"South Indian Bank Q4 & FY '25 Post Earnings Conference Call"

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MODERATORS:	**MR. HARDIK SHAH - ICICI SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the South Indian Bank Q4 & FY '25 Post Earnings Conference Call hosted by ICICI Securities 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 this conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

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

Hardik Shah: Yes, thanks, Navya. Hello, everyone. Good afternoon. On behalf of ICICI Securities, we welcome you all to Q4 FY '25 Post Earnings Conference Call of South Indian Bank.

From the Management side, we have with us MD & CEO – Mr. P. R. Seshadri; Executive Director – Mr. Dolphy Jose; Mr. Anto George T – Chief Operating Officer; Mr. Vinod Francis – CFO and Mr. Jimmy Mathew – GM & Company Secretary and other officials of 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: Thank you, Hardik. Good evening to all of you and thank you very much for joining us at the South Indian Bank Limited Q4 FY '25 Earnings Conference Call.

I am joined by a set of my senior colleagues as was announced a little earlier. I would like to start by updating you on the key highlights for the performance that we had in the quarter that just gone by and for the last financial year.

As a Bank, we are quite pleased that our net profit ended at Rs. 1,303 crores for the FY '24-'25 registering a growth of 22% when compared to Rs. 1,070 crores in the prior fiscal. Total deposits grew by 6% to a Rs. 107,526 crores from a Rs. 101,920 crores on a YOY basis. Retail deposits excluding bulk deposits grew by 7%. So as an institution, we did moderate the total quantum of bulk deposits and bulk deposits as a percentage of our total deposits is now close to about 2.5% or thereabout. So retail deposits grew to Rs. 104,750 crores from Rs. 97,743 crores. Gross advances grew by 9% to Rs. 87,579 crores from Rs. 80,426 crores.

At this juncture, I would like to point out that this includes the impact of technical write off the extent of Rs. 900 crores. So if you would add back the assets written-off, technically, the total growth would be closer to 10%. Total business for the Bank grew by 7% to conclude to reach Rs. 195,105 crores. Net interest margin for the year was at 3.24%. The Bank was able to show a healthy growth in the average balances during the period with a growth of 10%.

The Bank declared a return on assets of 1.05% and a return on equity of 12.9% for the financial year. Net interest income for the year was at Rs. 3,486 crores. The capital adequacy ratio of the Bank at the end of the year is at 19.31% and the tier one ratio stands at 17.98%. Casa amount increased by 3% year on year to Rs. 33,730 crores from Rs. 32,693 crores. Provision coverage ratio excluding write-off improved by 311 basis points to reach 71.77% and PCR excluding write-off improved to 85.03%. Overall gross NPA reduced by 130 basis points from 4.5% to 3.2%. Net NPA reduced by 54 basis points from 1.46% to 92 basis points. Slippage ratio for the year was at 1.31%.

Now, allow me to take you through the financial performance of the Bank in the quarter that just went by:

Bank's net profit for the quarter was Rs. 342 crores compared to Rs. 288 crores during Q4 FY'24. Net interest income for the quarter was Rs. 868 crores. Operating profit for the quarter was Rs. 683 crores as against Rs. 434 crores, an increase of 57% on a year-on-year basis. Net interest margin for the quarter was at 3.21%. The return on assets was 1.11% and return on equity was 13.74% for the quarter. Slippage ratio for the quarter was at 24 basis points. We continue to grow most of our business lines.

Our gold loan business now stands at 16,982 crores with an average LTV of 61.88% including buyout. And this number includes buyout and an average ticket of about 1.88 lakhs. Gold loan book grew by 9% year-on-year. Home loans and auto loans are another major area of focus in the retail segment.

On a YOY basis, we are able to achieve 55% growth in home loan and 24% growth in auto loan. We will continue to maintain the momentum in disbursement and collections in the coming quarters to achieve our desired targets.

With this, allow me to open the floor for questions. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. We take the first question from the line of Darshan Deora from Indvest Group. Please go ahead.

Darshan Deora: Yes, thank you for the opportunity. Sir, my first question was regarding the other income line item within the non-interest income for Q4 FY '24. It seems to be on the higher side. So any additional color you can give on this other income line item?

P. R. Seshadri: Sure, thank you very much for the question. During Q4 '25, we were helped by strong revenue accruing from our treasury operations. So the treasury side, we got some very significant growth in revenue. We also got income on account of recovery, which amounted to about Rs. 177 crores during that quarter. So these are the two big lines where there was an uptick in revenue.

Darshan Deora: Got it. I just wanted to ask you, with respect to the MSME loan books, I know the Bank has put into place a lot of initiatives and we really appreciate that, especially on trying to re-equip the branch managers and staff at the branches to handle MSME customers. But in terms of the loan growth that you have outlined the presentation, it seems a bit on the lower side. So any color you can give on the MSME book specifically?

P. R. Seshadri: So the MSME book, actually, after a long time, we stabilized the book. We didn't grow very much during the year, but we stabilized it. There was no shrinkage. The reason why the numbers in the deck seem as though appear optically as though the book has actually shrunk, is that approximately Rs. 546 crores of that was written-off technically. So if you were to add it back, it is closer to where it should be. And there was some reclassification of these assets out. So we are quite happy with what happened in the year. We have put in place the distribution architecture that enables us to get these accounts. We have now got a reasonable method of onboarding them. The rate at which we are able to onboard them increased quite considerably as we went through the last year from one quarter to the other. Quarter 4 was our best. Obviously, it's also the busiest season in the Indian calendar. So we are actually quite happy. We think that this year that you will see a very significant growth. As far as we are concerned, we think that this is the year of growth for us as an institution. We put in place the underlying tools that we need for us to grow. And we are reasonably confident that you will see a substantial growth in the MSME balance sheet as we go through this year.

Darshan Deora: Got it. And any guidance you can give for the Bank as a whole for FY '26 in terms of the advance growth as well as the profitability or the ROA?

P. R. Seshadri: So with respect to the last year when we were asked this question, we told people that we would be at the 10% level and we ended up at that level. We think that our growth, we will be growing faster than last year. The environment is an important imponderable that we are not entirely sure as to how it is going to behave. But I think that, 20%-30%, maybe 40% increase in our growth rate is feasible, and we now have the tools to get there. So I would say that we would be north of 12% growth assets for the year. Our hope would be that we beat that number by 3 or 4 percentage points. But as of now, we are targeting north of 12%. But with the change in the asset mix, the growth coming largely from MSME and retail and other such asset categories.

Darshan Deora: Got it. So we have, I mean effectively higher yield essentially?

P. R. Seshadri: Yes, that's right.

Darshan Deora: Got it. in terms of NIMs or ROA if you could give any guidance?

P. R. Seshadri: NIMs, I am a little hesitant to give guidance on NIMs because the full impact of all the changes to the reference rates and how they will impact us is a little difficult for us to compute at this stage because it's not known when those changes will occur. Roughly 40% of our balance sheet is exposed to external factors. I mean, in the sense that they are linked to either repo or to T-bill. And therefore, the impact of all of that is very hard to estimate. So I don't want to give a view on what the NIM will be because it's difficult for me to do that. The point that I would like to make is in Q4, we actively manage NIM. I mean, in the sense that we decided to prioritize NIMs over balance sheet growth. We could have grown the balance sheet very easily more than what we finally ended at. But we chose not to and that's why our NIMs expanded in the last quarter. So we do have tools to manage the NIM. So therefore I don't want to give a number and then miss it. With respect to return on assets, we think we will be in the 1% ballpark. I think we have other revenue sources that we can manage. There will be stress coming in because of the fact that the NIMs will be stressed, at least to begin with. I think over a period of time, the cost of funding will also drop and the basis risk that we are dealing with at this point in time will play out So we are reasonably confident that we should be in the 1% range as we go forward with respect to return on assets. On the NIM front, a little harder to predict.

Darshan Deora: Got it. Thank you so much for answering all my questions. We really appreciate it. And best of luck.

P. R. Seshadri: Thank you.

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

Arvind Datta: Hi, good afternoon and thanks for the opportunity. My question is related to the retail consumer business. What's the cross-sell opportunity available to you in your portfolio currently? And what's your current cross-sell ratio for the consumer business? That's my first question. And second question relates to, are there any plans to distribute third-party products like mutual funds to existing clients? These are the two questions from my side.

P. R. Seshadri: Thank you very much. So on the retail side, the cross-sell so far we do have an active cross-sell program. Our personal loan book is about 90% of the book is cross-sell. So it's to our own existing savings account base that the product has been sold. On the housing loan side as well, we do periodic campaigns to try and sell people housing loans. Of course, housing loan will only be attractive when somebody is actively looking to buy a house, which is not every day and personal loan is a more appropriate product to be targeting them. as a cross-sell, as a feature is something that is now embedded in the DNA of the institution. We do it all the time. We have not given you details of exactly what proportion of this balance sheet is actually cross-sold. We will try and give those details as we go forward. I am sorry, I've forgotten your second question. If you could just repeat it, maybe I can answer that as well.

Arvind Datta: Related to distribution of third-party products like mutual funds, you are existing savings account or other loan product customers?

P. R. Seshadri: So right now, we offer this on a completely self-service platform, and we have an AUM of about a Rs. 1,000 crores or so. We are in the process of thinking through whether we should set up an arm of the institution that actively makes available wealth products to our customers. So this is something which is in the works. Our first area of focus last year was on the asset side where we thought that we had to do a lot of work. We have done that. This year is when we will be focusing on liabilities, stroke, wealth. Those products are areas that we will be spending a lot of time on. Our intent is to make available all the products that our customers will need and not have to hand them over to other people. So to try and satisfy them as much as possible. So this is something that we will do this year. I trust that answers your question.

Moderator: Thank you. We move to the next question from the line of Himanshu Upadhyaya from BugleRock PMS. Please go ahead.

Himanshu Upadhyay: There is this question. In the previous call, we talked about automation even on LAP products. Can you just explain what gets automated because what we understand valuation of property, physical verification, documentation, these all are manual processes in which are generally takes a lot of time. So what processes get automated here? And secondly, are we doing cash flow backed loans where collateral is security in form of property and not just doing loan against property? So is that understanding right? And the ticket size and average loans as a percentage of property value means what you are targeting in that segment, what we stated on LAP in last quarter. So some more idea on that product and how is it scaling up will be helpful? Thank you.

P. R. Seshadri: To answer your second question first, we do not use collateral as a crutch to lend. That is our first principle of lending. Everywhere we do cash flow based, the only exception being gold, where we are doing gold loans where it is principally driven by the collateral that is accepted. So all LAP loans are based on the cash flows of the individual and all LAP loans are underwritten as term facilities. So no LAP loan is underwritten as an overdraft. So overdrafts tend to have a relatively liberal underwriting standard when compared to term. So these are underwritten at the…the scrutiny of these loans is the highest that we can bring for a product of this nature. With respect to loan to value ratios, on an average the loan to value ratio would be in the neighborhood of 60% to 70% on average. And the average ticket size would depend upon the segment that we are targeting. So there are two segments. There is the mass market segment and then there is a segment which is the higher ticket segment in places like Bombay, Delhi and so on and so forth where property valuations are higher. So, our minimum ticket size would be in the neighborhood of approximately Rs. 50 lakhs and it will go upwards from there. So we don't operate on the lower end of the market. These are all full, the paperwork associated with these loans is a full document and the underwriting, they're all underwritten as term facilities, which means that the individual must have the ability to service both interest as well as principal. So I trust that answers your question.

Himanshu Upadhyay: Yes, and how much the growth is visible in that product or are we seeing now the product stabilizing and growing because it is one of the important products for on MSME side. We have been working lot on automation. So some thoughts on what… automation?

P. R. Seshadri: With respect to automation, what we have automated is the credit underwriting piece, which is basically to understand the income and cash flows of the individual and figuring out income and cash flow of the individual can support the loan in question. That bit is automatable because information sources are available. We can hit the tax department and pull the tax returns and all the other details associated there with including the balance sheet and P&L and we can look at it in an automatic fashion. We can hit the bureau automatically. We can do all of that and we can run scorecards automatically. The point that you made that title papers and other such things are by definition requiring manual intervention, that is true. But that's the second step. So we have automated the first step. The second step is a process that unfortunately is manual and along with the rest of the market, we have to do it manually till such time as the environment changes. But the first step for also was also manual for us, which we have now automated. Trust that answer your question. And yes, the volumes have increased. In fact, they are on an increasing trend. We think that they will continue to increase because we are on a very low base. So I think if you were to hold this question and ask me this question two quarters from now, I think the numbers by then would have reached a level where it would make material difference to the balance sheet of the Bank. So as of now, we have approximately only Rs. 3,000 crores or so of LAP assets on a balance sheet of 88,000 crores. So as an institution, we are very underrepresented in this asset category.

Himanshu Upadhyay: Okay, yes, That’s helpful. And secondly, if we want to grow, over the last few years, the thought was of, we wanted to maintain decent margin and low cost of deposits, okay. And what we have seen is our CA has not has not at all grown last year, and SA also has grown very marginally. So are we trying to now get more into deposits or a faster growth on deposits so that it helps us in growing our assets or you think the deposits will remain at a low growth. The first focus would be moving from low margin corporate loans to SME or a private, let's say the personal loans segments. What would be the strategy on that side and it will be major? So some thoughts here will be helpful.

P. R. Seshadri: So our view is that last year was an unusual year for, on the liability side of the house, essentially because interest rates were very high. And consequently, the desire of customers to move from current or savings accounts into those deposit accounts was higher. As the reference rates start dropping and interest rate regime in the market drops, then the difference between CA and SA and time deposits will also drop. And therefore some amount of inertia will come into customers who the opportunity cost of not moving the money is not as much. So, our view is that the market will grow CA and SA faster than this year than it did last year. So the fact that our CASA balances did not grow more than what they did right now is because of two factors. We had one particular account which had at the end of the prior year, a very large balance which went out and then we had to claw our way back and cover all of that and then grow by three percent. So none of those challenges exist this year for us and we expect next year to be significantly better from a CASA growth perspective. So we are not changing our mix, we are not saying that we will give up our low-cost strategy and go into only deposits. That's not it. We want to grow CASA as much as we wanted to grow CASA in the past. We think that we have hit a bottom as far as the CASA percentages are concerned. And we have a strategic view as to how to maintain this here as well as try and grow this as we go forward.

Himanshu Upadhyay: So can we expect the liability side to now increase by 10% overall also because even if we look at the TDs or retail term that increased by 9% type of thing but overall do we expect now the overall deposits on the retail side can grow by 10%-12% in near future so that we maintain our.

P. R. Seshadri: Yes, it will grow. There is a natural limit to how much we can grow our assets. So if our assets are going to grow north of 12%, our deposits will have to grow north of 10 at the very least. Because otherwise the CD ratio will move adversely against us. And at this juncture, we don't think that tapping the CD market or other such markets are appropriate. So we'd like to fund ourselves from retail deposits.

Himanshu Upadhyay: Okay. And we are not thinking of producing our large corporate loans which are a pretty large proportion, low cost, large corporate loans what we have, short term large corporate loans currently. They will continue to grow.

P. R. Seshadri: Yes, the rate of growth of those will be much slower. So the whole thing is to cycle out of those and cycle into the new, I mean into the higher yielding retail and MSME, which we need to do properly. So we need to get this MSME and retail to come in in large enough quantities and then gradually wean ourselves off the low yielding corporate book that we have. Luckily for us, most of those are in the nature of very short duration assets. So we should be able to manage that. So the first order of business is to get retail and MSME to grow very considerably so that most of our growth challenges are addressed from those two engines. And at that point in time, we have the optionality as to how much of the corporate we retain and how much we give up. So that's how we are playing this, we are not hidebound and saying that we will reduce the corporate first and grow the other later. We are trying to manage the balance sheet dynamically. So if more and more retail and MSME come in, we will start figuring out what to do with the corporate at that point in time. I trust that answers your question.

Himanshu Upadhyay: Okay, yes, that's helpful. I have a few more queries, I'll join back in the queue. Thank you.

Moderator: Thank you. We take the next question from the line of Jay Mundra from ICICI Securities Limited. Please go ahead.

Jay Mundra: Yes, hi, sir. A couple of questions from my side. First is, sir, on MSME, right? So you have given a new disclosure. I mean, you have said that there is some group remapping, etc., and there is a write off also. So what is the like-to-like growth? I mean, it is not very clear, so I just thought of asking that Rs. 13,464 crores as of April 1st, '24. Is that comparable to Rs, 12,686 crores or there is some adjustment here? And what is this others because what is this others in MSME, SME?

P. R. Seshadri: Thanks, Jay. So MSME was, we ended the year marginally up. That was the number that we had in the internal MIS structures. It was a marginal growth. And then subsequently we did this cleanup of our balance sheet. As I said, we technically wrote off Rs. 900 crores of assets. A majority of those were actually MSME assets. So in the number that you're seeing in this page, which is page #15 of the deck, it is Rs. 12,686 crores. You have to add 546. And then there was some other remapping exercises which were carried out. The exact number is not with me. We will come back to you with it if at an appropriate point in time. So net-net, the message is that we were flat. We didn't grow very much. But as you know, Jay, we have been shrinking this book for a long while. It's slowly, you know, reducing. That has stopped. The quantum of business that we booked in Q4 was the highest that we have ever done in the history of the Bank, or history in the near, in the recent past, that is. And we think that we are on the right path to get MSME growth going very considerably. Now the division between MSME and others is, the others refers to a book which is a low-yield bills book. So this is LC-backed bills that we discount for our customers, which historically is driven more by yield than by anything else. So if you offer a good price you can get more business. If you offer a higher price, you lose business. So we took the decision that we wanted a particular rate below which we are not doing this business during the last quarter. And as a consequence Rs. 700 crores of those assets were lost. They were all paid back. The existing assets paid back because our risk is on the other Bank, which is the LC issuing Bank. And what you see in MSME, SME, that is core MSME, SME lending, where we have lent money directly to the MSME and SME. And that's what we intend to grow. And the Rs. 546 crores of write-off that you see is pertaining to B-Segment lending. So I trust that that answers your question, Jay.

Jay Mundra: Yes, sir, that does. Secondly, sir, I mean, this quarter, Rs. 900 crores write-off, that seems a bit accelerated. Of course, the PCR is same and hence the credit cost uptick that one can see is, I mean, that is because of the accelerated write-off. But is there any policy change? Is there anything that has caused this write-off because nine-month write-off was lesser and even on a full year basis, I think FY25 write-off is much higher versus FY24 even though the slippages have come down. So, view on, is there anything to read into write-off, higher write-off and maybe the slippages, how do you see the slippages?

P. R. Seshadri: There's nothing to read into this. Effectively, we started our balance sheet clean-up a little later than other banks. And as a consequence, the gross NPA for us was higher. Now we have done a very good job of recoveries as you can see. But having said that, we still had elevated GNPA numbers while our provision coverage ratios kept rising. So over the last few years, we have been providing as much as is possible and taking those numbers up. We had come to a point where we had very high provision coverage ratios and also very high GNPA. So we took the call during this quarter to actually write off a bunch of assets that are 100% provided and ensure at the same time that the provision coverage ratio without technical write off is maintained at the level at which it was earlier. So in order to do all of this, we had to provide a little bit more on the assets that we currently have, which is on the NPA book. And also, so the outcome was optically that the PCR hadn't moved, but the GNPA came off very sharply. These assets were anyway 100% provided. So there is no policy change. Going forward, we intend to continue to do technical write-offs and bring the GNPA numbers down as and when the opportunity provides itself.

Jay Mundra: Right, thank you. And sir, on gold loan, I think last call there was an RBI draft circular and there was a bit of uncertainty in case, I mean, we may have to tweak the product, etc. This quarter gold loan growth is more or less stable. How do you see this gold loan book? Is there anything that you need to change or this is more or less settled? How should the gold loan growth be similar to loan growth? How should one look at it?

P. R. Seshadri: The RBI's most recent draft circular has a few points that we need clarity on and we have written to RBI and we have sought some changes to the new draft circular. If the draft circular were to be implemented in total as is, it would require pretty substantial change at our end. We are hopeful that that would not be the case and we are awaiting feedback from RBI. So it's a little early in the day for us to comment. As of this moment, business as usual continues. But if RBI's circular were to come in with pronouncements which are in line with what was there in the September, I mean the more recent circular there, there will be some changes that we will need to make. So we are waiting and watching.

Jay Mundra: Okay, sure. And last question, you have added this branch value added, same store sales. So I was just thinking that, the number shows that Q4 is now 50% higher than last year, whereas the NII growth is flat. And other income, if I remove this Rs. 170 crores of TW recovery, that also looks flattish. So while you have mentioned that this number is of course, include some estimates and some assumption. But the revenue number does not seem to imply this 50% growth. So what is the and There is no material addition in the branches also. So how to look at this 50% growth in the SVA? And where would it be reflecting when will it start getting reflected? Thank you.

P. R. Seshadri: Thanks. I think that's a very good question because that's a slide that we added this time around. We were trying to figure out how to measure our branches and understand how much value addition is happening in the branch. The way we see it, the branch does two things. The branch does service to existing customers and the branch sells new products to existing and new customers. The sale of new products could also include things like getting new balances into current accounts, existing current accounts or new balances into existing savings accounts. So we started looking at… we looked at our historical trends. Every time we sold a new product, how did it behave? So we went back our decision, science people looked at the historical trends and tried to compute for a particular type of product, what is the net present value that it generates, historically? And we set in place a system that every time the branch sold a new product, we computed the expected value over its lifetime and the net present value thereof. And over time, we kept changing... correcting it because we have been doing this now for the last five quarters. Every quarter, we get some additional information and we are able to correct it and then we recast for the prior quarter using the new knowledge that we got. So, this has helped us to look at how much value addition is happening in the branch, in rupees terms actually. This represents the net present value of future cash flows.

So, if I give a housing loan today, we are going to get a set of interest receivables, which are over a period of time, the net present value of that is x today. This will drip through our P&L. So it won't come through our P&L all at once. These are future cash flows that will come piece by piece by piece over time. So as the SVA increases, the cash flows that are coming through to us will increase as well. So this is the only way to do it in a Bank. In any other retail kind of chain, it's much easier to measure this because all you have to do is tally up the sales for every day and say how much are you selling in a particular branch or store. It's the same thing but in the Bank, we have to do all of this, complex jugglery because all our assets have a time dimension to it as well. So to answer your question as to why our net interest income did not grow, while the sales have grown, the answer is that we have had a very significant impact on our NIM during this period. Cost of funds went up, the yield on these assets came off and even though our assets grew by 10%, NIMs shrank to such an extent that the total net interest income did not move. So we have to grow faster than this. We have to add different types of assets which we sell at the branch. So I need significantly more throughput to come through the branches. And over a period of time, that will start impacting the total revenue. And that's the... at least that's the logic that we have been using. I trust that answers your question.

Jay Mundra: Yes, surely. Thanks a lot. So I mean, if I were to conclude, then you're saying that these are the value added, which, of course, you have approximated given that any product that you sell has an inherent duration. The quarterly number captures only the current quarter, whereas this SVA captures a lifetime maybe value addition broadly. If that is the…?

P. R. Seshadri: That's right. Absolutely right.

Jay Mundra: Thank you so much, sir.

P. R. Seshadri: Thank you.

Moderator: Thank you. We take the next question from the line of Aryan Jain from Lotus Wealth. Please go ahead.

Aryan Jain: Thanks for the opportunity. So I've noticed that there's a change in other income from about Rs. 40 Cr to Rs. 120 Cr, mainly on the treasury side. So is this a one-off sort of gain or do you see some growth coming from the treasury segment going forward?

P. R. Seshadri: We have had a good year in treasury last year. We had a reasonable year in the prior year as well. Between last year and the prior year, the difference is perhaps 15% incremental revenue for this year. So far as the way we see it, the treasury revenues are reasonably... at least for the last two years have been pretty consistent. Now, treasury by definition need not always be consistent because the opportunities will come and go. In the case of other income this time around, there are... there is the impact of recoveries which is also flowing through into the other income line. I am looking at the other line. Below treasury and FOREX, there is a line called other with an asterisk, right? And that has an impact of recovery, which is flowing through into the interest line, which needs to be taken into account. Does that answer your question or is it still…?

Aryan Jain: Definitely. I just had another question. Currently, I think we are standing at a return on asset percentage of 1.05. So do you think that we can maintain it till 2027? Or what's the guidance about the return on assets by 2027?

P. R. Seshadri: The interest rate movement in the environment is adverse at this point in time. So our cost of money is not reducing as fast as some of our assets are repricing. So I think the entire industry is facing some amount of NIM pressure. So we think that that's a temporary phenomenon, which will be felt during the first half of this year. We think that we have enough levers to ensure that our return on assets is in the neighborhood of 1%. We have reasonable expectation of it being in this 1% range in the near term. And then as the environment changes, and the interest rate cycle moves in the opposite direction and as our retail book grows, retail and MSME book grows, we expect gaps to widen. So we expect that to become one, go closer to 1.15, 1.2, but that's in the future. Right now, this year, we have reasonable expectation of being at the 1% ballpark.

Moderator: Thank you. We take the next question from the line of Aditya from Securities Investment Management. Please go ahead.

Aditya: Hi sir, thanks for the opportunity. Sir, if you could just share the mix of floating and fixed rate loans for us?

P. R. Seshadri: Can you repeat the question because we have some background noise from your end.

Aditya: Sir if you could share the mix of fixed rate loans and floating rate loans?

P. R. Seshadri: Fixed rate is roughly a third. The floating rate loans are roughly about 40%. Then the rest are all other references like MCLR, different other product categories. So credit card can probably be classified as fixed rate. So we have got a fixed rate, which is roughly a third excluding credit card. We have a credit card, which is roughly about 2% of our balance sheet, I guess, which is fixed rate. So if you add that, you get to 35% fixed rate. Then you have MCLR. Then you have the old base rate. All of that put together comes to closer to about 8%-10% and then you have foreign currency loans, etc. So the variable rate loan here is roughly 40% of the book is variable.

Aditya: So now for the corporate loans, how does the interest reset happen since they are shorter term loans?

P. R. Seshadri: We can't hear you very well because we are hearing somebody else in the background. We are just asking the operator to put the other people on mute while we speak. So, to answer your question, the shorter duration loans, we basically set the rate at every disbursal. So, if money has been given out for 30 days, when it gets repaid after 30 days, at that point in time there is an agreement between us and the borrower as to what the new rate will be. And that is the new rate at which the disbursal happens. I have some further color on the earlier question that you asked. Our fixed rate book is about 44% of the total. And the variable rate book is about 42% of the total. So that's it and then we have MCLR and other such things, other asset categories, dollar linked, etc. which make up the rest.

Moderator: Thank you. Next question is from the line of Vidhi Shah from C. R. Kothari & Sons. Please go ahead.

Vidhi Shah: Hello sir, can I get a guidance on your revenue from deposit for the next year? I mean the deposit growth?

P. R. Seshadri: We will be north of 10% ma'am deposit growth, total deposits, CASA as well as time deposits. We think we will be north of 10% next year.

Vidhi Shah: Okay, and for loans?

P. R. Seshadri: We will be north of 12%, madam.

Vidhi Shah: Thank you.

Moderator: Thank you. Next question is from the line of Himanshu Upadhyay from BugleRock PMS. Please go ahead.

Himanshu Upadhyay: Hi. Any idea on how has been the attrition rate at lower level employees? Because last quarter, we said that we have lost front facing employees and which had led to lesser tooth-to-tail ratio. So any numbers there? What are we doing to retain the customer-facing level? And how that program which we launched of branch-level incentives and branch internally deciding the incentives or not the incentives, but the bonus pool, etc., impacting the morale and all these things, some thoughts on the branch level and how are you doing or changing the branch activities will be helpful? Thank you.

P. R. Seshadri: So with respect to the branch level incentivization program that continues, more than last quarter, a fair chunk of our branches qualified. The mechanism of sharing the reward amongst the workers within the branch continues, which means that they all sit together and decide how they should do this without there being the incidence of rank, etc. At least that is in theory, that's what we want. All of that is continuing. We are seeing gradual change in the mindset of our staff. Gradual increase in sales-related activities being performed by people within the system. All of that is happening. With respect to attrition, our attrition rate is actually quite low. Our total attrition is 4% or 5% a year. Our total headcount has dropped a fair bit since we deliberately have not hired incremental people for a variety of reasons. That's because we wanted to get a fix on our revenue expense ratio. We wanted to ensure that our costs were appropriate for the business that we are doing. So during the year, we have managed to reduce our costs or rather ensure that it did not increase very much. So I am sure we are an outlier when you were to compare us with other banks. There's been very tight cost control. So while we lost some front-facing people, our tooth-to-tail ratio has been kept at the level it was. So it hasn't improved. We are at 78:22. By pulling people out of the back offices and putting them into the front customer-facing offices. The fact that more people quit who are customer-facing continues to be the fact, but we are able to replace them from internal resources. And, our aim is to continuously work on training the front office staff so that they can do a better job at whatever it is that they're intending to do and equipping them with the appropriate tools so that they can discharge those duties better. So I think over the last year, we have made a lot of progress on all of that. You can see that we have launched 12 new systems and processes. We are quite happy with the progress on that front. Now we have got to get our people to use it and get a significant increased throughput. we believe that once the throughput starts increasing very significantly our attrition in the front end will also reduce. So that's what we are working at.

Himanshu Upadhyay: And one small thing, branch level distribution between the bonuses. So are we seeing a ratio of, let's say, the lowest getting x and the best are getting around 3x or 4x in the same branch? So is the big variation what we were aiming for? Is it really happening? Anything you have seen, can you just elaborate on that? You are still seeing equal distribution?

P. R. Seshadri: I will come back to you and answer that question. We will do the analysis and come back. I haven't been looking at it at that level of detail, but I will come back to you. We will respond to you and give you that information. We don't want to hazard a guess, so we will leave that with us. We will come back to you.

Himanshu Upadhyay: Okay. Thank you so much.

P. R. Seshadri: Thank you.

Moderator: Thank you. We take the last question from the line of Rajiv Agarwal, an Individual Investor. Please go ahead.

Rajiv Agarwal: Thank you for the opportunity. My question is regarding this Slide #35, GNPA movement. In this quarter, you have shown of 1,148 crore. So this is quite a large amount. So I want to know the breakup between upgrade and recovery in this?

P. R. Seshadri: You are looking at the number, deductions of Rs. 1,148 crores, is that what you are talking about?

Rajiv Agarwal: Yes.

P. R. Seshadri: Out of that Rs. 1,148 crores, sir, Rs. 900 crores is write-off. And the rest is recovery, sir.

Rajiv Agarwal: Okay.

Rajiv Agarwal: And this recovery you are showing in other income, right? So in other income I think you mentioned Rs. 177 crores.

P. R. Seshadri: That's right.

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

P. R. Seshadri: Thank you very much to everybody who joined the call. We really appreciate it. Thank you to ICICI Securities for organizing it. Just as a closing comment, we are very pleased with the results that we had during Q4. We think that we put in place a lot of effort, has gone into build new systems, new processes, so that the transformation of this organization from what it was in the past to a more modern, customer-focused entity can take place. So we believe that we are at a juncture where all the investments that we have made over the last 18 months or so should begin to start paying off, and we are looking forward for a bright future ahead. Thank you.

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