where the ROA is sort of not mentioned here, we will give more details of that for the next quarter onwards, is at 1.01%. So if you start pushing various components of the advances. The ROA will slightly get moderated. And, but we are still looking at a 1.9% to 2% kind of ROA for FY27.

Darshan Deora: Okay. And from an ROE point of view, I mean assuming that our leverage goes up a little bit.

Salee Nair: It is going to go up profits also hopefully should move up. But 15%, 15.03% is what we did for this quarter, but I think we should be looking at defending 14% to 15% for FY27.

Darshan Deora: ROE, you're saying, around 15%, right?

Salee Nair: 14% to 15% in that’s put in a bracket better what we say. Right?

Darshan Deora: Okay. No, that is understood. In terms of your CASA, again, great progress there. I see it's gone from 26% in FY25 to 28%. Do we have a target internally that we are trying to hit in terms of CASA, CASA ratio?

Salee Nair: We do have a target, but that's a slightly longest target, and I don't think I should be looking at. But let me also tell you this number that we have given, 28.14%. 28.14% is something that you will see moving up.

Darshan Deora: Okay. So that's a great step. And last question, cost to income, I understand that you have preponed certain expenses that you would typically book in Q1, but what can we assume? I'm not asking for FY27. I'm just saying long term, like say, 2 or 3 years down the road as the initiatives you've taken in terms of the straight through processing, the central processing units, et cetera. What do you see, what do we see our cost-to-income trending towards?

Salee Nair: I've repeatedly said that we have committed because we have only taken part of your expenses in IT expenses, right? And we also are looking at opening more branches and refurbishing some of the branches. But despite all that, even after all that, what we have stated is that the cost-to-income ratio will remain below 50%

I think that's what we have committed to my Board and when I'm asking for refurbishment of some of the branches, which will entail cost and make it modern some of the branches so that it gets focused on resource mobilization. So, there will be some cost coming up and it will be spread over maybe '27 and '28. But like I said, we are committed to keep it below 50% and should be in the 46%, 47% range.

Darshan Deora: I think right now it's around that 44% to 46% around 45% now. So, you're saying in that, slightly higher than the current?

Salee Nair: Certainly, it's well below 50%. That's our commitment.

Darshan Deora: Great really appreciate the results and commentary and the guidance and wish you and your team the best of luck for FY27.

Salee Nair: Thank you.

Moderator: Thank you. The next question comes from the line of Saket Kapoor from Kapoor Company. Please go ahead.

Saket Kapoor: Yes. Hi sir hope I am audible? Thank you, sir, first of all for the opportunity and congratulations to the team with the one-off which you have earlier explained, our numbers are much higher, our operating profits are much higher than what has been reported. But as per the, if I may conclude to what our earlier speaker and your answer being, we are looking at moderation in both ROA and NIMs going forward for FY26, FY27.

So this INR500 crores plus operating profit on a quarterly basis, do we have the set of levers that we can defend this or this is, this will be tad lower since the other parameters are going to be trending lower?

Salee Nair: The INR500 crores of operating profit, I think we did at INR522 crores, right?

Saket Kapoor: Yes, sir.

Salee Nair: And are you suggesting that this will be lower?

Saket Kapoor: Sir, I'm only asking you that since you are mentioning that our NIMs and ROA will be slightly lower, the averages will be lower than what we have posted for the current quarter. So in that trajectory, how confident are we that this is a new benchmark on a quarterly basis on the operating profit number, if I'm correct. Correct me there sir?

Salee Nair: INR500 crores of operating profit will certainly be defended.

Saket Kapoor: This number will be defended even for Q1 and sequential also.

Salee Nair: Yes, yes.

Saket Kapoor: Okay. That understanding can be taken. And sir, secondly if you could just give us some understanding how the nature of the bid pipeline you have, especially I think you are putting the thrust on the MSME, that will need growth lever going ahead. So if you could just give us some color on what the bid pipeline are currently?

And sir, taking into account, again, the inflationary trend because of the higher crude prices, what do you think, sir, currently with the higher G-Sec rates, how will the banking space be affected going ahead because of these higher, because of rates trending higher only?

Salee Nair: Yes, I think see, rate seems to be hardening in the system. You have seen the yield actually go up, 10-year yield, G-sec yield going up as far as 7.14%. And of course, it has weighted some of it instead. That's a different.

We are seeing a bit of hardening here. I think we'll have to look at how the inflation works going forward, particularly after the recession crisis and the impact of the energy enhanced energy prices on the accounts of system, the raw materials, etcetera.

So, there could be a bit of hardening here. And when the inflation is taken, the nominal GDP growth is something that we need to watch, and that's going to have a direct impact on the banking industry as well.

Saket Kapoor: Right Sir.

Salee Nair: So, to that extent, I don't know, maybe we can look at a slight improvement in the growth rate.

Saket Kapoor: Sir, I didn't get your last point. We are looking at?

Salee Nair: I'm saying that the nominal GDP almost mirrors the nominal GDP growth, the real GDP plus your inflation. If the inflation is going to tick up a bit, we can see the growth in the system going up, moderated to the extent of prices.

Saket Kapoor: Okay. When we affected this 20% advance growth?

Salee Nair: Let me tell you why we are talking about 20%. See, this is not a State Bank of India or an HDFC Bank speaking. When they look in terms of the growth, they will have to factor in the

macroeconomic need and requirements, etcetera. We are still at a pace where our own growth will not impact significantly the competition around.

So, we can still knock that extra growth away from the others. That is where our confidence for a 20% growth comes in. It is not just because the macroeconomic parameters will give you that growth or the leg up. It is because we are still small

Moderator: Thank You. The next question comes from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.

Sarvesh Gupta: Good evening, sir and Congratulations on a good set of numbers. Sir, first question is on your advances growth guidance. So, if you look at the past in T&D, we have had many years of 8% to 10% sort of a growth. This year, of course, we have done a very good job on that. But if I look at the overall advances growth, roughly around 72% has come from gold loans. Now this also has been a year where gold loan prices have gone up so much.

So, assuming, let's say, gold prices don't increase from here on, then what kind of growth rate can we assume because then we will have to only grow by tonnage. So, what can be the realistic growth in such a scenario where gold loan prices don't go up as much as like in FY26, they went so much higher?

Salee Nair: You are right that FY26, the advance growth has been to a very large extent driven by the gold loan. I think that if you look at carefully, the MSME space, which was which actually degrew in quarter 1, we ended up with almost 14% almost 15% growth in MSME.

Now I can tell you that the MSME, the machine that we have put in place is beginning to fire. So whatever gold loan degrowth or the moderation in the I don't expect a degrowth, but the moderation in the growth that will happen once your gold loan prices stabilize will be we are confident that can be made up through improvement in the MSME growth.

And we are also looking at other aspects, particularly the car loan, which is beginning to make some headway. The housing loan is beginning to climb back. There are other elements that is also beginning to fire, which should help us in sort of moderating, which should take over some of the moderation that the gold loan might bring about.

Sarvesh Gupta: Sir, this net weight of 34 tons, so how has that grown in the last 1 year?

Salee Nair: I think how much of it is? We are not done in the year. See, we just quickly a snapshot of it. I think we'll have to look at how it is moving. The first time we have actually got the numbers out. Now we'll start tracking on a net weight basis also.

Moderator: Thank you, Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Salee S. Nair, the Managing Director from Tamilnad Mercantile Bank for their closing remarks.

Salee Nair: Yes. Thank you, and thank you all for joining this concall. Like I said, FY26 has been a year of reckoning for us, and we have consistently tried to deliver much more than what we promised. I think and that's something that we are aiming to do in FY27 also. FY27, we are facing much more as a much more, as a bank in much more, I would say, confidently because some many of the initiatives that we have taken, I think quite a bit of initiatives that we have taken, the HR initiative, a complete transformation from a legacy based, IBA based structure, pay structure into CTC based pay structure. 83% is on CTC now. The PPA has been completely revamped.

The PBI is the performance based incentive is today looking at growth as the only driver for the incentive. There's a lot of automation that has happened, the LMS loan management system. Phase 1 has gone live.

The digital engagement hub, we are revamping, quite a bit of action is happening on the IT space. And all this has resulted in unleashing some of the productive energy, productive gains that is resulting in the number that you saw in FY26.

And that is giving us the confidence to face FY27 much more confidently. And 6 to 9 months, we hope some of these initiatives all rather all the initiatives currently would have been completed and the productivity gains as a result of those initiatives will be made available. So FY27, we expect overall to be a better year than FY26. Thank you once again for all for joining us in this con call. Thank you.

Moderator: Thank you, sir. Ladies and gentlemen, on behalf of Tamilnad Mercantile Bank Limited, that concludes this conference call. Thank you for joining us, and you may now disconnect your lines.