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October 29, 2026

BSE Limited
Listing Department,
P J Towers,
1st floor Dalal Street.
Mumbai 400 001

Scrip Code: 532772

National Stock Exchange of India Limited
Listing Department,
Exchange Plaza, 5th floor, Plot No. C/1,
G Block Bandra – Kurla Complex,
Bandra (East), Mumbai 400 051

NSE Symbol: DCBBANK

Dear Sirs,

Re: Transcript of the Earnings Conference Call held on October 23, 2026

Pursuant to the Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached the transcript of the Earnings Conference Call held on October 23, 2026 with respect to the Unaudited Financial Results of DCB Bank Limited ("the Bank") for the quarter and half year ended September 30, 2026. The same has also been uploaded on website of the Bank and can be accessed at the link given below:

[https://www.dcb.bank.in/api/dcb/assets/2026-10/560.DCB Bank Q2FY27 Earnings Call Transcript October 23 2026.pdf](https://www.dcb.bank.in/api/dcb/assets/2026-10/560.DCB%20Bank%20Q2FY27%20Earnings%20Call%20Transcript%20October%2023%202026.pdf)

This is for your information and record.

Thanking you,

Yours faithfully,
For DCB Bank Limited

RUBI
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EDI

Digitally signed
by RUBI
CHATURVEDI
Date: 2026.10.29
22:43:47 +05'30'

Rubi Chaturvedi
Company Secretary &
Compliance Officer

Encl: As stated above

DCB Bank Limited

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“DCB Bank Limited
Q2FY27 Earnings Conference Call”
October 23, 2026

**MANAGEMENT: MR. PRAVEEN KUTTY – MANAGING DIRECTOR AND
CHIEF EXECUTIVE OFFICER – DCB BANK LIMITED
MR. SRIDHAR SESHADRI – WHOLE-TIME DIRECTOR –
DCB BANK LIMITED
MR. AJIT KUMAR SINGH – CHIEF INVESTOR
RELATIONS OFFICER – DCB BANK LIMITED**

Moderator:

Ladies and gentlemen, good day, and welcome to DCB Bank Limited Q2 FY27 Earnings Conference Call. Today, we have with us Mr. Praveen Kutty, Managing Director and Chief Executive Officer; Mr. Sridhar Seshadri, Whole-Time Director; and Mr. Ajit Kumar Singh, Chief Investor Relations Officer.

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

I now hand the conference over to Mr. Praveen Kutty from DCB Bank Limited. Thank you, and over to you, sir.

Praveen Kutty:

Thank you, and good evening, everybody. Welcome to the Q2 Results Call. The bank continues its growth momentum with advances growing by 21% Y-o-Y and deposits growing by 19%. In keeping with the guidance, both advances and deposits have doubled over September 2022 over the last 4 years.

Our net interest income grew by 17% Y-o-Y. Over the last one year, the yield on advances dropped by 38 basis points, while during the same period, we reduced the cost of funds by 34 basis points. If you look at the last quarter, our yield on advances dropped by 2 basis points, while cost of funds dropped by 8 basis points.

If you look at revenue, it grew by 21% Y-o-Y. Core fee income continuing to be strong. And also the focus we have on our productivity and on technology adoption is helping us in keeping our cost to average assets under control. It continues to be below 2.5%, just to be precise at 2.47%.. And our cost to income is at 59.64% at an 18-quarter low.

During the last 2 years, we have grown our employee strength by 1%, our balance sheet by 34% and our revenue by 33%. The fact that the revenue grew by 21% and cost grew by 18% Y-o-Y meant that operating profit grew by 26% Y-o-Y.

The portfolio quality continues to improve with our credit cost at 0.28%. Our GNPA is at 2.29% and NNPA is at 0.73%, both of which are at a 23-quarter low. Our PCR is at 81.38%, a 7.23% improvement over the last year and PCR, excluding technical write-off is at 68.75%, a 9.6% improvement over the last year. As a consequence of all this, our net profit has risen by 29% over the year to INR 236 crores, which is the highest ever in a quarter.

This is the fifth consecutive quarter where the bank is clocking a highest ever quarterly net profit. As a result, our ROA is at 1.03% for the quarter and 1% for the half year. Also, the ROE is 14.6% for the quarter and 14.12% for the half year.

I just want to take you back one year into Q2 2025 when we gave guidance of 18% to 20% growth of cost to average assets being less than 2.5%, of GNPA also being less than 2.5%, net NPA being less than 1% and lastly on ROE of 13.5% for this year '26- '27.

One year later, in each of these 4 quarters, each of these numbers speak the story of consistency and predictability. Finally, I'd like to share with you the trend line of ROE for the last 4 quarters. It is 12.73%, 13.53%, 13.61% and now 14.6%.

Thank you for listening in. And operator, could you please open the lines for any questions from the audience?

Moderator: Thank you so much, sir. Ladies and gentlemen, we will now begin with the question-and answer-session. First question comes from Akshat Agrawal with Nirmal Bang Institutional Equities.

Akshat Agrawal: On the first question is on cost. While the cost-to-income ratio and cost to average assets are tracking guidance, the opex growth Q-o-Q and Y-o-Y looks a bit elevated. So is it mostly on the staff addition, branches and a bit on technology? Is it -- is that contributing to increase? Or are we -- I mean, is there some one-off there? And are we on track to reach 13,000 employees by year-end and adding 20 branches overall during this year?

Praveen Kutty: So on the operating cost, the increase has been the people. We are now at 12,002 people, which is higher than what we started off the year with. So it's a people cost is coming in. Otherwise, it's a normal Cyber Security tech cost. There is nothing exceptional on the opex side.

And we should expect similar kind of trend lines to continue on the opex cost and also on the cost to average assets. So I don't see us giving any change on that. As to your question whether we'll be 13,000 people by the end of the year, we want to be, but I don't think we will be.

So we'll be higher than 12,000, which we are currently, but I don't think we'll reach 13,000 by the end of the year. Probably will be around 12,800, 12,900. That's what we're seeing currently.

Akshat Agrawal: Right, sir. And on the NIM, what was the reason for the declining Q-o-Q? Cost of funds seems to be declining, advances declined by 2 bps. So if you can elaborate on the key drivers of the compression and outlook for the NIM in coming quarters, I believe with the rate hikes, we should see expansion going forward. Is that correct? Or is there some other component that could affect margins?

Praveen Kutty: So if you look at Q4 and Q1, our advances growth was in the region of 18.5% to 18.7%, whereas deposit growth was between 20% and 21%. So we are stockpiling liquidity post February '26 Israel-Iran war. And it was a conscious strategy to have enough liquidity within.

Then what happened is in August, there was a window to garner NRI deposit, which comes at a much lower cost than our normal term deposits. So we got \$194 million through the FCNR (B) window. So this really increased the liquidity significantly, and that has a liquidity cost attached to it.

Why you don't see a similar growth on deposit in Q2 is because usually most of the maturities come towards the last week of Q2 or last week of every quarter. So we really lent aggressively and on maturity of the high-cost bulk deposits, we gave up those deposits, which is why deposit growth is at 18.6%.

But you have to carry the excess liquidity for the whole -- practically the whole 88, 87 days of this quarter. So that's the cost which you have to pay. And that's the reason why there has been a reduction in the NIM in Q2.

Going forward, you've already seen the lead indicator where the deposit growth is less. So we're starting Q3 with less surplus liquidity and obviously, in November, we will be passing on the increase in repo rate to a significant chunk of our asset customers who are on floating rate.

So that will have an impact on NIM. We are confident of holding our credit cost to well below the guidance level, which will also have a positive impact on the NIM. So on a go-forward basis, we would see the NIM improving in Q3 and in Q4 as well, assuming even if assuming the no further rate hikes going forward.

Akshat Agrawal:

Right, sir. And if you could provide some quantitative guidance like 5 bps to 7 bps or something like that can we expect going forward per quarter? And is there a component for continued component from home loans to LAP shift as well, which was incrementally 70% to 30% last quarter?

Praveen Kutty:

So we are at 70-30 slightly 71-29. And we are comfortable with that. We'll be continuing with that. So, but that's on the incremental, right? So over a period of time, the stock also changes its color. So you get the benefit of it over a period of time.

But the real story is not. The real story is about the cost to deposit. The way the cost of deposit is coming down, it's not because of CASA. It is because of the conscious strategy of not being the highest rate provider, and we managed to make 3,000 people in branch banking aware of it and still grow 18.6%, still keep the top 20 less than 7%. And that is really helping in this run.

Some bit also has helped in our long tenure term deposit repricing, which is coming in. So it's a combination of this. So it's more a cost of deposit improvement that is helping the NIM in the longer term, not necessarily the yield growth. Of course, the repo rate increase will have an immediate impact on the widening of the NIM.

Moderator:

Our next question comes from the line of Suraj Das with Sundaram Mutual Fund.

Suraj Das:

Hello, am I audible?

Praveen Kutty:

Suraj. Feebly, but we can hear you.

Suraj Das:

So I have more than actually two questions. But first of all, I think congrats on the Board approval on your tenure, sir. And secondly, on the good quarter after long, I think you have given 1% ROA, 1% plus ROA on a quarterly basis. But before coming to ROA, sir, on the gold

loan, I think growth has been strong, but I don't know that the slides where you give your disbursement and the loan, it looks like that the loan increase is more than the disbursement. So is this because of the co-lending fees that you don't give...

Praveen Kutty:

Yes. Let's go one by one. You can ask me multiple questions, but in a serial order. So on gold loan is a combination. We have- we kind of kept co-lending flat and increased our DA because it provides you better compliance and gives you better pricing. So about 30% of our entire gold loan book is organic and 70% is inorganic. This is basically a mix of co-lending and DA.

So currently, gold as a percentage of the total asset is 23%. The bank is comfortable taking it all the way to 25%. I don't think we'll ever go beyond 25% for this particular category. But currently, we're at 23%. And the anomaly, there's no anomaly between disbursal and growth because the disbursement that you see is for organic gold loan only and not for inorganic. It neither has co-lending, which is actually flat and nor does it have DA, which is growing.

Suraj Das:

Sure. Understood. And sir, overall yield would be also, let us say, better on a quarter-on-quarter basis because, I mean, because of maybe mix shift between co-lending to DA?

Praveen Kutty:

It's, we are talking about basis points, right? So it's better in that sense. But overall, it really wouldn't matter. It's not like as massively different as business loan and home loan, like LAP and home loan. It's not that different. It is marginal. But look, we are in the marginal business. We don't let anything slide. We are constantly on the lookout for improving yield and reduction of cost of deposit.

Suraj Das:

Right. Sure. And sir, a related question to that, your gold slippages is also increasing for last 2 quarters. While I understand that LGD would be hardly anything that I fully agree. But is this because of your DA and I mean, is the slippages coming from DA and co-lending or organic book?

Because also asking the context for asking this question is this quarter, a few people on the NBFC side, they are highlighting that there is some strain in the gold book, especially for the shorter tenure product. So I don't know what is your DA composition, DA or co-lending in terms of, let us say, bullet loans or maybe EMI sort of tenure. So that is the context for asking this question.

Praveen Kutty:

It's a relevant question to ask. Our -- if you look at non-gold, our slippage ratio is 1.55%. It is 1.52% last quarter. Now it has gone up to 1.55%. That's a 3 bps increase. Are you worried about it? Honestly not. Your early bounce, your early month on-board vintage performance -- there is -- one doesn't lose sleep over it.

On gold loan, what you said is right. Some of the co-lending or DA partners, you find that their -- the mind-set is to collect before NPA happens rather than at a 1 DPD level. So we are dealing with multiple co-lending partners and DA partners. So it's not exactly -- the rigor of 1 DPD doesn't apply to many partners.

So some of it does. But by and large, it really doesn't apply, which is the reason why it is happening. From a gold loan -- is it a worry perspective, I want you to look at our investor presentation, Page #22. One year back, our NPA was INR 27 crores. One year later it is INR 26 crores, and in the last 5 quarters, the highest our NPA has ever been to is INR 29 crores, and our book has been growing. We're talking about INR 14,000 crores book with INR 26 crores NPA. Just look at the perspective.

Moderator: Our next question comes from the line of Varun with Bandhan Life Insurance.

Varun: Congrats for the good set of numbers. First is, basically, I observed a sequential increase of 450 employees, while the branch network has expanded by just about 3 branches. Sir, could you help us understand the areas or functions that is driving this in headcount increase?

Praveen Kutty: So we are putting more people in existing branches, both for assets and liabilities. The belief is that we can really sweat more from existing branches without having to increase our footprint significantly. And that has been borne out. The space is already there. It's a sunk cost already invested. The network is already there.

We don't have to reinvest in it. So -- but we still are a people-dependent business. We still are phygital. Our customers expect some sort of assistance to happen. So what we do is where our portfolio is getting bigger, both in assets and liabilities, we put more people in those branches.

And that's why it's not a location game. I mean the big 8 cities contribute to practically everything of deposits. So it's still driven by not top 8 branches, but top -- all branches in top 8 to 10 cities constitute the lion's share of deposits and advances.

So we continue to invest in those areas where our returns are much better. I still think that we can extract more juice from the existing branches. But does it mean that we'll not do incremental branches? Probably maybe about 20 branches in a year, right? One doesn't see more of that happening and one doesn't see the need for more of that to happen. And even the 20 branches, we would like to put it in locations where we already have our branches.

Varun: Understood. And with respect to the cross-sell or the bancassurance business we have said that volumes will cover up for the loss that could come in form of drop in commissions. So just wanted to understand how well prepared are we to capture the volume growth opportunity? And also can you talk about some of the factors that are helping us drive higher bancassurance business at the moment?

Praveen Kutty: Yes. So on cross-sell, I wish I could tell you some good news. We are putting in a lot of effort, we are putting in a lot of work. We're not seeing too much of result happening, but are we going to give up? Absolutely not. This is a slow-burning fuse. The graph remains very close to the X-axis for a long period of time and then suddenly harmonically will increase. We know that. We're going to be patient about this, like many other things in retail.

So there's a lot of effort on both from people skilling, from technology, from business intelligence, but there's really no great input to tell you right now. So that doesn't mean that it

will not happen in the future. There is effort happening, there is work happening. Maybe we'll see the results over the next 12 to 18 months.

Varun: Okay. And just last question from my side. Do we look to source mortgage business through balance transfer from NBFCs, given that our ability to probably offer more competitive rates to the same customers? Is that integral part of our mortgage growth strategy? And any update on capital raise?

Praveen Kutty: Okay. That's quite okay. Fine. So on NBFCs, yes, it's a target segment for us. Balance transfer from NBFCs is very much a center of activity for mortgage for our mortgage business. But not from a reduction of rate perspective. We want to give them a higher rate overdraft facility so that our yields are higher, but the customer has a flexibility of paying a lower rate of interest -- lower interest cost despite a higher rate of interest.

So we want to give OD facilities to these customers and take on more -- we want them to transact with us. They want to engage with us, convert with us and which will provide us an opportunity to cross-sell, and that is working reasonably well.

Customers understand the concept of interest paid versus interest rate. So -- but are we looking at dilution of yield? I mean, unless it's a very, very high arbitrage opportunity, we would like to keep the interest rate same.

Varun: Understood. And update on capital raise...

Moderator: I'm sorry to interrupt you, sir, but you can please rejoin the queue.

Praveen Kutty: Yes. A quick one on capital raise, we should be hearing some good news before the next investor call.

Moderator: Next question comes from the line of Nitin Aggarwal with Motilal Oswal Financial Services.

Nitin Aggarwal: Am I audible?

Praveen Kutty: Yes, very audible indeed.

Nitin Aggarwal: So a couple of questions. One is around the cost of fund, like this quarter, we have seen a good decline. Our deposits have also shown some traction. So -- but the margins have declined. So can you share the lending yield and the margin ex of FCNR deposits? So how much were the two numbers this quarter?

Praveen Kutty: See that will require a bit of calculation. What I know is that about \$194 million is coming with leverage deals with banks in Middle East and in Africa. And the first time ever the bank has done that. With our rating, people were willing to accept our SBLs.

On the overall, what I'd like to tell you is that the reduction of cost is a sixth continuous quarter trend line. So you're seeing that happening. And like I said in the opening, when asset yield

dropped by 38 bps, we managed to drop the cost of deposit by 34. That's a longer, like one full year trend line movement. Last quarter, I will take it with a pinch of salt, Nitin, because there are some NR customers have foreclosed their previous deposits to take advantage of the FCNR(B).

So we got more than what we deserve in terms of foreclose -- what you call, prepayment penalty, etcetera, and lesser interest rate. So it's -- it is giving us more credit than we deserve. But even otherwise, it would have been on the downward trend.

Nitin Aggarwal: Because the yield declined very marginally though, but the asset mix is getting better. So fair to say that ex of FCNR the yield should have also moved up?

Praveen Kutty: Are you talking about the future?

Nitin Aggarwal: No, this quarter, the lending yield this quarter?

Praveen Kutty: Lending yield is dropped by 2 basis points.

Nitin Aggarwal: 2 basis points, yes. So ex of FCNR, would this have gone up because next quarter with the same trend in cost of funds and with yield moving up supported by the rate hikes, the expansion could be like fairly decent.

Praveen Kutty: Absolutely. Absolutely. Absolutely.

Nitin Aggarwal: Right. Got that. And second, on the PCR, now we have been making quite a stride on the PCR. We have covered up almost 10 percentage points over the last 1 year. So any number we are looking at? And any color around the ECL transitioning impact and the steady state impact on credit cost?

Praveen Kutty: I mean, look, we are a secured lender, right? We don't lend unless the collateral is much more than our exposure. And secondly, you've seen the recent trend lines happening across metrics. So except for SMA 1 and 2, I see that every other parameter is pointing to a positive direction as far as ECL is concerned. Having said that, we have appointed a Big 4. Our team is working very closely with them on ensuring that we get our assumptions right, we get our ECL model right.

So work is underway on that. We're confident by March, we should be able to go up and running. But right now, what I can tell you is that -- all lead indicators and the profile of the bank seem to indicate that we are in a good frame as far as credit quality is concerned. And that should reflect in the ECL also.

Nitin Aggarwal: Right. Note that. And lastly, on the ROA and ROE guidance now, we have already reached what we indicated for FY28 also. So will you like to revisit those guidances?

Praveen Kutty: Yes. I mean as a bank, we have no intention of sitting on our laurels in no way. And 1% is also a milestone. That's not a destination. We are hungry, we are ambitious. We are determined. No

two ways about it. It's just one more milestone in our journey, correct? The reason why I don't want to put up another guidance is because there is a very high possibility that before the next investor meeting happens, we would have either a firm offer or we would have an incremental capital coming in, which would change the ROE guidance going forward.

But otherwise, look at the trend line, right? So 13.5% is what we committed. It will definitely be higher than 13.5%. And possibly with the capital coming in also, we'll be better than 13.5%. That's what I can tell you right now. Assume the capital comes in on January 1, we still will be on a diluted base, we'll be better than 13.5%.

Moderator:

Next question comes from the line of Jai Prakash Mundhra with ICICI Securities.

Jai Prakash Mundhra:

Congratulations on your Board renewal. Sir, most of the questions have been answered, but I just wanted to check again on ECL, you would have done the dry run, right? And I mean, while everything looks okay in terms of LGD and the last few years actually of decent performance on LGD and etcetera, but the slippages are slightly higher, right, including gold, everything.

Does that mean that you may have to provide more on a standard basis, standard assets because your SMA may be slightly higher. The LGD may not change, but could that mean that you have to provide slightly higher on standard assets basis?

Praveen Kutty:

We are sitting on close to INR 218 crores of provisions, okay, floating provisions, which we started making in somewhere around 2015. Never touched it despite whatever headwinds we had, including pandemic. That in an ECL kind of environment that will really help the cost.

Secondly, look at PCR. At 81%, and it's a secured book. Forget about 81%. Look at the 9.5% increase over the year, right? So look at the -- okay, forget that also. Look at our cushion available. Look at our provision as a percentage of our operating profit or the other way around.

We have a 5.93 cover -- times cover of operating profit on our provisions. So there is so much of cushion available, which -- and the credit cost is 0.28%. Just look at the triangulate these three numbers. Credit cost of 0.28%, provision coverage of 81%, a 10% increase in provision coverage over the last -- not 10%, maybe 9.5% over the last 1 year.

INR 200 crores of floating, INR 218 crores of floating provision. So it is there. And from what I can tell you and the rest of the audience on ECL, once the model kicks in, what we are very much focused on is to reduce the SMA 1 and 2, which will help us gain benefit over the period of ECL before the next calibration of ECL model.

And is it going to be difficult? Look, if we can get 97% of upgrade and recovery from fresh slippage, right? And it can bring down the NPA. Our NPA grew by INR 7 crores in the last quarter without any technical write-off.

So if you can bring down NPA, why can't we bring down the SMA-1 and 2? It's an execution challenge, but I think the people are capable of doing that. So that's -- the next big gain in credit cost. ECL will come after ECL is implemented, it will come from reduction of SMA 1 and 2.

Jai Prakash Mundhra: Right. Okay. And secondly, sir, on overall ROA, right? So we have around 20, 25 basis point ROA contribution from banca fee and that is going to be materially impacted. Other banks are saying 50%, 60% decline in the fee that is possible assuming the draft guidelines come through.

That would mean 10, 12 basis points of an ROA hit. Do you have any within fee line item or any other line item that can actually offset that kind of? It would be really helpful if you can provide some colors there.

Praveen Kuttu: So see, the answers to the future actually remain in the past. So, if you were to look back, let's look back 2 years, we had a INR 120 crores plus hit on MFI, okay? And nothing came. NPA equals loss, right? We took that in our stride. And then we had a INR 100 crores plus one-time benefit we got from treasury, which disappeared this year.

Are you seeing any impact of that? INR 100 crores plus in H1 of 2025 has disappeared in H1 of 2026. So will it impact? Will bancassurance impact us? Certainly, it will. But will we be passive observers waiting to take the punch and curl up and die? Obviously not.

So there will be multiple areas where we will put together, which I, let's wait for the draft guidelines to come in. Maybe the draft guidelines is the final guidelines. And you look at us 1 quarter after the implementation of the bancassurance norms and see what the results are looking like, and then you will see the resilience of the bank.

Jai Prakash Mundhra: Right. That is very clear. And last question, sir, on gold loan. There are a lot of bureau reports suggesting that a large part of the disbursement is going to people who have already been delinquent at other banks or other lender or in other products.

So when we disburse gold loan either organically or through partners or DA. I mean is CIBIL score being a standard, is that a prerequisite or because it is gold loan, the product itself is secured. So let us say -- so what is the current practice? And maybe could that change the growth trajectory?

Praveen Kuttu: So our philosophy is absolutely clear. Gold loan is usually loans taken by people who really desperately need the money. Somebody could be in a hospital, they would need it for farming requirement. There are people who do not -- may not have access to formal source of credit and some of them could be delinquent customers. We are okay with that, okay?

We take them on board fully knowing well that their CIBIL score in some cases, may not be good enough. Why you do CIBIL is to establish the fact that the customer is of a particular profile that he or she may not be giving us fraud gold. So the profile of the customer is important to that extent.

So it's about -- it's from that perspective that you'd be looking at the CIBIL. But a low CIBIL score is not a bar for a gold loan customer and will continue not being a bar for the -- for a customer. For us, we see that as a mechanism to rebuild credit and to get back into the formal world.

That's true for us and it's true for the inorganic partners that we do business with. So what is the big risk in this regard? The big risk in this regard is the fall in the gold prices. Currently, 999 gold goes at some INR 14,560 and it's been -- it's fairly stable at that count. If there is a deterioration of credit for those customers, probably, I can draw in on one analogy.

I'll take you back to Q1 of '25 when there has been a massive microfinance problem. We had gold loan customers who had microfinance exposure elsewhere. From CIBIL check, we could figure it out. And despite the MFI going completely bust, gold loan did not have an impact.

So the gold loan was with us. MFI loans with somebody else. We found out that those customers' behaviour was very, very different. And I'm telling you this from the perspective that we didn't get the money entirely out of auction.

Auction was less than 10%. No customer is going to give up the collateral, which he or she has, which is worth much more than the loan that he or she currently has. That's how we see the behaviour, right?

Moderator: Thank you.

Praveen Kutty: The collateral value comes down, then we will have a problem. Still, we have a buffer, but that's the real risk, not the income earning capability of the customer -- of the gold loan customer.

Moderator: Our next question comes from the line of Aditya with Securities Investment Management.

Aditya: Sir, first question was on agri book. So we have a good proportion of agri book. So considering the gross situation prevalent in the country, how are you looking at the disbursement growth in this book and also on the asset quality for our existing book?

Praveen Kutty: So if you look at the tractor book, it's about 4%. If you look at the KCC book, it's about 4%. We have 1% individual MFI loans that we provide. And what we have seen is that the tractor and the KCC book and MFI book also is behaving pretty well. It has giving us cover in terms of PSL and subcategories of PSL.

So that is a very important engine of ours, which is running pretty well. We are on the lookout for El Nino-related pain coming from this particular segment. So far, we haven't seen it. Our book continues to behave very well. The bounce rates are low. It's very benevolent in terms of fresh vintage bounces and fresh vintage delinquencies also from a NPA and recoveries perspective as well.

So, we are on the lookout from an impact of climate risk on this particular segment, but we really haven't seen anything which should keep either us or the industry worried on this count.

Aditya: Understood, sir. Got it. And sir, secondly, on NIMs. So currently, we are at 3.3% against a guided range of 3.5% to 3.6%. I know we will get the benefit of repo rate, but that would be on a temporary basis because that would normalize once deposits start repricing. But on a structural

basis, if you could just help us understand what would drive NIMs from the current levels to our guided range?

Praveen Kutty:

Keep the credit cost under control, drive the cost of deposit down and work on product mix to improve the yield, do not go into riskier segment within the product to chase yield to create a problem later on. So we want to play conservative by staying in a safe zone, but moving the product mix a bit. We will work on cost of deposit.

So the way to look at cost of deposit is -- and you rightly said this, when repo rate increases, eventually, the cost of deposits will increase. No one is disputing that. It will happen. But what you have to look at is the divergence between the yield on assets and the cost of deposits and how does that play over the next 3, 4 quarters going in. We want to keep that wide and we want to keep the provision impact as low as what we currently have.

Moderator:

Our next question comes from the line of M.B. Mahesh from Kotak Securities.

M.B. Mahesh:

Just a qualitative comment from your side. In terms of the strong growth one has seen in segments like LAP for you as well as for the industry as such. Just trying to understand how are the underlying trends on BT, and are you seeing dilution of underwriting standards coming through or is it still holding up? What's your sense of feedback?

The reason I'm asking this question is that if you go back in the last decade between 2012-13 and all the way up to 2016, we did see this instance of very high growth in that period, and we saw how it played out later on. Are we seeing a similar trend coming through again? Or you still think it's too early?

Praveen Kutty:

Okay. Right now, if you look at any early trends and across products, I'm not seeing that there is any cause for concern. But in an inflationary economy, the rates going up, it is but natural that there is a sting in the tail. What -- the house view is that it's important to go up the ladder in terms of ticket size. Marginal it may seem, but even a slight increase in ticket size is going to give a better impact in the future. It is the extension of the K-shaped recovery coming through. That's how we see across product segments.

The slightly better segment, even if it means a slight compromise on the yield is good enough for -- in a scenario where rates are going up. That's how we see it. But is there any indication of that? No. Is the demand good? Absolutely. Is the early trends encouraging, totally better than that.

M.B. Mahesh:

When you say demand is good, is it because the cash flows of the borrowers are better or the income is going up? Or are they simply kind of leveraging much more than before? What's the sense of the book that is building right now?

Praveen Kutty:

So fully -- I mean, while we say secured, etcetera, we are a cash flow-based business. It just -- nothing else matters. This whole collateral is just being in the mind, right? Honestly, everything is unsecured. So it's about the cash flow. And what we see from an assessment of cash flow is

that there is a requirement people still believe that productive use of the money will cover for the interest rate and give him or her a tidy sum.

Some of the LAP that we do, like I was telling another person who asked the question earlier, is an interest arbitrage or a movement to a better product. So roughly speaking, about 1/3 are coming to you for an interest arbitrage, 1/3 is coming in for a better product. Not 1/3, maybe 1/6 is coming for a better product, which is term loan to OD.

And -- but a significant chunk still is coming for higher exposure. They need more money. It is not for arbitrage at all. It is for -- they believe that our underwriting team also believes that, that money will give customers a better return after paying our interest rate.

M.B. Mahesh: Last question, when you say bounce rates have not gone up. And when you do look at the bounce rates that are coming right now, however benign it is, it is not like these borrowers are showing signs of being stretched out.

Praveen Kutty: No, no. The bounce rates are -- it's the same as what it was in January. We haven't seen any change in our mortgage book, it is slightly better than what the beginning of the year bounce rates were.

And our rejection rates are also similar. That's a more important thing. Are we rejecting more customers than we used to in the beginning of the year? No. It's about the same quantity. So demand is higher, rejection rates are similar and early trends are looking decent.

Moderator: Our next question comes from the line of Kushagra Goel with Investec.

Kushagra Goel: Most of my questions are answered, but just a few data keeping question. Could you please give us your loan mix on EBLR, MCLR and fixed rate?

Praveen Kutty: We don't publish that. But you can take an educated guess on how much it is. I mean you'll get to know from the next NIM, which we published 3 months later, you'll get to know -- I mean you can back calculate how it is or the ratios that remain same three years back also when the repo rate cut happened.

Frankly, it's exactly the similar way. So we have a hybrid book, we have a fixed rate loan book, and we have a floating rate book. And even the fixed rate loan book, remember this, 23% of our book is gold loan, which is fixed rate, but they reprice practically every month because they're all short tenure.

Kushagra Goel: And one follow-up on the mortgage piece. So I know you have not specifically called it out, but could you tell us how -- right now, your mortgage book, how is it split between fixed and floating? So I know your hybrid keeps on shifting, but if you could give some indication or a number around it.

Praveen Kutty: We don't publish that for -- specifically product-wise, we don't publish -- neither do we publish for the entire bank. So we have hybrids, fixed and floating.

- Kushagra Goel:** But directionally, that's increasing the floating part?
- Praveen Kuttty:** No. Like I said, when the repo rate cut happened, we had the ratio of these three. On a larger book now, the ratio remains remarkably the same, maybe a 1 percentage point -- 1 percentage movement either way. The big change over the last three years has been that the gold loan book has increased significantly.
- So the fixed rate book has increased, but that's really fixed only in name because there are typically 6-to 8-month duration gold loans. So it keeps on getting repriced, as you can imagine.
- Kushagra Goel:** Sure. Got it.
- Praveen Kuttty:** Otherwise, the ratios remain exactly the way it is. -- All right.
- If there are no further questions. Thank you very much.
- Moderator:** So we have a question. Our next question comes from the line of Jai Prakash Mundhra with ICICI Securities.
- Jai Prakash Mundhra:** Sorry, sir, just to -- we have a decent exposure in Maharashtra, and we have a good growing AIB book. So it would be really helpful, sir, if you can share your thoughts, any repercussions, early signs or what is the bank doing to mitigate the drought-related impact in the AIB book? That is the only question.
- Praveen Kuttty:** It is not material enough that this even come to my attention. I don't think it is -- see, one good thing of the bank is that we don't have a single state where asset exposure is more than 20%. And I'm talking about asset exposure. So if you look at agri exposure, will again be pretty marginal in that sense.
- But like I said in the beginning, we haven't seen any state-wise beginning of an endemic problem or a pandemic problem. We haven't seen that yet. Even in agri, our collections remains robust. And bounce ratios are standing up to the beginning of the year numbers.
- Jai Prakash Mundhra:** Sure. And sir, mortgage growth, we should think that it shall -- I mean, so far, it's still a little bit muted only. So, we -- it should accelerate, right, towards the overall loan growth basis by -- over the next two quarters. Is that a fair assessment?
- Praveen Kuttty:** It's a fair assessment for two reasons. One is that we will not allow our gold loan book to be more than 25%. And we are very clear that we'll grow overall by, like we keep on saying 18%, 20%. So if both these are constants, then what will change is the contribution from mortgages.
- Moderator:** Next question comes from the line of Parth Gutka with 360 ONE Capital.
- Parth Gutka:** One question. We have -- on a Q-o-Q basis, the corporate loan growth is a bit on a higher side. So just trying to understand, wasn't there enough opportunity on the retail side where the yields would have been better and we could have done better on margins?

Praveen Kutty: See if you look at our corporate exposure, it's a lion's share of it is from NBFCs. The kind of rate that we are able to command is very good with very low sting in the tail. The ROE that we get from that book is pretty good. And I wouldn't be surprised if we raise it up to 10% of the overall asset book.

Currently, it's about 8% or slightly less than 8%. But in this particular segment, we have the expertise. Just look at this. We do co-lending, we do DA. We understand this particular segment. We interact with particular companies.

And therefore, we also have the ability to assess NBFCs, and we are very comfortable with that particular segment. And the yields are decent. And historical NPAs are very low, and that's reflecting even now.

From an ROE perspective, it's a good book to have -- and like I said, gold should be 25%. I think corporate, we should be at around 10%. So we should be seeing an increase happening, may not be in Q3, but in an ideal state, it would go up -- it should go up to 10%. It's a good book to grow.

Moderator: Our next question comes from the line of Prem Patel, an individual investor.

Prem Patel: I have been an investor from last three years. I hold around 20 lakh shares, and I am very much happy with the performance you have delivered. Just one question...

Praveen Kutty: Do you have a bank account with us?

Prem Patel: No, no. I don't have.

Praveen Kutty: You should have a bank account with us.

Prem Patel: No, I don't...

Praveen Kutty: Experience, experience. You should have the experience of having a DCB Bank account. I will send somebody to your place and on a first-hand basis, see how banking with DCB Bank is like. So apart from being an investor, we wanted to be a customer as well.

Prem Patel: 100%. Sir, I had just one question that at what price to book valuation are we thinking of diluting the equity.

Praveen Kutty: Good question. So look, we are very near closure on the capital. So , and it's got three components. I'm sorry, I'm not able to give you a straight answer. But from a timing perspective, before the next investor call, we will have a firm commitment on the capital. Maybe the capital also will come in by the time.

The quantum and the rate is getting closed. So if that is closed, the firm offer will also come in. So it's a question of a few more weeks or maybe maximum a month before we'll be able to close it out. Look, the bank has not raised capital from 2017 onwards. It's waiting for the right time.

So -- and the right time is not based on time. It is based on valuation. That's the reason we haven't raised it so far.

So we are conscious about at what rate would we dilute incrementally. The bank's capital position is strong. Our capital adequacy ratio in September 30 is better than our capital adequacy ratio in March after having grown. So it's not as we are desperate for capital. So we are holding out.

We are ensuring that the capital which we require, which we definitely do require comes at a price which is fair to everybody, existing shareholders as well as to the new incumbent or new entrants or entrants who would come in over the next few months.

Prem Patel: I had just one concern that I am pretty sure that just now our share price is very much undervalued. So -- and today, just we closed at our book value around INR 203 or something like that. So below the book value, we will raise the capital or not?

Praveen Kutty: Below the book value, we will not raise capital. That much I can tell you. At what price to book will we raise capital, that's under negotiation. But below book value, we will not raise capital.

Moderator: As there are no further questions from the participants, I now hand the conference over to Mr. Kutty for closing remarks. Thank you, and over to you, sir.

Praveen Kutty: Thank you very much. Look forward to the meeting three months later. Bye-bye.

Moderator: Thank you, sir. Ladies and gentlemen, on behalf of DCB Bank Limited, that concludes today's call. Thank you for joining us, and you may now disconnect your lines.