“City Union Bank Limited
2QFY27 Earnings Conference Call”
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MODERATOR: **MR. JIGNESH SHIAL – AMBIT CAPITAL**

Moderator: Good evening, and welcome to the City Union Bank Limited 2QFY27 Earnings Conference Call hosted by Ambit Capital Private Limited.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this call is being recorded.

I now hand the conference over to Mr. Jignesh Shial from Ambit Capital. Thank you, and over to you.

Jignesh Shial: Yes. Thank you, Yashashri, and good evening, everyone. On behalf of Ambit Capital, I welcome you all to 2QFY27 Earnings Call of City Union Bank. We have along with us Mr. R. Vijay Anandh, MD and CEO; Mr. V. Ramesh, Executive Director; and Mr. J. Sadagopan, CFO. We are thankful to the management for providing us with the opportunity.

I would now hand over the call to Mr. R. Vijay Anandh, MD and CEO of Union Bank for his opening remarks. Over to you, sir.

R. Vijay Anandh: Thanks, Jignesh. Good evening, everyone. Hearty welcome to all of you for this con call to discuss the unaudited financial results of City Union Bank for 2Q-1HFY27. The Board approved the results today, and I hope you all have received the copies of the results and the presentation.

Our bank has crossed the milestone of INR 150,000 crores in total business during the current quarter. We had crossed the INR 120,000 crores in 2QFY26, coinciding with the celebration of our Bank's 120th year in last year, and we had reached this figure in the span of four quarters.

During last con call, we had shared with you our expectations for the current financial year as below. We are very conscious with improving our credit growth through secured lending while venturing into other avenues to achieve the credit growth of 2%, 3% above the industry.

Our deposit growth is aligning with the credit growth, which is helping us to maintain the desired CD ratios, expecting the NIM to hover around 3.7% to 3.75%. ROA is expected to remain at our current level of 1.55% plus. Our PAT growth will continue with business growth and better asset quality.

For the current quarter, half yearly year ended, our performance is in tune with our expectations. And probably in some parameters, we have exceeded our expectations as well. We had registered 26% advance growth in 2QFY27 year-on-year, and our advance have increased to INR 72,442 crores from INR 57,561 crores in 2QFY26.

The positive momentum in growth achieved during the start of FY24, '25 had geared up and we had achieved double-digit growth in all the four quarters of FY25 and also up to 1HFY26. In this Q2 alone, our advances have grown by over INR 4,800 crores which is over 7% in a single quarter. We have achieved 25% credit growth for the last three quarters consecutively.

Our core strength, MSME, has increased by INR 2,600 crores, that is, from INR 40,262 crores to INR 42,862 crores. And the new segment, secured retail loans, increased by INR 1,134 crores, that is, from INR 6,668 crores to INR 7,802 crores. The gold loan has also increased by INR 1,062 crores during the quarter, from INR 20,715 crores to INR 21,777 crores.

We have been coming across various news reports regarding the gold loans and various practices adopted. Hence, we would like to spend 2, 3 minutes on this to cover elaborately on such practices adopted by our bank, particularly on delinquency and LTV norms. Jewel loans are secured lending products, which is serving both agri and non-agri financing needs.

Agri loan, which is income generation classification requires appropriate evidence of eligible underlying activity, while non-agricultural lending is completely a consumption purpose, which requires suitable purpose of end use. Bank prioritizes to maintain clear agri and non-agri based on

the purpose of the loan, documents evidencing the proof, proper credit assessments and the end-use control. This is aligned with RBI's revised lending against gold and silver collateral directions effective 1st April 2026.

In terms of LTV, under the RBI's harmonized directions applicable to banks from April 1, 2026. The earlier uniform 75% LTV cap has been replaced with a structure based on the loan amount and consumption loans. That is loan amount up to INR 2.5 lakhs, we can go up to 85% LTV, INR 2.5 lakhs to INR 5 lakhs, 80% LTV, above INR 5 lakhs is 75% LTV. Please note, these are only maximum regulatory limits for consumption loans under the harmonized directions and not recommended lending targets.

Generally, consumption loans are considered with the LTV range of 60% to 65% at the time of on-boarding, though the permitted LTV is on the higher side and the daily LTV will be calculated on the last 30 days average gold rate of India Bullion and Jewellers Association.

While calculating the LTV on a day-to-day basis, the entire interest payable over the loan tenure up to the maturity to be considered upfront, along with the outstanding value of the account. So prior to the new regulatory guidelines, which is applicable from 1st April, the consumption loan will be classified as an NPA if the account reaches the threshold limit of 75%.

However, as per the current regulation, when the LTV has breached the regulatory requirement, the bank has introduced the SMA flagging of accounts and the event of the breach of the prescribed LTV, the account will be classified as an NPA on 91st day. Generally, we keep 5% cushion for the margin call. That is 70% for the customers exposure above INR 5 lakhs for the maturity balance -- above 5 lakhs, 75% for the maturity balance from INR 2.5 lakhs to INR 5 lakhs and 80% for INR 2.5 lakhs.

As discussed, whenever the LTV has crossed, the entire list of accounts will be coming under the exceptional item of the client balance of the branches concerned for necessary follow-up. The customer is contacted

for margin calls, notices are sent for interest payment and for loan closures. If the shortfall persists beyond the SMA period, the account will be classified as an NPA, and the bank will initiate the recovery process.

Renewals are permitted only under the disciplined framework. The existing loan must be standard accounts and not in SMA accounts. Renewals are allowed only within the available LTV headroom. The bank is currently not considering any top-up loans. As of 30/9/2026, the outstanding SMA accounts under the gold loan portfolio is around INR 173 crores, representing 0.24% of the gold advances.

The Gross NPA stood at INR 9.5 crores. Since the percentage is immaterial, I have not given it as a percentage. So the Gross NPA is around INR 9.5 crores. Out of INR 9.5 crores, at the moment it became NPA, the auction has gone only for INR 20 lakhs. This means out of INR 9.5 crores, all the amounts have been repaid, and only INR 20 lakhs out of the INR 20,000 crores book have gone for auction. This is primarily possible because we have a robust underwriting process, systems are in place and LTV is well within the control.

Now let's come to deposits. Our deposits grew 21% to INR 83,893 crores in 2QFY27, up from INR 69,486 crores in 2QFY26. Our deposits increased by INR 4,500-plus crores, or 6% sequentially. Our average CD ratio for 2QFY27 stood at 86%. The CASA percentage of the total deposits remained constant at 27% this quarter.

During the Q1 earnings call, we had anticipated that the cost of deposits might inch up due to tight liquidity conditions prevailed during June and July. Hence, we guided for the marginal drop in NIM. However, contrary to our expectations, liquidity conditions eased following government measures through FCNR deposits. We have mobilized an amount of $69 million under RBI swap, out of which $15 million from new-to-bank customers. The entire amount was swapped into Indian rupees with RBI and deployed for domestic loans.

Asset quality. As we had shared earlier, the trend of recoveries over the slippages is continuing for this quarter as well. We have been continuing this trend for quite a good number of quarters, as you would be aware. For Q2 FY27, the total slippages are INR 175 crores, while the total recoveries for Q2 stood at INR 317 crores, consisting of INR 180 crores from live NPA accounts and INR 137 crores from technically written-off accounts, resulting in negative credit cost.

During the quarter, the bank sold accounts to the tune of INR 803 crores, comprising live and technical write-off accounts, against which the provision of INR 792 crores has been made against the INR 803 crores of bank accounts sold to an ARC for a consideration price of INR 131 crores. Our Gross NPA percentage has reduced to 1.44% in 2QFY27 from 1.73% in 1QFY27 which is 29 bps reduction. Both Gross NPA and Net NPA, in both percentage and absolute terms, have been reducing quarter-by-quarter for the last 10 quarters consecutively.

Similarly, our Net NPA have reduced to 0.48%, which is less than 0.5% now from 0.9% of the last quarter. So from 0.9% Q2 FY 26, we have moved to 0.48% in this Q2. The absolute number has reduced to INR 344 crores from INR 513 crores in 2QFY26.

Overall, SMA-2 to total advance stood at 0.67% in 2QFY27, versus 0.94% in 1QFY27. In the corresponding period last year, that is 2QFY26, it stood at 1.34%. For 2QFY27, PCR with technical written-off stood at 82% and the PCR without technical written-off has improved to 67% from 63% last year corresponding period.

P&L and financial ratios. Our interest income grew 27% in 2QFY27 to INR 2,092 crores from INR 1,653 crores in 2QFY26. For the half year ended 30th September 2026, interest income improved to INR 4,077 crores from INR 3,258 crores, a growth of 25%.

Our yield on advances improved to 9.85% in 2QFY27 from 9.79% in 1QFY27. For 1HFY27, it was 9.82% versus 9.73% in the same period last year. Our yield on investments has also increased from 6.42% in 1QFY27 to 6.56% in 2QFY27. During 1QFY27, we invested around INR

850 crores in mutual funds, and we earned an income of INR 12.5 crores, which was shown under other income.

In 2QFY27, we exited the entire mutual fund and moved to interest-income-earning investments for better yield, and the entire interest was accounted for under interest income on investments during August 2026 rather than other income in Q1. Because of this, yield on investment increased from 6.42% in Q1 to 6.56% in Q2.

At the same time, the cost of deposits remained stagnant at 5.56% for 2QFY27 when compared to 1QFY27, and the cost of funds for Q2 has marginally decreased by 4 bps from 4.78% to 4.74% sequentially. Thus, our NIM has increased from 3.78% in 1QFY27 to 3.87% in 2QFY27. For 1HFY27, NIM is 3.83% versus 3.59% in 1HFY26.

Following the recent changes in policy rates, the bank has started passing the rates to the borrowers, and we have around 55% of the loan portfolio linked to the EBLR. However, deposit rates have not witnessed any immediate change as ample liquidity continues to be available in the banking system, supported by inflows under the FCNR deposit scheme. Hence, we project NIM in the range of 3.85% to 3.95% for Q3 and Q4.

The total other income for 2QFY27 increased by 35% from INR 259 crores in 2QFY26 to INR 350 crores for 2QFY27. For the half year ended, it increased by 18% from INR 503 crores in 1HFY26 to INR 594 crores in 1HFY27. The increase in other income is mainly due to the sale of technically written-off accounts to ARC and the total technically written-off collection for the quarter amounting to INR 137 crores. During the quarter, we sold excess agri by way of PSLC and received INR 9.6 crores.

The operating expenses for the quarter increased by 24% from INR 455 crores to INR 562 crores. Establishment expenses increased by 25% from INR 224 crores in Q2 last year to INR 280 crores in Q2 current year. As you are all aware, the bank disbursed the annual wage hike to

all its employees during the second quarter. Other operating expenses also increased by 22% from INR 231 crores to INR 282 crores.

Our operating profit grew 35% in 1HFY27 to INR 1,241 crores, up from INR 922 crores in the corresponding period. We have made a provision of INR 245 crores versus INR 160 crores towards tax. For bad debts, we have provided INR 120 crores for the current H1 versus INR 110 crores for the last first half.

The bank has made a contingent provision of INR 50 crores during this quarter, specifically designed for unseen economic uncertainties in future. Our endeavour is to build the same in the coming quarters as well going forward and to make the balance sheet stronger. Thus, the PAT stood at INR 416 crores for Q2 as against INR 329 crores in 2QFY26, which works out to 27% growth. The PAT for 1HFY27 is INR 798 crores versus INR 635 crores in 1HFY26, showing 26% growth.

Finally, on cost-to-income ratio and ROE. Our cost-to-income ratio for 2QFY27 stood at 45.96% as compared to 49.16% in 2QFY26, which is almost approximately a 4% reduction. For H1 FY27, the same is at 45.71% against 48.66% in 1HFY26. Our ROA for 2QFY27 is at 1.62% when compared to 1.59% in 2QFY26. And for 1HFY27, it is at 1.59% compared with 1.57% last year.

To sum up, we are on track to achieve consistent credit growth of 2%, 3% over and above the industry level, and the engine is set now. As usual, the bank will focus always on MSME, gold loan segment in addition to entering into new avenues to keep the momentum in growth. This means our focus on secured lending continues.

Our deposit growth is aligning with credit growth, and it will continue. NIM will be in the range of 3.85% to 3.95% during Q3 and Q4. ROA is expected to move above 1.6% plus range. Our cost-to-income will largely be in the range of 45% to 47% for FY27.

Thanks a lot, and open to questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. We take our first question from the line of Suresh Ganapathy from Macquarie Capital.

Suresh Ganapathy: Sir, I have a few questions about this gold loan because there is a lot of talk about it. Now you're saying INR 9.5 crores was NPA only INR 20 lakhs went for auction. You mean to say the balance INR 9.3 crores, the borrower came, paid the money and got the jewellery back. Is that the same?

R. Vijay Anandh: Yes, sir, you're absolutely right. Out of INR 9.5 crores, only INR 20 lakhs went for auction. This means INR 9.3 crores customer came and paid the entire money.

Suresh Ganapathy: Okay. Now, do you do short-term loans in gold? Do you do more than 9 months, 12-month kind of loans? Is it bullet, EMI? What is the structure?

R. Vijay Anandh: Broadly, agri is a bullet, sir, because it is based on the harvesting season. As I mentioned in the note, sir, we do the LTV also upfront. And in terms of consumption loans, we give it both bullet and non-bullet. To answer your question, bullet will be more in consumption loans also.

Suresh Ganapathy: Okay. But is there a difference in consumer behaviour between a bullet loan and a non-bullet loan? I mean, does the consumer want a bullet loan because he gets a lot more time to repay, or is the behaviour the same between EMI and bullet loans?

R. Vijay Anandh: We haven't seen any characteristic change between bullet and non-bullet, sir. Predominantly, as you know, it is always end-use related. So we also know why the customer is going for bullet or non-bullet. 99% of the loans as we speak today are bullet. And we haven't seen any characteristic change between these two.

Suresh Ganapathy: Okay. And you don't even assess the income of the borrower. It just comes, gives the gold, and you give a loan directly without even checking the income or CIBIL score?

R. Vijay Anandh: The complete credit assessment is done. We pull the bureau. We also check the customers' past behaviour, if any. Predominantly, we see this because these customers usually have a thin credit line. So, hardly ever, you get one or two trade lines. We check the credit behaviour. We check the credit score. Most importantly, we do the end-use assessment for these loans.

Predominantly, it is rural or semi-urban branches. And branches or the distribution centers, almost we have 250, 260 branches as we speak. So the branch meets the customer and understands why this loan is for, what this loan is for. Then there is a central credit operating at Kumbakonam for us. So when the bureau score is full, the customer bureau score is seen. And beyond certain amount, it has to come to central office. And if there are no deviations on that, then we take a call here.

Suresh Ganapathy: So do you finance NPAs in gold loans or no?

R. Vijay Anandh: No.

Suresh Ganapathy: I mean, that is a strict no. The customer is an NPA in some other, yes?

R. Vijay Anandh: No way, sir. And also, we don't do top-up loans. Even for my own customers, I don't do top-ups.

Suresh Ganapathy: Okay. So you don't see any risk here? I mean, there are a lot of talks about the fact that if there is a sharp correction in gold, there can be some problem. I know there is an LTV cushion, but based on your experience, the customer behaviour in general because system is saying system is financing 25% of gold NPAs. I mean NPA customers who are financing or being financed by these gold loan guys in the system. You don't see a problem of stress there in the system, or think this is how it is, and I know there is a lot of cushion here, even gold prices, correct.

R. Vijay Anandh: Sir, my personal view is if we can correlate the end use of the loan to the customer, I think we are in a much safer spot. Probably if you do

not know where the money is going, then I think this needs to be questionable, sir.

Suresh Ganapathy: How do you check the end use, sir, because the guy can take the loan and do whatever?

R. Vijay Anandh: End-use, normally, we know the type of client who walks into the branch; predominantly, it's for urgent medical expenses, or urgently he needs to pay his son's or daughter's school fees or college fees; they got that admission. So we do the PD with the customers. We spend some time with the customer in the branch. That's why I said the branch is a distribution center for us. We spend some time. And mostly, you will agree that in rural and semi-urban areas, we know the customers also.

Why does he need it? It's an interior for his home. Suddenly, he wanted the money, or he wants to do some patchwork in the home, or it's margin money for his home loan or something. So, medical expenses, yes. The next biggest thing is medical expenses urgently for him who doesn't have insurance. We also check if he is asking for medical; does he have insurance? So we do all these cross-checks, and then we take a call accordingly.

Suresh Ganapathy: And sir, final question on loan growth and deposit growth. Look, you have had very good loan growth this year, or rather over the last four quarters, and deposit growth has also been very strong. Generally, I know there is some liquidity, which has come because of FCNR for everybody in the system, but deposit growth seems to be the biggest constraint for the banking system. Now do you think in next year, say, I'm looking 12 to 18 months forward, FY28, you can sustain this kind of a 20% deposit growth that looks very challenging considering the competition and rates are also going up. So you think you can sustain these kinds of numbers?

R. Vijay Anandh: So 20% in the next two years, I think I would be doubtful, sir. I think it's going to be a challenge for sure. That's my view. But having said that, I think last couple of quarters, we have been consistent, and we

have been getting into granular. Even if you see the presentation, we have never gone behind bulk as well as CD.

So the term deposit less than INR 3 crores is contributing 48%. My INR 3 crores to INR 50 crores is only 17%, and more than INR 50 crores is only 8%. So this means 75% of my book is, I would say, slightly granular. But can we grow at the same pace of 21%, 22% in the next two years down the line? I think we may have to see.

Today, my branches' productivity is slightly going up. My new branches have also started delivering. We were at 800 branches. Now, as of today, we are at 1,000-plus branches. The newly opened branches have started delivering quite consistently. This has been giving a cushion. Maybe we need to see for some more time before I confirm that, yes, we have an appetite.

Suresh Ganapathy: And lastly on the -- and a customer standpoint, there are so many options for him, new private sector banks, PSU banks, I mean, what is the USP that he comes and gives the deposit CASA or otherwise retail TD to City Union? Do you play the rate game -- or what exactly is the USP for -- I know this is nothing new.

You've been in the business for a long period of time, but the environment is also challenging. So how are you able to source your customers, market your products? Have you recruited newer guys from other private sector banks from a sales angle? Any color, qualitative color on that would be helpful.

R. Vijay Anandh: So quite a good decent hiring has happened from other banks. And as we speak today, sir, verticalization has been done for CASA. We have done one verticalization for CASA. We have done TASC, we have done government, and we have started NRI. So broadly, this is what we have started. Even we have for salary accounts, a separate vertical. So we have a salary account, we have a TASC, we have a government, we have a CASA vertical, we have NRI vertical. That seems to be working out well for us.

And most importantly, we have increased our percentage score for BMs for CASA, and we don't go behind the terminal CASA because terminal CASA, they don't get anything. It's average CASA that is going to decide the rating, number two.

Three, in terms of services, I think relationship is what is helping us a lot. So beyond the transaction, we go and meet the customers and other things. That's what is helping us. Hopefully, we can replicate this every quarter and get it moving.

Moderator: Next question is from the line of Rohan M from Equirus Securities.

Rohan M.: Sir, this is on the asset sales that we have done. So we have done that with around 16% cash recoveries. So just wanted to understand the nature of these loans because mostly we have secured and historically, we have seen healthy recoveries from NPAs. So what was the rationale? And what was the vintage of these NPAs?

R. Vijay Anandh: We have sold to the tune of INR 803 crores. Predominantly, we have provisioned INR 792 crores, as we mentioned. So what typically happens is -- so, you know, as a bank, we have completely secured, and we run with the LGD of 20%. So there are some loans which are more than five years old, which have been completely written off. I will give you the exact figure. There are 757 loans of INR 645 crores which are more than 5 years and INR 645 crores is provision held.

So what typically happens, sir, is, say, the outstanding is INR 100, and it has become an NPA; I'm selling the property, and I sold it for INR 95. I carry this INR 5 as an outstanding against the customer. So technically, this INR 5 is unsecured for me after I have closed the loan. So this INR 5 we have sold because we haven't given any closure or NOC for these loans. So against, say, INR 100 crores of cost, when we collected INR 95, this INR 5 is always a challenge.

Hence, these we have sold. So, in more than 5 years, 757 loans for INR 645 crores; in 4 years to 5 years, it is 91 loans of INR 40 crores; in 3 years to 4 years, it is 84 loans of INR 54 crores. So out of INR 802

crores, almost INR 740 crores is more than three years. And hence, we did the internal math on the time value of money, and we thought that it is a fair deal if we can take this off.

Rohan M.: So sir, just to understand it clearly, all the loans that have been sold, there's no underlying collateral that has gone to ARC. These are all the residual amounts. And if that was so, what incentive does ARC have to buy the loans for 16 months?

R. Vijay Anandh: No, no, we have done a mix of both. So, the majority of the loans are zero collateral plus we have got the loan. You have got the split-up of this split -- I can give you the split-up. INR 303 crores is fully collateralised; INR 500 crores is without collateral.

Rohan M.: Got it. Got it. And sir, what is your outstanding TW pool after the sales? And during the quarter, what provision reversal have you taken from these loans?

R. Vijay Anandh: The outstanding technically written on pool is INR 900 crores. Fully provided, sir. All these are fully provided for.

Rohan M.: So no reversal we have taken right now in the P&L.

R. Vijay Anandh: No. No.

Rohan M.: Okay. And in terms of the opex, the increase that has happened this quarter, one, you explained it because of the wage hikes. So anything else which is one-off in either employee expense or other opex? Or should we continue to expect this to continue incrementally?

R. Vijay Anandh: I think it's a July hike normally we give and that's what has during Q2. I think it is a very normal thing what we always do in the month of July. So we don't see much going up from here for this year.

Rohan M.: Sure. So this run rate of INR 280-odd crores would continue incrementally.

R. Vijay Anandh: Yes, INR 275 crores to INR 280 crores. Even if you see the last year, the Q1 to Q2 -- Q1 was last year around INR 200 crores, which has

increased to INR 225 crores during Q2. Likewise, this time, INR 235 crores to INR 280 crores. And you can roughly imagine or roughly assume it's around INR 275 crores going forward.

Rohan M.: Got it. Because the jump is almost 20% -- 19% Q-on-Q.

J. Sadagopan: This is mainly because the leave encashment, we have provided the actual valuation we have provided to the tune of INR 32 crores during Q2, which used to be INR 3 crores to INR 5 crores of repayment each and every quarter.

Rohan M.: Got it. And sir, lastly, on the gold loan NPA recoveries that we have seen, wherein the customers came back and repaid. So just wanted to understand, in terms of, like, after they became NPA, within what time frame they came back and repaid? And if the money came, what was the typical source of that money? Did they borrow from somewhere else and repay? Or was it family and friends? Why were they not able to pay earlier, and then they were able to repay immediately?

R. Vijay Anandh: I can answer the first part of the question, sir. Between NPA and auction, it is 45 days. So they will normally pay within 45 days if they want the gold to be back with them. Normally, gold is emotional product in South majorly. So it's unlikely that they will allow it to go for auction. That is number one.

And most importantly, the rate of the gold also matters because we aren't a great rate per gram provider as well. So when there is still a leverage left, I think they have an opportunity outside as well. But honestly, we do not know the reason why they would have paid it. But we aren't a great rate-per-gram master, since they have a cushion to get more money from outside as well with this. So they -- obviously, they would not like to risk it.

Moderator: We'll take our next question from the line of Punit Bahlani from Dolat Capital.

Punit Bahlani: Just, sir, any specific reason why we didn't grow our non-agri gold loan book this quarter?

R. Vijay Anandh: Again, it is a question of input: what type of customers we are getting and what is the end use. So if the customer is well within our guidelines or within our framework, I think we will not hesitate to grow. So if the bureau is matching, if the PD is good, if the assessment is clean, we will grow for sure.

In terms of agri, the more comfort you get is knowing what type of products he is going for harvesting, and we know the harvesting season. Typically, if you're aware, the belt is completely a rich Kaveri delta belt. So we are aware that this cultivation is going to happen this month and all that.

So also, there is a good document evidencing the proof of the eligible underlying activity in agri, what he is doing. So when you have the documents available, it gives you more comfort to fund. Whereas in consumption loan, you really need to prove, you really need to check what is the kind of loan why does he need.

Punit Bahlani: Right, Sir. Going forward, given these trends, is it safe to assume that growth in gold loans will be driven by the agri gold loan segment?

R. Vijay Anandh: Agri gold loan is given because you have the documents, you have the harvesting season and other things. Non-consumption loan is purely basis the risk assessment. I will not say it will reduce or go up. If the risk assessment matches with our criteria, we will not hesitate to grow.

Punit Bahlani: And sir, what would be the yield differential in these two loans, around 100 bps between non-agri?

R. Vijay Anandh: Broadly 100 bps, yes.

Punit Bahlani: Got it. Sir, on the margin front, if I'm not wrong, did you -- you're guiding for a 10 bps Q-o-Q expansion or a near-term expansion, if I heard it right, I'm not sure because of the rate hike and everything. And just wanted some qualitative color on what is the fixed rate book mix and floating rate book mix? And how do we build that into our numbers, basically?

R. Vijay Anandh: We did say that 3.85% to 3.95% is the NIM, which we said eventually we will be there basis the rate hike. And between fixed and floating, entire gold loans are fixed. So this means INR 20,000 crores is EBLR is 55% as we speak, fixed is around 33% and MCLR is 12%. So we will -- we are saying that we will be between 3.85% and 3.95% in terms of NIM.

Moderator: We'll take our next question from the line of Jayant Kharote from Axis Capital.

Jayant Kharote: Sir, the question is on the gold loan customer base. Can you help us understand the spread of the customer base? How many customers have been cross-sold gold loans from your liability franchise or, let's say, multiple asset products? And probably what I understand is what percentage of the gold loan book, or what number of the gold loan customer relationships, are new to the bank and only restricted to one product.

R. Vijay Anandh: Sir, typically, the gold loan is sold in 250- 260 branches in rural and semi-urban areas. So please understand it is going to be a 500 to 700 square feet office of bank branch where the branch manager, appraiser and officer are sitting and it's going to be what, INR 40 crores, INR 50 crores book size branch.

Hence, it is not a metro-based product where I do cross-sell kind of stuff. So -- and out of that, 50% of the customers are agri customers. And by the way, all the customers will have a bank account with me. So, if you want to cross-sell, 100% of my gold loan customers have an SB account with us.

In terms of other products, I see that, typically, I think it's very difficult because these customers can never be MSME customers for sure, which is the main product for us. Otherwise, SB customers and probably if you see the other bureaus, it could be a 2-wheeler customer for other banks or NBFCs, which we don't do. So the characteristics of the customer are such that you have two or three trade lines for these people. That's it.

Jayant Kharote: Okay. Sir, second question is on the utilization of the SME lines. How has that panned out? And how is that looking into the third quarter and fourth quarter now? Do we see some acceleration over there?

R. Vijay Anandh: Yes. I think utilization is pretty decent in Q2. We would be around 71% to 72%. We were at 69%, if you recall, in the last call, we did. From 69%, we have moved to 71%, 72% as we speak today. I think utilization has been pretty good, sir.

Jayant Kharote: Okay. Sir, last question, gold loan currently is only being offered in Southern India. It's not being offered in the Northern new branches. Is that correct?

R. Vijay Anandh: We are offering everywhere. We are offering everywhere. It's a Pan-India product.

Jayant Kharote: Both agri and non-agri.

R. Vijay Anandh: But major gold loan business is from South for us.

Jayant Kharote: Percentage terms, more than 90% still, because these branches, North branches, are still new.

R. Vijay Anandh: 96% in Southern India, 4% outside Southern India.

Moderator: Next question is from the line of Jai Prakash Mundhra from ICICI Securities.

Jai Prakash Mundhra: Congratulations on a good quarter. First on tax rate. So in the last two quarters, the tax rate, the way we calculate is tax upon PBT that has inched up a little bit versus what we did in FY26 at around 20%, 21%. Is there any change in the income profile or the rural portfolio? And what should be the likely tax rate for this full year?

J. Sadagopan: Sir, generally, the tax rate used to be in the range of 20%, 21% for the past few years. For the last two quarters, it mainly depends on the write-off we have done during the quarter, taking into consideration multiple parameters. So we have done with 23 to 24 percentage in the

first quarter and second quarter. Probably going forward, you can roughly assume the range will be 21% to 23%.

Jai Prakash Mundhra: Okay. So the blended could be around 22%, 23%, right, versus.

J. Sadagopan: Around 22%, 23%.

Jai Prakash Mundhra: Sure. So that is one. Secondly, sir, treasury income, I mean, you have made a treasury income, whereas the yields have actually gone through the roof. Is there any equity-related thing? Or I mean, what explains this treasury gain we are in the black on treasury?

J. Sadagopan: See, the treasury income for the quarter, which comes to INR 36 crores versus INR 52 crores during the first quarter. As explained by MD during the call, around INR 12 crores of mutual fund income was diverted to interest income, mainly because of that, reducing it to INR 36 crores from INR 52 crores.

Jai Prakash Mundhra: Okay. Sir, did you have any MTM loss on the bond portfolio?

J. Sadagopan: It is there, but it's actually accounted under AFS reserve, not in the P&L.

Jai Prakash Mundhra: Okay. Okay. So -- and how much was the AFS reserve delta, sir? How much was in Q1 and at the end of Q2?

J. Sadagopan: The exact figures are not with me. Anyway, I will call you and give sir.

Jai Prakash Mundhra: Sure, sir. Okay. And secondly, sir, on SMA-2 number, you have seen strong improvement. How about your SMA-1 in rupees crores and SMA-0, if you have that number?

R. Vijay Anandh: Yes, SMA 0, 1, 2, all have come below the threshold. So SMA-0 to gross advance is 1.23%, SMA-1 to gross advance is 0.64% SMA-2 to gross advance is 0.67%. Total SMA to gross advance is 2.53%.

Jai Prakash Mundhra: Okay. All right. And now basis, sir, SMA, I think this is multiyear low. How should we look at the ECL transition impact if you have sort of finalized that?

R. Vijay Anandh: Our ECL impact -- we should have INR 300 crores of ECL impact, totally. That's what our calculation says.

Jai Prakash Mundhra: That is on April 1st, right?

J. Sadagopan: So 30th September '26, incremental ECL provision requirement is INR 299.42 crores. The variation is minus 5.36. When we started with 31st March 2025, our incremental ECL provision requirement was INR 445 crores. That has come down to INR 299 crores.

Jai Prakash Mundhra: And that has come down because the improvement in portfolio continues, right, quality?

R. Vijay Anandh: Right, right.

Jai Prakash Mundhra: Sure, sir. And last question, sir, if you can highlight your average ticket size in retail and agri June loan.

R. Vijay Anandh: Retail without Mumbai, Delhi, we will be around INR 70 lakhs, INR 80 lakhs would be without Mumbai Delhi. With Mumbai, Delhi, we will be around INR 1.27 crores.

Jai Prakash Mundhra: No, no, sir, gold loan, gold loan ticket size.

R. Vijay Anandh: Gold loan, you're saying.

Jai Prakash Mundhra: Yes.

R. Vijay Anandh: One second. Give me a minute. Agri is INR 1.90 lakhs, non-agri is INR 3 lakhs.

Jai Prakash Mundhra: Okay. And this is per customer, right, not per account?

R. Vijay Anandh: Account. Pay total number of accounts. Yes, per account.

Jai Prakash Mundhra: Number of accounts. And sir, a customer can have multiple gold loans, right, given how much security, how much ornament he has given at a different point of time or there is a restriction there?

R. Vijay Anandh: He can have maximum 20 accounts. He can have maximum 20 accounts. And again, the multiple loans is basically the eligibility and bureau as we spoke.

Jai Prakash Mundhra: Right. So this is per account basis or this is per customer basis, this INR 3 lakh.

R. Vijay Anandh: Again, the average ticket size, what I gave it to you is basis the number of accounts. And with respect to customer, he can have 20 accounts and his loan is basis the eligibility, income, bureau.

Jai Prakash Mundhra: Right, right, right. So maybe, sir, you don't do small INR 20,000 crores, INR 40,000 crores -- INR 20,000, INR 40,000, INR 30,000 ticket size gold loan, right? Maybe there is a different delinquency in those.

R. Vijay Anandh: No, no, no, not like that, sir. It depends on the market. If it is unbanked rural, probably I'm the only bank there. There are some 50- 60 cities where I'm in unbanked rural. So these cities get INR 30,000, INR 40,000 loan, which we will be happy to take.

And these are the right kind of borrowers who come with end uses. So it again depends on the market. In semi-urban, it will go slightly higher. it goes as high as INR 2 lakhs. And again, agri is a function of how much acre you hold and what is the harvesting. If your number of acres is high, you will need more money. If you have 1 or 1.5 acres, then your requirement will be small.

Jai Prakash Mundhra: And last question, sir, now MSME growth has also picked up, and gold loan is now 30%. You believe this gold loan will remain at 30%, or it can still -- the share of gold loan can still rise to, I don't know, 35% or go...

R. Vijay Anandh: Maximum 1% or 2% we are looking at. So I think we don't want to go beyond 31%, 32% for sure.

Moderator: Next question is from the line of M.B. Mahesh from Kotak Securities.

M.B. Mahesh: Just a couple of questions. One is, there is an improvement in the lending yields on the -- in the gold loan portfolio. Is this a reflection of a rate hike you have taken? Or is there anything else to it?

R. Vijay Anandh: No, we increased -- it's a fixed-rate gold loan book, and we did increase the rate in the market where we had an opportunity. So I think that's a result of that.

M.B. Mahesh: And how much headroom is there? What is the blended yield at which you are raising the gold loan book today?

R. Vijay Anandh: 10.8% is a blended rate, sir.

M.B. Mahesh: So if I would say that this is 10.7% today that you reported in the presentation, you're saying there's still some headroom on the gold loan portfolio to protect the portfolio margins for next quarter. Is that the way to look at it?

R. Vijay Anandh: Yes. But this quarter, I don't think we'll be raising; maybe even we -- I think we don't -- we will not raise this quarter. I think we have...

M.B. Mahesh: Adjusting for the previous loans, which is repaid and the current loans coming in at 10.8%, you're saying that there is still some headroom available for the portfolio yield to still catch up higher.

R. Vijay Anandh: Maybe 5, 6 bps, yes, 5, 10 bps, we have a room for the customers who are closing the loan and getting a new loan. Whoever has got at the rate, who is coming now and repaying and taking the loan, I think we have got 5, 10 bps more.

M.B. Mahesh: And the fact that you're saying that despite the fixed rate book of 30% not having an impact on the margins for the next couple of quarters, that confidence is coming from -- essentially from which part of the book? Is it on the asset side pricing that comes through in the next couple of quarters? Or is it on the liability side? Just trying to understand that.

R. Vijay Anandh: It's a combination of both. My liability should also help me as well what we are lending on retail secured plus MSME, both should help.

M.B. Mahesh: Okay. Just one clarification. In your assessment, next quarter, the deposit cost that you're carrying today remains flattish or it has a room for an increase out here? What is your assessment of the book on the deposit side?

R. Vijay Anandh: We foresee 10 bps increase there, sir.

Moderator: Next question is from the line of Rohan M. from Equirus Securities.

Rohan M.: Just want to clarify the INR 300 crores of ECL that you have indicated, that is after adjusting for the provision that we have created. So this is unprovided part or how should one read into that number?

R. Vijay Anandh: Which one you are referring?

Rohan M.: ECL impact, INR 300 crores that you responded to in one of the earlier participants.

R. Vijay Anandh: Right. Yes, we have done with INR 30 crores earlier. We are going to adjust it against the capital to capital. So we have done INR 20 crores. We will be doing this remaining in the capital. We should consume...

Rohan M.: So net incremental impact would be about INR 270 crores?

R. Vijay Anandh: Yes. Right.

Rohan M.: Okay. Fine. So, unprovided part is INR 270 crores. crores.

R. Vijay Anandh: Yes, 0.4, 0.45, we should consume in the capital.

Moderator: Next question is from the line of Parth Gupta from 360 ONE Capital.

Parth Gupta: So what was the impact of the ARC transaction in the other income? What was the quantum?

J. Sadagopan: See the total ARC collection is around INR 131 crores, of which other income INR 105 crores and INR 26 crores for the live recoveries.

Moderator: As there are no further questions, I now hand over the call to management for closing comments. Over to you, sir.

R. Vijay Anandh: Thanks a lot. Thanks, everyone, for joining. I think broadly, this has been a decent quarter, and we are on track to achieve the credit growth 2%, 3% above the industry level. And we have the necessary infra in place in terms of people, process and technology. I'm sure the MSME retail and gold loan addition will add new avenues to sustain growth momentum.

Our deposit growth is always aligned with the credit growth, and this will continue. And as explained in the call, we will try to be around 3.85% to 3.95% in the NIM. And ROA, we wanted to be around 1.6%, 1.65% range. And largely, our cost-to-income will be around 45% to 47%.

Thanks a lot. There is no impact of P&L on ECL. That's what I think my CFO wants to add. There's no impact of P&L in ECL. Thanks a lot. Wishing you and your family a very happy Diwali.

Moderator: Thank you, members of the management team. On behalf of Ambit Capital Private Limited, that concludes this conference. Thank you all for joining us today. You may now disconnect your lines.