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Ref.No.TMB.SE.104/2025-26

01.11.2025

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'G' Block, Bandra - Kurla Complex,  
Bandra (East), Mumbai - 400 051.

The Manager,  
Bombay Stock Exchange limited,  
Phiroze Jeejeebhoy Towers,  
Dalal Street,  
Mumbai – 400 001.

**Ref: Symbol: TMB / Scrip Code: 543596**

Dear Sir/Madam,

**Sub: Transcript of the Earnings Conference Call – Q2 Results**

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we wish to inform that the transcript of the earnings conference call hosted by the Bank on the Unaudited Financial Results of the Bank for the quarter and half year ended September 30, 2025, has been made available on the Bank's website at the following link:

**[Transcript of the Earnings Conference Call – Q2 Results](#)**

We are also attaching the transcript of the earnings call with this intimation.

Kindly take the information on record.

Yours faithfully,

**For Tamilnad Mercantile Bank Limited**

**Swapnil Yelgaonkar**  
**Company Secretary & Compliance Officer**



## **Tamilnad Mercantile Bank Limited**

### **Q2 - FY 2025-26 Earnings Conference Call - Transcript**

**October 28, 2025**

**Management: Mr. Salee S Nair, Managing Director & CEO**

**Mr. Vincent M.D, Executive Director**

**Mr. Sanjoy Kumar Goel, Chief Financial Officer**

**Moderator:** Ladies and gentlemen, good day, and welcome to the Q2 and H1 FY '26 conference call hosted by Tamilnad Mercantile Bank Limited. This conference call may contain certain forward-looking statements based on beliefs, opinions and expectations as on the date of this call. These statements are not guarantees of future performance and involve certain risks and uncertainties that are difficult to predict.

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.

Today on the call, we have with us following management representatives: Mr. Salee S. Nair, Managing Director; Mr. Vincent Devassy, Executive Director; Mr. Sanjoy Kumar Goel, Chief Financial Officer.

I now hand the conference over to Mr. Salee S. Nair, Managing Director from Tamilnad Mercantile Bank. Thank you, and over to you, sir.

**Salee S Nair:** Thank you, and good morning to all of you. In fact, apart from what -- we also have Ashok Kumar, who is the Head of Resources, and Ananda Ganesan, who is the Head of Credit, with me.

So okay, just to get into the performance for the quarter ending 30th September '25. The big story that we have announced is the opening of the 600th branch for the bank, right? And that is 22 branches have been already opened in the first 6 months, and we hope to open another 30, 36 branches going forward in the current year. So that is where we are, expanding our footprint to accelerate growth.

On the financial numbers when I come into, I think the story again is that the growth is accelerating. This is a concern that the market participants had earlier and our own history showed that we were underperforming the market. I think that's something that we have been pushing for and that the growth finally is coming back is the story I have to say today and it's reflected in the numbers.

The total business has grown 11.40%, deposit at 12.32%. Deposit was well underperforming the market in the last few years. It is at 12.32%, and the story is also of CASA revival. CASA is something we lost in the last year. But in the current year, the year-on-year growth is 9.30%, but 92 basis is what we have picked up. CASA share has gone up 92 basis in the last 2 quarters. In fact, in quarter 2 itself, it has gone up 58 basis.

Advances momentum is aligned to the market, but the momentum is picking up. You will see that noticeable in the next 2 quarters quite substantially. And as usual, the NPA numbers, the stress numbers of the bank has been one of the best in the market. We are at 1.01%. So that is the major one.

Of course, the profit is at INR318 crores, quarter-on-quarter, 4.14%; year-on-year, 4.73%. If you look at the operating profit, it is year-on-year 2.74% negative. There is a story in that, that we have put out in the presentation itself.

Quarter 2 of last year, the quarter 2 FY '25, we had a written-off recovery amounting to INR98 crores, which part of it went to the interest income and part of it went to the other income. So INR61.65 crores went to the other income and INR36.90 crores went to the interest income. So both these streams of income have been impacted by that recovery.

And if you net out that recovery, you notice that the operating profit is not 2.74% negative, but it is actually 19.83% positive Y-o-Y. So that would impact the net interest income, which sanitized for that is up 6.32%; the total income, 9.69%, both I said on a year-on-year basis. And of course, it also will have a direct impact on net profit. I'm not stating that number because it has also provisions impact.

The credit cost continues to be under control. It's just about 15 basis. The GNPA has shown a sharp reduction, 1.01%; net NPA at 0.26%. ROA has shown an uptick. In fact, it has been going up in the last 2, 3 quarters, and it is at 1.85%. ROE has also taken an upswing, it is 13.77%. And PCR, all this has happened without compromising on the PCR, which also has taken 132 basis points upswing with 70.36%.

Getting into some of the more numbers. Like I said, the CASA is at 9.30% year-on-year growth. Total term deposits -- the term deposit at 13.50% and revival of deposit is a story -- one of the major stories of the current quarter. The deposits are at 12.32%.

Advances portfolio, the other story is that MSME is also now begun. We have taken a number of initiatives in the MSME area, which I did report last quarter. It is beginning to show. The quarter-on-quarter MSME is at 3.84%. So that is the other story that we want to put out.

The RAM portfolio is up to 94.59%. I think we have been a little slow on the corporate book because of the historical baggage that we had in the form of NPA. So we will get back into the corporate book after we put our systems and then the skill set is put in place. At the moment, our focus is not the corporate sector, which has been shrinking, and it will continue.

On the unsecured exposure, another concern for the market is our share of it in the total advances is 0.30% with practically negligible NPA in that. U.S. tariff impact, we have just mentioned that, yes, we do have a 1.05% impact on export credit, but only 17.53% of that is impacted by the U.S. tariff, of this 1.05%. So we are well covered there. I don't see the U.S. impact impacting our book in any manner.

Like I said earlier, sanitized for the recovery in FY '25 of last year, the interest income has gone up 8.48%, net interest income has gone up 6.32% and total income by 9.69%. and this has added to a very strong shareholder value.

The earnings per share is at INR20 plus, book value at plus INR596.38. I repeat, it is INR596.38. ROA continues to have a slight tick quarter-on-quarter, 1.81% in last quarter of last year to 1.82% to 1.85%. I think this is something that we hope will be maintained, 1.85% would be maintained going forward as well.

NPA, there has been a recovery and the cash recovery of INR26.97 crores in the current quarter, upgradation of INR4.34. And overall, we have also written off INR66 crores. Overall, the NPA has come down from INR549.12 crores to INR474.45 crores. This has, like I said earlier, come on the PCR which has actually gone up to 74.36%. So that's the other piece, that PCR is at 74.36% and PCR with technical writeoffs, something that the market looks at, is at 95.30%.

So asset quality, I think is perhaps one of the best in the market. A net NPA of 0.26% and slippage is also under control. Slippage is just 5 basis points and slippage across the various verticals, retail, agri, MSME, etc, MSME had a small slippage, but across it is well under control.

SMA is trending down and the gross SMA is at 2.67%, SMA 0, 0.97%; SMA 1 at 0.80% and SMA 2 is also at 0.90%. So the SMA category is well under control. The aggregate SMA is 2.67%. That means the portfolio at risk 1 day is at 3.68%. So that is a number that we are sort of fairly proud of.

So stressed assets, this restructured and the NPAs together is at 1.59%. So that's also trending - that's also a number that is clearly trending down. The other point that we would like to make here is the collateral cover of our NPA. We do have, as you have seen, INR474 crores of NPA, but it is covered to the extent of 111% by collateral.

So when the resolution happens, the portfolio loss is expected to be low and we have incurred a provision of INR323.66 crores, which hopefully most of it should be returned back when the resolution happens. So that is something that's a profit we are sitting on when the resolution happens.

Expected credit loss is something that we have come out with. We have done our own analysis we thought we'll put across to you to tell you where we stand on the expected credit loss. And we have done our calculations and we noticed that we would be requiring an additional INR210 crores of provision. This is coming in the form of additions in Stage 1 assets and Stage 2 assets.

So INR210 crores provision is what we look at and that would have a 73 basis capital adequacy impact. Nothing significant for us because we are sitting on a capital adequacy of 30.96%. So 73 basis is not an impact significant enough. And if we are -- it was just 15 basis if you take the transition route.

But let me tell you that currently, this bank is sitting on a INR250 crores of provisions for COVID and other contingencies. So if I take you back, we had restructured advances base of INR443 crores and it has come down to INR271 crores. We had kept the provision to largely cover that. Restructured advances now come down to INR271 crores from INR443 crores a year back and it's trending down.

So this provision is something that we propose to -- we will not be requiring going forward, and this is something that we would be using to take care of the additional ECL requirement. So going forward, when the expected credit loss on the 1st April 2027 is implemented, we don't anticipate any kind of impact on our P&L.

So key ratios. Deposit quarter-on-quarter has moved down 11 basis 6.01% to 5.90%. Yes, and this will continue trending down as the deposit gets repriced into the new rate buckets. Cost of yield on advances at 9.97% and the net interest margin is at 3.83%. Like I said, when the deposit gets repriced, this will stabilize, and we expect this to be at least 3.85% plus going forward.

On the capital adequacy, 30.96% is where we stand. Cost-to-income ratio is at 43.81%. This has come down almost 5.5% from the previous quarter, and we are committed to maintaining it under 45% going into the next quarters. PCR, I mentioned technical write-offs, with technical write-off is at 95.34%.

The other piece we would like to bring into the attention of the analysts is the digital momentum that we have. In fact, some of the growth coming back into evidence is on account of several of our initiatives that we have taken. In fact, on the IT side, we will be looking at an enhanced budget of INR250 crores. I think a lot of expenditure is happening.

We did mention some of them. Loan management systems, the Phase 1 is on right now, is almost completed and is under UAT. Workflow automation out of the 8 projects, 3 have already been handed over. So that's also beginning to show some results. The website is getting revamped. We are getting into fintech partnerships. We are completely replacing our Internet banking package and upgrading our mobile.

So there's a lot of activity from a digital -- from a modernization of the bank that is happening. And some of them have already been implemented like the CX platform, like the vendor management system, like the human capital management and performance system. So they have all been implemented and we are already seeing some of the results coming into both the growth momentum and as well as the profits.

So that's from my side, and we are now open to questions.

**Moderator:** The first question is from the line of Digant Haria from GreenEdge Wealth.

**Digant Haria:** Yes, Sir, my question is that this quarter, we have seen good growth in RAM, the retail, agri and MSME, especially the retail part. So if you can just highlight that was it like a one-off or all the initiatives you have taken for the last 1.5 years, how has that impact come together? If you can just give a little more details about that? And going ahead, will the same growth momentum continue?

**Saloo S Nair:** We anticipate the growth momentum to continue. And let me also tell you this is not a one-off. When I say this is not a one-off, obviously, it will be confirmed by the results of the next quarter and the following quarter, right? I think a lot of initiatives have been taken here. We have put in

place the loan management system, which I just mentioned earlier. It is just undergoing UAT. Centralization of appraisals we have brought in.

So I think a lot of initiatives have been taken, which is beginning to have a salutary effect. The RM base has been strengthened, the relationship management base has been strengthened, the credit analyst base has been strengthened. So this is not a one-off. This is the glimpse of what is going to happen in the future. So this will continue.

**Digant Haria:** Right. So sir, would you like to give any guidance for this year?

**Salee S Nair:** Wait, let me also put it that way, yes. Sorry, tell me.

**Digant Haria:** Yes. Sir, would you like to give some guidance for this year FY '26, that will we be able to do that 13%, 14% kind of a loan book growth for the full year? Or it's still too early to give that?

**Salee S. Nair:** In fact, this year, we hope to end up with 14% plus, 14% to 15% on the credit growth. And taking it further, also on the deposits, I said we will be aligned to the market, but I think we will be better than the market this quarter. I'm looking at 12% to 13% growth on the deposit and 12% on the CASA itself. So I think both on the liability side and the asset side, we are going to see growth sort of accelerating going forward. It will be slightly better than what we originally thought is possible.

**Digant Haria:** Okay, okay. Sir, and in the last 2 quarters, you had alluded that our ROAs may settle from, say, 1.9% to maybe 1.7% or 1.8% because of the margin pressure. But in the last 2 quarters, we have done better than that. So you think that worst of that margin pressure is also over?

**Salee S Nair:** See, like I said, the repricing of the term deposit, we thought it would take about 3 quarters. And in fact, if you look at the cost of deposits has come down 11 basis in the last quarter. So repricing is happening, which will have an impact on the NIM, which is sort of settling down. We hope to touch 3.85% plus. And that also will have a lead effect on the ROA, which happily for us has been seeing an uptick. I think we were looking at 1.75% to 1.8%, that kind. But I think we probably will be ending the year a bit closer to 1.85%. The current level, I think we should be able to maintain.

**Digant Haria:** Right, sir. Right, sir. That's good to know. And sir, my last question will be on whole retail, agri this RAM portfolio. What is the overall yield there versus what is the bank level yield?

**Salee S Nair:** The overall yield is pretty much is the same, right? Because it's about 5% is the other. So what we have is about almost 95% RAM. But let me see. You have a separate overall yield for RAM alone? I think it pretty much will mirror the current yield on advances.

**Digant Haria:** Got it. Or let me just put it this way, what is your highest and the lowest yielding product? And how much will be the yield there?

**Salee S Nair:** See, we have a significant gold loan portfolio, right, jewel loan portfolio, which some of it is in the agri space, some of it in the retail space. And the agri gold loan portfolio, agri jewel loan

portfolio, the yield is 10.15%, right? I think that remains. And the consumption loan, now the retail side, what we call the consumption loan is at 11%. So that's something that's steady. I got that RAM yield. It is at 10.05%.

**Digant Haria:** Thank you so much and all the best.

**Salee S Nair:** Yes, Thank you

**Moderator:** Our next question is from the line of Sidharth Chandrasekar from SJN Securities. Please go head sir.

**Sidharth Chandrasekar:** Sir, I have two questions. Basically, the first question is about the shareholder case which is going on, right? So if there is any potential impact in our company? Basically, what I meant is, say, for example, whatever outcome that comes out of that case, right, will there be any monetary impact? Like any fine or issue of new shares or cancel of new share, something like that?

**Salee S Nair:** I'm sorry, I think you're not clear. What is it that you're asking? You've mentioned something about shareholders.

**Sidharth Chandrasekar:** Yes, yes. Is it any better, my voice is any better?

**Salee S Nair:** Yes, you're getting better. Yes, tell me.

**Sidharth Chandrasekar:** Okay. So what I meant is, sir, regarding the shareholder case which is going on, right? Will there be any monetary affect on our company depending on whatever outcome that comes out of that case?

**Salee S Nair:** No, no, no, nothing at all. In fact, we have put it out in the last balance sheet, in the fine print if you look at it, it's very clearly there. See, there we the bank came into picture. It is actually an issue between shareholders and shareholders and issue between shareholders and the ED.

Where we came into picture is that we issued the bonus share, 1:500 when we did prior to listing, we issued to everyone, including those impacted by it. And ED did not like it and issued a show cause notice to us and slapped an equivalent amount as show cause they issued a show cause notice to us.

But this is under a certain section of FEMA, I don't recall the FEMA. When we look at the maximum penalty there is INR2 lakhs. INR2 lakhs, right? INR2 lakhs, and we have already provided for that. We've got legal opinion from the top legal firm in the country to go through the papers and see what is going to be the impact because there is no money laundering angle to that.

What we just did was the existing net worth, which was there for 1 share, which was converted into 501 shares. So there is no exchange of cash. There is no cash transaction happening here, which has been acknowledged by the top legal firm and as per their advice, we have already put



INR2 lakh provision, which is the maximum provision or maximum penalty possible from the ED side.

**Sidharth Chandrasekar:** Okay. That's good to hear...

**Salee S Nair:** We have already provided in books. Already.

**Sidharth Chandrasekar:** Okay, sir. Sir, one more question about our deposit portfolio. So you mentioned like we are aspiring to somewhere around 12%, 13% for deposit for this year.

**Salee S Nair:** Yes, yes.

**Sidharth Chandrasekar:** So year-to-date, we did around 3%. So I think the remaining 9%, can we achieve this? So is it possible?

**Salee S Nair:** Yes, yes, I think 3% is for the quarter. What we're talking about, 3% is for the quarter.

**Sidharth Chandrasekar:** Yes. The prior quarter was kind of flat, right? So the Q4 versus Q1 is kind of flat. So year-to-date still...

**Salee S Nair:** Yes, I think your question is valid. And let me tell you the kind of momentum that we see on a month-to-month basis and look at that. We always overachieve, let me tell you, when we give a guidance, and you have seen it from the past also that we will exceed. And the confidence comes from the fact that the growth momentum we are seeing it happen on the ground, the initiatives are beginning to pay off.

We did take Transaction Business Group, which is again beginning to pay off. We have set up an Elite Service Group, which is also beginning to help us in the overall term deposit and the savings bank side. So I think 12% to 13% is where we will see the year close. And if you're asking 3% and the year was flat, you will see at the end of the year, it will be there.

**Sidharth Chandrasekar:** Ok. Damn good.

**Salee S Nair:** Ok. Thank You

**Moderator:** Next question is from the line of Parth Manish Gutka from B&K Securities.

**Parth Manish Gutka:** Sir, can you just mention what is the TWO pool as of date?

**Salee S Nair:** What is that?

**Parth Manish Gutka:** What is the outstanding Technically Written-Off pool as of September?

**Salee S Nair:** Okay, okay, Technical Written Off, T-W-O, okay, okay, right. I think it is a little under INR2,000 crores at the moment. But we have never moved assets out of technical written off. So it's a baggage of several years. Yes, that is there.

Actually, if you look at the PCR, right? Now we are focusing more on the PCR without the technical write-off, that is at 74.36%. The on book itself, we are pretty, pretty well covered. And like I said, the collateral cover of our NPA, current NPA on book is 111%.

**Parth Manish Gutka:** Okay. And the contingent provision buffer that you are carrying of around INR250 crores, will we requires any RBI approval for using that for ECL? Or we can go ahead without taking the approval?

**Salee S Nair:** I don't think there is any requirement. I don't think, in fact, they are meant for such contingencies. So there will not be any RBI approval required. Ordinarily, this will be returned back into profits. Ordinarily, as we expected, the COVID assets come down gets paid down. Like I said, it is already has been sharply reducing. It will be returned back to the profits. We will not be doing that. We will be just using it for the ECL.

**Parth Manish Gutka:** Sure, sir. That's clear. And one last question. The employee expenses have declined around 20% quarter-on-quarter. I'm assuming that would largely be because of the lower retirement provisions this quarter. So can you just mention what is the share of the employees which are on defined benefits?

**Salee S Nair:** Let me answer. That's one of the major steps that we have taken, reform that we have taken is to shift our employee base, about 5,000 people employee base from the defined IBA-based pay model into the CTC model, where we don't look at the pensions, right? And I think we have now largely been successful in that. About 82% of our employees today is on the CTC model.

That is one major step that we took. I think going forward, we'll be getting the benefit of it. And apart from that, Now there is a variable component that we have offered them. That variable component, also now in an another major step in last month, we have aligned that to the operating profit and the business growth. So again, you will see the impact of all that going forward.

**Parth Manish Gutka:** Sure, sir. Sure And just one last question. What is your outlook on the other so within the advances portfolio, there's an others portfolio, around INR2,500 crores.

**Salee S Nair:** It's actually the corporate book that we have, I think it will be around that level. And maybe we will start looking at it after we have put our systems in place, people get familiar with the new systems, new way of handling appraisals, which I did mention that the LMS, we have just completed the LMS, loan management system. We are getting a lot of interest. Once our staff and officers get familiar with that and the appraisal skills moves up, we will get back into the corporate field. The others is actually the corporate book.

**Parth Manish Gutka:** Sure,Sure.Thank a lot

**Moderator:** Our next question is from the line of Arul from Ksema Wealth Management.

- Arul:** Yes. In the first half of FY '26, we have opened 22 branches, so majorly in Tamil Nadu. So what is the plan going forward? We have 36 branches to be opened. So majority still be in Tamil Nadu? It will be other states?
- Salee S Nair:** This year, the ones that we opened, the 24 of them will be in Tamil Nadu, but 12 of them will be outside Tamil Nadu. But going forward, you will see the ratio changing.
- Arul:** Okay. So currently, it's around 75 percentage of branches in Tamil Nadu. So what is your view over a medium-term or long-term perspective?
- Salee S Nair:** Our intention is over the next 3 years should bring down or take up the non-Tamil Nadu branches to beyond 35%.
- Arul:** Okay. Understood. And my second question on the gold loan portfolio. I believe most of it is retail only, some of it is agriculture also.
- Salee S Nair:** Yes.
- Arul:** Suppose what will be the impact on growth if the gold prices came down in future -- some time in future?
- Salee S Nair:** There will certainly, see, the gold growth is not just coming from the gold price alone. It is also coming from the fact that 47% of our branches are in the semi-urban and 21% are in the rural. So it is also coming from the expansion of the number of customers. So yes, your gold price reversal will have an impact on the gold loan growth itself. But now the focus is on expanding the customer base also which will, to a large extent, cushion that impact.
- Arul:** Understood, Thanks
- Moderator:** Our next question is from the line of Manish Jain from Wealth Care Securities.
- Manish Jain:** Congratulations for a very good set of numbers. Sir, my question was, in the previous con call, you had mentioned FY '26, '27 will be a breakout year. So do you think that we'll be able to do a 20%, 25% growth in profits in FY '26, FY '27?
- Salee S Nair:** FY '27, we have maintained will certainly be a breakout. I think it will be certainly in the round maybe 3% plus/minus 20%, right? Because we are also doing a lot of investment in the technology.
- In fact, the planned investment in technology in the current year itself is about INR250 crores, which was about INR151 crores last year. So there will be some impact on the OpEx, though we are committed to maintaining it at 45%. But like I said, next year is certainly going to be a breakout year, but we are looking at various parameters to see how it will impact the profit. And the profit, like I said, should be in the 20% plus/minus 3%.

- Manish Jain:** So suppose if it is let us assume even if it is 17%, but that will be sustainable for the next 2, 3 years at least.
- Salee S Nair:** oh..Yes, yes, yes. See, if you look at the past history of it, like I said, the growth is coming back, right? In the past through several years, substantial amount of our profit actually came from what we call written-off accounts, right?
- In fact, in this quarter itself, the written-off account has had an impact in the numbers -- in the Y-o-Y numbers because we had INR98 crores of recovery from the written-off account in quarter 2 of FY '25, which is now about INR13 crores. So the impact of this written-off account is slowly coming down. And the growth picking up, which means that going forward, the profit that you see on the table today will not only get accelerated, it will also be sustained.
- Manish Jain:** Okay. Sir, my second question was regarding the unseasonal rain and the impact on our asset quality and plus the USA tariff, I think you had mentioned it in your opening remarks, but still, if we can be little more in detail, you can explain.
- Salee S Nair:** In fact, I put a slide on it in the presentation because last time also, there was a mention of U.S. tariffs. We don't see that the way the bank's portfolio is structured and the fact that we lay on significant recourse mechanism in the form of collateral, we don't see that impacting any kind of portfolio stress because EC the export credit focus, of ours is just about 1.5%. Now this is one area we have been looking at ramping up going forward. But unfortunately, at the moment, it is at 1.5%, which is sheltering us from the U.S. tariff.
- Manish Jain:** And about this unseasonal rains, we don't see any...
- Salee S Nair:** Sorry?
- Manish Jain:** Yes. About this unseasonal rains. We don't see any impact on our asset quality?
- Salee S Nair:** Unseasonal rains, see, in the agri sector that we have, focus on the agri sector that we have is significantly contributed by agri jewel loans, gold loans. So rains does not impact at all because it is backed by the gold.
- Manish Jain:** And sir, about this IT budget, which is for the current year, it is INR250 crores. Out of this, how much we have spent already?
- Salee S Nair:** Quite substantially has been done already, right? I'll give you the number.
- Manish Jain:** And for the next year, what will be the budget, sir, for FY '26, '27? Will it decrease substantially?
- Salee S Nair:** No, no, no. the modernization will continue. It will. It will. We'll take a call. We'll see how things are moving. But technology is something that this bank is heavily investing in. This bank is modernizing itself because we are seeing the productivity impulse realized, and that will also weather the cost of such investments.

- Manish Jain:** And we expect that all the expenses, we are confident that next year will be at least 17% profit growth will be there for FY 26?
- Salee S Nair:** Yes. And let me tell you, we always understate our performance.
- Manish Jain:** That was very nice to know, sir. And sir, another question was regarding out of the total loan book, how much originates from Tamil Nadu? And same for the case of deposits.
- Salee S Nair:** See, it is roughly 3/4 is coming from Tamil Nadu, a little over 3/4.
- Manish Jain:** And we are okay with that, sir? Or we want to change it?
- Salee S Nair:** No, we are that's why I said going forward, we are identifying centers to open more branches outside the state of Tamil Nadu. See, why we are going a little slow on opening at the moment is we would also simultaneously put in place the HR strategy for that because non-Tamil Nadu branches cannot be opened by the existing by the existing HR resource. So we have just entered into a strategic tie-up with Manipal for training set of officers recruited from outside the state of Tamil Nadu. In fact, that process is already on. The first contingent is in the Manipal University getting trained on a 6-month program, and they will be absorbed straight away at probational officers in the bank.
- We have also used the IBPS rule to recruit about 115 guys earlier. So the resource is something that we are looking at contracting before we sort of enhance our foray into the non-Tamil Nadu region. That's why I said this in the next 6 months, 12 branches will be opening. But going forward, the number will be ramped up and non-Tamil resources, human resources are beefed up. So these are the 2 strategies we are using, the Manipal and the IBPS route for recruiting people, local people, local to the states to manage our branches.
- Manish Jain:** Sir, and despite of all these branch opening expenses as well as these IT expenses for FY '25, '26 and the following years, so you are very confident of at least 17% profit growth, right?
- Salee S Nair:** Yes, yes.
- Manish Jain:** Okay, sir. That was very nice to know. Thanks for answering all the questions.
- Salee S Nair:** Thank You
- Salee S Nair:** 17% is next year, not this year, okay? FY '27. It's FY '27. We should not get that FY '26, we are going to deliver 17% growth.
- Moderator:** Our next question is from the line of Jefferson, he is an Individual Investor.
- Jefferson:** My first question is on how we are actually selecting the locations to open the new branches because I remember our former CEO mentioning that we are primarily choosing locations where we could have a quick breakeven. Is that still the selection criteria? Or has it changed now?

**Salee S Nair:** See, what we are doing is we are going by the data across the country, centers, which have potential to, which have existing branches, and we are looking at the growth of these existing branches. Now the data is available. That is the first level of identification of the center. The growth of branches of other banks already existing in the center. We are looking at their growth and see to get the potential. That is one.

And second is that wherever we are looking at opening a branch, we are posting the branch manager in advance. He goes, does the survey identify the branch premises to be taken. And the survey also will give us an indication of whether we can make a dent there, we can break even quickly enough.

So I think these are the 2 strategies that we are looking at before opening a branch, identifying the growth at the branch by the branches of other banks as well as our own market survey backed by the person posted there and the regional office support in that market survey. So we're not looking at opening branches just for the part of it. We will be doing a serious study before opening a branch.

**Jefferson:** Understood. That's quite clear. And I have an observation. So obviously, one of our bank's future goal is to have a pan-India presence. But keeping that in mind, if you have a look at our bank's name, it's Tamilnad Mercantile Bank, and it seems to somewhat limit us or kind of associate us with a specific geographic location, right?

And also one more point to add is since our bank name starts with the letter T, it kind of already puts us into an alphabetical disadvantage. In almost all cases where, let's say, the banks with the universal banking license in India are listed alphabetically. Our bank most probably ends up being the second last on the list. So actually, my question is, would we consider renaming our bank's name maybe as a part of rebranding effort? Or what's your thoughts on that?

**Salee S Nair:** I think that's a very interesting question really. One, of course, I never realized that letter alphabet T is virtually at the bottom of the 26 pack English Alphabet pack. I think the Alphabet T is going to remain in the bank's name. I think that's something that we can't escape from, right?

But on the Tamilnad Mercantile Bank being a limiting factor is something that we are looking at. I can't give you a straight away -- I mean, acceptable answer straight away but that is engaging our attention. How do we enhance our attractiveness to the non-Tamil Nadu regions is something that is engaging our attention.

**Moderator:** Our next question is from the line of Saket Kapoor from Kapoor Company.

**Saket Kapoor:** My question pertains to the IT investment that we have envisaged over the year of INR250 crores for this financial year. So if you could just explain to us what has been the thought behind spending INR250 crores?

And even you are articulating that a similar amount needs to be invested. So are our systems not in place? Or what will lead to this amount going ahead? And what has been the average IT spend for the last 3 fiscals?

**Salee S Nair:**

I think last year, I just mentioned that we did spend INR151 crores. In fact, out of the INR250 crores, a substantial portion will be reserved for the OpEx. So that's one. And now what we are looking at in the current year is the breakup of even breakup, which is INR125 crores for the opex and INR125 crores for the capex. I think that's how we have. And there's a subset. The bank is a legacy bank and a significant portion of this functioning has been manually driven. So all that we want to modernize.

For example, I just mentioned about the loan appraisal systems. It was manually done. Now we are putting in place a new loan management system. We have put replacing the entire Internet banking through a digital engagement hub-based Internet banking. So that's a big investment that we are doing.

You will see that result in January of '26 when the entire Internet banking will be replaced. Wholesale will be replaced. The entire website is being replaced wholesale. The mobile banking is completely being revamped.

Like I said, our workflow automation, I think that's something that we are pushing. The way we are doing work in the branch, every aspect of it, we are looking at upgrading and automating and so that resources are released for sales functions. We were largely a maintenance-based bank.

Now we are now trying to push the staff into the sales roles. And towards that, we have also now set up the CX platform. The other big investment that we will be doing is on the CDP side, the customer data platform that is yet to happen, that is the next thing that will happen.

So virtually every aspect of banking, whether it is customer-facing or internally, which will release productive impulses amongst our own resources, human resources is something that is being looked at. And we have also put in place a cross-functional team to see how artificial intelligence can be used to support productivity increases here.

And let me also tell you in the HCM, we have just started that already by having in the artificial intelligence used there. So I think there's a substantial Investment happening, I think this will go on not only this year, it will go on to next year, by which time we hope the bank will be completely modernized and in line with some of the best in the market.

**Saket Kapoor:**

Okay, sir. Sir, you mentioned about the employee cost being lower because of some changes in 82% of the staff being shifted to the CTC model. Can you explain what does this stand for? And what would be the annual savings going ahead, sir?

**Salee S Nair:**

Let me tell you that were the employees here, 80% plus was on the IBA model, the IBA model where you give every 5 year increase in the basic pay and the salary structure undergoes a

change. Now that has been shifted substantially into the CTC model, where the salary is now being split into 2. There's a fixed component, there is a variable component.

And the variable component is now linked to the operating profit, to the business growth. So that component kicks in only when there is a profit, which means straight away that savings, which was used to give a certain performance-based incentive is now linked to this and becomes a function of the profit itself.

So which means going forward, we can see there's a moderation of the HR cost happening. The HR cost may go up but as a percentage of the overall profits, our operating profit will go down or the total income will go down.

**Saket Kapoor:** Sir, come again with the last statement, income will, I did miss your point.

**Salee S Nair:** No, because I said, the absolute number HR costs may go up. But as a percentage of the total income because now the operating profit, the growth has to be generated before we pay them the variable, which was right to them earlier. We can see that the absolute in percentage terms it's going up.

**Saket Kapoor:** And sir, the pension benefit part, are they covered? Are the existing employee under the pension benefit also?

**Salee S Nair:** The CTC guys are not covered under the pension. So 82%, 83% of our people are not covered under the pension now. It is only the balance, we are also trying to incentivize them to move because incentivized through the variable pay structure to move into this. And we are on the actuarial basis, we are well covered under the pension. The existing, like I said, 17%, 18% who carry pension, we are well covered on an actuarial basis.

**Saket Kapoor:** Last 2 points. Firstly, on the interest on balances with RBI, we have seen our sequential number also in 9 months from INR17 crore profitability, the number is INR15 crores. However, there has been the impact of the CRR and the repo rate cut. So how are we able to maintain the interest balance with Reserve Bank and what should be this number going ahead, sir?

**Salee S Nair:** Sorry, come again on that? Come again.

**Saket Kapoor:** I'm talking about interest on balances with Reserve Bank. We are showing an income of INR15....

**Salee S Nair:** It has come down, you are saying from 4% to 3%, right? You're talking about the CRR.

**Saket Kapoor:** Sir, I'm talking about CRR but we have been able to maintain our number on a quarterly basis. So what should be, what are the reasons? And what should be the number we should look forward on an annualized basis, sir?

**Salee S Nair:** Can you answer that?



- CFO:** Can you come again what is basically asking?
- Saket Kapoor:** Yes, just referring to the P&L line item 1, subsequent fee, where we have maintained our interest on balance with Reserve Bank of India and other interbank funds. Therein, we have booked an income of INR15,34,00,000 for the quarter ending September. The number was INR17,38,000 lakh for June quarter. And for previous year, it was INR6 crores. So I would just like to understand since there have been a rate cut that has been factored in the quarter, how are we...
- Management:** Basically, investable surplus is being deployed here, and that is the function of this. Once our advanced portfolio starts growing up faster, that surplus will come down. And so this number cannot be compared in isolation. We have to see this overall interest income because what happens is this is my total fund has to be employed either in advances or with investment in RBI, which is giving me less number, less yield. So whenever this number going down will be beneficial for my bottom line.
- Saket Kapoor:** Right, sir. But my question was since there has been a significant reduction, how we have been able to maintain this number?
- CFO:** No, that is the investable surplus with RBI is at a level where we are giving this kind of returns.
- Salee S Nair:** Which line item is --?
- Saket Kapoor:** 1C.  
And secondly, sir, how, what steps we are taking to protect our NIM going ahead since there should be a further 50 basis cut in the repo rate in the issuing part of the financial year. So how will our NIM be protected and you alluding to the fact that 17% growth in the profitability for the next year, that should be on another 50 basis cut that is envisaged in the repo rate. So are you factoring in this 50 basis cut in giving a number for profitability growth of 17%?
- Salee S Nair:** Yes, yes. Let me tell you why. See, if you look at our deposit portfolio, substantially, we are in the 1- to 2-year market bucket, about 66% plus is in the 1- to 2-year bucket. And that is now getting will be repriced going forward. The next 2 quarters going up to April '26 is when this repricing will happen. And that will give us that extra bit to even take care of 25 basis cut when it happens and maybe a 25 basis cut going forward.  
  
See, every cut will impact to about 7.5%. And because of the maturity profile that we have, it takes about 3 quarters for the pricing to fit in. The last cut that we saw, now the deposit pricing would take that impact and give us the benefit. We are coming to that in this December quarter and January quarter, we hope to see the benefit of that.
- Saket Kapoor:** Okay. So our loans are repriced on a floating basis but the deposit get factored with...?
- Salee S Nair:** 50% get repriced. And of course, the balance 50% on MCLR terms, the repricing. So essentially, half of the loan is getting repriced immediately, whereas the bulk of our deposit, except for the very short-term profile, it takes time to reprice, like I said, 3 quarters.

- Saket Kapoor:** 3 quarters. So we will be getting the benefit of the lower cost of funds, this trend line of lower cost of fund will continue and will get momentum only going ahead.
- Salee S Nair:** Yes. And possibly that will also take care of a rate cut.
- Saket Kapoor:** Yes, sir. That is what I'm asking. our cost of fund has come down to 5.91%..?
- Salee S Nair:** It will continue further down. Yes.
- Saket Kapoor:** It will continue further down if the deposits get repriced in this quarter itself.
- Salee S Nair:** Absolutely. Next 2 quarters, we are seeing a substantial amount of deposits getting repriced.
- Saket Kapoor:** Okay. Okay, sir. Right, sir. we will be hosting the call again post the March results only.
- Salee S Nair:** No, no, March. January.
- Saket Kapoor:** Okay. We'll continue with the quarterly results. You were telling something you're concluding, sir.
- Salee S Nair:** No, no. I'm saying we will again meet for the December results in January. And we hope the numbers will be better than the second quarter.
- Saket Kapoor:** It will be better than the second quarter.
- Salee S Nair:** Yes.
- Saket Kapoor:** Thank you for answering all the questions and we hope for now the deliverables to show up in our numbers in the way it has been alluded by the management.
- Salee S Nair:** Yes. Thank you. The confidence comes from the fact that the growth momentum is picking up, and it is already evidenced in the second quarter, and it's also getting evidenced as I see it in the month of October as well. Yes. Going forward, we expect that momentum to continue.
- Saket Kapoor:** Just a point to add then -- only one point was that we have not seen
- Moderator:** Mr. Kapoor, I am really sorry to interrupt you. Mr. Kapoor, please rejoin the queue.
- Saket Kapoor:** Ya..Ya,..I will join the que
- Moderator:** Ladies and gentlemen, in order to ensure that the management will be able to address questions from all the participants and the conference, kindly limit the question to two per participant. Should you have a follow-up question, please rejoin the queue.
- Our next question is from the line of Anant Mundra from Mytemple Capital.

**Anant Mundra:** Sir, my question was on the cost side. So firstly, the credit cost has been quite low in Q1 and Q2. So I just want to understand on a normalized basis, where do you expect this to settle? And also on the cost-to-income side, there's been some volatility between Q1 and Q2. So what is the normalized annualized number that we can model in here for cost to income?

And second, just a follow-up on the ECL thing, you mentioned that we carry a INR250 crore provision for the COVID provision. Do we use that currently for our calculation of our PCR? Or this is on top of that, whatever provision that we already hold? These are the 2 questions.

**Salee S Nair:** Anant, three questions. I didn't get the second one. Maybe you can repeat it, but I'll give you the answer for the first 2, right? And the last question is about INR250 crores of contingency provision that we have. It is not part of the PCR. Okay. If it is part of the PCR, the provision cover would exceed 100%.

**Anant Mundra:** Yes, it will exceed 100%. Yes, sir.

**Salee S Nair:** Right? It will exceed 100%. So it's not part of it. And that's something that it has been kept aside for the COVID era. Now the COVID book is now sharply shrinking and it is now standing at 271. I think there are the options that we have is to write it back to profits going forward or use it for other purposes. So I think ECL is something that we will certainly use that, okay?

And on the credit cost, when I look at the book as it stands for the next 2 quarters and certainly for the next 2 quarters, I think the credit cost, we don't see any kind of spike happening at all. The current level will be maintained.

But let me also tell you as the growth momentum picks up, you can't avoid a bit of stress. I think going forward, this is something that FY '26 sorry, not certainly not FY '26, we will be at the similar levels. But FY '27, maybe there could be some kind of stress coming. I still anticipate the GNPA to be in the 1% kind of range. And obviously, the credit cost would be well, well in the 0.25% to 0.5% range going into FY '27 and FY '28.

**Anant Mundra:** On the cost-to-income side as well.

**Salee S Nair:** Cost-to-income ratio is at 43.81% now. And let me also tell you that we are committed to maintaining it in the 45% kind of number.

**Anant Mundra:** Okay. All right, sir. And sir, so you also mentioned that most of the IT expenses are done. So both on the capex side and opex side, both of them are majorly done?

**Salee S Nair:** No. I didn't say most of the IT expenses have been done, has been contracted and the payments will happen. So many of them are work in progress. For example, digital engagement hub that we took will go live in the month of January. The loan management system, Phase 1, we are going live now. But Phase 2 and Phase 3, we will go live in the next 2 quarters. So it is all work in progress.

- Anant Mundra:** Okay. Got it. So this 45% number that you mentioned is on an annualized basis, right? Because Q1 is generally a spike and then.
- Salee S Nair:** Annually. Annualized basis. Yes.
- Anant Mundra:** Got it, sir. And sir, just one final question. What is the LTV on the gold loans that we have in the agri and the retail portfolio?
- Salee S Nair:** We are fairly conservative there but you have the LTV. We are fairly conservative there I will get you the LTV number. And if you look at against the market, our highest per gram rate continues to be at INR7,300.
- EVP (Credit):** We are the lowest in the industry.
- Salee S Nair:** Yes, Right? Practically we are one of the lowest in the industry. Of course, we will continue to focus on the gold loan, but what we intend to do is to grow the other non-gold loan book, particularly MSME. And that is where we seem to see some kind of growth coming back.
- Anant Mundra:** Got it. Got it, sir. So the investment on the MSME side are done. Now that engine should start firing, like how we've seen for the retail...
- Salee S Nair:** It's not done. If you to say it is done, it is not really done. It is still in a work in progress. Like I said, the LMS package that we have taken on is only the Phase 1 has been completed, the Phase 2 and Phase 3. The post disbursement functionalities, etc, are still there is a lot, I think it will take another couple of quarters for it to be fully done from what you're asking whether it's done.
- Anant Mundra:** Meaningful double digit growth, got it. Got it. But a meaningful double-digit growth should only be penciled in probably for next year then because given that it's still under implementation.
- Salee S Nair:** Yes. Next year, I think, is going to be another year that you should watch out for.
- Anant Mundra:** Thank you sir, That's it.
- Salee S Nair:** Thank you
- Moderator:** Next question is from the line of Vinith Jain from Siddh Capital. Please go head.
- Vinith Jain:** Sir, my first question will be, can you give me the size of the jewel loans and the consumer loans?
- Salee S Nair:** The jewel loan portfolio is currently about INR20,000 crores.
- Vinith Jain:** Sorry?
- Salee S Nair:** Ya, it is INR21,000 crores.
- Vinith Jain:** And sir, what will be the size

- Salee S Nair:** The book that we have, the jewel loan size is when I say jewel loan, it also has got an agri component and the consumption loan component, right? So both together is about INR21,000 crores.
- Vinith Jain:** So what will be the size yes sir, continue.
- Salee S Nair:** What is the?
- Vinith Jain:** So what will be the size of the consumer loan right now, sir?
- Salee S Nair:** Consumer loan is about INR4,300 crores.
- Vinith Jain:** INR4,300 crores. So how do you envisage the growth in consumer loan going ahead, sir? Like, of course, it is part of the retail and retail is growing. So is the focus more on jewel loans still? Or are we moving away? Like, of course, you said we are moving away from jewel loans. So what is the category we are focusing on?
- Salee S Nair:** Like I said earlier, we will continue focusing on the jewel loan, but jewel loan is price sensitive to the gold prices, right? So if it takes a turn, we don't want the growth to taper off because of that. We are very, very sensitive about the per gram rate that we offer in the market and that it should not lead to a stress situation if there's a sharp reversal of the gold loan prices. So that's something that we are looking at and we are trying to see.
- But like I said, the focus will continue on the jewel loan. But overall credit growth, we expect it to come from the non-jewel portfolio. I think that's where the focus is. That is where salutary, I think the last few months, we can see this turn happening. The growth of jewel loan portfolio versus the non-jewel loan portfolio happily is shifting in favor of the non-jewel loan portfolio, which is the MSME and the other retail side.
- Vinith Jain:** So is it possible to give these numbers in the presentation, like the jewel loan, consumer loans, home loans or vehicle loans?
- Salee S. Nair:** I take note of it. And here after, I think we will see whether we can give. I think that's a good suggestion. We let us give it.
- Vinith Jain:** Sir, for the MSME segment, we've been working on this centralized loan distribution disbursal system for some time. And you're saying that there's still more time to get the engine firing. So when do you expect it? So maybe a couple of quarters down or?
- Salee S Nair:** Like I said, the LMS Phase 1 has just been done, right? And now I think the familiarization is on in one of the regions. And I think come November end, I think that LMS will go live across the bank. And you can see the impact of that in the quarter 3 results itself.
- Vinith Jain:** So the awareness program among the staff has been completed you mean to say?

- Salee S Nair:** Yes. Yes, yes. In fact, the awareness program or familiarization is on at the moment. Any change, it is not like a tap opening the water, another water comes out. It takes a bit of time for the people to get familiar. But nevertheless, you will see the impact of that in quarter 3 in terms of growth numbers.
- Vinith Jain:** And on the global NRI center at Kochi, what has been the progress? What are the benefits you are generating?
- Salee S Nair:** We have already set up the global NRI center, right? And we are also seeing an uptick I think that also went up about 9%, right? The NRI business NRI deposits are also beginning to show some growth. And we have just set up, I think set up the DN has been set up in Cochin in Onam in last month. I think Onam period, Onam Day, we did set it up. And we are beginning to see the impact of that also on the deposits.
- Vinith Jain:** Will it be possible to give you the number...
- Salee S Nair:** Next Quarter, we will put that NRI number also and the comparative number also in the next quarter, and you will see that the uptick is there.
- Vinith Jain:** So on the deposit side also, this presentation doesn't have the breakup of the retail and the bulk deposits.
- Salee S Nair:** Okay. Okay. We'll do, add that.
- Vinith Jain:** Can you give me the numbers?
- Salee S Nair:** Do you have the numbers straight away? I'll give it to you.
- Vinith Jain:** Thank you very much
- Moderator:** Thank you, sir. In the interest of time, we'll take this as the last question. I now hand the conference over to Mr. Salee S Nair, Managing Director from Tamilnad Mercantile Bank for closing comments. Thank you, and over to you, sir.
- Salee S Nair:** Yes. I think like I said initially, I think this is this quarter, some of the efforts that we have been undertaking in the last 2, 3 quarters is beginning to bear fruits. The growth momentum is coming back. 11.40%, as I just mentioned, is the total business growth, particularly the resource on the resource raising side, I think 12.32% the deposits. This is evident that the efforts are bearing fruit.
- And if you look at the history of the bank going back about 10 years, the bank has been underperforming the market. Now it is in line with the market, perhaps a tad above the market. And I'm fairly confident that going forward, this bank will be not be in line, the divergence with the market will be seen that we will certainly grow slightly above the market.

And for the current year, we hope to end the year with at least 12% to 13% growth on the deposits, CASA at about 12%. I think we are confident about that. And on the advances, like I said earlier, 14% to 15% despite the fact that it is at 10.34%, we hope to end up with 14% to 15%.

So that's, again, the confidence coming out of the fact that some of the initiatives that we have taken is beginning to bear fruits. NPA would going forward also will be under control. I don't see any challenge there, any major accounts slipping. We don't see that. And of course, the slippage ratio also will be in the current level of about 5 to 10 basis.

So overall, I think we are facing the future with much with confidence, and we are happy that the growth is coming back that will now start contributing to the profit, the profit, which had a significant component of recovery from advances under collection written-off accounts and now will stand up on its own feet will be driven by the core banking going forward, core banking business going forward. So we face the future with much, much confidence than what we were used to in the past. Thank you. Thank you all for joining us in this call. Thank you, and it's over to you.

**Moderator:**

Thank you, sir. On behalf of Tamilnad Mercantile Bank Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.