IDFCFIRSTBANK/SD/114/2025-26

July 31, 2025

National Stock Exchange of India Limited
Exchange Plaza, Plot No. C - 1, G - Block
Bandra-Kurla Complex, Bandra (East)
Mumbai 400 051.
NSE - Symbol: IDFCFIRSTB

BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street, Fort
Mumbai 400 001.
BSE - Scrip Code: 539437

Dear Sir / Madam,

Sub.: Transcript of Earnings Call for the quarter ended June 30, 2025

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, please find enclosed the transcript of the earnings call for the quarter ended June 30, 2025 conducted after the meeting of Board of Directors held on July 26, 2025, for your information and records.

The above information is also available on the Bank's website at the following link:

IDFC FIRST Bank - Transcript of the earnings call Q1 FY 2026

Request you to take the above on record.

Thanking You,

Yours faithfully,
For **IDFC FIRST Bank Limited**

SATISH ASHOK GAIKWAD

Digitally signed by SATISH ASHOK GAIKWAD
Date: 2025.07.31 18:34:49 +05'30'

Satish Gaikwad
General Counsel and Company Secretary

“IDFC FIRST Bank Limited
Q1 FY '26 Earnings Conference Call”
July 26, 2025

MANAGEMENT: **MR. V. VAIDYANATHAN – MANAGING DIRECTOR AND, CHIEF EXECUTIVE OFFICER**
MR. SUDHANSHU JAIN – CHIEF FINANCIAL OFFICER AND HEAD OF CORPORATE CENTRE
MR. SAPTARSHI BAPARI – HEAD INVESTOR RELATIONS

Moderator: Ladies and gentlemen, good day, and welcome to IDFC First Bank's Q1 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 touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Saptarshi Bapari, Head, Investor Relations. Thank you, and over to you, sir.

Saptarshi Bapari: Thanks, Avirat. Thanks everyone, for joining this call on a Saturday evening. Today, we have with us Mr. V. Vaidyanathan, MD and CEO of the bank; and Sudhanshu Jain, our CFO. So we'll have the brief from Sudhanshu first on the results, followed by comments from Vaidya. So now after that, we will open the session for Q&A. So right now, I will hand over the call to Sudhanshu for his brief.

Sudhanshu Jain: Yes. Thank you, Saptarshi. First of all, good evening, everyone. I also again thank everyone for joining on a late evening on a Saturday. I'll try to touch upon the key financial numbers for the quarter. Maybe I'll start with balance sheet components and then move to asset quality, P&L, capital and liquidity in that order.

I'll try to keep it brief. And let me start with balance sheet size. That stood at about INR3.6 lakh crores at June 30, 25, and this grew at about 18% on a Y-o-Y basis. If we now see further components, then we continue to see a strong growth on the deposit front.

Our customer deposits, in fact, crossed the INR2.5 lakh crores milestone and was at INR2.57 lakh crores at June. Similarly, retail deposits crossed INR2 lakh crores mark. The growth in customer deposits was very strong at 26% on a Y-o-Y basis. If we talk about the CASA ratio, that also improved sequentially and touched 48% at June.

The CASA deposits in value terms grew strongly at about 30% on a Y-o-Y basis. Even on an average basis, we saw a similar growth for Q1. Retail Term deposits, on the other hand, was also grew strongly at 21% on a Y-o-Y basis. If we see retail term deposits and CASA deposits put together, they are now 85% of our customer deposits.

During the quarter, we added 14 more branches, and that takes the branch count to now 1,016. We also repaid high-cost legacy borrowings of INR2,600-odd crores in the current quarter. Happy to report that the residual stock is just now INR2,200 crores and majority will mature in this year itself.

We continue to bring down the credit-to-deposit ratio that is now down to 93.4% at June '25. This was at 98.1% in June of last year. In fact, incremental CD ratio for last 1 year is at 75.8%. Connected point, the cost of funds for the quarter was at 6.42%, and this declined by about 9 bps during the quarter.

Similarly, cost of deposits for the quarter was at 6.37%, and this declined marginally by 1 bps during the quarter. You would have noted that we have drastically reduced the peak TD rates in this quarter as compared to March quarter. This would reflect by way of lower cost of funds with some lag in the ensuing quarters.

On the asset side, the funded assets registered a strong growth of 21% on a Y-o-Y basis to reach INR2.53 lakh crores. Sequentially, the growth was about 4.7%. The growth in the asset segment was largely led by segments like mortgage, vehicles, business banking, working capital loans and wholesale book.

If you go through the presentation, we have given a detailed breakup in Slide 41 of the presentation. Wholesale book grew at a faster pace at 39% on a Y-o-Y basis, and the growth was about 33% on an average basis at June on a Y-o-Y basis. Non-fund book similarly grew by 25% on a Y-o-Y basis.

We have given some more colour on the corporate funded and non-funded book in Slide 39 of the presentation. Very briefly, about 77% of the corporate book is rated A and above and 19% is rated BBB.

We continue to also scale up products like credit card, gold loan, education loan, which are increasing from a smaller base. We have now issued 3.8 million credit cards. The spends on the credit cards were quite healthy, and it grew by about 35% on a Y-o-Y basis. During the quarter, we also had a degrowth of 37% Y-o-Y on the microfinance business because of the challenges, which we have been seeing around this sector.

MFI book is now at INR8,354 crores and is at 3.3% of funded asset book. I will talk about SMA collection efficiency and some of these parameters on MFI slightly later on. If I talk about asset quality, gross NPA of the bank increased marginally from 1.87% in March to 1.97% in June.

Net NPA correspondingly increased from 0.53% in March to 0.55% for June quarter. Excluding the microfinance book, GNPA ratio increase was from 1.63% in March to 1.70% in June at a bank level. Provision coverage for the bank continues to be quite healthy at about 72.3%.

This has, in fact, improved by about 296 basis points on a Y-o-Y basis. If I talk about GNPA in the retail, rural and the MSME segment, that stood at 1.82% and increased from 1.70% in March quarter. Net NPA similarly increased to 0.66% and was higher by about 4 basis points from the previous quarter.

Excluding microfinance, GNPA for retail, rural and MSME segment stood at 1.48% in the June quarter. The standard restructured book continues to come down. It is a very small component at about 0.17% of the funded assets, and we feel it's adequately provided. If I talk about the SMA 1 and 2 pool of retail, rural and MSME book at June, that improved from 1.07% in March to about 1.01%.

The decline was largely because of reduction in SMA 1 and 2 of the MFI book that came down from 5.1% to 2.64% in June. In absolute terms, MFI, SMA pool was at INR315 crores at June '25, and this has declined by 59% post peaking out in December quarter. We have also seen an improvement in collection efficiency for MFI during the quarter, which stood at 99.0% as against 98.1% in the previous quarter.

On a prudent basis, we continue to hold the contingency provision of INR315 crores on the SMA book and hence, no utilization was done during the current quarter. If I talk about gross slippages for the quarter, that increased sequentially by 14% from INR2,175 crores in Q4 to INR2,486 crores in current quarter. We have called out that this included about INR108 crores pertaining to one ATM service provider company, which has been recognized as NPA during the current quarter. We have also made 100% provision on this particular case.

The gross slippage for MFI business decreased from INR572 crores in Q4 to INR514 crores in Q1. The SMA pool has come down significantly, and that's also reflected through lower SMA 0 accretion, which we are seeing. We expect provisions to significantly come down in Q2 on the MFI front.

Gross slippage ratio during the quarter, excluding microfinance stood at 3.54%, which was marginally higher than 3.35% witnessed on an average in last 4 quarters put together. We expect this to improve from here on.

Moving on to profitability. Let me start with NII that grew at 5.1% on a Y-o-Y basis to INR4,933 crores for Q1. Excluding MFI, I'm excluding MFI because that book has been coming down. Excluding MFI, NII grew by about 11.8% on a Y-o-Y basis. The net interest margin on AUM for the quarter moderated by 24 basis points to 5.71%. And the decrease was, I would say, attributed to many components.

Of course, there was a pass-through of repo, which happened on the applicable book. There has been a decline in the microfinance business. At the same time, we have scaled up wholesale business. And also there was moderation in the investment yields as the rates came down. This was offset to some extent by the reduction in the cost of funds. The decline in NIM, which I mentioned earlier at 24 bps, in fact, would be 17 bps, if we simply annualize NIM based on months for both Q4 and Q1.

Moving on to fee and other income for the quarter, that increased by 8.5% on a Y-o-Y basis from INR1,595 crores to INR1,735 crores in Q1 of this year. The retail fee constitutes most of it, and that is 91% of the total fees. Again, if we exclude MFI business, then NII fee and other income put together grew by about 12.2% for the quarter on a Y-o-Y basis.

We continue to moderate on the operating expenses front. For the quarter, the growth has moderated to 11% on a Y-o-Y basis. Sequentially, opex declined by 1.4% in value terms. Trading gains for the quarter was strong at INR495 crores. We also did some participation in OMO during the quarter, and the rest of the gains came because of the decrease in the overall system yields.

Operating profit, including trading gains, grew at 19% for us during this quarter from INR1,882 crores in Q1 of `26 to INR2,239 crores in Q1 of '26. Core operating profit, excluding trading gains, improved by 7.8% sequentially to INR1,744 crores. This was, however, lower by 6.2% as compared to Q1 of last year. Provisions for the quarter stood at INR1,659 crores as against INR1,450 crores in Q4 of '25, and this was impacted by higher slippages, which I talked a moment ago.

Credit cost for the quarter, excluding microfinance, marginally went up to about 2%, and this was 20 bps higher compared to about 1.8%, which we saw for the full year of FY '25. I would attribute some bit of an increase to the seasonality factors, which kicks in, in Q1. We have reported a profit after tax of INR463 crores. This grew sequentially by 52%. On a Y-o-Y basis, it decreased by 32%, I would say, largely impacted by microfinance business and some increase in provisions in the other segments.

Moving on quickly to capital adequacy. Capital adequacy, including profits for Q1 '26 was at 15.01% and CET 1 ratio of 12.80% including the announced capital raise of INR7,500 crores, CRAR and Tier 1 would be 17.6% and 15.38%, respectively, if computed on June 30 financials.

We expect this fund raise to conclude in Q2 and we expect all requisite approvals to come in by then. The LCR for the quarter was stable at 118%. This was marginally higher than the previous quarter.

With this, I have broadly touched upon the numbers. Maybe I'll hand over to Vaidya to give his opening remarks.

V. Vaidyanathan: Hello, everyone. Good evening. Really nice speaking to all of you. Away from what Sudhanshu spoke about, I'll just leave some key thoughts about how we think about how we're building the bank. And that has a bearing, of course, in the long term, medium term and even short term, but more in the medium and the long. Let me just say that the way we think about it, capital is the foundation. It's a foundation block.

And really even without capital, even the best of business models, even with good returns, good margins, good everything, will go nowhere. So it's foundational. So in our bank, we have a strong capital. We always capitalize ourselves ahead of time. We just don't want to go low on fuel or on foundation.

And this time, as you know, we have INR7,500 crores that's just around the corner, our capital position is looking very strong. Number two, apart from capital, when we say deposits, as a raw material. If capital is foundation, that is a raw material. So good thing for IDFC Bank is that the deposit continues to come very strong.

There's a slide somewhere in the presentation about how we were paying the premium, rather we were paying over the average cost of funds of the Indian banking system in 2020 and before was 280 basis points.

We were paying more than the banking system. In the last 5 years, we have brought it down to just 60 basis points. So that's like a 220 basis points reduction. Shows our ability to grow deposits even after dropping the interest rate, I really think it is some sort of special capabilities we have developed on this front. And it is raw material.

And this raw material is what is what we are counting upon, or this capability is what we're counting upon to be able to grow the bank, which is currently, say, about INR2.5 lakh crores, some day to become INR5 lakh crores, some day to become INR10 lakh crores. And all within our foreseeable future, within our lifetimes and within our working times is what we can achieve and all that can happen only with the deposits. So that's the second thing that we have.

The third thing is about what are we focusing upon, what am I focusing upon on a regular basis? Really, it's not about what we're going to post next quarter because if we build a fundamental model, which has a good economics, then the quarters and results will come well. It's only a matter of time. Today, our NIM is about like 5.7%? and our fees are about 2%. So, 5.7% plus 2% is 7.7%. And our credit cost, we are guiding always we keep saying 2-1-2 formula, meaning like 2% gross NPA, 1% net NPA and 2% credit cost. So, 2% credit cost actually translates to about 1.3% on the credit provisions as a percentage of assets. So, you take 7.7% and then you subtract 1.3%, you know you're sitting on a pretty good margin.

At our bank, we don't see, except the microfinance issue that is there, rest than that, things are broadly holding fine. It's quite good actually, I'd say.

So let me say that, therefore, if you're making 7.7%, having 1.3% as the credit cost as a percentage of assets, then you're broadly in a strong economic profitability. The only catch here, which you should be concerned about and which you are, which we will answer later, is cost income. So because moment cost/income ratio comes right, then the whole stack is going to be very profitable. So this is on the core economics. Then what is how we -- what I'm looking for at my end?

The thing that is of bother to me is about what percentage of the book is retailized? Are we -- what is our LCR retail percentage? What is our retail deposit coming from branches? It's about 80% now, which we're feeling good about. What is the PCR, which was -- which has now touched about 72%, 73%. Now we are comfortable there. What is the credit deposit ratio? These are macro parameters.

Credit deposit ratio has now touched 94-ish-odd percent, which I'm pretty sure will come down to the 80% maybe early 90s by end of this year and certainly going into the 80s by next year. And then we are as good as any other bank. It's taken us maybe 7 years to get there from 137%, but we are definitely getting there. So, CD ratio becomes the next item to look at.

Then how really good our digitization is? Is the tech stack strong? Is the tech stack resilient? Is the tech stack contemporary? Are we having the latest architectures of being cloud native, microservices, API, etcetera? How good our UI/UX is? I really focus a lot on that. How empowered our people are? How our team structure is? Is our expense ratio coming down as in the growth of expense year-on-year?

Is our liability losses coming down as a percentage of the book? Credit card losses, is it coming down. Is the bureaucracy creeping in? How to keep cleaning out bureaucracy? How to get rid of old thinking or outdated thinking? Some people may have as organization may develop.

These are kind of things, and my mind is always on all structural things and core economics. And then once you build this on these foundations, then the thing flies and then the economics comes. And honestly, this is how I think about it. I've always told you thinking about the bank from the long-run point of view and building a universal bank. So these are kind of things that is there on my mind. I must just tell you that I run the bank like that.

I'm pushing this in the right direction or what I think is the right direction. And because of this approach, then economics will fall in place, and it is falling in place. Of course, there is -- this microfinance has disturbed the equation. We were going very strong. We were making a loss. We moved to INR2,900 crores of PAT. Microfinance disturbed it. I take full responsibility for it.

But just let me say that it came our way. But barring that one incident, otherwise, like 14, 15 years now, we've not given you shocks. And I hope all of you, who have been with us for a long period of time, will agree with that. Now that's how I think about it, the bank, universal bank, long term, long term, long term, and that's how we're building the bank.

Now the next thing is about growth. So as far as growth is concerned, if all of these things fall in place, then how does growth come? I've said this before, but I'll just say this for context that India is a large market. We are a small player. And from a INR2.5 lakh crore, we can keep growing for a while.

And let me just say that in 2010, if I just put back the history of 2 institutions put together and take it combined, our retail book in 2010 was, as all of you know, was as good as 0, like INR94 crores. It took us 10 years to get to INR50,000 crores. It took us 3 years to get from INR50,000 crores to INR1 lakh crores.

It took us 3 more years to get from INR1 lakh to INR2 lakh crores. you see how things change. So, when I say 3 years, I mean, now as in 2025, June. So I'm talking about the retail, MSME, agri, rural, that part of the machine.

Now, and I'm not saying that again, in 3 years it's going to double. I'm not making that statement to you. We'll have to see the market and how it grows. We have no market share numbers. We have no such targets. We just play according to the merit of the ball. But what I'm trying to say is that when played with discipline, things can grow over a period of time.

Now the good thing is that this whole book that has now come of INR2 lakh crores of the retail, rural, MSME, agri, that book. Now on that front, the asset quality is holding quite well. I caveat the microfinance. I just want to share with you that some people have raised a question at us saying that why do people keep taking out microfinance? You're as responsible for it and you built it, not that someone has built it for you and something.

I must say that, yes, it has happened certainly under my leadership to be very precise. And I'm 100% responsible for it. So the reason why we flag microfinance is not because of the fact that as if it's someone else's job, it is our job. The reason why we flag it is so that they can pinpoint where the issue is. So that's what it is.

So let me just say that we take full responsibility for the whole book, including this piece and certainly this piece. Now coming back to the point, it's been like 15 years and we've not given any shocks in asset quality.

Our gross NPA has always been 2%. Net NPA has always been 1%. Our credit cost to assets, if you take a combined period for the whole period, has always been around 2%. Even now around 2%. Even now for this year also, you would take guiding for 2% or 2.05% or something around that number. And earlier, of course, we said, as the year has been coming along, we've been touching it up here or there, but nothing fundamentally. It's not like we moved it around by a material amount of basis points. So, what I'm trying to say is that it's running at 2-1-2, that is gross NPA 2%, net NPA 1% and credit cost 2% for like 14, 15 years now. In between as Capital First it is higher also, it is like 2.3%, 2.4% at some point of time, but give or take, in that zone. So that is that.

Lastly, I'd say, probably second last because I want to cover P&L later. But staying on asset quality, one important thing that we are doing, if you see the presentation we put out, you'll find that we give really a lot of disclosure on asset quality since a long, long time. For example, we also share what are the underwriting norms with which we are building the book, what is the basic fundamental philosophy of cash flow-based lending and how we underwrite it.

We are also sharing what is the cheque bounce percentage. Then the next part of the funnel is if cheques are bouncing, what is the collection percentage out of the cheque bounce. We share that information. We share that trend for 3 years at a stretch every quarter.

Then we say, okay, from collection percentage, whatever don't collect becomes SMA. So, we share SMA percentage. Next, we share SMA by product. Next, we share SMA by product by quarter. Then we show after SMA comes NPA, we share NPA. Then we show NPA by product, then we show vintage graphs.

The reason why we go to this level of depth is that there is complete clarity, there's complete transparency about every product in terms of asset quality, and we show credit cost also. So we don't hide our gross or net asset quality by writing-off loans. We clearly show credit cost also. So all I'm trying to say is that we keep it very clean, crystal clear to you. And if you have doubts, of course, you can ask us even later in the call.

Now finally, I must say that what is our short-term view, meaning like what is a 1 quarter, 2 quarter view and what is a 1-year view, and let me say what's a bit longer view than that. When you take a shorter-term view, so to say, right now, it's probably pinch from all sides because on one hand, the repo rates have come down, they pass it on to customers. The 50 basis points that happened last quarter, we got to pass it on this quarter. So, you can see that, that is an immediate hit to the income line. We have, the microfinance book that has shrunk by a good INR5,000 crores. So that has shrunk the income line. That's the other negative.

The deposit rates, we have dropped sharply, but that benefit will come in longer term. But right now, it is not yet fully translated into the P&L. So that's still a negative. So, it's all negative on all these 3 fronts.

But good thing is that all of these things will reverse because when you look 1 year ahead, you will have found that the entire fixed deposit of a bank would have got repriced materially. I think Sudhanshu shared some numbers with you, and we have dropped it quite sharply. And the cost of funds will come down naturally, structurally come down because of cutting fixed deposit rates so much.

And then MFI will find its bottom finally. The repo rate cut is cut. I mean we already pass it on. So what I'm trying to say is we'll find the contra of all of these things playing out and what is looking very pinched today. When you wake up maybe 3, 4 quarters from now, things will look better, obviously. So, this is how structurally it is playing out. So, the way we think about it is that we're building it for the long run, 1 quarter, 2 quarter, I request you to look it through.

Even when we're discussing with the other private equity investors who are coming in, who were coming in when we were discussing with them 5, 6 months ago, my comment was same to them, what I'm telling you.

I told them, listen, this is an issue coming up for 2, 3 quarters because of 3 reasons I told you. And I told you, please look through it. Just look through it because if you're investing for 2 years, 3 years, 5 years, you can look through or you should look through 1 or 2 quarters, but certainly, I'm not promising anything better than that in the short term.

But you wake up 3 quarters, 4 quarters now, I think reasonable with confidence things will look better. But one thing is there. We are not going to give you credit shocks. Of course, we gave you one on microfinance. I do feel, I do regret that, but other than that, very long we haven't.

And we don't give you shocks growth-wise, it's coming. Deposit is growing. Governance shocks, we don't give you. We don't give you corporate governance shocks. We don't give you disclosure shocks. We don't give any shock at all on all those fronts.

You can sit peacefully through us and help us build a good, high-quality, customer-friendly universal bank like in the league of the other maybe 3 or 4 high-quality banks out there and probably stand among one of them as a good bank that you can be proud of, we can be proud of. So that's what I'm thinking about, over and above what Sudhanshu shared. So that's about it.

Saptarshi Bapari: Thanks, Vaidya. Avirat, I think we can now open the session for the Q&A.

Moderator: The first question is from the line of Zhixuan Gao from Schonfeld.

Zhixuan Gao: Just on Slide 52, thank you for giving the breakup of the slippages. Just wondering what is the like-for-like number on the -- other than MFI slippage in first quarter of FY '25?

Sudhanshu Jain: Other than MFI, the slippages are INR1,972 crores, right? So, it's across the various product lines which we have. We, of course, saw an increase of about INR350 crores from the previous quarter. But I also mentioned that we had one corporate case, an ATM service provider company, which slipped into NPA during the current quarter.

Rest of the slippage, I also said, is slightly attributable to seasonality, which sort of comes in, in Q1. So, it's across products. So, it's difficult to sort of single out any particular product where we have seen this increase.

Zhixuan Gao: Got it. And what's the number for first quarter '25 for the other MFI slippages?

Sudhanshu Jain: That was INR1,603 crores.

Zhixuan Gao: No, that's fourth quarter '25, right!

Sudhanshu Jain: Q1 of last year is what you are asking? We'll just get back to you on this. But since then, I would say the economic environment has also changed. So that may not be the right comparison.

V. Vaidyanathan: But whatever it is, if we can get it, we can get it.

Moderator: The next question is from the line of Param Subramanian from Investec India.

Param Subramanian: So firstly, on asset quality again, right? So, if we see across product segments in this quarter, there is an increase in the NPA levels and also the SMA levels that you've called out. So, anything specific you want to highlight? A large peer of yours has called out stress in MSME segment. So, anything you want to highlight because the delinquency levels seems to be up.

Sudhanshu Jain: No. So, we have seen a general increase. Of course, we are watchful of certain segments. And so essentially, some part of stress could sort of be there in the rural segment in certain states. We are watchful of that. But having said that, we're also seeing collection efficiency improvement in some of those states. So, there is nothing as such, which I want to sort of single out or call out.

V. Vaidyanathan: Means Karnataka.

Sudhanshu Jain: Yes, Karnataka. But it's a general increase. I have also said that the slippage ratio, if you see for the current quarter, it's only marginally up vis-a-vis what we saw in last 4 quarters of FY '25. So we are per se not very concerned, but we continue to be watchful.

Param Subramanian: Okay. Your thoughts on, say, unsecured MSME because one of your peers has called out that there is a rising delinquency here. And also in this quarter, I see higher delinquency in the credit card portfolio. So, anything there?

Sudhanshu Jain: Credit card, of course, it has been very range bound. Of course, we saw some increase during the quarter, but I would say that it has remained quite stable over a period of time. Even credit costs have been quite range bound.

V. Vaidyanathan: One thing, Sudhanshu. On credit card NPA has moved to 1.76% actually.

Sudhanshu Jain: Yes. But sequentially, marginal increase, but it has come off from June of last year. So, to that extent, as I said, it is quite range bound. To your other question of unsecured MSME, of course, there we are seeing credit cost, which is broadly similar to the overall credit cost, which we just quoted a while ago of about 2%. So, we have seen some increase, but it's not material.

V. Vaidyanathan: Not material meaning it's broadly in the lines of whatever we've been guiding in terms of credit cost, except for microfinance, which, of course, you point out. Other side, you can see the numbers. I mean, like H2, H1 all put together, like around 2%, Sudhanshu, this year? What are you guiding forward?

Sudhanshu Jain: Yes. So I'm saying at an overall level, we should come at a credit cost of about 2%, 2.05%. This is broadly what we had guided earlier as well. And on unsecured MSME, as I said, we are also seeing a similar kind of a credit cost in Q1.

V. Vaidyanathan: So think of it like a little more this quarter, but coming down in Q3, Q4, stuff like that. I mean in the sense that we are not seeing anything for us to call out that, oh my God, 2% is going to become 2.5% or something like that. I mean I know a few other calls you've heard elsewhere, people have raised issues to you and all that. We haven't seen anything material like that to call out to you.

Param Subramanian: Okay. Really helpful. Just one last question. So, on margins, there are a lot of moving parts from here, right? So, MFI is coming down, there are actions we are taking on the funding cost side. So how to think about margins from this quarter onwards? Yes.

Sudhanshu Jain: So, we would see definitely some more impact coming into Q2 because of the rate transmission, which is yet to happen completely. But as Vaidya mentioned that down the line, we would also see benefits from FD reduction coming in, and that should reflect in cost of funds coming down more sharper in coming quarters.

So, we feel that by Q4, margins should broadly restore back to what we posted last quarter and only caveat there is there could be, still some rate cuts, which could sort of kick in. So, my comment is caveated to that extent. But we are broadly hopeful that margins would, to a great extent, sort of restore back.

V. Vaidyanathan: That's because we cut the fixed deposit rate quite sharply, you may have noticed it. So, we were earlier paying 7.9%, at the peak, when the money was tight, I think during March or something. And now we brought down to 6.75% as the peak rate, which is almost a reduction of 115 basis points.

And in the 1-year 1-day bucket, we brought it down to like almost like the big banks, plus 15 basis points or something like that. So, like think about it that we are just 5 years old, 6 years old, and we brought our rates down to the big banks league. So, these things will help the bank actually.

Moderator: The next question is from the line of Anand Dama from Emkay Global.

Anand Dama: My first question is on your capital raising. So you have raised INR7,500 crores. Obviously, the capital is yet to come. Any covenant changes which have happened in that? And is there any risk that basically this capital, particularly from the investor side, not talking much about the regulator, but is there any risk that you see from the investor side that possibly this capital might not come or there could be a delay in that? Is there any risk that you see?

V. Vaidyanathan: No, we are not seeing anything at this point of time. Not at all.

Anand Dama: Not at all? Okay. Sure. And secondly, on your credit cost. So where do you see your overall credit cost settling for the full year? Secondly, your cost-income ratio also has come down in this quarter to about 69%. Obviously, business, there will be some growth, which will actually kick in basically during the year and because of which the DSA cost and possibly might go up. So where do you see your cost-to-income ratio settling over the next 3 quarters? And also, if you can give a guidance on the overall credit cost for FY '26?

V. Vaidyanathan: I thought credit cost we discussed earlier. I mean, discussed meaning I had a side talk with Sudhanshu, like 2% to 2.05%, I think, for this year call it like 2.05%, that's our best guess as we can see today. And what was the first question?

Sudhanshu Jain: Yes, cost income.

V. Vaidyanathan: Cost income. The number you're seeing 69% is actually, has treasury income also into it. So, actually, if you strip it out, you'll find that cost income has gone up this quarter.

Sudhanshu Jain: No, it has marginally come down from 75.5% in Q4 to 73.8%. But still, it's higher as we know that it's still impacted largely by the top line impact, which is sort of coming through. But of course, on the operating expenses, we have been able to contain opex to a great extent.

V. Vaidyanathan: If you see the cost to income, ratio, it has like 2 components, cost and income. So, on the income front is where we are seeing, the composition change, microfinance going away, which is a good high-yield book and repo rate coming down, passed on to customers, FD rate not passed on, etcetera.

That is where income, which we believe, will self-correct over the next few quarters. But the cost as such is coming down for the bank. And you can see Y-o-Y growth for the bank is only 11%. So, this is very good.

If the bank balance sheet is growing by 20% and cost is going up by 10%, you can see that the bank is really doing some real work on cost front and operating leverage is more than coming in and a lot of transformation are helping the bank. So you can see that, that is why the cost income is kind of elevated, lesser than last quarter, but elevated. But it will come down. It will come down.

Sudhanshu Jain: And just to add, Anand, while we are seeing this top line impact where NII and fee has just grown by 6% on a Y-o-Y basis. But because opex has grown at these levels, our core PPOP has improved sequentially by 7.8%, right? This was declining for last 2 quarters. I would say, at least we feel that we have been able to arrest the decline, and this would continue to sort of inch up from here on quarter-on-quarter.

Anand Dama: See, as far as treasury gain is concerned, I agreed that basically it's one-off, but I think that should continue during this year as well, right, as the G-Sec will keep coming off.

V. Vaidyanathan: See, treasury, we can never be sure of in life. We generally speaking, how can -- nobody can ever be sure of treasury, right? It's just like one of those things that happens to a life.

Anand Dama: So then for full year, what's the cost-income ratio that -- I mean, the core cost-income ratio that you would look at in FY '26?

Sudhanshu Jain: Anand, it's difficult to guide because there are too many moving parts. But by Q4, definitely, as things improve, this should come down, but it's sort of difficult to pencil out a number as such.

V. Vaidyanathan: Because by that time, we discussed earlier, right, the margin should look better for the reasons we discussed and cost is anyway, we kept it very tight. So naturally, cost-income ratio by Q4 should start coming down.

Moderator: The next question is from the line of Rohan Mandora from Equirus Securities.

Rohan Mandora: So, I just want to understand on the slippages in the seasonality part, what will be the quantum of that in this quarter?

V. Vaidyanathan: I thought we just called it out, right?

Sudhanshu Jain: Thanks Rohan. It's difficult to quantify that, but that usually, I would say, some bit of seasonality comes in Q1. And then the collection efforts are slightly muted and so on, right at start of the year and so on. Typically, Q4 is a strong quarter in that sense. So it's difficult to quantify seasonality as such, but we of course, expect slippages to sort of come off from here on.

Rohan Mandora: Sure. And while you alluded to the fact that the slippages increase overall was across segments of products, but any customer cohort or any category of customers where we are seeing an increase in slippages? Or is it that certain customers have slipped where there are multiple linked accounts? Any colour around that?

Sudhanshu Jain: So nothing of that sort as such, but if you take out that ATM service provider, then the increase is about INR200 crores for the quarter, right? I'm saying -- and sequentially, if we take out that ATM service, the increase is about 9.5%. So, while it has increased, but we feel that it's not that kind of large increase, which has come through.

Some bit of, of course, increase is there. But if you see from a slippage ratio point, right, which I mentioned earlier, right, that's quite stable, right, at about 3.5%, and that was a similar trend which we saw in last year.

Rohan Mandora: Sure. And nothing even on the vintage analysis perspective? It's spread across the board?

Sudhanshu Jain: No, nothing as such to call out.

Rohan Mandora: Sure. And sir, what will be the outstanding AFS reserve?

Sudhanshu Jain: Outstanding AFS reserve? We'll just get that number.

Moderator: The next question is from the line of Himanshu Taluja from Aditya Birla Sun Life AMC Limited.

Himanshu Taluja: Just a few questions at my end. Particularly on the opex front, given this year, we see most of the banks are showing improvement on the operating expenses growth because this is one lever where banks can play around. Can you help me understand over the medium term, not in FY '26, but in FY '27, '28, how do you expect the operating expenses growth versus your advances growth? And where do you expect the cost-income ratio to settle over the medium term? So that's my first question.

Sudhanshu Jain: So Himanshu, thanks for the question. So operating expenses, we will continue to sort of moderate, and it should stay in the range of about 11% to 12% that kind of growth in the near term as well. And we have already guided on cost-to-income ratio of 65%, which we are targeting for FY '27, but still hope and belief is that we should try to come in there. So, we will try to ensure that we exercise diligence and proper controls around the operating expenses.

V. Vaidyanathan: But some of the events have also changed since then. So just keep a word of caution there, Sudhanshu, because the microfinance, this, that, repo rate, so many things have happened. So just keep an eye out on that. But we are at least attempting to go in the direction. To your very specific question about what we expect the opex growth this year, next year, year after that, at least internally, the way we're thinking about it, if you remember, when we spoke about this, last quarter or before that also, we've guided that we expect this year to FY'26 to be around 12% to 13%. But it looks like we're going to not reach there also. Like Q1 has been only 11%. So, think of it like we're doing slightly better than what we must have guided before, on the opex front. I don't mean cost income, I mean opex because like you rightly said, it's in our hands. Now '27, '28, at least the way we are thinking about building the bank, we think more like 12% or so. So 12%, 13%, probably there.

Himanshu Taluja: So, do you expect around 600 to 800 basis points is there, where you can have the opex growth lower than the advances growth? Is that the right understanding?

V. Vaidyanathan: That's how we are thinking about it, yes.

Himanshu Taluja: Yes, sure. Sir, second is on the MFI -- yes sure.

V. Vaidyanathan: Because we grow the book by about 18% and if opex grows by, say, 12%. 12% is okay, Sudhanshu to say?

Sudhanshu Jain: Yes, broadly.

V. Vaidyanathan: Yes. So that's how we're thinking about it. Yes. I mean I want to say if you can write it 12%, 13%, but we're trying to do 12% actually.

Himanshu Taluja: Sir, second question is on the MFI business. Probably given this MFI, the proportion of the mix, which is there, probably it has come down over the last 1 year, and it may not go back to the earlier levels as well.

What is given this is as an implication on your overall margins, how much of the permanent damage you expect on the margin front? How one should see a more normalized, because once this pass-through of the repo rate will happen and even on the deposit side as well, what is a pretty normalized margins one should expect going ahead?

V. Vaidyanathan: See, I'm not sure if you discussed earlier in the call or not, but like 5.8-ish or so is what we expect Q4 to be, right, Sudhanshu?

Sudhanshu Jain: Yes, or slightly higher, but only caveat, which I said is also contingent on repo, any more repo rate cuts, which will sort of come through.

V. Vaidyanathan: Come through. So, for now, let us say, Q4, we're thinking like 5.8-ish. Now, next year will be next year. We'll have to see how it plays out. There’re so many moving parts, but that's how we think about our business model. That's why in the earlier example, right at the opening part of the call, when I said, when I was trying to drop the ROA tree for the bank, I told you about 5.7% actually. I said 5.7% and then I said 2% for fees, I said 7.7% and I said 1.3% credit cost. That was the stack I was speaking to you, saying that that's how we are thinking about the bank. Now it all comes down to cost/income ratio, but that we answered earlier that as the events play out, we think by Q4, it should look better.

Sudhanshu Jain: Just to add on MFI, we expect the pace of decline to sort of reduce because the book has already come off significantly. To that extent, the impact on NIM, because of MFI, should be slightly lower. Because slippages are coming down there.

Himanshu Taluja: Yes. But once this segment will normalize, will you start growing this piece again what -- this piece again in FY '27?

V. Vaidyanathan: It's an important question. Let me answer that. So the answer is, yes, we want to grow it. So this business, of course, after 8 years, 7 years, it has its own cycles, we agree with that. But with every cycle, every learning, the next part of the cycle stretches out longer because people learn. In this case, our own thinking is that probably it will bottom out at about INR7,500-odd crores. It's currently about INR8,500 crores.

Sudhanshu Jain: Yes.

V. Vaidyanathan: Yes, like there. And then from there on, wherever industry grows, we'll probably keep in line with the industry. Let me make it simple to you that this is a really good franchise we have built. It's a really, really good franchise. It's not just because this major incident happened in mind.

I have no intention of shutting it down or closing it or things like that. It's a really good business. We have people on the ground. We have built fantastic relationships, processes, technology, systems, reaching out a bottom of pyramid, weaker section financing, weaker section PSL, SMA PSL. There are so many benefits.

So you've got the way we think about, it is that we got to do 2 things so that we protect ourselves. There are many benefits I already told you. What we need is protection. So, protection is we take a CGFMU cover and then maybe watch it very carefully.

Himanshu Taluja: Yes, sure, sure. Sir, just a suggestion, the way you have put in the disclosures around the asset quality earlier -- in the earlier presentations in the previous quarter, you have also used to disclose a lot on the cost side also, say, some of the segmental-wise as well. If you can incorporate some of those -- because I think if I have glanced it carefully, you have not put such disclosure this time on the opex front. If you can put it that, would be very helpful.

Sudhanshu Jain: No. In fact, it is there. We have given cost income segment-wise in the presentation. It's on Slide 65 of the presentation.

Moderator: The next question is from the line of Piran Engineer from CLSA.

Piran Engineer: Congrats on the quarter. I just had one question on repo pass-through. So, let's say, the repo rate was cut on 7th or 8th June, when does that pass-through happen on your EBLR book?

Sudhanshu Jain: So that pass-through to a great extent will happen in Q2 on the June cut. And I would say some bit of repo transmission for the earlier cuts would also have an impact in Q2.

Piran Engineer: No, no. Okay. But does it happen, say, after 3 months or gradually within 3 months.

Sudhanshu Jain: So, let me further clarify. Generally, say, a repo is changed on a particular month, there is a cycle. So, if a customer's loan will get reset once in 3 months. So, it depends on when his last change happened. So that's how the transmission will happen through the quarter.

So hence, we saw some bit of repo transmission of the February and April cut in Q1. And as I said, because it's 3-month criteria, some bit of spillover could happen into Q2. But June would essentially come largely in Q2. So that's how the repo transmission will happen.

Piran Engineer: Okay. Okay. Got it. So even the April transition, transmission has not fully happened then because someone's due date could have come, let's say, on 15th May. So for that guy, it's only for half the quarter -- half of 1Q. Is my understanding correct?

Sudhanshu Jain: Yes. So I'm saying someone whose last reset was in March would have completely got reset in Q1. Somebody where last reset was in, say, April -- a loan was taken in April, for him, the transmission will happen into the next quarter. So, it depends on the cycle when you have sort of availed the loan. And that's as far as the existing loans are concerned. For the new loans, of course, that transmission would be immediate and depends from bank to bank in terms of how you want to sort of price the loans in terms of lending.

Piran Engineer: Understood. So then -- so Sudhanshu, then my question is now we are 5.7% NIM, we want to go in the next 3 quarters to 5.8%. Obviously, 2Q will be lower. How much more do we need to cut our TD rates by to reach that?

V. Vaidyanathan: No, no. We assume where we are currently.

Piran Engineer: So that alone is enough to go back to 5.8%? Just the deposit maturity pattern is enough to take us to 5.8%?

V. Vaidyanathan: That's what we think because capital is also coming.

Piran Engineer: So your -- the deposit cost -- Okay. Fair enough. Got it.

Moderator: The next question is from the line of Jayant Kharote from Axis Capital.

Jayant Kharote: This is a more qualitative question on credit growth. Very few of the banks have been able to manage this growth in 1Q. So I wanted to understand June, July trends and if there are any segments that you want to call out that can drive the recovery from 2Q onwards? And also general credit environment, are you seeing any stress buildup in any segment, which wasn't there in 4Q?

V. Vaidyanathan: So, we have actually put out how this growth is coming. So, if you take a full 1-year Y-o-Y, you could see that INR22,000 crores has come from business finance, which is basically wholesale banking loans, business banking, working capital, CV/CE, etcetera, etcetera. So that's INR22,000 crores. And then INR5,200 crores is coming from vehicle loans growth and INR8,400 crores is coming from mortgages growth, mortgage basically home loans and loan against property.

So these are the 3 levers that have materially contributed to the growth because the total growth is INR44,000 crores. Out of INR44,000 crores, we are explaining INR22,000 crores plus INR5,200 crores plus INR8,400 crores. I think that's together it will come to 82%, if you do the math.

So that's what it is. Now in terms of credit, I think Sudhanshu answered it earlier, but I'll say it again, that broadly, if you see SMA data of almost all products, they are all holding like similar like what it was in the prior quarter, and you can see that also. So, interest rate, one family of products, let me say, within every product family, say, MSME, there may be 7 or 8 products.

Within that, one product may be higher, one product may be low. For example, in consumer loans, there is also vehicle loans, consumer loan, education loan, credit cards, gold loan, everything is there. Out of this, something may go up, something may come down. But broadly, broadly, all put together, like the zone we talked about, like that 2-ish or 2.05, which is not any materially different than what we've said before.

So, it's 10 basis points here or there. So that's what it is actually. So, there could be interest rates some up and down, but we are not calling out anything specific to say that there's a concern or anything of that.

Jayant Kharote: Sir, do you see increased competition? I mean, right now, the competition levels would be lower in unsecured credit, for example. Do you see that returning in Q2 and Q3? Should that have any effect? Or basically, I'm trying to understand what is not -- is it a demand issue? Is it a supply issue? Or is it just everybody waiting until the bureau scores point to a better macro numbers?

V. Vaidyanathan: No. Let's get a question clear, if you don't mind. So, are you trying to understand, about growth or asset quality because I need to answer it more precisely?

Jayant Kharote: Yes. Actually, I'm trying to understand for unsecured credit. There are two players, who have reported decent growth at scale, but most of the system still doesn't seem to be there. So, we are trying to understand if it's still that asset quality comfort at a system level, not specific to IDFC, but more from a system level because you would be seeing it in the competition levels that you face on the street.

V. Vaidyanathan: Yes. So of course, we know that some members have talked about higher credit cost and something here or there. But I already answered this question maybe a few times that we are not seeing a material call out for us, on the credit quality front because asset quality is holding good. Gross NPA is still 1.97%, net is still, I think, 0.55% or something. And then the credit costs are already publicly announced. We already said the number is going to be 2%, 2.05% or something like that. And maybe let's call it, 2%, 2.05% is a close estimate at this point of time. So nothing material to call out. Now in terms of how we expect the -- how we are seeing in the market and so on and so forth, sometimes we should be careful when we see the market, and therefore, we should double and triple check our numbers.

For example, the credit cards. For many quarters now, some institutions or other have been pointing out some credit issue, but we are not seeing anything in credit cards, and we've been reporting our numbers publicly for the last many quarters. In fact, we specifically call out credit cards as a product and we call out what is the gross net, etcetera. So, we watch, but we should be confident about what we're doing also.

Moderator: The next question is from the line of Jai from ICICI Securities.

Jai: Sir, I mean, you have given the CASA number together, which is like 30% Y-o-Y growth. If you would have the number separately for CA and SA in rupees crores for this quarter and maybe Y-o-Y Q-o-Q also, just to get an understanding of the growth in CA and SA separately?

Sudhanshu Jain: Jai, thanks for the question. So, we are broadly getting a similar growth in CA as well, but the CA as a proportion is still smaller for us, right? And that's about 15% of the total CASA. Our, of course, endeavor is to increase this CA proportion as we sort of go along.

If you see for players who have been there for long, this ratio is typically higher at about 20%, 25%, right, of CASA or CA as a percentage of total deposits, the ratio is more around 13%, 14%. For us, that ratio is around the 7.5%, 8% mark currently.

V. Vaidyanathan: So we have a work to do basically on the current account front. And actually, see, like we are lower, let me say, on the CA front as compared to what it should be. But in the industry, generally speaking, building CA is a harder task. But we certainly feel that we should, because we are a good bank, tech is good, reach is good and so on and so forth, we believe that we should be able to get, we're at least striving to get to industry numbers, yes.

Jai: Sir, I was trying to understand the SA movement in the last, let's say, 1 or 2 quarters, a lot of banks have cut SA rate drastically, right? And we now have a significant advantage over peers in terms of at least the SA rates. Has that shown in dramatically in the balances because that was not visible just by looking at the CASA number in total. So that was the idea to understand, of course, if we are, let us say, sacrificing a bit on cost, are we getting the desired throughput?

V. Vaidyanathan: I think so. I mean it's just -- I don't think because end of the SA growth is very strong. So, see, in as in management and anything, it's very difficult to see what is hitting right for somebody, right? It's a combination, it's a brand, it's a tech, the UI/UX. It's a very, very good mobile app.

If you don't have the bank account, you should really test out our mobile app. Our tech stack is very good. So, our public presence, in the sense, is good. So, there are so many things that are going well. Our culture is good. Service levels are good. The service rate is also good.

It's very difficult for us to pick what is working for the bank, but something is working, as a combo is working somewhere. So, in fact, we've cut FD rates. The reason why we cut FD rates more like sharply and meaningfully is that as and when we cut, let's say that 1 year goes forward, our entire fixed deposits balances of about INR1 lakh crores gets repriced downwards, let's call it, like 90, 100 basis points.

Can you imagine what a material benefit it will be for the bank in the subsequent years in '27, '28, '29, '30, I mean, assuming we can maintain this kind of rate. So, because you got a structural advantage. So that's how we think about cutting FD rates because we will see the benefit of it in subsequent years because it's structurally come down. SA is in our hands. We can cut it any time we want. We just want to make sure that there is enough money in the bank that we pay off all our bonds. We still have to pay INR30,000 crores of bonds, not high cost, but to refinance and everything. So, we pay off everything with this money, and it's still cheaper than our, many of the other borrowings.

Jai: Right. No, sir, I was just looking at the timing of -- if we want to cut SA rate, then maybe this is the time, right? I mean SA rates by the peer banks have come down to historical low levels.

V. Vaidyanathan: But many of the peer banks have not cut the FD rates to our rate. See our rate, if you take 1-year rates, we are like in the zone of the big banks. Other banks don't cut it that rate. So, people have chosen to cut one or the other or moderately cut both. We have sharply cut the fixed deposit. I mean it all comes back to the same thing. Everything contributes to cost of funds, but cutting FD structurally cuts it.

Jai: Right. And sir, just on margins, right? So, this quarter, let's say, we have a decent 60%, 65% fixed rate book, where the impact would have been very smaller, except for the mix change. And let's say, 50 basis point yield compression has actually resulted in 25 basis point yield NIM reduction, right?

Because there's not too much change in the cost of funding at all, right? Similar things could happen in Q2, right? The remaining 50 basis point yield impact comes and then there is no material change in the cost of deposit and maybe the similar NIM outcomes. Is that a decent mathematics?

V. Vaidyanathan: Yes, of course. I think you got it right. That's why we pointed out that, you could have a situation where we, if you remember right at the beginning, I pointed out that your Q1, Q2 will go through this phase, where income will come down and cost of funds will not have come down proportionately. But we have mentally factored in because we're looking ahead. And when you look Q3 or Q4, things will even out. And that's why we said this, Mr. Sudhanshu said earlier, like 5.8%, he expects to claw back. But Q2, we expect our NIM to come down.

Jai: Right. Last question, sir. We are now a large bank, right? And one of the fastest growing. On the Board side, just a small observation that we have one Executive Director, which resembles some of the small private banks. Whereas the large private banks, they have multiple EDs. So, when do you think we would hit that we would -- that time would come when we may have more than one ED?

V. Vaidyanathan: Thank you. We'll think about it. We do think about these things at the Board. So, we'll think about this one also.

Moderator: The next question is from the line of Harsh Modi from JPMorgan.

Harsh Modi: Definitely, it seems like your asset quality is holding much better than peers on the delivered numbers. But are there any early warning signs, let's say, 3 or 6 months from now, if we do end up getting some sort of weakness, what may be the possible areas where -- which could lead to slightly higher NPL stresses on your book?

V. Vaidyanathan: So, what would be a material number, Harsh, that you would worry about? I'll answer the question accordingly. Would you say 5 basis points would bother you? Would you say 10 or 20? At what stage would you say that we should have called out?

Harsh Modi: Like, say, 50 bps delta.

V. Vaidyanathan: How much?

Harsh Modi: 50 bps delta.

V. Vaidyanathan: 5-0?

Harsh Modi: Yes.

V. Vaidyanathan: No, we don't think there's anything that's moving the button like that for us. Had you said 5 bps or 10 bps, I would have said, yes, maybe some products can. For example, if you think of a rural market and you find that, okay, you've got the MFI business. Now are there any other businesses that can give you a little more higher credit cost than the other? Yes, like I told you that 20 products, something will give more, something will give you less.

So, would you say, can the numbers change by 5 basis points, 10 basis points? Yes, of course, we are running a bank, anything can happen. But 50 basis points, no, we don't think like that at all. I mean, we don't think we'll give you that kind of a surprise.

Harsh Modi: Right. So incremental is very limited 5, 10 basis points because there is a bit of a dichotomy here. We have multiple banks, NBFCs, big and small saying there are some degrees of risk that are watching certain segments, MSME, some CVCE, microfinance is an ongoing issue.

But your commentary seems to be reasonably sanguine. And definitely, a lot of it has to do with your underwriting and your standards. But I'm just trying to figure if there is a risk 3 or 6 months down the line, which may be growing, but as a market, we are not fully aware of...

V. Vaidyanathan: No, I generally believe your concern is a valid concern because if we give you a 50-bps shock, like tomorrow if we came back to you by end of the year and said, "Oh my God, it's not going to be 2% or 2.05% and it's going to be 2.55%, right? I'm thankful to you that you gave me a number so that now I know what your benchmark of a material movement is, it will make 50.

Now do we think any product of the bank would take us that zone? The answer is no. Do we expect our H2 to be in a credit cost average book? In fact, we think could be better than H1. We think, Q2 could be like probably in the zone or probably Q1, Q2 could be probably similar, I'd say, in terms of give or take. But Q3, Q4 is actually, we feel at this point of time.

And frankly, we've not gone very wrong with our numbers for the last many, many years. We model this all the time and keep projecting it forward. We've not gone wrong with the past. Our own benchmarks say that Q3, Q4 should only be better. We don't expect it to like go the other way around.

Your concern is can 2% or 2.05% become 2.55%? No, we don't think so. So, we'll watch, since I see that you are concerned. So you're seeing other people's numbers, other people's commentary. We don't have those commentaries to give because we are not seeing data to suggest anything like that.

Moderator: The next question is from the line of Vishal Biraia from Bandhan AMC.

Vishal Biraia: Just a small thing that GNPAs on the home loan as well as LAP on a sequential basis has increased by about 14, 15 bps. Could you give as to why is this happening?

Sudhanshu Jain: It's a marginal increase. Home loan in fact, have come down.

V. Vaidyanathan: I'd like to point to Page 49. We want to see how it has gone up. Where has it gone up actually? So, 0.84% is the gross NPA and 0.52% is the net NPA for home loans. Correct?

Vishal Biraia: Yes exactly. So, my question is from 70 bps to 84 bps on a sequential basis.

V. Vaidyanathan: Okay. I mean last quarter, it was 70 bps. Okay. It's not on my sheet, so I'm not able to compare. But really, there's nothing to call out. Also, maybe the book is probably slowing down. We are not growing it that much. So, think of it like that. But nothing like when we see, nothing that should materially bother you on home loans.

And anyway, home loans, as you know, is a very stable thing. It doesn't disturb us. Home is anyway stable, right? Neither for us nor anybody in the whole system, home has given any trouble. Don't bother.

Vishal Biraia: Fair enough. And my second question is on the MSME side. Is there a change in the pace of disbursement on the MSME front? I mean I'm assuming LAP would also largely indirectly be MSME financing. So, if you combine both, is there a change in pace of disbursement or anything that you can highlight because a lot of banks and a lot of NBFCs have been highlighting some sort of stress or potential stress on MSME front?

V. Vaidyanathan: I know we said this many times in this call, has come about and other people are saying this and pointing out some concerns. Well, we also want to be very reasonable, but we are not seeing any material slowdown or anything like that. But you see for our overall business finance book, which has wholesale loans, wholesale loans has grown, and the rest of the book is muted only.

Anyway, it's not growing dramatically, as you can see. If you take a quarter, so you see March '25, the business banking book is INR9,700 crores, the CV/CE is INR7,500 crores and other MSME, long tail is INR14,000 crores. You can do the math offline; you can take these three numbers together. Then in June '25, it's INR10,000 crores, INR8,300 crores and INR14,000 crores. If you add them up, give or take, maybe it's been flat.

Moderator: Ladies and gentlemen, due to time constraints, that was the last question of the day. I now hand the conference over to Mr. Vaidyanathan, MD and CEO, for closing comments.

V. Vaidyanathan: Yes. Thank you very much for staying up this long and participating with us. I want to just assure you that we'll be careful. Except microfinance, we don't have anything to particularly call out. Like I said, there are some 25 product lines, something will go up, something will come down. But broadly, we are in zone of where we said. We've discussed it many times. Many callers asked this question.

One of the callers specifically mentioned -- Harsh, I think, mentioned clearly, what is the material movement in that 50 basis points. I want to assure you we are not thinking anything that line. If you heard it from anywhere else, maybe you can reflect closely, but we don't have anything to call out like that at all. 10, 15 basis points can always happen.

We are running a business, can happen always, but nothing material has order we talked about. Like I said in the beginning, we are very focused on building a quality brand, quality bank, good journeys, good systems, good technology. All these things will eventually play out in the way the bank will come about.

So that's what it is. So, look forward to seeing you next quarter. And look forward to material improvement from us, let me say, by Q3 or maybe Q4. Basically, that's when the whole economics change, because of the funding cost changes by that time.

Sudhanshu Jain: Yes. Thank you, everyone.

V. Vaidyanathan: Thanks very much. Bye.

Saptarshi Bapari: Thanks, everyone, for joining. Thanks.

Moderator: Thank you. That concludes this conference. Thank you for joining us, and you may now disconnect your lines.