JANA SMALL FINANCE BANK
(A Scheduled Commercial Bank)

JSFB/SEC/2025-26/21

06th May 2025

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

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

Sub: Transcript of Investor/ Analyst call.

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

Dear Sir/Madam,

Please find attached, transcript of investor/ analyst conference call held on 29th April 2025. The same will also be uploaded in the website of the Bank at www.janabank.com.

You are requested to kindly take the same on your record and oblige.

Thank you
Yours faithfully
For Jana Small Finance Bank Limited

LAKSHMI RAJA NARAYANAMURTHY
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Lakshmi R N
Company Secretary & Compliance Officer

JAMA KARO, JANA KARO

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"Jana Small Finance Bank Limited Q4 & FY25 Earnings Conference Call"

April 29, 2025

MANAGEMENT: **MR. AJAY KANWAL – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER,**
MR. ABHILASH SANDUR – CHIEF FINANCIAL OFFICER,
&
OTHER SENIOR MANAGEMENT TEAM MEMBERS

MODERATOR: **MS. SANJANA FAUJDAR – NUVAMA WEALTH AND INVESTMENT LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Jana Small Finance Bank Limited Q4 & FY25 Earnings Conference Call, hosted by Nuvama Wealth and Investment Limited.

As a reminder, all participant lines will be in 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 Ms. Sanjana Faujdar from Nuvama Wealth and Investment Limited. Thank you, and over to you, ma'am.

Sanjana Faujdar: Thank you, Rutuja. Good evening, everyone. And welcome to the Q4 & FY25 Earnings Conference Call of Jana Small Finance Bank. We at Nuvama Wealth like to extend our sincere thanks to the Management Team of Jana Small Finance Bank for providing us the opportunity to host this call today.

Joining us on the call are Mr. Ajay Kanwal – Managing Director and CEO, along with our esteemed members of the Senior Management Team.

Without further delay, I would now like to hand over the proceedings to the Management. Thank you, and over to you, sir.

Ajay Kanwal: Thank you so much, team. And good evening to everybody.

- So let me start off by a very important milestone for the Bank, which is that, with our Audited Results now in the public domain, Jana Bank meets the Universal Bank norm set out by the Reserve Bank, which is meeting gross NPA and net NPA below 3% and 1% threshold for two consecutive years. With that, we would like to file in our application for the universal Bank within the next 30 days.
- Secondly, it has been a very tough year, but I must say a very rewarding year. It has been one of those years where we had obviously stress in microfinance, and when the year began last year, we had 40% microfinance business. But as we have finished the year, our MFI book is down to 30% and yet we have grown a solid 19% growth in assets. So fundamentally, our strategy of developing multiple lines of business has come through that even if MFI does not grow, which in our case has not grown, in fact, its negative growth of 11%, our overall asset book has grown 19%. The growth of secured assets in our business is 40%. So that's the first most important piece in terms of performance.

I would now start referring to some of the slides because I think it's easier to then relate to numbers, so I will be on Slide #3 which talks of PAT:

So here is the very interesting simple headline that we have delivered Rs. 501 crores of PAT after doing accelerated provision of Rs. 305 crores. The Rs. 305 crores obviously is to make sure that net NPA remains below 1%, and Rs. 305 crores obviously have come from increased MFI stress leading to obviously most slippages and then our need to provision. Now if you back out, more deferred tax asset year-on-year deferrals and the accelerated provision, our adjusted PAT should have been Rs. 779 crores.

By saying this, I am just trying to give you the ability of the franchise to deliver good PAT, and we will talk about that in more detail as we go through. But I just want to tell you that delivering this PAT in a tough year in our minds has been one of our strongest performances till date.

I would now move on to the next slide which talks about asset, and I did give you a glimpse of that a bit earlier.

So yes, while MFI was stressed and we did spend a lot of time focusing on collections and getting things right, we were never doubtful in our minds that our future was always secured in nature. So we used that time to increase our secured throughput. As you can see that the advances growth is 19%, of course, banking industry is 11%, but our secured is 40% solid. And this is not the first year. You will see later in the slide that the growth between the years 2022 to 2025, the CAGR has been 40% on secured. It is just that even though the base keeps growing, we still continue to deliver 40%. The unsecured degrowth has been 11%. The only silver lining here is, in Quarter 4 unsecured has eked out a small gain of 0.2%. It is fair to say our unsecured growth rate will remain stable or slightly positive as we go into this year. And the big challenge around the book not growing is behind us.

I must also add that the MFI book, 28% of which is now under the guarantee program. As we all know that this guarantee program takes in new disbursements, so we will complete the balance 70%-odd through this year. So by September, we will mostly be 90%-odd under the guarantee program. And you will see later details with what goes under CGFMU and what goes under CGTMSE, we are doing a mix of both. I must also tell you that the way we operate is we kind of start investing in products so that it is good for our customers, they are getting multi products from us, but at some points we think the products by themselves have become profitable as they matured into a good business. I am so glad to tell you that you will see the numbers later, gold and two wheelers have become that businesses. Business we were investing for some time, but now you can see the growth rates, you have seen the size, we do think that in our minds they are no more the babies, they have become good strong teenagers and they will run very fast.

Having reached those two with gold and two wheelers, we have now started focusing to put our measured investment money into used car growth and supply chain financing, so that a year or two years from now, I will be in front of all of you by saying that our used car business and supply chain businesses have become reasonably strong healthy growth businesses. So overall, I will share with you number by number of secured asset growth, but we are very proud of the advances of 19% that we have made in spite of our unsecured growth of minus 11%.

I draw your attention to Slide #5 on deposits. 29% has been the deposit growth this year against the industry growth of 11%. Our deposits now stand at Rs. 29,120 crores and you will see our CD ratio is now down to 93.3%. If you add in the refinance, it is only 82.9%. So we are very, very liquid. And as you know, we had the strongest LCR, it continues to remain the strongest. But like I had told all our investors and analysts that we will keep bringing down the LCR as liquidity improves, our LCR has dropped from last year 391% to 253% and we will continue dropping it further.

CASA, it grew at 18%. But I would like you to see a page or two later that our 18% growth includes the price of dropping SA by 9 bps. Because as well all know, many folks can grow CASA, but there is a cost to it. I think very few people can grow CASA with improving the price on it. And that you will see the actual physical numbers as we go along. We have also added Andhra Pradesh as our 25th state and we are very delighted that we are able to now do business in that state because we do feel there is going to be a very good and strong economic development in Andhra Pradesh.

So now, before I move on, asset at 19%, secured assets 40%, unsecured minus 11%, CASA at 18%, deposit at 29%, CD ratio at 93.3%. There is nothing here which tells me that we should not be feeling very bullish and very strong about what is going to come in the following years.

The one question we should be very clear about what to expect on any more credit costs, so I would like to then quickly, and importantly go to this credit cost page. If you see the regulatory provision, it is down from last year. The incremental accelerated provision is Rs. 305 crores versus with Rs. 73 crores last year. Yes, Rs. 305 crores will stand us in a very good stead this year, a lot of it will become recoveries. Having said that, our net credit costs, if you really back out accelerated provision, it is about Rs. 325 crores, which we think is a very healthy number. But having said that, the reality is, yes, we would like to keep ourselves very alert and very focused. If you see the additions of gross NPA in the next table, you have seen a slight addition from Karnataka in the Quarter 4. Our Karnataka book is only Rs. 560 crores, which exists on the Bank's books.

So I want to bring back to a very important point which we have always spoken of in the past that Jana has always taken a position where it does not want to have any concentration of any asset in a particular geography. Karnataka happens to be the head office of our Bank. Karnataka should have been a large book, but by design we have not kept a large book. To anticipate the next questions and how big is your MFI book in Tamil Nadu? It's Rs. 1,000 crores. It is not a significant number. It's not something that can shake our numbers too much. Not that we expect anything to go wrong in Tamil Nadu, but we are just being more careful.

So really, I want to come back to GNPA saying, yes, the peak is behind us. We will remain very watchful. I think the real celebration to our mind will begin from maybe Q2, going into Q3. So we continue working hard. Our PCRs are strong. They have accelerated our provision to Rs. 305 crores. And we are in very good credit shape, as I would put it, because when the book is dropped of MFI from Rs. 10,000 crores to now Rs. 8,900-odd crores, it has taken most of the poison away. So that goes for credit cost. Very clearly, worst behind. Things are improving. Karnataka, small problem. We do not have a big book, already baked into our Q4 numbers. And we move into this financial year with lot of strength on the way we manage our collections, our credit, and of course, with a large amount of provision available with us.

I want to talk about two things which are very dear to us. We always were proud of our cost-to-income, which last year we finished at 57.4%. I have mentioned to all of us that our bias was to take 57% down in the three year period to a 54% number. We have unfortunately this year have gone the wrong way; we have become 61.3%. The single biggest reason is, drop in revenue from unsecured. And that has really caused the income to compress from an unsecured perspective, so we really cannot address costs so quickly in the short-term. But let me assure you, we will come back to first-digit being 5 this financial year, because we know that cost is a certainty and managing cost remains most crucial to us, largely led by digital and productivity.

I mentioned CASA earlier, saying CASA has grown, but not by increasing money and you can see our CASA cost is down to 4.36% while we have grown to Rs. 5,235 crores, which is a healthy growth rate of 18% in CASA. So I thought before I go into deeper numbers, I will give out the highlights and probably answer some of the important questions and give you the messages from the Bank's side.

Now I would like to move onto Slide #8. Now here is an important one, our capital adequacy has moved upto 20.7%. It was 20.3% last year and we have not raised capital. It only tells you that we do not need to raise any more capital. The reason, the capital has improved from 20.3% to 20.7%, and as you all know it largely Tier-1, we have hardly any Tier-2 capital is for three reasons. First, profit of Rs. 501 crores PAT; second, 28% have gone to CGTMSE and CGFMU; and third, we have a Rs. 1,000 crores roughly about Gold loan book. All these three things will be real this year also. So, what you should expect is, our capital adequacy to further strengthen without raising a single rupee of Tier-1 or Tier-2 as we get into this year. And we continue to drive numbers.

Now, again, if you see the highlights of this year, give me a second. Okay. Other highlights on this page that I could have picked up was, gross NPA at 2.5% which has improved from 2.7% and everything else which you look at return ratios or you look at the ROEs, they have improved in Quarter 4. On a full year basis, which is on Slide #9, I think this is a very important slide for us because it pretty much puts in Rs. 30,000 crores of asset and liabilities. This becomes a significant number from our perspective, and we are very proud of the 70% secured advances.

I will move on to Slide #11, and I really want you all to spend time on Slide #11. I really wish I can show you a similar slide every year, but let me take some time in being a little bit less modest by reading some of the advanced growth which I have highlighted in pink. Affordable housing this year has grown by 37.8%. Our micro-LAP has grown 21.6%. Our MSME loans have grown by 29.1%. Our NBFC, which has been one of our best books has grown by 50% in the Quarter 4. They have slowed down because every other business really grew very hard in Quarter 4. Two-wheeler loan at 105%. Gold loans at 237.6%.

Kindly ignore the gross NPA of 2.7% on gold loans because that is technical in nature. And loans against FD is really not something that we think will grow further, as you know, it's very low profitability oriented. Overall growth in secured assets is 40%. And where we sit, we would like to continue the same growth rate and there is no reason why we should not continue the same growth rate of secured asset growth.

On unsecured, too much negativity on MFI, I do not think so it's warranted. We know businesses has its challenges. One has to grow the business in a more measured way. And here I must say that for us growing the unsecured book by 0.2% in Quarter 4, I see that as positive. Because the way the unsecured business works is, if my collectors are unsure of collections they will not give the next loan. It does not matter how much hard we try to push, ultimately the ground team, which is a few thousand people, they should feel confident that things are back on track.

So when I see a growth rate on my books and unsecured advances, I see a confident frontline who is very comfortable in saying that, listen, we have been through the worst, I think we can collect, and I do not have to tell you that we are far more conservative than any MFIN guardrail. For no other reason, that we do feel that every player has a different approach. And unless we are not clear of how the industry emerges, we would like to remain very, very conservative. And I would give you the conservatism number. If any of my existing customers have more than Rs. 50,000, with any other institution, I will not give him a next loan. We are so hard-nosed; we are not moving at Rs. 2 lakhs being the outer limit, we are operating at Rs. 50,000 as our level, that I will not give the next loan if he's got more than Rs. 50,000 exposure.

So here is the very important piece where secured is strong, healthy, and will continue to show very good growth. I do not have to read the GNPA numbers for you. You folks must have already glanced it. They are very healthy and gives you a lot of promise.

I want to move on to Slide #13 then. And this is where I said 28% guarantee program, 0.2% is the growth in the 4th Quarter and it has been very positive. Our BC book is down to 5%, but I must tell you that we see lot of progress made by the BCs. All the BCs, the three of them that had challenge in the book, they are standing strong, they are standing steadfast, they are fighting back, they are collecting. And I somehow have a very strong feeling that the BC book will show good profitability this year.

Next, I would like to move to Page number 15. This is our favorite page because this is how the Bank is. We are an anchor Bank, we do not like product selling. We would like to give multiple products to customers. So Bring Your Bank Home is very crucial to us. And for the first time, we are showing you last year versus this year. If you go to any of our past slides, it is where we began HOME 360 versus now. I think we have moved on from that phase, because I think all of you folks who have been following Jana would know that it rather now we start tracking ourselves year-on-year. And here is the best part, this is where customer are showing strong buy-in to the whole idea of having a one single Bank which meets all their needs. Our average relationship has moved in single year from 3.6 years to 3.8 years.

I have given a small line below, which is, if you assume property and life insurance, it actually become 6.1. But we take this two out, because they are nearly required for every single housing or micro-LAP loan. So we do not add them. And there are some very beautiful spots, I must point out that we are delighted with our gold loan penetration at 2.2%, which has moved up from 1.6%. So imagine, first, housing loan, micro-LAP customers are growing. In that growth business, which is roughly about 30%-odd growth, we are also seeing a growth in penetration. So it is like a double growth because your penetration improves in on an enlarged growing base from 1.6% to 2.2%, our business loan growth to 18.5%, two-wheeler has honestly work to do. And the best part is Avg CASA balance is now at Rs. 28,000 from Rs. 18,000.

So again, what is that competitive moat? What is the differentiation? How do we become the anchor Bank for rising India? This is the page to read. Where will the future operating leverage come from? This is the page to read. Where will we get better credit quality because customers have multiple Bank arrangements with us? This is the page to read. So this is one of the most important pages in our investment deck, because this is fundamentally how the Bank is being built.

I want to move to Page 16 now and that's where we will be very happy to see CD ratio at 93.3% and 82.9% including refinance, a very strong growth. Yes, we did have a growth in our cost of deposit, but I must tell you that from a 7.7% to an 8%. But here we are sitting in April and we have already had one cut in the deposit rates, we have had one cut in our savings rate. And I do feel that our LCR is strong, we have room to cut that. So I would argue that you should expect aid back to a lower number during this year.

We continue being very focused and very diversified geographically in deposits also, so nothing changes there. So all in all, there is a lot of work for us to do to improve CASA. But this year's CASA of 18% growth, while we have reduced the cost of SA, it's showing that the new segment offer we did last year, whether it's Exclusive, whether it's Premium, whether it is Legend, are all showing immense traction. So we are very happy as we go into this year. And now we have got a few stronger offerings which we can see has got strong customer reception to grow this year.

I will move to slide which is digital. And in digital's page, if you see every number, I struggle how to put up a number as headline. Because if you are doing 98% account opening with digital, then there is 99% and 100% cannot be so important, right? So one thing I must tell you that we are fully focused on digital. I would like to share with you the progress of our AI projects, which I will do in the next quarter. All I can tell you is that three very specific projects related to productivity, customer service and being co-pilot to our front end, we have already started work on. I am not building any of that into my next year numbers. But all I can tell you is when I do talk of digital next year, or rather this financial year, I would certainly be talking a bit about our solid progress on AI.

I would then like all of you to move to Page number 22 with me, this is our PCR page. First important point, out of our net NPA of Rs. 250 crores, the biggest chunk of net NPA left is secured with an LTV of 43.3%. So good news is, we are in a very strong position when it comes to credit cost going into next year. And our PCR, including tech write-off, and this is the tech write-off in the same year, it is not cumulative tech write-off that stands at 80%. So, yes, I mean, and as you can see on the right-hand side, it's never been a big book. But our restructured book has always been low and restructured book unsecured is down to Rs. 3 crores, which is negligible. All the secured ones have property backing, so nothing here which should bother any of us.

I will then move to Page number 23, which talks of numbers. And again, very important is to notice Quarter 4. Rs. 105 crores PAT has become Rs. 120 crores. Operating margin up from Rs. 279 crores to Rs. 293 crores, so Quarter 4 is a positive direction. And that should give us, and certainly you, a sense of direction the Bank will take.

I will then move on to the balance sheet slide, which is Slide #24. Important is, our liquidity as of 31st March has been the highest in the past. It is at Rs. 2,816 crores. And importantly, our refinance which we availed this year has increased our tenor of refinance to 5.6 years, roughly about 4.7 years last year. So very important to understand why do we take refinance? Because this is long tenure borrowing, these are essentially from NABARD, NHB and SIDBI, and we are thankful to all the refinance institutions for really giving us this long-term money. And I wanted to put 5.6 years because it gives you a true sense of what is it doing to our ALM.

It's really helping us tremendously and I have mentioned in the past, cost is not the challenge. So we remain liquid. We are very well covered on credit. We have a strong secured asset growth. In a tough year, we have grown 29% on deposits. So I would like to finish with Slide #25 which is guidance for this year where we would continue to grow AUM by 20%, deposit's certainly in the 20%, PAT at 30%, ROA between the 1.6% to 2% and ROE at between 15% to 18%.

I am very conscious that you will have more questions than I would have answered, so I will stop here and I will now open the house for questions which me and my team here will take. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Manish Oswal from Nirmal Bang Securities. Please go ahead.

Manish Oswal: Yes, sir. Thank you for the opportunity and quite a resilient performance given the industry challenging scenario. My first question is on our performance on the net interest margin side during the year. So, we all know there is asset quality pressure, higher slippages so there will be some interest reversal. And another factor which is playing out is the increasing cost of funds because deposits cost has also increased during the period. Now going into the FY26 when both the sectors turn positive from a macro standpoint, how do you see our margin performance? Plus we will see some growth in our unsecured book which also helps us to improve our margin, so where do you see our margins to be compared to FY25?

Ajay Kanwal: So, Manish, first, thank you so much. And yes, you are 100% correct. I must tell you this, when we had modeled our three-year numbers, like, what will we look three years from now when we become 80% secured, our NIM, when we had turned 80% secured, should have been 7.7%, we are finishing around 7.6%. So we are really off our own projections of NIM because we should have been 7.7% when we were 80% secured as per us. But let me give a few things, and you have mentioned a few of them already, which is interest expense is the issue. Unsecured has, actually de-grown and that impact is quite heavy, as you know. But yes, both of them should be positive, which is less gross NPA and net NPA, unsecured will grow. That is certainly another positive.

The third piece, but I think the most important piece I must tell you, I did a calculation and a study of what is my NIMs for my secured products, March '24 to March '25, in spite of cost of fund increase. And the good news is, my NIMs of secured are identical between March '24 and March '25 in spite of cost of deposit going up. So my confidence in saying, yes, NIMs will get better this year, has not only got interest in suspense, growth in unsecured, drop in cost of deposit. But my biggest strength today is my secured business is 70% of my book, and that is holding very well. So yes, Manish, we should expect NIMs to improve as we go into this financial year, and I mentioned all the right reasons for that.

Manish Oswal: Yes. And the second question, from your remarks you said that currently the 28% book is at under guarantee program, and by September, 90% of our MFI book will be under guarantee program. So let's see once here the hypothetical scenario when this kind of credit event happens, where we make the lot of saving in terms of credit cost from P&L standpoint in that 90% scenario? Can you explain that thing for us?

Ajay Kanwal: Yes. So I will give you the CGFMU example because that is an easier example to share. Let's say there is an event tomorrow and there is a 10% gross NPA need, the cost to the Bank, and Abhilash, help me, if there is a 10% gross NPA or provisioning need, our impact to the Bank will be what?

Abhilash Sandur: 2.7%.

Ajay Kanwal: 2.7% And that includes a 1% cost on top.

Abhilash Sandur: On top of it, yes.

Ajay Kanwal: So 3.7%. So on a 10% gross NPA, under CGFMU, my impact should be 3.7%. So, Manish, what I am really trying to do, and rightly so, not just me, I am sure other players are also going this way, taking the event risk away. I mean, I can handle a small drought, I can handle a small unemployment issue or a particular state has some other disturbance. What I cannot handle is a large-scale disturbance. And I do not want, when I am turned 70% secured, that 30% to disturb the Bank, right? And that is the only problem that I do not want to be sitting in future with.

So our bias is, please provision for the cost. When I said I will grow PAT by 30%, Manish, the cost of guaranteeing the balance 70%-odd, I have already included in my numbers. But the good thing is, once I do it this year, then every other year after that on a year-on-year will not be impacted. My 30% growth in PAT already assumes that the Rs. 50 crores odd I would need to do my provisioning, to do my guarantee program, it is already baked in my numbers.

Manish Oswal: Lastly sir, you talked about your cost to income ratio because this year we had a lower income and that's why the cost to income ratio increased against our guidance of 54%. And you said the first digit will be 5 in cost to income ratio. So going into slightly deeper perspective like if I see the 20% growth of our balance sheet, where do you see our expenses to track down the balance sheet growth, lower than that? How one should think of it, given the mix of the business?

Ajay Kanwal: So first, I will tell you very basic approach here. See one is, I have the same number of people in unsecured when I was doing Rs. 10,000 crores as I am doing today. So I am at Rs. 9,000 crores with the same number of people when I had Rs. 10,000 crores. So I can see that my unsecured does not need more headcount. And between you and me, it's very simple here, the biggest cost growth really is headcount. What we have done this year is really invested in growth of our secured business. Because we have two choices when things go wrong which is like, we all get scared and we start hoping for things to solve themselves and we start then growing, or we say, listen, this is our chance. God is telling us that listen, you need to take the pivot to secured even faster, even harder.

I will give you one number. When we began March '24, the number of people who were in business, that is in sales, in affordable housing and micro-LAP was 1,800 people. I am finishing March '25 with 3,300 people in affordable housing and micro-LAP. I think I already made the investment; it is already baked into my numbers. We should see a strong growth already. So first, you will not see as much cost growth this year as you saw last year. That is the first point I am making. And by giving you the two big headcount guzzlers of our banks, which is both microfinance as well as housing, I am explaining why cost will cost not grow up.

The other answer you already know, which is, revenue will go up as we do more unsecured and as the balance sheet grows. The third piece I mentioned was digitalization and some of the AI project kicking-in, but I am not building for that, that will only be something on top of it. So yes, we will have a five-digit in front of our cost to income as we finish this year.

Manish Oswal: Sure, sir. Thank you for answering all my questions. And we expect predictable earnings to sustain in the coming quarters and years. All the very best for your FY27 guidance.

Ajay Kanwal: Thank you, Manish.

Moderator: Thank you. The next question is from the line of Chintan Shah from ICICI Securities. Please go ahead.

Chintan Shah: Yes. Thank you for the opportunity. And sir, congratulations on a good quarter. So sir, firstly, on the gold loan. So, if I see on the gold loan GNPA percentage, so it has inched up from 1.1% in the previous quarter to 2.7% currently. So could you just help the reasons why is it so? And also the coverage ratio has also been maintained around 60% there, so are the LTVs really high or is it something tactical? Yes, firstly on that.

Ajay Kanwal: So I would put it as, you will not see it at this number when we meet next quarter. I think we could have done a slightly better job. I think in the overall way things are, at a particular geography we kind of did not pay a bit of attention which is why it's slightly gone up. There is no issue around do we have, our average LTV is about 60%-odd, there is not a rupee loss in gold, it's very technical in nature. It's just something that we could have probably done, "better handling" is how I would put it. We will fix it before we meet you next quarter.

So good thing about gold is, we are very comfortable with growth. We will continue growing very strongly. And you will see that when the quarter results two months away, we already finished the first month, right? We are very comfortable with the gold. 2.7% is a very technical issue, it's got nothing to do with fraud or gold valuation or anything like that. It's just the way one of our geographies had managed the interest collection. So that is a fixable issue. Already most of it is fixed, nothing to worry about.

Chintan Shah: Sure. And so, sir, on the RBI gold loan circular, so is there any impact to us due to this circular?

Ajay Kanwal: So, I think the impact is very positive because it says that all regulated entities, which includes NBFCs and banks, should have 75% loan to value, including the interest. And as you know, that was the difference between banks and NBFCs where NBFCs were able to do 75% without the interest, so I think there is a level playing field. I think there is clear guidance on what should happen during renewals, what should happen during top up. So that ambiguity has gone away from everybody's mind. I think they have been very clear. So I do think that, from our perspective, the gold loan gives us what I would think is commonality and one platform for all the players which is great, so it's a level playing field.

And two, there was some discussion in the system that could you do it this way or that way? I think it has been very, very clear right now. So it's very helpful to us. We are very, very enthused with this. And I must tell you that as we speak, wherever we had part time valuers we are turning to full time valuers, we are thinking of getting a few machines on karatometers so that we can expand that business. So yes, I mean, I said gold has given us confidence. You have seen our stupendous growth last year and you should see an equally strong one, if not a stronger one this year. It will be a core business to us and it's important to our customers.

Chintan Shah: Yes. That is helpful. And sir, secondly now on the growth, now I think for the next quarter we are guiding for a similar growth on the loan as well as the deposit front given that the CD ratio is now well under control. So that should also be aiding margin, right, is that a fair assessment?

Ajay Kanwal: Yes. So, Chintan, first, I must tell you, see, CD ratio never held us back. For us managing CD ratio, including refinance, has always been our basic going in position. The reason we have made sure that we did this deposit growth is to take away any of the question that people may have. It's a bit of a cost to us as you can see. We have now Rs. 2,800 crores as surplus cash. We typically had Rs. 1,500 crores. So it's a bit of cash. But I think we have taken up with that question mark then people used to tell if you can grow the deposit base, the market is so stuck, what will happen, etc. So I think that question is now no more a question, is what I would assume, we already had that comfort, but I am now transporting the comfort to all my current or future investors.

Yes, so here is the good part. My secured is growing very strong. It will grow very strong. The margins are very stable. Very important, our secured business is not a product business, it's a multi-product business. I must tell you, in my gold loan growth, my branch banking which are doing liabilities, has a very important role to play. My two wheeler sales people are also selling gold loans. And it is very important because this is a culture of the organization. You are building an organization where every single banker is conscious that his role is to give as many needs as possible of a customer met through our Bank. And I am giving those examples because to us that is the most important thing. We will certainly do a strong asset growth, be rest assured. Margins will improve. We just mentioned to Manish earlier the reasons. Yes, I mean, there's nothing else that I can add further.

Chintan Shah: Sure. So sir, just a follow-up on this. So you tell, what would your product per customer right now and how was it like one year or two years back?

Ajay Kanwal: So, Chintan, if you look at this slide number, that 16 number slide, but this is our housing and micro-LAP book. So I just want to step back and tell everyone what is our original view. Our original view is, the base product for Bank will be housing, so it is micro-LAP or affordable housing, MSME LAP. So we want house to be the base. We think home, whether it is where you stay or where you work. It is a linchpin of a consumer. Wherever he has his home loan, where his home relationship is, LAP is, that will be the primary Bank to a customer. That has not changed. We have done some work internally where we feel as you go out into the future, between 50% to 60% of the Bank's book will be property backed.

Property is the most resilient asset through any cycle. Now, obviously when you do property, you can do prime mortgages which does not give you enough ROA/ROE for us, or you can do affordable housing which is hard work, does give you higher GNPA, but is obviously a high ROA/ROE business, so which is where we are. And as you can see, very importantly, customers do not like to go to multiple institutions. I take a gold loan from X, I take a two wheeler from Y, I keep my Bank account as Z, personal loan from A. It does not work, it's just too complicated for customers from the KYC angle, multiple repayments. It's a hazard, right?

And you can see from Page number 16 that it works very well with customers. Customers like it. I mean, A, it is of course the most common sense thing to say. But the issue has always been execution. Two, banks execute on a customer vision, and it's a tough one because all banks have silos, right, affordable housing team is different from the gold team. But will the gold team sell affordable housing and affordable housing sells gold? That's cultural and the way you build incentive, the way you train, the way you make people think about organization, the way your processes are, the way your systems are organized. And for us the good news is, we have that working for us and we just want to accelerate that further. At some point, I will try and give other products cross holding also so that you can see how the Bank is really building itself into customer strategy.

Chintan Shah: Sure. And sir, if I just may one last question. So on the accelerated provision, so now we have Rs. 305 crores. So there are any further plans of making further accelerated provision in FY26? And how do you plan to utilize this or what could trigger the utilization of these provisions?

Ajay Kanwal: So actually this is a bit of a very simple one, which is these provisions are against specific accounts. If the account needs further provisioning, we will use Rs. 305 crores. If these account do not need any provisioning, this will not be used. If these accounts improve, which is they repay us back or they become out of NPA, then we will release the provision. So that's the three ways it can be used.

Chintan Shah: So those account are currently standard on the --

Ajay Kanwal: No, they are all NPA accounts. The accelerated provision is only on NPA accounts. The Rs. 305 crores is stacked against NPA accounts. So it will defray my provisioning into the future.

Chintan Shah: So these provisions are more than what is the regulatory requirement, so that is why it is known as accelerated, right?

Ajay Kanwal: Thank you so much. Maybe I should have mentioned it, I took it for granted. Yes, so which is why if you see the page, which is Page 1 itself, it talks about regulatory provision, what is required as per the norms and there's an accelerated provision on specific NPA accounts. When those accounts mature, when I say rather they are resolved and they become standard, I release the provision. If they do not get resolved, they will need more provisioning. I already have accelerated provision and I would not provision further. The borderline, Chintan, most important to us is that we will need to maintain a net NPA below 1%, gross NPA below 3% as we continue through the Universal Bank application journey.

So yes, I will tell you that we will have some accelerated provision this year also. But again, why the acceleration on Rs. 300 crores and not Rs. 200 crores? Because of MFI stress. If there is no stress, acceleration would have been lower here. So I expect it to be much lower this year but would not be zero because we would like to keep net NPA below 1% and gross NPA below 3%.

Chintan Shah: Sure. This is quite helpful. Yes, thank you for the opportunity and all the best.

Ajay Kanwal: Thank you, Chintan.

Moderator: Thank you. The next question is from the line of Nidhesh Jain from Investec. Please go ahead.

Nidhesh Jain: Thanks for the opportunity. A couple of data-keeping questions. Can you break the slippage number in secured and unsecured? I want to see how the secured asset quality is playing out. And similarly if you can share the write-off number for Q4 as well as for FY25, and again break it down in between secured and unsecured?

Ajay Kanwal: Okay. That's an easy one. The CFO is again pulling it out, do you have a follow-up question while he pulls it out?

Nidhesh Jain: No, no, that's it.

Ajay Kanwal: Okay. So why don't we take the next question while he pulls up the data.

Nidhesh Jain: Sure. Thank you.

Ajay Kanwal: Thanks, Nidhesh.

Moderator: Shall we move to the next question?

Ajay Kanwal: Yes, please move to next and then just come back.

Moderator: Sure. Thank you. The next question is from the line of Shailesh Kanani from Centrum Broking. Please go ahead.

Shailesh Kanani: Good evening, everyone. And thanks for the opportunity. Sir, can you give the breakup of these regulatory provisions of Rs. 448 crores in terms of MFI and secured book?

Ajay Kanwal: Rs. 448 crores, just one second, please. Abhilash is already working on this and we will bring it out.

Ajay Kanwal: Yes, all the Excel spreadsheets are working on the sides because we are not breaking them. We have products by products, we do not have secured/unsecured as a break. So if you told to give me MFI like individual loan, group loan, etc., they have the numbers, they are just adding it up. One more second.

Shailesh Kanani: Okay. Sure. Perfect.

Ajay Kanwal: Out of the Rs. 448 crores, roughly about Rs. 280 crores is for unsecured and the balance is for secured, so 280 is for 30% of the book and the balance is secured portion. So, Rs. 280 crores is MFI, which is 30% of our asset book and the rest is for secured. So that answers that. I still owe earlier a question to Investec on flow rates.

Shailesh Kanani: So just for understanding purposes, that seems to be an excellent performance considering the last year what across the players the industry has seen in terms of credit cost. So my thought process, I want to understand from you is that, in my understanding and my calculations, CGFMU cross cycle normally the cost somewhere falls in the range of 2.7% to 3%-odd. And as for this number, we are around 2.8% in terms of credit costs, right? So in worst of the cycles, if we are having a credit cost which is less than 3%, which is a phenomenal job, why should we be spending on CGFMU cover? Because generally the cycle phases out, say, once in three years. So can you explain me this?

Ajay Kanwal: Sure. So here is my thought there. First, I will talk a bit about the book. See, we had a BC book where we had FLDG from the BCs. So roughly about Rs. 120 odd crores odd of provisioning came from the BC book, which is why it is not my credit cost. So that's one. And while the BC book's GNPA is high, we have always mentioned this through the year, the BC strategy is around preparing also for a year where it becomes a bit rough for us. So BC has been a positive in terms of credit cost, which may not be true for every player.

Second, nearly about 55% to 60% of our book is actually individual loans and a larger portion of that is actually urban in nature. And this time, as you know, it is more a group loan problem, it is more rural in nature. So the second reason why we should be differential in terms of performance from the rest.

The third piece, I will just give you the single number. If you take a CAGR of unsecured growth for Jana Bank from 2018 to 2025, which is only seven years, it will be the 1.5% number, plus or minus a bit. So we have never grown aggressively. And the only problem in unsecured is, when you grow aggressively you do things which are not normal growth cycle growth. So three reasons why our unsecured should have always been better than any regular competitor. And we have been saying this for some time, but that's a different matter.

Now why would I do CGFMU, CGTMSE? See, I cannot predict every down cycle here. I do not want to be sitting here with you tomorrow and there is something more severe happens and I feel that I try to save some money here. And remember, this money only this year will be an impact, from next year will be on year-on-year basis impact. And as you have seen that MFI continues, whether it's demonetization, followed by COVID distress, there is some small possibilities that we have seen a Karnataka small decline. Maybe it could have been worse.

I just feel that it's probably good for the Bank, than maybe I give a bit of ROE, bit of ROA, but we get that event risk out of our minds here. I certainly do not see us exiting the MFI business, it has a lot of value. But I do not see ourselves taking that chance that something unmanageable happens and then we are all wondering why did we save the 1% here. I know its 1% per year, but I do think it is worth that we actually just solve it here. And I do not know if this is the worst stress year, maybe next year will be even worse. I do not know. I do not want to be in a position where I do not know. Does that help?

Shailesh Kanani: Okay. So just a follow-up on the similar line. We have seen a very good jump in non-interest income, other income, right, on a Q-on-Q basis as well. Anything to look out there, any one-offs? And also, are we charging our customers for those CGFMU what we are buying, what we are doing for their loans?

Ajay Kanwal: No. So we have not changed the customer IRRs at all. We have kept the IRRs the same. Because frankly a guarantee or non-guarantee, we wouldn't like our customers to kind of use that and say, okay, anyway you got a guarantee, I would not pay you. So we have kept that very much within ourselves. That's one.

Shailesh Kanani: So there's no charge for CGFMU for the customer, right?

Ajay Kanwal: Yes. The customer IRR is intact. So sorry, do you want to finish that question -- and if there isn't anything else, we can go back to the last question on flow rates.

Shailesh Kanani: No, no, please continue, continue.

Ajay Kanwal: I will just repeat the question which Nidhesh said earlier. Nidhesh, the unsecured flow rate was gross loan, not net, it's Rs. 309 crores, up from Rs. 277 crores in Quarter 3. And that was primarily to do with the Karnataka thing. And on secured, it remained very flat between Q3 and Q4 at around Rs. 150 crores. Nidhesh, does it answer your question?

Shailesh Kanani: I think he's not online. It is still Shailesh here, sir, from my side. Sir, just to continue on my non-interest income part, can you share any one-offs over there in the non-interest income?

Abhilash Sandur: The PSL income is almost Rs. 18 crores for the quarter. They are up in the quarter. And net is about Rs. 6 crores, but Other income, he is referring directly from the financials, there we have booked Rs. 18 crores and we have also booked a cost of Rs. 13 crores under the OPEX. So that's why the OPEX is also slightly elevated and other income is also elevated. Net, we have gained around Rs. 5 crores between expense and income.

Ajay Kanwal: That is the only one-off. Rs. 18 crores is added to the other income line. And we have lost Rs. 13 crores on the OPEX line. That is both PSLC transactions.

Shailesh Kanani: Got it, sir. Sir, just last bookkeeping question, can you give a breakup of CA and SA numbers? That would be all from my side, sir.

Ajay Kanwal: Okay. SA is there as Rs. 5,000 crores something. The rest is CA.

Shailesh Kanani: Thanks a lot, sir. And best of luck.

Ajay Kanwal: Thank you.

Moderator: Thank you. The next question is from the line of Saumil Shah from Paras Investments. Please go ahead.

Saumil Shah: Sir, for FY25 if you remove accelerated provisions, then our PAT is about Rs. 780 crores. So if you were to calculate 20% growth for FY26 plus some reversals which we may have from these accelerated provisions. So can we assume we can cross four-figure mark in terms of PAT for FY26?

Ajay Kanwal: See, not all accelerated will be unused. See, accelerated provision is for NPA customers, right? Some NPA customers will not return the money, so some NPA customers will become going to full provision, right? So not all of Rs. 305 crores will not be required in this year, so that's one. Number two, we will do some accelerated provisions this year also. But yes, I would argue and think about maybe if all things go well, the following year we can talk of somewhere around that number.

Saumil Shah: We also have a DTA benefit, right?

Ajay Kanwal: Because see, I will give you a simple back of the envelope here. If we had unsecured growth of Rs. 1,000 crores this year, so Rs. 9,000 crores becomes Rs. 10,000 crores. This was our March '24 number. So March '24 was Rs. 10,000 crores unsecured becomes Rs. 9,000 crores this year, rough and ready. Next year goes back to Rs. 10,000 crores which is FY '26. That will add straight to bottom-line minimum Rs. 100 crores. And of course, less provisioning, some recovery from the past, it all looks nice and we know that. Now the question is, we do not want to grow so fast. We want to make sure that the environment is cleaner, we want to grow, like I said very, very conservatively on unsecured till we know that everything looks sorted. Today, unsecured MFI does not look as totally sorted, it is still a mixed bag. It is mixed by geography, it has got some trouble in a particular state unexpectedly. So I would have loved to reach the four-figure mark, and I must tell you that this has been not just mine but our entire management team's dream, that we should get there as fast as we can. But I do not want to chance it. So, yes, I would give myself one more year for that.

Saumil Shah: So what are the guidance for FY26 in terms of PAT?

Ajay Kanwal: What I have put it in the guidance note which has 30% approximately and we will probably get more firmer on that guidance as the year progresses.

Saumil Shah: I think that's a conservative guidance.

Ajay Kanwal: We are a 70% secured Bank, my friend.

Saumil Shah: Okay. And sir, any credit cost guidance for FY26?

Ajay Kanwal: So certainly lower than this year. How much lower? Give us a quarter to go by. Like I said, let some of the unknowns, at least how much does Karnataka finally fall through, does Tamil Nadu become a small issue? I do not know all these things. So just give me a bit of time. But all I can tell you it will be, obviously, the elephant is out the room, the big provision has been done. Last year is over, so it'll get better than this year. More firmer numbers, we will give when we probably meet you after 1st Quarter.

Saumil Shah: Sir, my final question. Sir, on the deferred tax effect, what is the amount left with us for FY27?

Ajay Kanwal: See the way you think about it is like this, first, you have enough DTA left. Right now the DTA between last year and this year is Rs. 155 crores plus. This year is how much?

Abhilash Sandur: Its totally Rs. 185 crores now.

Ajay Kanwal: Rs. 185 crores. So see, the final year of DTA is FY27.

Abhilash Sandur: Correct.

Ajay Kanwal: That year, right now, DTA is Rs. 177 crores. Let's say DTA becomes Rs. 200 crores by FY26. At 25%, that means I should minimum make a PAT of, or rather PBT of Rs. 800 crores in the year FY27. So that's how you should think about DTA. So, DTA has probably another, if you ask me, between Rs. 20 crores to another Rs. 40 crores addition at best, depending on how this year pans out. And yes, we will continue to be non-taxable FY27. We are short of where we had promised PAT this year. So we were hoping to get a PAT of between Rs. 650 crores to Rs. 700 crores in last financial year, which we have not done, we have got Rs. 501 crores. So you can expect probably about Rs. 50 crores to Rs. 60 crores of DTA to be lost based on last year's performance.

Saumil Shah: So, basically FY25 end, how much we are left with, around Rs. 660 crores?

Ajay Kanwal: Yes. Rs. 500 crores odd.

Abhilash Sandur: Rs. 550 crores.

Ajay Kanwal: Rs. 550 crores, yes.

Saumil Shah: We are left with Rs. 550 crores. Okay, that's it from my side. Thank you and all the best.

Ajay Kanwal: Thank you. Thank you so much.

Moderator: The next question is from the line of Niharika Karnani from CapGrow Capital. Please go ahead.

Niharika Karnani: Good evening. Congratulations on good set of numbers. So, a couple of questions from my end. In the adjusted ROA of 2.31%, so just wanted to have an idea like how much ROA is generated purely through BC book? Question one. And question two is, have we done any kind of asset sale to ARCs this year?

Ajay Kanwal: So the first one is, see, ROA on a BC book on a year basis would be tough to say. Because a bad year means ROA is negative, on a good year the ROA will be very positive. We have looked at through the cycle performance of a BC or an MFI book combined, ROA comes around 2%. And I am talking of fully loaded through the cycle credit cost. You can normally assume between 4% to 6%. So that's why we do BC and why we do MFI because like this year cannot be a great number for any ROA for any MFI book or for a BC book. But if you go to the previous year, it is like a brilliant number. So we kind of average it out. Yes, we have done ARC sale this year, both on secured and unsecured. And mainly unsecured. As you know, the provisioning for an unsecured book with ARC or within the Bank has to be identical. So what I am trying to say is, there is no difference of provisioning for the Bank, whether the asset sits in ARC or whether the asset sits in the Bank. It is an identical provisioning methodology.

Niharika Karnani: Understood. Sir, just one follow-up question here. Has the ARC sales gone up in FY25 compared to FY24? And what would be the Bank's practice in the future years regarding this?

Ajay Kanwal: So, listen, we think ARC is a good tool for the Bank. It gives time for collections. It obviously brings in some cases, some expertise from the ARC companies. So we certainly would like to play a judicious mix. It is also a cost, so which is, as I said, all depends on three things, which is, what is the flow rates into gross NPA, net NPAs, that is the first determinant. Based on the flow size, we decide whether we would like to continue with our provisioning, hold it with us, or would we like to get some time to solve it and hold it with the ARC.

What we are very mindful of is, provisioning is identical between the Bank and the ARC. And two, for the ARC is also, in some cases, to get any expertise from them, certainly in the secured side. They do have a lot of help that they can provide and a lot of experience that they bring in. So those are the parameters. So, yes, ARC is a good thing to do. It is certainly a tool available for banks to manage their NPAs better. And something we would certainly keep as a tool in our handbag as we go into next year. Whether we do it or not do it, all depends on how the NPA flows through.

Niharika Karnani: Got it. And sir, just last question, any difference in asset quality results in difference in provisioning when ARC sales is done? So I wanted to ask here what's the practice of banks to sell what quality of assets to ARCs and keep it in its own books?

Ajay Kanwal: Firstly, it is a regulation, there cannot be any difference. You only decide what takes longer to resolve and where you need expertise, and that is the one that you choose. And you decide the quantum based on what you think you want to continue on your books as provisioning or what you take on the ARC book. Because as you sell to an ARC, your gross NPA comes down. So it really helps you to figure out on a gross NPA, you want to reduce gross NPA by taking technical provisions, you want to reduce gross NPAs using an ARC. And that depends on the flow of the year. So again, first, just to be very clear, it is a RBI regulation, you cannot have a differential structure between ARC, non-ARC, in terms of provisioning, it's an identical asset. You provision an ARC book as it is on your books, that is an ARC customer.

Niharika Karnani: Got it.

Moderator: Thank you. The next question is from the line of Sagar Shah from Spark PWM. Please go ahead.

Sagar Shah: Good evening sir. Thank you for the opportunity. I had around three questions actually. Now my first question was on the liability side, our retail deposits as compared to our old deposits is decreasing almost quarter-on-quarter, it stands at almost 58% as of now. So, can you highlight that do we have some strategy on board to at least increase the retail penetration now in our liability portfolio? Any guidance on even branch addition? So that is my first question, sir.

Ajay Kanwal: So I will let Shrinivas, who's our Head of Branch Banking, he runs the liability business, answer that.

Shrinivas Murty: So, hi. First of all, on the branch addition, it's there in the investor deck, we continue to add branches every quarter. So the branch addition will continue in the next financial year as well. On your question on drop in retail deposits and what is our strategy to continue to build that? Clearly the product, process and people strategy that Ajay talked about will continue to be our main stay to bring in retail deposits. Ajay talked about three, four products which we recently come up with which are tracking well. So we will continue to build our scale on the retail side with the help of those products. And we think that going forward, this should continue to improve in the quarters ahead.

Ajay Kanwal: So just to supplement what Shrinivas said, see, first, let's look at the three numbers, CASA growth rate is 18%, while the CASA cost has gone down. Retail deposit growth rate at 19% and then bulk growing around 48%. So really, retail deposit is growing. But obviously, the bulk is growing faster than retail. And as you can see very well that our ability to do TASC accounts, our ability to work with various government accounts, our ability to work with various FIGs, that's a very strong propensity we have developed. And in spite of having a good growth in bulk, we probably have the best LCR in the industry.

So there is a good virtue we have, which we do not want to give up. But yes, should retail grow harder than bulk? Ideally, yes. And maybe this is the year we would say that because liquidity has become much better. Our segments, which we launched last year, are showing good results. CASA is showing it, retail is showing it. But because we did get a good opportunity on bulk growth, it does look like the retail number has gone down. But retail by itself has grown 19%.

Sagar Shah: Okay. So at least in FY26, can we see that number inching up to 60% to 65%, sir?

Ajay Kanwal: Absolutely, that will be our serious and sincere attempt because we also would like to see that higher for no other reason. So if you look at the slide #18 we have opened roughly about 52 branches last year. 28 of the 52 have come in Quarter 4. So we are expanding branch networks. I also mentioned we opened the first branch in Andhra, which is in Guntur. And then if you see in the same Page 18, we have this Legend, NRI, Exclusive, Premier programs, all launched last year. So yes, you have every reason to expect and ask us for more retail deposits. And given our liquidity position now, our need to grow bulk is very diminished. So you would see naturally a retail and CASA combined, grow into the 60s this year. Absolutely fair to ask.

Sagar Shah: And that would also, basically, at least lower your cost of funds, if I am not wrong, right?

Ajay Kanwal: Yes. Cost of fund, I think anyway should come down, honestly, because even bulk will become cheaper this year. So expecting everything to be cheaper this year is fair to expect also.

Sagar Shah: Okay. Fine, sir. My second question was regarding to the asset quality. Asset quality, you already highlighted in the last quarter that we have seen the worst. And in this quarter, again, we saw some sort of higher slippages, especially from the unsecured book. And now, you guided earlier on the call that FY26 seems to be at least positive for unsecured space. But looking at your BC book and Agri book, the asset quality has deteriorated even further, actually. The GNPA has touched almost 12.7% for BC book and 7.5% for Agri and still the net NPA is far above 2% for both of these. So going ahead, what is the picture for FY26 on both these cases? And secondly, have we actually seen the worst or because you have guided for even further accelerated provisioning on the unsecured front? Can you give color on these two segments, sir?

Ajay Kanwal: Yes, sure. So first is, you are reading Page #13, am I correct?

Sagar Shah: Yes, that's correct.

Ajay Kanwal: So in that page, next to the GNPA is quarter-on-quarter growth, year-on-year growth. And you will see that both the BC book is in a decline and agri book is in a decline. So a lot of the gross NPA percentages you are referring to is because the denominator is also going down. Is that fair?

Sagar Shah: Yes.

Ajay Kanwal: Now, I do not see the denominator going down in any significant way this year. So you will get that denominator positivity. And as you can expect in any book, whether it's a BC book or an agri book, there are customers who are over-leveraged, there are customers who have used opportunities not to pay, and they will kind of flow through and become part of your NPA. So the most aggressive, most leveraged, most-naughty customers are already in Net NPA. So the lump left behind is not much. Unfortunately, what happens in the agri book is, if you look at the Karnataka problem of the 1st Quarter, it's largely is in the rural area, it's not in the urban areas. So while we did not anticipate a Karnataka blip, it did happen in the 1st Quarter. Now, if there is no Tamil Nadu blip, then we will be in a good position.

And it is exactly for this reason we do two things. One is, we try to grow slowly and we want to take away event risk through guarantee programs. But am I nervous growing Agri? No. I am not sitting here saying, listen, it makes me nervous so I would not grow microfinance. I am telling you that, yes, within our criteria, we will grow microfinance. Will it grow at 10%? Unlikely. But certainly in the 3% to 5% range, we see it growing because we are very conservative. So again, if there is nothing which surprises us, you will obviously see a peaking out. The peaking curve out got slightly muddled with Karnataka, but nothing serious. And we should then see again a gradual decline.

But you and I should know that I do not think the MFI is sorted out as yet. It is still something to be on high alert for. And that is what we will be. I am not guiding you to get worried on credit cost. But I am telling you if you read this page, where we are very transparent about our challenges, whether it's BC book or Agri book. And we do that from a transparency angle because those are challenges we have and we want investors to know that. But will I grow my BC book this year? Yes. I did mention earlier in the call that BC may be the positive surprise that nobody's expecting, but it may end up being that. And that's how we think about it right now. And this is in spite of seeing a 12.7% GNPA in front of me because that is a denominator problem.

Sagar Shah: Okay. So you highlighted, I missed out, so Karnataka book is mostly in rural areas than urban areas, you said.

Ajay Kanwal: Okay. Impact of Karnataka challenge is mostly in the rural area. I have a book which is urban and rural divided, but my impact which has seen the slippage is in the rural areas.

Sagar Shah: Okay. So now my last question, sir, is on LCR. LCR, you have done a fine job on that. Now our LCR stands very comfortable at around 253%. So going ahead, do you want to at least guide on FY26 basis that will our LCR further come down? Because the cash that is lying on the balance sheet is still used, the cash especially that's lying with the RBI, it's far higher, the growth is almost 3x actually. So do you want to guide something in FY26 that our LCR will even go below 200%? So that will automatically benefit our NIMs actually.

Ajay Kanwal: Okay. So you are 100% correct, what does LCR do? It tells you stable money. And in a tight environment of liquidity last year, we wanted to have a lot of stable money. And when you have bulk deposit, even more important, a bulk which is stable, and which is what we achieved. Now the market is, clearly the liquidity has become much better. So for us to ease out a bit on LCR is very normal. So you should expect LCR to get lower. I must also tell you, we will model the upcoming LCR regulation which goes live on April '26 into our thinking and our work before we decide to bring it on. But yes, I will confirm two things. One, LCR will come down. It will still remain very healthy after taking into account the recent guidelines which are coming into effect from April '26.

Sagar Shah: Okay. Fine, sir. Thank you. Thank you for answering my questions and all the best.

Ajay Kanwal: Welcome, dear.

Moderator: Thank you. The next question is from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.

Sarvesh Gupta: Good evening, sir, and congratulations on a good set of numbers. Sir, most of the questions have been answered, just one clarification. So on the microfinance book of Rs. 9,000 crores odd, so our gross NPA is Rs. 350 crores and the net NPA is around Rs. 70-80 crores. And this is after the additional provisions of Rs. 305 crores that you have taken this year. Is that correct, sir?

Ajay Kanwal: That's right. That's from Slide #13?

Sarvesh Gupta: Yes.

Ajay Kanwal: Are you reading Slide #13? Yes, so that's the number, yes.

Sarvesh Gupta: Okay. And what is the SMA book, sir, before the gross NPA, which is still there?

Ajay Kanwal: So that will be roughly about Rs. 400 crores odd

Sarvesh Gupta: And what kind of provisions are we carrying against that?

Ajay Kanwal: Against SMA, we are not carrying any provisions. Did you mean SMA-0,1 and 2?

Sarvesh Gupta: Yes, for microfinance.

Ajay Kanwal: The entire provision is carried against NPA book only. There is no provision against SMA book.

Sarvesh Gupta: Okay. That's all from my side. Thank you.

Ajay Kanwal: Thank you.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to the management for closing comments.

Ajay Kanwal: Thank you so much. I first thank Nuvama and all of you for patiently listening and being on this call. I just want to close the call by saying, only in tough years do you get to see quality make a difference. And I thought, us turning secured all this while, what does it mean in a real sense? It is visible to us so, so obviously, and I am sure to you all also.

I think second is the way the team handled the crisis. And I think it comes from handling two past crisis, which is both demonetization and COVID. I think the response has been very mature. And I must tell you that we feel very comfortable sitting here as we go into this financial year of exactly what to do.

I am also in a way really hoping and looking forward to the Universal Bank application, because to us, that will be a game changer. Our whole liability, propensity and cost will change significantly. And so also our ability to do some of the products, which you think will have better customer attraction once we turn Universal.

And finally, I do think that us building an anchor Bank for rising India, is a competitive moat and different and I am sure that will keep us in good stead. With that, thank you so much, good night. And hope to see you again next quarter.

Moderator: Thank you. On behalf of Nuvama Wealth and Investment Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.
