



JSFB/SEC/2026-27/101

29th October 2026

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai 400001,
Maharashtra

National Stock Exchange of India Ltd.
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex,
Bandra (East), Mumbai 400051,
Maharashtra.

Dear Sir/ Madam,

Subject: Transcript of earnings conference call for the quarter ended 30th September 2026

Ref: Regulations 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

In continuation to our earlier intimation regarding the earnings conference call with the investors/ analysts meet for the quarter ended 30th September 2026.

Please find enclosed the transcript for the Q2 & HY1 of FY26 earnings conference call conducted after the meeting of Board of Directors held on 23rd October 2026.

Thanking you

Yours faithfully,

For Jana Small Finance Bank Limited

LAKSHMI RAJA
NARAYANAMURTHY
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Lakshmi R. N

Digitally signed by LAKSHMI
RAJA NARAYANAMURTHY
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Company Secretary and Compliance Officer

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“Jana Small Finance Bank Limited
Q2 & H1 FY27 Earnings Conference Call”
October 23, 2026



MANAGEMENT: **MR. AJAY KANWAL – MANAGING DIRECTOR AND
CHIEF EXECUTIVE OFFICER**
**MR. K. S. RAMAN – EXECUTIVE DIRECTOR AND HEAD
– RETAIL FINANCIAL SERVICES**
MR. ABHILASH SANDUR – CHIEF FINANCIAL OFFICER

MODERATOR: **MR. GAURAV PUROHIT – SYSTEMATIX GROUP**

Moderator:

Ladies and gentlemen, good day, and welcome to the Q2 & H1 FY27 Earnings Call of Jana Small Finance Bank hosted by Systematix Group. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touch-tone phone.

I now hand the conference call over to Mr. Gaurav Purohit from Systematix Group. Thank you, and over to you, sir.

Gaurav Purohit:

Thank you, Iqra. Good afternoon, everyone, and welcome to Jana Small Finance Bank's Q2 & H1 FY27 Earnings Call. On behalf of Systematix Group, I would like to thank the Jana management team for giving us the opportunity to host this call. We are pleased to have with us today the bank's senior management team led by Mr. Ajay Kanwal, Managing Director and CEO; Mr. K. S. Raman, Executive Director; Mr. Abhilash Sandur, Chief Financial Officer; along with other members of the senior management team.

With that, I would like to hand over the call to Ajay sir for his opening remarks, following which we will open the floor for questions. Over to you, sir.

Ajay Kanwal:

Thank you so much, and good evening to everyone. As always, we will refer to the investor deck, which you have loaded on, and we will talk through a few specific slides, and then we would welcome Q&A, rather questions from all of you.

Let's move to Slide number 3. In Slide number 3, there are a very important few points to note. Q2 has been the highest ever PBT we had in our history. Having seen our Q2 performance, which now if you add the Q1, it reaches INR326 crores, which is equal to the PAT of last year of INR326 crores. Hence, we would like to take our guidance up, which was originally increase of 80% in PAT to 100% of PAT. So we should double our PAT this year versus last year.

A few of the key drivers which are getting us there. First is our net interest margins at 7.54% for Q2 up from 6.5% last Q2. And one of the contributors to this net interest margin improvement, other than the various components which have gone into build the asset book, we've obviously seen a growth of MFI, which was a negative growth till last year. That has helped improve the NIMs. And of course, cost of funds is down from 7.9% to 7.4%. So a good combination of slightly better mix on the loan side and drop in cost of funds.

I'm very glad to report that our best ever PBT is accompanied by growth in secured assets, which has seen a secular improvement year-on-year, and now we stand at 73.7%. For folks who are joining this call the first time, we have several times said that our intention is to be around 80% of secured assets, and that we consider as a good answer.

I must say, while secured assets, improvement in NIMs, our operating costs has seen a 15% year-on-year increase. On the right side, you can see a graph which explains that how the jaws is widening, which is cost run rate is much lower than the revenue run rate. And that has become very healthy this quarter because the net interest income is up 35%, cost up 15%.

So, you've got a positive jaws of 20%. But very importantly, absolute cost in Q2 is lower than Q1, marginally so, but yet we have been able to arrest cost. I can also tell you with great certainty that the likelihood of cost remaining muted and us getting more operating leverage for our business is a fairly highly likely expectation that you should have. So cost under control, NIMs are getting better, secured assets are growing.

Finally, we should talk about how the quality of the book is, which is in terms of portfolio health. Gross NPA is down to 2.17%. Our net NPA is up at 1.08%. We normally do extra provision to drop net NPA below 1%. But this time, we have chosen to wait because we have lodged our claims for the guarantee program, which is about INR68 crores. That will comfortably get us below 1% moment the claims are realized.

So rather than provision now and then work around the whole accounting system next quarter again once this claim comes, we have chosen that we will go to 1.08%. And then once the claim is received, which we already lodged, I think we will anyway come below 1%. So all-in-all, a very, very healthy quarter. But importantly, when it comes to cost, when it comes to NPA, when it comes to NIMs, it is signalling that we're going to have a very good year.

I will now move to the next page, Page number 4. I've already mentioned the gross NPA and how that has moderated. I want to draw your attention on this page to the chart below, which is on the SMA and slippages. So in quarter 1, we had a marginal increase in SMA growth. It led to a slight increase in slippages, and we had two one-offs one is a secured loan, which has gone into NPA where we have collateral, which covers it and a small impact in the MFI book of drought, both in Assam, Maharashtra and Karnataka, which impacted 0.3% of slippages.

Given that Q2 SMA has dropped over Q1, you should naturally expect that slippages will be lower in Q3. Secondly, with these one-offs not being there, it will certainly be lower than Q2. So that's something that I did want to give you a heads up on how the book is looking and what we expect. And what it translates in terms of credit cost, I would probably ask you to wait for Page number 6, but let me first cover Page 5, and this is an important page.

Yes. Good evening again, folks. So I'm on Page number 5, very important page. You can see our total unsecured book gross NPA is INR673 crores. The provisions we have against is INR377 crores, leaving uncovered book of INR296 crores. But this INR296 crores is completely under the guarantee program. In fact, the guarantee program is at INR319 crores, of which I had mentioned earlier that we have already lodged INR68 crores as claims and the balance INR251 crores, we would lodge next year in Q3 again.

So from a variety of perspectives, I think one is, obviously, the collection efficiencies have gone up and has been at 99%, which we will talk of when we go to the asset page. More importantly, the old slippages for which we have been paying guarantee commission over the last, I would say, we began in November '24, so it's nearly 18 to 20 months, we have been paying this commission. We are finally seeing some result of that. And that we will see this year and the following year. So I think that's an important one.

The other piece I want the investors to note is we had said that all the new disbursements, we will continue putting under the guarantee program. The CGFMU program is right now not open for fresh guarantees to be added to it. The scheme is going through an approval process. But what we have done is we expect that to get reopened soon.

We have assumed that will be open. We have taken the 1% that is required to put it in the program, and we've already accrued for it. So, our results today that you see of INR170 crores of profit already has an accrual, which is waiting to be used once the CGFMU program opens up.

Our guidance of 100% growth in PAT also assumes that we will get our entire portfolio even in the next half under the CGFMU and CGTMSE programs. Having said that, I did want to give you the factual picture, which is right now, the CGFMU portal is not open for the fresh ones. And once it opens, we will do the entire thing. But P&L-wise, we already accounted for it, and there will be no change or impact other than what you have already seen in our numbers in terms of PAT and our guidance for the second half.

I should move to Page number 6. Here, you can see the clear expectation from our end is we'll be under 2% this financial year in terms of credit cost. If you add up the first half, it is 0.43% and 0.49%. That comes out to a 0.92% for the first half. We do expect second half, which is quarter 3 starting, slippages to get lower. So I would expect that our second half credit cost will be lower than the first half. Overall, certainly below 2%. I think that was the most important point here.

I will now move on to Page number 8, and this does discuss a few things about our advances. So first is our growth, which is 22% year-on-year at INR38,752 crores. Secured obviously growing faster at 24%. Our disbursements in the second quarter, which is INR4,414 crores is 7% higher year-on-year and 5% quarter-on-quarter. We don't normally add up the NBFC disbursements because they're lumpy and any quarter can look a little bit odd because of it, and we have been doing that for some time.

I want to talk a bit about the MFI book because I think that's been a key part of how things have turned around so dramatically for us. Other than the 99% collections, you can see that on the next page, MFI book is not growing too fast. And in an MFI market where we can see that the number of players are lower, there is less capital and liquidity for many players who are very active, normally would expect an MFI book growth to be very strong.

But given that there have been enough and more customers who have not so good histories in the credit bureau, the MFI growth is a bit more subdued. The good news is also that our criteria is slightly tighter, and I have given a simple variable here. 97% of all my customers have less than or equal to two MFIs versus 93% for the industry.

Our collection efficiency already met. And this time, I must add that our 99% collection efficiency is not just on the Jana collections, but all our BCs. And our BC book has been one of the problems in the past, but I'm glad to report that they are also in the 99% bucket with us.

Our gold loan had a slow quarter. Our Q1 was very strong, Q2 was flattish. The primary reason here is that our big growth came in January '26 to March '26. And a big chunk of about 65% to 70% of these loans were 6-month loans. So they all came up for renewals and interest servicing in Q2 this year. And with the drop in gold price, many of the folks had to pay their margins and serve their interest components, etcetera.

So it's been a slow quarter growth because the entire chain has been working hard on making sure that there is a very smooth transition given the change in gold prices, etcetera. We really have seen customers respond very responsibly. But of course, there is timing and work, which is why I think a lot of the salespeople have been busy getting this addressed. We should resume good growth starting Q3 again.

I did want to talk about vehicle loans because our vehicle loans, which were primarily 2-wheelers in the past, now include 2-wheelers and used cars. 2-wheelers are now offered in 135 cities and used cars in 50 cities. I did want to mention it because the vehicle loans have a 76% year-on-year growth. It will maintain very robust growth, not for any change in credit criteria or any aggression on our side.

We just are available in so many geographies. If we just expand geographies, the growth will sustain. How many geographies are we present in for our affordable housing micro LAP? We're in about 220-odd cities. That's the number of cities that 2-wheelers and used cars can get up to. We normally give you a bar graph explaining which state concentration there is. And we think that it has been so consistent for so long that we don't give you half a page of that information. So we've just added a line here, which says the top seven state concentration is at 67% with the top three at 37%.

So that's a bit of preamble on our asset business. I would now like you to turn to Page number 9. And here is where our biggest asset book today in secured assets i.e. affordable housing. It is growing at 28.2% year-on-year with an average ticket size of INR11.9 lakhs. Micro LAP, we have slowed down. We intend to pick it up, but slowly and surely is our effort. That is on micro LAP.

MSME, I'd signalled earlier, is going to be one of our fastest growth engines. It has a 20.6% growth year-on-year. I would expect it to grow strongly and robustly. NBFC is 0.7%. Given that we'll have enough and more assets growing at our end, we are not really expecting to grow the NBFC term loans in any significant way.

Vehicle loans, we already spoke of 76%. Gold loans year-on-year, 81%, though, of course, quarter has been tepid at 0.3%. Others typically is employee loans and FD/ODs, nothing consequential from a P&L perspective, but we did have one large FD/OD closure, which is why it is showing a quarter-on-quarter slight drop.

Unsecured advances year-on-year is 17% growth, but the quarterly growth is at negative 0.3%, like I said, that given that we are tight on the credit criteria and there is a huge population, which is possibly unable to borrow, we are not seeing aggressive growth here, which is absolutely fine by us because we do want to have only good growth. So we'll keep trying to grow, but not

diminishing our criteria and ensuring that whatever we grow, we put them in the guarantee program.

I would now take your attention to Slide number 11. Slide 11 is an important slide because this is where we kind of draw our strength as a competitive moat, where the entire sales force of the bank is focused on doing multiple relationship with customers. This page specifically for our investors who are seeing it first time is on the housing loan and micro LAP book, where our average active relationship is four.

And you can see a good disbursal of where all these relationships lie, primarily from preapproved business loans. You can see how gold loan penetration is improving, though I think there's a lot more room there. Our 2-wheeler penetration is still low at 1.1%. And of course, our TD penetration, which was at 21% is at 19%, but still very healthy. So this is primary reason why we expect customers to use Jana as a preferred bank. And this is where we do expect operating leverage to really play a role with us.

I'll swiftly move to Page number 13, which is the liability page. Year-on-year CASA growth is 13%, TD is 17.5%. We have work to do on CASA, and we are committing that you will see a very different CASA growth in the second half. We have been a bit more focused on the TD in the first half. Our total liability book is now at INR38,221 crores.

Irrespective of the TD and CASA growth rate, our cost of funds remained stable at 7.4% both in Q1 and Q2 and is down from Q2 last year of 7.9% and it's got a very healthy mix of noncallable, bulk and retail. And we've always maintained this that our contractual bookings is never short term, so 96.1% of deposits are 1 year and above.

So I just want to tell everyone that, yes, we have very strong plans to grow CASA. It hasn't picked up to our expectation in the first half, but we are very comfortable both on liquidity and though the interest rates don't look very simplistic, interest rates are slightly harder in Q2 than Q1. But we do want to do our best to make sure that cost of funds remain where they are at this point of time.

I will now move on to the financial slide, and I'll ask Abhilash to take you through some key financial slides so that you get a good flavour on some of our ratios.

Abhilash Sandur:

So, I'm now in Slide number 16, which is explaining the numbers for half year period. Like Ajay mentioned earlier, the quarter has been the highest ever PBT quarter for us. Half year profit is equal to last year full year profits of INR326 crores. Our ROA has improved to 1.4%. Our ROE is currently close to 14%. Book value per share is at INR455 per share.

And our opex, while quarter-on-quarter has been flat, if I look at H1 against H1, that's around 15% - 16% growth in opex. That's how we have been managed to have a PPOP growth of almost 27% year-on-year. And then we have continued to be comfortable in capital adequacy with 20% CRAR. NNPA, like Ajay mentioned, 1.08%. With the claim coming in, it will be below 1%. And share of secured assets is at 73.7%. These are the key numbers, which I wanted to cover in Slide number 16.

Moving on. Next slide, which I want to also highlight is Slide number 18, which is very critical where we have also disclosed the NIM and yield on advances. We are able to hold on to the NIMs of previous quarter. And our NIMs have improved by 1% year-on-year, 6.5% for H1 FY26. Currently, we are at 7.5%. The cost-to-income ratio, if you see from Q1, which was 67.0%, has reduced to 64.3% for Q2. These are the three important points which I wanted to highlight, along with where we have seen an increase in ROE quarter-on-quarter, year-on-year, the ROA has improved. The revenues are on upward trend. The jaws is widening in terms of opex versus income. So that's the other key element which I wanted to highlight in terms of financials.

The cost-to-income ratio currently is at 64%. We are moving towards a 60% benchmark, which we set out towards, and that probably will be over the few quarters coming up, while the jaws widen in terms of opex and income. Having said that, our total revenue currently has grown by 18% year-on-year, and quarter-on-quarter, it's at 4% growth.

So, I wanted to also bring up certain elements of P&L, which we have called out in Slide number 20, which included processing fee, insurance income and liability fee, where we have given the details of other income as well. So these are the key metrics which I wanted to cover as part of P&L.

So, guidance, like we mentioned in the initial slide, Guidance has been revised from 80% in PAT growth to 100% in PAT growth after considering the profits of H1 being equivalent to the profits of full year last year. So we have revised the guidance, and we are confident that this is achievable by the looks of it by what we have seen in the trends in the Q1 and Q2. While we are maintaining the guidance for both advances and deposits at 19% to 21% for advances and 23% to 25% for deposits.

Ajay Kanwal: Okay. We will open the floor for questions now. Thank you so much.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Jai Chauhan from Yes Securities.

Jai Chauhan: So I just wanted to ask slippages for the period has increased during the period. I guess from here, do we expect slippages to show a downward or upward trend over the coming quarters?

Ajay Kanwal: Yes. So I think a few things, Jai, I must tell you, which is, first, the primary challenge always in a book of a small finance bank who has microfinance is always MFI. But MFI is, touchwood, going through 99% collection rates. Small addition we had in Q2 versus Q1 was primarily in some of the drought affected areas, but nothing significant. So that was one.

Second, secured is moving very well. So there is no surprise coming off there. We had 2 marginal one-offs in Q2. One was a mid-sized loan where we will have some time to make sure the collateral is fully sold and we recover our money. But meanwhile, it has come into our slippage, which has added 0.2%. The drought has given us 0.3%. Both these are one-offs. They should drop off in the next quarter. And then you can also see the SMA has also graduated down in Q2, which will again give lower slippages. So yes, slippages will go down in Q2. We've also told

that the credit cost in a way has peaked out in Q2. And if you look at our numbers, last year, Q3 was a turnaround time where first time we started hitting 99% in MFI.

So, a real bulk of flows of NPAs were largely in Q2. So the full provisioning is done and dusted, and we've got lower and lower numbers coming up through the pipe, which needs provisioning. So yes, credit cost should be lower in the second half and so also should be slippages.

Jai Chauhan: And also sir, my other question is on insurance income. Of the INR45 crores in the first half, how much of this is linked to the credit life for our advances? And how much would be the income impact due to the consultation just released by IRDAI?

Ajay Kanwal: Yes. Just give us a second to answer that. So one is between 80% to 90% would be credit life. Remaining is -- Sorry, go ahead.

Abhilash Sandur: So 80% to 90% has been credit life and 10% to 20% is retail products. That's what we have been trending towards. And second part is with respect to the consultation paper, which you were asking on the INR45 crores impact. While we have done an initial assessment, we have not yet completed the full assessment of it. We'll get back once it is clearer what the guidelines would fall.

Ajay Kanwal: Yes. So listen, we are conscious that we have to prepare. We don't know what the final outcome of the consultations with IRDAI with all the players will be. But one thing is certain in our mind that we'll have to work on a very cost-efficient model on insurance as we go ahead. We are working on more AI-led processes on insurance so that we do get lower cost while we continue increasing the insurance penetration for our customers.

The positive for us is the customer base we serve, the insurance penetration is very low. So opportunity is a lot. What this IRDAI new guidelines or expected guidelines has done has kind of opened us up and saying, listen, yes, we will probably make lesser commission in the future, but then we should compensate that by increasing penetration in a much bigger way. So yes, we are preparing for that. And we would like to make sure that the impact of the change by IRDAI is minimalistic on our bank.

Moderator: Next question is from the line of Mayuresh from Invest Value Capital.

Mayuresh: Congrats for such a great set of results. So my first question is that we noticed that the cost-to-income ratio has reduced from 67% to 64% on a quarter-on-quarter basis. So is this decrease sustainable? And also, can we see the number come down below 60% in the coming quarters?

Ajay Kanwal: So Mayuresh, first is, see, cost-to-income is certainly going to remain here or a bit lower. And one of the primary drivers, as you know, in all banks of cost is people. So where we sit in September '26 versus March '26, our headcount is lower in spite of us growing in the asset and the liability businesses. We don't see a huge rush of hiring people.

And so I would expect that the cost-to-income here on will remain below where we have reported for September. That's primarily how I would think about it. So that at March '24 numbers on cost-to-income were 57%, and that was pre-stress in the MFI business. I would think that we are

currently around 63.4-odd percent. I don't think so it will give us any happiness or pleasure unless we reach 57%. So that's our first goal.

But having said that, I don't want to give a wrong impression that we are not investing. So we continue to invest in digital, in AI. You also see in our slides, we are ahead on branch opening for this year that we had originally planned. We have three products coming up. I think largely, our cost savings are coming from getting better productivity, putting in more automated RPA processes, a few of the calling -- both collections and cross-sell have moved to AI processes.

So that's where our real cost saves are coming from. And we will certainly expect it to sustain. Will it go below 60, I think it's achievable, but I would be cautious in saying this year likelihood probably is low. But yes, we would try our best.

Mayuresh: Okay sir. Understood. My next question is on the CASA book, which has slightly reduced by 2% over the quarter. Could you explain the reason for this decrease and whether we can see a turnaround in the coming quarter? And also, can we expect this the cost of funds to remain moderate around 7.4% or do we see any increase in value if there are hike in the repo rate?

Ajay Kanwal: So Mayuresh, the CASA percentage is reduced by 2%. CASA absolute has grown 13% year-on-year, right? So that's the first thing. And yes, there is a meaningful push at our end to make sure that our CASA balance will work up and we get back to the 20% odd number that would have been a good way to kind of position ourselves for this year.

Specifics that we are doing to improve CASA is to do more focus on the affluent banking, and we do that through our segmental offers of Exclusive, of Legend as well as Premier banking. So because truly the CASA balances are available with the affluent in a significant way. We are expected to launch a digital version of onboarding for non-face-to-face CASA accounts.

We expect to do that by January. That would, again, bring in a lot more customers through the funnel. So that gives an opportunity for us to then grow it much better than what we are doing today. We do acknowledge CASA is not our strength at this point of time, and we are doing everything which is possibly available in our heads and efforts to make sure that we bring it up.

Mayuresh: Okay, sir, understood. And my last question would be, are there any new product launches expected during this year?

Ajay Kanwal: Mayuresh, there are a few product launches. I want to draw your attention -- Everybody on Page 7. And Page 7 tells you first the branches. So we planned to open 78 branches. We have finished opening 40. We've also given you how many are new branches, how many branches we're splitting and what the relocations are.

On the product launch, this has been going on for some time, but we're finally getting there in terms of we are doing employee POC right now in Credit Line on UPI. So that should go live. We had focused on wealth management. So loans against shares and mutual funds will go live in November. And trade FX, that means our AD-1 license going live, and we're doing export, imports and FX trade. That will go live by December. So these are the 3 primary ones.

On the digital side, you will certainly see us doing a digital onboarding program for CASA customers, which will ensure that we are getting customers who are happy banking with a bank from a distance and electronically or digitally, as I would say, but we're putting enough controls that there is less or minimalistic amount of muling opportunities, which that has been the challenge in that product in the past.

Moderator: Next question is from the line of Rajiv Gade from Equentis Wealth.

Rajiv Gade: So my first question is, we have seen a marginal quarter-on-quarter decline in operating expenses for the first time in recent quarters. Should we view this as a sustainable trend going forward? Or was the decline primarily driven by a time-related sector?

Ajay Kanwal: Rajiv, like I said a bit earlier, the primary driver of cost dropping was headcount. And I'll give you one of the headcount reasons. So obviously, the MFI stress came down. So we obviously had to put a lot of collectors into the MFI business. As you can see, the amount we are collecting as recoveries is also tapering and so also is the headcount, which are employed for deep bucket collections.

So deep bucket collectors as a number have reduced, deep bucket collection has reduced. And so obviously, we see some costs coming down. Some of the AI-led processes, which are collections calling on both secured and unsecured, welcome calling for new customers, etcetera. Those have kicked in, and that has caused us to have some amount of reduction in headcount. We've also consciously focused more on our direct sourcing percentage improving over DSA sourcing.

That has reduced cost because the DSA cost, we book everything upfront. So that cost has come down. So, a variety of methods. I did say earlier, Rajiv, that our March '24 cost-to-income was 57%. We're currently at 64.3%. We know that we are not where we would like to be. So yes, this trend of improving cost-to-income has to continue, and it will continue.

Rajiv Gade: Okay. Okay, sir. And sir, if you are unable to cover the book under the CGFMU scheme, what will be the impact? Also, when are we expecting the amount to be received for the claims lodged in Q3?

Ajay Kanwal: Right. So the maximum time that we believe the National Guarantee Corporation would possibly take is 2 months, which means on the outer side by end of November, we should get the money. Second is, if we don't cover the entire program under book, then -- so let me first step back why are we covering?

We want to avoid an event risk. We are not diluting any credit criteria because we have a guarantee program. So yes, if for whatever reason this guarantee program doesn't work up, we would then take all the money that we have kept ready in our P&L and probably keep it as a buffer and continue doing good quality business in microfinance because fundamentally, our way we do business and what business we do, we haven't changed that because it's a guarantee.

So yes, the only risk we run in the future is an event risk. But on the credit risk side, we do think that the surplus money that we'll save from not giving any commissions to the guarantee

corporation, that buffer should hold us in good stead in the future. One second, Raman wants to add.

K. S. Raman: I think one of the points Ajay had made earlier in the call was that 2 or less lenders is 97% for Jana versus 93% for the rest of the industry. So I mean, clearly, we have been and that's one of the reasons we said that we slowed down our acquisition as well. So the quality of the new origination continues to hold up. And on a vintage basis, the new originations are performing as well, if not better. I think I just wanted to place that as well.

Rajiv Gade: Okay. Okay. Sir, one last question on the deposit growth. So year-on-year deposit growth remained at 17%. How do you plan to accelerate deposit mobilization? Also, what are your forecasts for the remaining year, which is FY27 H2.

Ajay Kanwal: See, we have said we'll grow deposits 23% to 25%. And we do realize that we have a bit of a catch-up to do because our first half has not been in the 23%, 25% range. But normally, we have always seen that our first quarter is a bit slow, second picks up and third and fourth, we run very fast. So yes, I would still stick to my 23% to 25% deposit growth rate.

I think the two variables which are key for us. One is our CASA. So we have to make sure our CASA percentage improves certainly in the second half. And second is, I do want to keep my cost of funds around where it is today. So I think three variables are primary to us, 23% to 25%, 7.4% cost of funds and CASA coming to the 20% range. How are we going to do it? Not very complicated. It's just focusing on the affluent segment through our segmental offers, which are Exclusive, Premier, Legend, which work well in the market.

It's just getting more clients, doing better service, more RMs. You've seen from our branch presence, we have 820-odd branches all over India. So we don't have a distribution issue. Deposit pricing is fairly competitive. So yes, I mean, we will certainly grow the deposit piece.

Our focus really is how to get the CASA up and how to make sure price remains around where it is, which is around 7.4%. So that's really our plan, but it is certainly if you ask us after collections, the next focus is on CASA. Those are the primary 2 drivers where most of the senior team actually spends time on.

Moderator: Next question is from the line of Bhavya Agarwal from Share India Securities.

Bhavya Agarwal: So, I have a couple of questions. First is, sir, we are seeing that the gold loan and micro LAP book has remained flat over the quarter. Is that primarily due to seasonality or any deliberate moderation in these segments? And should we expect growth to pick up in the coming quarters?

Ajay Kanwal: I think gold is easier to answer. In Jan to March 2026 there was a big jump in our gold loan business, typically 6-month products. So they all came up for renewals and maturities in Q2. We have seen a price drop in gold for sure. So there's obviously focus by customers and staff and operations at our end was to make sure that we do all margin calls and ensure that everybody's account is in order.

And that was done very, very successfully at our end. But I think the collateral damage was that there was less focus on building new businesses or rather new customers and which has been a flattish quarter. It will resume growth in Q3 because I think now we have really steadied the ship of all the renewals coming up.

On micro LAP, we have been bit conservative on growing that since the MFI stress began. And we don't have really a designed slow growth plan, but our credit criteria keeps the micro LAP book in a slow growth mode. We have no intention of loosening our credit criteria. We are present in enough number of cities.

So, I mean, if you ask me, honestly, I think our micro-LAP may not have a very solid growth, just like affordable housing at 28% or MSME at 20%. It may improve from where it is, which is 3% may become maybe 7%, 8%. But I doubt we'll do more than that. Gold, on the other hand, should go back to its 30%, 40% growth rate, which means about 10% a quarter comfortably from Q3 is what we are basically thinking of.

Bhavya Agarwal:

Okay. Makes sense. And sir, you have also revised your guidance of PAT from 80% to 100% during the quarter. We understand that the bank has posted a profit for H1, which is equivalent to last year's profit. But are there any challenges or risks in achieving this revised guidance?

Ajay Kanwal:

So listen, nothing on the horizon that we can see which should stop us from achieving similar profit at the minimum in second half versus first half. I mean, normally, you would expect second half to be stronger than first half in terms of profits. But I'm saying that, let's assume that we at least perform equal to first half, we will double from where we are today.

And like I said, we don't see a problem in our credit costs, and I mentioned why both in terms of how SMAs graduated down in Q2 and the slippages will get better than the Q2 and Q3, etcetera. I don't see a challenge in the asset growth piece because our products have been in the market for the last 7, 8 years and we've met with good success. Our distribution is solid. It works well. So I don't see an asset growth issue.

On the liability side, like I said, we have been doing upwards of 20% to 25% range growth every year. So I don't see a liability growth issue. So I don't really think that we should have a challenge of meeting the guidance of 100% growth year-on-year.

Bhavya Agarwal:

Sir, last question from my end. We are looking at a steeper rate up cycle. How do you see your NIMs moving in the second half of this year? Is it expected to further increase? Or has it peaked at this levels?

Ajay Kanwal:

I think, or rather our expectation is the NIM will be around these levels now. And why I say so like this. See, what drives NIM is what is the composition of our asset book. I don't see any real big drive in MFI, which is our primary large NIM business to go faster. H2 will not be faster than H1 in MFI. So I think from the asset side, the composition will remain largely similar. And as you know, we have always said our secured business has to reach 80%.

So, we are at 74% now. We'll probably finish the year around 75%. So that will not give the NIM alift. I did say that the market is not showing any signals of weakening interest rate regime.

So our cost of funds should not go down. So if you just add up the two, I think if we maintain 7.5%, I think we have done a good job.

Moderator:

Next question is from the line of Vandana Shah from Investo Capital.

Vandana Shah:

Sir firstly, congratulations on the good set of numbers. I had a couple of questions. So firstly, our affordable housing, MSME loans and vehicle loans have been a key growth drivers this quarter. So I just wanted to understand that if you expect a similar portfolio mix to drive the asset growth in the financial year '27? Or do you anticipate any kind of changes in the growth mix across these segments?

Ajay Kanwal:

So let's start with the simplest one, the vehicle loans, Diwali season. So this quarter, you will see a big jump in the 2-wheeler and used car portfolio. So it will be our best quarter in that business. And typically, quarter 4 is also strong. So I think you will see slightly better vehicle loans. And will that be also one of the primary drivers next year? The answer is yes. So that's the easy one.

MSME, I must tell you that we can see the effect of PLI, the Make in India. And there is real good growth in the small and medium enterprise in India. We are finding a lot of opportunities. We're very comfortable doing that business. We've got good experience. We've got excellent set of people. So yes, MSME will be, I would say, a 25% to 30% growth rate business for us, if not more, for a sustainable period, both this year and the next year. So I think that is also easy.

Affordable housing, we've done 28% year-on-year. I did mention earlier that we're in about 220 cities. We've got roughly 3,000 people working in these 220 cities in business that is in sales, who are sourcing and working with various kind of DSAs, connectors, etcetera. Do we expect that growth to sustain? We certainly do. So yes, these 3 businesses will continue to perform very well in H2 and the following year.

The one business which has been slightly low in Q2, and I talked about it a bit earlier, is gold. So we expect gold to also come back. I think that should also get some energy. And we'll be launching Credit Line on UPI, which inherently is a mass product.

And if our ideas really get the right traction, I think that will be a new interesting business, which we'll be able to add and it will start providing or rather it will start contributing to the bottom line from next year itself because it's a very digital product. It doesn't cost much, and we've already got the platform and we've done all the testing. So I think that's a big piece coming up.

Wealth management is a good support for our liability business. That goes live. I wouldn't put that as a big business which will develop. But certainly, as affordable housing, MSME, vehicle loans, I would add gold loans to it. And I will probably give Credit Line on UPI as a dark horse, which may probably play a bigger role next year in the P&L.

Vandana Shah:

Okay. And also on the geopolitical front, do you see any impact on your portfolio due to Iran war? Or do you intend on preparing for a prolonged war? Also, given the drought situation in Karnataka and Maharashtra, do you see any impact on the unsecured portfolio?

K. S. Raman:

Okay. Let me start with the second question first. I think in Karnataka, we have about 29 districts, 226 talukas. And in Maharashtra, we have about 34 districts, 265 talukas, which have been declared as drought affected. Now combined with that, the SLBCs in these locations have also given us a guidance on moratoriums. But we are handling it on a case-to-case basis as we come.

We will expect a little bit of maybe additional slippages on the account of that, but I don't see that to be material. I think that's the second part of the question, which I'm answering first. Now as far as impact on the portfolio due to Iran war, at the moment, we're not really seeing any material impact from the geopolitical situation. Portfolio remains reasonably diversified across geographies and customer segments.

MFI, of course, we've been steadily bringing down. Today, it's at 26% of the gross loan book. Portfolio monitoring has been strengthened through early warning indicators and stress testing. And in the event that the geopolitical situation deteriorates, I believe we are well positioned to respond through calibrated underwriting as well as tighter portfolio monitoring and collection extra efforts. So those are the ways I would handle these two.

Ajay Kanwal:

I'll just add to what Raman said. See a direct impact to people who are in the petroleum supply chain or that particular industry, impact of the same on the MSMEs that we work with has been marginal. So it's probably our customer base is less in those industries and businesses. We have seen a few impacts on the shipping cost, especially on the rice industry, etcetera, where we have become cautious for some time.

So yes, I would say the impact of Iran and the oil price shock that all of us are hoping goes away. In certain industries, we have stopped sourcing because we do see that unless there is no clarity on how these ends and when it ends, the mechanics of being successful. So, if you're an exporter who is going to pay 2.5x, 3x on your shipment cost, you're not going to have any margins left.

So yes, I would say a constraint on some of the customer segment we were thinking we would do business with, I mean that is not there. Existing book is not saying anything which is showing impact. And I'm really hoping for everybody's sake that this does get settled quickly. But meanwhile, we'll remain cautious.

Vandana Shah:

Okay. Okay. And lastly, although you have clarified on the exchanges, but I wanted to understand what is the philosophy as speculated in the media for a merger given the hard work that you have put in over the years?

Ajay Kanwal:

So listen, we've said to the stock exchanges very clearly that if there is anything which comes to us as an opportunity to evaluate, we will evaluate it. And if it makes strategic sense for the bank, it provides value to shareholders, we will then certainly take it to the Board to consider it. And that has been our position for some time, and it remains so today also.

Moderator:

Ladies and gentlemen, in the interest of time, we will take that as the last question for today. I now hand it back to Mr. Ajay Kanwal for his closing comments. Over to you, sir.

Ajay Kanwal:

So thank you, everyone, for participating and the questions. I'm glad you asked that question last, which I thought you folks may ask first. Listen, for us, it's been a very steady journey of

secured assets. We've always been signalling growth of PAT of 80%. We were pleasantly surprised. And I think what caught us by surprise very pleasantly is our cost management efforts paid off, and we could see in the first half the 80% PAT increase year-on-year for the year.

We can now comfortably talk of 100%. I think that gives us a lot of confidence. I did mention that we do see strength in the economy. Even before the GDP numbers were revised upwards, we could really smell from all our teams that there's enough and more good opportunity of business, which we can finance as a bank. So that's working very well.

Yes, we didn't have an advantage of raising FCNR deposits. Our product was not ready. So yes, we did have a slight disadvantage. So we have to work a bit harder on making sure that our resident deposit business perks up even harder in the second half. We're conscious of that. Our CASA remains not our strength, currently. So, we have to build that. But we are very committed and with these results, even more confident that we are on the right trajectory and will produce a very strong year of performance, not just in P&L terms, but how it creates an even stronger foundation for the next few years. Thank you again, and happy Diwali in advance.

Moderator:

Thank you very much, sir. On behalf of Systematix Group, that concludes this conference. Thank you all for joining us today, and you may now disconnect your lines.