CSFB. 2025-26/198 **July 31, 2025**

To,

BSE Limited **Listing Compliance** **Phiroze Jeejeebhoy Towers** **Dalal Street** **Mumbai 400 001** **Maharashtra** **Scrip Code: 544120, 951995 & 953739**	**National Stock Exchange of India Limited** **The Listing Department,** **Exchange Plaza,** **Bandra Kurla Complex,** **Mumbai - 400 051** **Maharashtra** **Symbol: CAPITALSFB**

Dear Sir/Madam,

Sub: Transcript of Earning Conference Call for the Un-audited Financial Results of Capital Small Finance Bank Limited for the quarter ended on June 30, 2025

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

We submit herewith the transcript of the conference call held on Friday, July 25, 2025 for the Un - audited Financial Results of Capital Small Finance Bank Limited for the Quarter ended on June 30, 2025.

In compliance of Regulation 46 of the Listing Regulations, the transcript is also made available on the Bank's website at https://www.capitalbank.co.in/investors/financial-results

This is for your information and records.

Thanking you,
Yours faithfully

For Capital Small Finance Bank Limited

AMIT SHARMA

Digitally signed by AMIT SHARMA
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Amit Sharma
Company Secretary & Compliance Officer
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"Capital Small Finance Bank Limited

Q1 FY'26 Earnings Conference Call"

July 25, 2025

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

MANAGEMENT: **MR. SARVJIT SAMRA – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – CAPITAL SMALL FINANCE BANK**
MR. MUNISH JAIN – EXECUTIVE DIRECTOR – CAPITAL SMALL FINANCE BANK LIMITED
MR. ASEEM MAHAJAN – CHIEF FINANCIAL OFFICER – CAPITAL SMALL FINANCE BANK LIMITED
MR. RAGHAV AGGARWAL – CHIEF RISK OFFICER – CAPITAL SMALL FINANCE BANK LIMITED
MR. SAHIL VIJAY – HEAD OF TREASURY AND INVESTOR RELATIONS – CAPITAL SMALL FINANCE BANK LIMITED
MR. BHARTI BABUTTA – INVESTOR RELATIONS – CAPITAL SMALL FINANCE BANK LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to Capital Small Finance Bank Limited Q1 FY '26 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sarvjit Samra from Capital Small Finance Bank. Thank you, and over to you, Mr. Samra.

Sarvjit Samra: Thank you, Hamshad. Good afternoon, everyone. I am Sarvjit Samra, Managing Director and CEO of Capital Small Finance Bank. Welcome to Capital Small Finance Bank's earnings call for the quarter ended June 2025. Thank you all for joining the call. You probably would have seen the financial results and the investor presentation that we have uploaded on the stock exchanges.

Joining me today are Mr. Munish Jain, our Executive Director; Aseem Mahajan, CFO; Raghav Aggarwal, Chief Risk Officer; Sahil Vijay, Head of Treasury and Investor Relations; Bharti Babutta from the Investor Relations team and our IR Advisors, SGA.

Let me begin with a quick look at the operating environment. India's economic trajectory remains firmly on track with financial year '26 GDP growth estimates at 6.5%, reinforcing its position as one of the fastest-growing major economies globally. This momentum is underpinned by several favourable macro factors, most notably a steady decline in inflation, above normal monsoon outlook and a policy pivot by the Reserve Bank of India towards more accommodative stance.

Q1 is seasonally soft marked by subdued macroeconomic conditions and weak underlying demand. On ground operating environment remained mixed. However, we witnessed signals of gradual improvement as the quarter progressed, particularly in May and June. On a positive note, the Reserve Bank of India's recent policy rate cuts, liquidity support measures and the announced CRR production have provided a flip to deposit mobilization and system liquidity.

During the quarter, we witnessed strong momentum on the deposit front. Our total deposits grew to INR9,110 crores, reflecting 17.1% year-on-year and 9.5% sequential growth, supported by favourable monetary policy cues and sustained customer trust. Our retail-focused franchise continued to deliver stable, low-cost deposit growth with CASA levels remaining healthy at 35.9%, a testament to our deep-rooted presence across semi-urban, rural and urban markets.

On credit side, our lending book expanded steadily, maintaining its secured and diversified nature. Gross advances stood at INR7,437 crores, up 16.4% year-on-year and 3.5% quarter-on-quarter. We continue to stay true to our conservative credit philosophy with nearly the entire book secured and no direct exposure to high-risk MFI segments.

Disbursement activity picked up pace during the quarter, in line with improving ground-level sentiment and our calibrated approach to sectoral lending. Despite a declining interest rate environment, we maintained a healthy NIM of 4.1% supported by robust liquidity management and prudent asset deployment.

Operating profit grew by 24%, supported by a 38% increase in non-interest income and improvement in cost efficiency with cost-to-income ratio improving to 60.5% from 62.6% in the previous quarter. Profit rose to INR32 crores --, marking a 7% year-on-year growth. Return on assets stood at 1.2% as of June 30, 2025.

From asset quality perspective, it remains stable with gross NPAs at 2.7% as of June 30, '25, unchanged on a year-on-year basis and marginally higher than 2.6% in Q4 of financial year '25. The net NPAs for the quarter ended June 30 at 1.4%.Overall, asset quality remained strong.

As of June 30, '25 our SMA1 and SMA2 accounts calculated as a percentage of advances stood at 5.47%, showing a notable improvement from 6.42% a year ago, reflecting better portfolio quality and early delinquency control. The credit cost increased to 0.37%, out of which 0.19% attributes to slippage from NBFC/MFI exposure.

Bank has less than 1% exposure to NBFC/MFI. It's worth mentioning that no other NBFC including MFI is showing any signs of stress. We strongly believe this acceleration is in credit cost is temporary for the Q1 financial year '26. Overall, asset quality is strong and stable.

In summary, the first quarter financial year '26 reaffirms the soundness of our strategy, built on financial prudence, customer centricity and disciplined execution. As we move ahead, we remain optimistic about the emerging economic tailwinds, and we are well positioned to harness opportunities in both lending and deposit growth while safeguarding portfolio quality and enhancing shareholder value.

Looking ahead, we anticipate a gradual recovery in the broader economic environment during the second half of the fiscal year, driven by improving rural sentiment, a rebound in urban consumption, a pickup in investment activity and government's continued focus on capital expenditure. Building on this positive macro trends, I now hand over to Mr. Munish Jain to walk you through our other quarterly performance details.

Munish Jain: Thank you, Mr. Samra, and warm welcome to all of you. Mr. Samra has shared the financial performance highlights. I'd just like to add a few further points. Gross advances of the bank stood at INR7,437 crores as on June 30, 2025, reflecting Y-o-Y growth of 16.4% and Q-on-Q growth of 3.5%.

The growth driver for the quarter remained MSME portfolio, which grew 25.6% on a year-on-year basis and 9% on a quarter-on-quarter basis, followed by LAP within the mortgage, which grew by 23.6% year-on-year basis and 5.4% on a quarter-on-quarter basis. Mortgage book grew by 16% year-on-year basis and 3.9% on a quarter-on-quarter basis. The portfolio remained granular with the average ticket size of INR16.6 lakhs as on June 30, 2025.

The loan book remained well diversified with 99.8% being secured with Zero direct MFI exposure. And with exposure to MFI -- NBFC/MFI, the bank is having less than 1% as on June

30, 2025. Further, 89% plus of the portfolio, excluding the corporate loan is secured by immovable property/bank FDRs.

Our loan book remained well diversified across various sectors that have demonstrated resilience across multiple credit cycle. As of June 30, 2025, agriculture accounted for 30% of the portfolio compared to 32% in Q4 FY '25, mortgage being 27% at both the period end. MSME and trading book increased to 22% against 21% in Q4 FY '25 and corporate loan book has increased to 14% from 13% in Q4 FY '25.

Fresh disbursement for the quarter ended June 30 stood at INR865 crores, registering a year-on-year growth of 15% and sequential growth of 13%. The disbursement mix for the quarter reflect our continued focus on secured segment with 28% of the disbursement towards MSME, 23% towards large corporates, 21% towards mortgage and 20% towards the agriculture segment and the remaining 8% being consumption and the other loans. This composition underscores our commitment to maintain a well-diversified and granular lending approach.

During the quarter, deposit continued to be the primary source of the fund and constituting 93.6% of the total outside liability as on June 30, 2025. We have a stable cost of deposit and cost of funds that is 5.9% and 6%, respectively. The average credit-to-deposit ratio improved to 80.9% in Q1 FY '26 compared to 79.6% in Q1 FY '25, indicating improved deployment of funds and balanced growth in both advances and deposits.

To sum up, Q1 FY '26 was a quarter of steady and disciplined execution amid a transiting macro environment. We remain confident in our strategic direction, our customer-centric operating model and our ability to deliver consistent and sustainable performance. Our endeavour will continue to organically grow our secured loan book growth of 20% during the fiscal by targeting MSME & trading, mortgage and agriculture segment. And ROTA expansion.

With this, I would like to request the operator to open the floor for question and answers. Thank you so much.

Moderator: Thank you very much. The first question is from the line of Rehan Saiyyed from Trinetra Asset Managers. Please go ahead.

Rehan Saiyyed So first question is are there any internal target to expand your branch network beyond the current 195 branches this year? If you just clarify more on this?

Munish Jain: We are missing your voice. If you can please repeat again, there is some feebleness in the voice, if you can please repeat the question please?

Rehan Saiyyed: Sure sir. I'm asking like are there any internal targets to expand your branch network beyond the current 195 branches this year? If you can just put some light on that?

Sarvjit Samra: Yes. With regard to branch expansion, already the process is going on for the expansion, where in this financial year, we intend to add 20 to 25 branches. And by adding 1 more state as well, presently, we are in 5 states and 2 union territories. We'll be entering to one more state to our area of operation.

Rehan Saiyyed: Okay. Okay. Sir, my next question is around like are any -- are you exploring any -- like companies exploring any digital lending or co-lending partnership with fintech players, especially for MSME or housing?

Munish Jain: wEe always believe that we need to know our customer well before we underwrite. Presently, co-lending is not an opportunity available for the small finance banks, and that is not permissible under the regulatory guidelines. For the other partnership based lending, we are flexible depending upon the opportunities, specifically for the lending product, which falls in our DNA i.e. secured lending product. We are open for a partnership-based lending, but we are not looking forward for any fintech-based partnership.

Rehan Saiyyed: Okay. And sir, last two more questions. Like first is, what is your loan and deposit growth target for FY '26? Do you expect growth to be above 20% for this year for upcoming year ?

Munish Jain: For the FY '26, we are targeting a credit growth or loan growth of 20%, and we intend to improve our CD ratio. So we will be calibrating our deposit growth to support our advanced growth. We always have believed deposit being our strong leg and we are presently calibrating the growth. And after the present interested cuts, when we see the market price of the liability has optimized, then we accelerate our deposit. So we are targeting 20% advance growth and deposit will be calibrated as needed to support this particular advance growth.

Rehan Saiyyed: And sir, along with ROAs and ROEs, if you just clarify regarding on this also. Is there any target?

Munish Jain: So typically, we are talking about the year, which is characterized by sharp declining interest rate. We have a ROTA of 1.4%, FY '25. We intend to retain and slightly improve the ROTA in the current fiscal, which we have in FY '25.

Moderator: The next question is from the line of Shubham from Tikri Investment. Please go ahead. We seem to have lost the connection with Mr. Shubham. The next question is from the line of Sugandhi from Star Union Dai-ichi Life Insurance. Please go ahead.

Sugandhi: So this is Sugandhi from Fedex Securities. I think there is some mistake. So, just sir, looking at your MFI-NBFC book, in your presentation, you've given the breakup of provisions also. So if I just take a rough number of your outstanding NBFC book, the slippage -- annualized slippage in the NBFC is 6%.

And how much of this is a one time event. Could you give us some more information since you have mentioned before that and today also that MFI is just 1%. So this is compared to whatever exposure we have, this is sizable and where is it coming from? And what can be expected in the quarter? Are you seeing some stress in your NBFC book as such?

Munish Jain: If you look into our book, as far as the the corporate loan book, we are only having less than 1% portfolio in the MFI segment. Out of which, just this time, we have a slippage. There is some slippage because of the present prevailing market scenario. So if I exclude the present slipped accounts or if I talk about my remaining standard accounts.

Out of present standard accounts, 57% of MFI book is with A-plus rating. And we are having around 20% of the MFI book, which is a rating of BBB-plus or BBB-minus or BBB-equal, and out of that 20% book, we have a 57% cash margin available. So with that thing in sight, in the present existing MFI book, which is a standard book, the book seems in a good shape.

And we are anticipating the present slippage, which has come in the Q1 FY '26 is typically temporarily and only limited to the Q1 FY '26. And we are not anticipating any further slippage from this particular book, given the present information available with this. And the present outstanding standard book in this particular book is typically 0.75% of the total portfolio.

And within that, I just shared you the further bit, so which is giving us a further strength -- further confidence that this one event which has happened is temporarily. And the slippage which has come is also because of the present synerio, which is moving around the MFI industry. We've been not MFI player. –But just having a very limited exposure to the -- those NBFCs, which has given this particular slippage during the current period.

Sugandhi: So you're not seeing any stress in your MSME book or within the -- MSME exposed NBFC?

Munish Jain: yes, we are not seeing any stress presently from NBFCs having MSME book. Typically, our NBFC book is primarily towards those NBFCs who are more in a secured lending. We are not primarily targeting NBFCs in unsecured lending segment. We are primarily targeting the NBFCs who are in a secured lending segment.

With that thing in sight, we are not anticipating much challenge. We are not seeing any challenge in this.

Sugandhi: And sir, could you give us the provision coverage ratio for your 4 key segments, MSME, NBFC, agri and mortgage, the coverage is?

Munish Jain: PCR, as far as for the PCR as a practice, we typically follow maintaining a PCR of 50% plus. And even the current quarter, despite there has been a significant increase, so we have stated 50% PCR.

Sugandhi: Is it 50% above all the -- above 50% for all segments?

Munish Jain: Sectors will be between 40% to 55%. So that is a typical PCR you will find across all the sectors. It's not that 50% in each, it will be 40% plus in all the sectors ie agri, mortgage or MSME book.

Sugandhi: And sir, I just wanted to understand on Haryana. We've been in the market for many years now, and our presence has been small. But what gives us confidence why were we holding back in terms of expansion in Haryana and even though we were expanding in Punjab, although we are holding back and what gives us confidence that this time growth will be -- will it happen at the same rate as we grew in Punjab?

Sarvjit Singh Samra: Presently in Haryana, we have 20 branches. And in the current expansion, which is going on, we'll be adding say, from 12 months to 15 months, we have a plan to add about 13 branches more in Haryana. So Haryana, there's a lot of expansion, which is in the pipeline in Haryana. So, as a policy, expansion going ahead, -- majority of the branches we are adding or we will be adding are going to be out of Punjab and Haryana is going to be a key focus area going ahead.

And like in Haryana, we have even started making in- roads, like we are opening a couple of unbanked rural branches, URCs, rural branch already we have opened. We are there in semi-urban towns. We are making in-depth in Haryana as well, not only expanding, but similarly, as we have done in Punjab, we are replicating, now we call it making Haryana next Punjab, which we internally call it, and we are in the process of it.

Sugandhi: Sir, one final question. You have given some kind of target previously about bringing your net NPA down to 1% over -- 9 to 15 months. Is there any change to that target or is it something that still seems visible?

Munish Jain: Yes. As far as the net NPA target is concerned, yes, we were anticipating or targeting to make it below 1% -- last time we talked about that is, by this FY -- this current fiscal, we intend to do it. So we are just keeping our eyes open for this. We are keeping our idea open.

At this stage, I will not be able to comment, just there may be a scenario like macro factors, how the factor looks like, we will be targeting, because we want to keep an eye on the ROTA as well. We want to ensure that we continue to have a ROTA expansion. We'll be trying to create a fine balance between the net NPA number and the ROTA.

Sugandhi: Thank you, sir. That's it from my side.

Moderator: The next question is from the line of Shubham Silvadia from Tikri Investment. Please go ahead.

Shubham Silvadia: Congratulations on a good set of numbers, sir. Sir, first question is, sir, our borrowing and deposits have grown by 16.4% Y-o-Y, while advances have only grown by 14.2% at the same time. So at the same time, cash and balances with RBI has risen sharply by 27.7%. So sir, could you please help us understand if the bank is facing any challenges in loan disbursement or demand slowdown with this liquidity buildup?

Munish Jain: No, that's not the case. Rather, on the contrary, , I just want to clarify a few of the things. We accelerated our deposit growth post the interest rate cuts. Before the interest cuts, we were not accelerating our deposit or the borrowing acceleration. If you look into the number growth, the growth which you are talking is typically coming in the last 1.5 to 2 months.

Whether we talk about the refinance increase or in the shape of borrowings or the way you talk about the deposit growth in that particular period. After the interest rates has fell down and we are anticipating that the cost of deposit is sustainable after 100 basis point reduction. I'm talking about not the first reduction, after the 100basis point reduction in the repo, then we accelerated both our deposit and the borrowing book.

To support what we need to contribute to our advance growth. So being intended, we were present having 81% plus average CD ratio entity. And the Q1, historically is characterized by a muted credit growth because of that is the seasonality of the country as a whole. In that backdrop, the Q1, we had a disbursement, which is 15% growth on quarter-on-quarter, year-on-year basis and 13% on a sequential basis.

The demands for the advance is not the challenge. Rather, we see the good momentum available in the middle-income group segment. So that is the way we support -- we build up the right liability. When the market has the liquidity available, we picked up the liquidity or liabilities at the optimum pricing to support our t advance growth.

So as temporarily, the money which we have raised till the time it is deployed in the advances, it is being parked in the shape you are talking about. But that is also yielding a return better than what price we are paying to them(Cost of deposit). So we are getting a positive outcome even during this interim period.

If you look into the interim period, we are earning more than our cost of deposits or cost of borrowings in both the sense. In that backdrop, so presently, we are not finding difficulty. Rather, we are going ahead with our internal strategic objective of build the liability at the time when the right price is available and to continue to build the advances at the pace depending upon the market opportunities.

Shubham Silvadia: Okay. Got it, sir. So my next question is, so sir, what measures are we taking up to grow CD ratio?

Munish Jain: CD ratio is a function of the growth between deposits and advances, as I said. If you see current quarter, we accelerated our deposit since we need to be sufficient liquidity available for advance growth. The only measure which is required is continue to accelerate our lending. So Q1, we accelerated both the sides, deposits and advances.

Q2, it will be heavier on the advance side and a bit softer on the deposit side. So this is what we anticipate, which will be automatically resulted in an increase in the CD ratio in the Q2 and year to come.

Shubham Silvadia: Okay. Thank you, sir. That’s it from my side.

Moderator: Thank you. The next question is from the line of Sonal Minhas from Prescient Cap Investment Advisors LLP. Please go ahead.

Sonal Minhas: I have two questions. First is do you...

Moderator: Sorry to interrupt, sir, but your voice seems to be breaking. Could you go to a better reception area?

Sonal Minhas: Agri loans have been kind of for the last year or so reducing and the NPA seem to be inching up, wanted to understand what is happening on the ground on in Agri in Punjab, Haryana belt that we are talking about?

Munish Jain: So firstly, you have the question as the two splits. What is the potentiality of agriculture and secondly the asset quality in the agri. If I take the second question first, that is the asset quality of the agri, just since you already mentioned that there has been a decline in the outstanding of agri.

So because of that decline, the percentage looks a bit higher, but there is an absolute value, it is almost static or there is a change of only hardly INR1 crores or so. So there is no other major slippages within the quarter in agri. So the percent look higher just because of the baseline effect.

Point number two. As we talk about the Q1 historically, Q1 is always the period we being as a lender -- agriculture-based lender, we always lend for the staple crops or we can say MSP crops. So quarter 1 is typically characterized by the cash flows, which is coming in a big way for that particular crop. Say this is a harvesting period of the wheat.

Wheat is one of our preferred crop for lending. So there is a good cash flow coming from the wheat harvesting and the procurement thereof, which consequently will be accelerating our recovery in the agri. If I talk about agri, the current quarter, we made a disbursement of around INR175-odd crores to the agri.

Despite the fact we had a disbursement of around INR175 crores of the agri, the agri portfolio has shrinked by around INR90-odd crores. So I mean to say we are able to -- that is basically primarily because of the recovery efforts which we are doing and related to the cash flow seasonality of the agri. So that is the way how the agri portfolio work. In the Q2, you will see the agri portfolio will be seeing growing.

Sonal Minhas: Munish, I had a question, like if I were to take the help of agri in Punjab, the volume of, let's say, the volume of MSP produced in tonnage, say for rice, is that growing? Just asking you because is the market growing? Is it tonnage growing, being sold under MSP?

Munish Jain: If I talk about the wheat, yes, the wheat this time, the procurement value of the our clients as farmers, mean who are maintaining the account with us, has improved -- has increased. There is an increase we can see in the procurement value of the wheat procurement versus the last year, and that's a decent increase.

So there is a good increase coming in the wheat procurement, value basis. I will not be able to tell you the per hectare. I can tell you the count -- value. So, I have a count of the value. Value-wise, yes, we are able to increase the procurement value in the current fiscal versus the last fiscal.

And we are continuously seeing from the last 3 consecutive years, an increase in this value, not only for the wheat and also for the other staple crop, that is paddy. Both the crops, we are witnessing a growth momentum building up in each of the year. So agriculture , from that particular perspective, if you look into the various indicators of the quality within the agri.

During the quarter, hardly any write-offs or rather over the last 3.5 year or 5.5 years, hardly any write-off from agri. Value basis almost a tick. We are getting a return which is typically 12.67% from the agri against 11.2% of the portfolio. Within this, the GNPA and NNP remain the range bound without any write-offs.

And with the recovery effort that is there is a slippage is better than my total slippage. If I talk about FY '25, if I talk about the slippage within the agri portfolio versus my overall slippage, we have a better slippage in the agri.

I mean to say better -- means lower slippage in the agri. So from a quality perspective, agri portfolio is showing a decent outcome. Yes, last year, we were very aggressive on the agri. We were always telling on our call that we are going forward for the MSME and mortgage.

So just we were not that aggressive on the agri because of some -- at that time. I'm seeing a good traction coming back in the agri in the period to come.

Sonal Minhas: Munish, one more thing I wanted to understand, I think you've given a guidance of advanced growth which is higher for the subsequent quarter compared to this particular quarter. And is that just linked to seasonality? Is that getting to better credit being available as you see June, July, August, September or it is linked to deposit, actually we seem to be hovering around 15%, 18% mark and it is -- I think if we need to break that amount of credit or deposit, I'm not able to understand. We seem to be only in this range. what is it that is the limitation here?

Munish Jain: If you talk about the growth momentum, , if you talk about seasonality perspective, before FY '25, our book was showing a higher seasonality when the agriculture was 35%- 37% or more. If we start looking from FY '25 or current fiscal, the seasonality is almost getting muted.

So the growth in Q1 is -- if we talk about the Q1 growth on a percentage basis, I believe my team if it is right data. So we have the third highest advanced growth in the SFB space on quarter-on-quarter basis, if my data is correct. We are having a good decent growth coming up in Q2. Deposits are not limiting our growth.

Now if you look into our deposit and borrowing, we raised the money and look at the pricing. Cost of fund is also being published; it is 6%. Cost of deposit is also being published 5.9%. We are not having any constraint on the liability side and the pricing off or rather we raised now after interest rate has been cut down so that we are not like to have liabilities or the deposits, which are high priced.

So that was the intent in June, July, August, September, rather I will say there is just not -- there will be a momentum build-up, plus one more addition. Since we have 30% to 32% of the portfolio in agri, as we discussed, despite we disbursed around INR200 crores, the portfolio has shown a degrowth. In Q2, the cash flow will not be coming from staple crops. The disbursement will comes into increase in outstanding.

Sonal Minhas: Got it. You see still weighted average would work?

Munish Jain: Yes, weighted average will work and recovery rate versus repayment recovery period -- recovery rate in Q2 will be reduced in agri. And for all disbursement that we will be doing will be adding to outstanding.

Whereas in Q1, recovery rate is so high that whole of the disbursement is eaten out by recovery and rather I still have an active route. Whether it's look into Q1 last year, Q1 current year, Q1 any year, you will see agriculture always degrown. Now the degrown is very, very muted since we have continued to disburse good amount even in the Q1.

Moderator: The next question is from the line of Nirvana Laha from Badrinath Holdings.

Nirvana Laha: Sir, my question is on business model related question. So you mentioned that about 90% plus liability remains in Punjab for you. Can you help explain to us what is the typical profile of your liability customer in Punjab, like in terms of profession, which districts do they come from rural, semi-urban, etcetera?

Munish Jain: If you talk about our customer profiling, I'm not talking just from the liability standpoint, but also from the asset standpoint…

Nirvana Laha: Sir, I want to understand the liability part. Sorry to interrupt. I want to understand your liability …

Munish Jain: That's I'm trying to say, Nirvana. Our both the sides or rather our target customer is middle income group customer for liabilities as well as assets. We are not having a separate asset customer segment. And within this particular segment, irrespective of the economic activity, this particular customer segment is coming.

We typically intend to be the primary banker for our customer. With primary banker in sight, that is that cash flow accounts shall be with us rather than acting as a standalone term depositor for our customer, we intend to have a saving accounts with us.

So with that thing in sight, we are typically intend to provide him a very easy start point with a very, very limited minimum balance. But ultimately, intent is to have a bigger chunk of his savings. Statistically, if you look into this particular number, our average ticket size in the saving bank account is presently INR46,000 per account, which was INR43,000 a quarter back and INR42,000 a year back.

So typically -- and if you look into the average ticket size of our term deposit, this is INR10,19,000 as on June 30, which was INR9.39 lakhs a quarter back and INR8.59 lakhs a a year back. So typically, we continue to be a granular middle-income group-based depositor. The objective is to provide him the complete product range, and this is well spread over whole of the Punjab and other part of the geographies also.

Yes, we have a higher concentration on the SURU, for our deposit franchise. If we talk about the SURU, SURU typically, which is presently constituting around 76% of our branches are contributing 74% of our deposit. Over 74% of our deposit is coming from semi-urban and rural area, which is accounting for 76% of our branches.

So we are not raising very high-priced deposit from the urban. Rather, our deposit is coming more from a semi-urban and rural where we had a thicker branch presence. And that constituting, again, I'm reiterating 74% of our deposit. So our deposit profiling is purely retail-centric, middle income group centric and with the intent to be the primary banking relationship.

Nirvana Laha: Intent for my question, sir, is if you look at your liability customer as in the FD rate and the savings account rate that you're providing, what I want to understand is how are you able to compete with public sector banks and private sector banks, which have been there for many, many decades and still win over liability customers with such low savings account and fixed deposit rates?

And how will this scale, sir? I understand you've been in Punjab and therefore, your brand is very strong there. But in other states, how do you think this liability franchising of scale at these rates?

Munish Jain: Our sense is we always believe liability will follow the trust. With that thing insight, our branch expansion philosophy is a contiguous branch expansion philosophy, that is we keep on adding to the next geography. And within this, we follow the process of combing and carpeting. That is opening a branch at economic headquarter, then carpet all across.

The customer whenever move around, he find one or another branch of us, which bring in the trust. With that thing in sight, we are able to get the customer and that same philosophy we are following in the other geographies.

What we are getting a response from the Punjab, Haryana start giving us a similar type of response. If we talk about the Haryana response is also similar. And if I talk about the growth potentiality, we are growing our deposit with 18% CAGRs, and that is consistently. That's not the case that we are not growing. We are and able to grow 18% consistently and that too with a longer period origin.

And a pricing structure basis, if you look into our pricing philosophy, you will find we'll be paying around 30 to 40 basis points more than HDFCs of the world. From HDFCs of the world, I'm talking about top line public and private sector banks. There is a premium which we are providing to the customer, but we are not mapping our deposit pricing with those other players on the street.

We map it with the top 3 players. We are presently the fourth largest private sector bank in Punjab in terms of the branch network and we are intending to make Haryana on a similar footprint, and we want to make Haryana our next growth frontier.

And the philosophy is similar, carpeting and giving a premium on the top 3 banks. So we are paying a premium over them also, and that's the way and providing in a holistic product suite, single customer service, all products have a single window at a most efficient price, local people.

A lot of other small actions we do and our deeper understanding of the liability market. We are a 24-year plus liability player, which help us understanding this market better and know how to do it. And I can validate this that the current quarter, we increased our deposit by 9.5% and with the cost of deposit of 5.9%.

Nirvana Laha: Sure. I appreciate that, sir. If I can just ask 2 quick questions. Can you share the CAGR growth rate of your ex of Punjab for the other states, how the deposit rates have grown in the last 3, 4 years? That is one question, sir.

The second question is, pre-IPO, you used to grow about 13%, 14% kind of return on equity. In how many years do you think we will be able to get back to that ROE growth?

Munish Jain: If we talk about our deposit growth momentum, we grow out of Punjab with a growth rate CAGR from 2021 to 2025 out of Punjab at 35.69%. So that is the CAGR we are having out of Punjab for a deposit franchise. So point number one.

Point number two, when we talk about the ROE, when we hit the capital market, our exit ROE was 16% plus for annual basis and 17% plus on a quarter-end basis. So that ROE is the outcome of the leverage versus the ROA. We are continuously improving our ROA since we listed and before even that and we intend to improve our ROA with each passing year.

Now we are consuming our capital, and we are now in the right spot of consuming our capital. With the capital consumption, our leverage will keep on improving, which will be helping us in moving towards higher ROE, which you have mentioned. Rather, we intend to have a better ROE than the numbers you are talking about.

Since the ROTA expansion is consistently opening and now we raised the capital and because of the macro factors, the advance growth, which we intend to have, which we cautioned in the last year not to get over-boarded on that growth to ensure the asset quality standpoint.

Now with the macro factors on certain -- the area which we are, geography we are operating, the segment we are operating, we are seeing a good traction and intend to grow 20% in the current fiscal for the advances. We believe just we are on the right track to move towards that ROE guidance -- ROE numbers, which towards the pre-IPO levels.

Nirvana Laha: Pre-IPO leverage of 8x -- like you used to be levered 8x, 8.5x, I think pre-IPO. Do you think you will be comfortable pushing up the leverage to 8x?

Munish Jain: At that time, our ROTA was low and leverage was high. Now we are talking about a higher ROTA with the optimum leverage.

Nirvana Laha: And that is at the current level?

Munish Jain: That time our ROTA was also 1-ish. And we have 1.4 already last year, and we are continuously improving the ROTA.

Moderator: The next question is from the line of Anant Mundra from Mytemple Capital.

Anant Mundra: Sir, so the MFI pain has not fully been absorbed because there is still a 14% net NPA, which is there in that account. So why did we not take the pain completely this quarter or are you expecting this to upgrade and become a normal asset?

Sarvjit Samra: Actually, discussions are going on with regard to recovery, and we hope that we'll be able to recover out of that. That is the reason why we have not taken the whole of the -- base provision for whole of the amount.

Anant Mundra: Okay. Okay. And sir, so one more thing was that, sir, the growth engine that we have -- mainly the agri and mortgage portfolio is not firing as we would expect because a lot of the growth is also coming from the NBFCs, non-MFI that has grown 60% year-on-year. Because when we think of your bank, we think of a bank which is serving the MIG segment, and we really expect the these segment to be firing in that case. But the growth is coming a lot from NBFCs, non-MFI. So when can we expect these three segments, to grow more than 20%, while the NBFCs take a back seat?

Munish Jain: Anant, if we look into the mortgage -- mortgage, we have 2 subsets, housing loan and the LAP. Housing loan, given EBL linked, we were a bit cautioned in the last year to accelerate the housing loan book because we were anticipating a sharper rate cuts. If we look into the mortgage -- within the mortgage, if you look into the LAP, our LAP has grown 22.6% in June year-on-year, 5.4% quarter-on-quarter.

MSME, 25.6% on year-on-year, 9% on quarter-on-quarter. So that -- so thegrowth engine is now fully firing. So both the product however just housing, we were consciously slow. Given at that time, lending at the rate with the cut of interest rates so sharply. P&L would have been taken a hit.

We typically intended -- intentionally that within the mortgage, our housing, which is around 50% to 51%, now it's sitting at 44.5% or 55%. We are continuously in that direction. Now we are still anticipating one more rate cut, but that will be a bit muted rate cut. That will not be that sharper rate cut. That is what our internal anticipation is.

So accordingly, we start evaluating to accelerate the housing loan and that too, depending upon the pricing, the type of the pricing which this model developed, housing is coming. So there has to be a limited time pain when we were accelerating our LAP within that. Now that development has done and LAP is now a majority of it, 55% plusand LAP and is now fully firing.

The current quarter, we had a quarter-on-quarter sequential growth of 5.4% within the LAP, within the mortgage. So all the 3 are firing. Just corporate loan book was optically looking more because we were having a lower ATS after the capital raise. There is not making a prudent sense that since we were blending at a very lower value per customer.

So we were just optimizing that particular value per customer rather than keep on adding more and more NBFCs. We are not adding more and more NBFCs. We are keeping our portfolio to 45 to 65 NBFCs only. We have a total NBFC pool of 45 to 65, and we intend to maintain within that pool, which is our targeted NBFCs.

So within that NBFC, we are just growing. Just because of the capital infusion, we feel there is a good opportunity to improve the ATS and which is further seconded because of the PSL guidance we did cut it from 75% to 60%, which will give us an additional legroom to opportunity to grow this particular book.

But still we are very cautious on our corporate loan book growth, and we have not grown it left, right and center. We grow it typically in a muted environment. And if you look into our disbursement, our highest disbursement is MSME. Second highest 23% is corporate and that too, of mortgage is 20%. So we're typically keeping a very fine balance on our disbursement number that disbursement should be RAM heavy.

Anant Mundra: Got it. Got it, sir. Sir, any color on the agri loan portfolio because that -- I mean, can we expect that also to grow more than 15%, 20%?

Munish Jain: I believe our first target is to grow our agri portfolio in double digit. Agri portfolio, I said, we are typically earlier year were growing it in a caution environment. Now the ground and everything is now completely cleared. So now we want to grow the agri portfolio in a double-digit environment over the period to come. You will start seeing agri portfolio growth in a double digit in the period to come.

Up to now, you will always see it is a lower single digit. In the last 4 to 5.5 years, since agri growth has to be monitored on a half yearly and not on a quarterly basis. In last 3 to 4.5 years, we were seeing our agri portfolio growing in a single lower digit. Now we want to take it to the double-digit growth in the period to come. And the necessary guidance, internal alignment has been done to ensure that we do it as a period to come.

Anant Mundra: And sir, the lever for this growth will mainly be Punjab only, right? Because Haryana, we are focusing mainly on MSME and mortgage. Is that understanding, correct?

Munish Jain: We will be doing some portion of agri in Haryana also, but not in a larger way. But yes, Haryana in good agri belts, we are open for the agriculture lending.

Anant Mundra: Got it. Got it, sir. And sir, my final question was on the other income, which appeared slightly muted this quarter. So both on a year-on-year basis and a quarter-on-quarter basis, it's appeared slightly muted. So anything that you would want to call out over here?

Munish Jain: My request, Anant, if we just look into this number again. On a quarter-on-quarter basis, last quarter, Q1 over other income was INR16.6 crores. And in Q1 FY '26, it is INR23.4 crores. There is a growth of 38%.

Anant Mundra: Sorry, sorry, I -- right, right, right.

Munish Jain: I think I just request you have a relook into the numbers. There is a 38% growth in our other income on quarter 1 versus quarter 1. And it is widespread. It is not from one of the segment that all the segments, all of our four subsets within our non-other income, which we are talking, has now starts showing the same sign.

Moderator: The next question is from the line of Divyansh Gupta from Latent PMS.

Divyansh Gupta: A couple of questions regarding the MFI NPA. So was it a surprise for us? Anything that was giving us earlier signals? And second is, while we have mentioned that it's temporary and we are hoping that we'll have some recovery, any progress that has happened in, let's say, the month that has gone by?

Sarvjit Samra: No, since we are not into direct MFI, and we have never been since even our local area bank days, we have never done a direct lending to MFI. So even when we built our corporate NBFC book, we were very, very cautious. Though there were good proposals coming in, but keeping aligned with our DNA and philosophy, you would appreciate that even in good times, we didn't build up this book aggressively very selectively.

But now every -- we all are aware the way the sector has behaved, especially during last for some time, so it is -- so we have to live with it. So as we see, everyone has been hit with the -- this MFI exposure. So otherwise, with regard to this, our recovery teams and our credit team, they are continuously in touch with the lenders from where this delinquency has come.

So we are quite hopeful that we'll have -- we'll able to crack the recovery in these accounts in the time to come. Otherwise, if we see the main book for NBFCs, which we lend to -- we do secured lending, we have like -- we have been very cautiously and regularly, we are monitoring it. I think there are no signs of any concern in that book. And even if a couple of the other MFIs also. Other than these two, there are no signs of -- such any signs of caution.

Divyansh Gupta: And sir, just one question on the MFI, the second question. So is there anything in the DPD book for either the NBFC or the MFI? NPA basically means DPD 90, but I'm asking anything between 1 to 89?

Munish Jain: You mean to say in the corporate loan book?

Divyansh Gupta: Yes.

Munish Jain: So presently, in the corporate loan book, we are not having any SMAs. Except the account which has been turned into NPA. We are not having any SMAs, neither zero, one or two.

Divyansh Gupta: Got it. The second question was that we mentioned that 99.8% of our loans are secured and 79% is the property hold or FD. So two questions regarding this. So first is that what are the other assets? And second is how do we secure loans when we are giving to NBFC, because if they are giving equivalent FD, then they don't actually require loans. So how do we secure loans when we give to corporates -- corporate NBFCs or MFIs?

Munish Jain: When we talk about, Divyansh, about our security, we are talking -- we are giving the two verticals – two statements. One is, 99.8% being secured. That is NBFC book is secured against the receivables. And second number, we give about 79%, which we look at in is collateralized. So if we exclude the corporate book, which is around 14%, remaining book, we have a collateral/bank FDR in with us available.

So that is how we tell. Just NBFC book, we have two type of securities. One is the receivable and second, FLDGs, in certain customer segments. That is what we do for certain value of the loan. It's not 100%. If it is 100%, then no loan is required. It is to some extent, maybe 5% to 10% in whenever case. We feel there is a risk, which is warranting us to take an FLDG from that particular gentleman. So that is how the corporate book is.

And if I talk about the other loan, other loan, which is presently constituting 7% of the book, is typically consisting of the consumption loan to the customer segment who are availing either agriculture, mortgage or the MSME from us and they look for the other product needs, may it be auto financing, gold loan, consumer durables, loan against deposits, loan against FDRs.

That is typically what is the other loan look like. If the other loan of 7%, there will be around 2.5% or 3% of the book, which will be against our own FDRs/the government securities. So that is the 7% of the book, which will be look like for this, so which will also have some component of FDRs but no collateralized, but you will find collateralized in agriculture, mortgage and MSME.

Divyansh Gupta: Got it. Got it. And a couple of questions regarding this PSL, which has reduced, right? So does it open PSLC as a line of business for us? Are we working on it? Or how should we understand this relaxation that RBI has given?

Munish Jain: It's a very welcoming relaxation. I will say that is the arbitrage between SFB and UCB has further been reduced. So this is giving us a two side of benefits. One side of benefit, that is product evaluation that is which we are talking earlier, we can be able to build our LAP book within the mortgage in a more freely environment.

So that we are not restricted by the growth because earlier we need to ensure that my non-PSL does not exceed 25%, now which has increased to 40%, which is giving me a further opportunity to grow and accelerate the speed as we move forward. So that is the biggest benefit I'm seeing from this particular change.

From PSLCs, to some extent, yes, but sir, PSLC, if you look into the market pricing of the PSLC other than agriculture book, you will find that they are very, very muted. So that typically is a very, very lower values. So if we count it on a value basis, you will not be able to make a bigger money out of that.

The bigger money is staying in the small and marginal farmer. So that is where the bigger money is there. But that is the portfolio which we are not intend to build. And so PSLC basis, just I will say, not a bigger benefit, I can sense, but just from the growth opportunities and the potentiality to grow and the risk averse growth, I feel it is giving us a better opportunity as we move forward.

Divyansh Gupta: Got it. And just the last question. So we have -- like we have made an ambition that Haryana is going to be a next Punjab, right? So from a numbers perspective, is there a defined target, where are we in that journey? If you can give a sneak peek into that?

Munish Jain: If I just give you statistically, presently in the lending book, Punjab is constituting 77.4% of our loan book. The same number was 82.7% a year back, that is 31st of March 2024. So we have improved this number from 82.7% from 31st of March 2024, firstly to 78.8% as on 31st of March 2025. And from 31st of March 2025, 78.8% has reduced to 77.4%.

So we are continuously making an improvement in out of Punjab loan book. So that is the target we are always maintaining. And so we continue to believe that we will continue to diversify our book and the new states have started showing the early good signs. So we are confident of taking it further.

Divyansh Gupta: So is it only the loan book, which is the number that when we say Haryana is next Punjab? Or on liability side, is there also a metric and how?

Munish Jain: On the liability side, if I talk, Divyansh, we shared earlier liability side, FY 21 to 25, our deposit has grown by 36% CAGR out of Punjab book.

Divyansh Gupta: But that can be also on a very small base?

Munish Jain: Not that minuscule even. The out of Punjab loan deposit book is not that minuscule yet presently. Out of Punjab the deposit book is around 9.15%, which was, if I talk about 1.5 years back, it was 6.11%. So that 6.11% was the out of Punjab deposit book, which was March 31, 2024, which has improved to 9.15% as on June 30, 2025. So we are able to accelerate this number in a good way.

Divyansh Gupta: Got it. And what would be a target number for these -- over let's say next...

Munish Jain: So we have not set a specific target on this number, but we want to continue to improve this percentile. That is moving -- reducing our dependency on Punjab, but yes, Punjab is our home state and having a huge potential, and we know the state well. So we also want to explore the opportunities which is availing in the state since we being a secured lender.

So we are not having the challenges which any unsecured lender may have in the state. So yes, we will intend it to continue to diversify, but intend to also to ensure our accelerated growth also from Punjab.

Sarvjit Samra: I just want to add one more point here that when we converted in 2016, we were only in five districts of Punjab. So during this after conversion, during as SFB, a lot of expansion has itself happened, natural expansion has happened in Punjab. So that's the reason why Punjab book also looks heavy. So we were 40 -- only 47 branches in 5 districts of Punjab in 2016. And present, we are 164.

Moderator: The next question is from the line of Pritesh from DAM Capital.

Pritesh: So a couple of questions. One is on this NPA, what kind of a security we have on the account and till when that can be recoverable?

Munish Jain: Typically, NBFC/MFI book is typically being secured by the receivables. So the security we have is the receivables. And so I cannot be able to tell the detail account-wise because of secrecy clause. But we do have some other rights also available with us. So we are mindful of it, and we are moving ahead.

But if I talk about in NBFC lending, it doesn't -- typically doesn't have a collateral attached with the lending. So there is no collateral -- the immovable collateral attached with it. Just receivables are available with the promoter margin. So that is the first right available. Yes, we do have personal guarantees also available in these cases.

Pritesh: Got it. Just wanted to clarify on the INR14 crores slippage, we have done 50% provision, right?

Munish Jain: Total PCR is 50%. On this slippage, we made a 35% provision.

Pritesh: 35%, right? So if I want to see, that means the -- if I remove this number from the overall provision, that means the Q1 number ex this NBFC provision is slightly elevated, right? So any reason for that, because the PCR has been improved?

Munish Jain: Typically, if we exclude this number and look into the credit cost perspective, our credit cost, which is 0.37%, out of this 0.19% towards this sector. So overall credit cost will remain in the range, which we are always talking about 0.1% to 0.2%. So that is what we are having. And if I talk about the PCR standpoint, we intend to maintain a 50% plus PCR. If we move it out of both the denominator and numerator, our PCR will be higher than 50% -- slightly maybe 52% or 53%.

So in both the sense is -- since our stated objective is for this particular -- these two specific cases, in the quarter 1 only, we intend to take a 35% provision being MFI-based asset book. So regulatory requirement being 15%, but we opted voluntarily to go ahead with a 35% provision so that we can recover the -- we are confident of recovering the remaining amount.

Pritesh: Got it, sir. And on the deposit side, if I look your retail deposit is now at 89.5%, I think. So that means the bulk deposit -- we have grown the bulk deposit higher. Just wanted a color on what rates we would have got those deposits? And what is the typical tenure on that?

Munish Jain: We typically raised all the deposits after the rate of interest has been cut. Always, we were getting opportunity for this money, but we were resisting ourselves since the price offered at that time was significantly higher. And this money, which we have typically raised, we have not raised significant bulk.

We are just raising minimal bulk, the retail being the bigger driver. Just we typically raise the bulk for the 1-year term but post the rate after the second rate cut. So we have not raised the deposit, till the second rate cut has not come.

Pritesh: So the typical rate which you would raise at about -- will be about 6.5%, is it?

Munish Jain: No, bulk deposit, even presently, term deposit -- retail deposit is at 7.15%. So it's not the market rate which you are talking, but it is a competitive one and which we can absorb and which is not giving us any challenges in managing our cost of deposit.

Pritesh: Got it. Got it, sir. And sir, last data keeping question. Last quarter, our customer base was 7.8 lakhs. This quarter, it shows 7.6 lakhs. So we've lost about 20,000 customers. Is that correct? Because we've not lost customers in a long time and this is quarter-on-quarter showing a decline?

Munish Jain: It is not the case. Actually, it is the cleansing activity has been done during the current quarter that customer which is there in the customer ID is being created but not having any portfolio or is running with no/petty balance for a longer period, for -- a very long period. So we cleansed and cleaned out that particular thing.

Otherwise, our acquisition run rate continued to remain the same, which we were in the Q4 of the last year. So this period, we've done a cleansing activity. To cleansing those particular customer out of our -- we just flushed that out so that the data remain polished.

That's a zero balance or a lower balance accounts, which is posing us additional risk. So cleansing has been done in the current quarter, so which is maybe optically showing it. But otherwise, run rate acquisition is similar.

Moderator: The next question is from the line of Ashish Shah from Business Match.

Ashish Shah: I have three of them. Sir, can you guide on the credit cost for the full year, taking now this provision that you've done in the first quarter?

Munish Jain: We strongly believe in the coming 3 quarters, we will maintain our credit cost in the delta of 0.1% to 0.2.

Ashish Shah: So we don't see any spike over there for the rest of the year?

Munish Jain: So that is what we anticipate.

Ashish Shah: Okay. And sir, secondly, can you give us some understanding on how do you see the margins in light of both the rate cuts and how your yields would behave and the CASA again going down this quarter. So how do you see the margins for the year?

Munish Jain: So if you look into the Q1, we have a 4.1% NIM against 4.1% quarter 4 last year. So despite a very sharp rate cuts, so we are able to maintain our net interest margin. So we intend to maintain it around the same level, plus/minus a few basis points. So we have done a various steps for the same.

One such big step is over the last 1.5 years, we were continuously increasing our fixed rate advance book. Our fixed rate advance book present is 47.4% as on June 30, which was 38.79% as on 31st of March 2024. So we improved it by 8.5 to 9 percentage from over last 15 months.

So with that is the one big driver which we are looking for the fixed rate book is grown. And secondly, our EBR book is around 11.25%. 11.25% is our EBL-linked book. So our impact of the rate cut is typically only 11.25% book, which is coming straight away. And other cut will be coming through the MCLR-linked.

With the MCLR-linked rate cut, so that will be -- which will be coming along with that. So we are confident -- and the third driver, which is available is the CD ratio. We are now at around 81% CD ratio. Over the next coming 3 quarters, we intend to improve the average CD ratio, which will be giving us a benefit of the NIM.

Ashish Shah: Sir, my last question is on Haryana. We have been there in that state for a few years now. So what drives -- what gives us this confidence and conviction to meaningfully ramp this up over the next 2, 3 years? We've been there for so many years, now it's been maybe 7 years, 8 years. So what has changed in the last, let's say, now over the next 12 months?

Munish Jain: when we started the Haryana, and we started in the year 2017, 2018. So then COVID hit, so 2 years have washed out of the growth during the COVID period. So post the COVID period, we have started building up back in the Haryana.

And our buildup post the COVID, that is 2023 onwards, has started giving us a good results and the branch expansion has been ramped up accordingly. Optically, you will see that first branch has been opened at that time, but those branches giving us decent returns. But post -- given the COVID, there has been some sort of muted period for 2 years or so for the Haryana or -- that state.

And now post the COVID out and the new branches have start ramping up. So -- and being -- we now understand that geography, and we have start looking -- we are almost in everywhere now in Haryana. And now we are moving towards the carpeting thing. Combing has been done and the carpeting has started. So with that thing in sight, which is giving us a higher confidence for the Haryana.

Moderator: The next question is from the line of Shahzad Shroff from Demeter Advisors.

Shahzad Shroff: I had just one quick question. Sir, earlier in the call, you mentioned that in the previous year, our philosophy was -- because of lower ROA, we were maintaining higher leverage. And now ROA has improved and it is still on the improving path. So what do you think will be the optimum leverage that we would like to maintain going forward?

Munish Jain: If we talk about that particular question -- in the pretext of that particular question, first of all, we need to calculate the leverage from the 2 perspective. One is the balance sheet leverage and other is the advance leverage. We were typically having a lower CD ratio in those periods. So the balance sheet lever was typically higher.

Now going forward, now we raised the capital and consequently, at that time, delta between ROA and ROAA was much sharper. If I talk about the return my overall assets versus return on my average advances, that is much sharper.

As we are moving towards after the capital raise, we are in the intent to increase the CD ratio so that the gap between ROA and ROAA continue to shrink. Even presently, we are having a 1.5x delta between ROA and ROAA. So as we move forward, with the intent is to continue to improve the ROTA by improving the average CD ratio as well as by activating the 3 levers, that is the

NIM expansion, non-interest income expansion and optimizing the cost-income ratio. So with these 3 drivers, our target is to continue to improve/ ROTA expansion.

With the ROTA -- again reiteration, ROTA is continuously expanding since last 5 year plus. We are every year improving the ROTA. So now with that thing in sight, so with that particular insight with the ROTA expansion, we will -- with the leverage, which is optimal leverage for a secured lender like us, like it is a balance sheet leverage versus the advanced lever.

So that if we talk about the balance sheet lever, say, we are typically looking over 8.5 to 9.5 or 9 to 10 balance sheet lever and the advance lever of 6.5 to 7.5 or say, maybe 7 that is the lever, you will look into the advance side. So you will find much better ROEs coming. Presently, just this quarter, despite a higher credit cost, our ROAA is 1.8% and our ROAA FY '25 was 2.1. So with that type of lever, that is giving us a confidence of coming back to those ROEs as we move forward.

Moderator: The next question is from the line of Shubham Selvadia from Tikri Investments.

Shubham Selvadia: Sir, during this quarter, like Y-o-Y, there is a 38% increase in other income. So are we exploring any other products to boost other income or targeting any other segment?

Munish Jain: As far as, Shubham, of our other income philosophy is concerned, other income, we typically split ourselves into the 3 to 4 pillars -- 3 to 4 contributory. One is the advance-related other income. Second is our operations or the payment channel related other income. Third is our banca other income and fourth being our forex/treasury income.

Within the banca income, we are continuously looking forward for the other product opportunities. We will -- we are and we will continue to explore what are the opportunities available to increase the banca earning, that is the third-party product selling.

In addition to this, we continue to look forward for the other income -- income expansion from all these 4 verticals, these are advance related, which we have increased from INR4 crores in Q1 FY '25 to INR7.2 crores in Q1 FY '26. Operational related, we increased from INR4.8 crores to INR5 crores. Banca, we increased from INR6.6 crores to INR9.5 crores. And the ForEx plus treasury put together, early, it was 1.29, it is 1.7.

So all the four pillors of the other income are contributing and moving in that direction. So we continue to look forward for the other opportunities, which is available to ensure that ur stated objective to improve our non-interest income as we move forward.

Moderator: Ladies and gentlemen, in the interest of time, this would be our last question. I would now like to hand the conference over to the management for closing comments.

Sarvjit Samra: I would like to thank everyone for being part of this call. I hope we have answered all your questions. If you need any more information, please feel free to connect our Investor Relations team or SGA or IR Advisers. Thank you, and have a nice day.

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