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Ref.No.TMB.SE.88/2026-27

29.10.2026

The Manager
National Stock Exchange of India Limited,
Exchange Plaza, 5th Floor, Plot No. C/1,
'G' Block, Bandra - Kurla Complex,
Bandra (East), Mumbai - 400 051.

The Manager
BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400 001.

Ref: Symbol: TMB / Scrip Code: 543596

Dear Sir/Madam,

Sub: Transcript of the Earnings Conference Call – Q2 Results

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we wish to inform that the transcript of the earnings conference call hosted by the Bank on the Unaudited Financial Results of the Bank for the quarter and half year ended September 30, 2026, has been made available on the Bank's website at the following link:

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

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

Kindly take the information on record.

Yours faithfully,

For Tamilnad Mercantile Bank Limited

SWAPNIL ASHOK
YELGAONKAR

Digitally signed by SWAPNIL
ASHOK YELGAONKAR
Date: 2026.10.29 19:10:55
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Swapnil Yelgaonkar
Company Secretary & Compliance Officer



Tamilnad Mercantile Bank Limited

Q2 and FY 2026-27 Earnings Conference Call – Transcript

October 26, 2026

Management:

Mr. Salee S Nair, Managing Director & CEO

Mr. Sanjoy Kumar Goel, Chief Financial Officer

Moderator:

Ladies and gentlemen, good day, and welcome to the Q2 and H1 FY27 Earnings Conference Call hosted by Tamilnad Mercantile Bank Limited. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectation of the company as on date of this call. These statements are not the guarantee of future performance and involve risks and uncertainties that are difficult to predict.

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

On the call today, we have the following management representatives: Mr. Salee S. Nair, Managing Director; Mr. Sanjoy Kumar Goel, Chief Financial Officer.

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

Salee S. Nair:

Thank you. Thank you very much, and thanks for attending this con call from Tamilnad Mercantile Bank. And I'm sure most of you would have already seen our results on the website and on the exchanges. The quarterly performance has been as anticipated.

We have been maintaining the trend of growth that we delivered last quarter. We have actually exceeded that, and this is something that we have been doing it quarter after quarter for the past 7 quarters. I think it's the 8th quarter where we have exceeded our previous performance.

And to delve into some of these highlights, very clearly, the growth has accelerated and the profit is at record level. And when we look at the business growth itself, the total business grew 27.25% year-on-year, which is almost 3x our own 10-year CAGR of 9.41%.

So, this CAGR is also moving up on the basis of the rising growth. And this growth is highest year-on-year growth in the last 18 years. So, that's something that we are fairly proud of. And it's also 8% faster than the industry. So, the delta today in terms of growth is 8% over the industry's growth that TMB has delivered.

And this growth has driven a strong net profit, the highest ever, INR451 crores highest ever net profit. And that net profit has come out of the core business growth. These are not on account of exceptional results, largely driven by the core business, by a very strong net interest income.

Apart from that, let me also say that the strength that we are adding to the balance sheet in terms of other measures, one of them we have taken based, looking forward into the ECL norms that will come on the 1st of April 2027.

We have, in anticipation, provided fully for SMA 1 and SMA 2 as per ECL norms. If that's something that we have done this quarter, if you recall, in quarter 1 of the current year, FY27, we had also provided fully for the stressed non-fund facilities. So, that was last quarter, this quarter, SMA 1 and SMA 2, we have fully provided as per ECL norms.

And of course, NPA, the gross and net, continues to decline. The net NPA is at 0.14%. The capital adequacy is at 32.39%. The balance sheet has also moved up quite sharply by 24.49% year-on-year. And this has resulted in the overall growth and the profit has resulted in an ROE of 16.92%, quarterly earnings per share is at INR28.49 and the shareholders' fund is today 12.53% of the balance sheet.

Just to give you a little more color on the numbers itself, the total business stands at INR1,30,237 crores is up 27.25% and contributed by deposits growing at 25.49%, which stands today at INR69,546 crores and advances up 29.32%, standing at INR60,691 crores.

CASA grew about 16.26%, RAM at 28.96%, and on the earnings side, as I said that the profit has been delivered on a strong net interest income, the net interest income for the quarter stands at INR807 crores, up INR35.17 crores. The operating profit after expenses is INR642 crores, up 41.80%.

As I said earlier, the net profit is record, the highest ever this bank has clocked at INR451 crores, up 42.09% year-on-year. And ROA, the return on assets, stands at 2.18%. ROE, 16.92%. So, that's where we stand. Of course, when you look at the cost to income, it is 38.28%. That's where it stands as on 30th of September.

The unsecured exposure is bare 20 basis points. Our RAM focus continues. It stands at 94.33%. The net interest margin is year-on-year up 36 basis, stands at 4.19%. Sequentially, it stands at we have lost 10 basis. It was 4.29% for and I did explain why it was 4.29% last quarter in the last con call.

Profit per employee stands at almost INR35 lakhs, and that is up 36.45%. Gross NPA 0.61% and net NPA is 0.14%. The credit cost is at 9 basis points, 0.09%, and the slippage is again 6 basis points. But this year, on book PCR is 77.49% and the overall PCR is at 96.61%.

SMA 0, 1, 2, I repeat, it is 0 included SMA 0, 1, 2 is at 1.67%, which is that if you look at your NPA 0.61% and SMA of 1.67%, your portfolio at risk one day today, 30th of September, was at 2.28%. As I said earlier, the stressed NFB, we have provided 100% and SMA 1 and 2, we have also provided 100% as per the ECL norms.

So, just to run through some of the numbers. CASA 16.26% is the growth. Term deposit, the total deposit growth of 25.49% has been driven by the term deposits, which stands at almost 29%. And if you look at the number itself, I think the non-callable deposits' share in the incremental term deposits, incremented term deposit for the half year stands at INR7,570 crores, 40.62% of that came in the form of noncallable deposits.

As you're aware, noncallable deposits are deposits which cannot be paid before the maturity. So, there's no prepayment of that. So, from that perspective, the deposit mix resource security that much more stronger.

FCNR (B), we did about USD51.94 million, not something that we can write home about. So overall, the FCNR (B) deposit growth has been 47.14%. So, it should not be one of the better

stories that we want to put on the table is just about USD51.94 million. And the advances 29.32%, riding on the RAM. If you look at the MSME, as I promised, has inched up and today stands at 23.62%.

We also had; I think there's a lot of talk going on the gold loan portfolio. The gold loan portfolio, we have put out our sensitivity on it at 20% or 3.1% of our gold loan will be above the market. It is just a 3.13%. The portfolio LTV stands at 62.35%. The overall, the portfolio is at about 48%, almost stable. It was about 47% something earlier. It's about 48% now.

Unsecured exposure remains minimal at 20 basis points. So, when I get into some of the ratios, I'll just take you through some of the ratios. Fresh slippage, I just mentioned 6 basis. Before I come to the ratio, let me also give you some color on the expected credit loss. We have done a calculation of the impact as of 30th of September '26, that comes to about INR384 crores. The new norms and expected credit loss would be INR385 crores.

And I think if you check into the Slide 29, we have given a color of how we intend to tackle it. We are already, our provisions done this quarter, last quarter and the existing contingency provision together today covers almost 80% of that at INR304.24 crores. So, on the ratios, cost of deposits has moved up. Yes, one of the reasons is that it is moving our share of term deposits as you can see, the CASA went up only 15.26%, where our term deposits actually grew close to 29%.

So, it is having an impact on the cost of deposit, that's 5.85%. This was anticipated and we have tweaked our advances portfolio to cover for this increase because focus has been more on the resource security for our growth and we are anticipating that we did tweak the advances and that also shows up in yield advances, which has moved up to 10.32% from the 10.10% earlier.

Cost of funds is at 5.93%. We have picked up almost INR1,000 crores of refinance during the quarter at 7.5%. It's also pushing up the cost of funds. And consequently, the NIM sequentially has come down about 10 basis. But it's still on a year-on-year basis, it's still significantly 36 basis up. And credit costs, like I said, is just 9 basis points. Our calculations show that the expected credit loss for the bank is INR385 crores.

And like I said, in the last quarter, we did provide fully 100% for the non-fund facilities, which are under stress. This quarter, we have provided 100% for SMA 1 and 2 as per ECL norms. So, but the total upfront provision that we have done for the ECL is INR54.24 crores along with the existing contingency provision available of INR250 crores. We have a provision available of INR304.24 crores against the INR385 crores that is required to cover the expected credit loss. That's almost a provision of almost 80%.

I was also telling about the cost of deposits. It has moved up from 5.68% to 5.85%, that is anticipated. When you look at your term deposit moving up almost 29%, and the CASA moving up at a slower pace, 16.26%. The cost of deposits was anticipated to go up. We did, like I said, anticipate and we tweaked our advances portfolio to guard against that and that is also having an impact on the advances portfolio where it has moved up from 10.10% to 10.32%.

Cost of funds is at 5.93%, we did pick up some refinance in the quarter from SIDBI about 7% to 7.5%, that's slightly pushed it up. The NIM consequently is at 4.19%. It is up 36 basis from on a year-on-year basis. But sequentially, as the term deposit portfolio is improving, it has actually gone down about 10 basis points.

Also, the credit cost is at 9 basis. Capital adequacy at 32.39% basis and cost-to-income ratio, like I said, has consistently been moving down, trending down and stands at 38.28%. PCR at 77.49%, that is the on book PCR. I can also tell you that now our leverage and NSFR, LCR, etcetera are on a good footing. Our leverage ratio against what is required to be done at 3.50%, our leverage ratio stands at 11.99% and LCR is at 139.43% and NSFR is at 146.15%.

We have also given you some color on where how the CD ratio can move forward to what extent we have cushion left and that's also there in the presentation, if you refer, Page number 33, the CD ratio that is possible for us given the fact that our net-worth today at 12.53% contribution to the balance sheet, we can go up to a CD ratio of 98%. And today, the CD ratio stands at just 87.27%, which is better than what we did last quarter.

The profit per employee, it has gone up 35% to INR35 crores. Business per employee stands at sorry, the profit per employee goes up to INR35 lakhs, sorry. It is not crores, it is lakhs. But business per employee is at INR25 crores. We did open our 9 branches in the half year and we are committed to open 60 and the process is on for the other branches to be opened.

Year-on-year, we did open about 37 branches and 15 of these branches were opened outside the state of Tamil Nadu. And when we end the year 60 branches, we hope to open 20-plus branches outside the state of Tamil Nadu. So, I think we have also given you some color of the kind of structural changes we are making in the presentation. I think you can go through that. And there are questions we are here to answer that. So over to you, guys. Thank you.

Moderator: Thank you. Team, shall we begin with a question-and-answer session?

Salee S. Nair: Yes, please.

Moderator: Thank you so much. Ladies and gentlemen, we will now begin with the question-and-answer session. First question comes from the line of Darshan Deora with Invest Group.

Darshan Deora: Yes. Thank you for the opportunity to ask this question. Firstly, congratulations to the entire TMB team on a great set of results. Every quarter you guys have been hitting out of the park and congratulations for another quarter where you have hit out of the park. So, my first question was on the split of the gold loans. Can you give the breakup between agri and retail?

Salee S. Nair: Agri and retail, the total number is INR29,280 crores. Agri is INR22,000 crores. And the other one is INR6,000 crores.

Darshan Deora: Okay. So, it's 22,700 crores roughly you said, right? Agri...

Salee S. Nair: And the other one, the retail is INR6,084 crores.

Darshan Deora: Okay. Second question was what percentage of our loan book would be linked to the repo rate? And when do we do the reset? I suppose the interest rates repo get increased. Is it immediate or is it a lag of a quarter?

Salee S. Nair: It is not immediate. 52% of our advances portfolio is repo linked. And the repo, the pricing gets changed at the reset date.

Darshan Deora: Okay. But you said you said 52% or 62%?

Salee S. Nair: 5-2. 52%. And next quarter, I think all the entire book will be reset.

Darshan Deora: Okay. But just to give the breakup, you said 52% is repo. What would be fixed rate? What would be the MCLR?

Salee S. Nair: The fixed rate would be about 4.85%. And your MCLR would be the, one second, I'll give you. I will not where is it.

Management: Around 44%.

Darshan Deora: 44%, okay. And...

Salee S. Nair: We also have a small portion of treasury-linked. So, 52%, 43% and 5%.

Darshan Deora: Okay. Got it. And this...

Salee S. Nair: and the rest are making up with the treasury-linked, yes.

Darshan Deora: Got it. This so you said reset is not immediate. It happens whenever the as per the contractual reset date, and that will range from like is it like usually on a 6 monthly basis or quarterly basis, annual basis typically?

Salee S. Nair: It is quarterly.

Darshan Deora: Quarterly basis. Got it. Got it. And one last question, so there's a slight uptick in terms of our unsecured portfolio. What type of loan is it, is it like a credit card type loan? Or is it unsecured personal loans?

Salee S. Nair: It is neither credit card nor it is, we have given a loan to Kerala State Electricity Board.

Darshan Deora: Okay. But it's unsecured loan.

Salee S. Nair: Yes, it's against the cash flows.

Darshan Deora: Got it. Got it. That's all from my side and congratulations on a great set of numbers.

Moderator: Our next question comes from the line of Varun Dubey with Share India Securities.

Varun Dubey: Once again, congratulations on strong set of numbers from your side. I mean quarter-on-quarter, your company has been performing very well. But I remember last quarter when the good performance continues, your company has actually gone ahead and raised its guidance.

So, this time, should we expect a better guidance from your side because you have not said anything on the FY27 guidance. So, what would be the advances growth, the overall business growth and the deposit growth guidance for FY27, would you like to revise it for us?

Salee S. Nair: Varun, okay. So, what you want us to do? I think we can from whatever we said the last time, maybe just to keep you happy, we can increase the guidance by 1%. Let me tell you the second half, we are hoping to see the CASA growth continuing at the existing level, perhaps start a bit higher. So, we are looking at anticipating a 17% kind of growth. But the deposits, we did give a guidance of 18% plus, right?

If you remember, if you recall last time, we did give an 18% plus guidance. And I think that, I think now we are safely, we can say that it will be 20% plus. The plus how much of that would be in the plus, how much that amount is something that we will see, but it will be 20% plus. And similarly in the advances growth, we are anticipating 22% plus. Again, the plus is what will interest you and that is what we will see, how much of a plus we can achieve. The numbers are the minimum.

Varun Dubey: Okay, sir. Got it, sir. No issue. I'm sure that your company would achieve better than what you said results in last 2 quarters back is what the bank has been performing. So, one other thing I just wanted to understand because you are...

Salee S. Nair: Not the last 2 quarters, we are exceeding in the last 7 quarters.

Varun Dubey: Yes, sir, right, right. Sir, just wanted to understand one thing because the cost-to-income ratio has been below 40% and is this because your branch opening target that 60 you had, has not been yet met. And in the second half, you would see the number of branches coming in that would actually raise the actual cost-to-income ratio, how do you see that?

Salee S. Nair: I think you are right in a way that your 38% plus cost to income is something that we will not be able to defend going forward. It will move up because of you just caught onto the right enough point here that there are branches to be opened and there is some investment happening on the IT space as well. So, it will move up, but we did mention last quarter that we will be below 45%. I think we will not be it's basically well below 45%, I think. Maybe there also we can reduce the upper cap by 1%. We'll be well below 44%.

Varun Dubey: Okay. Okay, sir. Sir, one more question. I just wanted to understand. I mean this FCNR deposit, what is the rate that the bank has offered and what is the current deposit rate that you're offering, after the repo rate hike, has there been any pass-on to the customer?

Salee S. Nair: Yes. I think the repo rate, the 25 repo there's nothing that we do. The repo moves up 25 basis, it moves up to 5.5%, the entire portfolio moves up to 5.5 on the reset day, right? So, the underlying benchmark moves up to 5.5, that 5.5 is actually implemented on the reset day, which varies for

each customer as per the contract. So, over a period of 3 months. The entire benchmark gets repriced to 5.5, 5.25. So, that's an automatic process. There's nothing that we do here. Sorry, Varun, what were you asking?

Varun Dubey: So, the rate of FCNR deposits for the bank has actually offered?

Salee S. Nair: FCNR deposits, we did make close to USD51 million or USD52 million, USD51 million plus. And the rate there 7 because it was aligned to the kind of above deposit rate that we were gathering in that range. But subsequently, we have dropped the rate after and it's back. I think it is back to, I think, 4.25% or something.

Varun Dubey: What is the rate today?

Salee S. Nair: One year is 4.25%, right? Yes, Varun, I will get you the exact number for that the rate, it is usual.

Moderator: Our next question comes from the line of Nandini Kuntla with Bluestrides.

Nandini Kuntla: Congratulations for the wonderful number. My question is first one, will the bank maintain the similar growth percentage over 3 to 5 years? And my second question...

Salee S. Nair: Sorry, what was the first question? I didn't quite get it. You said similar what?

Nandini Kuntla: My first question was, will the bank maintain the similar growth percentage over 3 to 5 years? And my second one is because of increasing in price of crude oil, does it affect our bank in future foreseeable?

Salee S. Nair: Whether we will maintain the current growth rate. What we are looking for is not at 20%, 25%, 30% growth. What we are looking for is to exceed the industry growth by a certain percentage. Our own ambition is to exceed the rate at which the industry is growing and to exceed that by 4% to 5%. That is our long-term plan. I think that's where the components of the bricks are being put in place. That's where it is so happened that this quarter, we have actually exceeded it by 8%.

But going forward, on a sustainable path, I think in the next 3 to 5 years, that's the kind of number we are looking. So, it will not be 15%, it will not be 20%. It will be if the industry is growing at x percent, we'll be growing at x-plus 4% to 5%. So, that is the first answer to your first question.

For second one, on the oil, so far, I don't see it, we are anticipating a bit of it. But so far, we have not been impacted by the oil prices as such. Neither in our export credit portfolio nor in our existing MSME portfolio, we have not seen the impact as yet.

Moderator: The next question comes from the line of Parth Gutka with 360 ONE Capital.

Parth Gutka: So, my first question is your yield on advances has gone up by 22 bps on a quarter-on-quarter basis. What is...

Salee S. Nair: Yes, yield on advances have gone up, yes. Tell me.

Parth Gutka: So, what has led to the sharp 22 bps increase on yield on advances on a quarter-on-quarter basis?

Salee S. Nair: Let me also tell you that when we were looking at the, we are still a bank not large enough and we are in a position to finally manage both sides of the balance sheet, assets and liabilities, right? When we look, at when the growth starts picking up and we were focusing on the resource security, which is generating enough deposit to finance that growth and we realize that we have to move it between CASA and term deposit and when we start focusing as much on the term deposits, obviously, your cost of funds is likely to go up and it has actually moved up. If you say quarter-on-quarter, it has moved up.

So, to offset that and to maintain the net interest margin at the levels that we are comfortable with, we had to tweak the portfolio. And some of them that we have been tweaking a bit of the gold loan portfolio, we have tweaked a few basis points of also, we have tweaked our MSME wherever possible in line with the market a few basis up. So, we have been consciously trying to see how we can get that extra bit from the advances. And that is paying off.

If you look at it the yield has actually moved up to 10.32%. This is a conscious decision to take care of the liability side where the churn is moving towards the term deposits. The mix is moving towards the term deposits.

Parth Gutka: Yes. Okay. Fine, sir. And my second question is on the cost of funds again. It has again gone up by 23 basis points on a quarter-on-quarter basis. And you just alluded to the fact that...

Salee S. Nair: Apart from the fact that the term of the mix is moving in terms of term deposit incidentally, the term deposit for the bank went up almost 29% on a year-on-year basis. Where CASA portfolio is about, the growth was being maintained what we were having earlier, it was about 16% to 16.5%, 16.26%. So, but that's having an impact on the cost of deposits.

And you can see that having an impact on the cost of advances sorry, cost of fund as well. Apart from the deposit, we have also been looking at some amount of refinance, which is coming at about 7%, 7.5%. So, that's put up the cost of funds a little.

Parth Gutka: Right. So, net-net, should we expect NIMs to sustain around similar levels or anywhere between 4.1% to 4.2% rather than at a higher range of 4.3%?

Salee S. Nair: If you are looking at, if you're saying 4.1% as the first number, I think possibly we can look at that. And I would say 4.10% plus/minus 5 basis is what we are looking for the rest of the year.

Parth Gutka: Sure, sir. Sure. Thanks a lot, sir. And my last question is within the gold loan, what is the average ticket size that the bank operates at? And are we finding any sort of concerns within the asset quality within your gold loan portfolio?

Salee S. Nair: Yes. The average ticket size is INR2.66 lakhs. So, it's fairly it is a widespread. So, it's, I think, 12 lakhs plus of customers we have, right? It's quite widely spread. The ticket size is about 2.6 lakhs. If you are looking at the stress side of it, it is something that is engaging the attention of

the bank on a daily basis, we have put in place enough systems, which will track each gold loan from an LTV perspective.

LTV, that is when we talk of LTV, we are talking about principal plus interest up to till that date. So, on a daily basis that is something that we do look at and there's a team that tracks it. And currently, when we look at around, when we have done the sensitivity for the recent presentation, if you can Page number 14, will give you that.

We have given that, the price reversal of up to 20% is something that more or less the portfolio can sustain. That is 3.3% is, if there is crash in gold price of 20%, the share of the gold loan that will be above the market is just 3% a little over 3%. So, it's a fairly resilient portfolio. The portfolio LTV is at 62.35.

In September '26, your SMA plus NPA together, I mean, that is par portfolio it is one day, it is just INR28 crores. So, this is a portfolio that we are managing on a dynamic basis because we are aware of the volatility in the gold prices. That's something that we are aligned to that, and it is being managed on a daily basis.

Moderator: The next question comes from the line of Jyoti Khatri with Ambit Wealth.

Jyoti Khatri: So, a couple of things. I hope I'm audible. Firstly, I just missed out to your margin outlook which is...

Moderator: I'm sorry to interrupt you Jyoti, but there are a lot of background noise coming from your end.

Salee S. Nair: Jyoti, anyway, I'll refer to your first question, what I just mentioned today. The other, that we would be looking at, yes, we are focused on resource activity, so the cost of deposits moving up a bit, but we have tweaked our advances also in a similar fashion. We did end up the quarter with a 4.19% net interest margin, but going for the rest of the half year, going forward, we are anticipating, we believe, we did give a guidance of 4%, but we believe today that at 4.10% plus/minus 5 basis is something that we will be able to defend for the next half year.

Moderator: Our next question comes from the line of Deepak J, an Individual Investor.

Deepak J.: Hello, am I audible?

Salee S. Nair: Yes.

Deepak J.: Congratulations for the Q2 results, it is one of the greatest results in our history, again, we proved bank's ability to generate the return. So, I'm coming to my questions. So, my first question is how much percentage is the floating loan in our loan book?

Salee S. Nair: Floating loan in our loan book would be something like 95%. And the floating loan book has 2 components which is repo-linked loan and an MCLR linked loan. 52% of that is repo-linked, 43% that will be MCLR-linked. And we have approximately about 130-odd treasury-linked loan and the balance would be will be fixed rate because part of it is staff loan and part of it is loan against deposits.

Deepak J.: And my second question is, the bank is facing current dispute in small portion of the ownership. That case is affecting the banks giving any bonus or split or any equity increase further or that will not be affected if you decided to give bonus or split further in the near future or anywhere in the future, sir?

Salee S. Nair: I think we have given a bonus us earlier. The only challenge before us at that point of time that we gave a bonus to certain disputed categories of shares as well. So, we never look at the color of the disputed category shares, the bonus was issued, for example, if it was under ED's attachment, we actually gave bonus shares to ED. So, I don't think that is going to come in the way of a split of shares or in any manner.

But having said that, I think we would like to look at that, I hope you know that the show cause notice one, case has been, the Appellate Tribunal has come out with the order on the 9th of July. And if you check into our Slide number 42, we have given a disclosure on that, that now we have filed an application before the RBI to regularize the transfer of shares. And the same is under consideration.

So, going by what RBI says, we will, obviously regulator, whatever the regulator says, we will be 100% compliant of that. And that is also true for whatever the call that they take on these shares, we will abide by that. And we are awaiting the RBI's response.

Deepak J.: Sure, sir. Thank you. And my another question is, what is the insurance commission income for the bank in this quarter?

Salee S. Nair: Insurance per se is about INR9 crores in the first half year. First half year, right? So, it comes to the lag always. So yes, that is where it is. Now having said that, I think this is something that we are zeroed in on to improve and you will see a substantial increase happening in this.

Deepak J.: Okay. So, my final question is in past, we have did very much technology CapEx. So, how is this yielding us now? What is the feedback? How / what is the output for now?

Salee S. Nair: Yes, yes. I think that's the numbers you are technology and the automation of the processes, is aimed at productivity increase. And it is that. That is the driving growth that you are seeing on the table.

Moderator: The next question comes from the line of Sarvesh Gupta with Maximal Capital.

Sarvesh Gupta: Congratulations on a very good set of numbers. So, sir, first question on the NIM side. So, basically, now you will have 2 opposing forces. One is because you are growing at 20% plus. So, you will have to go for more term deposits because CASA probably cannot grow beyond mid-teens. And then the mix would be changed unfavourably in terms of term deposit, which is what we have seen. So, deposit pricing overall will go up.

But at the same time, there are positives also, first of all your rate increase of 25 basis points and probably more going forward and then also because banks are flush with FCNR (B) deposits, and they may not be looking to increase the deposit rates quickly enough. So, given these 2

opposing forces, do you see a decline in your NIM going forward because you are talking about 4.1 which is, I think, already lower by 10 basis points compared to this quarter, which was lower by 10 basis points from previous quarter?

Salee S. Nair:

Yes. Whenever we talk of a number, right? And if you look at the behaviour of our numbers in the past against the guidance, the number is always minimum. I think we will start to benefit from whatever you have stated. One, we have stated that the term deposit rate, at least in the short-term, is not likely to move up given the FCNR (B) that we have. The tweaking that we've done in the portfolio has actually benefited us in the quarter 2 that will continue.

The other aspect is that when we had a bit of a surplus, the surplus, in turn, if you look at our balance sheet, we had about 20% a little over 20% in the investment portfolio that has moved up close to 22%. That extra 2% that we have entered in the investment into the investments, which carries a much lower the yield is somewhere around 7% as compared to about 10% plus, 10.3% of the advances.

So, it's a 3% kind of number, which is also the surplus has also cost us in terms of mix. So, when I said 4.10, I had actually said 4.4% in quarter 2 that there is a NIM that we maintained. Now I'm saying it will be 4.10%, it is always a minimum, and we only play on the plus the extra on that.

Sarvesh Gupta:

Okay. And secondly, sir, on the term deposits that we are raising, what is the mix of the stock as well as the amount that we have raised in terms of bulk deposits, which is coming at a higher rate versus let's say, usual retail term deposit?

Salee S. Nair:

Bulk deposit, do we have the number? What I do have the numbers straight away and which we have put in from a resource security perspective because bulk or otherwise, the rate of interest gets captured in the 5.85% that we did mention the cost of deposits. But from a resource security perspective, we are also looking more and more of the noncallable deposits, right? Today in the incremental term deposits, noncallable is 40.62%.

So, which means noncallable deposits even term deposits can be prepaid as per prepayment we will be obliged to give. From that perspective, it is volatile. CASA is really highly monetized, but even term deposit has runoff factor, but not callable by the very nature has no prepayment attached to it, which means it will be only prepaid on maturity. So, that share in the overall term deposit is going up. But on the bulk deposit. 19% is the total bulk deposit. In the overall term deposit.

Sarvesh Gupta:

And in this 7,570, how much is the bulk deposit raised?

Salee S. Nair:

As I mentioned, 19% of the total deposits. The total deposit of INR69,000 crores. In this, you have this, In 7570, what is the bulk deposit component? We will get back to you on that. Okay.

Sarvesh Gupta:

Okay. And sir, finally, one question on the gold loan, now because we have seen some softening of gold prices, so at the industry level from a risk mitigation point of view, are you seeing players trying to lower their LTVs to sort of safeguard their incremental book going forward? Because

if there is further of course, if there's further sort of softening in the prices, then the risk portfolio keeps increasing. So, at the industry level, how are you seeing people behaving in terms of LTVs?

Salee S. Nair:

Yes. I was just responding on the gold loans. I think this is something that the industry is worried. And certainly, we have been proactive on the TMB side. We have put in place systems that can track the LTV at the individual level on a daily basis. We have 12 lakhs plus customers. And at the individual level, if I say you can track, you can imagine the kind of systems we have put in place.

And the tracking is on the principal plus interest accrued up to date. So, that's the kind of tracking we do. And from that perspective, our portfolio LTV is 62.35% and our portfolio currently can tackle a price reduction almost close to 20%. So, that is the kind of a fairly resilient portfolio. But you are right in a way that the volatility in the gold prices, the comparative risk associated with the gold, the market is watching and it has breached USD4,000 an ounce yesterday and slightly come back today.

But obviously, the market would have to drop the per gram rate in line with the prices that are moving in the market in whatever whichever direction is moving, the prices will have to be appropriately tweaked in that direction. So, currently, the market is the prices are going down. I'm sure the industry will mark the prices per gram break down in tune with that.

We have already done that. I think we have already in the last few days, we have reduced it by much as INR800. So, this is something that we will, it is a dynamic thing that we, the point is to ensure that the gold loan portfolio is resilient, robust. And let me also tell you that on 30th of September, our gold loan portfolio at risk one day, it is just INR28 crores. It's 0.10%. I'm talking about SMA 1 and 2 together. SMA 0, 1, 2 and 3 together.

Moderator:

The next question comes from the line of Varun Dubey with Share India Securities.

Varun Dubey:

Just wanted to understand a few things, sir. I mean you explained about the gold loan prices impacting the world gold business. But what about the impact of drought because states like Karnataka and Andhra Pradesh, Maharashtra they have the drought, what sense are you making? And if any agro gold loan book will get impacted if you can throw some light on that?

Salee S. Nair:

Yes, I think the drought can have an impact. That's why I said that we have put in place a system to track gold loans on a daily basis. On an individual basis as well and on an account basis as well. And we have also, apart from that, the other asset resolution teams in our regions, there are 13 regions of us to take counteraction in case at any level, it goes the cushion gets reduced to 10%, which is the LTV, which is the principal plus interest, which is the LTV on the day, touches about 90% of the market value on that day, and margin calls.

We are also putting in place asset teams apart from the margin growth, even looking at what is the call center you're making? Agentic AI call center for margin calls. So, things are I think this is a portfolio that we are managing dynamically with the view that any price drop doesn't hit us

or hit us in any way, whether it is on the risk side or on the commodity risk side, it doesn't hit us. So, we are geared up for that.

Varun Dubey: Okay. But sir, it's not impacting the overall demand, right? In this drought condition?

Salee S. Nair: I didn't, I think continues to be resilient, the demand continues to be there.

Varun Dubey: Okay, sir. So, one more thing. Just wanted to understand, what would be the IRDAI insurance norms impact on the overall ROA? Have you made any assessment sir?

Salee S. Nair: Sorry, come again?

Varun Dubey: The IRDAI new norm, insurance norm impact on your overall PBT level or ROA. Have you done any assessment on this?

Salee S. Nair: No. Let me also tell you that this is an income stream that is being, is only picking up right? The first 6 months, our share from the insurance is just INR9 crores. Our commission that we earn from the distribution of insurance products is INR9 crores. So, what is going to be the IRDAI impact right now?

Management: We will have only 20% impact because we are not more dependent on that. 20% reduction is there, but our incremental business will take care of it. We are already growing at a...

Salee S. Nair: So, the impact is approximately 20%, which won't be more than made up of incremental business. And as it is, the number is fairly small at INR9 crores.

Moderator: The next question comes from the line of Parth Gutka with 360 ONE Capital.

Parth Gutka: So, sir, on the disputed share, you mentioned that you have made an application to the reserve bank and you're awaiting their response. Say, for example, the reserve bank replies positively. So, will that be the final verdict or will still have to go to other regulatory authorities to get their approval or get their clearances?

Salee S. Nair: Let me tell you on the show-cause notice itself. This order came out on the 9th of July, right? It has to be appealed against. You have a 60-day window, right? And in that 60-day window, if you have an issue with the order, it has to be appealed. The bank has not gone for an appeal. Let me also tell you that ED also has not gone for an appeal.

So, within the 60-day window, nobody has appealed so far. So, that's appeal time got over by the 9th, I think sometime mid of September. But again, with the high court intervention, you can go for an appeal, you have another 60 days to go for an appeal, right? so far, neither ED nor the bank have gone for an appeal. So, the case rest there, that means appellate order. No appeal withstands.

Now having said that, on the regularization, because this is a FEMA issue that is involved, the regularization is only and only with the Reserve Bank of India. And it may not be referred to

any other regulatory or nonregulatory or judicial agency. It rests only with the state, sorry, with the Reserve Bank of India.

Parth Gutka: Okay, okay. Fair enough, sir. And this...

Salee S. Nair: It has been with Reserve Bank of India, and they will take a call. And as I said, we will abide by that call.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to the management for the closing remarks. Thank you. And over to your team.

Salee S. Nair: Yes, thank you, and thanks for participation in this con call, the investors con call. And as I have said that this bank is in a transformation mode. We have brought in a lot of structural changes on data side, on the business process automation, on the IT side, all aimed at releasing the productivity into our system, and that's getting reflected in the numbers.

So, we have delivered numbers that are quarter-after-quarter better than the previous quarter and our own guidance. And we will continue to strive in investing in such productivity gains, as I said, what we have delivered in quarter 2 is the highest net profit that we have ever delivered, and it is also the highest growth in the last 18 years. As we are committed to as much as possible sustained efforts.

And like I said earlier, that our, it is not a 25% or 30% growth that we are looking at or a 20% growth or 15% growth even. What we are trying to do is to grow faster than the industry. This year, this quarter, we did that at 8%. The delta was 8% faster. And what we are looking on a sustainable long-term is 4% to 5%, we want to grow faster than the industry.

So, thank you very much for attending this call. And like I said, we are committed to a profitable bank. We are committed to a robust bank. We are committed to a bank that delivers on quality, both in terms of our advances are doing and also in terms of our own customer service. Thank you. Thank you very much.

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