Operator: Ladies and gentlemen, good day and welcome to Suryoday Small Finance Bank Ltd. Q2 and H1 FY27 earnings call, hosted by DAM Capital Advisors 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 {? Prachi Mane ?}. Thank you, and over to you, ma'am.

Prachi – DAM Capital: Thank you. Hello and good morning, everyone. On behalf of DAM Capital, I thank you all for joining us for the Q2 and H1 FY27 earnings conference call of Suryoday Small Finance Bank Ltd. Today, we have with us from management Mr. Baskar Babu Ramachandran – MD and CEO, Mr. Hemant Shah – Executive Director, Mr. Kanishk Chaodhary – Chief Financial Officer, and Mr. Himadri Das – Investor Relationship Head. Without any further delay, I would hand over the call to Baskar sir for the opening remarks. Over to you, sir.

Baskar Babu Ramachandran – MD & CEO: Thank you, Prachi. Good morning, everyone, and thank you for joining us today. Let me also take this opportunity to wish you and your families a very happy festive season.

I am pleased to report the progress we have made as a bank in the first half of FY27. Our focus has been on strengthening the fundamentals of our business while maintaining healthy growth. Over the past few quarters, we have made meaningful progress in improving asset quality, expanding our deposit franchise, diversifying our lending portfolio, and building a more efficient operating model. The second quarter reflects continued progress on each of these priorities.

Before I discuss our performance, let me briefly share our perspective on the broader operating environment and some of the trends we are seeing across our businesses.

The banking sector continues to witness strong credit demand. System credit growth has remained healthy, supported by retail lending, MSME activity, and commercial credit. At the same time, deposit mobilization continues to be competitive, with credit growth outpacing deposit growth at a systemic level. The recent change in the interest rate environment reflects the view on inflation and has brought funding costs back into focus. For banks, particularly smaller banks, the ability to build stable and granular liabilities will be an important differentiator going forward. For us, this reinforces the importance of growing our retail deposit franchise and deepening customer relationships, including through our digital channels.

The microfinance industry is gradually emerging from a challenging period. Collection trends have improved and are being sustained. Portfolio quality is stabilizing, and we see opportunities for calibrated growth. There is now a greater emphasis on borrower quality, overall indebtedness, cash flow assessment, and responsible lending practices. We expect an industry-wide transition from group loans to individual loans, which is likely to benefit borrowers with established repayment histories.

While the drought conditions across Karnataka and Maharashtra have not, thus far, resulted in any material adverse impact on portfolio performance or asset quality, our bank continues to maintain a prudent approach and closely monitor the evolving situation.

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At Suryoday, our transition to Vikas Loans and diversification into newer products like Vijayashree and micro-mortgages to cater to customers and their needs across the spectrum have helped us engage better with our customers.

On the retail asset front, our bank continues to grow at a faster pace with respect to secured lending, with both mortgages and CV growing at 36% year-on-year. Similarly, affordable housing and loans against property continue to offer attractive long-term opportunities, particularly among self-employed and emerging-income customers where credit penetration remains relatively low.

Overall, we see an environment that offers healthy growth opportunities, but one where underwriting discipline, funding stability, and operating efficiency will increasingly differentiate performance. These trends reinforce the strategic direction we have chosen for Suryoday.

Coming to our performance, our growth momentum has remained strong. Gross advances, including IBPCs, stood at Rs.14,972 crores, representing year-on-year growth of 34.6%. Disbursements during the quarter were Rs.3,096 crores, an increase of 27.4% over the corresponding period last year. We are encouraged by the quality and composition of this growth, with both Inclusive Finance at 41% and retail assets at 59% contributing to the expansion of our franchise.

On the liabilities side, total deposits grew 30% year-on-year to Rs.16,184 crores. Retail deposits, including CASA, stood at Rs.13,676 crores, constituting 84.5% of the overall deposit base and reflecting continued progress in expanding our customer relationships through granular deposits. While our CASA ratio dipped a bit year-on-year and stood at 19.4%, our CASA balances grew 26.8% year-on-year in absolute terms. We remain focused on building a granular and sustainable deposit base supported by our branch network, customer acquisition efforts, and digital channels.

One of the most significant developments during the quarter has been the improvement in our reported asset quality, in line with the strategy adopted by the bank, which played out during the last credit cycle. Gross NPA has declined to 2.9% from 6.5% in June, supported by the receipt of Rs.387 crores of CGFMU claims in July and write-offs and OTS of Rs.596 crores of legacy stressed assets. At the same time, underlying collection performance has remained stable. Current bucket efficiency for IF in Q2 FY25 stood at 99.3% versus 99.2% in Q1 FY25. Our focus continues to be on early identification of stress, close monitoring of borrower behavior, and maintaining prudent underwriting standards.

Our digital banking business is one of the most important enablers of our growth strategy and creates a clear differentiator for our bank. Our bank intends to grow its digital banking business not only as a means to significantly acquire quality customers, but also as a meaningful contributor to the franchise across assets, deposits, and earnings. We are excited about the growth prospects of digital banking and shall continue to update you on our progress with respect to this initiative.

Our bank is a clear market leader in the Credit Line on UPI, or CLOU, offering. CLOU continues to gain traction and helps our bank acquire customers exponentially, as well as allowing us to serve customers through convenient, scalable digital credit platforms. Over 14 lakh customers have been targeted under the program, and this count is expected to increase substantially in the forthcoming quarters. Similarly, deposits mobilized digitally through various platforms are a key engine for

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acquiring customers, and over 2 lakh customers have been onboarded via this channel.

Beyond business growth, technology is helping us improve operating productivity, enhance customer engagement, and reduce serving costs. Our approach is to combine the strength of our physical distribution network with digital capabilities, allowing us to serve a broader customer base more efficiently. We believe this combination will become increasingly important as the bank scales.

Our net interest income for the quarter stood at Rs.368.8 crores, a growth of 42.8% year-on-year, and NIM improved by 28 basis points year-on-year to 7.2%, aided by growth in the share of our paying book. Our net total income grew to Rs.495.3 crores in Q2 FY25 from Rs.338.1 crores in Q2 FY24, an increase of 46.5% year-on-year, aided by the growth in revenue from our digital business. This is despite there being limited PSL income in this quarter. Our PPOP has grown significantly on a year-on-year basis to Rs.145.5 crores, with our CTI adjusted for digital expenses at 68.7% in H1 FY25 versus 72.9% in H1 FY24. Profit after tax for Q2 FY25 stood at Rs.76.5 crores, with a net profit margin of 15.5%.

Looking ahead to the second half of FY25, we remain alert to the opportunities for the bank while being mindful of the external environment. Our priorities remain clear: we shall continue to grow our franchise footprint and loan book in a disciplined manner, strengthen our retail deposits and CASA franchise, maintain close oversight of asset quality, and accelerate the development of our secured lending and digital businesses. We remain focused on our full-year objective of 30% to 32% advances growth and an exit RoA of approximately 1.4% to 1.5%, while continuing to assess developments in the operating environment.

As we look at the first half of the year, what gives us confidence is not just the growth in our balance sheet, but the progress we have made in strengthening the underlying quality of our franchise. Our ambition is to build Suryoday as an impactful institution, a bank that delivers consistent performance across cycles, earns the trust of our customers, shareholders, and other stakeholders, and creates long-term value for all stakeholders.

With this, I would like to thank our customers, employees, shareholders, and all our stakeholders for their continued support and trust. We will now be happy to take your questions. Thank you.

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press '*' and '1' on the touchtone telephone. If you wish to remove yourself from the question queue, you may press '*' and '2'. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question is from the line of Nishit Shah from Wallfort Investment Advisors. Please go ahead.

Nishit Shah – Wallfort Investment Advisors: Hello, am I audible?

Baskar Babu Ramachandran – MD & CEO: Yes, please.

Nishit Shah – Wallfort Investment Advisors: First of all, congratulations on a good set of numbers. My question is that, in the presentation, you have stated that there is a proposed CGFMU cover,

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right? Is the CGFMU cover temporarily disabled, or how is it? Excluding the CGFMU cover, our credit costs in the past have been very high. Could you tell me if the CGFMU cover is still on or off, or how it is?

Baskar Babu Ramachandran – MD & CEO: [pause] For the current financial year, the CGFMU cover has not opened yet. We are expecting that, with due clearance from various authorities, it should open up. We do not have any information otherwise. However, as you would know, we will make a provision of around 1-1.5%, which will be a cost of close to 70-80 crores for CGFMU fees. While we did have the cover and saw the risk, as of now, with the current collection efficiencies, we may not see a similar credit cost even if the cover were not to be there. But I think at the industry level, we are all fairly confident overall, and that is probably our input in our expectation that the cover will open up at some point.

Nishit Shah – Wallfort Investment Advisors: Okay. Thank you.

Operator: Thank you very much. The next question is from the line of Shailesh Kanani from Asian Market Securities Private Limited. Please go ahead.

Shailesh Kanani – Asian Market Securities: Good morning, everyone, and thanks for the opportunity. First, I wanted to understand our overall broad strategy. What is our capital position? We have recently raised 200 crores of Tier 2 capital as well, right? How would that impact your CAR in the Q3 numbers? And when can we expect the balance 200 crores?

Management: Good morning, Shailesh. To your first question, the answer is that the 200 crore fund raise has helped improve our CRAR by 1.8%. For the balance tranche of 200 crores, we are just waiting for rates to stabilize in the market. As you may have noticed, rates have gone a little out of line. Rates at the shorter end are very volatile. Nobody is willing to offer a definitive price for a five-year tenor for Tier 2. So, we are just waiting for the right opportunities while our conversations with prospective investors are in place. We expect that we should be able to get it done, hopefully by December or, at the latest, Q4 of the current financial year.

Shailesh Kanani – Asian Market Securities: Fair enough. In terms of your growth prospects, continuing with the earlier part of the question regarding the CGFMU cover, how are we accounting for it? Are we providing the insurance fee in our opex, or how are we providing for it?

Management: I think the NPA impact of current-year disbursements, which will need to be provided for, will come only in Q3, in the current quarter. But as things stand today, we will be making provision for the likely premiums that we would be required to pay. In terms of provisioning as per the IRAC norms and the policies of the bank, we will see how much provision needs to be carried for the NPAs that are there in the book in Q3 during the quarter.

Management {? Bhaskar ?}: However, all our renewals for disbursements made up to last year have been completed. To that extent, the portfolio of disbursements made up to 31 March 2026 is fully covered and renewed. The open cover is only for disbursements made from 1 April 2026. As has been mentioned, if any NPAs emerge from that, they will be in Q3. As you know, we make provisions for the net of CGFMU expected claims, which is more than the IRAC norms, and we will continue to do so. Hopefully, we will have full clarity before Q3 in terms of the cover.

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Shailesh Kanani – Asian Market Securities: Just to get this clear, if the CGFMU cover continues as it did in the past, we might have a spike in opex in the third quarter. Is that a fair assumption?

Management: No, because we continue to make our provisions. We are just waiting for the window to open so that we can make the payment of the premium.

Shailesh Kanani – Asian Market Securities: In the first half, how much have we already provided toward that premium in the P&L?

Management: Around 40 to 45 crores.

Shailesh Kanani – Asian Market Securities: Okay, so that is the total provision we have made for the first half?

Management: Correct.

Shailesh Kanani – Asian Market Securities: We have made that provision, right?

Management: Yes, that is right.

Shailesh Kanani – Asian Market Securities: The second point is with respect to our guidance. You had guided for doubling our PAT vis-à-vis last year, and it seems that we are a little ahead of the target. We have not revised our guidance. We have already reached last year's PAT. Are there any reasons for that? We have also continued our guidance in terms of book mix, 45:55, in terms of IF and RF. I understand that the IF share has gone down because of the high write-off, but are we confident of maintaining that as well? That would imply that second-half IF growth would be higher than RF growth, which is obviously growing at a higher pace. Also, considering the macro environment, the stress due to El Niño and our exposure to Maharashtra, could you throw some light on those two aspects?

Management {? Bhaskar ?}: As of now, we will stay with the guidance that was given. We are not revising it upward or otherwise. We are fairly confident of this. The guidance primarily is for retail assets to be a minimum of around 55%, which may be a little higher. We have not yet seen any impact of the drought, but nevertheless, we are very cognizant of the fact that the impact can happen with a lag. In the couple of districts where our presence in Karnataka and Maharashtra has been questioned, our approach has been to be very cautious. However, we will continue to do business for our existing-to-bank customers with a good track record. We will not shrink away from that by becoming extra prudent and not servicing existing customers, but we may not onboard any new customers, especially NTC customers, in these drought-hit districts for this financial year.

Management: That is right. As of now, we have not seen much impact, but we would probably expect some impact specifically in the Marathwada area and also in parts of Karnataka. We will have a wait-and-watch approach. That is one point. The second point is that, as mentioned by Mr. Baskar, we will be cautious in onboarding new customers to the bank, and we will try to focus on the existing customer base. Having said that, we would also be expanding into other new areas across the country, and we will try to reduce our focus in any particular state. That is a normal process that we will continue.

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Shailesh Kanani – Asian Market Securities: Also, if you can share the exposure in terms of advances in the affected drought areas, what percentage would that be? How have collections been even for October? We are nearly done, so some data points on that would also be helpful.

Management: We have around 1,000–1,100–odd crores of exposure in these affected areas, and we have not seen any significant change. While there has been a change over the last couple of quarters, September and October have not shown any significant change as of now. If there is any effect, we will probably get to know in the coming months. As of now, we have not seen much change.

Shailesh Kanani – Asian Market Securities: That is helpful. Understood. I have a few more questions, but I will join the queue again.

Management: Okay, thank you.

Operator: Thank you very much. The next question is from the line of Prachi Ranawat from DAM Capital Advisors Limited. Please go ahead.

Prachi Ranawat – DAM Capital Advisors Limited: Hi, sir. Thank you. I have two questions. The first is on growth. Reported advances grew around 4% quarter–on–quarter, but adjusting for the 591 crores of write–off, growth was actually healthy at around 8.2%. Is the 30% to 35% growth guidance for FY27 still intact? Given your plans to scale up mortgages, how quickly can that book grow? More importantly, with IF currently contributing around 45% of advances, how do you see the growth mix evolving between IF and secured retail over the next 2 years?

Management: Our growth guidance remains unchanged, and we continue to maintain it. We had given a range of 30% to 35%, so we will clearly be better than the lower end of the guidance that we had provided. In terms of mortgages and CV, I think our secular growth of more than 35% will continue and will improve a little. We do not foresee any likely challenge in the kind of growth that we have had in the retail asset business. Regarding the mix, today our mix is around 41:59. Depending on how things evolve in the IF business in a couple of states, we will hopefully improve the share a little. We may not reach 45:55 by the end of the year, but as we have stated in our earlier calls, 45:55 is the kind of mix that we would like to maintain in the medium term.

Prachi Ranawat – DAM Capital Advisors Limited: Okay, sir. Thank you. My second question is on capital. CRAR is currently at 19.37% in Q2, which is below your earlier comfort range of 20% to 22%. You have raised 200 crores through Tier 2 in October, with another 100 crores approved by the board. Given the 30% to 35% growth guidance, how much runway does this provide before you need fresh Tier 1 capital?

Management: The 200 crores that we raised in the first week of October will improve our CRAR by about 1.8%. We plan to raise another 200 crores well before the end of the year, all things going well and rates stabilizing. That will improve the CRAR by another 1.8% to 2%, which should be very comfortable for us in terms of the kind of growth guidance that we have.

Prachi Ranawat – DAM Capital Advisors Limited: Okay, understood. Are you also considering any capital optimization measures such as IBPC or guarantee cover, or shifting toward

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lower-risk-weight products?

Management: On the funding side, we constantly keep evaluating. We have had IBPCs even in this quarter, and they will come up for renewal now. Given the market situation, if we get an attractive rate, we will certainly consider that. Last time, we got a rate of less than 5% for 6-month money. If the rates are likely to be similar, we will consider it.

Similarly, if you look at the overall funding side, we had started taking variable-rate borrowings from NABARD, and that strategy played out very well. We took that money at around 8.5%, amounting to 1,200 crores, and with the benefit of the rate cuts, it is presently at 7.5%. Given the rate scenario that exists today, we will now evaluate our options afresh in terms of whether it is better to move to fixed-rate loans or not. Such treasury evaluations continue. We have been able to manage our cost of funds up until now. There will be a marginal increase in Q2, but it will remain well within manageable levels.

Prachi Ranawat – DAM Capital Advisors Limited: Okay, sir. Thank you. That is all from my side. Thank you, and all the best.

Management: Thank you.

Operator: Thank you very much. The next question is from the line of Rahul Kumar from {? Vakharia Fund ?}. Please go ahead.

Operator: Mr. Rahul, please go ahead.

Rahul Kumar – {? Vakharia Fund ?}: Hi, can you hear me?

Management: Yes, sir.

Rahul Kumar – {? Vakharia Fund ?}: Could you please explain why CGFMU is taking time this year to start the program for this fiscal year's disbursements from April 2026? Has anything changed there? Are they reviewing something, or is there anything else?

Management: It has nothing to do with the bank. The central government needs to notify the renewal of the program, and hence it is with the ministry. That is what we are waiting for. Once the program is notified again, we will make payment of our premium.

Rahul Kumar – {? Vakharia Fund ?}: There is a small quarter-on-quarter tick-up in the 30-to-90 DPD bucket for microfinance or unsecured loans. Could you highlight that? The 30+ bucket for the unsecured non-MFI book seems to have moved from 6.8 to 7.2. I know seasoning is taking place there, but apart from seasoning, have you noticed anything else in your portfolio, such as any pockets or districts showing some challenges? Third, regarding your Tier 1 capital, I know that overall you have room to raise Tier 2 and can do that this year, but is there a threshold for Tier 1 below which you would not like to go?

Management {? Bhaskar ?}: Our comfort range for Tier 1 is roughly around 20. Since, on 31 December, the entire 300 crores of profit will be added to capital adequacy in terms of CRAR, when it is fully accounted for as called out and guided, we will not be going through 20 toward 19. An

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18.5% level could be the comfort zone, and we are fairly confident that whatever is required, we will be able to do.

As far as the tick-up is concerned, the increase from 6.8 to 7.2 is driven a little by the mortgage business. CV is actually getting normalized. For the first couple of years, GNPA will normalize as the portfolio builds up; this is an expansion-related issue. In mortgages, credit losses will obviously be much lower, and the pick-up has been technical, with more than two, I think one or two, large transactions moving into the 30+ bucket but not into 90+. We are fairly confident of either a rollback or recovery of the money. There is nothing unusual in this 0.4% spike.

Rahul Kumar – {? Vakharia Fund ?}: Regarding micro loans in the 30-to-90 bucket, there was a small tick-up. Did you have any observations there?

Management {? Bhaskar ?}: It is very difficult to pinpoint this to a decimal. We are fairly comfortable with the 99.3% to 99.4% that we achieve. We also know from our own collection practices that customers in our segment will go through cycles: they will move to 30+ and then come back. Only when it crosses 90+ is it a danger mark. Considering that the drought situation is also very sensitive in terms of our collection mechanism, we are maintaining regular follow-up. I think it reflects that rather than indicating that we are in danger mode at this point.

Rahul Kumar – {? Vakharia Fund ?}: Thank you very much, and I wish you the very best.

Management {? Bhaskar ?}: Thank you very much.

Operator: Thank you very much. The next question is from the line of Rajiv Mehta from YES Securities. Please go ahead.

Rajiv Mehta – YES Securities: I have two points. You mentioned a portfolio of 1,000-odd crores or slightly more in the impacted districts in Maharashtra. Against that, would we have 90% to 95% CGFMU coverage across that portfolio? Since it is a drought-prone region, generally when a drought occurs, what is the CGFMU coverage against that portfolio? What percentage is covered? Accordingly, if anything flows from the portfolio, would you build your provision gradually because you have a cover that is going to take care of most of it?

Management: That portfolio is covered under the CGFMU scheme, so we do not have much concern there. Essentially, this means that the small portion of 3% that is not covered under the program is what we provide for if it turns into an NPA. To that extent, there would not be much difference.

Rajiv Mehta – YES Securities: Okay, but—

Management: Yes, Rajiv. The only disbursements that have not yet been covered, which will be covered when the scheme opens, are the disbursements made during the last 6 months, amounting to approximately 300-350 crores.

Rajiv Mehta – YES Securities: Okay. Will that be part of the 1,000 crore portfolio that you mentioned?

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Management: Yes, it is. As of March, whatever the figure was, it was 97. If you include the disbursements made since then, it could be around 65 to 350, technically yet to be covered. As and when the scheme opens, they will get covered. None of the disbursements made during the last 6 months has shown any movement toward an NPA. This entire amount is eligible for cover, and we will cover it.

Rajiv Mehta – YES Securities: Technically, because the window is not open, you have not been able to cover this portfolio, and there are 300-odd crores of disbursements. When the window opens, if the asset quality on this 300 crore disbursement has slightly deteriorated—for example, if there is already a PAR of 4% to 5%—will you still be able to cover it? What is the threshold for obtaining coverage? What does the PAR level of the portfolio have to be when you approach for coverage?

Management: There is no linkage, except that it cannot be an NPA at the time of cover.

Rajiv Mehta – YES Securities: Understood. So it will simply have to not be an NPA. You can obtain coverage provided it is not an NPA when the window opens.

Management: Yes, that is our understanding.

Rajiv Mehta – YES Securities: The second point is that, while there has not been much impact, you mentioned that September collection efficiency has continued in October in those districts of Maharashtra. You also said there could be some lagged impact. Why would there be a lagged impact? Generally, we have seen that whenever a drought is announced or drought conditions occur, repayment is disturbed in the same month or the subsequent month. Would November then be a testing period for collections?

Management: Rajiv, our portfolio is generally semi-urban and not so much rural. We usually do not have the same impact, but when there is an impact, it will be indirect. For most of the customers, it will be through dairy and agri-allied activities, but there will be an impact. When there is so much news around it, that usually results in a lagged impact. We have not seen anything substantial. The reason we are highlighting this is that, just because collections in October appear to be the same as in September and the situation could intensify, it would not be prudent on our part to say that everything is good and will continue to be good. It is better to be a little cautious. That is why we are saying that there has been no impact so far, but it is better to plan for a likely impact so that we can act in time.

Management: Rajiv, as I mentioned, if you take the severely drought-affected districts, the portfolio might be much lower. In any case, we are not present in very rural locations; we are more focused on semi-urban locations. We will have to wait and see how it develops. As of now, we have not seen anything. However, as I mentioned earlier, there has definitely been a change between the previous quarter and this quarter.

Rajiv Mehta – YES Securities: I think what you are also trying to say is that, since you are not upgrading your guidance, you are not downgrading it either. Despite this uncertainty about the potential impact, you remain comfortable achieving the 300-odd crores of PAT, even if there is some disturbance in collection efficiency in November.

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Management: Yes, that is correct, Rajiv, because we have a few other vectors that are performing very well. Our digital banking businesses are progressing well, especially the Credit Line on UPI program. We believe that, as things stand today, the guidance of 300 is something that can still be maintained and achieved.

Rajiv Mehta – YES Securities: Regarding the CLOU business, which is scaling up very fast and is now a 350-odd crore portfolio, is there a credit risk in that business? We see fee income coming from it, but what kind of credit repercussion could potentially arise for us, and under what circumstances?

Management: {? Scale of challenge ?}

Management: It is a new product, Rajiv. The main point in understanding the credit behavior is that it is a charge card product. If somebody does not pay as soon as the billing is completed, there is a clear issue that we have to address. The product has been increasing in size, but month-on-month, if you look at the disbursements, the performance is still very comfortable, at around 1.5. It is a new product that is scaling up exponentially, and we are mindful of that. It has reached around 350 crores. We may run it closer to 500-600 crores or a little more by the end of the year. We will learn more about the track record because the entire amount is paid at the end of the month. A very small portion gets converted into EMI.

Will there be credit risk? Obviously, any personal credit product will have credit risk. As of now, it is substantially lower than the overall income and is therefore profitable for us as well as for the partner. I would say that we require another year of seasoning before we can draw a firm conclusion, and hence we are also being mindful, as she pointed out.

Management: Rajiv, there are a couple of points. First, unlike a credit card product, the customer has to pay 100% of the spend the next month. So there is no credit extension as such. Second, typically, once these customers build a habit of paying repeatedly over 3, 4, or 5 cycles, we get an increasing mix of transactors. Therefore, portfolio quality will increasingly improve with vintage. That is the second point. Third, the average ticket size is very low. It is not a credit product in the conventional sense; it is more of a convenience product. That is the way to read this product.

Rajiv Mehta – YES Securities: Generally, what is the life of the credit you are providing? I know it is very transactional in nature, but the credit that is generated stays on your book for how many days?

Management: On average, it remains between 15 and 20 days.

Rajiv Mehta – YES Securities: Okay, understood. Thank you, and best of luck, sir.

Management: Thank you.

Operator: Thank you very much. Ladies and gentlemen, in order to ask a question, please press star and one on your touchtone telephone. The next question is from the line of Gaurav Toshniwal from ICICI Securities. Please go ahead.

Gaurav Toshniwal – ICICI Securities: Thanks for the opportunity. Part of my questions have already been answered, but I wanted to revisit the drought situation. I understand it is too early to

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comment, but I am trying to understand customer behavior so far. Are customers asking for extra time for payment? I understand that collections, as you mentioned, have been good, but more clarity from the customer point of view would be helpful, especially in the JLG book.

The second part of this question is: beyond microfinance, do you see any second-order impact on your vehicle or micro-mortgage and micro-LAP mortgage customers in these drought-affected districts, given that rural cash flows could be affected in the next 3 or 4 months? Any color on the tightening in these districts would be helpful. Thank you.

Management: In terms of what we have mentioned, there is a bit of stress, but as of now customers have not come back asking for any extension in payment periods. As I mentioned, our presence in rural areas is very limited. Though SLBC has announced some extension of timelines for agri customers, we do not have much presence in that segment.

Second, as an after-effect, I do not see much impact on the CV portfolio because inter-city transportation will continue. In terms of micro-mortgages, we will review our norms in the coming months, and we will probably tighten them somewhat. Otherwise, we do not see any significant increase in PAR because of this drought situation in these districts.

Management: The important caveat to add is that our portfolio is primarily urban and semi-urban. We have limited rural exposure. Therefore, our portfolio may not be reflective of the rural market.

Gaurav Toshniwal – ICICI Securities: Okay, understood. Thank you.

Operator: Thank you very much. The next question is from the line of Amit Mahindre from Robo Capital. Please go ahead.

Amit Mahindre – Robo Capital: Thank you. Thanks for the opportunity. Regarding the {? NIM of 368 crores ?} for Q1, was there any one-off in the sharp quarter-on-quarter increase?

Management: Can you repeat your question, please? Your voice broke in between.

Amit Mahindre – Robo Capital: For the NIM for this quarter, which is about 368 crores, was there any one-off, exceptional item, or non-recurring item in that?

Management: No, there are no non-recurring items in the NIM.

Amit Mahindre – Robo Capital: Secondly, regarding provision coverage, there has been a sharp dip in PCR this quarter. What is the internal expectation regarding the provision coverage ratio that you would be comfortable with for FY27?

Management: Given that a large part of our portfolio is covered under the CGFMU scheme, the way we internally look at PCR is by including the impact of the cover available to us. If you look at PCR including the cover available to us, it would be closer to 90%. The reason that PCR has moved down is essentially that we did a write-off of almost 600 crores on the basis of the claim that we received at the beginning of the quarter.

Amit Mahindre – Robo Capital: If you take that impact, NPA additions for this quarter were 122 {? crores ?}, and the effective incremental delta provision on that is about 50 crores. Purely for this

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quarter, PCR is {? quite low ?}.

Management: That will be the case because, if you look at the book, whatever is the share of my IF GNPA, I will carry only 27% provision on that because the balance 73% is covered under the scheme.

Amit Mahindre – Robo Capital: Out of 122, how much is that in terms of the incremental delta on GNPA?

Management: Probably 65 crores. Around 60–65 crores will be from IF.

Management: It is covered under CGFMU. You would have provided for 23%, but we have provided for 27%, and the remaining 73% is payable with a time lag. That is not provided for; otherwise, it would create a distortion by showing it as income when the cash flows are received. Whatever is expected to be claimed is left open, and the remaining 27% is provided for in the same quarter. Therefore, that portfolio portion of 60 crores that is open is 100% covered by provisions against future receivables in the CGFMU claim and by the current provisions made.

Amit Mahindre – Robo Capital: Lastly, do you have any guidance for FY28 for credit cost and RoA?

Management: Earlier, we said that we would like to maintain the same CAGR for the next couple of years. Given the challenges we are facing in the interest rate environment, deposit mobilization, and the drought situation, I am fairly confident that we will meet at least the mid-level of the guidance that we have given. As we move forward, I think the fourth quarter will be the right time to have full visibility in terms of what we would like to guide for FY28.

Amit Mahindre – Robo Capital: Sure, sir. Thank you.

Management: Thank you so much.

Operator: Thank you very much. The next question is from the line of {? Arpit ?} from Capital Land. Please go ahead.

{? Arpit ?} – Capital Land: Thanks for the opportunity. My question pertains to the NIM that you reported for this quarter. Despite the 600-odd crores of cash that you received, and the fact that our yield on advances has increased by about 50 basis points quarter-on-quarter while the cost of funds has declined by about 10 basis points, NIM has largely remained flat. I understand that this is partly because your loan-to-deposit ratio has declined quarter-on-quarter. Going forward, given that we are in a tight cost-of-funding environment on both the debt side and the deposit side, do you think you can tactically increase it a little during this period and then allow it to come down later when the cost-of-funding situation improves? I am trying to understand the levers available to you because I was expecting an improvement in NIM quarter-on-quarter, particularly because you received this significant cash.

Management: One of the reasons that you do not see an improvement quarter-on-quarter is that NIM includes the component of PSL income. PSL income declined by about 37 crores on a quarter-on-quarter basis. This was partially offset by the incremental fee that we earned on the CLOU business, which has grown and contributed around 14 crores.

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Management: We earned around {? 8 odd crores ?} of PSLC income in Q2. My sense is that we would earn around 5 odd crores of PSLC income in Q3 because the market is typically very modest in Q3. Regarding the convenience fee from the CLOU business, we will continue to see some growth in that. Therefore, NIMs will not change significantly. There will be a marginal improvement, largely driven by the fact that the share of MFI may increase a little.

Management: We are also maintaining a little more liquidity than required at this point. Of the 600 crores, 400 crores came from the claim, and at the same time, we have not been able to deploy that additional liquidity. The excess liquidity will be a drag. That is probably reflected in the fact that the increased NIM has not shown up fully quarter-on-quarter.

{? Arpit ?} – Capital Land: Understood. My second question is on the cost-to-income side. We are not in the early 70s range at this point. Given that our IF loan book and the CGFMU-related opex associated with it apply to a smaller portion of the overall book, that obviously flows through into your opex. Also, I believe the secured book would probably have a slightly better cost-to-income profile than a JLG or Vikas Loan. Do you expect some moderation in cost-to-income because of these two factors—the moderation in CGFMU expenses and the fact that you are moving more toward a secured book?

Management: There are two parts to that. If you look at the cost-to-income ratio that we have shown, around 70.5–70.6, it includes an element of the partner payout in the digital banking business. If you look at it on a net basis, there is already a 2% benefit. The cost-to-income ratio adjusted for partner payouts and with revenue considered on a net basis would be 68.6%, which is 2% lower.

Regarding CGFMU expenses, I do not think there will be a significant reduction on that account because my share of the MFI business will continue to remain more or less in the same region.

{? Arpit ?} – Capital Land: Lastly, slippages for the quarter are 122 crores. Can we split that into the secured and retail portions, that is, the secured and unsecured books?

Management: [off-mic discussion]

Management: It is 50:50. The total is 122.

Management: {? 65 IF ?}. Around 65-odd crores will be in IF and the rest will be in the secured retail business.

{? Arpit ?} – Capital Land: Understood. That is all from my side. Thank you, and all the best.

Management: Thank you.

Operator: Thank you very much. The next question is from the line of Shailesh Shah from {? Param Capital ?}. Please go ahead.

Shailesh Shah – {? Param Capital ?}: Good morning, and thanks for the opportunity. My question is similar to that of the previous participant. He asked about last quarter's PSLC income, which, if I am not mistaken, was around 45 crores. This quarter, as you just mentioned, it is 8 crores. Is the

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difference of 37-38 crores recurring, or could you explain what led to this 38 crore decrease, given that our PAT is almost similar to last quarter?

Management: This is a recurring feature in the sense that the highest amount of PSLC income always comes in Q1. It has been a consistent pattern. What has helped us maintain a similar PAT despite the reduction in PSL income is, first, the growth in the paying book, which has helped us grow our core income. Second, while there was a reduction of almost 36-37 crores in PSL income, the convenience fee from the CLOU business increased by 14 crores, which helped. Essentially, the reduction in PSL income has been offset by growth in the paying book and the increase in CLOU fees.

Shailesh Shah – {? Param Capital ?}: So there is no one-time item, and this can be recurring in the coming quarters as well?

Management: Yes.

Shailesh Shah – {? Param Capital ?}: Are we expecting any CGFMU claims in the remaining half of the year?

Management: No, we are done for this year. We are done with all the major cohorts. One very small cohort remains, but that will not be a significant number.

Management: It is around 17 crores.

Management: 17 to 18 odd crores, yes.

Shailesh Shah – {? Param Capital ?}: If I look at our presentation, we normally provide PAR 30 to 90 and PAR 90 plus. It would be helpful if we could get the PAR 1+ number.

Management: We will include that from next time onward as well. Thank you for the suggestion.

Shailesh Shah – {? Param Capital ?}: Is it available now? Can we get it?

Management: We will get back to you, if that is okay.

Shailesh Shah – {? Param Capital ?}: Okay, no problem. My final question is about collection efficiency for September and October. Can we get the number?

Management: September is not complete yet. {? four days to go. ?} If you want a like-for-like comparison for the same date last month, would you like to provide it? There is no objection.

Management: If you compare the same date, I think it was around 99.7 or something last month, and it is similar for the same month. It is 98.1. But we have not completed the month yet. We have 2 days remaining.

Shailesh Shah – {? Param Capital ?}: So, till now, it is almost similar to the September month.

Management: Yes.

Shailesh Shah – {? Param Capital ?}: That is all from my side. Thank you, and all the best.

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Management: Thank you.

Operator: Thank you very much. The next question is from the line of Shailesh Kanani from Asian Market Securities Private Limited. Please go ahead.

Shailesh Kanani – Asian Market Securities: Thanks again for giving me the opportunity. This is a data-keeping question. Can you give a breakup of your 591 crore write-off during the quarter in terms of JLG, IL, mortgages, and CV?

Management: [pause] We do not have the individual loan-level breakup readily available right now, Shailesh, but we can get back to you. The write-off was entirely from the MFI portfolio, which was covered under the CGFMU scheme.

Shailesh Kanani – Asian Market Securities: So, 591 crores was predominantly from that portfolio. We did not have any RA book write-off during this quarter?

Management: Only 3 odd crores was from retail assets. Except for that, everything else was from the microfinance book.

Shailesh Kanani – Asian Market Securities: Sorry, I did not get that figure. Did you say 3 crores?

Management: Yes, 3 crores for retail assets. Everything else—

Shailesh Kanani – Asian Market Securities: So, 588 crores was toward JLG and IL. Understood. One more point: since CLOU is gaining momentum, I have a suggestion. Could you add a line item in the presentation showing its contribution toward income and expenses? It would provide better clarity in understanding the numbers.

Management: Certainly, we will do that going forward, Shailesh. As I mentioned, the impact on CTI is about 2%, but we will provide more detail on that business going forward.

Shailesh Kanani – Asian Market Securities: That will be helpful. Thanks a lot, and best of luck.

Management: Thank you.

Operator: Thank you very much. The next question is from the line of Rahul Kumar from {? Veda ?} Capital. Please go ahead.

Rahul Kumar – {? Veda ?} Capital: I have one question on slippages. Compared with Q1, slippages have increased by 30 crores. Which segment is seeing higher slippages, and why?

Management: Slippages have increased a little in CV. There has also been a small increase in IL, but it is broadly across all business segments.

Rahul Kumar – {? Veda ?} Capital: Are there any specific pockets that have seen this increase, or is it more of a seasonal increase?

Management: IL was relatively substantially lower in Q1, and it has increased a little. Hopefully, it will come back. It was 42 earlier, and now it is 60 crores. So, the 20 crore increase has been in IL itself.

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In CV, there have been some shifts in a few accounts. We are fairly confident that it will come back. I would not call it seasonal, but there is a one-off in CV. As far as IL is concerned, it had been quite low, but this position has to reach 40 crores. The normal level can reasonably move to 50-60 crores.

Management: Rahul, to add to that, you also have to look at slippages as a percentage of the opening portfolio. The portfolio is also growing. Second, our GNPA and PAR percentages in CV were much lower than the market, which was, of course, a positive. During the monsoon period, there are some slippages, but you also have to look at them as a percentage of the portfolio. We are confident that we will bring them back under control in CV and the other segments.

Rahul Kumar – {? Veda ?} Capital: In terms of credit cost, were there any one-offs during this quarter?

Management: We made one provision for an account in the FIG business, Star Housing Finance, of about 6 odd crores. Apart from that, there were no other one-offs.

Rahul Kumar – {? Veda ?} Capital: In the last quarter, we disclosed the yield on the paying book. We have not shown it this quarter. Could you help us understand how the yield on the paying book has moved and how we should expect it to move going forward?

Management: The yield improvement is largely because the non-paying book was written off in this particular quarter. If you look at our MFI business, our yield is around 25.8%, which is in line with what we have historically achieved, given the mix of individual loans and JLG. The yield movement is largely because the non-paying book is now out of the way.

Rahul Kumar – {? Veda ?} Capital: I was referring to the yield on the paying book disclosed in the last quarter's presentation, which was, I think, 17.4%. I was trying to understand what it was this quarter and how we see it evolving going forward.

Management: For this quarter, the yield was a little better than 17.5%, and given the mix that we now have, we will continue in that range for the next 2 quarters as well.

Rahul Kumar – {? Veda ?} Capital: Regarding the MFI or IF mix, which we mentioned in the presentation at 45%, is this more of a medium-term target, or could we achieve it over the next 2 or 3 quarters?

Management: Not over the next 2 quarters. This is more of a medium-term target. This is essentially what we had discussed at the beginning of the year: in the medium term, this is the kind of mix that we would like to maintain to deliver the kind of return that we have discussed.

Rahul Kumar – {? Veda ?} Capital: In light of that, how are disbursements for the MFI segment developing in October compared with Q2? I believe we had done around 450 crores per month in Q2. How is it moving in October?

Management: It is around the same. The current run rate is 450-500 crores. However, we are adding a few branches. We will be adding around 50 branches in the next 4-5 months. We have already opened around 10 at this point. That will again increase the contribution. Approximate

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disbursement is around 50-60 lakhs per branch. Around 30 crores is likely to come from these branches once they are operational, probably by February. Therefore, 450-550 will be the range we will focus on for disbursements over the next 5 months. October is also likely to be around that range, at approximately 450-475 crores.

Rahul Kumar – {? Veda ?} Capital: Have we increased the PCR for the non-MFI segment in this quarter? Are we going to continue with a similar percentage going forward?

Management: Apart from the one particular account in the FIG business that we provided for, which we discussed, our provisioning has been similar to the last quarter.

Rahul Kumar – {? Veda ?} Capital: Okay, thanks.

Management: Thank you.

Operator: Thank you very much. As there are no further questions, I would now like to hand the call over to the management for closing comments.

Management: Thank you very much for participating. Happy festivities, and we look forward to being in touch again. Thank you.

Operator: Thank you very much. On behalf of Suryoday Small Finance Bank Ltd., that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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