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BSE Limited
Listing Department,
P J Towers,
1st floor Dalal Street.
Mumbai 400 001

Scrip Code: 532772

National Stock Exchange of India Limited
Listing Department,
Exchange Plaza, 5th floor, Plot No. C/1,
G Block Bandra – Kurla Complex,
Bandra (East), Mumbai 400 051

NSE Symbol: DCBBANK

Dear Sir/ Madam,

Subject: Transcript of the Earnings Conference Call held on January 23, 2026

Pursuant to the Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached the transcript of the Earnings Conference Call held on January 23, 2026 with respect to the Unaudited Financial Results of DCB Bank Limited (“the Bank”) for the third quarter and nine months ended December 31, 2025. The same has also been uploaded on website of the Bank and can be accessed at the link given below:

<https://www.dcb.bank.in/api/dcb/assets/2026-01/324.%20Transcript%20of%20the%20Earnings%20Conference%20Call%20held%20on%20January%2023%2C%202026.pdf>

This is for your information and record.

Thanking you,

Yours faithfully,
For DCB Bank Limited

Rubi Chaturvedi
Company Secretary &
Compliance Officer

Encl: As stated above

DCB Bank Limited

Corporate & Registered Office: 6th Floor, Tower A, Peninsula Business Park, Senapati Bapat Marg, Lower Parel, Mumbai - 400013
CIN: L99999MH1995PLC089008 Tel: +91 22 66187000 Fax: +91 22 66589970 Website: www.dcb.bank.in



DCB Bank Limited

Q3 FY '26 Earnings Conference Call

January 23, 2026

**MANAGEMENT: MR. PRAVEEN KUTTY – MANAGING DIRECTOR AND
CHIEF EXECUTIVE OFFICER – DCB BANK LIMITED
MR. SRIDHAR SESHADRI – WHOLE-TIME DIRECTOR –
DCB BANK LIMITED
MR. RAVI KUMAR – CHIEF FINANCIAL OFFICER –
DCB BANK LIMITED
MR. AJIT KUMAR SINGH – CHIEF INVESTOR
RELATIONS OFFICER – DCB BANK LIMITED**

Moderator:

Ladies and gentlemen, good day, and welcome to the DCB Bank Q3 FY '26 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 touch-tone phone.

From management, we have with us today Mr. Praveen Kutty, Managing Director and CEO; Mr. Sridhar Seshadri, Whole-Time Director; Mr. Ravi Kumar, Chief Financial Officer; Mr. Ajit Kumar Singh, Chief Investor Relations Officer.

I now hand the conference over to Mr. Praveen Kutty, MD and CEO, DCB Bank. Thank you, and over to you, Mr. Kutty.

Praveen Kutty:

Thank you. Good evening, ladies and gentlemen. Welcome to DCB Bank's Quarter III earnings call. At the outset, I would like to run you through the headline numbers. The customer advances have grown Y-o-Y by 18.46%. Customer deposits have grown Y-o-Y by 19.54% and profit after tax has grown Y-o-Y by 22%, despite a onetime impact of INR 26.87 crores. We'll come to that in a minute.

Consistency, predictability and repeatability, I keep saying this every meeting, every interaction with all of you and as well as the management team. This continues to be a key cornerstone of our business strategy. And you've been seeing the results of this, over many quarters, now.

I'd like to give you some finer details and texture on both the top line and bottom line numbers. NIM continues its upward momentum, clocking 3.27% for the quarter, thanks to reduced cost of deposit, which now stands at 6.86%, that's a 10 basis point drop in the quarter.

It's pertinent to note that the net interest income as a percentage of total assets for Q3 this year is higher than the net interest income for Q3 of last year, and Q3 of last year, remember, was prior to the rate cut cycle. The fee growth continues to be encouraging. And what's more, the core fee income at INR 182 crores led by third-party distribution, trade finance and processing fees is looking robust.

On the cost front, we have taken an impact of INR 26.87 crores on account of the new labour code. Despite this, our cost to income is at 61.84%, which is lower than Q3 of last year and cost to average assets is the same as of Q3 of last year.

I want to clarify that the quarterly incremental impact of the wage bill would be marginal.

Also, what is pertinent to note is that we have grown 18.5% in advances and 19.5% in deposits with less number of employees than we had in Q3 of last year. We had 11,339 people same time last year. We have 10,981 people now.

Our focus on organic sourcing vis-à-vis DSA source business, vendor renegotiation, impact of digitalization and improved use of AI is helping us rein in the cost.

The jaws are widening with income growing at 16% and expenses, including the onetime, growing at 15%. This has resulted in the operating profit growth of 19% Y-o-Y.

On the portfolio quality, our credit costs are benign at 0.37%, much below the minimum stated goal of 0.45%. What is truly heartening for us is that our slippage ratio for the quarter at 3.08% is the lowest we had in 18 quarters.

Our GNPA at 2.72% is the lowest we had, again, strangely in 18 quarters. And our Net NPA at 1.1% is the lowest we had in the last 11 quarters. The net outcome is that we have posted our highest ever quarterly profit of INR 184.74 crores, with an ROA of 0.91% and an ROE of 12.73%.

Let me talk something hypothetical. It's interesting to point out that without the one-off regulatory expense impact, our PAT would have been INR 205 crores, ROA would have been 1.01% and ROE 14.10%.

As far as the future goes, we continue to remain confident about our guidance of 18% to 20% growth year-on-year, and the 13.5% ROE in '26-'27 and 14.5% ROE for '27-'28. That remains unchanged.

Now I'll leave the floor open for questions or clarifications. Operator?

Moderator: Thank you very much, Sir. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Akshat Agrawal from SMIFS Institutional Research.

Akshat Agrawal: Congrats on a very good set of numbers. Apologies if I missed part of initial remarks as there was another result call at the same time. So my first question is on fee income momentum, which was very strong at 15% Q-o-Q. So if you can provide some insight what's driving this? Is it all core? And do we think we can sustain this level of momentum?

Praveen Kutty: Mostly, the core fee income has come from a very decent third-party distribution fee income, which we got. The asset growth has been good. So the processing fee by definition looks very good. Traditionally, Q4 is a good quarter for both third-party distribution and also for loan growth. So in the short term, I see that coming through.

What we are seeing on a go-forward basis, I think a fee of 1% of the average assets is something which we should be getting through. Currently, let me tell you that we are at 1.1%, but on a go-forward basis, 1% seems very, very achievable on a consistent basis.

Akshat Agrawal: Sir, my next question is on margins. So how much of NIM expansion was related to tax refund? Was it 2 bps? And how should we think about the expansion from here in terms of residual deposit repricing, continued benefit from HL to BL transition, as well as hybrid fixed mortgage like moving to floating? And is incremental flow for BL to HL still 60% to 40%? Or has it improved further?

Praveen Kutty: Okay, let's go one by one on this. BL continues to be a large share, even more than 60% of the incremental sourcing, okay? And I think that's a good call that we took. It is helping us, both in terms of income, interest income as well as in terms of bounce rate as well as the NPAs.

Number two, there are mixed activities happening on the margin front. The full impact of CRR is not boxed in yet. That's a positive for Q4, what is not so very positive is that the full impact of the 25 basis point repo cut has also not been boxed in, and that you will see the full impact in the coming quarters.

You've seen the 10 bps reduction in cost of deposit. You would also see our borrowings come down dramatically. And I want you to pay attention to both these items. Because we have a long duration term deposit, our belief is that until Q2 there is clear visibility of reduction through repricing. So the challenge we have is if we continue to renew term deposits, the way we do, then we'll see the benefit of it coming in all the way to quarter 2 of next year, probably even quarter 3. So that's one element.

The second element is we had a borrowing, total borrowing of INR 8,400 odd crores. Now it is about INR 4,700 crores. It is just repricing, our ability to get lower cost of deposit by giving away borrowing, which is more expensive, is coming into play very quickly. And that's also one of the reasons why if you see the balance sheet is growing only 14%, whereas clearly, we are growing our key areas of customer deposits and loans and advances at a much, much higher pace.

So, in short, we see this movement of NIM, the upward movement of NIM should continue definitely till Q1, Q2, unless some repo rate action is done by RBI in the coming, in the near future.

Akshat Agrawal: Right, Sir. So, on the follow-up on that, the tax refund part, was it 2 bps this quarter and hybrid fixed mortgage like moving to floating, how do we see about that, or all these parts, Sir?

Praveen Kutty: I mean it exactly follows, the pattern has been following for the last n number of right over the last 2 years. We haven't changed that. So, in every month, we see some bit of repricing happening on the fixed to floating conversion, but that's very marginal, very, very marginal, which comes in.

Akshat Agrawal: Right, Sir. And the tax refund this quarter, is it 2 bps for impact this quarter of the 4 bps?

Praveen Kutty: I'm sorry. Are you talking about taxation impact?

Akshat Agrawal: Tax refunds, sir. There's a note in the financial.

Praveen Kutty: There's INR 4 crores of tax, interest on tax rather, not a tax refund. Yes, of course.

Akshat Agrawal: Right, sir. And my last question is, sir, on asset quality. Roughly like INR 73 million floating provisions were added this quarter. So is it all for the expected ECL implementation? And what kind of recurring impact are we likely to see with that?

Praveen Kuttty: As a Bank, we want to get to 1% or less NNPA as soon as possible. So, we are doing all that it takes to ensure that Net NPA comes down to 1% or below. And we're sure about the direction. How soon? We'll say, we will get to know soon enough. So, if you see, it's a, bounce rate coming down, slippage coming down, gross NPA coming down, net NPA coming down. So, it's all, gross NPA is a net outcome of all these activities that you're doing.

So we're very clear. It's not meant for ECL. It's just that, you see our recoveries and upgrades as a percentage of our fresh flow, it is 86%. That's like we have never touched that before. And we intend to not only touch, we need to continue that and maybe even go better with the improved new vintage bounces and new sourcing portfolio quality. So it's got nothing to do with ECL.

Moderator: The next question is from the line of Aditya from Securities Investment Management.

Aditya: Congratulations on a good set of results. Sir, my first question is on NIMs. So, Sir, NIM improvement has majorly, I think, come from higher CD ratio and balance sheet improvements, which you mentioned, which you have undertaken on the borrowing side. Because if I look at your spreads, they seems to have dropped Q-o-Q. So yield on advances has fallen at a faster rate than the cost of fund this quarter. So going forward with 25-ish rate cut impact going to be seen in Q4, when do you see cost of funds falling at a faster rate than the yield on advances?

Praveen Kuttty: So, I want you to look at the COD, cost of deposit on a base of almost INR 65,000 crores, okay. On INR 65,000 crores base, you're dropping 10 bps, and you were to compare it with average assets, where there is a drop to, average yield drop by about 10.98%. So the momentum which we'll get will be from continued cost of deposits coming down. If you were able to see, the fall in cost of deposit is sharper than the fall in cost of funds, which basically means that the impact of cost of borrowing is much lesser.

Aditya: Yes, I understood that point, Sir. But if I look at your yield on advances, so they have fallen by 13 bps this quarter as against a drop of 10 bps in the cost of deposits. And the 25-ish rate cut impact to be seen in Q4, do you see the yield on advances falling faster than the cost of deposits in Q4 as well?

Praveen Kuttty: The full impact of the 50 bps rate cut which happened in the previous quarter is taken in Q3, the full impact. So what you're seeing is a lagged impact. For the 25 basis points repo rate cut, which you saw, which has happened in Q3, the impact you will see happening in Q4. The full impact you will see happening in Q4. So it's a lagged impact which you're seeing from a yield reduction perspective.

Whereas the NIM growth is fully predicated on our term deposits and our savings account interest rate going southward. And we have clarity and we have done this playbook once, not once twice, for the last 2 quarters, we've seen this happening. And we are confident that we'll be able to grow as we grow 19.5% at a lower cost of deposits, 6.86%.

And the third thing, which is very important, I want to tell you, is on granularity. Our top 20 has gone down to 6.61%. So it's all the three. And many of you who have been on the Investor Day

presentations that we, that Ravi and I did, we said that it is not 2 out of 3, or 1 out of 3, it's all the 3 together, all the time. So we are very confident that our cost of deposit will come down. The growth rate will continue in the 18% to 20% range. And in addition, we'll also be able to maintain the granularity.

Aditya: Understood, Sir. And Sir, if I look at your growth in deposits, this quarter, a large part of growth has come from bulk deposits. So should one consider this as a one-off? Or considering the rate reduction we have done on the deposit side, there has been some impact on garnering retail deposits?

Praveen Kutty: You would see that our ratio of retail to bulk remains the same at the portfolio level. And there is no reason to believe that it will be any different. So I don't see a big change in bulk deposit versus retail deposit.

Having said that, the reduction of rates on both is on par. I mean the rate of, the reduction in the rate of interest for both bulk deposits and retail deposits, Q3 over Q2 is practically the same. So you're getting the benefit from both retail and bulk deposit repricing.

Aditya: Understood, Sir. And sir, just lastly, on this advance growth, there is this others under advances book, which have grown strongly this quarter. So what is this book?

Praveen Kutty: It's INR 2,000 crores book. It's not a large book. It's INR 2,000 crores book once again, which is a mix of all things, Page number 21. So yes, some loan against term deposit, those kind of things have, the largest component here will be about INR 600 crores, INR 700 crores of loan against term deposit. So there is a mixed bag of whatever is not mentioned in the other products.

Aditya: Got it. And Sir, mortgages have been flattish now for the last 3, 4 quarters. So when do you see that returning to the normal level of growth rates, which we expect from DCB?

Praveen Kutty: I think 12.4% is our Y-o-Y growth on mortgage. We have really curbed DSA sourcing. We are running a higher organic book. And more importantly, our HL growth have been curtailed and has been, and there's far more BL that we're doing. I would tend to think that mortgage will come back to a 18% plus growth, similar to the bank growth in the next full year.

And the reason for that is simple. We have, people take time to get used to the new way of thinking and implementing that. We have done it consistently for the last 9 months. So, we would tend to think for the, and I plan for the whole of next year, mortgage growth will be higher, equivalent or higher to the bank's asset growth.

Moderator: The next question is from the line of M.B. Mahesh from Kotak Securities.

M.B. Mahesh: Just a couple of questions. One on.

Praveen Kutty: Yes, go ahead.

Moderator: As there is no response from the line, we will move to the..

- Praveen Kuttty:** No, no, there is a lot of response. I could hear Mahesh.
- Moderator:** No, Sir, the person has left the queue. We'll move to the next question, which is from the line of Suraj Das from Sundaram Mutual Funds.
- Suraj Das:** Congratulations on the good quarter. So just one question Sir, just one question, Sir, on the RWA, it has jumped almost 80, 90 basis points Q-on-Q. Just wanted to check if this is a function of the loan mix or there are anything else?
- Praveen Kuttty:** Our RWA is well below the 50% mark. So I don't know, one second, just hold on.
- Suraj Das:** I'm just guessing probably because of the mortgage.
- Praveen Kuttty:** Yes. I think it was a scale issue because the graph, this movement of risk-weighted asset is INR 40,000 crores? Yes, one second, Sir.
- Suraj Das:** Yes, yes. Sure, Sir.
- Praveen Kuttty:** So I just checked this out. The RWA movement is 5%, which is similar to the overall growth of the book. So it has grown in similar terms to the asset growth, the Q-o-Q asset growth. On a 7% asset growth, we have had an RWA increase of 5%.
- Moderator:** The next question is from the line of Jai Mundhra from ICICI Securities.
- Jai Mundhra:** Congratulations on a steady quarter. I believe, Sir, if I remove this one-off staff cost provision, then the ROA would have been around 1%, right?
- Praveen Kuttty:** 1.01%.
- Jai Mundhra:** Right. So I mean, what you had said in the strategy meeting that we are very much on that 1% mark. So except for this one-off, we would have been there, right? And hopefully, margin asset quality, there's no imminent pressure as such, right? And as you said, the third-party income should be slightly better seasonality. Hopefully, NIM should also be stable, if not improving or maybe improving? So that assessment looks fair, right?
- Praveen Kuttty:** It looks reasonably fair, but I don't want to comment on quarter 4 as much as, yes, that over the next few quarters, that's exactly the way we see it. And also secondly, in the strategy meet, I spoke more about 13.5%, 14.5% ROE and not about ROA. But the same way, 1.01% ROA also translates to 14.1% ROE in this current quarter, yes. So they are related, honestly.
- Jai Mundhra:** Sure. And secondly, sir, if you have, I mean, you have multiple savings rate, right? And depending on your customer profile. And those rates have also changed given the competitive dynamics. Is there, I mean do you have the blended number of, let's say, what is the blended savings rate cost for us and maybe how that has behaved versus last quarter or maybe last 2, 3 quarters?

Praveen Kuttty: So Jai, there is one way I can answer that without having to reveal more than I need to, which is, kindly look at the cost of fund reduction. Q1 to Q2, 7.18% became 7.01%. Our cost of deposit moved from 7.12% to 6.96%. That's a 16 basis point reduction. Are you seeing that?

Jai Mundhra: Yes.

Praveen Kuttty: Whereas in the current quarter, there is a 10 basis point reduction. And you can imagine why. Because in Q2, we reduced the savings account rate. And savings account rate is not like every time you make that cut, you can't cut deeper than what you're cutting. Currently, we're at 1.5% at the lowest end of the scale. So, when the same, the difference, honestly, between the delta of 16 bps and 10 bps is the impact of savings account cut. So one way of looking at it for the future is that you will get the benefit from TD going forward. There may not be too much benefit coming from a SA reduction. Unless there is more repo rate cut happening in the future. You got me?

Jai Mundhra: Yes. Yes, sir. I got that. Okay. And sir, on SME book, right? So, we also have a strategy of moving towards slightly, maybe slightly bigger ticket size and capturing the OD as a tool to protect and retain and maybe acquire more SME customers. So where do I look that SME, because the SME number that were given in the product mix table, right? Is that the right number to assess that strategy because that number of INR 2,249 crores is Q-o-Q, Y-o-Y, both parameter is somehow not impressive. So which is the number should I include this along with corporate? Or how is it?

Praveen Kuttty: Yes, we are in an embryonic stage, right, where we just put in the people in various locations. We found the credit folks, we're setting up the team, right? Now it is working in four locations. There are another six more locations where it has to come in. So you'll see the impact of it happening in about, I don't know, 3, 4 quarters' time, it's a meaningful impact, I mean. So right now, it is about getting the right people, putting the right structure. So we got the NSM, we've got the RSMs, the people in certain locations. And so it's a buildup. This is a long game. It's very clearly a long game.

Jai Mundhra: Right, right. Sure. And sir, your mortgage, what is the proportion of HL and BL broadly of this INR 28,000 crores loan book?

Praveen Kuttty: See, it used to be 50-50. Now it is less than 50-50, like HL is less than 50%, number one. Number two, if you were to look at our investor presentation maybe about 4 quarters back or maybe 6 quarters back, that mortgage used to be 54%. Now it has come down to 51%, okay?

So clearly, there is an increased focus on the BL, on the lower ticket, less than affordable housing segment, etcetera, there is a bit of a withdrawal, and there's more focus and growth coming in the BL. So while sourcing has really skewed in the favor of BL which is what the management action for the last 2, 2.5 years was, the impact of it, you're seeing on the portfolio now. It's becoming big enough to be visible in the portfolio.

- Jai Mundhra:** Right. And sir, on your capital raising. I mean any sort of a timeline or that, I mean, you just had this \$10 million infusion. But from a capital perspective, do you have any time line in mind?
- Praveen Kutty:** We have both as a timeline based as well as event based. We are pretty much clear of how much we want to take and at what rate we want to take it. So right now, there is no urgency for capital. But for future growth, we require it. And the belief is that if you're able to increase your book value by INR 5 every quarter for the last n number of quarters.
- And in the future also, we are reasonably confident about repeating our business in a similar fashion. I think there is, there will be an opportunity coming in. So at some point in time, I really do see us raising capital because our ambition and our growth rate will require capital earlier than later.
- Jai Mundhra:** Sure, Sir. Sure. And last question, sir, have you done any assessment of the ECL requirement. Now a lot of banks are -- because now it is 5 quarters away, either they have been, you have secured book, but still, have you done any assessment that if you were to transition, what kind of additional provisioning or one-time provisioning the bank may need to make?
- Praveen Kutty:** We've been doing it parallelly for, Ravi, how long now?
- Ravi Kumar:** Almost 4 years in outperformance.
- Praveen Kutty:** Yes. 3, 4 years, we've been doing parallelly. I don't see, I mean it doesn't keep you awake in the night. Let me put it that way, Jai, right? It's more or less in line. And with the increasing and improving asset quality, things will only get better, but you will not be able to get a benefit. You'll only, it's the higher of the two.
- So we are focused on getting our portfolio quality, right, like I told the gentleman earlier also, get the NNPA down to 1% or less, right? And keep moving in the direction, right? When all these things are aligned, slippage ratio is down, GNPA is down, NNPA is down, so SMA also is down, bounce is down. So just keep getting that right and ECL will take care of itself. But honestly, when you look at it, there's hardly anything to worry about.
- Moderator:** The next question is from the line of M.B. Mahesh from Kotak Securities.
- M.B. Mahesh:** I'm sorry, I got dropped. But just one question. In the past, in a slightly difficult deposit environment, usually DCB had stormed it, its cost of funds kind of growing faster. We seem to be heading into one such situation again. If you could just kind of tell us how are you seeing the next couple of quarters on the deposit front?
- Praveen Kutty:** I'll give you a bit of a contextual answer on this, Mahesh. It is, as a bank for the last let's say, about 10, 15 years, we've been, the reason to buy has always been price. That's changing. That has changed. So close to 3,000 odd employees in the Branch Banking system are now fighting a battle in the market where the reason for coming to us is not the pricing alone. It's not the pricing in itself.

So people are finding it a bit difficult. But low-cost liability franchise is absolutely essential for us in the medium to long term. And I'm pretty much happy with the way the last 3 quarters have panned out because we've got all the three things right. I know I'm repeating this, but the cost of deposit, the growth and the granularity.

Getting it all right is not easy, getting 3,000 people who have always been selling based on, we are one of the highest that's kind of moving away. And I have the September data at another December data. The difference between our retail peak rate and the composite highest peak rate of six biggest banks in India is now down to 60 bps. So we're converging. So the people are learning. We're getting there. And we're not losing time or growth while we are making this change. So pretty much confident about getting this momentum going.

One last thing, I don't know, Mahesh, whether you saw the strategy presentation, which we did for the Investor Day. We have a pretty good base of Niyo customers who have come in for us, primarily for low-cost forex card purposes. We're finding that cross-selling the savings account and deposit to them is a big opportunity, 0.5 million customers we have on that base. It's not a traditional self-employed customers. So we are getting the benefit of that also slowly, but we are getting at each incremental month is a better month in terms of higher savings account balance from this Niyo customers who are primarily salaried and definitely affluent and high net worth.

M.B. Mahesh:

Perfect. Second question is, on the ground, is the demand for the SME kind of product as robust as what we are seeing in the numbers? Or is this a little bit unsustainable? I'm missing on this issue.

Praveen Kutty:

I think for the customer segment that we are in, there clearly is a demand, and I can see it from both sides, us losing our good portfolio customers to competition for a higher exposure or for a lower cost. So there, clearly, is demand there. In the front line, if you see our leads to conversion, we are seeing that there is real competition happening. If we don't, if you're not able to disburse in time, customers have multiple offers, and they're going away and increased login is happening.

For example, December logins are very, very similar to March log-ins. And March is usually a special month, right? We are neck to neck on that as well as the logins are concerned. Conversion still is a bit more conservative. But definitely, there is a requirement from multiple regions. It's not region specific, across India, I'm finding that there is an increased demand. And when you speak to DSAs also, you are seeing the same thing happening. In this segment, there is competition.

M.B. Mahesh:

The problem which we've seen is that demand a function of, sorry, the growth that one is seeing out there, is it because the lenders are more than happy to lend or are borrowers generally wanting to see that credit coming through in their respective companies? That's the direction of the question.

Praveen Kutty:

Clearly, I would tell you, it's a latter. It is that there is a requirement. There is a hunger.

- Moderator:** The next question is from the line of Rohit Arora, an Individual Investor.
- Rohit Arora:** Sir, my question has already been answered.
- Praveen Kuttty:** Thank you very much. If you have any more question you can ask.
- Moderator:** The next question is from the line of Khushwant Pahwa from KPAC.
- Khushwant Pahwa:** Congratulations on a good set of numbers. Am I audible?
- Praveen Kuttty:** Thank you, Khushwant. Yes, you are audible.
- Khushwant Pahwa:** I've got two questions. One is more immediate and one is more strategic. I'll ask the immediate one first. I recall at the beginning of the year presentation when you had given this guidance for this year, you had mentioned that we should be achieving an ROE, and I'm talking about when we did March '25 results, that this year, we'll be targeting or the guidance was closer to 14% ROE.
- Now when I look at what we have achieved in 9 months and I annualize it, I mean, 9 months, based on 9-month start, we are around 9.4%. And if I annualize it, we have close to 12.5%, 12.6% ROE. So where do you see closing this year, particularly given the fact that a lot in Q4 is dependent on the fee income. Are we likely to hit our targets for this year or will we see it fell short?
- Praveen Kuttty:** So I want to clarify, the guidance given was 13.5% ROE for '26-'27 and 14.5% ROE for '27-'28. We haven't necessarily given our guidance for this current year. So as far as the progress is concerned, growth of 18% to 20%. And we tend to repeat ourselves. I mean if you see the last 3 quarters, you would have seen it's a reputational, and every quarter is similar to the previous quarter in a top line growth sense as well as in a bottom line sense.
- But for next year, sorry, Khushwant, just one more thing. In fact, we do not know that there's going to be a wage bill impact. We did not know that there is going to be an impact. But still we still posted whatever the bottom line that we posted. In the same vein, we are very confident that the 13.5% ROE, which we gave a guidance for in '26-'27, we feel reasonably confident in achieving it, similarly for '27-'28 as well.
- Khushwant Pahwa:** Sure. No, the reason I asked this was because March is heavy on fee income. And given the, I mean, other the usual banking business will we play out, will payout driven by growth, driven by improving asset quality and driven by repricing of term deposits. But you have, I wanted to check with you on the confidence you have on the fee income side, given the competition that exists and it's becoming increasingly more control. So any color on that?
- Praveen Kuttty:** I really don't comment on the next quarter. But in general, the fee looks kind of robust. There is no, and NIM, you heard the story. So every quarter we should...
- Khushwant Pahwa:** NIM is very clear.

Praveen Kuttu: That benefit coming through. And this exceptional expense of INR 26-odd crores, yes, would look more like INR 1 crores incrementally per quarter. So that's hardly anything.

Khushwant Pahwa: Understood. On the long-term perspective, we have seen some articles being right around and that ideally may be considering reducing the commissions that are payable on insurance product. So given that fees is an important part of our annualized P&L. How do you see in long term impacting us? And do you have any thoughts on this that you would want to share from a vision on 2 to 3 years perspective? Because there has been a lot of articles on this and I think some regulatory movement also.

Praveen Kuttu: Yes. So third-party distribution is a big component in our fee structure. What we aim to, what we're doing is that we are building, we're using this time to feverishly build trade finance volume. Some other investors and analysts had asked this question about the INR 3 crores to INR 15 crores in a mid-segment, SME segment that we are entering into. The whole idea is that we have to build a third, fourth string in our fee book. And I believe that TF, trade finance is an important component. So we had to build it up.

That's an area of opportunity, which we have. Because we do cater primarily to self-employed customers who have a trade finance need. And many people on this call would have heard it ad nauseam. But for a long, long time, we have been treating customers as products, giving fill it, shut it, forget it, kind of product when we should be getting into relationship with the self-employed customers and meeting surplus, deficit insurance and trade finance need for the customer.

So that's something which we started about 6 months back. The progress is painfully slow. But in this job, you've got to be extremely patient because nothing happens overnight in retail banking, and we are primarily a retail revenue-oriented bank. So over a period of time, you will see the benefit of it happening in about 2, 2.5 years. You will see the snowball turning into an avalanche or we hope.

Moderator: The next question is from the line of Ravi Purohit from Securities Investment Management.

Ravi Purohit: Congratulations on a good set of numbers. And so most of my questions have been answered. Just one, just wanted to kind of check. We've seen a lot of increase in commodity prices generally speaking in the last couple of months.

And typically, what we've seen is whenever commodity prices see these kind of increases, you've seen working capital across the board go up. So have you kind of witnessed any on the ground increased demand on SME/MSME side on credit growth owing to this? I mean, typically, you have credit growth either due to higher capex or due to working capital requirements.

So if you could just share what do you see on the ground on credit off- take? Because after a long time, we've seen aggregate system-level credit off-take to hitting about 14-odd percent, right, like 14.5%. So if you can just share something what do you see on the ground, it would be great.

Praveen Kuttty:

So, for the SME, the self-employed segment, we are seeing uptick in the, not in the CC/OD but in installment loans. So that's where we see the movement happening. In fact, quite contrary to what you're saying, we are, in a way, struggling on the SME book, as you would have seen, it has been stuck at the INR 2,200 crores level for some time now. So, we clearly don't have a working capital problem of, in that sense of the word, but we do have a work capital problem in the sense that we don't have enough of it.

But clearly, on the installment lending, there is demand happening. There is our business loan portfolio is the kind of log-in volumes that you're seeing is indicative of a decent demand. And the performance of those customers also are reasonably good. Post pandemic, this is perhaps the best few quarters I've seen in terms of new vintage bouncing.

Ravi Purohit:

Okay. And Sir, just one thing over the last 1 year, I think you've kind of mentioned at various occasions about our idea to get higher yields or in a sense, also higher employee productivity in that sense, right? So on mortgages, for example, our ticket sizes on an average, our idea was to increase the average ticket sizes. Second was, we are working on this product for merchant ODs where we had said that we were competing with the NBFCs and OD is a very, very important product.

So, if you could share, I don't know it's not generally gets covered in our presentation, but if you could share on both those counts as to what's been the average ticket size increase that we've seen on the mortgage side? And how has the traction been on the merchant OD on the product?

Praveen Kuttty:

Let me tell the good story first. Clearly, we're seeing an uptick in the mortgage disbursal. It is marginal, if you talk it from an average ticket size perspective, let's say, approximately INR 27 lakhs going to INR 32 lakhs. You may say it's only INR 5 lakhs. But that INR 5 lakh actually is a 19% growth, okay? Which is what the bank is growing by, right, 18.5%, 19% is what we are growing by. So we're clearly seeing that the increase in tickets size is coming through. And that's a tick box for us.

The BL to HL has been a tick box clearly that has come through, very clearly through. We haven't been very successful on the OD part. And we didn't expect to be successful overnight also because what we're doing is we're going back to a term loan customer and then getting into the relationship. And the relationship is not built over a phone call. So these are customers who have been with us for 4, 4.5, 5, 6 years. We haven't had too much of interaction with them. We're just going and we're starting the wooing process. Some amount of relationship is happening. So it will take time. But when it works, you will get the incremental benefit coming through for a pretty long time.

So on merchant OD, on OD of all sorts, it's still in the infancy kind of area. I haven't seen real good progress happening yet. But effort is on and it's only a matter of time, right? We should be able to get the benefit of the work that we're doing. Once the relationship matures, you should be able to get the benefit through.

And the benefit is not just OD, it is that the relationship will translate to current accounts, which are happening. It is translating a bit in trade finance and OD, which you spoke about. And it's happening very well in terms of insurance. So by the time we get the story right, I would tend to think it will take another 12 to 18 months before it becomes large enough for it to make a difference to our lives. But the effort is still on.

Moderator: The next question is from the line of Nitin Aggarwal from Motilal Oswal.

Nitin Aggarwal: Congrats, Praveen and the entire team for another great quarter.

Praveen Kuttty: Thank you very much. I quite like another. Very nice to hear that.

Nitin Aggarwal: It's been a very consistent performance. So pretty happy about that. See, three questions, Praveen. One is about the fee growth, you talked about it and the effort that the bank has taken. But the growth rate that we are seeing in terms of even the sequential growth, Y-o-Y growth all looks very strong. So how sustainable is this? And can one build a fee growth significantly higher than loan growth in the coming years, how do you look at that? Fee intensity in another words.

Praveen Kuttty: Nitin, it's a very important question because a lot of people ask me the question. In the beginning, I used to get totally confused with this question. Now I understand the question much better. So our fee growth is less linked to loans. It is more linked to deposits. So when earlier people used to ask me, I used to get totally befuddled by the question as to what is the correlation because I don't have experience of another bank.

But in our bank, the processing fee is a component, but look at where the other fees are coming from. You're getting fee from third-party distribution, which is more liability linked. Trade finance, largely still liability linked, FX income is DCB remit, foreign remittance, etcetera, liability linked again. Penalties and fees are processing fees like was one component, ATM fees, again, liabilities. So I'm not too sure for us, we don't even link it to the loan growth.

Nitin Aggarwal: Okay. But this quarter, a 15% sequential fee growth that we are reporting. So how should one look at this in the coming quarters? Because I believe both deposits and advances are, you are guiding to grow around 18%, 19% run rate?

Praveen Kuttty: Around that, yes. So we should see the core fee income continue at a similar rate. I mean, we will see, unless there's some regulatory action happening, which one is not aware of. So unless that is happening, we should be having a fairly consistent growth coming through in terms of core fee income. Let me put it this way. Nitin, while we are at 1.1% total income on average assets, 1% is something which at least from a template sense, 1% is what we look at.

Ravi Kumar: Fee income.

Praveen Kuttty: Sorry, the fee income, we look at. Thanks, Ravi.

Nitin Aggarwal: Okay. Okay. Got it. And the other question is on deposits. Like if I look at the CASA, while CASA I understand like SA has been going down for most banks. But even on the CA front, the mix has been like shrinking. And CA deposits over the years has been very range-bound. So I understand that the size of the bank and those limitations are there. But any initiatives that we like are working on areas which can help us to improve our CA deposits?

Praveen Kuty: Yes. So good that you asked this, Nitin. It's an area of inefficiency or opportunity depending on the way you look at it. My belief is that the lack of CA growth has an impact, of course, on the cost of deposit. But it also robs us an opportunity in a trade fee income and our SME book. So they're all interconnected. So we are aware of it. We have put up a very, very senior resource to drive the current account. And I really don't believe in the big bank, small bank thing. I mean it's about who's more hungry and who's more process-oriented, who's more digital and who can get things done.

So, and anyway, we are starting from a very low base. So getting current account moving is very, very critical for us. While the term deposit rebooking related repricing will help us, it is important to add current account to our arsenal. It has been flatlining for too long. So it's very, very high on my priority list and my team's priority list. That we haven't got an action going is another matter, but it's a real high priority. It's got multiple impact on the bank.

Nitin Aggarwal: Right, right. And lastly, on the ROA now that adjusted for this Labour Code impact, we have reached 1% ROA. So while I understand our guidance is more hinged around ROE, but can I take that 1% ROA is now kind of a baseline ROA for the coming quarters? Or do you see any risk to that?

Praveen Kuty: See, since the guidance of 13.5% is given, we would like to stick with the 13.5% guidance for the next year and 14.5% the year after. And let me try and answer your question in a slightly less straightforward manner.

We said we'd like to repeat our quarters. That's what we said when the Q2 results came out. At that time, I have absolutely no clue that there's another repo rate cut happening. We never knew that there is going to be INR 26 crores, INR 27 crores impact happening because of a Labour Code. We still repeated ourselves.

At that time also people asked now that you've shown this, wouldn't you be able to, so there could be some headwinds of some sort. We don't know which headwinds. Some headwind will be coming in there. But consistency, we need to, I mean the whole predictability consistency, they're not just terms and words alone, Nitin, we really want to live by it.

So is there an opportunity? Perhaps there's an opportunity. But is there some? You never know, right? So it is a bit, it's okay to be a bit conservative in terms of estimation, because the promises that -- or the guidance that you gave is sacrosanct. And unless something really, really dramatic happen, we don't want to renege on that. We don't want to go back on that. So I will still go by 13.5% and 14.5% for the next year and the year after.

- Moderator:** The next question is from the line of Varun Bang from Bandhan Life.
- Varun Bang:** It's heartening to see the continued steady performance. One question on sourcing. Could you outline the current share of DSA sourcing in the mortgages segment? And how do you see that evolving over medium term? And in terms of investments, what investments are needed to build a scalable direct sourcing front end and the way we are looking at building it? And is there an execution risk in this? Can you share some thoughts?
- Praveen Kutty:** We had 18% to 20% plus mortgage book, and we're growing mortgage with 20% in the last year. This year, we're growing by 12.4% so far. So what is happening is while the bank is growing at somewhere between 18% to 20% on assets, we are changing the wheels of a moving train, so to speak. So we have already invested, reworked the strategy. There were three big movements, which happened in mortgages. I'm using past tense because it's already done.
- Now we are seeing the benefits in some sense coming through. The first change we made was the reorientation of BL and HL. The second was to increase the ticket size. The third was to move from -- not entirely, change the skew of DSA originated loans to own originated loans. And most of you have connects with the DSA, you can, we can check it out in the market also, you'll get to know that their sourcing, the contribution to DCB Bank has come down. With any national DSA, you can check it out. It will, you will get to know that.
- So we have already done what it takes. It's almost 9 months now and we're seeing the benefit of that coming through. The lower cost there is, what we're not seeing, what we've seen is a lower cost, what we're not seeing is the longevity. So we have seen that the non-DSA sourced accounts stay with you for far longer than DSA sourced accounts. In some cases, you don't even recover the cost of valuation and legal and account fulfillment by the time the customer forecloses and goes away. And with the zero foreclosure charges in many cases, there is hardly any recovery possible. So from a long-term perspective, this is the way to go.
- Do we reveal the DSA and organic? No, we don't do that. And it's not limited to mortgage alone, even in the other products where DSAs are involved. We're trying to, while we're keeping the relationship going, we are trying to lessen the skew towards the DSAs.
- Varun Bang:** Got it. Got it. And on the co-lending, we have seen a very strong growth in co-lending, is it largely led by gold loans? And are we expecting some regulatory orders in co-lending model? What is the expectation now?
- Praveen Kutty:** So we were 16.22% of the book in co-lending in Q2. We come down to 16%. And I publicly said that we'll, our co-lending book as of March 31 will be 15% or lesser of the total asset book. We're comfortable with 15%. There are multiple originators we work with. Of course, you're aware that from January 1 onwards, we have had this new CLM 1 new rules of co-lending coming into play. We see that this will continue, from a growth perspective, our co-lending book will grow from '26, '27 onwards at the same rate as our total book.

So while we grew 108% last year, currently, we are at about 60%, 65%. Next year onwards, if the bank is growing by 18%, we'll grow by 18% on the co-lending. If we grow by 20%, we'll be growing co-lending also by 20%. So that's the way we foresee this. And to the question whether largely gold loan, yes, it's largely gold loan. Multiple players, but largely gold loan based.

Moderator: Ladies and gentlemen, that will be our last question for today, which is from the line of Dixit Doshi from Whitestone Financial Advisors.

Dixit Doshi: Congrats for a good set of numbers. So you have been focusing on improving the efficiency of the people we have. And if we see in last, these 9 months, we have opened only 5 branches. So going forward, where do you see, do you see that this kind of 18%, 19% growth will require new branch, or still there is a lot of scope for improving the efficiency?

Praveen Kutty: I think it's both. We will, I don't know whether we'll ever stop improving the efficiency. That's a continuous thing. No way. I mean there's no finish line there. So, we will still, I mean, for us, improving efficiency, going digital, war on paper, these are not epithets or slogan, they're real thing. These are like, we'll live and die by it. So it will continue. There's no two ways about it.

But having said that, we, if you see Q3, sorry, Q2 to Q3, there has been a slight increase in the number of people, while we're still lesser than the number of people we had a year back or in March. A slight improvement has happened. So we will increase it. There will be more investment in people coming in. We will be increasing our branches. Next year, we should be touching the 500 branches mark. So that most likely will happen.

But increasingly, it is not one or the other, it is both. A large proportion of our benefits will come from efficiency improvement, from increased digitization. And, but that doesn't mean that we will not increase the number of people. We are still people dependent in terms of our growth, specifically assets. So there will be more branches put in and more people put in.

The game changer could be if something like a unified lending interface happens, where digitization of the land records happened across India. And then you could see a different kind of game coming into play. So we are involved in it. Let's see how that emerges. If ULI, is anything like ULI, we have a very interesting time ahead.

Dixit Doshi: Okay. Yes, that's it from my side. I think pre-COVID, we have doubled our branches. And even before getting the benefit of that, we were hit by the COVID. I think now the real benefit is visible in the numbers. So congratulations for that and all the best for the future.

Praveen Kutty: Thank you, Dixit.

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

Praveen Kutty: Thank you very much for your patience and hope to kind of interact with you in, at the end of March or after the March results are declared. In the meantime, let's go and go back to the grind and ensure that we continue to be predictable and consistent and boring. Thank you very much.

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