"South Indian Bank Limited

Q3 FY'25 Post Earnings Conference Call"

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MANAGEMENT:	**MR. P. R. SESHADRI – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – SOUTH INDIAN BANK LIMITED** **MR. DOLPHY JOSE – EXECUTIVE DIRECTOR -- SOUTH INDIAN BANK LIMITED** **MR. ANTO GEORGE T – CHIEF OPERATING OFFICER – SOUTH INDIAN BANK LIMITED** **MR. VINOD FRANCIS – GENERAL MANAGER AND CHIEF FINANCIAL OFFICER – SOUTH INDIAN BANK LIMITED** **MR. JIMMY MATHEW – GENERAL MANAGER AND COMPANY SECRETARY – SOUTH INDIAN BANK LIMITED**
MODERATOR:	**MR. HARDIK SHAH – ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to the South Indian Bank Q3 FY '25 Earnings Conference Call hosted by ICICI Securities. As a reminder, all participant lines will remain 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 the operator by pressing star then zero on your touchtone telephone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Hardik Shah from ICICI Securities. Thank you, and over to you.

Hardik Shah: Thanks, Ryan. Hello, everyone. Good afternoon. On behalf of ICICI Securities, we welcome you all to Q3 FY '25 Post Earnings Conference Call of South Indian Bank. From the management side, we have with us MD and CEO, Mr. P. R. Seshadri, Executive Director, Mr. Dolphy Jose; Mr. Anto George T, Chief Operating Officer; Mr. Vinod Francis, GM and CFO; Mr. Jimmy Mathew, GM and Company Secretary and other senior officials from the bank.

I now hand the conference over to the management for the opening remarks, post which we will have a Q&A session. Over to you, sir.

P. R. Seshadri: Good afternoon, everybody and thank you very much for joining us in the South Indian Bank Limited Q3 FY '25 Earnings Conference Call. We greatly appreciate the fact that you're all here. And it's a great pleasure to be with all of you. I'm joined on this call by a lot of my senior colleagues as the gentleman who introduced us said.

Let me start with the key highlights of the financial performance for the December quarter FY '25. We are reasonably pleased with the outcomes that we've had for the quarter. The bank declared its highest profit in a particular quarter to date at INR342 crores for the quarter, registering a growth of 12% compared to INR305 crores in Q3 FY '24. Total deposits grew by 6% to INR1,05, 387 crores from INR99,155 crores.

It would be appropriate to note here that this growth in deposits excludes a degrowth in bulk deposits of approximately INR1,000 crores during this quarter. So on a sequential basis, our bulk deposits are down as they are on a year-on-year basis. Gross advances grew by 12% to INR86,966 crores from INR77,686 crores. Total business of the bank grew by 9% to INR1,92,363 crores.

Net interest margin for the quarter was at 3.19%. This is static as compared to the net interest margin for the prior year same quarter. However, on a sequential basis, our net interest margins have dipped which is a consequence of increases in cost of funds has also a small reduction in the net yield that we are receiving on the advances that we have put out. The return on assets stood at 1.12%.

So we're very pleased with the fact that we've now crossed the 1.1% hurdle and return on equity stood at 13.93% for the quarter. Net interest income for the quarter was INR869 crores as against INR819 crores for Q3 FY '24. We as a bank, we are highly capitalized. Our capital adequacy ratio is at 18% and Tier 1 ratio is at 16.68% as on the 31st of December 2024.

CASA increased by 4% year-on-year to INR32,830 crores. Provision coverage ratio excluding write-offs improved by 465 basis points to reach 71.73% and provision coverage ratio including write-off improved to 81.07% during the quarter.

Overall gross NPA reduced by 44 basis points over the year to reach 4.3%. And net NPA reduced by 36 basis points to reach 1.25%. As you can see, there are year-on-year improvements as well as sequential quarter-on-quarter improvement on these numbers. Let me now take you through a few other operational parameters. We continue to grow our gold loan book and it now stands at approximately INR16,966 crores with an average LTV of 70.6% and this includes transactions where we purchased portfolios with an average ticket size of approximately 1.8 lakhs, gold loan book grew by 10% year-on-year.

Home loans and auto loans are areas where we've been focusing on and we've had a reasonable amount of success. On a Y-o-Y basis, we were able to grow our housing loan disbursals by 112% and auto loans by 67%. Our personal loan book closed at INR2,249 crores. This is a marginal growth over prior year same time and the credit card book ended the quarter at INR1,486 crores.

Both of these have not really grown very substantially on a year-on-year basis. We will continue to maintain this momentum in disbursals as well as ensuring that the collections that we have to carry out in our portfolio continues to meet the standards that we've set for it. With this, we'd like to open the floor for questions. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. The first question comes from the line of Nemin Doshi from Geojit PMS. Please go ahead.

Nemin Doshi: Congratulations on great results. I have a few questions. Firstly, within the credit -- within the retail credit segment how is the housing and the mortgage business have been growing at a faster pace? So do we pursue any decline in yields as we see rate cut during this calendar year? And would there be pressure on NIMs coming from the retail segment?

P. R. Seshadri: I think that's a very good question. These loans are by and large linked to repo. So the external benchmark that we use is repo. And consequently if repo rates were to go down, the yield to us will also go down. Our total book which is linked to repo we are trying to contain it at a level where the effect on us can be managed. But having said that, there is still a substantial book that is repo-linked.

On the corporate side, we write loans linked to T-bill, which unfortunately for us has moved in a direction which is against us. But having said that in the long run, we are hoping that that will help us manage volatility on the repo side, but to answer your question, yes, there will be an impact on NIM if repo rates were to drop tomorrow.

Nemin Doshi: Fair enough. Secondly, sir, during this quarter which segments constitute the incremental slippages within the new book, especially in the personal segment? Is it that the vehicle loan segment which has been showing quarter-on-quarter good amount of disbursement? Are we seeing any pain with respect to that segment or is it more related to personal loans and credit card business which is showing some...

P. R. Seshadri: It's largely personal loan. Sorry, go ahead sorry, please.

Nemin Doshi: I'm done. That's it.

P. R. Seshadri: It's largely credit cards and personal loans. Auto portfolio is behaving well. So we are not seeing any signs of distress there.

Nemin Doshi: Okay. That's it from my side. Thank you.

Moderator: Thank you. The next question comes from the line of Prashant Kumar from Sunidhi Securities and Finance. Please go ahead.

Prashant Kumar: Thanks for the opportunity and congratulations for the good set of numbers. So my query is regarding operating expenses and it has been observed that personnel expenses are consistently declining and due to I think a reduction in the employee reduction and approximately around 500 employees have exited over the last four to five quarters.

So this trend appears unusual and particularly as attrition level are reportedly increasing. So sir, could you clarify whether the reduction primarily involves in mid-level or lower level? Additionally, if you could provide any insights into the department experiencing the highest churn?

P. R. Seshadri: Okay. So we had a strategy of trying to ensure that we managed our costs very tightly. This is the second quarter running where we have positive operating leverage which is basically revenue has grown faster than expenses which has opened up the jaws and our pre-provisioning operational profit has increased. So strategically, we took a decision to ensure that costs were managed very tightly.

And one of the ways of doing that in our case was to allow for attrition without replacement and try and get productivity enhancements so that other people within the company could cover for the folks who are leaving either by way of technology or by way of realignment of work or by elimination of work.

So I'm happy to note that it has worked so far. We have had no growth in expenses on a year-on-year basis. And I think we are very clearly an outlier when it comes to that in the banking industry as of now. Most of the departures that we've had and I don't have the full list here with me, but these tend to be at the lower levels of the organization.

And they also tend to be more customer-facing levels where we've lost a few people which is why if you see our tooth-to-tail ratio has actually worsened this quarter, we used to be at 79% customer-facing to 21% noncustomer-facing. We moved to 78% customer-facing and 22% non-customer-facing.

So there is a -- we've lost a few more people on the customer facing end. Your question was a little indistinct to me. I'm trying to answer it to the best of my abilities. If I have not answered your question, please do ask me again and I'll try and provide a better answer.

Prashant Kumar: No, it is fairly -- I mean I got it, sir. So second is on margin front. Obviously, you have discussed about the margin. But NIM has decreasing and is trending contrary to your provided guidance. Your guidance was in last quarter around 3.25 to go up in the trend around 3.5. So yield has also dropped significantly on both as a Y-o-Y basis and Q-o-Q. So despite the strong retail loan book growth. So is this decline actually alluded to the growth in retail loan book, which we used to driven predominantly by lower yield mortgage loan this quarter?

P. R. Seshadri: So the yield decline. And you're right. I mean we directionally we want to move to higher yields because we are at the yields that we are operating, there is substantial room to improve. So our strategy is to move out of lower yield businesses and into higher yield businesses. So we want to grow the retail business and the MSME business and over time cycle out of corporate and into MSME and retail, that's what we want to do.

While our retail and MSME businesses -- the disbursals have increased quite considerably, the impact on the balance sheet is not that large as yet. And the total size of our low-yield book hasn't really declined very dramatically. So that's one reason why you're seeing that NIMs have not gone up. The other reason why the NIMs have actually gone down is that we've had a 7 basis points increase in our cost of funding.

And this is in spite of the fact that we have arguably the best cost of funding amongst the peer group. But in spite of that, in spite of us trying very hard to manage this at a level that we -- that is appropriate for us, we nevertheless had to concede higher rates in the marketplace. And that's given the fact that the portfolio structure hasn't moved the way we would like it to move, has led to this which is a NIM compression of 5 basis points on a sequential basis.

So our strategy going forward is to try and more aggressively grow our higher-yielding books.

Moderator: Ladies and gentlemen, we have lost the line of the management. Please stay connected while we rejoin. Ladies and gentlemen, we have the management line connected. Prashant Kumar:, could you please restate your question?

Prashant Kumar: Yes. So actually my question was on the NIM. Is it because of the higher growth in lower yield mortgage segment because this quarter was highly impacted on margin-wise, actually?

P. R. Seshadri: So I think it's a very good question, Prashant, you're asking. Our margin NIM compressed 5 basis points for the quarter. And one of the big reasons for that is the increase in cost of funding, funding cost increased by 7 basis points, but in spite of the increase, we have much lower cost of funding than most of our peers.

So something that we want to preserve as a strategic advantage. And that we were unable to pass on in equal measure to our borrowers essentially because the size of our low-yield book did not materially change during the quarter. So even though our housing loan and auto loan disbursals increased quite nicely, the impact on the overall aggregated balance sheet was not enough for it to counteract this.

So now strategically, we have -- we are now beginning introspection to see whether we should be looking at our low-yield book and instead of prioritizing growth, we prioritize the transition from low yield to high yield and this is something that we are working on. We remain committed to growing our yield. It is work in progress as I had mentioned in the last calls also. It will play through as the balance sheet structure changes.

Now to your question whether the home loan is low yield, in the context of our balance sheet it is higher yield than the short-term and corporate assets that we have. And therefore, even housing loan gives us a yield bump upwards. And the reason why you're seeing it is for the reasons that I just mentioned.

Prashant Kumar: Okay. And lastly, sir, just we have taken various initiative on technology from especially in SME segment. So when do you think that it will start to work in actual numbers. This is my last question?

P. R. Seshadri: It's a very good question. We've done a lot of work on the technology front to make our processes much more simple, much easier for our employees to use. Last quarter we had a reasonable quarter on the MSME front. For the first time, we grew quite nicely across both our small ticket MSME and the medium ticket MSME which is a break from a few years of the portfolio actually declining in size.

So we are hoping that, that is an indication of where things are going and we are doubling down on this. An area where we need a little bit more success, we have what I think is an industry-leading product where we can do smaller ticket working capital facilities and approve them within the day. Not all our branches have proven to be competent to sell it yet and 750 of our branch managers have underground a 5-day residential training program to teach them about MSME and how these should be sold.

And we are hoping that, that will change the dynamic. And those products sell at 10% interest rate and over. And that's an area where, while we have now a INR300 crores, INR400 crores book, that needs to multiply 4x, 5x for the impact of that book to flow through as NIM increased in our balance sheet. And that is something that we are working on. When exactly we'll get success is something that I cannot really comment upon, but we are working on it very hard.

Prashant Kumar: Thank you so much sir.

Moderator: Thank you. The next question comes from the line of Kunal Sukhwani from Indvest Group. Please go ahead.

Kunal Sukhwani: Hi, sir. Thank you for the opportunity. I have two questions. First is on our deposit growth, which has been low at 6% and is taken by you that it also includes that bulk deposits going down by INR1,000 crores odd during this quarter?

P. R. Seshadri: Kunal, we're not able to hear you. Sorry, we can't hear you. Can you speak into the mic, please?

Kunal Sukhwani: Yes. Is it better?

P. R. Seshadri: Little bit better.

Kunal Sukhwani: Yes. Sir, first question is on our deposit growth which has been lower at 6%. So as we have already stated that it was also on account of bulk deposits going down, but we could do it because our CD ratio was also low. So my question is what would be our strategy going forward? Will the growth pick up or do we have some more room on CD ratio on deposit?

P. R. Seshadri: So, I mean, to rephrase your question, you're saying my outlook on deposit growth and where you think this is heading. So if you see our deposit growth, we've been consistently maintaining that we want to keep the cost of funding advantage that we have. And we are constraining asset growth because our natural rate of growth of deposits given the pricing that we offer seem to be between 8% and 10%.

This is what I have been consistently maintaining on every call that I've been on. And that's why we said that we grow our assets between 10% and 12% in that neighborhood. And that really hasn't changed for us very much. So if you see year-on-year, our CASA growth on an average quarterly balance basis roughly about 5% where CA has done better than SA.

Time deposits have net off the bulk deposits have also grown at approximately 8% year-on-year. And we deliberately kept our deposit rates at a level where our growth rate would be in this 8% to 10% level. And we consciously allowed some of our wealth deposits to get paid off because they tend to be higher cost. And that's how we manage this because we had the leeway of having lower CD ratios.

So we've now hit CD ratios of 82.5%. And some of the advantages that we had from a lower CD ratio is no longer available to us which means that we do need to grow deposits. And luckily for us, we think that we are entering a period where both our non-resident Indian deposit flow as well as CASA flows should improve very dramatically given the nature of our customer base.

So we at this juncture are reasonably confident that we can manage deposit flows to the extent of asset growth and to ensure that our CD ratios remain in the neighborhood of where we are at this point in time. So for us the good news is also that the non-resident Indian portfolio is behaving much better than it was in the past. It's grown almost INR2,000 crores year-on-year for us.

And as a share of the total deposit base, it's gone up to 30%. It was at 29%, it has moved up 1%. So we are hoping that the actions that we take in that front continue to grow that. We think that there is a percent perhaps 2% growth there. And with greater focus on the domestic side, we should continue to have lower cost of funds. And at the same time we should be able to meet the requirements from the asset front using the deposit franchise that we currently have.

Kunal Sukhwani: Sure. Thank sir. Sir, second question is on our credit cost which has been quite low as in comparatively to other banks. So any guidance on credit costs will we maintain this here or it will go up a bit from here?

P. R. Seshadri: Our slippage ratio was 33 basis points not annualized, quarterly basis that's about 1.42% annualized. And the credit costs are a direct function of that. So it's at about 8 basis points. So if slippages were to increase which we don't see increasing in the near term, I don't have visibility for very long on this front because that is a factor of where, what's happening in the environment.

So from our vantage, our high-risk books which is basically unsecured credit cards and, let's say, microfinance these are very limited in our balance sheet. So we think in the near term, there is no risk of this number moving very dramatically.

Kunal Sukhwani: Sure. That’s it from my side. Thank you.

Moderator: Thank you. The next question comes from the line of Arvind Datta from Marigold Wealth. Please go ahead.

Arvind Datta: Thanks for taking my question. My question is first question is, we've seen employee costs been declining and down by around 9.7% Y-o-Y in this quarter. Is it possible that we will see further reductions in the upcoming quarters and could this reduction in employee negatively impact business and revenue growth in the near future? That's my first question.

And second question is on the bank's cost-to-income ratio which is down by around 220 basis points to 59.8% over the past 1 year. Could you elaborate on the strategic initiatives you've been implementing to further improve the cost-to-income ratio and what is the target CI ratio? And by when do you expect to achieve it? These are the two questions from my side?

P. R. Seshadri: Thank you very much. Both are very good questions. Let me answer the first one -- second one first. We had set ourselves a goal of reducing our cost-to- income ratio by 1,000 basis points over a 3-year period. And we're also on a previous call, mentioned that most of our costs are fixed. So if you want to break up our costs between controllable and non-controllable, the portion that is controllable is actually quite small.

And non-controllable constitutes approximately two-thirds of our total cost. And this is in the nature of employee costs, the nature of DICGC premiums, those kind of things where we have very limited leverage. There's nothing we can actually do. And given the fact that the controllable cost is so small, our focus has been to ensure that the aggregated costs remain where they are and at the same time, grow revenues.

So if we can keep a tight lid on costs and grow revenues, over time the cost-to-income ratio will improve. So I'm very happy to place before you the fact that over a 1-year period, our costs have remained essentially static. Now, how much further can we go along this path, how long can we keep the costs here is a good question. And in part, it depends on the answer to the first question that you asked.

You said, "Hey, you lost a bunch of people. How much more can you do? And is it impacting your business?" So our belief is that the reduction in headcount that we've seen in hitherto has not impacted our business very much. And we do believe that there is a little bit more headroom where we can lose a few more people and where we have fixes in a sense that there may be certain things that we can stop doing.

There may be certain things that we can do differently, certain things that we can automate, where the absence of human beings does not really impact us, but there is a limit to that. And I suspect that we are closing in on that limit. We are perhaps not at that limit yet. So there's not much leeway. I think till March, we think that we can have expenses at around this level.

As we go into the new year, we will have to more actively manage our revenue lines to ensure that the cost-to-income ratios continue to decline. I don't think we have much leverage more leverage on the expense front. So that's our position. I trust I've answered your question.

Arvind Datta: Yes sir. Thank you and best wishes for the future.

Moderator: Thank you. The next question comes from the line of Bunty Chawla from IDBI Capital. Please go ahead.

Bunty Chawla: Thank you for giving me the opportunity. As we are seeing now the old book is just INR19,000 crores, but still fresh slippages seems to be around INR165 crores during this quarter as well. So when can we expect this in a very low number as such? And along with this as we have shared the major gross NPA numbers from the old book only, are we expecting any kind of recoveries from this in a medium to short term. This was my first question.

Secondly, on ECL provisioning have any kind of a rough calculation number we have done, if the ECL provision comes into the picture, what will be the impact or what will be the extra provisioning which we will be requiring? Yes, that's it from my side?

P. R. Seshadri: So basically on the old book actually the old book NPA accretion this quarter is significantly lower than the prior quarter. So we are seeing trending downwards of the old book NPA accretion, it is still a material number given the small size of the old book. The prior quarter, our NPA accretion was INR218 crores, this quarter it's INR165 crores. And our hope is that this trend line continues.

So there is an improvement in performance vis-a-vis the prior quarter. With respect to recoveries actually our story on recoveries has been a good story over the years. Total recovery for the year so far is about INR1,025 crores. Last quarter the recoveries were about I think INR300 crores or so, which is equal to or if not a little greater than the NPA that accrued, including interest recoveries our recoveries last quarter of INR364 crores.

So on the recovery front, we believe that we have a world-class operation as good as any on the street. We think that this will continue to give us elevated recoveries as we go into the new year as well. And combined with the fact that the old book NPA accretion seems to be dropping off I think this will be the good sign as far as we are concerned for the future. With respect to ECL, are you still there?

Bunty Chawla: Yes, sir. .

P. R. Seshadri: Okay. With respect to the ECL -- yes, go ahead.

Bunty Chawla: Sir, on recovery part which you have shared, if you can bifurcate between the write-off and recovery and upgrades and also between new book and old book, that will be much useful, sir?

P. R. Seshadri: We will give you the new book versus old book recovery in the next quarter. Meanwhile, if those pieces of information are required, I guess, you can touch base with our folks on a one-on-one basis. We'll try and provide this information in the investor deck going forward. And with respect to the ECL question, I will turn it over to our CFO, Vinod Francis: for a quick answer on that one.

Vinod Francis: So with regard to the ECL provision, we don't expect much impact on the ECL computation compared to the IRAC provision. Maybe because if you see our new book that is behaving quite well and also with the good traction in the recovery also of PD and LGD has a positive impact on that. So we don't expect any much impact with regard to that ECL provision.

Bunty Chawla: And lastly, if you can share a breakup of other income into TWO from FLDG, et cetera?

P. R. Seshadri: Why don't we take that off-line? And in the next oncoming presentation, we will ensure that we give you a greater description of where this income is coming from. We will provide this information as we go forward, if that is okay with you in our investor deck.

Bunty Chawla: No problem, sir.

Moderator: Thank you. The next question comes from the line of Chinmay Nema from Prescient Capital. Please go ahead.

Chinmay Nema: Hi, sir. Thank you for taking my question. My question is on the corporate, on the specifics on the new corporate book. For the last three, four quarters you've reported nil slippages on this book. I think this is the first quarter where you reported any slippages on this INR29 crores. Just wanted some color on is this a particular account or some particular sectors, anything on this?

P. R. Seshadri: These are, we've had a few instances where corporate accounts has slipped into NPA. There is no commonality between all of these. And there are no trends that we can see. It's just that in the aggregated book that we currently have, a few items became the cash flows on those loans of those customers deteriorated over time and they were consequently unable to make the repayments that were due.

One customer was in the automobile trade and another was in a commodities business. There is no commonality. There is nothing that we can make out that says that there are stresses in the corporate side. So there is nothing to note. This is a one-off. We do not think that this will be repeated going forward. We have, of course, taken a look at our entire corporate book to see whether there are other areas of incipient stress.

And wherever we think there are those kind of issues, we have tried to take preventative action at the earliest. So from our perspective, this is not something that is particularly eventful. It is something that we have taken note of. We think that this is a one-off and we hope that once this falls away, our total NPA accretion on a quarterly basis drops off quite sharply.

Chinmay Nema: Understood sir. Thank you.

Moderator: Thank you. The next question comes from the line of Jai Mundhra from ICICI Securities. Please go ahead.

Jai Mundhra: Good evening sir. Couple of questions, sir. First, on gold loan. So overall gold loans have increased that is what we are showing at 10% roughly, but it looks like there is a dip in the retail gold. Along with that, if you can also highlight, was there any impact of the recent RBI circular which had come to the industry level asking for tightened practices in the gold loan book?

P. R. Seshadri: So with respect to gold loan, Jai, we've grown as you can see 10% and the gold, the growth rate has actually dropped off a little for us as you would notice. We think that there will be some impact with respect to the RBI policy changes. And that depends on what the changes are.

So at this juncture, it's not entirely clear as to what the RBI wants us to do. I mean there are various discussions that are underway with the Reserve Bank of India. We are awaiting further responses from them as to what they would like us to do. And if the pronouncements are such that they are not in line with our current business practices that may impact us negatively. So we think that we will get to know that over the next quarter or so.

And we expect our portfolio for the next quarter or so to be in line with where it is at this point in time or show a slight marginal increase. And basis the pronouncements of the government -- pronouncements of the Reserve Bank a future course of action can be planned. But I think over the long run, this will continue to grow.

These are -- this is just a temporary blip I would say. And we have a strong franchise of this -- for this product and we have branches which can tap the large markets quite effectively. So we expect this to continue to grow. But I think the growth rate initially in the near term would be slower than what we've seen in the past.

Jai Mundhra: And sir, is it because you have some amount coming from third-party origination or that portion will be slightly more impacted or it will also impact your in-house origination of gold loan also or maybe agri?

P. R. Seshadri: Third-party origination we have actually increased our third-party relationships. So we -- initially we used to have a third-party origination mechanism which we were working with IIFL. Now, we also have Fedfina which is the Fed bank outfit also. In the near term, actually, we will get some growth on the third-party side.

And we may get lesser growth on the internal in-house side. And then over time, the in-house has to move back into the growth mode that it has displayed for all these years.

Jai Mundhra: Okay. So you may have to tweak some product, some processes and maybe the products itself, that is under the new circular?

P. R. Seshadri: Yes. Basis what the RBI's pronouncement is, we'll have to adjust ourselves appropriately.

Jai Mundhra: And there is no asset quality implication, right? It is only the growth which may be impacted?

P. R. Seshadri: There is to the best of my knowledge, no asset quality implication of this.

Jai Mundhra: Okay. Secondly, sir, in your -- I think in response to earlier question, you had mentioned and also -- we can also see that MSME growth after multiple quarters have seen an uptick on a Q-o-Q basis, we also mentioned that there are two products which are outstanding, INR400 crores, INR500 crores outstanding, but these are recently launched and response has been reasonably good.

And with time, we should also gain some traction. If you can elaborate, I mean, what are those products? Are these like industry- specific or these are digital only? I mean, what kind of these products are if you can just help us?

P. R. Seshadri: So basically, these are quite simple products. One is using the GST framework to lend money. This we launched in April of last year, April end of last year. It's a fully digital seamless flow where we hit the GST portal, we hit the tax portal, we hit CIBIL and we hit the account aggregators to a bank and get bank account details and then we process this and hit CIBIL and other folks and run a scorecard and say yes or no.

And if all the information is available and all the linkages work, the process takes between half an hour and an hour. And if the customer is a good customer, at the branch level, the approval can be accorded. So this is an overdraft facility which means that we are not competing against the NBFCs because NBFCs can't write an overdraft. And this is a product that we are trying to sell out of our branches so that we don't -- the cost of sales is low and therefore the entire economic value is captured by us.

And there the total lines outstanding are in the neighbor of INR350 crores or INR400 crores at this point in time. The other product where we were not participating is the loan against property. So our loan against property portfolio was very small. And that again we have a fully automated solution, digital, end-to-end seamless and that was launched, I think if I'm not mistaken in September of this year.

And, so both of these are the key -- and there we can do term facilities, we can do overdraft facilities, declining balance overdraft facilities, a whole lot. The other thing that we are going to go live very soon is a fully digital again process where we can set up term facilities and overdraft facilities and also non-funded facilities for a regular business account, this is a seamless process.

Hopefully, and using a scorecard which we should be able to approve within an hour or two. So all of these are either live or very near to go live. So two of them are live. One is very near to go live. And as of this moment, traction on these products is increasing, but it is not sufficient for us to materially change the balance sheet structure of the bank. And that is what we are working because that's where the NIM expansion will come from.

Jai Mundhra: Right, sir. And lastly, sir, I think while the proportion is very small in PL and credit card, and then the slippages as you mentioned that some proportion of the personal loan retail slippages have come from unsecured. But we also have FLDG arrangement. So if you can maybe quantify that what was the slippages and maybe over the next four quarters?

I mean what could be the kind of -- what could be the eventual credit cost net of FLDG and how should one think of this? Is this the P&L more or less insulated till maybe 5% slippages happen and are the delinquency likely to remain below that and hence P&L ideally should be insulated. Is that the right way to think about that?

P. R. Seshadri: So the way the situation stands right now, Jai, is that the P&L that you see today has a construct, which is not going to change going forward. So in a sense that whatever are the cash flow streams that accrue to us will continue to accrue to us in the future. Therefore, the credit costs are not going to materially change on account of the existence or non-existence of an FLDG.

In our case, in any case, the credit card portfolio does not have an FLDG now, given the clarification that we had received from the Reserve Bank of India last year as part of the classificatory note. From our perspective, we have very few or a very small portion of loans we have an FLDG component, but that's not material. In a materiality threshold, it will not meet.

So if I were to answer your question very briefly, the structure of our balance sheet now is such that the impact on us on account of FLDG being there or not being there will not be material.

Jai Mundhra: Thank you so much sir and all the very best.

Moderator: Thank you. The next question comes from the line of Rakesh Kumar from B&K Securities. Please go ahead.

Rakesh Kumar: Sir, just have a checking sir, the Slide #37. So we have given personal loan segment of such delinquency from the new book at INR36 crores. And if I look at the like one-fifth roughly is the old book now and four-fifth is roughly the new book now of the total loan book. And if we take similar kind of composition of retail loan book approximately 23%, delinquency rate annualized appears to be higher. So any clarity that we can offer?

P. R. Seshadri: So the breakup of the personal segment is not in the deck. The loss rate on our card portfolio continues to remain more elevated than we would like, that is a reality. Our in-house personal loan book, loss rate is such that it still leaves a very large positive carry as far as we are concerned. So -- and since the personal loan book is being -- personal loan is being sold almost entirely to our own customers, the experience has been quite good.

So it's not that we are selling it externally. We are just -- we are launching a new product very shortly. In fact, the system is ready where we can give you a seamless personal loan journey, which I guess, not many Fintechs can match. I mean, ours goes through everything including an account aggregator with a seamless underwriting, that is just going live and that is something that we will be offering to non-customers as well because that's an income-based underwriting program.

Well, that's while the system is ready, it is going user testing, et cetera, but to answer your question, the loss on the personal loan side is acceptable. I would say in the 4%-ish range. On the card side, we have higher losses than we expected, largely on account of the fact that the portfolio is winding down because we have not issued credit cards for the last 11 months or 10 months.

So we've written to the Reserve Bank of India. We have completed whatever changes they wanted us to make so that we can start reissuing cards with One card and I think that number will start moving. We've also built our own scorecards in the interim because we had a large number of customers and we have a large number of bags and it allows us to actually build a scorecard. That's all done.

So we are just waiting for disposal of our applications for the Reserve Bank of India and we'll be back live on that product assuming, of course, that everything that requires to be done has been done by us. So to answer your question, majority of it this is from the new book, the personal segment includes mortgages and housing loans and other things of the past. And those would not have contributed very much.

So basically our total losses here out of the INR87 crores, INR80 crores comes from credit cards and personal loans. And personal loan is roughly a third of that. So that gives you a breakup of where we are at. So personal is behaving quite well. On the credit card side, we do have elevated losses that we are dealing with.

Rakesh Kumar: Got it, sir. Sir, another question which I'm unable to understand like in the Slide #22, disbursement figure for FY '24 is INR95,000 crores. And for 9 months it is INR1,22,000 crores, 41% is the composition for our corporate loan book, remaining is retail and MSME. So with 41%, 42% of loan book in corporate, should we have so much of churning of the book like gross advance is around INR85,000, INR86,000 crores. And disbursement is like INR122,000 crores.

P. R. Seshadri: So this is a structure of the portfolio that we have deliberately kept. So basically these are very short-duration loans to our corporate, the converse of this is that rates are very stretched. So basically, we don't get paid very much for it, but it gives us the ability to actually move out of this book as and when we grow the other asset classes enough.

So the reason why we have such large disbursal amount is that, let's say, we disbursed INR1,000 crores to an entity which is a very high-quality entity. And it pays me back in 15 days or 30 days and then we put the money out again it's counted twice. And that's the reason why that is happening. It's largely coming from the corporate book. And it's deliberately kept this way. It adds a little bit of volatility to our balance sheet, but it gives optionality.

I mean if tomorrow our retail business really starts picking up and our MSME business starts picking up we will not have trouble winding this down and swapping low-cost assets for higher price or higher -- more highly priced assets. So that's the reason that you see this number there.

Rakesh Kumar: Got it, sir. Sir, just one last question, if I could ask.

Moderator: Rakesh, if you could please join back the queue.

Rakesh Kumar: Sure. Thank you.

Moderator: Thank you. We move on to our next question, which is from the line of Prakhar Agarwal from Elara Capital. Please go ahead.

Prakhar Agarwal: Hi, sir. Thanks for this opportunity. Just a couple of questions. One in continuation to Jai's question in terms of gold loans? So is that an industry-level discussion which is going on with RBI or it is...

P. R. Seshadri: Yes. Sorry, I can't hear you. It's very indistinct. Can you speak into the mouthpiece, please? I mean for whatever reason, can't make out what you're saying. My apologies.

Prakhar Agarwal: Now is it better, sir?

P. R. Seshadri: Yes. Now it’s better.

Prakhar Agarwal: So just in continuation to Jai's question the discussion with RBI on gold loan is industry-specific discussion or is pertaining to you first? And second, when you're talking about certain changes which probably may happen, is this pertaining to maybe structure of the gold loans wherein there could be a possibility of turning it into an EMI product or is it related to the concentration which probably is the RBI probably may want the concentration of portfolio to come within a certain limit? So what is the direction of those conversations?

P. R. Seshadri: So to the best of our knowledge, this is an industry-related issue. It is not related to us alone. We are not an outlier in any form of activity that we undertake. If anything, we are a little bit more circumscribed in what we do and how we do it. So this is an industry- related issue and it deals with things like how you renew facilities and certain other activities that you have to carry out.

So -- and these were standard practices that the industry was using, especially the older generation private sector banks. So in light of the RBI letter of the 30th of September last year, which went to all banks, we've taken that on board. We have compared it with our own processes.

And then we have responded to them detailing our processes and asking for clarification wherever it is necessary which is why I said that -- and in response my understanding is that the Reserve Bank of India is taking note of all the responses received from all the industry participants.

It's in the process of formulating policies that can be used on an industry-wide basis. And any impact of the new policy that come out will not be restricted to us, but will be industry-wide. So I trust that answers your question. I'm sorry, I forgot your second question.

Prakhar Agarwal: No, sir, it answers both the things. Thank you so much.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to the management for their closing comments.

P. R. Seshadri: We just wanted to thank all of you for being here. We greatly appreciate it. From our perspective the Q3 FY '25 was a seminal quarter. Across almost all business lines, our numbers were reasonable. We are making significant progress in reengineering our business and making ourselves more relevant, more granular and significantly more profitable institution. So thank you all for being here. Thank you.

Moderator: Thank you. On behalf of ICICI Securities, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.