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To,

Listing Department **BSE Limited** **Phiroze Jeejeebhoy Towers,** **Dalal Street, Mumbai – 400001**	**Listing & Compliance Department** **National Stock Exchange of India Limited** **Exchange Plaza, 5th Floor** **Plot No. C/1, "G" Block** **Bandra- Kurla Complex** **Bandra(E), Mumbai- 400051**
BSE Scrip Code: 544020	**NSE Symbol: ESAFSFB**

Dear Sir/ Madam,

Sub: Transcript of the Earnings Conference Call on Financial Results of the Bank for the Quarter and Half Year Ended on September 30, 2026

We would like to inform that the Transcript of the Earnings Conference Call in connection with the Unaudited Standalone Financial Results of ESAF Small Finance Bank Limited ("Bank") for the quarter and half year ended September 30, 2026, held on **October 29, 2026** at **04:00** (IST) is attached herewith. The above-mentioned transcript is also available on the website of the Bank at https://www.esaf.bank.in/investor-relation/?id=presentation-and-concall-transcript.

This is for your information and appropriate dissemination.

Thanking you

Yours Faithfully,

For ESAF Small Finance Bank Limited

Ranjith Raj P

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Ranjith Raj P
Date: 2026.11.04
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Ranjith Raj. P
Company Secretary and Compliance Officer

ESAF Small Finance Bank Limited
Q2 FY 27 Earnings Conference Call
October 29, 2026

MANAGEMENT: **DR. K. PAUL THOMAS – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – ESAF SMALL FINANCE BANK LIMITED**
MR. GEORGE K. JOHN – EXECUTIVE DIRECTOR – ESAF SMALL FINANCE BANK LIMITED
MR. GIREESH C.P. – EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER – ESAF SMALL FINANCE BANK LIMITED

Moderator: Ladies and gentlemen, good day and welcome to ESAF Small Finance Bank Q2 FY 27 Earning Conference Call.

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 '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Dr. K. Paul Thomas, Managing Director and Chief Executive Officer. Thank you, and over to you, sir.

K. Paul Thomas: Thank you and good afternoon, everyone. We welcome you to the Q2 FY27 Earnings Call of ESAF Small Finance Bank. Joining me today are my colleagues, Mr. George K. John - Executive Director, and Mr. Gireesh CP - EVP and CFO.

I would like to begin by highlighting a significant achievement for the Bank this week, the successful implementation of ESAF 2.0, our flagship digital and IT transformation program, StratoNeXt. This marks an important milestone in ESAF Small Finance Bank's transformation journey and reflects our commitment to building a future-ready, technology-enabled Bank.

The successful implementation has strengthened our technology backbone and established a more scalable and resilient platform for the Bank's future growth. Overtime, we expect this investment to enhance operational efficiency, productivity, automation, and customer experience, while strengthening risk management and control mechanisms. StratoNeXt is a key enabler of our broader structural transformation strategy, supporting portfolio diversification, business scalability, and the strategic expansion of our banking network. We believe this modern technology foundation will position the Bank to pursue its long-term growth ambitions more effectively over the coming decades.

I would like to place on record my sincere appreciation for our employees, especially our Executive Director, Mr. George K. John, who oversaw this strategic transformation program, and our technology partners for their commitment, collaboration, and collective efforts in successfully delivering this complex program. I would also like to thank our customers for their continued trust and support throughout the migration. This is an important milestone for ESAF, providing a strong technological foundation to support our next phase of transformation and sustainable growth.

Our transformation journey continues with the MARG portfolio as the key anchor supported with a renewed focus on the Emerging Household Loan category. While Emerging Household portfolios have more than doubled as compared to last year, the MARG portfolio has maintained its steady growth rate every quarter. The growth is not dependent on any individual segment, but is broad-based with all the constituent segments of MARG and EH, showing strong growth both on Y-o-Y and quarter-on-quarter basis. The MARG portfolio continues to maintain lower delinquencies, but complementing it with the EH portfolio comprising of customers with an established repayment track record and growing income profiles has helped us in further

improving our asset quality. Our financial performance has improved significantly and continued its positive trend on the back of our strategic transformation and focus on operating efficiency.

Our objective is to build a well-diversified retail franchise with Secured Lending, Emerging Households, Microfinance and Deposits complementing each other. This will be further supported with continued investments in technology and innovation to deepen customer engagement and provide best-in-class facilities to customers. We will continue to build on the strength of our network, majorly present in the rural and semi-urban areas, to provide a wider range of banking products and financial solutions to customers. All our strategies have been built with a clear focus on creating a stable, diversified and resilient asset base that is supported by disciplined execution, investment in technology, prudent risk management, strong governance and operational efficiency.

At the same time, the Bank has established itself as a front-runner in integrating environmental and social stewardship into its core business operations. Through a wide range of purpose-driven initiatives and strategic projects, the Bank actively promotes sustainability and social well-being across the communities. As a result, our CARE ESG rating has improved from 75.4 to 77.6. The Bank has been rated higher than the industry in all three aspects of environmental, social and governance, thus reflecting our continued progress towards responsible and sustainable growth.

On the macro front, the Indian economy appears to be resilient. Though the RBI raised its FY27 GDP growth forecast to 7.1% in the latest MPC meeting, it also increased the repo rate by 25 basis points with a shift to calibrated tightening as inflationary pressures persist. We remain cautious and watchful for the increased volatility in global energy prices and the persisting El Nino conditions. These events have not had any material impact on our business or operating performance as of now.

So, the overall performance in H1 FY27 in terms of total business growth, secured portfolio diversification and improved financial parameters gives us confidence that we are moving in the right direction with regards to people, technology, systems, asset quality and risk management for our next phase of growth.

I now invite our Executive Director - Mr. George K. John, to take you through the next segment.

George K. John: Thank you, Paul sir, and good afternoon, everyone. During the quarter, improvement across key parameters continued sequentially, including improved profitability and asset quality metrics, supported by moderation in slippages and better operating efficiency.

As of September 30, 2026, our total business stood at Rs. 52,400 crores, registering a healthy year-on-year growth of 25% compared to Rs. 42,031 crores of last year. During the same period, gross advance grew by 25%, while deposits increased by 24%, reflecting balanced growth across both sides of the balance sheet. If we add IBPC transactions done during the quarter, our total business stands at Rs. 53,450 crores.

Total deposit grew by 24%. Retail deposit remained strong at 89% of total deposits, while CASA stood at 23.3%. Our liquidity coverage ratio stood at 141.48% as of September 30, 2026, indicating a comfortable liquidity position. Our liability strategy remained centered on granular retail deposits, and we have strategically deepened customer relationships for improving the quality of our funding base. As a result, our retail deposits have crossed a milestone of Rs. 25,000 crores this quarter to reach Rs. 25,475 crores.

Total gross advance grew by 25% Y-o-Y. Secured loan book grew faster at 35% Y-o-Y, whereas the unsecured loan book consisting of microfinance business grew by 15% Y-o-Y. Secured business now stands at 64% of the total gross advances. An improvement in portfolio mix towards secured assets and an improved collection efficiency is driving improvement in asset quality.

The secured book is driven largely by the MARG portfolio as it represents our strategy to increase secured retail lending. In Q2 FY27, at Rs. 13,938 crores, the MARG portfolio has grown by 38% Y-o-Y and constitutes 58% of the total portfolio. This quarter, a major constituent of MARG, i.e. the Gold Loan portfolio, crossed Rs. 10,000 crores in gross advance to reach Rs. 10,456 crores. Portfolio quality is good and remains stable with GNPA at 0.1%. We saw strong growth in all other constituencies also, driven by effective execution and tailored offerings. Agri, Gold, Mortgage and Retail continued their strong performance with Y-o-Y growth of 66%, 39%, 39% and 34% respectively.

As mentioned in the last quarter, our new focus on Emerging Household segments is reaping good dividends. This segment has grown 134% Y-o-Y and 5% quarter-on-quarter, while contributing 32% of total gross advances. This segment has been broadly classified into Individual, Enterprise and FIG that is Farmers Interest Group. While FIG has remained stable, the Individual and Enterprise portfolio is evolving rapidly with strong Y-o-Y and sequential growth. Also, Emerging Household loans consist of disbursements to customers who are typically Individuals and Small Entrepreneurs, progressing beyond traditional microfinance and who have a good repayment history. Hence, the portfolio quality is good and significantly improves the Bank's overall asset quality.

Microfinance loans portfolio comprising of Group Loans has degrown by 65% Y-o-Y. But the decline in this portfolio is in line with our strategic direction. Rather than forfeiting customer relations, we are progressing eligible borrowers to individual and secured lending relationships under the Emerging Household portfolio. We are adopting a calibrated approach to our microfinance portfolio and are comfortable with our current portfolio size, as we aim to preserve, yield and reduce volatility.

During the quarter, we added 10 new Banking Outlets and now our distribution footprint stands at a total of 831 Banking Outlets, 722 ATMs, 1060 Customer Service Centers, and 31 Institutional Business Correspondents across 24 States and 2 Union Territories, enabling deep customer reach and connect.

We have already mentioned over the last couple of calls about ESAF 2.0 StratoNeXt project, which is our key strategic digital and IT transformation program. I am pleased to share that ESAF Small Finance Bank successfully went live with StratoNeXt project on 26th October 2026, marking a major milestone in our technology transformation journey. The implementation involved migrating to Oracle FLEXCUBE as our core banking system, alongside the deployment of upgraded business applications and a modernized technology infrastructure. Following Go-Live, our focus is on stabilizing operations, ensuring transaction accuracy, strengthening system performance, and supporting employees and customers through their transactions. Our team are working closely with technology partners to monitor operations and address emerging issues on priority.

From a strategic perspective, StratoNeXt is much more than a core banking migration. It represents a foundational investment in the Bank's future operating model. The new technology environment is designed to support greater scalability, improved automation, stronger operating controls, and enhanced digital capabilities. It will also support our ongoing business transformation, including portfolio diversification, the expansion of secured lending, improved productivity, and the strategic growth of our banking network. While the benefits will be realized progressively as the platform stabilizes and business processes are further optimized, we believe this investment provides an important technology foundation for the Bank's sustainable growth over the coming decades. We remain committed to building a stronger, more resilient, and future-ready ESAF Small Finance Bank.

As we move into the second half of FY27, we will continue to further strengthen our secured lending franchisees through MARG and grow the Emerging Household segment, maintaining a fine balance between growth and asset quality. Also, our investment under ESAF 2.0 will enhance business growth, productivity, and customer experience, thus creating a stronger foundation for the future. The improvements in asset quality and profitability that we are witnessing now reflect the structural changes we undertook over the last 2 years, and this transformation is continuous. With disciplined execution, proven risk management, and custom-centric innovation, we aim to deliver continued improvement in our business performance in the coming years.

I will now invite our EVP and CFO - Mr. Gireesh C. P., to take us through the financial performance.

Gireesh C. P.: Thank you, sir. Good afternoon, everyone. I thank all the participants for taking time for joining us on this Earnings Call. Let me give you an overview of our financial performance highlights for Q2 FY27.

As of Q2 FY27, total deposits stood at Rs. 28,466 crores, growing 24% compared to Rs. 22,894 crores last year, with a healthy CD ratio of 82%. Retail deposits increased to Rs. 25,475 crores, registering a growth of 15% Y-o-Y, which now constitutes 89% of the total deposits. Our retail deposits reflect a stable and granular deposit base, which we will continue to build further. Additionally, we are also seeing good traction on our non-resident deposit base, witnessing

steady sequential growth for the last 5 quarters. CASA deposits grew at a slower pace than term deposits to Rs. 6,645 crores in Q2 FY27, registering a 10% Y-o-Y growth, with the CASA ratio standing at 23.3%. We are formulating various measures for prioritizing quality CASA acquisitions and focusing more on NTB, NR, and TASC relationships to achieve the targeted CASA level by end of the year.

Gross advances increased to Rs. 23,934 crores from Rs. 19,137 crores a year ago, registering a growth of 25% Y-o-Y. Our strategic priority of diversifying the loan book remains on track. The secured portfolio stood at Rs. 15,377 crores with a growth of 32% Y-o-Y, whereas the unsecured portfolio stood at Rs. 8,557 crores with a growth of 15% Y-o-Y, aligned with our strategy.

Healthy asset growth, moderated NPA levels, strategic product mix, and appropriate pricing strategy translated into strong revenue momentum, with total interest income reaching Rs. 1,175 crores and the net interest income increasing by 73% Y-o-Y to Rs. 643 crores. Other income for the quarter also grew by 47% Y-o-Y, thanks to increased business volumes.

Yield on advances continue to be in a comfortable zone and cost of funds remained largely stable in Q2 FY27, leading to net interest margin at 8.2%. The funding cost is expected to marginally go up in Q3 but have enough cushion to absorb in the current NIM levels. Lower slippages, primarily on unsecured, will continue to support margins, but any further upward changes in policy rates may lead to higher interest expenses affecting the NIMs.

Pre-provisioning operating profit for the quarter of Rs. 362 crores is up 289% Y-o-Y. The improvement in PPOP is expected to remain stable in H2 also. Operating expenses in Q2 FY27 increased by 2% Q-o-Q, largely due to other OPEX, which grew by 4%, whereas employee expenses remained flat.

Cost-to-income ratio stood at 58% as compared to 82% in Q2 last year. We will continue to focus on further improving operating efficiency and optimize overhead costs for the remaining year as well. The operating expenses are within comfort level and have remained range-bound sequentially. Considering the incremental OPEX towards technology and branch network build-up on planned lines, we aim to maintain cost-to-income ratio of around 60% for the year.

Normalization of asset quality issues in the MFI sector and the change in portfolio mix has led to improvement in asset quality and lower slippage. As compared to Q2 FY26, the gross NPA for Q2 FY27 declined significantly to 2.8% from 8.5% and net NPA declined to 0.3% from 3.8%, while slippages reduced sharply to Rs. 87 crores from Rs. 342 crores on a Y-o-Y basis. Total technical write-off for the quarter was Rs. 626 crores, probably the last lot from the legacy NPA.

With slippages well under control, credit cost on annualized basis has reduced to 2.6%. We estimate the same to remain in the range of 2% for the full year. Our gross slippage ratio for Q2 FY27 on an annualized basis stands reduced to 1.6% and is expected to have the same trend in the remaining fiscal year. Q2 FY27 PAT has been doubled sequentially to reach Rs. 160 crores

from Rs. 80 crores in the previous quarter. ROA and ROE are reaching normalized levels and stood at 1.5% and 26.5% respectively on an annualized basis. We are taking steps to optimize capital consumption and have seen CRAR improvement by 20 basis points to 24.1% as of September 26.

As business volumes grow and operating leverage from our distribution network flows in, further improvements in the return ratios are expected going forward. We believe that a strong H1 will support H2 as well through a diversified asset book, disciplined underwriting, and improved operational efficiency enabling net income growth, optimized cost ratios, favorable NIMs, and NPA movement. However, we remain vigilant on the global tensions, revised monetary stance by RBI, supply chain disruptions amid geopolitical tensions, and the recent weather-related issues. Our continued focus on profitable growth, disciplined risk management, operational excellence, and customer-centric innovation will be further boosted with the successful implementation of our new technology platform. The investments made over the past 2 years have created a strong foundation for a resilient balance sheet and profitable growth going forward.

Thank you very much. And now, the floor is open for Q&A session.

Moderator: Thank you. We will now begin the question-and-answer session. The first question comes from the line of Amit Mehendale from Robo Capital. Please go ahead.

Amit Mehendale: Thank you. Sir, my first question is on this quarter our loan book has grown 3% sequentially, like quarter-on-quarter 3%, but the NII growth is about 10%. So can you please explain the reason for higher NII growth?

Gireesh C. P.: It is on the asset mix as well as, last year there were NPAs on which the interest income could not be recognized. So managing NPA has released the income recognition in full levels.

Amit Mehendale: Right. So was it also part of, because there was an NPA write-off, so there was an interest component that, was there any release in that line item, provision release or any interest release?

Gireesh C. P.: No, as far as the technical write-off is concerned, that is principle versus provision, which is already taken P&L hit. There is absolutely no component for the income reversal on that.

Amit Mehendale: Right, sir. And this quarter, continuing the quarter-on-quarter growth, as the growth is slightly moderate at 3%, so do you still expect, say, 20% type of growth, next year, like FY28?

K. Paul Thomas: This quarter's growth was moderated because, as we mentioned, we were focusing on migration. So that took some attention of the team. So that is why the growth was a little moderated. But by FY28, we expect that the earlier growth projection will continue. But on a Y-o-Y basis, we have grown 25%.

Amit Mehendale: Right, sir. And on the other income, how much is the insurance income, either quarterly or for last year? Is there any impact? Do you see any impact of the insurance, the revised guidelines on the profitability of the P&L? Can you quantify the impact?

Gireesh C. P.: Yes, for the current quarter, the insurance contribution is Rs. 25 crores. And the draft guideline only is now released. And we all have given our suggestions on the new proposals, which was given by IRDA on the draft proposal. Let us see the final proposal and take the complete impact on that. In case, the drastic reduction comes in, then all arrangements will be made for increasing the other income portfolio.

Amit Mehendale: Right, sir. What was the insurance income for last year, like FY26 full year?

Gireesh C. P.: Rs. 124 crores for the full year.

Amit Mehendale: And the last question is, in the earlier calls, there was a discussion that any capital raise, effectively, future capital raise will happen closer to the valuation multiples of IPO. So, are we still maintaining that? Given the IPO, valuation was closer to maybe 1.4-1.5x book. Are we still maintaining that expectation?

Gireesh C. P.: Bank has taken a decision to infuse capital to the extent of Rs. 1,000 crores or so. But on the valuation front, we are yet to take a call on that.

Amit Mehendale: Sorry, sir. I couldn't hear that properly. Can you repeat? What was the first part of the answer?

K. Paul Thomas: As of now, we have a capital adequacy ratio of 24%. So, there is no urgent need for capital raise. But, however, we are open for a strategic capital infusion. We are exploring those options. We have raised Tier-2 also. So, valuation aspect will come closer to the discussions only.

Amit Mehendale: Right. So, maybe next 2 quarters, no equity capital raise, is that fair to say? Till March end, it may not happen?

Gireesh C. P.: As of now, we have not taken any concrete decisions for capital infusion. But that doesn't mean that we will not raise capital during this current year.

Amit Mehendale: Right. And on the credit cost, could you provide some guidance for FY28?

Gireesh C. P.: Credit cost as of now is 2.6% annualized for the current quarter. But around 2% is what is expected for the full year, as things stand today. Next year, again, all the backlogs have already been cleared. We hope that 1.5% will be a good guess.

Amit Mehendale: Thank you. That is it from my end. Thank you very much.

K. Paul Thomas: Thank you, Amit.

Moderator: Thank you. The next question comes from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

Deepak Poddar: Thank you very much, sir, for this opportunity and many congratulations for a good set of numbers. Sir, just wanted to understand first up on the ROA front. Earlier, we were looking at ROA of 2% by year end. Now, we have achieved in this quarter itself. So, how should one look at your ROA for entire year, FY27 and FY28?

Gireesh C. P.: We have given the guidance of ROA 2%, quarterly ROA by the year end. But as things stand today, our guidance changes to ROA of 2% for the full year.

Deepak Poddar: So, you are saying 2% ROA for FY27 entire year, right?

Gireesh C. P.: Yes.

Deepak Poddar: Understood. And what about next year, FY28?

Gireesh C. P.: We will give a guidance next quarter.

Deepak Poddar: Understood. And geographically, can you throw some more light? Is there any pocket or micro markets where you are finding any kind of issue? Just some flavor on the market side. So, that would be very helpful?

K. Paul Thomas: Generally, we are not finding any major issues in any of the markets we operate. But in Maharashtra, Karnataka, some of these markets, the drought situation is affecting a little bit. The SLBC and the government is issuing some guidance on that. So, we are very cautiously watching those developments. Otherwise, across our markets are performing on the same level.

Deepak Poddar: Because Maharashtra and Karnataka together forms around 16%, right, 15%-16% of our portfolio. So, there, the payment or X-bucket collection efficiency is 99% plus, how is the scenario there?

Gireesh C. P.: Maharashtra, the portfolio is performing well.

K. Paul Thomas: As of now, it has not impacted much on the collections. But we expect if the situation continues for the whole of the year, it may have an impact.

Deepak Poddar: Currently, it is performing well. But if the situation persists, then we might see some issue, right?

K. Paul Thomas: Yes.

Deepak Poddar: Understood. And in terms of cost to income, did we say that this year we are looking at 60% kind of a cost to income?

Gireesh C. P.: Yes. That is the guidance which we have given. So, 58% is the current level. We expect that it may be around 60%.

Deepak Poddar: So, why are you expecting cost to increase?

Gireesh C. P.: Because, as we were explaining, the StratoNeXt expenditure capitalization will happen now. So, for the next half year, there will be some additional expenditures on account of that.

Deepak Poddar: So, that digital transformation, ESAF 2.0?

Gireesh C. P.: Yes.

Deepak Poddar: So, how much was spent on that? What was the amount we spent on that transformation?

Gireesh C. P.: That number, we will give you later. But the capitalization will have to happen now. Because we went live only on this Monday.

Deepak Poddar: So, I was just trying to understand now, because the cost will increase, but you are still maintaining that your ROA will still be at 2%. So, what are the factors that you can cite which will kind of offset this increase in cost? NIMs, you are maintaining the NIMs and cost will increase. So, what will help us maintain that 2% ROA for this year, for the second half?

Gireesh C. P.: If you see the PPOP, it is on a steady state basis now. And the slippages are very much under control. And the provisioning, almost it is done. The leftover NPA is only to the extent of Rs. 80 crores. So, on the provisioning front, we will get the cushion.

Deepak Poddar: So, credit cost will kind of help you, right? To kind of offset the cost increase and help you maintain that 2% ROA?

Gireesh C. P.: Yes.

Deepak Poddar: That is very helpful, sir. I would like to wish you all the best. Thank you.

K. Paul Thomas: Thank you, Deepak. Thank you.

Moderator: Thank you. The next question comes from the line of Raj Shah from Fident Asset Management. Please go ahead.

Raj Shah: Hi. Thank you for the opportunity and congratulations on a great set of numbers. I wanted to understand in the Gold Loan portfolio, there is some rise in SMA-0 and SMA-1. What is the reason? Was it because of the temporary drop in gold prices that caused this? And how do you see this flowing down to the further buckets going forward?

Gireesh C. P.: Yes, there is a spike in SMA-0 and SMA-1. This is primarily because of the gold price fluctuation in the market. Some of the customers who require some more time for, rolling over the loans, etc., and that is the reason.

Raj Shah: Understood. So, but you don't expect any major flow through to downward buckets going forward, right from these, majority will eventually get recovered?

Gireesh C. P.: Yes, definitely, it will get recovered. And the price level, some kind of stabilization has come after the fluctuation, which was rampant during the September and the beginning of October.

Raj Shah: So, out of this Rs. 1,080 crores of SMA-0 and around Rs. 250 crores of SMA-1 in MARG, how much is Gold?

Gireesh C. P.: Gold is somewhere around Rs. 990 crores in SMA-0 and Rs. 200 crores in SMA-1.

Raj Shah: Understood. And secondly, you said that you are expecting on 2% credit cost for the full year. So, incrementally for the next 2 quarters, credit cost optically looks very low, I think close to around Rs. 40-Rs. 50 crores. So, is that understanding correct?

Gireesh C. P.: Yes, definitely. Because, all the backlog provisioning has already been done with. And, the SMA which is mounting, mainly it is on Gold Loan and therefore, 100% recovery is expected out of the slippage, if at all anything happens.

Raj Shah: Understood. And lastly, in terms of new products, are we looking at any new products going forward in the secured segment, in two-wheeler or any other such kind of product?

K. Paul Thomas: We are already in the secured segment. We have already introduced many products in the mobility and mortgage segment. So, with the new technology platform, we are planning to accelerate all the products because we have onboarded many new LOS that will help us to accelerate the growth in the retail business, the secured loan business.

Raj Shah: Understood. Thank you so much.

K. Paul Thomas: Thank you.

Moderator: Thank you. The next question comes from the line of Amit Mehendale from Robo Capital. Please go ahead.

Amit Mehendale: So, I just wanted to clarify from the earlier participant. Out of the Rs. 1,085 crores of SMA-0, gold is Rs. 900 odd crores, right? And what is the balance portion there?

Gireesh C. P.: Balance is spread across the other portfolios. There is no other concentration in any other portfolio. It is spread across all other portfolios, which is quite normal.

Amit Mehendale: On the gold portfolio, what is the LTV for that gold portfolio, average LTV for the entire book of Rs. 900 crores?

Gireesh C. P.: As of now, it is around 76%.

Amit Mehendale: 76% as of now or as at the time of lending?

Gireesh C. P.: As of now.

Amit Mehendale: Right, sir. And those are bullet products or those are monthly products for repayment?

Gireesh C. P.: Mostly, it is bullet only.

Amit Mehendale: And because, on the earlier discussion on the drought, there is also RBI forbearance. Also, recently some SBLC guidance was also issued. So, I think you can use either of that for restructuring, if there is any delinquency there, right? Is my understanding correct?

Gireesh C. P.: Yes. Restructuring is permitted, but we don't foresee any kind of major restructuring requirement in our portfolio.

Amit Mehendale: Right. And will you be able to restructure gold portfolio as well on the crop forbearance?

Gireesh C. P.: Generally, no. Because, gold loan, which is not given as a crop loan.

Amit Mehendale: Right. That is it from my end. Thank you.

K. Paul Thomas: Thank you.

Moderator: The next question comes from the line of Diwakar Rana from Prudent Equity. Please go ahead.

Diwakar Rana: Hello. Sir, my question is, what proportion of the MARG and especially Emerging Household customers are migrated from MFI borrowers?

K. Paul Thomas: There are small percentages of migrated customers, but not all. Because the MARG portfolio consists of MSME, Agri, Retail and Gold. So, there will be graduated MFI customers, but majority will be outside of the MFI customer base.

Diwakar Rana: Outside new customer base, right, sir?

K. Paul Thomas: Yes. Correct.

Diwakar Rana: And sir, there is a fresh NPA addition from Rs. 74 crores to Rs. 87 crores. So, what was the reason? What are the key drivers of this slippages?

Gireesh C. P.: In that one corporate portfolio also was there to the extent of Rs. 7 crores. Otherwise, it is normalized at that range.

Diwakar Rana: And sir, I need some more clarification on the SMA that is equal to Rs. 1,085 Cr. So, what was the reason you said on the Gold front?

Gireesh C. P.: See on the Gold, the price fluctuation was rampant during this quarter, especially in September and October beginning. The price drop was there and now it is getting a little bit stabilized. So, we hope that the SMA portfolio will get cleared once the price stability on the Gold price comes in the market.

Diwakar Rana: So, do you expect anything to slip into NPAs from this?

Gireesh C. P.: We don't expect any kind of slippages in the Gold Loan book because generally, when the price stability comes, this will get cleared.

Diwakar Rana: Because we are seeing, a lot of big players have shown increasing NPA in the Gold portfolio.

Gireesh C. P.: Our advantage is that, still we have got only 76% LTV and we are very conservative in fixing per gram gold rate for the purpose of lending. We don't generally give any top-up loans. Some of the players are giving top-up loans also on the Gold loan, which is a risky affair, which we have not resorted.

Diwakar Rana: And sir, how much of the Q2 other income came from PSLC sales and other non-recurring items?

Gireesh C. P.: Rs. 64 Cr.

Diwakar Rana: And sir, given the high concentration of deposits in Kerala, what is the plan to diversify the funding base across geographies?

K. Paul Thomas: See, our branch network is well diversified. We have presence in 26 states. And so all those locations, especially in North, East and West, have started performing because deposit is also a function of trust and how long you are in the market, you operate in that market. So, we are now in these markets for many years. So, over a period of time, we will be able to bring down the concentration in Kerala.

Diwakar Rana: So, sir, have you seen any impact of Middle Eastern war in your deposits? Maybe in remittance that we have from Middle East in Southern part of India?

Gireesh C. P.: Absolutely no. In fact, the NRI deposit has already increased by 17% Y-o-Y. And we don't have credit exposure to the NRIs. And therefore, on that side also, there is absolutely no problem.

Diwakar Rana: Thank you.

Moderator: Thank you. Ladies and gentlemen, as there are no further questions today, we have reached the end of question-and-answer session. I now hand the conference over to management for closing comments. Over to you.

K. Paul Thomas: So, we believe we have taken the right strategic steps, and the improved performance validates the same. We will continue with the same dedication and hopefully supported by a positive macro environment we can expect to see continued growth. Thank you all for the participation, investors and analysts for taking the time out for this conference call today. In case you have any follow-up questions or enquiries, you can always reach out to our Investor Relations team. Thank you very much.

Moderator: Thank you. On behalf of Elara Securities and ESAF Small Finance Bank, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.