SURYODAY
A BANK OF SMILES

July 30, 2025

Ref.: SSFB/CS/36/2025-26

To,

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

Symbol: **SURYODAY**

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

Scrip Code: **543279**

Dear Sir/Madam,

Sub: Submission of the Transcript of the Conference Call held on July 25, 2025 on the Un-audited Financial Results of Suryoday Small Finance Bank Limited (the "Bank") for the Quarter (Q-1) ended June 30, 2025

Ref.: Our Letter No. SSFB/CS/28/2025-26 dated July 15, 2025 and Letter No. SSFB/CS/33/2025-26 dated July 25, 2025, respectively pertaining to intimation of Conference Call and disclosure of Audio recording of Conference Call on the Un-audited Financial Results of the Bank for the Quarter (Q-1) ended June 30, 2025

In continuation to the above referred letters and pursuant to Regulation 30 read with clause 15 of Paragraph A in Part A of Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**SEBI Listing Regulations**"), kindly be apprised that the transcript of the aforesaid Conference (Earnings) Call held on July 25, 2025, on the Un-audited Financial Results of the Bank for the Quarter (Q-1) ended June 30, 2025, has been made available on the Bank's website within the timeline prescribed under the SEBI Listing Regulations and could be accessed at following link and also attached herewith as an Annexure to this letter:
https://www.suryodaybank.com/assets/pdf/conference-call-transcript-july-25-2025.pdf

The aforesaid disclosure will also be available on the Bank's website at:-
https://www.suryodaybank.com/investor-corner/#disclosure-to-stock-exchanges

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

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

KRISHNA KANT CHATURVEDI
Digitally signed by KRISHNA KANT CHATURVEDI
Date: 2025.07.30 11:16:30 +05'30'

Krishna Kant Chaturvedi
Company Secretary & Compliance Officer
Encls.: a/a

"Suryoday Small Finance Bank Limited

Q1 FY26 Earnings Conference Call"

July 25, 2025

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on July 25, 2025 will prevail

MANAGEMENT:	**MR. BASKAR BABU RAMACHANDRAN – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER** **MR. HEMANT SHAH – EXECUTIVE DIRECTOR** **MR. KANISHKA CHAUDHARY – CHIEF FINANCIAL OFFICER** **MR. HIMADRI DAS – INVESTOR RELATIONS, HEAD**
MODERATOR:	**MR. HARSHIT JAIN – ARIHANT CAPITAL MARKETS LIMITED**

Suryoday Small Finance Bank Limited
Q1 FY26 Earnings Conference Call
July 25, 2025

Moderator: Ladies and gentlemen, good day, and welcome to the Suryoday Small Finance Bank Limited Q1 FY26 Earnings Call hosted by Arihant Capital Markets Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Harshit Jain from Arihant Capital Markets Limited. Thank you, and over to you, Mr. Harshit Jain.

Harshit Jain: Thank you. Good afternoon, everyone. Welcome to Suryoday Small Finance Bank Q1 FY26 Earnings Conference Call. On behalf of Arihant Capital Markets Limited, I would like to thank the management of Suryoday for giving us this opportunity to host this call.

Today, we have with us the entire top management team of Suryoday Small Finance Bank, represented by Mr. Baskar Babu R. Ramachandran, MD and CEO; Mr. Hemant Shah, Executive Director; Mr. Kanishka Chaudhary, CFO; and Mr. Himadri Das, IR Head.

I will now hand over the call to Mr. Baskar Babu for his opening remarks, and then we will open the floor for Q&A session. Over to you, sir.

Baskar Babu R.: Good Afternoon and welcome to Q1 FY26 earnings call. I hope you had a chance to review our financial results and investor presentation, both of which are available on our website and on the Stock Exchanges. The bank has started Q1 FY26 on a positive note in terms of the growth in advances and deposits. The growth was driven by inclusive finance disbursement, returning back to near normalcy and the significant momentum in the mortgages on the wheels business on the asset side.

On the deposit side, the growth was driven by the retail franchise as well as the digital channel. The growth in the retail franchise on the deposit side is a further step towards achieving the bank's overall mission of serving 1% of the Indian households in a meaningful manner. The NBFC, MFI sector had experienced increased asset quality pressures in FY25, primarily due to borrower overleveraging, socio-political dynamics and operational challenges, factors that have prompted the industry to strengthen its risk frameworks and operational resilience.

Our bank also experienced these challenges, part of which was mitigated through the CGFMU credit guarantee cover. We are also confident that there's a huge opportunity lies in inclusive finance backed by individual loans, Vikas Loan, and we'll continue to serve these customers in a holistic way. Also, the bank has been proactive in implementation of the MFIN Guardrails 2.0 in November 2024 itself well ahead of the mandatory implementation time line. And portfolio source post November 2024 have been showing better behavior either on 3-month 3MoB, 6MoB etcetera. Also, it was a year of opportunity, particularly in the focused growth of our secured assets portfolio and the continued strengthening of our deposit franchise.

Strategic initiatives undertaken in recent years such as investing in credit guarantee mechanisms, enhancing our digital offerings across both product deposits and lending and sharpening our focus on the MSME segment have laid a strong foundation for the coming financial year.

The RBI revised PSL norms for small finance banks also enabled institution like ours to build a more diversified and balanced portfolio. This progressive move opens up greater opportunities for us to focus on segments like MSME, micro housing and other sectors, broadening our impact on reach. In respect to Suryoday's performance for Q1 FY26, I'm sharing only the key highlights and not elaborate numbers in details, which have been included in the investor presentation uploaded on the Stock Exchanges.

Our gross advances stood at ₹10,846 crore, with a 20% year-on-year increase. Our deposit base stood at ₹11,312 crore, which is 39% increase year-on-year. The share of the retail deposits now stands at 82% as of June 2025 compared to 79% a year earlier, driven by the deposits garnered through the digital channel. CASA is reasonably stable at 17.7% and we aim to reach back the 20% range in the coming quarters.

To the inclusive finance, current bucket collection efficiency increased from 97.5% in April '25 to 98.4% in June '25, and the current bucket collection efficiency of the last 6 months of portfolio is at 99.5%. Our current GNPA is at 8.5% as of June 2025, and NNPA is at 5.6%. GNPA stood at ₹918 crore and NNPA at ₹593 crore, against which ₹584 crore is receivable under the CGFMU scheme.

In effect, the CGFMU receivable and the existing provisioning cover almost 100% of the GNPA. Some of the strategic initiatives, which were initiated a couple of years back are now beginning to yield results, such as shifting from group lending to individual lending with strengthened underwriting processes, prudent risk management practices for wider coverage of cyclical events by initiating and continuing with the credit guarantee coverage for eligible loans focused on secured in retail assets business.

Currently, the deposits sourced through the digital channel stood at ₹1,000 crore with a daily run rate of ₹3 crore per day on an accretion basis. The digital sourcing channel was effectively as a customer acquisition engine and also opens up opportunities and enables us to cater to the other requirements of our customers source through this channel. We remain committed to delivering consistent improvement across all key business parameters. In spite of the challenges, and a strong focus on sustainable growth, asset quality and customer-centric innovation. As we move forward, we are confident in our ability to create long-term value for all stakeholders, while staying true to our mission of financial inclusion.

Thank you for your continued trust and support. And over to Harshit for questions-and-answer session. Thank you.

Moderator: The first question is from the line of Jay Chauhan from Trinetra Asset Managers.

Jay Chauhan: So I just have one question, sir. You mentioned digital deposits have crossed ₹1,000 crore, with run rate of ₹3 crore a day. So can you just break down the customer cohorts driving this inflow and some important metrics like CAC and tenable data points that would convince you to scale marketing beyond the current partnership model?

Baskar Babu R.: Yes. Thanks, Jay. Currently, our digital sourcing on liabilities, is on account of our partnerships with the payment banks, Fino, Jio, Airtel, and these are our key partners. And on the digital fixed deposits, which are completely granular, we source through various platforms and the largest platform for us currently is Stable Money. We are currently accruing around ₹3 crore per day, predominantly on the retail FD side. And the CAC is substantially lower than the physical mode approximately around 35 to 50 basis points.

Jay Chauhan: Understood, sir. And do you also calculate the renewable data points and customer lifetime value or something like that?

Baskar Babu R.: We just started in the last 6 months, as you know that it was kind of a mode, almost doubling every quarter for the last 3 quarters. Currently, while we have ₹1,000 crore, it was less than ₹500 crore even a quarter back, which was last quarter. The renewals and all of that, we'll get to know the data only probably after another 6 months. But many customers when they first test the platform, start with a very small deposit as low as around ₹1,000, ₹2,000 and try pre-closing it to see the efficacy of the digital platform. Once they are convinced, usually then it jumps up to ₹50,000 to ₹1 lakh and up to around ₹2 lakhs. The customer profile of the digital fixed deposits are substantially different from the regular channel in that they are digitally savvy, probably have a credit score, which is well above 750 and people kind of who have diversified savings. Not all their fixed deposits in our assumptions, as hypothesis, we'll have to test it later, really flows through a single bank. That's why usually, the deposit varies anywhere between ₹50,000 to ₹2 lakh. And the average, I think currently, we run at around close to ₹1 lakh.

Moderator: The next question is from the line of Shailesh Kanani from Centrum Broking.

Shailesh Kanani: Sir, I had a couple of questions with regard to our secured portfolio. Now it accounts for more than 50% of our portfolio. So how is this segment shaping up, especially given that the Q-on-Q improvement is there in par 30 book over there, now it has come down to 4.3%?

Management: Right. So as you may have noted, Shailesh, I mean the torch periods for us is clearly CV and mortgage in that order. CV on a year-on-year basis has grown more than 50%. Mortgage has grown more than 30%. I think given the base that we have in both these businesses, our growth will continue to be quite high relative to what we plan to do in IF. And for both CV as well as on mortgage or on a 12MoB basis, our PARs are well under control. So I think we will continue to focus on these 2 lines of businesses for our retail asset secured business growth.

Shailesh Kanani: So I wanted to understand if there are any early indications or signs because various partners are talking about stress in those assets. So are we seeing any signs given our exposure is on similar markets like Tamil Nadu? So I just wanted to have some color, anything on that front?

Baskar Babu R.: So Shailesh, overall, we are significantly outperforming the market right now for 1-year cohort or a 2-year cohort on both CV and mortgages. And it's too early because this static pool stabilizes in 36 months and anywhere between 24 months to 36 months. So last year, anything sourced post-COVID, the portfolio is intact big and span. And we had some incidents in the past in MP in mortgage. Otherwise, we are -- the portfolio post that is completely intact.

Shailesh Kanani: Okay. That's helpful. Coming to unsecured portfolio, year 2 in Stage 2, we have seen a decline. Is it safe to read that slippages may have peaked during this quarter? And additionally, when can we anticipate 90-plus bucket to stabilize or potentially start declining?

Baskar Babu R.: Shailesh, what we're really seeing, which is really kind of heartening is at the rate of accretion to the NPA is coming down quarter-on-quarter. So we are kind of seeing almost a trend going closer back to what it would have been around 6 quarters back. So hopefully, if this trend continues, then it's near back to normalcy in Q3 and probably in Q4. The reason probably from some of the early SMAs would have come down is that the current bucket collection efficiency has inched up closer to around 98.5%, 98.6% and fairly confident that the current run rate will cross 99% in the month of July. Given that scenario, some of the buckets would have been early SMAs, would have flown on into GNPA and our accretion in the current bucket is lower and hence, it's showing a percentage reduction.

Shailesh Kanani: So just to summarize, Q3 is where we are expecting strategies to come down meaningfully, right?

Baskar Babu R.: Yes. But Q2 will be lower than Q1. Q3, if that trend were to be extrapolated, I think it's kind of a big assumption that we make based on at least whatever we are seeing, the ease with which probably less of the difficulty in terms of inching it from 98.5% to 99% gives us the reasonable confidence that if the trend were to continue, Q3 is where you would see a substantial reduction in the NPA accretion compared to Q1.

Shailesh Kanani: Okay. Sir, my last question is with respect to our noninterest income. I believe a portion of it would have come from the change during the quarter. So can you just highlight how it works? And additionally, the remaining part of the PSLC, we are expected to receive this year, around ₹250-odd crore, how would that flow into P&L in balance sheet?

Kanishka Chaudhary: Yes. So there are 2 parts to your question. So on the other income, this year, we made a little over ₹30 crore on PSLC. And we had a onetime gain from a sale of our investment portfolio in OMO amounting to ₹13-odd crore, right? So both of them look to be one-off for the time being. We do not expect significant money to be made in PSLC for sure in the next 2 quarters. To your question on how the claim will impact our P&L.? So what we see that all claims that we are likely to make in Q3 will be P&L neutral, it will help us reduce our headline GNPA numbers.

Shailesh Kanani: So basically, it would not be representing any return of pool, right?

Kanishka Chaudhary: Correct. Absolutely. Yes. All will be in respect of NPA pool.

Shailesh Kanani: And what would be that amount, if there is any change in that number?

Kanishka Chaudhary: We are expecting about ₹300-odd crore as the claim amount from our side in Q3.

Shailesh Kanani: Okay. Can I squeeze in last one more question?

Kanishka Chaudhary: Yes. Yes, sure.

Shailesh Kanani: In terms of wins, we have seen quite a bit of pressure. I understand because of high slippages and also because of book mix changing. Where do we see this settling? And what is the kind of guidance for future and normalized business?

Kanishka Chaudhary: So for this particular year, we will look to have a credit cost of around 1.2 one quarter. On a steady-state basis, we will be having credit costs just about near about 1% and given the kind of mix that we have in the businesses today. We will continue to have the 55-45 mix between secured, unsecured.

Baskar Babu R.: Shailesh, it includes claims from CGFMU, if you kind of not just the premium for it and then add it up, it will add another 50 basis points or 60 basis points to the overall credit costs. You see just from a premium paid is also treated as a credit cost.

Shailesh Kanani: I was actually referring to NIMs part because NIMs have kind of fallen

Kanishka Chaudhary: We expect the NIMs to be in the region of 7.5% to 8% with the mix that we have. We shall continue to maintain this mix of 55%, 45% between secured and unsecured.

Moderator: The next question is from the line of Deepak Poddar from Sapphire Capital.

Deepak Poddar: Yes. Sir, just first up, I just wanted to know, I mean, this CGFMU portfolio, I mean, our 100% of IF portfolio is covered under the scheme?

Kanishka Chaudhary: Yes. More than 98% of the portfolio is now covered under the scheme.

Deepak Poddar: More than 98% of the portfolio?

Kanishka Chaudhary: Yes.

Deepak Poddar: Okay. Fair enough. And in terms of normalization of credit cost, we mentioned, we expect normalization to happen from third quarter, right?

Kanishka Chaudhary: Yes, please.

Deepak Poddar: Okay. Understood. And in terms of Karnataka, we have any exposure?

Baskar Babu R.: Yes, we do have.

Kanishka Chaudhary: Yes. 11% of our portfolio is Karnataka, so we have seen a significant improvement in the current bucket collection efficiency right from February onwards. And now it is more or less getting normal. Earlier, Karnataka used to be the best state with 99.8%, 99.7%. It is maybe 1 quarter away to get you to that earlier high current bucket. Otherwise, Karnataka is back to normalcy as far as we are concerned. And we don't focus on group loans anymore. We focus on individual loans, and we have changed our strategy 2 years back. We stated that the customer behavior has changed from group to individual, and we started focusing on the graduating customers from 2023 onwards.

Baskar Babu R.: Deepak, just to clarify, 11% is on the inclusive finance portfolio.

Deepak Poddar: 11% of IF. Okay. And we have seen significant improvement, and we see Karnataka is already back to normalcy. That's what.

Kanishka Chaudhary: We are back to normalcy.

Baskar Babu R.: Of the current customers.

Deepak Poddar: Correct. And any other state we are seeing any kind of issue, I mean stress?

Baskar Babu R.: Yes. Broadly, I think other than Karnataka, whatever stress we saw, but what's not really kind of stabilized is that it has not gone back to 99.5% as it was about 6 quarters back. So it's kind of stitches anywhere between 98.2% to 98.7%, 98.8%. So Tamil Nadu was seeing some stress. I think it has been fairly stabilized, not really showing any more deterioration. What happened, happened and kind of the remaining current portfolio operates closer to the same 95% -- 98.6%, 98.7%.

Deepak Poddar: Fair enough. I got it. And just my last query from my side. I mean given the direction we are seeing in terms of more slippages and improvement overall across the sector. So would it be, I mean, right to say, I mean, quarter-on-quarter, we should see improvement in our bottom line? I mean, whatever we have seen, that would be a base, and we will build upon that in coming quarters? Because if you have to reach 11%, 12% ROE, that is one trend that we might be looking at, right?

Baskar Babu R.: Should probably play out the way we are mentioning, Deepak. But what we do currently, including the inclusive finance portfolio, slippages, we provide the entire amount, which is not claimable under CGMFU is approximately 23%. We don't provide 25% of 23%. We provide the entire 27% in the same quarter, 73% is claimable. So to that extent, whatever -- in a way, it's kind of upfronting the credit cost of the portfolio, anything which is slipping in straight away 27% and the balance 73% is what is claimable. And as you know that it is with a cooling period of 1 plus 1 year, the year of origination and then you have the crystallization year, and then the third year is when we make a claim. So to that extent as we see more or less -- lesser and lesser slippages, 27% of that straight away will be our addition to our P&L. The current trend which we are seeing, of course, taken and we'll have to take into consideration, already 15% to 20% of the customers across board in the industry and even to us, it's no different, is already has slipped into the GNPA. So what we are really talking about from now on is the customers who have been through including this stress cycle and have been paying reasonably well. And hopefully, once it stabilizes at 99.5%, things will be far, far were different from what we have seen in the last quarters.

Deepak Poddar: Correct. Correct. And what was the slippage amount in last quarter in rupees crore?

Kanishka Chaudhary: Yes. So we did around 278 -- we had ₹278 crore of slippages as against ₹308 crore that we had in last quarter of FY25.

Deepak Poddar: And do we expect substantial improvement in this number of slippage of ₹278 crore from Q2 onwards only?

Kanishka Chaudhary: Yes. Yes. We certainly expect that. So we would want that our slippages reduces anywhere between ₹50 crore to ₹70 crore in the next quarter and then the quarter thereafter.

Deepak Poddar: ₹50 crore to ₹70 crore. Okay. Outside enough, I think that's very helpful, sir. All the very best.

Kanishka Chaudhary: Okay. Thank you.

Moderator: The next question is from the line of Saumil Shah from Paras Investments.

Saumil Shah: Sir, out of the ₹584 crore, which are receivable under CGFMU claim, so how much can we expect in this year and how much in the next year?

Kanishka Chaudhary: So about ₹320-odd crore will be for this year, and the rest will spill over to the next financial year.

Saumil Shah: Okay. And sir, since the industry is facing so much challenge, is there a possibility that these claims, what we have done, some of them are rejected or maybe their -- the percentage on the claim will be reduced?

Baskar Babu R.: Saumil, what we kind of CGMFU cover has not started what post the crisis. We started when our GNPA was in this portfolio, higher portfolio was probably less than 2%. The mathematics at that point of time pointed that the premium will be substantially higher than the claims that we would make.

But nevertheless, having seen a couple of cycles, every 4 years, known unknown factors cause it like this time. So we kind of -- I would call this as an investment, knowing fully well that it was not in terms of to have a plan to have a claim more than the premium. We would have been happier even if the premium that we paid for consecutively 4, 5 years would have been higher than the claims that we received. So with that -- our portfolio has covered near 100% in the last 2 years. And to that extent we don't -- the scheme is primarily focused in terms of ensuring that more and more households without formal credit gets included, and it's a well-funded scheme to our knowledge. So to that extent, as long as we are completely right, both in letter and spirit and including in terms of a recovery, once claim, we do not simply write off the portfolio and liquidate that. There is a collection, which happens as much as in the regular GNPA portfolio, including in this portfolio where the claim comes, and that money is returned. We actually look forward to having a track record that a substantial amount of the claims that we make, we are in a position to return it back to the credit guarantee fund by focusing on the collections as if it is our own. And I think hence, we do not, at this point of time, having made our two claims and getting the entire 100%, and we want to ensure that what is eligible gets covered and that we are not cherrypicking of based on the risk of the customer either in terms of stage or in terms of indebtedness. Across the board, we kind of cover and do not see at this point of time, anything significantly different as a claim amount receivable received than what we make the claim.

Saumil Shah: Okay. Then that was helpful. And so the ₹320 crore, what you are saying, will be claiming it in the third quarter or we'll be receiving it in the third quarter?

Baskar Babu R.: We already got ₹50 crore in Q1

Kanishka Chaudhary: So our expectation is that the claim will be fulfilled in third quarter. So we do see a reduction in the headline GNPA number by the time we report Q3.

Saumil Shah: And the day we claim, I mean, in how many months we received the amount.

Baskar Babu R.: It would vary, but I think with the committed time line is around 60 days max.

Saumil Shah: Okay. So max by fourth quarter, we can expect this ₹320 crore?

Baskar Babu R.: I wouldn't be able to kind of second guess for the fund, but the fact is that we may make a claim till now, at least the turnaround time has been probably much lesser than the 60-day period, which they kind of work on.

Saumil Shah: Okay. Okay. And sir, for current year, we are guiding for 1.5% to 1.6% ROA and around 12% ROE. So how confident are we to achieve it? And by next year, can we expect ROA to be north of 2.5%?

Baskar Babu R.: I think we'll cross this year with whatever we have really committed and fairly confident. I think towards the end of the Q4. I think with the key learning is that the guidance works in a far stable environment. In a very dynamic environment like what we have seen, we would rather kind of -- completely kind of prudent in terms of ensuring 11% to 12% and 1.5%. And we kind of have that visibility fully clear, which will be by end of Q3, we will probably be in a better position to kind of guide. That is what we intend. But to kind of say that it will not happen next year would rather be a little bit too early.

Saumil Shah: And sir my final question, what would be our guidance on GNPA and NNPA number by year-end?

Baskar Babu R.: Overall, I think we have guided for 5 and 3. But of course, the timing of the CGFMU play is a critical thing. So it may be. But what would be is that, by and large, we'll try to maintain the NNPA minus the CGFMU cover, very close to 0%. So the rest of it will be mathematical. And hopefully, towards the Q3, Q4, we'll also start seeing in terms of us getting even from the claims that we made, and, in a position, to return it back to the credit guarantee fund.

Saumil Shah: Okay. So this 3% NNPA is after considering this ₹300 crore of claims?

Baskar Babu R.: No, no.

Saumil Shah: Before that. Okay. Okay, fine. All the best.

Baskar Babu R.: Thank you.

Moderator: The next question is from the line of Shashi Kapoor from Dauladhar Capital.

Shashi Kapoor: Congrats, good numbers. Just wanted to know what kind of changes we are doing in our leadership team or what kind of hiring are we particularly in the top leadership team?

Baskar Babu R.: As we speak, I think we are fairly kind of happy to state that the leadership team has been stable for 5 & 6 years and the leaders who are here have been in the system for more than 3 to 4 years. That is extremely important in terms of ensuring a steady growth, aligned effective leadership. So we'll probably have addition -- one addition to handle marketing and HRO and marketing specifically.

Other than that, I think we are fairly on. I don't think we are really focusing in terms of -- we have hired a senior leader for customer experience, and we have hired a senior leader for retail liability products. So I think we are full up at this point of time. And the focus is in terms of ensuring that all of us contribute substantially to the overall growth of the bank.

Moderator: The next question is from the line of Rahul from Trellis Investments.

Rahul: From a slightly longer-term perspective over the next 2, 3 years, how do you see like the profitability trajectory of the secured lending business such as like housing finance or MSME? We have been active in this segment for some time, like I just want to know what's the broader vision in terms of that segment because as we are shifting from unsecured to secured mix. So I just wanted to know that.

Baskar Babu R.: Rahul, as you know that we've never called out saying that we'll go towards 80% secured. There is a good balance that we would like to maintain. Ideally would have preferred a 50-50 kind of very comfortable at 45%, 55% that is 45% so-called unsecured and 55% will rest will be secured. Initially, we have kind of taken a focus in terms of secured, both in commercial vehicle as well as in terms of mortgages to be at reasonably closer to the near prime segment. And as we really have a portfolio, which is seasoned and fairly confident, slowly, we'll kind of inch up to kind of do a little ower ticket sizes that the profitability will be higher than what we have built up secured. And even within the secured since most of it is business loans and not in terms of personal LAP, the possibility of giving quasi-secured or semi-secured loan or unsecured loan has become substantially higher. We've also become liability customers. I think now we have the leadership at the top level which handle mortgages and branch banking. We see quite a bit of benefit in terms of making customers on both sides of the balance sheet, which is both on the deposits and savings side as well as in terms of the lending side, gives us fairly good confidence in terms kind of a customer holistically and purely on a product basis. So it will stabilize, and we were very clear that the transition will happen in a way that the P&L is not impacted by excessively moving to secured in a very, very accelerated manner.

Rahul: Sir one follow-up question. When I look at the investor presentation key strategies that have played out slide. So looking at the strong growth trajectory in the Secured Retail Segment like CV and mortgage, where the portfolio has scaled from around like ₹1,000 to ₹3,800 crore like around 50% CAGR, along with stable GNPA levels. How do you see the profitability profile shaping up over the next 2, 3 years for the secured business in terms of the CV and mortgage? Because additionally, what role will be the increasing granularity and geographical diversification play in supporting such returns?

Baskar Babu R.: Two ways in which we can really look at it. One, if you look at the portfolio already built up, the cost of maintenance of the portfolio will be kind of substantially lower than probably -- I don't have the exact number, say probably around 100 basis points. But if you look at the cost that we are investing or the investment that we are making in terms of securing higher businesses is what really adds up to the cost. Both the businesses at double the scale at which we are at this point of time, will become ROE accretive to a point -- to an extent of probably very close to 1.5%. And hence you can consider this as a breakeven to the ROA, we are kind of well beyond the breakeven at this point of time in both the products. And specifically, if we look at only the maintenance piece of that, it will be pretty high. But both combined investment as well as the maintenance put together inching up to ROE will be when the portfolio doubles, which will probably be 1.5 years from now.

Moderator: The next question is from the line of Siddharth Chandrashekhar, a Retail Investor.

Siddharth C.: Sir, I have a question regarding the liability franchise. So I was going through our presentation. So we have a guidance for 40% growth in our deposit book. I was going over the branches that we have also, right? So from 2021, we have around 550 branches around sir, and now we have around 700 branches.

So what I could see is like our incremental deposit book is not coming from our branch growth or employee growth, right? So where we are getting this much amount of growth because the industry-wide phenomenon is basically 10% ROA or in a good case, it's 15%, right? So could you elaborate what's our strategy to get this excellent amount of growth in deposit side. So you alluded to the fact like outside third-party sourcing is ₹1,000 crore, right? So I guess the remaining is from our own side to what's driving this factor.

Baskar Babu R.: The fact is that we are not present only in approximately 130 of our overall branch network in terms of focused on deposits. Slowly, we are kind of enhancing our all-other branches also to become a deposit focus in a smart balanced manner. We also started what we call a smart banking outlets, which are 300 to 400 square feet, surrounding our main branches to cater to the big neighborhoods. Digital is incremental and over to Gaurav.

Gaurav Pawra: Yes. As Baskar mentioned, I think there are a couple of things apart from the digital space where, of course, in the last 6 to 9 months, we are seeing great results coming in. I think apart from that, I think what is helping us is the investment we have done in the last 2 years in terms of manpower.

I think instead of going -- spreading ourselves, let say, currently, it is about 130 while we grow. But I think the objective has been to kind of go deep into the current geographies and of course, look at the enhanced productivity on the retail side. So I think that is something which I think has worked for us, and we kind of plan to continue for the next 2 to 3 quarters.

Baskar Babu R.: So ultimately Siddharth, our base is not very high now we just about ₹11,000 crore and odd. So to that extent, kind of the mathematics in terms of the figure, it will be higher.

Siddharth C.: Okay. So whatever growth that we are capturing is basically from our account holders. So these are not just accessing customers just for depository?

Gaurav Pawra: It's primarily retail granular. So 80% of our deposits are granular retail.

Siddharth C.: I have one more question regarding our inclusive finance book. So what I could say is I appreciate the fact that we got CGFMU for our insurance coverage. So that's a commendable job. But excluding the fact that right, if I see the performance of that specific book and if I compare it against the peers, what I could say is like maybe ours is not the worst, but still not the best among the peers, right? So where exactly we were wrong? Because in COVID also like our GNP spiked a lot, right? And now also our GNPA is spiking a lot, right? So there is some pattern like some of the peers got impacted in first during COVID time and now they are a little stable. But our book got impacted heavily in both periods, right? So what are our learnings from here and what we are trying to change to make sure that this does not happen again?

Baskar Babu R.: Sir, while -- well, kind of this is something which has to be seen at a little longer basis. So I do agree that in COVID, it was a little higher basically because we are -- because of geographical concentration. But we're also very clear that this is not a customer segment where you fund it and you kind of go and collect somehow. So sometimes even on a personal basis, when you go and meet the customers, there has been a health crisis or there has been an economic crisis. Irrespective of whatever pre-analysis that you do, when they kind of get into that, it's not collected at any cost. So we are reasonably proud that in terms of any complaints in terms of the way we handle collections in the Inclusive Finance segment, we have not gotten into this business and are not in this business only from the point of view of high yield, high return. So there is a balance which we kind of exhibit in terms of the way we collect. And given that probably always the damage may be a percentage more than 2. But I think increasingly, what we are really seeing is that including from our GNPA customers, we are able to see collections coming back as long as we are in touch with the customer. There are a certain percentage which is migrated or for circumstantial default moving to intentional default over a period of time. I think we would probably like to work on a model where can we really treat these customers with a far more responsibility and that -- some of the times when you do a 90-plus and the write-off, it's not probably not the customer is not wanting to pay. We lose touch with the customer. This, I think one clear learning this time we have taken, and we'll attempt to do it, is it to be in touch with the customer and be in touch with the customer, and I'm sure that will kind of translate into a better collection efficiency, including for customers who have still be on the GNPA.

Moderator: The next question is from the line of Ashlesh Sonje from Kotak Securities.

Ashlesh Sonje: Sir, firstly, can you just share the microfinance slippage number, please?

Kanishka Chaudhary: So out of the ₹280 crore of slippages that we have at the bank level, ₹240 crore is on account of microfinance.

Ashlesh Sonje: Okay. Sir, can you share some qualitative commentary on the situation on the ground today, specifically in terms of borrower leverage and how the market is performing in terms of disbursements?

Gaurav Pawra: So overall market has slowed down in terms of disbursal. So you can clearly see muted portfolio across. So players like us who are focusing on the graduating customers and on continue to play and continue to grow. So we have gone back to the more or less same disbursal numbers of Q1 FY25 as this quarter. And our individual loans are actually become now two third of our overall IF portfolio. So we can clearly see the market is having a challenge and the group behavior. So the group model like Baskar has called out a couple of years back, group model has inherent inbuilt operational challenges now at a design level because earlier in a group, we used to have 12 to 15 members minimum. Most of the groups used to be more than 15. And the economies of scale, productivity used to be there. And there was a good meeting point for the customers to come and gather on a given day in a month. Now it's no more the activity, and there are might 20-plus lenders in most of the pin codes. So that's the primary thing. Market is definitely moving even in the worst of the time, the 80% of the customers are good. We just need to pick and choose the customers. So from a qualitative point of view, internally, we are clearly focusing on graduating customers and not only existing customer, Suryoday graduating customers, but also MSA industry graduating customers. So our NTB Vikas Loan started from the month of January. Now we have built a portfolio of almost ₹200 crore after NTB Vikas loans. It's too early. However, bounce rate is low single digits, and we continue to collect all the money through standing instruction in the savings account.

Ashlesh Sonje: Got it, sir. And specifically around the household leverage situation, what is the situation of those borrowers, which you would have probably stopped disbursing or would have flown to NPA because of higher leverage? Do you see those customers also getting access to any credit at this point?

Gaurav Pawra: Yes. For some reason, this is something we have been taking in internal MFI forums Customers continue to get lending, not necessarily in the same name in the household. So that's a fundamental challenge. And there are also challenges during a significant period, lending was done on Aadhar numbers. And when we put voter ID, the match doesn't happen. So customers continue to get loans.

Baskar Babu R.: Actually there are some of the operational challenges of the industry, which the industry is working on. MFIN is working on in terms of unifying and clearly identifiable unique number for the customer. It is not Aadhar at this point of time. So we'll have to come up with -- there have been some requests made, including MF requesting for whether we can use the last 4 digits across. Some will come in. But at this point of time, we'll have to play prudent in terms of where there are credit bureau track record of 2 of the people at the household level. It's up to each institution to play the risk. And with overall, however, the guardrails is too is getting implemented. We certainly will see some benefit, the so-called slippages, would be better to have those slippages upfront than the liquidity kind of flushing that out. So we'll see some little bit of a movement there. But overall, I think it has been very good for the industry. And I think everybody is clearly appreciative that while it is at the cost of a little bit of a business drop in a couple of quarters, it's going to probably help us in terms of building a solid portfolio. More important than that, the word spreads around, saying that only good customers will get funded probably earlier if defaulting, but as soon as they're good to me, I can go and fund. The new guardrails really kind of put a cap on that. I think will be a good behavioral change for the institutions in the Microfinance segment as well as for the customers.

Ashlesh Sonje: Got it, sir. And just lastly, when you do acquire a borrower or offer a repeat loan to a borrower, do you think it is viable enough or viable enough to check the bureau report, bureau history of all the members of the household? And do you do it?

Baskar Babu R.: See there is a legal angle as well. So I can't really kind of take a credit bureau of all the members connected. To the extent they are coming into the deal structure, it's kind of not done. It's the applicant and the co-applicant because they sign up for it. But mostly, these are the 2 main earning members of the family.

Gaurav Pawra: From April 2023 onwards, it is mandatory to collect the co-applicant's KYC detail. So the entire industry collected. So we have collected -- we have got the bureau track of the husband or the earning members of the household. So we have a significant data as far as our existing customers are concerned.

Baskar Babu R.: The viability of doing assessment. Now I think at least all that we have seen in the last 1 year, it's much, much cheaper than to really enter and then encounter a creditors across the sector.

Ashlesh Sonje: Okay. Sorry. Just to confirm, you do check the bureau history. You are able to check the bureau history of the applicant and co-applicant?

Baskar Babu R.: All of us, I think, do. That's my understanding here.

Moderator: The next question is from the line of Saumil Shah from Paras Investments.

Saumil Shah: Yes. I have a small confusion. You just mentioned to me that by year-end, we are expecting 5% GNPA and 3% NNPA. Is my understanding correct?

Kanishka Chaudhary: Yes, please.

Saumil Shah: And this ₹320 crore, which we are expecting in Q4, this NNPA is without that ₹320 crore?

Kanishka Chaudhary: Yes, that's correct. Yes. So basically, the claim that we will get from CGFMU goes to reduce our headline GNPA numbers. right? So as an example, if -- let's say, if I have ₹100 of NPA, I am already carrying ₹27 of provision. And I'll -- when I get the ₹73 claim from CGFMU, I use the provision and the claim to write-off.

Gaurav Pawra: NNPA is actually today also nearly 0, and so whatever guidance we have given is before considering the CGFMU claim. Otherwise, today also if you consider CGFMU claim or although the GNPA is 8%, 9%, but NNPA is nearly 0...

Kanishka Chaudhary: And since we are providing 100% for the uncovered portion, it essentially means that my net NPA is entirely covered under the guarantee.

Moderator: Thank you. People, as there are no further questions, I now hand the conference over to the management for closing comments. Over to you, sir.

Baskar Babu R.: Yes. Thank you very much for taking time and participating in our conference call. Thank you very much for your continued support. Thank you.

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