Jana Small Finance Bank
A SCHEDULED COMMERCIAL BANK

JSFB/SEC/2025-26/103

23rd October 2025

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai 400001,
Maharashtra

National Stock Exchange of India Ltd.
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex,
Bandra (East), Mumbai 400051,
Maharashtra.

Dear Sir/ Madam,

Subject: Transcript of earnings conference call for the quarter and half year ended 30th September 2025

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

In continuation to our intimation dated 13th October 2025 regarding the earnings conference call with the investors/ analysts meet for the quarter and half year ended 30th September 2025.

Please find enclosed the transcript for the Q2 FY26 earnings conference call conducted after the meeting of Board of Directors held on 17th October 2025.

Thanking you

Yours faithfully,
For Jana Small Finance Bank Limited
LAKSHMI RAJA NARAYANAMURTHY
Digitally signed by LAKSHMI RAJA NARAYANAMURTHY
Date: 2025.10.23 12:54:03 +05'30'
Lakshmi R. N
Company Secretary and Compliance Officer

"Jana Small Finance Bank Limited

Q2 FY26 Earnings Conference Call"

October 17, 2025

MANAGEMENT:	**MR. AJAY KANWAL – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER** **MR. KS RAMAN – EXECUTIVE DIRECTOR AND HEAD – RETAIL FINANCIAL SERVICES** **MR. ABHILASH SANDUR – CHIEF FINANCIAL OFFICER** **MR. GAUTAM GUPTA – HEAD – INVESTOR RELATIONS**
MODERATOR:	**MS. SANJANA FAUJDAR -- NUVAMA WEALTH & INVESTMENT LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Jana Small Finance Bank Limited Q2 FY '26 Earnings Conference Call hosted by Nuvama Wealth & Investment 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 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 Ms. Sanjana Faujdar from Nuvama Wealth & Investment Limited. Thank you, and over to you, ma'am.

Sanjana Faujdar: Thank you, Zico. Good evening, everyone, and a very warm welcome to the Q2 FY '26 Results Conference Call of Jana Small Finance Bank. On behalf of Nuvama Wealth, I would like to thank the management of Jana Small Finance Bank for giving us the opportunity to host this call and for taking out time to share with us the key highlights and performance updates for the quarter gone by.

From the management, we have Mr. Ajay Kanwal, Managing Director and CEO; Mr. Abhilash Sandur, Chief Financial Officer; along with the other members of the senior leadership team.

Without further delay, I would now like to hand over the call to Mr. Ajay Kanwal for his opening comments. Thank you, and over to you, Mr. Kanwal.

Ajay Kanwal: Thank you, and a very good evening to all of you. I am going to speak from the presentation that we have uploaded. I am going to refer to specific page numbers so that I can then leave enough time for questions.

Let me start from Slide number 3, and it shows the progress the bank has made in the second quarter. Let me start with the deposit and the CASA business. So the CASA year-to-date has grown 14%. A large portion of the growth has come in Q2 FY26. Our Q1 FY26 growth in CASA was muted, and now we expect our CASA to continue this strong trend as we go into the next 2 quarters.

Our year-to-date growth in terms of term deposit is 11%. And we're very happy to report that we have crossed the INR 30,000 crore milestone in a strong manner, closing at INR 32,532 crore. In addition to our growth, we've also dropped the cost of deposits. It is now at 7.88% for Q2 FY26.

For entire first half, it is at 7.92%. We can clearly see the cost of deposits have reduced by 10 bps in Q2 itself. We do expect the cost reduction trend to continue as newer deposits come up for maturity, and we saw increased CASA as well as new term deposits, where our rates are far lower than they were last year. So overall, I must say on both deposit and CASA, it's been a very strong quarter.

On the secured side, we have seen strong growth rates, and I'll show you the details, in Affordable Housing, MSME, Gold Loans and Two-Wheelers. Our expectation to grow secured asset 35% to 40% with steady margins by the end of this year remains as we had earlier committed. Now we come to the most challenging part of our business, which is the unsecured assets.

Good news is the portfolio is stabilizing. We've seen a small growth in Q2, 0.3%. So amongst the various issues was cost of people, and we haven't seen any increase in the headcount in the MFI business. We, in fact, have seen a marginal drop.

So cost of the MFI business of people is not going up anymore. The portfolio was declining. We have now seen the portfolio arrested at Q2. And we also now expect fresh flow in Q3 to be much lower. So by Q3, all the lines will start showing positivity, though we would expect even more positivity in the same business in Q4. So the turn is now very evident.

We've also taken a INR 250 crore Tier 2 capital, which completed on 16th of October, which has improved our CAR by 1.25%. Like I mentioned earlier, we have no intention of raising equity capital. We have a lot of room in Tier 2. We have got a good opportunity to raise Tier 2, and we have made use of the opportunity.

I will now move to Page number 4. Page number 4 signifies what surprised us, and where we didn't do well in the first half. On the deposit and CASA side, I must say that our Q1 was slower than we had anticipated, though we did a very good cover in Q2. We expect the Q2 trend to continue.

On secured assets, this is a bit of a positive, but certainly not a positive from a cost angle. Our disbursements were higher by 33% in this first half, which led to a higher acquisition cost of roughly about INR 45 crore. It was offset by additional income, largely processing fees, by INR 30 crore. So we did have a negative carry of INR 15 crore due to increased enhanced growth in secured than we had originally anticipated.

So it's good that the growth rate is strong. But since we essentially take the acquisition cost upfront, we did have a INR 15 crore negative P&L carry on this. On the unsecured, we are 12% below what we had anticipated would be a first half number for which revenues were lower by INR 60 crores. This is because of our tight control on quality of what's coming in at disbursements.

The flow rates were higher than anticipated. We have an increased provision of INR 27 crore. While the margin is at 6.6% for Q2 and 6.7% for the full half, just the unsecured assets is giving us a NIM compression of 30 bps.

So it's fair for us to imagine that as the unsecured business settles down, we will get our NIM back up closer to 7%. And that's the key areas that I highlighted in the Page 4 is where our primary focus will be largely around giving more traction on CASA, continuing to focus very hard on getting unsecured at the right spot. And of course, hoping that our secured assets continue at the same pace in second half, though it will give us a higher cost of acquisition, it will be very beneficial for us and the balance sheet.

I want to share with you on Page 5, a very important way of how the bank will look as we go ahead. It's very important that given that we have seen the stress in the last 5 quarters, for us to step back and rethink of how we have been wanting to organize ourselves. We've always maintained that we want 80% secured assets and 20% unsecured asset.

Given that there are external events that can really impact the MFI business, we have chosen from November of last year to engage with the CGFMU and CGTMSE programs. So I first want to read out so that there is clarity on this that our 30th September gross loan portfolio was INR 31,655 crore. 72.5% of this book is now a secured book. 13.5% of the book is unsecured but under the guarantee programs and 14% of the book is unsecured and outside the guarantee program.

As we know, the guarantee program only is for fresh disbursements. So with each passing quarter, we continue putting more and more of our disbursements or rather all our disbursement under the guarantee program. Hence, the proportion of the unsecured book under guarantee program at each quarter continues to increase.

If you take the total unsecured book, 49% of the unsecured book is now under guarantee program as of 30th of September. From an overall standpoint, 14% of the total book of INR 31,655 crores is unsecured but not guaranteed.

At the pace we are continuing, we've made some approximations so that we have a very clear understanding of what to expect by March 2026. We expect to be somewhere around INR 35,500 crore as we close the year in terms of our gross loan book. We expect 74% to 75% of this business to be secured business. We expect 16% to 17% to be unsecured but under the guarantee programs and between 8% to 10% will be unsecured, not under guarantee programs.

So in many ways, by the time we finish this year, we would have taken most of the event risk possibilities away from our MFI business as a huge portion of it will be under the guarantee programs.

Now it doesn't change our basic, which is we want to have 80% secured. That does not change. What really changes is the unsecured book will now be under guarantee programs. It also does not change that we will continue to be maintaining tight credit when we source MFI. It certainly is tighter than the MFI norms.

Just because we have a guarantee, we will not be easing the norms. We do expect that this change in strategy, which is significant, will have a very differential credit cost as we go in the years ahead, certainly if we can expect any turbulence, which is external to us and will impact the MFI business.

So while we did want to make 80%-20% into a solid balance sheet, our bias is that with the guarantee program, it becomes even more solid, and we should not see what we have seen in last year and this year where we've been surprised by the stress, which has caused us a challenge in our P&L. I want to move to Slide 6 so that the guarantee program also, what it means to us on a P&L basis this year and next year at least, we give you a broad contour.

So this year, our total unsecured book as of 30th September is INR 8,715 crores after all the runoffs because the guarantee program is for the disbursement. The portfolio does run off. So while we have guaranteed a bigger sum, but the book has run off, so it is down to INR 4,280 crore, which is 49% of the book. Out of this, NPA right now is about INR 60 crore.

Now the guarantee program allows you to claim at a certain pace, mostly in the following year. So what is claimable under this is about roughly around INR 5 crore, which we will be doing in the next 2 quarters. The premium that we have paid till date this financial is about INR 39 crore. We expect to pay another INR 12 crore by the time we finish the year. So INR 51 crore, we would have paid into the guarantee program in this financial year, and we have paid up between INR 10 crore to INR 15 crore in the last financial year.

Now the way the guarantee program works because it is in the following financial year, you don't get any opportunity to claim for any slippages in this year. But important is to see next year, which is FY26-27, we expect that we'll be paying a premium of INR 80 crore to INR 90 crore. And all the current flows, which are under the guarantee program should give us anything between INR 120 crore to INR 144 crore to be received from the guarantee trust.

So next year, it will be more evenly balanced, I would say, in terms of what our cost to guarantee is and what we expect as a return from the guarantee program for the credit cost. By March 27, given that all fresh disbursements continue to be put under guarantee even next year, 96% of the unsecured portfolio will be under the guarantee program.

So if you take a broad shape, by next year, maybe about 77% - 78% will be secured, 22% will be unsecured. Out of 22% unsecured, roughly about 20% or 21% will be under guarantee program, 1% or 2% will remain unguaranteed. So clearly, for us, this is the best way forward, and it takes a big challenge away in terms of what happens if there's an external movement.

Our NIMs will remain unaffected because the guarantee commission will certainly come into the cost line. The credit cost will obviously see a positivity next year. So in a way, it will maintain the same NIMs. Next year, we'll have a positive flow because of the guarantee program. And the ROAs will improve 50 to 70 bps. We think this is a much finer model than we had originally envisaged without the guarantee program. This is a key change, so I spent 2 slides explaining this in detail.

I'll now move on to Slide number 8. So for the Q2 FY26, we have taken an accelerated provision of INR 72 crores. Our regulatory provision is INR 132 crore, leaving a PBT of INR 75 crore. With no DTA, we are at INR 75 crore of PAT for second quarter.

Our full first half PAT goes up to INR 177 crore. If you take away the extra provisioning we had to do for assets guaranteed under CGFMU/CGTMSE in order to maintain our gross NPA below 3% and net NPA below 1%, we have taken additional provision of INR 40 crore because ideally, until such time as we receive the money from the guarantee program, which is next year, we still have to maintain the NPA rations below 3% and 1%, which has caused us to provision INR 40 crore extra, which is strictly covered under the guarantee program.

I must say that we must read the number, which is accelerated provision for first half. We have INR 222 crore as additional provision over the regulatory provision. That is what we have on our books as we speak. I want to move next to Slide number 10. It's a very regular slide that we share with all of you.

Like I mentioned, the total book is now INR 31,500-odd crore. Our affordable book, which is the largest asset book has now reached INR 7,000 crore. It has shown a 34.4% year-on-year growth and quarter-on-quarter has grown 7.1%. Our second largest book, Micro LAP, is growing a bit slowly at INR 6,027 crore. This has been a book which has been slightly lower than affordable housing, though we expect some more pickup relative to the first half in the second half because the first quarter has normally been slow.

MSME, we have picked up very well in Q2. It has shown a 27% growth in year-on-year and 12.8% quarter-on-quarter. Our Two-Wheeler is 12.8% quarter-on-quarter. Our Gold Loans is 17.5% quarter-on-quarter. So very strong growth in all the asset businesses on secured side.

And unsecured, we have actually grown 0.3% in the second quarter. So we are starting to see green shoots as they say. If you look at overall growth quarter-on-quarter, it is about 8% on the secured side and year-on-year is 34.4%. Reiterating what I said earlier, we do see a 35% to 40% growth in our secured businesses.

I'll move on to Slide number 13. This is a slide which is an important slide for us because we would like to create an anchor bank for Rising India, which means the customers should have an advantage of both pricing, service, single KYC, multiple products, both asset and liabilities from a single roof. This page is all about our Affordable Housing, Micro LAP book and how customers are behaving with us.

I'm glad to share that from an average relation of 3.7, we have now taken it to 3.9. And there is all-round growth with CASA remaining at 99% because there is little room to grow there, but TD and recurring deposit (RD) penetration up to 21%. Health insurance have moved up marginally from 91% to 92%.

Our gold penetration in the housing loan customers is up to 2.5% now. There's a lot more room here, I must admit. Our preapproved business loan program to housing loan Micro LAP customers up to 20%. Our Two-Wheelers has moved up marginally to 1.1%. This is also because we are not operating in all cities in Two-Wheelers, where we do Affordable Housing and Micro LAP. It's a smaller segment of Affordable Housing Micro LAP customers, which get our Two-Wheelers penetration.

The one thing which has moved negative for us in this whole business is the CASA average balances of these customers which have moved down from INR 27,600 to INR 24,500. We have a little bit of work to do to get the balances up for Affordable Housing and Micro LAP customers.

I must add that 3.9 average relationship does not count the life insurance and property insurance products. We continue to focus on this. I must say this is only an example because this is our best example.

The same strategy continues for Two-Wheelers, where Two-Wheeler customers are offered savings account, where Two-Wheelers customers are offered personal or business loans, and we certainly work with them on health insurance. The same is true for MSME customers also. And we, of course, have our MFI business where we do a lot of cross-sell of Gold Loans and certainly offer them other products, too.

So strategy-wise, this is a strategy page on how we are executing on creating a one financial services opportunity for Rising India. I'll now move on to Slide number 14. Slide number 14 gives you the MFI breakup. Here, you can see that across the board, quarter-on-quarter, there has been a degrowth, which is you can see where we highlighted with 0.3%.

We have seen good growth in group loans. These are largely urban area loans where we have been able to do a growth, and we are more comfortable here. We can also see there is a growth in non-agri and individual loans at 0.4%.

All other businesses have seen a negative growth, but we do expect this to get much more normalized in Q3 and furthermore in Q4. There is a negative advantage of a declining denominator because you can see things like BC Book at 28.7% and Agri at 40.7% negative growth over the year. Obviously, elevated gross NPAs have a large portion of their high numbers contributed to a lower denominator. I would also like to add, since BC was a big conversation in the last 2 or 3 investor calls, we continue to believe in the BC business.

The 3 BCs where we had challenges, we have been working with them. We are solving problems. We do see them sustaining and coming out of this in the next year. We haven't had an opportunity where any BC has decided that this is not worth his while, and if he wants to do something else or with someone else. So BC continues to be a focus area.

A few areas that we thought that we could have done better in terms of giving them slower growth targets or making sure that the growth is slower, ensuring they have adequate manpower to support their growth. Those things we have brought into our system and we do see our BC Book now growing as we go into Q3 and Q4 with better collections from the past book also. So that gives you a sense of the MFI page, I did want to show this page because it's an important one for all of us to see.

I'll now move on to Slide number 16, which tells you the deposit story. Year-on-year growth in CASA is 19.8%, quarter-on-quarter is about 14%. Our TD growth year-on-year is 34%, and like

I mentioned earlier, the cost of funds has come down in spite of our growth. Quarter-on-quarter growth in term deposit is about 9.8%.

We continue to be very strong on LCR at 170%. Our 91.7% of retail deposits are contracted at 1 year and above. So that strategy hasn't changed. In fact, given the cost of funds appearing now, we rather would like to elongate our term deposits. Our non-callable still form 51% of our bulk deposit and 87.9% of our bulk deposits are contracted at 1 year and above. So there is very little short-term deposits, both in retail and in bulk.

I want to next move on to Slide number 21 straight. Slide number 21 gives you a few important ROAs, ROEs, but I would like to point out on this page, the NIM. The NIM in Q1 was 6.7%, which you can see on the right-hand side. The NIM on Q2 is 6.6%. We expect this to remain at 6.6 or get slightly better as we move into Q3 and even better into Q4.

The 2 main reasons are we will see a small drop in cost of funds, like I mentioned, and we will see a small growth in our unsecured book. Our secured book largely is maintaining the NIMs that we had expected. There has been no drop or change in that. So that will not cause any change in the NIM per se. But certainly, we would expect NIMs to get closer to 7% by the time we close the year.

I'll now move on to Slide number 23. Slide 23 gives you our gross NPA, net NPA and our PCR ratios. So first is our PCR is at 43.2% without tech write-off. On the secured book, it has been elevated as we would like to keep our gross NPA and net NPA below 3% and 1%, respectively.

Our unsecured at 66.9% on the bank's book is because a part of the unsecured book in NPA now is under the guarantee programs. There is no reason for us to provide extra there. The BC Book is at 88.2%. And like I mentioned, the BC book is certainly performing much better. And the 3 BCs which were challenged are really fighting it hard to make sure that they get as much recovery as possible from all the flows they've had in the last 5 quarters.

I will now move on to Slide number 25. Slide number 25 gives you the balance sheet. It essentially shows that we have a very good liquidity position. I want to remind everyone when we say we have cash, it is not cash sitting in the bank. It is cash that we deploy in T-bill securities.

So one should not assume that the cash is lying around without any benefit to the bank. So we are very healthy on LCR. We have good cash balances with us. We also have received an approval from National Housing Bank for a very favorable priced 7-year and 10-year disbursal. It's for INR 850 crore. We will start using that facility of NHB into Q3 and Q4.

So in addition to the INR 250 crore we've received on Tier 1, which we have received yesterday, we have another INR 850 crore of NHB, which is lying with us. So from a funding position, the bank is more than adequately funded. We will use this opportunity given our strong liquidity position to keep driving CASA even harder, which is how we are thinking.

I want to take you to Slide 26. There is no change in the gross loan portfolio growth of 20% or deposit growth rate of 20%, however, we moderated our PAT growth rate to 0% - 2% and ROAs and ROEs, respectively, as the elevated challenge of MFI, both on the flow rates as well as slower asset growth rate is going to eat up into the PAT opportunity that we did think at the start of the year.

I want to move on to Slide 27. I just want to point out that we have a new Non-Executive Director, Mr. Rakesh Joshi. He is a Non-Executive Independent Director. He is an ex State Bank of India professional with long years in State Bank of India, and he was certainly on the Board of IRDAI.

I want to take you next to Page 28, where there are 3 changes. So in the second bucket, you will find a gentleman there, last name, Sudhir Madhavan. Sudhir had, a few months ago, decided to pursue another career. He's come back and rejoined us. Sudhir Madhavan now specifically focus on our strategic alliances and our new product, credit line on UPI, which we will be launching next month.

I must add that we've already launched Used Car, which was one of the products we had to launch last month. So of the key product launches this year, we have had Solitaire, which was the deposit and CASA program for women. We have had Used Car plan, which has gone live last month. And we have credit line on UPI plan, which will go live next month.

Sudhir’s return gives us a very strong hand, very experienced hand who's seen Jana for many years, come back and rejoin us. I also want to point out Rajesh Kumar Sharma, Chief Operating Officer, who is a very experienced ex HDFC Bank operations person who joined us, and Asheesh Maroo, right below Rajesh, who is the Chief Credit Officer, who joined us with about 30 years in banking, 15 in business and 15 in credit.

So we have got a very strong team. For people who have very sharp eyes, you will notice that the number of years of the management team’s total experience, which was 27 years, after the re-addition of Sudhir and induction of Rajesh and Asheesh has now gone up to 29 years.

With that, I am very conscious that I have finished my 30 minutes, and I would like to spend the next 30 minutes answering questions from all of you. Thank you, and over to you.

Moderator: Our first question comes from the line of Manish Ostwal with Nirmal Bang Securities Private Limited.

Manish Ostwal: I have a couple of questions on the Q2 performance of the bank. So first question on the Slide number 22 of the slippages during the quarter. So it is INR 591 crore compared to INR 515 crore in the last quarter and in Q4 is INR 469 crore. So my question is, are we late in terms of recognition of NPA compared to the industry, that's the impression we are getting?

Second is, can you share the slippage coming from the secured books for the first half FY 25 and FY 24 to see how much pain we are seeing in the secured business also along with the unsecured, which the industry understands?

Abhilash Sandur: Sure. From the secured book, the slippage is about INR 200 crore for the quarter as against around INR 190 - 195 crore for the last quarter. That's the number. Unsecured is the balancing number. That's where we are at. You're saying are we late in recognition, we are not.

Ajay Kanwal: So I don't know a good answer, Manish, if we're late or not. It's possible that our April performance, we saw 96% collection versus the 98.5%-98.6% we've been doing regularly after that, probably is not as good as others. I wouldn't know, you would know others details as much. But I do see that the slippages will go lower certainly in second half.

In the secured, we have not seen any sudden rise, which causes a change in strategy. Between our businesses, a small change that we have seen about INR 5 - INR10 crore is only in the Micro LAP piece, but nothing that is pointing out to the INR 1 to INR 5 lakh segment as the normal question is, if that is giving us any extra grief. In fact, we've looked at INR 1 lakh to INR 5 lakh segment in Micro LAP. It's performing extremely well, and we are growing. So beyond that, it's just 1 or 2 MSE tickets, which are slightly bigger in nature. But there is nothing on the secured side, which is causing us any challenge.

Manish Ostwal: Second question, sir, as you mentioned in one of the slides that our secured plus this unsecured guarantee portfolio put together will be having a 90% to 92% by the March 2026. So by reaching this thing, so in the next year, where do you see the credit cost trending for the business given the things we have achieved, one on the secured guarantee portfolio and unsecured book plus increasing share of the secured business?

Ajay Kanwal: So very quickly, I can add that I would see the credit cost come down at least by 40 to 50 bps. That is our estimate for next year from this year. But listen, I want to make sure that we put all the parts together. First is we don't expect flows like this year in next year. So that will improve the credit cost.

Second, we do expect recoveries, whether it is a guarantee book or the non-guarantee book. So that is the second part. And third is where we have guaranteed the book and we are unable to collect, we'll certainly receive moneys under the guarantee. So if you take all 3 parameters, we should be in a very healthy position in credit cost next year.

Manish Ostwal: Okay. And the last question, sir, on the OpEx growth side, you did talk about in terms of first half, there is additional cost in the unsecured business, but in the coming quarter, this will go down. But I mean, given the loan growth in the business and the OpEx growth is meaningfully higher. So I mean how do you control this cost to deliver the profitable growth for the bank?

Ajay Kanwal: So Manish, the challenge is for us on this cost income and the cost growth, largely, like I mentioned, the number of employees in MFI in this first half is lower than what it was in March.

Roughly about 8,000, 9,000 people we have. Normally, they would cause us to have a growth in our revenue and our asset book.

Now this entire cohort has seen a negative growth in the first half, roughly about 2%-odd. So our real challenge only on the cost side, actually less about the cost is more about how the MFI book starts growing and that cost base then converts into a better cost income for us.

Beyond that, we are very focused on productivity and making sure that everybody is well trained out there selling multiple products. And if you look back in March '24, where our cost income was 57%, the only big change that we can see from then and now is not a huge increase or addition of people we don't need. It is when the book was close to INR 10,000 crore in MFI, it has now come down to INR 8,700 crore. If you take a INR 1,300 crore book, multiply that by 24%, you will see where the big challenge is. So we are very focused on cost. We are not seeing any reason why our cost should be not productive. Our only unproductive piece remains to be MFI.

And like I said, this is the tough part. As we get into Q3, Q4, we should get it better. Will it reach the value that it was in till March 24? Probably not, but certainly cover a lot of it. If you see the quarter-on-quarter cost increase, it's from a INR 20 crore-odd increase between the 2 quarters.

There is a slight addition also because we are paying the guarantee commission, which we were not doing as much. So every quarter, it only gets higher. But the gap is only about INR 20 crore. Some part is guarantee commission. So we are largely flattish on cost in our heads. We don't see a big cost increase coming.

Manish Ostwal: Okay. And small clarification from your commentary, you did talk about net interest margin for this quarter is 6.8%, whereas I was looking at the Slide number 21, it is 6.6%, which is down by 10 basis points from the previous quarter.

Abhilash Sandur: 6.6% only, that's the right number, and that's the margin compression, which has happened due to the unsecured book degrowth. 6.6% is the number.

Ajay Kanwal: Yes. Apologies, my reading was wrong at 6.8%. Abhilash confirmed it's 6.6%, my apologies.

Moderator: Our next question comes from the line of Farhaan Wadia with HDFC Securities.

Farhaan Wadia: I just wanted to know if you could provide me with some light or any ballpark figure of your ECL provision?

Abhilash Sandur: Sorry, we couldn't get that. Can you repeat it, please?

Moderator: Mr. Wadia, may we request that you use your handset, please? Your voice is slightly muffled, sir.

Farhaan Wadia: Yes, sorry. I'm saying if you could please provide me some light or ballpark figure of your ECL provision?

Abhilash Sandur: ECL provision, I think.

Moderator: Sir, your audio is still not clear. In case you're using a Bluetooth headset, we would request you to use your handset, sir.

Ajay Kanwal: Did you say ECL, expected credit loss?

Farhaan Wadia: ECL provisions, yes.

Ajay Kanwal: Are you talking about the guidelines which are expected to be coming up in 2 years, the ECL guidelines?

Farhaan Wadia: Yes.

Ajay Kanwal: Okay. So I think from where we sit, if you take our book, in 2 years' time, we should be at least 80% secured and the balance 19% should be under guarantee program. Everything under guarantee program does not recover ECL because of sovereign guarantee. Our secured book, largely except I guess, Used Car, all of them would have completed 5 years, which will be a good enough time frame for us to then judge what the credit losses that we should provide for.

We do not see any reason to have a large growth in our credit cost when ECL comes into work for 2 primary reasons: one, the unsecured book being under guarantee program; two, we have seen our credit cost of secured book in a very reasonable and manageable position. So that should not give us any extra stress. I must also add, as we speak, we're carrying about INR 222 crore of accelerated provision over and above the regulatory provision.

Moderator: Our next question comes from the line of Rahul Kumar from Vaikarya.

Rahul Kumar: Can you give us the split of your write-off and provision figure between secured and unsecured?

Abhilash Sandur: So tech write-off, that's what you're asking for. That's what you're referring. So total of around INR 67 crore of tech write-off for the Q2.

Rahul Kumar: Okay. And can you split it between the secured and unsecured?

Ajay Kanwal: Yes. So unsecured is INR 40 crore and the balance INR 20 odd crore is secured.

Moderator: The next question comes from the line of Rishab Bajaj from Anoman Capital.

Rishab Bajaj: Just wanted to know, is there any update on the RBI banking license, the universal banking license?

Ajay Kanwal: Yes. So the process is ongoing in terms of our submission is complete. We are answering the queries raised by the regulator, there is certainly an audit which happens for the Universal Bank, both on the banking side as well as on the technology side, both are complete. So, the process is running in full steam.

Rishab Bajaj: Okay. And second question, is there any sort of guidance for the next financial year? Like this financial year is 0 to 2% profit growth. Anything that we are seeing for FY 27 or it's too early to call it yet?

Ajay Kanwal: It is not too early. You can get a fair sense on credit costs from what we have said. What we would like to do, the one where we slipped this year was on the growth of unsecured. And our bias is we'll get a fair measure of that in Q3 of what to expect. I think once we get a handle on that because credit cost, we are fairly close to judging where it will land up because the growth in revenue largely coming on unsecured, which seems to be still not so clear to us and which is why we'll wait for Q3 and then give the guidance for next year for sure.

The secured book is pretty evident to us on our growth rates, what we're expecting as credit cost and is performing to plan. So we have no concerns there. In fact, as I mentioned, our disbursements are ahead of plan. So I think that is very clear to us. Our credit cost under guarantee program and given our flow rates now is very clear to us. Only unclear to us, which is when we exit Q3, we will have a fair idea of what unsecured will grow and then we'll give a good guidance for PAT for next year.

Moderator: Our next question comes from the line of Shazad Shroff with Demeter Advisors.

Shazad Shroff: My question is, what has been our collection efficiency in the second quarter month-on-month, like month-wise?

Ajay Kanwal: Yes. So other than April, every single month has between 98.5% to 98.9%, every single month. So the flow rates coming post April through B0 is very nominal. On an average between B1, B2 and B3, I'll tell you the resolution rates. On an average between 50% to 55% on B1, roughly about 25%-odd in B2 and between 45% to 50% on B3. Those are typically the average resolution rates on the 3 buckets.

Shazad Shroff: Understood. Sir, I just wanted to understand then why the regulatory provision or slippages are higher in this quarter?

Ajay Kanwal: Yes. So like I mentioned, see, a big drop was in April, 96%. And then if you take 4% of roughly INR 9,000 crore, that was roughly about INR300-odd crore. So that flowed down. Thereafter, it is just the 1%, which flows every month from B0. And what we were carrying is inventory in B1, B2, B3. Nothing else is extra flow that we have seen. But it pretty much looks like pretty flattish to Q1 and which is why we know that Q3 will be lower.

Moderator: Our next question comes from the line of Deep, who is an investor.

Deep: I had 3 queries. The one query related to banking license has been already addressed. The other query I had was regarding the secured assets higher upfront acquisition cost. Is this kind of like a one-off because this quarter, we had a higher disbursement than planned? Or does this generally happen every quarter? And how does this normally go? Some commentary on that?

And the third one was on the general industry-wide, how is the situation now when it comes to the credit cost in general, when it comes to what kind of collection efficiencies we are seeing on the ground?

And how are you seeing the flow and kind of like the feeling on the ground that is business back to how we see eventually happening? Or do we see pain going forward in the near term? And if we do see pain going forward in the near term, how long do you think this is likely to continue?

Ajay Kanwal: The second one, I'll answer very quickly. See, let's say, certainly on the secured side, where we have grown 33% more than planned, there are upfront costs, whether it is valuation, there is legal, there is sourcing cost. That really causes us to pay an upfront cost. We don't amortize the acquisition costs.

So obviously, you've got an upfront cost, which is higher because the disbursement is higher. And like I said, if you minus the 2, which is what you spend as money and what you make as fees, et cetera, it's a INR 15 crore carry, which is negative. But it's very healthy, right? I mean if you're growing secured faster than planned, it's certainly good for income, though it's a bit of a challenge on that quarter.

I didn't want to highlight that because that is an increase in our cost base. And if you refer to one of the questions asked earlier, why did the cost increase by INR 20 crore in the first half, that is one of the big reasons other than the guarantee cost. If it happens in the next 2 quarters that we are growing faster than we are planning, we'll be very happy.

Again, it will be a one-off cost. It won't carry. So what you source this quarter, you pay for this quarter, you don't carry it to the next quarter. But certainly, the returns will be much healthier because these are long-term assets. So that's the answer to the question on acquisition costs.

Now what do we see in the industry, tough one to say because there are many different models going on by the variety of people. But what I can tell you is that I'll tell you the ones which investors have a lot of questions on. And so one is on Micro LAP, is the INR1 lakh to 5 lakhs performing well? The answer is yes. Affordable is as per plan, so no issue there.

MSME loan, we are seeing very good performance. So we are not very anxious about MSME. In fact, we are growing that very well. Two-Wheelers is the other question. Most people ask that how is your Two-Wheelers doing much better than what people hear in the industry. I don't have a good answer to that.

When I heard this question last quarter, I came back and double checked, but our performance in Two-Wheeler continues to be good. It's probably a function of our sourcing and possibly our strong scorecard or any grating criteria that multiple grating criteria we use.

I'm not aware of other folks' credit criteria. But our Two-Wheeler is performing very well, and so we don't see any challenge there. Gold is typically a technical issue where it flows and you need to give time to sell. Other than that, in Gold, we are not seeing any reason for us not to continue to expand Gold the way we have been doing. As you can see between last year and this year, Gold has done 204%.

The one area we are very careful how to answer it is MFI piece. It has got multiple MFIs and multiple strategies who they follow. We have no better answer. It depends on whom you talk to, but something that we were very careful in terms of what to expect in the industry.

Our going in bias is just to be careful because if the leverage goes up, and we can see that amount that we lend to per customer has been going up even through this last 6 quarters, I would say. It does give a sense that maybe we are getting out of the problem, but I'm not sure we're not creating the next one.

So I would be very guarded on what I would say on MFI because it depends on every player on what their strategies are. And that has led us to saying that given the environment may not be so positive, you could get an ordinance from some state government could cause a problem in the future. It is better to then buy insurance and make sure that we grow carefully and also have insurance so that we don't have a credit cost increase like we have seen in the last 6 quarters.

Deep: Right. So the way we are seeing things -- by we, I don't mean the entire industry, I mean, specifically for us at Jana Bank. The way we are seeing things and the way we are seeing progress for ourselves and also as per the presentation, how we are seeing how much we are covering ourselves under the guarantee schemes?

How do you foresee the accelerated provisions panning out once the need to keep accelerated provisions, which is to keep our gross NPA and net NPA under check because of the banking license requirements have been done through and let's say, we are done with our banking license, so then how do you foresee in the longer term?

Let's say, 3 to 4 years' time period, these accelerated provisions panning out? Do we see these getting used up? Or do we see these eventually coming back because at least for us, things seem to be better than what we see on ground for the larger industry in general.

Ajay Kanwal: So Deep, let me try. So one is very important is Page number 5. The only change in Page number 5 is we always want to do 80%-20% secured, unsecured. Now we will do 80% and with another 19% of unsecured with guarantee program. We think that is the right way for the bank to go forward.

As you can see from Page number 6, the real challenge here is this year where we pay money, but we receive nothing from the guarantee program literally. Only next year, it becomes normalized and the year after will be even better. But I would let that happen. So in a way, we are clear in our heads that our move to secured was correct.

Our secured businesses are performing well. We got challenged on unsecured. We are careful on how we grow, and we don't want to live without the guarantee program because that is what will cover any event risk that we can't foresee. So that's where we are in terms of credit cost and how we are thinking. Did I answer your question, Deep, or did I miss something?

Deep: Yes. I was specifically looking for your thoughts on the accelerated provisions that how do we see? Do they actually ever come back to us?

Ajay Kanwal: Deep I must answer that, I missed it, sorry, which is why I thought I was missing something. So accelerated provision, while we talk of, it's a good thing. I must say that even if there was no universal banking criteria of 3% and 1%, keeping net NPA at 0.93-odd is a good thing to do. It is a timing issue, right, because we are providing in advance.

If we do manage to collect in the future, we will certainly release the provisions. So in a way, having 3% and 1% as a condition is not a bad condition to have in most times. It only got a bit challenged now because we had a 3% and 1% condition and we had stress in MFI.

So I think it's less of a 3% and 1% issue. In my head, it's more about the microfinance stress, which has caused us to do the accelerated provision. We'll certainly be using part of these provisions. So we are now INR 222 crore extra in the bag. But if you ask me where the main release will come from, then I think you should look at this page, which gives you the PCR by product, where you can clearly see that the provision that we've raised in secured assets, and I want to take you to that page, give me a second.

So Deep, you should look at Page 23. It shows you GNPA on total secured asset is INR 255 crore. The LTV is 38.4% for this gross NPA book, but the PCR is 43.2%. So the big release will really come from this piece because this, frankly, is not required, but we have to do this because we really would like to be under 3% and 1%.

And there will be a certain portion of unsecured also will come back. So what will happen for us is we will reduce our flows and also their recoveries literally in the same quarters only. So the next quarter will be a little bit more sweeter than the past few quarters because there will be lesser of flows, there'll be more recoveries.

And then it will add the third dimension to it, which is recovery from the guarantee from 1st April 2026 in a serious way. So that will be the third dimension fitting in. Actually, first 2 dimensions also will cause a big change. But when the third one kicks in, then I think we will be in a very good position.

Deep: That is extremely helpful. And I just wanted to add that being a very well-provisioned bank, I mean, despite being not so well on the radar of several analysts and investors, as you can see on the call itself that the operator has to keep on announcing if somebody wants to ask questions, please press star 1 and so on. But being a very well provisioned bank as an individual investor or as an investor in the bank, it just helps us sleep better.

Moderator: Our next question comes from Gautam Jain from GCJ Financial.

Gautam Jain: First question is, what was the rationale behind raising the deposit and putting into the investments? Isn't that a negative carry for the bank?

Ajay Kanwal: Yes. So Gautam, if you see our CD ratio, it's about 93%. So really, there is no rationale beyond having raising deposits, except that we really would like a CD ratio around 90%, and that is very healthy for banks. Secondly, we did decide to accelerate the deposit because the cost of deposits are lower this year.

If you take last year, acceleration of deposit, trying to reach a CD ratio, which is lower than where we were, would have been a bit more expensive for us. So I don't think so having a CD ratio of 93% is odd. In fact, going a bit lower would be the right thing.

Gautam Jain: So what was the incremental cost of deposit in this quarter?

Ajay Kanwal: So what you could do really is you can say what is the cost of carry. It will roughly be 2% on the surplus because we can get a roughly 5.6% - 5.7% and our cost is around 7.9%, which is a total blended cost. But if you take this fresh money we're raising, it's around 7.3% - 7.4%. So I would say...

Abhilash Sandur: 1% actually. 6.3% is my investment yield. 7.3% is my cost of...

Ajay Kanwal: Abhilash is correcting me, 6.3% investment yield, 7.3% is cost. So 1% is the carry cost here.

Gautam Jain: Okay. We haven't seen that much impact on our cost of funds compared to the peers or other banks. They have seen some decline in the cost of funds, but we haven't seen that. So are we late in reducing the rates in some of the deposits slab or what is actually the reason behind this?

Ajay Kanwal: So at least in my head, we have not reduced our deposit rates late. It could happen that my deposits are longer tenured. So the maturities come much later in the year, which means that I should start seeing as the high-cost deposits come up for maturity and get repriced or exited and then we replace them with lower cost of funds, then they will have a role. I think it all depends on what your tenure of the book is, is my guess.

And our book, like I mentioned, is largely both retail and bulk is majority in 1 year plus. So for example, if I raise money in Feb or March 25, that deposit will get repriced only in February and March '26. So I'll continue to carry whatever I have paid last year. And because we always tend to have longer-term deposits, it's possible that my drop in cost of funds may be a bit slower than the people who have shorter tenure deposits.

Gautam Jain: Okay. And on gross slippage, I mean, our slippage continue to rise every quarter in the last 6-7 quarters, I'm seeing the numbers. So I mean, again, if I compare with the peer bank, their slippage is going down, especially Q1 to Q2, where we have seen INR 80 crore rise in the slippage. So first, are we at the peak of the slippage and it will fall sharply from Q3 onwards? Can you validate that?

Ajay Kanwal: So it won't fall sharply. It will certainly fall. But I don't understand sharp, but let's say, there will be at least a 10% drop in slippage in Q3 is my estimate right now. It will get even better as we get into Q4, and those 2 will be real.

Gautam Jain: Okay. And some bookkeeping questions. Abhilash, can I have Stage 2 number and the average yield in secured, unsecured?

Ajay Kanwal: So I'll tell you a broad number rather than a precise number for competitive reasons. Unsecured is in the 22% to 24% range and the secured is in the 13% to 15% range.

Gautam Jain: Okay. And can I get the Stage 2 number?

Ajay Kanwal: Stage 2, Abhilash will pick it up. You have another question, Gautam, in the meantime?

Gautam Jain: And the slippage breakup into, again, secured and unsecured.

Ajay Kanwal: We mentioned that earlier, right? What's the slippage, secured, unsecured, Gautam. Do you have another question?

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

Ajay Kanwal: Thank you so much. Okay. A few quick ones, taking away from where we are. I think we're certainly at the point where certainly the slippages will get better. Our unsecured book will start to have small growth, though I would say that very guardedly because I really want to make sure that to get more revenue, we don't end up putting next year into trouble. I'm aware that we are putting everything under guarantee, but that doesn't give us comfort that, that is the reason why we should grow it more aggressively.

Our secured book performed extremely well, and it is growing very well, and that's where the primary focus is. We are continuing to see very good traction on CASA and deposits. I think this must be probably one of the best industry numbers. And given how I see our programs getting success from customers, I do see the deposit and the CASA book continuing the same trend in the next 2 quarters, too. Thank you for all your support, and look forward to talking to you again after the next quarterly numbers. Thank you.

Moderator: Thank you. On behalf of Nuvama Wealth & Investment Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.
