"CSB Bank Limited
Q1 FY2027 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to CSB Bank Limited Earnings Call for Q1 FY2027 hosted by Yes Securities Limited. Please note 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. Please note that this conference is being recorded. With that, I hand over the call to Mr. Shivaji Thapliyal from Yes Securities. Thank you and over to you, Sir!

Shivaji Thapliyal: Thank you Swapnil. Good evening and a warm welcome to all those who have joined the call. The CSB Bank management will be represented by Mr. Pralay Mondal - Managing Director and CEO, Mr. B.K. Divakara - Executive Director and Mr. Satish Gundewar - Chief Financial Officer.

We specifically thank the management of CSB Bank for giving Yes Securities the opportunity to host their result call. The management will first be making some opening remarks, after which we will throw the floor open for questions. I now invite the management to make their opening remarks. Pralay, over to you!

Pralay Mondal: Thank you Shivaji and good evening and thank you for joining our Q1 FY2027 earnings call. To start with, on the economic scenario - the global economic conditions remain stable despite a surge in geopolitical risks in recent weeks. US rates have been stable with probability of rate hikes in this year reducing due to incoming data. India's annual retail inflation rate based on consumer price index, rose to an 18 month high of 4.38%, which is still a provisional number in June 2026. This increase was primarily driven by a rise in consumer food price index CPI, which climbed to 5.32%. This is largely due to supply side effects of increase in oil prices. Liquidity situation remains stable and is likely to remain so for the next quarter. Money market and G-Sec rates have softened for this quarter. However, recent escalation in Gulf war did spook the rates. CSB Bank's liquidity remains quite stable.

On the CSB specific results, key highlights on the profitability side - Net profit stood at Rs.150 Crores for Q1 FY2027, with a 27% Y-o-Y growth over Q1 FY2026. Operating profit of the bank grew by 14% on Y-o-Y basis and stood at Rs.251 Crores for Q1 FY2027. Net interest income grew by 26% to Rs.479 Crores. Other income degrew by 7%, over Q1 FY2026, mainly due to decline in treasury profit. Other income excluding treasury profit grew by 13% in Q1 FY2027. Cost-to-income ratio for Q1 FY2027 was marginally lower than Q1 FY2026 and stood at 64.55%. NIM for Q1 FY2027 stood at 3.66% against 3.54% for Q1 FY2026. ROA for the quarter ended June 30, 2026, stood at 1.09% against 1.03% in Q1 FY2026. Contingency provisions are held intact, and bank is continuing with the accelerated loan provisioning policy, which will aid the bank in transitioning towards the ECL framework.

On the liability side, our funding base continued to improve. Deposits recorded a strong Y-o-Y growth of 26%, significantly outpacing the industry growth rate of 13.4%. CASA ratio stands at 19.41%. To aid liquidity, we also availed both domestic and FCY borrowings based on cost considerations. On the liquidity side, we efficiently managed the liquidity risk. Average LCR for the quarter was 123%, and NSFR ratio was 126%.

On the asset side, the advances grew by 24% Y-o-Y as against industry growth of 18.6%. Yield on advances for Q1 FY2027 stood at 10.65%. On the asset quality metrics, the GNPA and NNPA ratios for the quarter stood at 1.75% and 0.39% respectively. PCR stands at 77.96% without PWO, almost 78%, which is high compared to what we used to have before. Bank is holding a provisioning buffer of around Rs.198 Crores, over and above regulatory requirements, including a contingency provision of around Rs.105 Crores. On the capital side, CRAR continues to be well above the regulatory requirement and stood at 19.96%. Tier-1 ratio stood at 18.96%. Our risk weights are at around 42% of the total exposure and we are very well capitalized given this low proportion. On the shareholder value creation - Book value per share stands at Rs.289 whereas EPS for Q1 FY2027 stood at Rs.35 as against Rs.27 for Q1 FY2026. ROE for the quarter improved from 10.9% in Q1 FY2026 to 12.71% in Q1 FY2027. On the distribution side, we have a network of 868 branches and 835 ATMs as on June 30, 2026.

In conclusion, I would like to say that the quarter witnessed healthy growth across our key business parameters, especially on Y-o-Y basis. We are a very seasonal bank and every year it is seen that Q1, Q2, Q3, Q4 operates differently for us and from that seasonality perspective, we have done well on Y-o-Y basis. Our deposits and advances grew by 26% and 24% year-on-year respectively, significantly outperforming the average industry growth trends. Importantly, in contrast to the broader industry patterns, deposit growth outpaced advances growth, resulting in a favourable improvement in our credit deposit ratio, which is now marginally below 90%. We further tapped the funding streams optimally, leading to a comfortable liquidity position and room for growth. With the comfortable liquidity buffers to support growth, I do not see liquidity as a risk for us in the near term. On the advances front, the corporate and gold portfolios continued to perform well. Amidst the market uncertainties, we remain measured in our approach towards the SME/BLG portfolio - as we call it and other unsecured retail book consistent with our size and risk appetite and will resume scale once the environment turns conducive. Our lending strategy continues to be guided by a balanced focus on profitability, asset quality and sustainable long-term growth. On the liability side, we are enhancing our sales capabilities, deepening our distribution reach and driving greater alignment across customer acquisition channels. These efforts are expected to drive stronger customer engagement, improve conversion rates, and further strengthen our ability to generate granular and sustainable deposit growth. From a profitability perspective, our operating performance remained resilient. Operating profit increased by 14%, while net profit registered a growth of 27% over the corresponding period last year.

Looking ahead, our objective is not merely to grow, but to grow efficiently by improving operating leverage, increasing employee productivity, deepening customer engagement, and accelerating the payback from our technology transformation initiatives. We remain firmly committed to delivering our SBS 2030 milestones in a progressive and disciplined manner quarter after quarter.

Just to end my initial comments, I would say that the entire technology transformation went extremely well and now we are going to leverage that. We are rolling out our retail liability acquisition channel, because now we can launch the products we want to. Even on the transaction banking side, say trade, supply chain or CMS – some systems are already in place and some will be in place in the next three to four months. We are looking at enhancing our transaction banking products and services. We will continue to leverage and build the franchise. Now the journey begins in the scale phase in true earnest in terms of scaling the bank with respect to new customer acquisition, a more balanced growth across segments and the franchise creation. With that, I hand over to you for questions. Thank you very much.

Moderator: Thank you so much, Sir. Ladies and gentlemen, we will now begin with the question-and-answer session. We will take our first question from Puneet Balani of Dolat Capital. Puneet, please go ahead with your question.

Puneet Balani: Firstly, on the gold portfolio which is now 54% - the way you reclassify the total portfolio and growth because post the new regulations, some peers have highlighted that they face some struggles with growth, so what are we thinking on that. Are we going to continue to grow gold or there are other sources of growth which we are eyeing? Accordingly, what is the growth guidance thereof? Secondly, our bulk deposit mix is over 52% of term deposits, and it is around 40% of total deposits, this is something which is inherently volatile and creates pressure on your funding cost also, which I believe is the reason for lower NIMs any comment on that? What is the target here because that is something I believe is causing a lot of pressure on margins, if I am not wrong.

Pralay Mondal: Thanks, Puneet, for your question. First of all, yes, gold is somewhere around 54% and we have continued to grow gold at a reasonable pace. Right now, there are two businesses which in terms of mix are the highest, one is gold and the other is wholesale- both have grown . To that extent, it has not been so challenging. Strategically, we want to ensure that we become a holistic bank, not just a gold loan bank, which has been the objective of our SBS 2030 vision. Eventually this 54% will have a glide path going towards somewhere around 30% by 2030, once other businesses start growing. On your question on regulation, on the repledger business, though we could have done it till first April this year- we had taken a call, around two to three quarters back that we will not renew these loans. That is why the portfolio came down from Rs.2100 Crores to around Rs.60 Crores now. It has gone down considerably and will run off by next quarter. That was not under gold loans, but under retail - which we call LAS. Primary reason for degrowth in the retail disbursements as well as retail portfolio is on account of the runoff of about Rs.2000 Crores portfolio on a small retail base. Overall, I think that directionally, we will continue to have gold loans somewhere around 50% this year and then gradually reduce over the next three to four years, closer towards 30%, primarily because of growth of other businesses going up. Otherwise, most of the regulations, we have implemented and there are both positives and challenges. Positives are on the renewal side and operationally this becomes a little easier. There are challenges in terms of end use monitoring where we have already put in many controls and are working on continuous improvement.

On your question on deposit mix, bulk is around 52% right now and retail is around 48%. That is the reason, that our cost of funds is slightly higher, but this is done towards utilising the advance growth opportunities. Eventually, the granular retail as a function of CASA franchise- we will start building from FY2028 onwards. We have launched our systems last year- Products are being built- Sales team is being put in place. It is kind of a high road, which we have to take towards building that franchise. Today, we have the levers to build that franchise, the teams to build that franchise. We cannot wait till then to build the asset side of the business or the balance sheet. That is why we are funding it at a slightly higher cost. Our cost of funds is somewhere around 6.5%. But as I said before, funding or liquidity is not a problem for us- our LCR is 123%. Taking it further up with this kind of cost of funds is inefficient for the bank. Why is it not volatile for us? Because when we do bulk, primarily we do non-callable with clear tenor in place so that it is well planned. We also have funding in the form of FCY Borrowings, CDs, Refinance etc apart from CASA, retail deposits and wholesale deposits. Given the small size of our balance sheet, managing this volatility and risk is not very difficult. Yes, cost of funds is slightly high because generally we focus on non-callable deposits.

Puneet Balani: Got it Sir. Firstly, the NIM decline is only because of the bulk deposit mix increase, right? Is that a fair assumption to make mostly?

Pralay Mondal: Yes. When I see the breakup of where my higher cost is, one is bulk deposit, one is FCY, and one is CDs. As and when the overall stabilization happens, bulk will reprice itself faster than the retail deposits. Given where we are, purely from a financial perspective, as and when the yield curve improves, CD rates will dip. If large quantum of FCNR B deposits comes to the country, liquidity will improve. When it improves, CD prices probably would show some softening. All that will help us both in bulk and CD costs in the near future. Long-term, we have no choice but to build retail deposits because that is the only way our franchise will build. Tactically, we are okay at this point, but strategically, we have to build retail deposits. While all the numbers I read out are looking good on year-on-year basis, but you may have questions quarter-on-quarter. The answer is that, some of the deposits, which we brought in at end of March 2026, did not have costs in Q4 but their cost spilled over to Q1. The reason for elevated costs is because of the flow-through which is happening. As we are talking, we are not seeing deposit prices elevating further but a marginal softening, which is happening and hopefully things will start getting better on the NIM side. The other reason is NIM to some extent gets impacted with the slippages and recoveries. For us, we had high slippages in last Q3. Q4, we had a lot of upgrades and recovery. Again, in Q1, there is a little bit of a slippage. That also slightly impacts the overall NIM. Last year also in the first quarter, I had said this is the worst case scenario. This year also, this NIM is the worst case scenario. We will only improve from here.

Puneet Balani: Got it. Just structurally on the mix, because you are saying the products are in place and it will take time, say, the mix decline should be visible maybe from next year onwards, or how should we see that trajectory going forward for the mix?

Pralay Mondal: This year we will see gold coming to somewhere around 50%.

Puneet Balani: I was referring to the deposit mix. The bulk deposit.

Pralay Mondal: Deposits - that is going to take a little time because building of our retail franchise will take some time. We have just launched the products. First, we have to get CASA and then the retail deposits. You will start seeing that. The plan is that CASA will grow as much as the deposits only from FY2028 onwards. FY2029 onwards, CASA will grow higher than term deposits, and hence, that is the time we will see improvement in CASA ratio. This year, we will be lucky if we continue to hold the same CASA ratio, because if we grow deposits at least by 25% and our CASA also will have to grow by 25% to maintain the CASA ratio. We have to see if we can do it or not. We are trying. We are putting our sales machinery in place. If we do a good job, I think our CASA ratio will remain the same.

Puneet Balani: Right. On the yield front, your yield on gold loan has declined. Also, on the BLG book, the yield has declined what is the reason for that, just on a QoQ basis. Is this something just a seasonality thing or maybe there is something else to it?

Pralay Mondal: On gold loan, yield has not really declined too much. It has come down from 12% to 11.85%. There is no specific reason because we did not decrease the gold yields it could be just a mix of some products, businesses, etc.

On the SME or BLG side, it went down from 9.81% to 9.25%. One of the reasons for this is in SME, given the environment , our size and geography we operate, we are just being little more cautious and careful, because who knows whether tariff is coming back again or not, who knows what is happening to the share prices or what challenges await the supply chain etc. That is why on the credit appraisals, we have raised the bar on the SME side a little bit right now. This can change again once the disruption subsides, but at least for this year we have decided we will be careful on SME. We had some slippages in SME this quarter, which we know will come back. We will have a similar last year story, where some slippage happened in Q3 and it got upgraded again in Q4. We expect a similar trend this year also and these accounts will get upgraded either in Q2 or Q3. We are fairly confident of that. Given that, there has been some impact on the yields on SME which is a function of both - incremental businesses getting booked at slightly lower yield and impact of some slippages, which is of a transient in nature. The yields should get better next quarter.

Moderator: Thank you, Puneet. We will take our next question now from Parag Jariwala of White Oak. Parag, please go ahead.

Parag Jariwala: My first question is I got the explanation, which you have given to the previous question about the yield and margins. If I just look at the quarter-on-quarter movement in the loan portfolio, your gold, SME and retail has been declining, and I got a detailed reply of Rs.2000 Crores, which you have given there, but even if I look at gold and SME, they have grown at around 2% put together and most of the growth has come in from the corporate side, which is around 6% quarter-on-quarter. Pralay, what I want to ask you is that, since we are bulk deposit dependent to an extent, ideally, we have borrowed in wholesale and given a corporate loan. Would not this kind of create a pressure on the margins and if yes, we can give up this kind of a business and maintain the profitability - what is your thought process there? That is the first question I have.

Second is on the asset quality how should we think about slippages and upgradations. It has been quite volatile because in first quarter last year we saw around Rs.140 Crores slippage. Then we kind of recovered a bit in second quarter. In third quarter we saw slippage of around Rs.200 Crores. We recovered a bit in fourth quarter. This quarter also, as you mentioned, there are some slippages on the SME side. The reason I am asking - this is not stabilizing and remains quite volatile and difficult to predict or gauge what is happening there. If you can give some comfort on that side, that would also be helpful. These are my two questions. Thank you.

Pralay Mondal: Absolutely, Parag. Thank you. Your question is whether we can fund a wholesale asset book with wholesale funding? The answer to that is, as long as we can keep the NIM within our guidance, which is around 3.75% - we can. We can go little lower or little higher at times. But for the whole year, our NIM guidance is around 3.75%. Our ROA guidance is around 1.3%-1.5%. Now I know we are lower than that this quarter, but we will make it up because the same thing we did last year as well. That is how trajectory of the bank is for the last few years. We are now creating a wholesale franchise, and we are not doing tactical business there. The way the teams have been built, the way the structures have been built-in terms of large corporates, commercial banking/mid corporates, financial markets; we are diversifying the risk. FIPS book has come down to around one third of the WSB portfolio. At one point of time, it was 70% of the portfolio. All that we are doing is towards distributing the risk and building the future franchise on the corporate side. Very clear targets have been given to Manish Modi, who is our Head of Wholesale - that eventually he has to deliver both ROA as well as RAROC. RAROC by itself does not mean everything. A combination of ROA and RAROC will help us in building good quality franchise and that can only happen with transaction banking. If you look at it, the amount of investments, both in terms of people and in terms of technology, which we are putting in transaction banking, is primarily to derive this ROA and RAROC from the wholesale banking relationship. In last year growth, there has been significant contribution on the liability side from wholesale team as well.

That is one thing. The cost of funds is almost in line with retail cost of funds. That is the first indication that we are building not just opportunistic asset book but building a franchise, with liability, with non-funded business etc which has also grown well. When you are starting to build a transaction banking franchise, products and capability, then we are building a proper wholesale franchise, and there are investments to be made. In retail, we have to make investments in manpower, operating cost and all that. In wholesale, we have to make investment in terms of little compressed NIM for that franchise for some time, as long as they are able to deliver ROA in the long term. That is the thought process behind building the wholesale book. We will be able to manage this till the time our gold mix is somewhere between 45% to 50% or so. We have calibrated it in our mind very clearly. As and when the gold mix starts coming below 45%, then each of these businesses has to stand on their own feet. We will start demanding the ROA from each of these respective business and that kind of time is given to every business to build their franchise. On the guidance, so far, I do not see a risk to our guidance on the NIM on a full year basis of around 3.75% and ROA of 1.3% to 1.5%. As long as we can do that, then we can build a franchise on the wholesale side and eventually build a franchise on the retail side for which the systems are now in place. Huge investments have gone into technology in the last, one or two years, and now we have to fructify and leverage that investment into building a franchise leading to a better ROA in future. We are on the right path. We got delayed on the technology for some time. Now we are firmly on track.

On the second question on asset quality fluctuations. - this quarter we had a slippage of around Rs.98 Crs. Last quarter was around Rs.60 Crs. The Q1 slippage is much lower than what it was in Q3, so that is the point you are making, that how do we make it out? This is not happening in wholesale, by the way. This to some extent is happening in BLG or SME where the portfolio is small and that is the reason we have turned cautious in BLG due to the environment we are dealing with. The good part is a lot of this is not moving into eventual losses because of the securities we have . The fluctuation is because we had few slippages in Q3 and we had upgrades of around Rs.85 Crores in Q4. Again, I am saying whatever slippages we have seen in BLG this quarter, some fair bit of this will come back in Q2 and some part will come back in Q3 because these are not bad businesses. These are well collateralized and are going through a bad cycle because of various issues in the ecosystem. In Q2 and Q3, we will see things have changed again. Yes, there has been a little bit of volatility, which is happening, primarily because of the environmental challenges. Maybe in the markets we are seeing there is a cash flow issue or supply chain issue or some demand issues for the customers. Hence, we are doing what we have to do. Eventually, these are not going into losses.

Parag Jariwala: Just one question, if I can chip in. This quarter we are somewhere near to 1% kind of an ROA. This 1.3% to 1.5%, should we consider that as more normalized in the long term, which can be achieved in 2028-2029 or you think in 2027 also you would be able to achieve

Pralay Mondal: In 2027 itself we will touch 1.3%. If you look at last year's trajectory, there was a similar trend. There is no reason for me to believe that we cannot do it this year, because I think we are better placed this year with a more balanced kind of a franchise with more cylinders firing. I do not see too much into this quarter's ROA because last year ROA in Q1 was even lower than this.

Moderator: Parag, do you have any more questions?

Parag Jariwala: No, I am done. Thank you.

Moderator: Okay. Thank you. We will take our next question from Saumil Shah of Paras Investments.

Saumil Shah: I wanted to know why other income has gone down considerably in this quarter.

Pralay Mondal: Other income has always been a strong point for us. There are three reasons. Last year, we had a substantial treasury gain in Q1, where as this Q1 we have almost negligible treasury gains. We had Rs.53 Crores of net treasury profit in Q1last year, as against Rs.12 Crores this Q1 with Rs 3 Crs of trading profit. Second is that on insurance, because of various noise in the system, etc with RBI itself looking into customer complaints more objectively, we took a step back on our insurance and put a lot of things in place. Further, in CPGRAMS, five out of nine times, we topped the list in efficient complaint management. We are proactively taking these actions so that we are not on the wrong sides of mis selling and compliance. Our Board is firmly focused on that. We have put several stricter measures and because of that, we actually did lesser insurance business than what we did last year same quarter. That is only a corrective measure. Now it will start picking up, because now things have stabilised. We took fairly tough measures to ensure that there are no probable mis-selling cases in the branches.

The third reason is, if you look at the disbursement numbers in retail, disbursements have significantly come down which is primarily in LAS - against gold. In normal gold business also, disbursements have come down quarter-on-quarter significantly. With disbursements going down, processing fee comes down. We are implementing a lot of regulatory and other changes in the gold loan business like end-use monitoring etc, and any such transition takes a little time. It will pick up again from next quarter onwards. This quarter we have been very cautious and careful. That is why the disbursements have been little low on gold and gold-related retail products.

These are the three reasons of lower other income share of 15% of overall income- dip in processing fee, insurance fee and treasury profit- which happens naturally based on cycles; Most of it will come back because at some point of time treasury will also make money. In core fees also, we will make some money on insurance because Q2 onwards we will see the insurance pick up and uptick in gold disbursements also. Between all these three, I think fee income for the full year - we will try to come back to our guidance of around 16-17%.

Saumil Shah: On the treasury, sir, why there was so much of fluctuation? Last Q1 you said net Rs.53 Crores, and now Rs.3 Crores of trading profit.

Pralay Mondal: Because this year we did not book any profits. It is a question of whether we want to make profits when yields have gone down marginally, or you want to keep it for future - it is a call which we have to take. We took a little conservative call and decided to wait because we have a much larger AFS book than the HTM book at this point of time. We put a lot of money in the AFS, and we have the ability to book that profit as and when situation stabilizes. If it happens this year, fine. If it does not happen this year, the bank will look at it next year. No point making small profits and feeling good about it. Last year we had an opportunity to make large profit, and then we banked on that and booked it. That is a kind of call which we took.

Saumil Shah: Okay. On the ROA front, if I am not wrong, earlier calls, we were saying that we should be closer to 1.5% ROA for FY2027. Now I think I heard to the previous participant you said around 1.3%. Are we revising our guidance or?

Pralay Mondal: No. Parag was asking me with the current ROA at 1.09%, whether we will take it to 1.3%. That is what I was responding. Our internal target for ROA of 1.5%; but I am saying that we will not go below 1.3% for this year. It was a different response to a different question.

Saumil Shah: Okay. From here to reach 1.5% ROA for a full year basis, by Q4, we need to exceed 1.5%, then only the average comes.

Pralay Mondal: I said we will be between 1.3% to 1.5%.

Saumil Shah: Sir, just one question on our promoter entity, if I may ask. Our promoter entity, Fairfax, has been emerged as a frontrunner for IDBI Bank stake sale. Just wanted to know, what is the management thought process on this? Will we be running as an independent bank? Or if you could give some sense on this, what happens to CSB Bank post this acquisition?

Pralay Mondal: This is something which Fairfax has to answer. CSB has never got into any conversation, negotiation or discussion on this point. Having said that, I have asked this question to Fairfax and they have said, "Please continue your business as usual. Nothing changes for you." We will continue to do what we are doing as usual. For example, when doing the tech transformation, we asked them that IDBI is Infosys, so should we take Infosys or Oracle? Finally, we took Oracle. Fairfax has left the decision to the management to decide how to run the bank. We are not on the deal street. We are business guys, so we know how to run business and we have been told to run business. That is all I know.

Saumil Shah: Okay. Thanks for your detailed answers. That is it from my side. Thank you, and all the best.

Moderator: Thank you, Saumil. We have Vibhor Talreja of Nest Amplifier.

Vibhor Talreja: Hi, Pralay. Hope all well. Congratulations for completing six years.

Pralay Mondal: Thank you.

Vibhor Talreja: Pralay, look, the question is not based on quarter, but more on a long-term. The idea was some of us have invested behind you when you joined Catholic Syrian Bank, but at the end of six years, when I see there has been a growth on the gold loan side, and there it is partly due to the significant increase in gold loan prices. Whether it is the retail assets or retail liabilities, nothing much really happened in a larger six years' time period, at least in line with the expectations or the initial guidance. I hear you that you wanted to first build the retail liabilities, even though the wholesale book continues to grow, the retail assets did not grow. Even now, at least the feel I am getting is that this is going to be a very slow grind, while we have invested in technology over the last 2 years, which got a bit delayed. If you can, I am sure as management, we have been at it, and every time we speak, there is a massive clarity of how we are doing things. It would be good to understand, where the focus has been and what changes. As a shareholder, it has been a fairly longer period and not much is visible except the continued good growth in gold loan, along with good asset quality, and so on and so forth. Beyond that, from numbers output, it is not visible. I am sure a lot more has gone into it, would like to understand from you, how should we think about it?

Pralay Mondal: Thanks, Vibhor for your question. It is a very important and strategic question, let me try to respond suitably. Let me take a step back and articulate what we said. When we looked at the whole thing, we created a vision of SBS 2030. We clearly defined the period and said that we will sustain what is good in the bank. On the business side, one of the things which was very good is understanding of the gold loan business. We have continued to sustain that. For just doing gold loan you need an NBFC and you do not need a bank and we set out to build a bank. Next stage, once you have stabilized and sustained the bank, is to build the bank. When we were building the bank, we decided that we will have 5 pillars: governance, human capital, technology, customer service, and compliance. You have to look at these five pillars and how we have fared on them - On governance, we have done extremely well. On compliance, we have done extremely well. On human capital, we have done extremely well in terms of the quality of leadership across all verticals. The culture which we have built, which is a part of the pillar, we have done extremely well. Technology is delayed because of some specific reason, which I have discussed one-on-one with various large investors. It got delayed because some decisions got delayed, however, eventually, when it was decided, we did it at a breakneck speed with 50 plus surround systems within the CBS, with transaction banking, ServiceNow etc.

We have to understand that bank did not have much of a technology platform, data centres etc. Everything available was for a very small niche kind of an organization. We had to break and rebuild everything. Banks do take time to build a long-term franchise. I know how to do retail assets business and we did not want to do it in an NBFC model.

Given that, look at the execution part. Once we got approval to go ahead with the technology part - we implemented it in the quickest time possible. We said that scale phase will start from FY2027 to FY2030. Except for the technology which got delayed by around two-and-a-half years which was a decision point and not an execution point - almost everything else we achieved the way we had given guidance to the markets. While we are here, let us not also miss the point that, almost every year we have delivered. Sometimes you deliver as a franchise, sometimes you deliver tactically. What you are saying is absolutely correct, that so far we have played a tactical game to build a long-term franchise. The whole strategy play has remained over the listing, and it is only going to strengthen in the next three, four years, and you will see results. The tactical play is that if we cannot fund this, because we are a listed bank, I cannot say that, "Wait, give me three years, I will build it, and then we will do it." Every quarter I have to perform, and one quarter if ROA goes down by 10 basis points, 20 basis points, rightfully, I will be questioned. Given that, I have to ensure we manage cost, NIM and other parameters. In between, funding challenges came because we are not a great CASA franchise. We have navigated all that in difficult periods, and almost every quarter, every year, we have delivered a reasonable profit and reasonable growth on the balance sheet side. We focus more on balance sheet growth. I had no reason to say that we get somebody like Manish and his team and build a wholesale franchise, if we are not building a long-term good quality bank. That is the reason.

Retail - I have done retail all my life. I know too well when to press the pedal, because if you press the pedal too fast, you will meet with an accident, especially in an environment like this. I chose not to go to DSA, not to go to partnerships, not to create digital partnerships and all this, because in the end, this can lead to challenges if it is not completely owned and managed by us. We are doing the traditional way, that build the machine first, then build the customers, build the franchise, then cross-sell, then build retail, because then it becomes a sustainable compounding growth story. We still have FY2027, FY2028, FY2029, FY2030 and I have always said that last three to four years are most critical. Because on a larger base, we will show the growth. What we did, how we did it on a smaller base will not be relevant. I think we are firmly on track on the execution story. Yes, only one place we fell short, which is taking the decision on the technology, which got delayed by two-and-a-half years. Other than that, we have executed everything. While every quarter we cannot deliver, but every year we have reasonably delivered on the top line, and most of the key ratios have been sustained within reasonable guidance. That is all I can say. Rest we have to wait and watch how the execution happens.

Moderator: Thank you so much, Vibhor. We have our next question coming in from Jeevananth Manivasagam. He is an individual investor. I think he is no longer raising his hand. We will go with Piyush Singh of CT Family.

Piyush Singh: My question was in the lines that, I think a couple of quarters back, I think you have already answered on return ratios, but we still stick to our Lakshman Rekha 15% of ROE that we have mentioned a lot of times last year.

Pralay Mondal: Thank you Piyush. Broadly, last year we started with 10% ROE and we ended somewhere around 14%. This year we have started with around 12%. The ROE trajectory will now move up. We would like to see ourselves ending the year slightly better than last year where we ended up at 14.14%. This year, we will try to touch the Lakshman Rekha, if we can execute it right.

Moderator: Thank you, Piyush. We have our previous individual investor, Jeevananth Manivasagam. Jeevananth, would you like to go ahead and ask your question now?

J Manivasagam: Good evening, Sir. May I know the reason why there is a drastic fall in disbursement this quarter? Is there a conscious call or anything specific, sir?

Pralay Mondal: This I explained in the beginning. I will just quickly repeat it. Disbursement has gone up in wholesale. Disbursement has remained similar in our SME business. Only two businesses where disbursement has gone down, and both are linked to gold. In retail, where disbursement has gone down primarily is something called loan against securities product, where the collateral is gold. This is the repledger business, which RBI has advised discontinuing effectively from 1st of April, FY2027. Because this guidance was given some time back, we had started a reduction in this business, and hence that is showing up now in this quarter. That portfolio, which used to be Rs 2,100 Crores plus has now become Rs.60 Crores. Effectively it will get zeroised. That is how the retail disbursement has gone down.

The reason the gold disbursement has gone down is that there are two, three reasons. One is that there are a lot of regulatory implementations we had to do this quarter. To give you one or two examples – like how end-use monitoring is done? How is it documented? There are lot of inputs and guidance which came, and we are busy implementing those on the ground and some of these things take time. Now we are ready with it more or less, so things are going to smoothen out a little bit more. That is one of the reasons. The second reason also is, obviously, when gold loan prices do not go up anymore and it starts coming down, some of the top-ups or some of the customers, what they do is they close the loan and take a higher loan, and that is taken as a disbursement. For example, it is never possible that if you look at last quarter, our gold loan book was somewhere around Rs.21,000 Crores, and disbursement was around Rs.16,000 Crores last quarter. Now Rs.16,000 Crores of disbursement cannot lead to a book of Rs.21,000 Crores. Obviously, a lot of those renewals or top-ups happens with a slightly higher value, and hence they close and open those loans again with a slightly higher value, but when the price starts coming down, they do not have motivation to do that. That is why they are not shown as a disbursement. That does not mean that the portfolio is coming down. It is just that the portfolio remains where it is. If the price had gone up, then what you would have done is suppose you had Rs.100 of gold loan, you would have taken out that gold loan and booked it at Rs.120, and Rs.120 would have been shown as the disbursement. Right now that 100 will remain as portfolio in the system. That is another technical reason why this has happened. As gold price starts going up, you will see disbursements going up again. Disbursements going up do not necessarily build the portfolio. It only takes the value up by the incremental quantity of the disbursement. Processing fee is on the total disbursement, and when customer is getting a higher loan, he does not mind paying a processing fee on the whole amount. That is one of the reasons why I said our processing fee has been a little down this quarter, primarily because of this disbursement on the gold loan and insurance and treasury income. These are transient, and I am very confident that through the year, things will start getting better on this- on regulatory implementation, execution capability, and hopefully on the cycle as well.

Moderator: Jeevananth, do you have any follow-up question?

J Manivasagam: Yes, sir, I have one more question. Right now, our share of unsecured loan in the overall AUM is around 2%. Is there any plan to increase it further, sir?

Pralay Mondal: Right now, bank's unsecured retail share to overall bank's book is only 2%. This includes personal loan, credit cards, and other unsecured loans. We obviously understand that yields are much higher in unsecured business than in secured business. Right now, we are managing risk because we are starting to work on our liability franchise, customer additions, etc. The day we have that franchise in place, then we will go all out on our unsecured business. That is at least a year away. Given that, we will still remain little risk-averse, and also, I do not think the cycle is fully over on the unsecured side of the business. Especially, we are hearing challenges on jobs, some of the sectors having issues because of the AI and other things, etc. A lot of the people who takes these personal loans and unsecured loans and all these are in some of these sectors. A player who is already firmly placed in that segment will continue to do well, but no point entering a zone which is little bit challenging at this point of time, especially because our liability franchise is still growing. Given that, we have said that unsecured business is something we will start focusing on only from FY2028 onwards, not in FY2027.

J Manivasagam: Thank you, sir. That is all from my side. Thank you.

Moderator: Thank you so much. We will take a follow-up question right now from Puneet Balani of Dolat. Puneet, would you like to go ahead?

Puneet Balani: In corporate and gold loans, a growth guidance of 20 plus % is intact. What would that be? Second thing, how much have we done in ECLGS? Sanctions and disbursements?

Pralay Mondal: On your first question, because there is a voice issue, I could not fully understand, let me guess the question. Right now, wholesale business is somewhere around 26% or so of the book. We want to take it to around 32% by FY2030, and gold loan, which is somewhere around 54%, will also reach the similar level by FY2030. Wholesale and gold loan will be similar in FY2030.

Puneet Balani: My question was, sir, on the growth guidance. Is it 25% plus, or what are we targeting this year?

Pralay Mondal: On the growth guidance - wholesale will continue to grow the way it is growing at this point of time, which is somewhere between 35% to 40%. Gold, I think we should be growing around 30% to 35%, somewhere in that range. The question here is that how do we come to a 50% mix from a 54% mix if we do not grow the other businesses? That is something we have to solve. We are working on it.

Puneet Balani: Got it. ECLGS, how much disbursements have been done this year?

Pralay Mondal: ECLGS, we have done around Rs.60 Crores. If customers are coming and asking for it, we are reviewing it, and we are doing it.

Puneet Balani: Got it. Sir, gold loan LTVs are at 75% versus other banks are below 65% or so when I compare the peers like Karur or City Union. What is the reason here, sir? Is there anything specific you could attribute to that?

Pralay Mondal: Yes. Our Agri book is slightly higher and on Agri book you can go up to 85%. Agri has one more advantage, that you have PSLC income against it. That is why we have been doing this business for many years. We navigated a very challenging period when LTV was brought down from 90% to 75%, I think somewhere in FY 22. We are pretty confident of our ability how to navigate this, even in a crisis situation. We did not lose much money then also. We know the process, our people have the experience to do it, etc, and now we have only improved from there. However as per Board guidance, now we are going to gradually bring down the Agri portfolio. Automatically, as the mix changes, LTV will change because our non-Agri gold portfolio LTV is somewhere between 50% to 55% right now. If it is 75%, we are still lesser than what the regulatory framework is. Further, we have just launched a product - income generating product, which is more targeted towards people who are going to take loans and use it for earning, which is like a kind of a pseudo-SME kind of a business. Those products we are launching now because we have the systems now to do it. Given that, I think gradually, we will have a glide path of the Agri gold loan coming down. Once it comes down, naturally, as a mix, without changing any LTV in Agri or normal, it will start coming down, over a period of time. That is the real reason and we are already working on it.

Puneet Balani: Got it, sir. Thank you.

Moderator: Thank you so much, Puneet. Ladies and gentlemen, that was the last question for today. On behalf of CSB Bank Limited, that concludes today's conference call. Thank you everyone for joining us and you can now click on the leave icon to exit the meeting.

Pralay Mondal: Thank you very much, for joining the call, and look forward to seeing you again next quarter. Thank you very much.

Moderator: Thank you, everyone.