Capital Small Finance Bank

Great Place To Work. Certified

CSFB. 2025-26/60 **May 03, 2025**

To,

BSE Limited **Listing Compliance** **Phiroze Jeejeebhoy Towers** **Dalal Street** **Mumbai 400 001** **Maharashtra** **Scrip Code: 544120, 951995 & 953739**	**National Stock Exchange of India Limited** **The Listing Department,** **Exchange Plaza,** **Bandra Kurla Complex,** **Mumbai - 400 051** **Maharashtra** **Symbol: CAPITALSFB**

Dear Sir/Madam,

Sub: Transcript of Earning Conference Call for the Audited Financial Results of Capital Small Finance Bank Limited for the Quarter and financial year ended on March 31, 2025

Ref: Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

We submit herewith the transcript of the conference call held on Wednesday, April 30, 2025 for the Audited Financial Results of Capital Small Finance Bank Limited for the Quarter and financial year ended on March 31, 2025.

In compliance of Regulation 46 of the Listing Regulations, the transcript is also made available on the Bank's website at https://www.capitalbank.co.in/investors/financial-results

This is for your information and records.

Thanking you,
Yours faithfully

For Capital Small Finance Bank Limited

AMIT SHARMA

Digitally signed by AMIT SHARMA
DN: c=IN, o=Personal, postalCode=141010, l=Ludhiana, st=Punjab, street=HOUSE NO 30 JAPPAN COLONY JAMALPUR NEAR AHLUWALIA COLONY FOCAL POINT LUDHIANA PUNJAB- 141010, 2.5.4.20=756cfd4636506c4a5ae0f297db5ff869f7c90f9c4c6efee2deaf9f1de92ae166, serialNumber=714e67af2c56cb3a137a0e626667dd2dc0ee0473e2d5376e0d595999604af844, email=amitsharmasgnr@gmail.com, cn=AMIT SHARMA
Date: 2025.05.03 16:24:16 +05'30'

Amit Sharma
Company Secretary & Compliance Officer
Membership No. F10888

"Capital Small Finance Bank Limited
Q4 FY '25 Earnings Conference Call"
April 30, 2025

"E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on April 30, 2025 will prevail."

Capital Small Finance Bank

CHORUS CALL

MANAGEMENT: **MR. SARVJIT SAMRA– MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER – CAPITAL SMALL FINANCE BANK LIMITED**
MR. MUNISH JAIN – EXECUTIVE DIRECTOR – CAPITAL SMALL FINANCE BANK LIMITED
MR. ASEEM MAHAJAN – CHIEF FINANCIAL OFFICER – CAPITAL SMALL FINANCE BANK LIMITED
MR. RAGHAV AGGARWAL – CHIEF RISK OFFICER – CAPITAL SMALL FINANCE BANK LIMITED
MR. SAHIL VIJAY – HEAD OF TREASURY AND INVESTOR RELATIONS – CAPITAL SMALL FINANCE BANK LIMITED
MS. BHARTI BABUTTA - INVESTOR RELATIONS – CAPITAL SMALL FINANCE BANK LIMITED
SGA -- INVESTOR RELATIONS ADVISOR – CAPITAL SMALL FINANCE BANK LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to Capital Small Finance Bank Limited Q4 FY '25 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sarvjit Samra. Thank you, and over to you, sir.

Sarvjit Samra: Thank you, Avirat. Good morning, everyone. Welcome to Capital Small Finance Bank Limited Earnings Call for the Financial Year '24-'25 and the quarter ended March '25. Thank you all for joining the call. You probably would have seen the financial results and the investor presentation that have been uploaded on the stock exchanges.

Joining me today are Mr. Munish Jain, our Executive Director; Aseem Mahajan, CFO, and Raghav Aggarwal, Chief Risk Officer; Sahil Vijay, Head of Treasury and Investor Relations; Bharti Babutta from our Investor Relations team; and our IR Advisor, SGA.

The financial year 2025 unfolded amidst a backdrop of challenging macroeconomic conditions. While India's GDP remained one of the highest globally, it moderated to approximately 6.4% as per the latest estimates from the Reserve Bank of India. With the global context, we believe India is well placed. RBI has recently commenced cutting rates.

The moderation in food inflation and headline inflation also augurs well. We have already seen two rate cuts and the change in stance from neutral to accommodative is a welcome relief for all of us. Reserve Bank of India intends to increase durable liquidity, which along with rate cuts will help supporting GDP growth of our country.

Looking ahead to financial year 26, we expect India's GDP growth to be supported by a pickup in rural spending and rebound in discretionary consumer demand and a gradual revival in investment activity. The above average monsoon rain forecast will boost agriculture output and economic growth.

However, on the external front, exports may continue to face headwinds until there is greater clarity on the global trade and tariff environment. Coming to the bank, April 2025, we marked a significant milestone, completing 9 years as a small finance bank and 25 years as a trusted financial institution. This journey would not have been possible without the unwavering support of our customers, employees, investors and the regulators to whom we extend our heartfelt gratitude.

Turning to our performance, despite the economic headwinds during the financial year '25, Capital Small Finance Bank recorded a healthy 18% growth in profit after tax. We continue to maintain a strong capital adequacy position and ample liquidity buffers, reinforcing our financial stability. Our asset quality saw further improvement with gross and net NPAs declining.

This progress is a direct result of our granular lending approach, strong underwriting standards, disciplined collection and robust collateral coverage, which we have consistently kept our net credit cost well in check. Retail deposits remain resilient and continue to form the cornerstone of our liability strategy, reflecting the trust we have built over the time.

With the environment remains challenging, but we are confident that our core strengths will help us emerge even stronger as an institution. We look forward to financial year '26. We are encouraged by the emerging policy tailwinds, including the prospect of interest rate cuts, improved system liquidity and shifts in the policies stance from neutral to accommodative. The outlook for credit continues to strengthen.

With this, positive and evolving macro drop, I now invite Mr. Munish Jain to walk you through Capital Small Finance Bank's performance for the quarter and the year. Thank you.

Munish Jain: Thank you, Mr. Samra, and a warm welcome to all of you. Throughout financial year '25, we remained focused on deepening the customer trust, expanding responsibly and strengthening the foundation of a resilient, agile and future-ready institution. With that, let me now take you through the financial highlights for the quarter and financial year ended March 2025.

FY '25 was marked by high interest rates, tighter monetary policy and elevated asset quality concerns in certain segments. Banking system credit growth dropped to 10.8% in FY '25 from 16.3% in FY '24. In this environment, bank witnessed healthy loan growth with improved asset quality.

Our loan portfolio grown by 17% on a year-on-year basis and 6% on quarter-on-quarter basis and reaching to INR7,184 crores as on March 31, 2025, which is around 1.6x of the system growth rate. Our growth continued to be led by secured segment and 99.7% of our advanced book being secured and 79% of our portfolio is collateralized by immovable property/bank on FDRs.

The average ticket size of our portfolio stands at INR15.9 lakhs with 61% of the portfolio, comprising clients with exposure of up to INR25 lakhs. Our portfolio is well diversified across segments, each of which has successfully been navigated through multiple credit cycles. The composition includes 32% in agriculture against 32% in Q3 FY '25 and 37% in Q4 FY '24; 27% towards mortgage against 27% in Q3 FY '25 and 26% in Q4 FY '24'; and 21% to MSME and trading loans against 21% in Q3 FY '25 and 19% in Q4 FY '24.

The fresh loan disbursement for the year ended 31st March shown a growth of 38% on a year-on-year basis and being stood at INR2,846 crores. Further, disbursement for Q4 FY '25 stood at INR765 crores. The disbursement constitutes 20% to MSME segment, 22% to mortgage segment, 20% to agriculture, 22% to NBFCs and the large corporates and remaining to non-consumption loans, including loan against own FDRs.

The asset quality remained robust with gross NPA of 2.58% as of March 31, 2025, against 2.76% as of March 31, 2024, and 2.67% as of December 31, 2024, with negligible write-offs. Our net

NPAs reduced to 1.3% as of March 31, 2025, against 1.4% as of March 31, 2024, and 1.35% as of December 31, 2024.

Our slippage ratio for FY '25 stood at 1.41% and for Q4 FY '25 at 1.65%, against 1.45% in Q3 with upgrade and recovery ratio for FY '25, stood at 1.12% and for Q4 FY '25 at 1.38%, against 0.95% in Q3 FY '25, calculated on annualized basis. Credit costs were contained at a lower with 0.12% for FY '25 and 0.13% for Q4 FY '25, supported by robust collection efforts and minimal write-offs. Notably, there were no NPA sell off to ARCs during the period.

SMA 1 and SMA 2 calculated as a percent of the advances stood at 4.88% as on March 31, 2025, against 6.05% in December 31, 2024. Our total deposit base crossed INR8,323 crores this year is growing by 11.3% year-on-year basis, owing to lower CD ratio and higher liquidity ratios The Bank continued with their calibrated deposit growth. The credit to deposit ratio on average basis increased to 81.4% in FY '25 compared to 79% in FY '24.

Despite industry-wide pressure on CASA due to the shift towards high-yielding term deposits, bank strong CASA share reflects its robust retail liability franchise. The bank continued to maintain high CASA of 36.9% as of March 31, 2025, against 38.3% as of March 31, 2024. Cost of funds for Q4 FY '25 and FY '25 stood at 6% against a similar number in Q3 FY '25.

Moving to the profitability metrics. Pre-provision operating profit. PPOP rose to INR48 crores in Q4 FY '25, registering a 23% growth compared to INR39 crores in Q4 FY '24. For the full year, FY '25, PPOP up stood at INR185 crores, reflecting a 19% increase from INR155 crores in FY '24. The profit after tax for FY '25 stood at INR132 crores and for Q4 FY '25 at INR34 crores. That is 18% growth on a year-on-year basis and 21% growth on a quarterly basis.

Our net interest margin improved to 4.2% in FY '25, up from 3.9% in FY '24, supported by improved CD ratio. Noninterest income as a percentage to average total assets improved to 0.9% for FY '25 and 1% for Q4 FY '25 against 0.8% for FY '24 and 0.9% for Q4 FY '24. The noninterest income primarily constitutes core and stable fee income.

Operating efficiency also strengthened with the cost-to-income ratio declining slightly to 62.3% in FY '25 from 62.5% in FY '24, reflecting our continued focus on effective control. Our ROA has improved from 1.3% in FY '24 to 1.4% in FY '25, and the same was 1.4% in Q4 FY '25 against 1.2% in Q4 FY '24. The capital adequacy ratio is at 25.4% at the end of Q4 FY '25, and our LCR on average for the quarter is 235.1%.

During Q4 FY '25, we opened 10 new branches, bringing our network to 195 branches across 5 states and 2 union territories, enhancing accessibility to rural and semi urban markets. We have 77 branches in semi-urban and rural areas constituting 76% of our total deposits. Going forward, in FY '26, we intend to expand our branch network by increasing the branch outreach by setting up 20 to 25 branches, by expanding outreach in contiguous states, coupled with deep penetration in existing markets. We also intend to expand to 1 more states during FY '26.

Our endeavour is to organically grow our secured loan book, and we are targeting a growth rate of 20% plus by targeting MSME trading, mortgage and Agriculture segment. We will continue to expand in secured asset franchise with strong control on asset quality. We targeted ROTA expansion trajectory.

Our focus on profitability metrics shall be driven by improving CD ratio, consequent NIM maintenance around the present level, optimizing operating costs and improving share of the fee income. We believe with our deep branch network, underwriting expertise, deeper understanding of our target segment, middle income group segment, we have a strong growth runway as we expand.

With this, I would request the operator to open the floor for any questions and answers session. Thank you so much.

Moderator: Thank you very much. The first question is from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.

Sarvesh Gupta: Thank you for giving me the opportunity. Sir, first question is about your FY '26 as well as medium-term guidance on ROA and ROE. So the way I look at your performance, given the NIMs that we have, the yield that we charge at 11% and NIMs of 4-odd percent. So what is happening is you're largely based out of Punjab. So as you want to show further growth, you will have to get out to other states as well. So I don't see your cost metrics going down -- the cost to income.

Given the 11% yield that we are doing, our credit cost is also very, very low. But there cannot be any improvement, of course, on that because our SMA is also 4%, 5%,. So how do we sort of increase this ROA and ROE going forward because even the deposit growth is amongst the lowest of all the SFBs at around 11-odd percent. So how do we -- I mean, is there a path to increase this? And then what will be the guidance for the same for both FY '26 as well as, let's say, 3 years from now?

Munish Jain: Sarvesh, if we talk about, firstly, if I slice this closer to the three parts. Firstly, as far as our business concentration, we have continued to expand our business out of Punjab. And if I talk about for the current year, Current year, in the beginning of the year, we had 82.7% advances from Punjab, which has reduced to 78.8%. So in turn, our out of Punjab credit market share within our portfolio has increased from 17.3% to 21.2%. So we are continuously expanding our outreach out of Punjab that we can have a fair presence in all the markets.

Secondly, if we look into our ROTA and the way forward for the ROTA, we are presently having an average CD ratio for the current year being 81.4%. We intend to take it to on medium term basis, to mid to the high 80s. And as far as the back of hand calculation, with every 1% increase in the CD ratio with constant interest spread, (that is difference between the cost of deposit and the yield on advances) remain constant, there will be a benefit of around 4 basis points to the NIM.

So our first driver for the expansion for the ROTA will be our CD ratio expansion, which is for the FY '25, 81.4% on average basis. That is the first driver available for the ROTA expansion, which will be available for the coming years, slightly for the current year and more in to medium term basis.

The second driver available is our noninterest income. Our noninterest income presently for the FY '25 is 0.9%, which we have improved from 0.8% from the last year. We believe we will be continued the expansion trajectory in this with all the products being available. And I just like to flag our all of the noninterest income is of a stable fee income. So with all the products available, that is another lever available to growth for the medium-term strategy. That is from 0.9%, we're looking forward for the expansion of the noninterest income.

Yes, you pointed it right. The opex, given we are in expanding phase, there will be limited choices available to reduce/significantly reduce the opex in a short-term basis. On a medium-term basis, we will start getting some benefit from the opex reduction as a percentage to the average assets.

So that are drivers for the ROTA expansion, which we are doing in from the current year also, which we have done in the last years also and which we intend to do in the coming year also.

One, by further improving the average CD ratio which is 81.4% in current year, with the present LCR of 235 with the capital adequacy of 25% plus. With all these levers available, we look forward on a medium-term basis, ROTA NIM expansion and noninterest income expansion from present levels. So these are the drivers which is available for our ROTA and consequent for the ROE expansion in a short to medium-term basis.

And if I come to your next question about the deposit growth. As I shared, as part of our presentation, since we had a lower CD ratio, so deposit and our deposit 92.5% being a retail deposit, 37% being CASA, and we are having cost of deposits being 5.9% and cost of fund of 6%. As such, we are following a calibrated growth on the deposit to take care of the credit needs. But we are confident that we have a sufficient capability available to grow the deposit, to support our business growth but our first endeavour is to firstly improving the CD ratio, which is 81.4% in the current year, and we improved by 2.4% from 79% to 81.2% in FY 25. So this is our perspective on these particular points.

Sarvesh Gupta: Okay. So maybe, so let's say, if we increase the CD ratio this year by 5%, then it will lead to around 20 basis point increase in your ROA. And -- but beyond that -- hello?

Sarvesh Gupta: So if we increase our CD ratio by 500 basis points, you can increase your ROA by maybe 20 basis points. And then we can also have maybe 10 basis point improvement because of the noninterest income. So around 30 basis point increase in ROA, we can get maybe in 1 year or 2 years. That is well understood. But beyond that, sir, since our deposit growth has -- so A, it is low compared to most of our peers.

And B, I can also see in your presentation that it has come down significantly from pre COVID to post COVID. So what is the strategy? Can it be a more -- I mean, 13% deposit growth is even large PSU banks at a very large scale are doing that sort of a deposit growth. So at your very small scale and presence in just one state more largely, how -- I mean how are we thinking about 13%, sir? I mean what are our plans around that?

Munish Jain: Sarvesh as I reiterate. As far as the ROTA tree shared about the Q4 numbers, I'd like say just these are the numbers which we can consider for the medium-term basis. I don't want to give any time line to this particular number, but these are the numbers which we are also -- which is a mathematically very well the feasibility is there. And as far as a deposit franchise is concerned. If you look into our deposit book, you will see our deposit is purely retail. During current year, we have not increased the bulk deposit.

Beginning of the year, our bulk deposit was 7.5, at the end of the year, it is 7.5. We get all of the growth from the retail deposit only. And with a very, very distributed retail deposit, which is around 11% growth. And we have calibrated this growth, given we want to improve the CD ratio and given the scenario on the asset side. So we cautiously and responsibly grow our advance book to keep an eye on the asset quality. So we believe a better growth rate in the deposit in the current year. And as I said, we intend to grow our loan book by more than 20% in the current year, keeping in with the present environment.

Some positive change in the environment may have a positive implication. But presently, if we look into the present environmental. So we're looking -- targeting 20% growth rate on advances, and we believe we will be growing our deposit at a faster rate than we did in the last year. But saying all said, we intend to grow our CD ratio from 81.4% to some further higher levels.

Sarvesh Gupta: Understood, sir. And sir, last question is your credit cost is only 10 basis points, which is much lower -- very low than many other banks. But your SMA is quite high. I mean 5%, 6% is much higher than any other years. So what is the reason behind it? And how do you see the credit cost? What should be the normal credit cost that we should pencil in for your business?

Munish Jain: So if we look into the credit cost on the average assets or the credit cost on the average advances, our credit cost, which you have been seeing as a part of the ROTA tree is typically credit cost to the average assets, which is 0.12% for the current year. If you calculate it on an average advantage, it will turn out to the 0.18% to 0.2%.

If I talk about our historically average credit cost, on an average asset basis, we always remain in the tight range of 0.1% to 0.15%. Except the 2 years, which is a covid affected year, in which this particular number has been a bit higher and that to not on a loss basis but on required provisioning basis. We believe going ahead also, we want to keep it in a tight range of 0.1% to 0.2% for the current year also and going forward for a couple of years. So we are quite confident to keep it in a tight range of 0.1% to 0.2% as we move forward.

And as far as the SMAs are concerned. So the SMA is typically below 5% presently. I respect your views. But sir, we believe in the retail franchise, when with the average ticket size of INR15 lakhs. So having an SMA, which is below 5% is with the huge efforts and obviously we want to achieve more. But but we are quite happy rather with the present SMA number of -- put together being below 5% of the total portfolio.

And most important thing that I like to track here. We have not written off any assets, significant written up. It will be written off is less than INR1 crore and no sell-off of the bad assets to any ARCs. It is purely full recovery effort-based credit portfolio.

Sarvesh Gupta: Sure sir. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Shreyas Pimple from JM Financial. Please go ahead.

Shreyas Pimple: Thank you so much, sir, for the opportunity. I wanted to understand the impact of rate cuts on NIMs. You highlighted in your opening comments that your NIM, you want to keep it at a stable level of around 4%. Can you highlight, I mean, what -- I mean the -- on the asset side, what is -- how much portion of the book is floating rate? How much is the fixed split?

Munish Jain: Surely. If you look into our total portfolio, as of March 31, 2025, we have a 55% book, which is a floating rate book. The same number was around 62% a year back. During the period, we were seeing an interest rate downward trend. We increased the fixed rate book for our portfolio. And presently, our floating book is 54.77% as of 31 March, 2025.

Within this, we have 12% of the book, which is an EBR-linked book. So we have around 12% book, which is EBR-linked based book, which has a direct implication of this EB change. And the remaining book is MCLR-linked, which will be dependent upon our cost of funds. So that is one aspect I'd like to flag.

To counter this particular 12% book, which will be impacted directly by the interest rate cuts. We have already factored and ALCO has already decided and reduced our saving bank rate also by 15 bps, so that we can continue to retain the NIM,. Presently, we are having a NIM of 4.2%. It is not 4%.

We intend to maintain and improve the NIM from the present level for the current fiscal despite the fact we are anticipating some further rate cuts and the rate cuts impact on the EBR-linked is immediate basis, whereas on the deposit, it will be with the maturity on a rollover basis.

But just to share you with the balance sheet construct. If you look into the balance sheet construct, we are typically having 45% of advances on a fixed rate or rather, I will say 55% of the advance, 54.77% on a floating rate. And similarly, on the liability side. we are typically having 36% to 38% CASA and 62% of our deposits are in term deposits, which is linked with interest rate.

And out of this, presently, we are having more than 85% of the deposits with the contractual maturity of around 1 year. So that will get repriced whenever the repricing based the MCLR will be happening so that we can manage both upward and downward interest rate scenario in a more efficient manner. So that's the reason we are confident of maintaining and slightly improving the NIM even for the current fiscal.

Shreyas Pimple: Sure. Sir, I mean, that is very helpful and that gives the confidence. Second question was on the growth of the bank. You said that you want to expand out of Punjab. Also, in the other loans, in terms of the yields, as in I wanted to understand, will you be willing to increase the portion of higher-yielding loans in the current book to expand your ROAs going ahead, whether it is in the current geography of Punjab or when you expand out of the geography?

Munish Jain: If I talk, Shreyas, about the overall perspective, we intend to remain in middle income group-based lender. We intend to retain, maintain a secured lending franchise. We believe there is enough opportunity of growth For a secured lenders in a middle-income group for the production credit. That is the three segments, which we are specializing in. That is the mortgage, MSME & trading and Agri.

We will continue to grow in these three segments as we move forward. Depending upon the state in which we are expanding, our pedal will keep on moving. What I mean by this, see, we are now current year we will be expanding in Rajasthan.

And Rajasthan, we will be targeting the mortgage market. We will be putting over higher MSMEs in Rajasthan for the mortgage market. And if now we will be expanding more in Delhi. In Delhi, we will be putting in more target on MSME segment. Since we're not an one line business product company, we have multi-lending products, I mean within the middle income group segments.

Depending upon the geography and the potentiality available, over a product under consideration will keep on moving. Since we have all the three products available, which is needed by the middle-income segment. Going ahead, we intend to remain these three bank product lenders and we intend to expand our NIM. Just we are not intending to enter into unsecured piece, we want to grow responsibly, saying all this, we are growth hungry and we intend to grow at much faster rates.

With the present market environment also, we are confident of growing more than 20% and I believe the market environment from the more clarity on the tariff or trade will improve and help us improving our growth trajectories. This is what I believe and with this, we want to improve our margins both in terms of NIM as well as the ROTA as we move forward.

Shreyas Pimple: Understood, sir. That is very helpful. Just the last question, you said that on the other income part, you will be increasing the other income gradually. Can you explain as to exactly what part of other income you will be focusing on? Will it be banca commissions, will it be operations related to fee income? So what portion are you focusing on?

Munish Jain: As we look into the present other income spec, which is available on Slide number 10, we are having a very mixed other income, which is from all the segments. Current year, we want to expand both advanced related fee income, operation-related fee income and banca related fee income, which may be supported further by some treasury benefits because in the last year, we made only peanuts. In the last 2 years, we made only a very smaller money from the treasury.

So the current year, I believe with the type of the interest rate environment, which is on a downward trajectory, which will be giving us a benefit from the treasury income side. So it will be compensating that particular small growth impact on the NIM and expansion of the NIM will be compensated slightly by the treasury income also.

But saying all this, I believe current year, we want to increase our customer outreach. We were doing NTBs. I will say new to bank. From last year, we have started moving to that deep inpocket. That is in deepening the customer base. With the deepening that's already been started. I believe going forward also, we intend to grow all the three pieces maybe advance rate fee income, may it be operations that is a payment channels related fee income or need the banca commission fee related income that is selling other financial products.

All the three products are in our target segment and we intend to grow all that as we move forward.

Shreyas Pimple: Sure, sir. That is very helpful. Sir, on the last part on the LCR, the new regulation on LCR, do you see any impact of that regulation on the bank? I know the LCR ratio is very high for us around 235%, but is there any negative adverse impact?

Munish Jain: As far as our present calculation, LCR, I'm very surprised to see RBI also said there will be positive impact visible on the banking around 6%. And as per our model, as per our position, as of 31st March 2025 with the new LCR guidelines, we will be having a positive effect of 6% on the present LCR.

Shreyas Pimple: Thank you so much. Sir that was really helpful and all congratulations on the quarter and all the best for the near future, sir. Thank you.

Moderator: Thank you. The next question is from the line of Shreepal Doshi from Equirus Securities. Please go ahead.

Shreepal Doshi: Hi, sir. Good morning and thank you for giving me the opportunity. Sir, my question was on growth side and also on deposit side. Since you highlighted that we are trying to calibrate our deposit growth in such a way that our asset growth, it leads to better asset growth and also our margins remain healthy.

I mean, do you think that we should, I mean, our deposit strategy because there also the growth is softer at, let us say, closer to 14% for the year. And even on the asset side, if you look at in the last 3 years, our growth has not been more than 20% in any of the last 3 years. So I mean, maybe a time to look at the strategy a little differently on deposit side and therefore benefiting the asset side as well. Just your comments and thoughts on this?

Munish Jain: Shreepal as I said, we intend to grow faster. Last year also, there was because of certain actions and that is a certain stress coming in certain segments and certain macro level factors. There has been a dip in business in some of the growth in industry as a whole. As I said, industry as a whole, growth has subdued from 16.4% to 10.3% for the industry as a whole. We've been part of the industry. We grow 1.6x of the industry.

Yes, we believe we have more potential and we have more capacity to grow. But last year we grow responsibly and current year we are now fully geared up. All the things are in place. Out of Punjab book will start growing with a much faster way. The Punjab start contributing good, asset quality in control, liquidities available, capital is available, market dynamics, especially on MSME, start looking good.

With all this thing in insight, I believe the growth rate in the current year seems to be more than 20%. We are quite confident and we are giving a guidance accordingly for that. On deposit growth perspective, We intend to grow our deposit growth rates from the current year, but in faster rate. This is already in the plan and our budgeting are also into that direction.

That in addition to the advanced linked growth, last year we were working on improving the per-branch disbursement matrix KPI. And if you look over disbursement has improved by 38% on a year-on-year basis. We have touched almost INR12 crores per branch disbursement to the branch channel, average disbursement per year. Current year, we are targeting increasing the deposit per branch contribution, that is the KPI we have internally taken.

I believe we are also internally on the same track to support the advance growth and also having a better deposit growth as we move forward. You will see a better deposit growth in the current fiscal as we move forward.

Shreepal Doshi: And sir, on the asset side, what sort of mix that will emerge because if you look at this year, agri has shrunk to almost 30% to 33%. So will it further continue to sort of contract because -- I mean as we move into non-Punjab geographies where the credit pickup for MSME and mortgage is relatively higher, so will that mix change happen in FY '26, '27?

Munish Jain: I believe our change in the current year mix was because that we have grown faster in MSME. Currently, we intend to grow faster in MSME and trading book which is presently 21%. We intend to improve this number. You will see some increase in the ATS also in this portfolio so that we are targeting a bit higher segment, but remain within our portfolio. You will see some ATS also increase in the coming year in the MSME and trading book.

So that particular portfolio will grow and we also intend to grow mortgage. But we are not intending to shrink further the agriculture. Agriculture will be holding around similar levels for the current year. And yes, we want to improve the MSME, maybe taking out from the other loans.

Shreepal Doshi: Got it. Sir one last question was on the kind of margins that we see to happen in FY '26 and just comments on ROA for FY '26?

Munish Jain: We at this point, we closed the last fiscal FY '25 at 1.4% ROA and we are continuously improving our ROA from last many years, 4, 5 years consecutively . FY '26, we also intend to further improve the ROA. At this stage, I don't intend to give any number to this given the market dynamics on the interest rate environment is too uncertain. But one, given all this, but we are giving a guidance of improvement in ROA.

So how much improvement in ROTA will be depending upon the market process, but we are confident on improving the ROTA again in FY '26. So that is what I want to say. Whatever we earned in FY '25, we intend to improve the ROTA further in FY '26.

Shreepal Doshi: Got it. Thank you, sir. Thank you so much for answering.

Moderator: Thank you. The next question is from the line of Anant Mundra from My temple Capital. Please go ahead.

Anant Mundra: Thank you for the opportunity, sir. Sir we've had a slightly slower growth in Agri this year. So is it because we are well penetrated in Punjab and the opportunities to further mine are fewer and that's why Agri has been slow or is there any other reason attributable for this?

Munish Jain: The basic factor, as I said, there is no contraction in agriculture book. Agriculture book on a standalone basis has improved. On a percentage basis, it has contracted. The reason for this contractual on a percentile basis is the better growth in the other loan segments. Just we were doing AGRI primarily in Punjab and some portion in Haryana.

We are not doing Agri in other parts of the country that is the other states. We are doing Agri primarily in Punjab and some part sort of Haryana. But we are seeing some opportunity coming up in the current year again, now in the Agri. So as I said earlier Agri portfolio we are not taking forward for any further contraction. We will believe that we will be retaining at the present level. There was a contraction in %age terms in AGRI, not contraction coming for the region of the other segment need to be grow at a faster rate.

Now I believe agriculture will be matching up with the overall growth rates, maybe -- and retaining its share which is around 32% in the range of 30% to 31% or 30% to 32% is what we intend to 31% to 33% is the type of the range we believe agriculture will remain. So it's just -- we were a bit cautioned on agriculture in the last year. And now with all the things in place where everything is settled.

We are confident on agriculture growth as well as we move forward, but by saying all this since our out of Punjab will be dominated by MSME and mortgage and our out of Punjab, as I said earlier has improved in the current year from 17.3% of the total portfolio to 21.2%. I believe we will continue to see a further improvement in this metric and consequently growth higher percentage towards MSME and mortgage. Anant aren't audible?

Moderator: Yes, sir, Anant isn't audible. I'll take up the next question which is from the line of Rishikesh from Robo Capital. Please go ahead.

Rishikesh: So sir net NPA, which is currently around 1.3% and we had earlier targeted that we will bring a net NPA below 1 as a criteria for universal banking license. So given that our normal credit cost around 0.1%, 0.2%, will we need any additional credit cost for this year?

Munish Jain: Yes, as a principal guidance we intend to our target line was to bring it to around 1% -- to the 1% level in the current fiscal that is FY '26 to be eligible for the universal banking license. So we believe in the current year, we are able to improve it by 10 basis points without any additional credit cost.

So I see, we will be able to contain it by a big percentile by on a natural recovery asset based, which is a recovery asset based. So in slippage ratio we are able to contract the slippage ratio for FY '25. The slippage ratio for FY '25 which is 1.41% and it was 2.4% in FY '24. So we were able to contain our slippage ratio by 100 basis points which was 2.4% in FY '24 to 1.4% in FY '25.

This contraction in the slippage ratio for that year. So the recoveries typically, it's taking a bit lag. I believe we will be having some natural tailwind benefits this on our net NPAs. And basis this we intend to make it below 1% of that level. And for any additional provisional requirement, if any needed will be evaluating at that point of time in the broader spectrum and as looked by my apex body of my Board of Directors.

So that is what we believe, but we are on that direction and accordingly the slippage as well as the net NPA has reduced. And with the reduction in slippage ratio in the last financial year, I can sense it better our net NPAs in the current year as a natural consequence.

Rishikesh: Okay, got it. Thank you.

Moderator: The next question is from the line of Anant Mundra from my temple Capital. Please go ahead.

Anant Mundra: Am I audible?

Munish Jain: I think we lost the line. So I trust you heard what I said or you missed something or I repeat it?

Anant Mundra: No, sorry, I heard you. So that's okay. That part is done. Sir, I wanted to check on what our deposit share is out of Punjab. Could you give some color on that?

Munish Jain: I can try to share on this thing from the rather than from Punjab, outside of Punjab. I will just share you on data, which will be a data in test for you. We are having 36.4% deposits from a rural area. We have 39.5% of the deposit from the semi-urban area. And we have only 24.1% deposits from the urban area.

So our deposit franchise is granular. We make average ticket size of the saving bank account has increased by INR1,000 during the current year, which was around INR42,000 has increased to INR43,000. We improved the average ticket size of current accounts also, which was was around INR1.24 lakh which has improved to INR1.47 lakh.

So, our intent is to be granular and a deeper deposit franchise. So saying all this. So Punjab and Haryana presently and going forward will be going to beour a larger deposit market. So that is what I'm trying to intend to say. Just on advance side, we have started moving out of Punjab, but Punjab is going to be dominating for our deposits. And it has been presently 91.95% against 93.89% in year back.

Anant Mundra: Got it. So sir, when we mentioned that Haryana is going to be the next Punjab. So I'm guessing our deposits because we are very strong in deposit franchise in Punjab. So what is the comfort that we are getting that our deposit franchise will be as strong in Haryana as well when we grow there?

Munish Jain: we're getting 2 or 3 side of comfort. First comfort is the deposit mix we are getting from Haryana. That is from the share of the CASA. Second is the growth coming from Haryana., that the majority of that is coming only from Punjab and Haryana.

And Haryana started contributing from all the metrics from that particular site. So we are confident as we move forward. Haryana is presently constituting having only 20 branches out of total 195 branches presently. And current year, we intend to add 10 more branches in Haryana to make it over 30 branches, which make us eligible for the government business also in Haryana by end of this year.

So which will be helping us further garnering a better retail deposit. With that, we will be able to have a better customer connect. So that's the way we call making Haryana our next Punjab.

Anant Mundra: Got it. Sir, you mentioned CASA is quite good there. So what is the CASA in Haryana?

Munish Jain: It is almost at the bank level. So we have bank level around 37%. Haryana will be also around a similar or a slightly higher level.

Anant Mundra: Okay. And sir, you mentioned you're opening 10 branches in Haryana. So what is the overall target that we have for the entire bank?

Munish Jain: We intend to open 20 to 25 branches or say around 25 branches.

Anant Mundra: Okay. And so Haryana is 10. And how much would be within Punjab out of this 20, 25 branches?

Munish Jain: So instead of giving any number for the state specific, so Haryana, we may want to intend to make it 30. That is our start point. So that is the reason for that we are eligible for certain additional benefits from Haryana. So we are targeting 10 for Haryana. Other branches will be a mix of the Punjab, deep-penetrating in Punjab, entering into other states. And we also intend to enter one more state during the current year.

Anant Mundra: Okay. And sir, so if I look at the SMA 1 and SMA 2 book, you mentioned that it is below 5%. But if I see the trajectory, I think last year, it was about 3.5%, 3.6%. And it is going up. So doesn't that worry us, because our credit cost is quite low? And any shootouts that is happening in SMA will further weak to gross NPA flows and could further increase our credit cost, which is quite low.

Munish Jain: Anant, if you look into our SMA number. SMA number, FY '25 was 4.46 and presently, it's 4.88. So I see it as basic point up and down. So I will not term it as an increase. Even if we look into this increase, this is not an increase, which we can set on our case. On -- that is not even a 1% range. That is not even a 0.5 percentage change.

So that is a slight change. So we will get a number. So there is no alarm signal or worrying signal coming out of this, at least what we see out of it. So it is all I deviate a similar number. Some percentage basis point change is not the thing to be worried about is what we internally believe.

Anant Mundra: No, I was actually comparing to FY '23 number where it was about 3.5, 3.6. So probably that could have been an exception. I don't know. But from there, it appears quite high?

Munish Jain: Those were the years when there was COVID-related payment. Restrictions were also there for a longer period. So restructuring provisions were there. So those were the years. When there are a lot of other additional benefits which may be coming up, pulling out from the last period.

So last year was one of the years in which there's a full piece proper year, no benefits or repayments, currently the second year to 2.5 years. So comparison metric, if we look into FY '24 versus FY '25, we are almost at a similar level. I will not say -- I will say a similar level. There is -- because the delta between 2 is not even 50 basis points.

Anant Mundra: Got it, sir. And sir, one final question was that you guided that our NIM typically expands by 4 bps is the CD ratio expands by 100 bps. So for this calculation, what kind of rate cut have you already factored in?

Munish Jain: For this particular calculation, the calculation is based on a simple math. That is the interest spread. That is a difference between cost of deposit and yield on advances remain constant. Any change in that particular spread will have a different application. So this -- thing is just pure plain vanilla, what will be the benefit of NIM of the CD ratio expansion.

The other factor change, that is a change given some contraction in the industry level changes of any happen future that separately. So that is what I'm trying to clarify. So that is an additional benefit is available or the benefits and oblique challenges, which is available for all other people like us will remain constant.

Anant Mundra: Got it. And sir, would it be possible for you to give the PCR breakup across segments, Agri, mortgage, MSME and trading and the other segments?

Munish Jain: At this stage, I'm not handy. I will ask my IR team, he will connect that to you and share this number.

Anant Mundra: Okay. Thank you, sir. That's it from me.

Munish jain: Thank you, Anant.

Moderator: The next question is from the line of Sanjay Shah from Pranishta. Please go ahead.

Sanjay Shah: Congratulations on a very consistent set of numbers as you have been reporting over the last several, several quarters. Just a question, not in now and the near, but was the medium term, it could be 3 years, 4 years. But where do you think you can take your ROTA to return on total assets. Effectively, how much can you compound your book over a 3 year to 4 year period and ROTA?

Munish Jain: Sanjay, I think asking me about my bucket list. So I'm on an earnings call and am talking about my bucket list may not be advisable. But I think you're asking only my bucket list and what I wish and what I believe our model we can take it. Instead of reporting any number, if I give you the guidance or the forward other things.

If you look into a present ROTA tree, you will see we've been 4.2% NIM with a 81.4% CD ratio. If we look into with the interest spread, that is a difference between cost of deposits and loan advances being 5.2 to 5.5. With that, we are typically having 4.2 NIM. If I believe that 4 basis point increase is happening over a medium-term basis over a year, if the 5.2 to 5.4 remain in that same range with 100 basis point change.

And we intend to take the CD ratio to mid to high 80s. And I don't say we want to cross 90. We want to make it mid to high 80s, so we have a legroom available for 7 to 8 basis point increase. So which will be giving us some benefit. And it is not a year scale, it is come couple of years, which will be required. So that is a first ROTA expansion available.

Secondary available is about the noninterest income. This present is 0.9, which we are continuously improving, which was 0.6 in FY '23, which was 0.8 in FY '24, which is 0.9 in FY '25. If I talk and give the deepening drive with the customer profile touching almost 8 lakhs, 7.85 lakh to be precise with our deepening drive with all products being placed.

I believe this number has a very high opportunity to move it further. If we look into the various other universal commercial bank, you'll find this number to be in the range of 1.25% to 1.35%. And if we take out the trade finance, since we are not in a trade finance, this number will be 1.1% to 1.25%. So we have a sufficient option available. We have a sufficient opportunity available to expand it.

And third, that is the opex. opex, which we believe will remain constant for current year or maybe for 1 more year, and which is around 3.1% to 3.2%, which is a range we are maintaining for some period now. I believe for the -- maybe for a shorter period, it will remain in this tight delta.

But ultimately, with the model which we are talking, with the mature branches mixing moving up and when we will be drying up the NIM expansion and the non interest expansion of earning, this particular driver will come into the play. From 3.05, 3.1 to 3.2, the decline has to be there.

And if we look into the industry average, the guy who will be crossing the similar type of model with a retail franchise, you will know what sort of the cost income ratios the are playing and what sort of no opex ratio to the average assets they are playing. So I believe this is a third play which is available.

So with these 3 available with a 1.4% ROTA being presently, I believe the opportunity or my bucket list to see it growing is phenomenally high. But those are -- but we need to -- I just want to be very honest upfront that we are a growth hungry, and we don't want to be a stable state entity.

We want to be a blended entity for a period for some while as we move forward. But in a blended while also, we are able to improve the ROTA and we are maintaining this category that we intend to improve the ROTA which is passing. Despite the fact we are a blend entity and with the growth higher branch be opening.

So I believe the expansion in the ROTA over medium to the long-term basis, the levers are phenomenally high. I'm -- my apologies, I'm not in a position to share the number since constrained to share the right numbers, please.

Sanjay Shah: No, no, that's fair. That's fair. I guess one of the reasons why everybody is asking about the deposit growth is because we can completely and fully understand the fact that you have sufficiently levered to improve upon the credit deposit ratio for probably 1 year, 1.5 years. And as you rightly said, you don't want to go beyond the 90s. So I guess, indirectly, directly, we're all wondering what the longer-term trajectory can be, but we completely understand and respect what your response is. So, thank you very much.

Munish Jain: Thank you, Sanjay.

Moderator: The next question is from the line of Iqbal Singh from IFM. Please go ahead.

Iqbal Singh: Sir, my question is what is your preparedness for the Universal Bank License and when we can expect that?

Munish Jain: Iqbal, just I just want to say it in this way. I, as a representative of my Board, I can say I -- our target is to tick the boxes to be eligible for the Universal Commercial Bank. At this point of time, with the scale we are having, I believe my apex body, my Board will be deciding the factors when to apply for the Universal Bank.

But one thing is we are quite ambitious and we are quite the Universal Bank transition is the one part which is quite encouraging for me and my whole of the team, which is keeping us quite motivated. Saying all this, I'd just like to flag 1, 2 points, Iqbal. If you look into the business model on which Capital Small Finance Bank is working.

The arbitrage between SFB and UCB from the earning and the growth perspective. The 3 arbitrates, one being up to INR50 lakhs, there has to be 50% -- up to 25 lakhs, there has to be 50% portfolio. We are way ahead of it, we are 61% plus. 75% need to be the PSL our model is PSL driven.

Third, higher capital adequacy. We are already having a 25% capital adequacy. So even in the transit period or in the entire period, so our Board decides when to apply for the UCB, our growth rate and our asset return metrics will continue this similar trajectory. Just converting the Universal Bank will help us in further expansion of the ROTA by having a better access to the retail lower-cost deposit.

So with that thing in sight, we intend to tick all boxes in the current fiscal as we guided in the last call. So -- and the next call will be taken by ourapex body, my Board after evaluating all the situation existing.

Iqbal Singh: So when you are expecting that your slippage, which you have done a very good job in FY '24, which was 2.4%. And as FY '25, it is 1.41%. And when you can expect because this is one of the hurdles that you have to be less than 1% slippage. So where -- do you expect in FY '26, you are able to do that to have the prepaid less than 1%?

Munish Jain: Iqbal. Just a clarification. 1% is not the slippage ratio which is required. 1% is a net NPA ratio, which is required, which we are...

Iqbal Singh: Yes. Sorry, Net NPA.

Munish Jain: Which we have already 1.3%. I believe we are intending with our growth with our recovery efforts our internal target in the current fiscal to tick that box. Just it is linked with a lot of macro factors. Iqbal you know, lenders are with the macro factors. Just with the present macro factors we remain constant or some improvement. I believe we are internally targeting to tick the boxes, as we discussed earlier in the calls, we intend to tick all boxes in the current year FY '26.

Iqbal Singh: One more additional question. How much spend is there on a digital transformation or digital on boarding of any metrics of revenue or income?

Munish Jain: As far as -- if I talk about, Iqbal. We typically have a decent spend on the IT base spend, that being a security-related or the infra related or other territories. Just a proxy to this, we have 88% of the transactions are done presently through a digital mode, which was around, below 50% 4 year, 5 years back. So even if I talk about FY '22, post the COVID started this number was usually to be 70, 71. The current year come 88% of our present transactions are purely the digital platform.

So we are constantly spending and constantly evolving on the digital front. But I'd just like to very upfrontly flag, Iqbal. We are a Phygi-digital entity. We are a semi urban and rural areas specialist and the middle income group specialist entity. So there are a lot of such play we require a human connect. We are available digitally for all the transaction and 88% of the transaction is a testimony to that. But we are proudly saying we are aphygidigital entity.

Where both the digital and the physical phases will be available to our present and prospective clients. And sinceIndia is started transacting on UPI. But for the lending practice or for the deposit practice, they're still expecting a physical space. We are available both physically and digitally in all the channels. And that's what our philosophy and our outage program is.

Iqbal Singh: And once again, congratulations for presenting wonderful numbers. Better than the expectation of the market.

Moderator: The next question is from the line of Pritesh Bumb from DAM Capital Advisors.

Pritesh Bumb: A couple of questions. Sir, have you done any re-cuts already after the repo rate cuts? If yes, how much and which products?

Munish Jain: I missed the question.

Munish Jain: I'm sorry, Pritesh. We have done rate cuts. We have done a rate cut in our savings time deposit rate by 15 basis points, which will be effective from 1st of May, and it has been. We have cut our bulk deposit, term deposit rate on a non-callable bulk deposit, which has already been affected. So these 2 cuts we have already implemented over the month after the present last week on the current month only to help us retain and retaining the present names.

Pritesh Bumb: Sir, the -- SA deposit cut now what do we bring to our customers? I believe it was 4%?

Munish Jain: I missed what you said. It was 3.5%. Now we'll be offering 3.35% on the savings -- from 1st of May it was 3.5% .

Pritesh Bumb: Right. And sir, on the asset side, have you done any rate cuts any pass on had happened already?

Munish Jain: as I said, we have presently 54.77%floating book out of this 12% being EBR linked. We have passed out on the EBR will be done automatically in the beginning of the next month in which is the EBR cut. So last EBR cut has already been passed and the current April month EBR cut will be effective from 1st of May. So that is for the 12%, 11.74% I can say around 12% of my total portfolio, which will be moving on this particular EBR rate with the benefit.

On MCLR, there is -- it is constant. We have not reduced MCLR on the current month. And I'm not sensing MCLR so that is what where we are. On the other 2, 88% of the book or 88.25% of the book there is no interested change which we have factored in.

Pritesh Bumb: Got it. Sir, any -- so you mentioned that you may look to a -- move to a new state, but wanted to also check if we are introducing any new product or starting any new product in the bank?

Munish Jain: Pritesh. We typically intend with the simple philosophy that we want to be the primary banker of the customer and to follow our middle in-group segment customer. To achieve that, we keep on evolving on our product. So since on the lending piece, we believe we have almost all the products, just fine-tuning of the products keep on happening. We recently launched a business class product in the last quarter.

So similarly, fine-tuning of the product, which we are doing and we will continue to do. Depending upon the new geography where we are going, new customer segment which is coming. And new opportunity we see to address and to ensure that customer set is coming. So with the overall guiding force we want to be lending to a middle income group segment, secured lender and for the production credit.

That is, we're doing the businesses, agriculture or taking care of its housing needs. To achieve this particular thing and evolution is what is required, we continue to do it. And we -- it is a natural regular practice we keep on doing. And we are doing it and we'll continue to do it.

Pritesh Bumb: And last question is that you mentioned about the mix going ahead especially in FY '26, which means that the corporate mix will be down in FY '26, right? Basically, it will grow than 20%, then only the mix will come down and other mix will move up?

Munish Jain: Pritesh. I say that maybe this may not be the only the corporate. Corporate is present. We have a total 20% loans in conjunction in the corporate book together. I believe going forward, we intend to grow MSME. And this 1% to 2% growth in MSME may be coming out from other loans or maybe some other sector. So I'm not saying that it will be necessarily, there is because we are not -- we have interpreted internal limits that we don't want to go with more than 15% in the large corporates. So we are well below that limit.

So we have our internal task force for each of the products, especially for these type of products. We are presently very mindful of what we are lending, and we want -- we are lending very responsibly. And we will continue to lend in a responsible environment, giving a very, micro level cut of my FY '26. I'm saying it's not feasible. Just our endeavour is to increase our MSME and trading book and mortgage book as we move forward.

And we're seeing an opportunity also in that. So it may be coming from my corporate, it may be coming from a consumption or it may be coming out slightly from my agriculture.

Moderator: The next question is from the line of Rudransh Kalra from MB Investments.

Rudransh Kalra: My question is, what would be your loan mix in terms of terms of gold loans, housing or LAP, vehicle loans and so on and so forth? If could explain that would be good?

Munish Jain: Surely. If we talk about the, firstly, the LAP business, which is we typically call it loan against property. Loan against property which sits under the mortgage book. Presently, we are having 27% mortgage book. It will be having around 12% to 13% LAP business, which will go primarily to the MSME clients. So this will be typically, we can call it a business LAP. We can call it MSME base clients in LAP business, which will be around 12% to 13.5% in the present business.

If I talk about the gold loan, auto loan, personal loan business, which is typically, we are talking about that particular business will be around 3% to 5% of the total portfolio. So these 2 things put together will be around 7.5% to 8.5%. That is the delta we typically maintain 7.5% to 10%. So in this -- in this particular type range, you will find all these type of lending, which you are mentioning.

But I want to mention we differentiate LAP because LAP also includes the money which we give to the MSME against the property and which is used by him for businesses. So we internally -- is being categorized under the mortgage loan piece and the 3 loans which we mentioned, gold loan, personal loan, auto loan are being categorized under consumption and other loans, you could refer our Slide 5 of the investor presentation. These are part of secondary hook to our existing borrowers as we primarily lend for productive purposes.

Rudransh Kalra: All right. And what do you think -- when do you think your gross NPAs should be under 2.5 and the net NPA should be under 1? By what time line do you think that would be achievable?

Munish Jain: Rudransh on the GNPA, we are already 2.58%. So we are almost 2.5 now. So it is just if I talk about it, we there's a slightly basic points different, 8 basis points. We are talking about 2.5, we are typically 2.58%. So we're already hitting the almost 2.50% levels. So we -- yes, we are working hard to contain it below 2.50% level. So that is what we are.

And from the net NPA level getting into the macro environment factor. There are a lot of macro environment factor in play for the asset quality. But we are able to come out very, strongly in all the black swan events historically. So it's making us a better confidence that we intend to touch the – bring down the net NPAs as you move forward in the current fiscal as well. We're intending to reduce both GNPA and NNPA in current fiscal.

Rudransh Kalra: All right. And one last question. Are you guys focusing on gold loans and why and why not?

Munish Jain: You ask home loans now?

Rudransh Kalra: Gold loan.

Munish Jain: No, we are not focusing on gold loan. We being by our DNA are a production lender for a middle income group. Gold loan is a specialized play with the specialized sector of customer. Our expertise is a middle income group for a production-led business. So we are lesser in a consumption andgold loans. We do gold loan to the client who is our availing either our main products.

And he wanted a second or third product as gold loan. So gold loan as a product is available, but it is not being sold as a first product.

Rudransh Kalra: All right. So is this a value-added product but like no mainstream goal to focus on gold loans, right?

Munish Jain: That's right Rudransh.

Moderator: This would be the last question for the day. I would now like to hand the conference over to management for closing comments.

Sarvjit Samra: Thank you, everyone, for joining the call today and for your questions and all the support through the year. In case you have any further questions, kindly reach out to the IR team and we'll be more than happy to respond. Thank you once again. Have a good day.

Moderator: On behalf of Capital Small Finance Bank Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.