CSFB No. 2026-27/369 **November 05, 2026**

To,

BSE Limited **Listing Compliance** **Phiroze Jeejeebhoy Towers** **Dalal Street** **Mumbai 400 001** **Maharashtra** **Scrip Code: 544120**	**National Stock Exchange of India Limited** **The Listing Department,** **Exchange Plaza,** **Bandra Kurla Complex,** **Mumbai - 400 051** **Maharashtra** **Symbol: CAPITALSFB**

Dear Sir/Madam,

Sub: Transcript of Earning Conference Call for the Un - Audited Financial Results of Capital Small Finance Bank Limited for period ended September 30, 2026.

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

We submit herewith the transcript of the Earnings conference call held on Friday, October 30, 2026 for the un - audited Financial Results of Capital Small Finance Bank Limited for the period ended September 30, 2026.

In compliance of Regulation 46 of the Listing Regulations, the transcript is also made available on the Bank's website at https://www.capital.bank.in/investors/financial-results

This is for your information and records.

Thanking you,
Yours faithfully

For Capital Small Finance Bank Limited

Amit Sharma

Digitally signed by Amit Sharma
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"Capital Small Finance Bank Limited

Q2 & H1 FY27 Earnings Conference Call"

October 30, 2026

"E&OE - The transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 30th October 2026 will prevail"

MANAGEMENT: **MR. SARVJIT SAMRA– MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER – CAPITAL SMALL FINANCE BANK LIMITED**
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MR. ASEEM MAHAJAN – CHIEF FINANCIAL OFFICER – CAPITAL SMALL FINANCE BANK LIMITED
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Moderator: Ladies and gentlemen, good day, and welcome to Capital Small Finance Bank Limited Q2 and H1 FY27 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sarvjit Singh Samra, MD and CEO, Capital Small Finance Bank. Thank you, and over to you, Mr. Samra.

Sarvjit Singh Samra: Thank you. Good morning, everyone, and thank you for joining us on Capital Small Finance Bank Earnings Call for the Second Quarter and First Half of Financial Year '27. I hope you and your families are keeping well. Our financial results and the investor presentation are already on the stock exchanges and on our website.

Let me quickly introduce the team with me on the call today. I have with me Mr. Munish Jain, our Executive Director; Aseem Mahajan, our Chief Financial Officer; Raghav Aggarwal, Chief Credit Officer for Branch Banking; Sahil Vijay, our Chief Treasury Officer and Investor Relations Lead; Bharti Babutta from our Investor Relations team and our IR Advisors, SGA.

I will begin with an overview of the operating environment and macroeconomic developments during the Q2 & H1FY27, followed by a detailed discussion on bank's performance and outlook.

Let me begin, as usually, I do with a few words on the environment we are operating in, because the sector is entering a phase wherein the quality of growth, the strength of your deposit franchise and how well you navigate a shifting rate cycle really start to matter.

The first half of the year has been a healthy one for the system. Credit growth stayed strong on the back of Retail and MSME demand and Deposit mobilization has picked up well. As end of the September, banking industry credit grew at around 19.4% year-on-year against deposit growth of about 17.8%.

The other big development was, of course, monetary policy. In its October review, the Reserve Bank raised the repo rate by 25 basis points to 5.50% and moved its stance to calibrated tightening. This was on the back of some emerging inflationary pressures, higher energy and food prices alongside an economy that is still growing well.

The signal from the Central Bank is fairly clear, for now rate cuts are off the table and the path ahead will depend upon how inflation and growth play out. For us, as bankers, this shifts the focus. Until recently, the question was how quickly rates would come down. Now it's about managing a rate environment that may stay higher for longer.

The cost of deposits, how our liability book reprices and our ability to protect lending spreads will be the things that drive profitability from here. And through all of it, disciplined underwriting, comfortable liquidity and picking the right loans will be what lets us keep growing without letting asset quality slip.

These are not new disciplines for us. They are how we have always run the bank. And in an environment like this, granular Retail deposit and real customer relations matter more than ever. For a bank like us rooted in semi-urban and rural markets, the ability to raise deposits through a branch network we have built over decades and to go deeper with customers, we already know is genuine and durable advantage.

When I look at where we stand, I'm confident our model is well suited to this environment. Our deep presence in core markets and almost entirely secured loan book and a relationship-led way of banking give us solid base to keep growing while staying measured on risk. Our priorities are quite simple, remain the same, grow the franchise, strengthen the deposit base and protect the quality of the balance sheet.

With that backdrop, let me take you through how the bank performed in the Q2 & H1FY27. I will touch on the headline numbers and then hand over to Munish for further details. Our gross advances stood at INR9,755 crores as of September 30, '26, up 23.4% year-on-year, and 7.5% over the previous quarter. Disbursements for the quarter were INR1,095 crores, up 36% year-on-year.

On the liability side, total deposits grew to INR10,831 crores, up 16.2% year-on-year and 2.2% over the previous quarter. CASA stood that INR3,734 crores or 34.5% of total deposits, compared with 33.9% a year ago. Gross NPA declined to 2.3% at the end of September '26, compared with 2.47% in June '26 and 2.70% a year ago. Our average credit-to-deposit ratio stood at 85.4% during the quarter compared with 81.5% in the corresponding period last year.

Looking ahead, our priorities are clear, keep the momentum going in our core lending segments, make the deposit franchise deeper and more stable, improve productivity and stay firmly focused on asset quality. In a shifting rate environment, we believe disciplined, consistent execution will count far more than simply chasing scale.

On that note, let me hand over to Munish, who will take you through our financial and operating performance in more detail. Over to you, Munish.

Munish Jain: Thank you, Mr. Samra, and good morning, and warm welcome to you all on the call. Let me walk you through the key business and financial highlights for the quarter and the half year ending September 30, 2026, and then spend a little time on the progress we are making on our strategic priorities and Vision 2029 road map. Business performance and advance profile.

Starting with advances. As of September 30, our gross advances stood at INR9,755 crores. That is a growth of 23% year-on-year and 7.5% over the previous quarter, an acceleration from where we were in Q1, and a reflection of steady execution, healthy demand across our core segments.

Disbursements stayed strong throughout the quarter and stood at INR1,095 crores, up 36% year-on-year. That tells the demand is holding up well across our segments and that our distribution and underwriting engine is working efficiently.

Our book remains firmly secured and around 97% is secured, over 76.7% of the portfolio and 89% of, excluding the noncorporate book is backed by immovable property or own FDRs. This is very much by design. And the single biggest reason our asset quality holds up the way it does. The book is also granular with the average ticket size of about INR19.53 lakhs against INR17.1 lakhs in Q2 FY26 and well diversified.

As of September 30, our portfolio continues to remain well diversified and Business Loan segment is presently the largest segment, which increased to 28% of the book against 23% a year back, which was 27% at the end of the last quarter.

Mortgage were about 24% of the advances, a little lower than 26%, a year back and 25% in quarter back. Agriculture, 26% against 27% a quarter back. And corporate exposure stayed deliberately constant at around 14% where we lend only to well-rated borrowers.

On asset quality and risk management. Let me turn to the asset quality and which I know always a big focus area for us. Gross NPA come in at 2.36%, an improvement of 11 basis points over the previous quarter and 34 basis points over a year ago.

Net NPA improved to 1.12% from 1.14% last quarter and 1.38% a year back. I would highlight this, this improvement has come in a quarter that has its own share of weather-related stress in our core geography, which to us is the clearest validation of our secured, carefully underwritten approach.

Credit cost for the quarter was 0.18%, broadly in line. Just as importantly, our early warning indicators are moving the right way. SMA1 and SMA2 accounts for around 3.31% of the advances, down from 4.78% a quarter back and 4.42% a year back. That reflects proactive collection and much closer monitoring of the book. And as we grow, protecting asset quality stays right at the top of our list.

We will keep lending the way we always have, secured, granular with careful customer selection and strong collection, and we are increasingly using data and technology to sharpen our early warning systems. All of this keep us firm on track towards our goal of taking net NPA below 1% without letting growth come at the cost of the balance sheet.

Deposit and liability franchise. Coming to the liability side, our total deposit crossed INR10,831 crores, up a healthy 16% year-on-year and 2.2% on a quarter-on-quarter basis, which to us is really a measure of the trust our customers continue to place in us and the strength of our Retail franchise. Our average credit-to-deposit ratio for the half year was 85.4%, up from 81.5% a year ago, which shows we are deploying our funds efficiently.

CASA stood at 34.5%. It is a touch lower than what we had last quarter, and that is seasonal and in line with what the whole industry is seeing in a high term deposit rate environment. But it remains higher than a year ago. That is 33.9% a year back and has continued to anchor the stability of our funding. The cost of deposits stood at 5.68%, against 5.92% a year back now.

Going forward, building our granular Retail Deposit base stays one of our key priorities, especially as we enter newer market. We will keep deepening customer relationships, pushing CASA and fine-tuning our funding mix. Together with disciplined liability management, we believe this is what will protect our margins and profitability as the balance sheet grows.

Let me come to the profitability. Pre-provision operating profit, PPOP, was INR68 crores, up 31% year-on-year and profit after tax is at INR46 crores, up about 31%. That is a healthy outcome driven by steady operations and continued cost discipline.

Our net interest margin held steady at 4.24% against 4.04% a year back in a quarter where the rate environment actually turned, improving margins speaks to the resilience of our core earnings, and we benefited from the repricing of the term deposit we had flagged in the last calls.

Our net interest income grew by 24% on a year-on-year basis and stood at INR139 crores against INR112 crores in Q2 FY26. Noninterest income grew 25% to INR30 crores against INR24 crores in Q2 FY26. On efficiency, our cost-to-income ratio is 59.8%, an improvement from 61.7% last year, even as we continue to invest in branches, technology and people.

In other words, the operating leverage benefit is expected to begin soon. Return on assets stood at 1.39% against 1.26% a year back and 1.3% a quarter back, while return on equity at 12.23% against 10.22% a year back and 11.2% a quarter back, supported by consistent profitability and prudent balance sheet management.

Improving our profitability and return ratio is a central part of our road map as our newer branches expand, relationship deepens and our business scales. We expect operating leverage and productivity gains to contribute more and more to the earnings.

Let me spend a moment on geographical diversification, which continued to build nicely. As of September, our network stood at 222 branches across 5 states and 2 union territory, strengthening our footprints in rural and semi-urban markets that remains central to our long-term growth. It is worth mentioning that deposit share in the home state has increased to 1.3% of the industry as on June 30, 2026, against 1.17% as on March 31, 2025.

Markets outside Punjab are becoming a real growth engine for us. Advances there grew by over 39% year-on-year this quarter, comfortably ahead of our overall loan growth of 23%. That tells us our model travels well beyond our home market. These markets now make up to 26% of our advances and 8% of our deposit, which tells customers in these new geographies are increasingly choosing to bank with us.

We are having 47 branches outside Punjab, that is 21% of our network, and they're contributing 26% of our advances. Encouragingly, business per branch in these markets, that is the out of Punjab market are continuing to show upward trajectory with business per branch has started hitting INR80 crores plus for branches with a longevity of 5 years and above, against INR72 crores at the end of Q4 FY26.

Our expansion stays deliberate. We go into markets where we can generally replicate our relationship-led model without diluting underwriting standards, and we are equally focused on getting more out of our existing branches and deepening every customer relationship we have. We have 77% branches in SURU, which contribute 75% to the deposit and interestingly, 23% of our urban and metro branches contributing 46% to the advances.

A quick word on capital and liquidity, both of them remained strong. Our capital adequacy ratio closed at 20.8% with Tier 1 capital at 18.5%, giving us ample legroom to fund our growth with no immediate need to raise the fresh capital. Our average liquidity coverage ratio stays strong at around 216%, which give us sufficient legroom for the growth. We will continue to keep comfortable capital and liquidity buffer as we grow so that every bit of balance sheet expansion rest on a resilient footing.

Before I close, let me briefly reiterate where we are headed under our Vision 2029 roadmap. We continue to target a loan book of over INR16,000 crores-plus and a network of more than 300 branches by FY29. The way we get there is clear. Go deeper, getting more stronger in our existing market, target expansions beyond Punjab, make branches more productive and keep investing on processes and systems.

There are really three things that drive this journey. First, accelerating growth with lifting the contribution from our newer markets; second, improving operating leverage as our branches mature our business gains scale; and third one, we never compromise on keeping the balance sheet clean through secured, granular lending and disciplined underwriting.

Importantly, this is not about scale for its own sake. It is about making sure growth turns into sustainable, profitable and better return ratios. And we believe our relationship-led model, strong retail deposit franchise, improving diversification and disciplined approach to risk give us a solid foundation to deliver on exactly that.

With this, we will be happy to take your questions, and I request the operator to open the floor. Thank you and wishing you all happy and prosperous festivity.

Moderator: Thank you. We will now begin the question-and-answer session. The first question comes from the line of Jiten Parmar with Aurum Edge.

Jiten Parmar: Congratulations to the team on a very good set of numbers. Can you hear me? Am I audible, please?

Munish Jain: Yes, you are completely audible, Mr. Parmar.

Jiten Parmar: Okay. Thank you. So my question is specifically on basically the agriculture sector. This year, the monsoons have not been very good. Now do we see any impact on that? Our collection efficiency has been very, very good till date. But do we see it going down a bit because of these sectors? If you can throw some color, because the impact probably should come now.

Munish Jain: Yes. I just take this question and give you a bit background also. If we talk about the agriculture, what we do in agriculture, we are a lender in agriculture to the middle-income group within

Agriculture segment. That is the farmer whose financial need is anything between INR5 lakh to INR25 lakhs and to a farmer who is a progressive farmer that is cultivating 2 or 3 crops in a year. Our Agriculture segment is primarily presently concentrated in Punjab and Haryana.

Now if we talk about the agriculture geography in which we operate, in addition to the rain water, if I talk about the other irrigation opportunities available in Punjab and Haryana, one is the canal water. Over the last 2 to 3 years, we see a very good progress. The canal waters have started reaching to the farm level.

Second, last year, we've seen a very good rainfall, which resulted in increasing the water tables. And with that thing in sight and with availability of tube wells and the irrigation facilities throughout Punjab and Haryana, with the deficit rainfall, the impact on the agriculture was not visible in the geography in which we are lending the agriculture.

Just we keep on hearing some impact in some other segments of the country. And the same is also being visible from our slippage as well as our SMA1 and SMA2. Even if we talk about the current year, we have a gross slippage for the H1FY27, 1.11% on annualized and net slippage of 0.24%, with our credit cost of 0.18% for Q2 and 0.24% for the H1.

With our SMA profiling, continue to show an improving trend with our SMA1 and 2 continued to be the lowest ever. Now we have the SMA1 and 2 of 3.31% against 4.42% a year back. And at the end of the last year, the same number was 4.92%.

All the data points are pointing that there is no challenge which we are seeing on the agriculture side from the deficit rainfall. And we have seen such cycles earlier also. Even if we look at history, we have seen the same cycle in FY23 when there was a deficit rainfall, then we seen a much larger cycle in FY16.

If we look into the data flow of those years, which is available on Slide number 12 of our presentation, that even in those periods, we are able to hold firmly on our credit cost as well as the slippages. With our understanding of the market and careful selection of the borrower profile, I believe, and our secured lending franchise is helping us keeping our asset quality in control despite the various macro and natural climatical variables. This is what our take and depending upon the data and otherwise.

Jiten Parmar: Perfect. Perfect. So my second question is on basically the geographical spread. So we have majority of our branches in Punjab and Haryana is probably the state where we have seen some more maturity compared to the other states and all. Now if you can throw some light. See, I can say that you have been superb in Punjab, there is no doubt about that.

But what I want to see or understand is can we replicate it? And maybe Haryana will give a picture on that, that things are happening. Your numbers on other states are quite decent. The only thing I want to know is, what is the status of deposits, cost of funds in the other states as compared to Punjab.

And also, I want to know what is the potential of Punjab and Haryana specifically at least from a growth perspective, Punjab can hold how many branches or potential of how many branches and same for Haryana. If you can throw some light on this, that will be great.

Munish Jain: Surely. Firstly, as I understand some of my investors are looking forward for more drill about Punjab versus out of Punjab. My request if you can please turn to the Page 26 of our presentation in which we have given some more details about both the Punjab and out-of-Punjab businesses and across various other aspects.

Let me reiterate. If we talk about Punjab versus out of Punjab, we are presently having 21% branches out of Punjab, which is contributing 25.7% to our advances and 8.2% to our deposit. If we talk about the quarter, we've grown 23% on a bank level basis on advances and Punjab book has grown 19% and out of Punjab book grown at 39%.

And deposit grown 16% on a bank level basis, Punjab book has grown 17% and out of Punjab book grown by 12%. And if we talk about the other quality metrics, our GNPA in Punjab is 2.88 and out of Punjab, it is 0.87 and bank level, it is 2.36. CASA bank level being 34.48. Punjab, it is 35.3, out of Punjab it is 25.32.

If we talk about the Punjab versus out of Punjab and if we talk about even the branch productivity. Branch productivity out of Punjab is now making up to the productivity within Punjab. All the metrics are moving in the right direction, both within the state of Punjab and out of state of Punjab. But with this, I want to share one more important data points.

Even within the state of Punjab, our market share, if I talk about the deposit first, our deposit market share against the whole of the industry has improved to 1.3% which was 1.17% at the end of 31st of March 2025. So over last 15 months, we improved this market share by 13 basis points. I'm not talking about incremental. I'm just talking about the outstanding.

So outstanding being a longevity-based number, so we are gaining our momentum. And Punjab is a liability book of INR7.45 lakh crore. Haryana being a liability book of INR10 lakh crores deposit. So these 2 states have a huge money, and we just need a small little movement to take care of our aspiration.

So the opportunity available in the geography in which we are operating is phenomenally high, and we are gaining the momentum both within and out of Punjab, and we are keeping our eye and ear open to get the opportunity wherever it comes.

Jiten Parmar: Perfect. Perfect. And a small question, last one. Do we use CGFMU? And if yes, what is the coverage and what is the cost?

Munish Jain: As far as the present status is concerned, we are primarily a secured lender. So being a secured lender CGTMSE is not required by us because we are not an unsecured lender. So our book is purely collateralized. If I exclude the corporate loan book, we have a 92% collateralized loan. So CGTMSE is not what we are requiring and neither we are doing.

But just we are keeping an eye open for any enhancements to a client to who may be very old with us. We are evaluating various possibility that how we can leverage it without increasing the risk metrics. So that's again saying, we are not comfortable in going in a standalone unsecured business. We want to continue to be a secured franchise where we see the enough opportunity and potential to growth is there, which we are demonstrating now with each passing quarter.

Moderator: Next question comes from the line of Shreyas Pimple with Nomura.

Shreyas Pimple: My first question was on net interest margins, both on the asset side and liability side. First, on asset side, how much of the book that we have currently is repo linked? And as we see increase in repo rates, how much improvement in yields we can see?

On the liability side, is there still cost of fund pressure in the environment? Or how are we looking at cost of deposits? As repo rates increase, what will be the difference between increase in yields and increase in cost of deposits, so that it can aid our NIMs. So if you can help me explain that, please?

Munish Jain: Surely. If I come to firstly, the statistical point, if we talk about the yield on advances. Yield on advances for Q2 FY27 remain at 11% against 11% last year Q2. So we have seen a repo rate hike in October, so the benefit of that has not been pulled into the yield on advances in Q2, that will be coming in the coming period.

But if we talk about the cost of deposit, cost of deposit has improved by 23 basis points, which was around 5.9% in last year Q2, which is now 5.68%. So there is a good improvement in the cost of deposits from Q2 versus Q2, that is a year-on-year figure. And so accordingly, our net interest margin has increased to 4.24% against 4.04% last year Q2 and 4.21% immediately last quarter.

Since the benefit of the repricing of the deposits has accrued primarily in Q1. So we are not seeing much benefit coming in the current quarter from the deposit repricing, but we are able to firm up our yield on advances, which is 10 basis point improvement from the last quarter. So that is the where the movement happened.

Now if we talk about the interest rate environment u-turn and how our balance sheet look like. If we talk about the balance sheet, we have around 52% fixed rate advances and 48% floating rate advances. So we can say around 50-50 each. So 50-50 each is typically fixed and floating. And if I talk about the floating, floating is a fair balance of the MCLR linked as well as the linked with the EBR.

So EBR-linked portfolio will be typically around 13% to 14% of the portfolio is EBR linked which is the EBR linked where the benefit will be immediately pulling in. And the MCLR-linked portfolio will be getting repriced as and when we are repricing our deposits. So that will be getting the benefit passed on to the advances.

So in an upward interest rate environment, what is the benefit for a balance sheet like us. When a deposit is typically for a fixed rate and even if we're increasing the deposit cost, that will be

coming only for the incremental book, whereas in the advances, in addition to the incremental advances, the benefit will be also pulling into the existing 50% of the book gradually. So it will be always an advantageous balance sheet in an upward interest rate regime, in a midterm till the time it gets stabilized on the both side of the balance sheet.

So EBR-linked increase, we can see some benefit with a 25 basis points impact, which we will be implementing from 1st of November, since we follow a month-end philosophy, the EBR change in a month is implemented immediately at the beginning of the next month. So with the 1st of November, auto increase will be happening to all the portfolio of the linked with EBR for that particular site.

Shreyas Pimple: That is very helpful. Second question was on growth. The INR16,000 crores target that we have set for ourselves for FY29. If I look at the run rate of 23%, 23.5% for, let's say, FY27, the 2-year run rate over FY27 to '29 then becomes around 22% to 23%.

With the balance sheet size that we have and the loan book size that we have currently of around INR9,700 crores, don't you think this is slightly conservative on our side? Do you think that we can grow faster than 22% given the size that we have?

Munish Jain: As far as the growth forecast is concerned, current year, in the beginning of the year, we've given a guidance of 20% to 22%, and we are talking H1 and 23%. So we look forward for a positive biasness to the growth engine. Yes, since the growth in banking, our growth is variable, which is linked with a lot of macro factors.

And predicting a macro factor for the 3 years is a difficult task given the present environment. Yes, we are growth hungry, and we want to overachieve what we committed. So with that thing in sight, firstly, we are quite confident of what we are committed for FY29 and rather our run rate is better than the overall run rate, since Q2 FY26 to the FY29.

Our run rate is better than the run rate which is required. So let me put it very clearly. We are a growth-hungry organization, and we believe the complete foundation is available to grow. We have all the system, all the processes, all the team, all the infra, all the capabilities. So with the macro environmental comfort, if some good market opportunity come, there will be a good growth.

So we are not keeping this number to restrict our growth, but to challenge us rather to improve our growth. So that is how we look at this particular number. So yes, we are growth hungry and look forward for growing the balance sheet at the most appropriate growth rate.

Shreyas Pimple: Sure. So that's helpful. My next question was on the universal bank aspiration. I know it's a long drawn process. And we are at the initial stages of scaling up the bank, but some of the banks that have started with us in the year back in the day, have scaled their books being small finance banks to a very large extent. And also are on the verge of getting universal banking license.

Just wanted to understand your aspirations on becoming a universal bank and Pan-India bank, which is recognized in the entire country. And what are the steps, if at all, that we are taking,

like we'll have to expand our product portfolio, not just stick with the secured loans, etcetera. What are the aspirations? Where do we see the bank maybe 10 years down the line, if you can throw some light on that?

Munish Jain: Let me put one thing. Getting a universal license is one of the biggest aspirations. Me and my whole of the team, including my big boss, we all are carrying. So we aspire to be a universal bank. So our strategy and our alignment, our business alignment is in that direction. If I talk about our thoughts about it, we believe to get this universal bank, we need a couple of things.

One, right systems and processes which we are confident that we are in the right shape. Second, diversification. We are a fully diversified lending portfolio rather than a monoline business, we have a 4 to 5 different buckets, not the products. So each catering to a different economic need and different segment of the people.

May it be Business segment, may it be Agriculture segment, may it be the Mortgage segment, may it be the Consumption segment, may it be with the Corporate Lending segment. So we are been present in all the buckets, in all the functionalities. So diversification, and we are continuing to improve our diversification with each passing quarter, strengthening our underwriting capabilities for every diversification need. So that we are well equipped to take up that particular universal banking thing.

Third is scale. We have given a vision of FY29 that where we want our AUM to be INR16,000-odd crores. f you're talking about the AUM to be achieved, INR16,000 odd-crores, it translate into a balance sheet of anything between INR21,000 crores to INR23,000 odd-crores. So above INR21,000 crores to INR23,000 crores one side of the balance sheet, I believe it's the rightful size to go and apply to the regulator for the universal bank.

We believe by FY29, when we achieve the scale, we achieve the efficiency ratios that is 1.6% plus ROTA, 15% plus ROE, size of branches, 300-plus branches, with the business of more than one side of the balance sheet more than INR21,000 crores, INR23,000 crores types. So that is the right size to go to the regulator to look forward for our aspiration of the next stage of the journey.

So that's the way Vision 2029 is very important for us. So rather than just giving a top line number, we have given a number, which includes the quality metrics, profitability, ratio analysis, distribution as well as diversification. All those metrics been put in place.

Vision 2029 is a stepping stone towards the next aspiration that is a universal bank. We are quite aspirant and the whole of the efforts and targets are making us reach towards a universal bank and to give that particular growth we are talking.

And, but one thing I'd like to mention, in the interim until we get the universal bank license, the present model in which we are operating as a small finance bank, given we are a granular and middle-income group-based lender, with the market available significantly for a middle-income group. The present model is not restricting our growth.

We believe that till FY29, we can scale in the present model in a very significant and efficient manner and look and aspiring to convert ourselves universal bank post FY29 when all these metrics come. So that is our thoughts about it, about the universal bank. And I also request Mr. Samra, please add on something if I'm missing something on this particular piece.

Sarvjit Singh Samra: No, that is how we aspire. We feel that from here till our vision of '29, nothing stops us for our growth metric. I think as Munish has said, that would be most appropriate time, we feel that to go for the next level, that is the universal bank license.

Moderator: Next question comes from the line of Sagar Shah with Spark PWM.

Sagar Shah: And first of all, congratulations to the management of Capital Small Finance for posting such a great set of numbers. And secondly, excellent disclosures. Sir, my first question was related to our diversification. Diversification has been on a very great path, actually. I'm talking of outside Punjab.

Now almost 23% to 24% of our advances constitute outside Punjab actually. So now on our Vision 2029, what kind of ratio are we targeting within Punjab and outside Punjab, what kind of ratio in terms of advance and deposits are we targeting? That is my first question.

And my second question was related to our consumption and other loans. When we talk of auto loans, gold loans, still our interest yield actually is much lower than even our corporate loans or even as compared to LAP loans. So what is the reason? Is the reason about competitive intensity or is it something else? Because normally, these are a little bit high yielding rules as compared to what we have seen in the industry. These are my two questions, sir.

Munish Jain: Mr. Shah. First of all, if I come to the question number 1. As part of our Vision 2029, we are targeting that we need to have 30% plus branches outside the state of Punjab. Today, it is 21%. Over 21% of the branch count is presently out of the state of Punjab, and we intend to increase it to 30% by FY29. So consequently, there will be a parallel movement in our advances today, if I talk about advances, which is 25.7% out of Punjab with 21% branches.

We believe that with the 30% branches out of Punjab, our out of Punjab book shall be anything between 32% to 37%-odd. That is what we believe by FY29 will be the ballpark number.

Point number two, if I talk about the consumption, let me tell you what we do in consumption. Consumption, which is presently constituting 7% of the portfolio is typically the second or the third hook. What I mean by this, consumption is not our start point.

Consumption is the second or the third hook to our existing customer, who may be our business loan customer, who may be our mortgage customer, who may be our agri customer or who may be availing some facilities from us already. So this is with the vision that our vision is to be the primary banker for our customer that we can take care of his all financial needs.

So accordingly, this is the lending to a tested clients rather than untested in a new universe. These are the second, third hook, which may not be collateralized, but he has some other collateralized exposure with me and which is working satisfactorily over a long period. So that's

why the yield here is relatively lower and since it is not a very high-yielding product. So this has continued to be 7% for a while now.

If we talk about this particular portfolio, it is 7% constant from FY24 or '25 onwards till date. And this also includes a very sizable portion of the loan against FDRs. So if I talk about this 7%, there will be around 1.5% to 2%, which will be loan against our own FDRs. So which is pulling down that particular yield down.

So overall, we are quite mindful of the pricing that the pricing, 7, around 25% to 30% being FDR loan, which will be 7.5% to 8% carry. So with that thing in sight. So this is the pricing look like this. But this is a low risk, add-on product and which you can look into. If you look at our Slide number 9 on the presentation. You look at the net NPA of the consumption lending is 0.47% and across all the life cycles, which tells you the story, what sort of consumption lending this is. So that is the way...

Sagar Shah: Yes, sir. I got your point related to your take on the business actually. It's a cross-sell product that you are referring to. But my point was, don't you think that it's now time for the bank where we have actually already tested certain geographies where we have a good know-how about the geography to directly pitch a customer through dealer financing for auto loans, for gold loans actually for fresh customers rather than testing the old customers? Don't you think it's now time for this bank actually to go for some aggressive approach rather than going for existing customers?

Munish Jain: Yes, Mr. Shah, we are quite watchful of this. And we are running some pilot projects internally already, that how to expand it and fast track this particular subset within this particular product. So seeing that, I'm not authorized to say more details about that particular thing.

But I can tell you, we are already working on this to look forward for pressing the pedal within subproducts within this particular lending. And we are evaluating a lot of such stuff to accelerate our growth. So that as I said, we are a growth-hungry reorganization, but also I'd like to clarify. In addition to the consumption, we have lots of buckets, which are growing now very steadily. And we want to ensure that our consumption loans start growing at a rate faster than that also.

So consumption loan, which is growing 6.89% quarter-on-quarter and 21.9% year-on-year. I know the base is low. So this growth is almost equal to the growth of the of the overall portfolio. So it is growing as per the portfolio being an add-on product. Yes, we are watchful of it and evaluating all the options and opportunities available within the products.

Moderator: Next question comes from the line of Shreepal Doshi with Equirus.

Shreepal Doshi: Congrats on a decent quarter. My question was on the draft circular by IRDAI. So how do you see impacting us? Because one of our key thesis for ROA expansion was also driven by or aided by improving other income or improving the overall other income component. So how do you see this draft circular and our overall aspiration being let's say, impacted or it could be derailed?

Munish Jain: First of all, let me put 2, 3 points here. Since that being in a still draft stage, let it come from a discussion paper to a draft stage first. So today, we are in a discussion paper document to a draft stage document. So that is the one journey, and we have already started working on the same.

If you look into the Q2, our banca commission has come to this number 2 and our other fee income has started surpassing the banca commission. Our banca commission out of the INR30 crores of non-fund is INR10.2 crores and our other fee income are INR20 crores plus. So banca is constituting around 33% of the nonbank.

And within the banca, it is not just about the insurance, it includes all the products, be it 3 in 1, all such products are available, MTSS. All these products are part of this particular, which we are doing for our clients. So we are quite watchful of this, and we have already started working internally on the various options and opportunities available to diversify or to other product lines, to other fee incomes and how to reduce the dependency on this.

But just presently, instead of changing the gear right now, we have internally opted to wait for the current quarter end and see how the regulatory environment looks like, maybe a draft comes, which will give us some time say 3 to 6 months, but we fully recognize this aspect that our fee income, which is presently is 0.92 against 0.82 last quarter and 0.86, last year same quarter.

So the increase is coming not from the banca, but increase is coming from the other fee income. So we are quite watchful and mindful of this and internal deliberations and alternate courses have already been started and work has already been started. But we will look forward for a gear change as and when some draft at least come so that we get visibility, what is actually going to happen so that we can move it.

We being a retail franchise, distribution is there. But this particular income, there may be some component change in the percentage of the earnings, but which will also increase the volume. So I will not see that it is a complete impact. Yes, there will be some impact, but not material for the balance sheet like us, and specifically, when we are in a growing engine. So that is my thought about it, and I'm waiting for a draft at least. Not if the final, at least the draft circular come and so that we can look into what is happening.

Shreepal Doshi: Got it. Sir, currently, how much does it contribute to our ROA?

Munish Jain: So typically, there is a multiple ways of looking into the ROA metric. Since we are talking about the gross income, gross income versus the net income, what is the costing involved. So that is a lot of factors with the tax component being there. I think that total component of this will not be typically, so on a gross basis, it shall be anything between 12% or 13% of the total PBT or PAT.

So that is our sense about this, but that is on an overall basis. I'm not saying we have high dependence, and we are looking forward for alternate measures also. So there is a lot of options available to move it to the other fee income, to move it to the other activities. So as in again, reiterate, Shreepalji, we are waiting for the draft to come.

And accordingly, we have already had a lot of strategical decisions which we have taken and how we will respond with the regulatory environment change. So we have already prepared a lot of responses internally to ensure that ROTA impact is minimized to a larger extent.

Shreepal Doshi: Got it. Got it, sir. So sir, since you have highlighted about other avenues to cover up for the impact that we will see from this, could you please elaborate on what sort of other products or other avenues that you have shortlisted or you are working upon? Because it's very critical not only from defending the income from the distribution of insurance, but also from the ROA aspiration that we have?

Munish Jain: As we talk about Shreepalji, our next growth journey in ROA, which is 1.39% to 1.6% is based typically on 2 figures. That is the NIM and opex. Here, we are not targeting anything much from the noninterest income. If I talk about our original plan versus the updated plan basis, this change. So the one thing is constant, that 1.39% to 1.6% transition will be 2 variables. One is the NIM, second is opex.

So noninterest income, we were always saying that it will continue to be around 1-ish or 0.95 to 1, so which is now 0.92. So we are not saying that is a larger play for our ROTA expansion. Our larger play will be NIM as well as the opex only. So, but we are seeing a lot of other play to shift the banca commission to, I will say there is a lot of way.

It is not like that, that is the only earning, which we can get from servicing the customer. There are a lot of ways. The customer, typically a banking relationship is a trust and a service-related organization, so there are a lot of fungibilities available. So there are a lot of ways that can be made up. So, which we will be evaluating.

At this stage, giving any answer to this will be too early and too premature. Till the time, we haven't look at the draft first. Let the draft come, which will be giving us a better visibility on how the regulatory environment will come, but we have internally prepared a lot of responses to all the scenarios, so which we can counter all the scenarios very, very quickly and immediately so that the impact on ROTA is minimized.

Shreepal Doshi: Got it, sir. Got it. Sir, I just had one another question, if I could squeeze in, which is on the way we are growing in noncore geographies. So just wanted to understand how different is our deposits or liability strategy in states like Rajasthan and, let's say, even NCR region versus the typical Punjab-Haryana belt, given that in these markets, the newer markets that we are entering, there are a large number of players with deeper penetration and bigger franchise is already present. What is our differential strategy there versus the core state strategy that we have?

Munish Jain: Shreepalji, we follow the asset first approach in the new geography. In the new geography, where we go, we always follow the asset first approach rather than a deposit first approach. We believe liability will follow the trust. Firstly, we build the brand recall there and rather than concentrating on the deposit, we concentrate on the brand recall, trust buildup and the asset first approach.

So deposit franchise will always follow the trust. So now Haryana has started contributing in a decent way to our deposit. And with the expansion in the newer geography, which I call it is sowing a seed for our deposit for the period to come.

Now the asset-first philosophy, with the liability following the trust. There are the two simple metrics which we follow. So that as we move in there, and we've been becoming the primary banker of the Business segment, and we are primarily entering more into the Business segment in Rajasthan and NCR, the two states you mentioned.

There we are entering into the ecosystem. And with the ecosystem increase, then the deposit franchise will start reaching to their grassroot levels. So these are the two simple philosophy, which we follow and which is giving us the results. So rather than fetching the deposit or targeting the deposit on the day 1 in the unsensitized geography, we follow asset first, let the trust build up, let deposit follow the trust.

And we are having a strong capability that is from the state of Punjab and state of Haryana to fund our deposit requirement. If I talk about state of Punjab, state of Punjab is a deposit book of more than INR7.5 lakhs crores and Haryana is more than INR10 lakh crores deposit book. So the aspiration to get our deposit growth is available in these two states for the entire period till that time, now Haryana start contributing. Till that time, Rajasthan and Delhi will start contributing in a bigger way to the deposit side.

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

Aditya: Sir, I had a question on your cost of deposits. So RBI had cut repo rate by 125 bps. But now if I look at your cost of deposits, it has fallen just 22 bps from 5.9% to 5.68%, which is pretty low as compared to some of the other banks. So what is the reason for this?

Munish Jain: Since our deposit is a different pricing model. Our deposit costs rather than looking into the absolute value, my request is if we look into the absolute reduction. If you look into the overall basis, what our cost of deposit is. We are talking about a 5.68% cost of deposit, which is well comparable with the universal commercial banks also. So at that point of time, with that particular scale, so we were never paying a very high interest on deposits.

But if we compare the parallel comparison we do with the advances, there is no compression on the yield. The yield last year, Q2 was 11% and today also 11%. So we are seeing a one-side reduction. So the deposit repricing is the one big reason and deposit repricing, we being a CASA-heavy organization, over 34% to 37% of our deposits being CASA, which is the deposit repricing is not going to happen. So over 60%, 62% of the benefit is coming, which is giving us this particular benefit.

With the repricing that benefit accrued, which was typically topped up from 5.92% to 5.68%, and last quarter, it was 5.6%. So that are the one factor I'd like to mention. It is nothing that we are already a cost competitive deposit taker. I still feel the cost of deposit we have is a very, very competitive and very, very strong strength of us. 5.68% being for the quarter is one of the very good number to boost off rather, I will say, about the cost of deposit.

Aditya: No, sir, I completely agree. Our cost of deposits is pretty good. But just wanted to get a sense. So is the rate differential between us and some of our peer banks in core geographies. So has it increased, which could benefit us in garnering more deposits because they might have cut the deposit rates at a higher rate as compared to us?

Munish Jain: That may be a possibility because we were never paying at much higher rates. We were always paying a particular premium over the leading universal commercial private sector banks. We were paying a very, very limited premium over the universal private sector banks since we follow the trust-based liability approach.

So our premium is always 25 basis points to 35 basis points over top-led private sector universal banks. And we are following a similar philosophy at now. Maybe some of the peer has repriced, changed their pricing philosophy. They may have got some temporary benefit out of it. But we are constantly following the same practice which we are founding earlier, and that particular benefit has continued to come and will continue to come as we move forward also.

And it is not just the pricing. It is other metrics also. What is your ATS, what is the rollover issues, what is the granularity of the deposit. We are 90% plus retail deposit. We continue to have 34% plus CASA. We continue to have 90% plus rollover. So all those metrics are also very watchful metrics from the liability standpoint, how the liability is boosting. What is the average ticket?

ATS of the term deposit now at INR12 lakhs. Average ticket size of saving is around INR50,000. So all these metrics are also very, very important metrics. Our deposit share in our home state of Punjab within 15 months increased to 1.3 on outstanding against 1.17 at the end of March 2025. So all these metrics are the metrics, which are very, very important metrics to see what is the strength of the deposit franchise of the entity.

Aditya: Understood, sir. Sir, on the agri piece, so our share which used to be about 35%, 2, 3 years back, it is now around 26%. So how do you look at the agri piece? So would this share of agri loans keep continuing going down?

Munish Jain: We are typically doing agri in the state of Punjab and state of Haryana only. We are not doing agri other than Punjab and Haryana. We have identified Punjab and Haryana as our agri lending products. So with our diversified diversification, when we are entering into the other states, our out of Punjab book is also growing. So agriculture is consequently getting slightly lesser growth. But agriculture continued to be our primary growth lever. And the current quarter, we grew it by 6.23%, if we talk about the quarter-on-quarter growth of the agriculture is concerned.

So with our diversified diversification, it is as part of our diversification agenda to have optimized number, and we see the momentum available presently is of an indigenous-led business growth. So that particular business loan book is growing at a much faster pace. So that's the way that is gaining that share.

So business loan book, which was typically 23% a year back, now it is 28%. So consequently, there has been some compression in the agri from what we were a year back to today. So that is

what we see about agri. So both the factors are playing, and that is the way the things are moving. So with that particular play. But otherwise, the 3 products, agri, mortgage and business, these 3 products are typically constituting 77% to 82% and which will continue to maintain a similar pie over the period to come also.

Aditya: Understood, sir. But what I was coming at was because agri is the highest yielding product for us. So if the share reduces, how should we then look at the NIMs for us because that is one of the important levers for us to improve our ROE. So how do you look at the NIM piece then?

Munish Jain: We are having a similar yielding product in the mortgage that is LAP. If you look into the pricing within the LAP, that is also almost identical to the agri. So we understand that particular dynamics and accordingly, our pricing of the growth lever. Within the mortgage, LAP is also delivering a similar returns.

And even if you look into the MSME business, so despite there was a compression in the advance market pricing. So we are able to maintain the right pricing metrics. So we are quite understanding these metrics and quite watchful about our NIM expansion. So we are confident and to maintain or increase our NIM expansion as we move forward.

Aditya: Understood. And sir, is there a scope for NIM to expand further? Because one of the levers was the improvement in CD ratio, which we have seen an improvement from low 80s to now above about 87%, 88%. So going forward, would the NIM remain at similar levels? Or there is scope for expansion over there?

Munish Jain: I still believe there is a good lever available for expansion. Our average CD ratio for Q2 is 85.4%. So there is a sufficient opportunity available for average CD ratio expansion. So the average CD ratio which is 85.4%. I see the other opportunity available to improve it by 2 to 3 basis points minimum. I'm not talking about the 1 quarter or 2, but I'm talking about the medium term, that is 1.5 to 2-year basis.

There is a sufficient opportunity available for the NIM expansion over the next 1.5 to 2 years. Good improvement, I can sense. And good metrics will be coming from the NIM expansion, which will be taking us towards our ROTA journey of 1.6% from 1.39% where we are today. So NIM has an opportunity available for expansion from the CD ratio expansion again, still available there.

Moderator: Next question comes from the line of Satinder Singh Bedi with Eon Infotech Limited.

Satinder Singh Bedi: Many congratulations, Mr. Samra and team, I think you are executing very well on your 2029 vision. And last 12 months, I think you tracked very well on that. My question, Mr. Jain is regarding, so this 1.6% ROA vision that we have. So where do you see NIM tracking on that ballpark? And where is the operating cost? Because you've indicated these are 2 main heads that you expect to contribute towards that 1.6%. So what is the ballpark NIM that should be there? And what is the operating cost by FY29?

Second was regarding the road map for any new product launch that we have. So you've given us a financial road map for FY29, but any product launch road map, that I think would help. These are my two questions. Thank you.

Munish Jain: Yes. Mr. Bedi, First of all, if I talk about our transition or I will say the journey from 1.39% to 1.6%, this will be driven by 2 factors. One will be the NIM expansion. Second will be the opex margin. NIM, which is presently 4.2%, I believe that there's opportunity to take it from anything between 4.3% to 4.35%.

So we have around anything between 7 to 10 basis points advantage available from NIM and strongly from the CD ratio expansion. We are presently having an average CD ratio of 85.4%. We want to take it to the mid- to high 80s. So that will give us some good lever available without changing the pricing of the deposit or advances. That lever is available. So that is the one.

And second, if I talk about the cost income, cost income, which is presently around 60%. Now I believe with the growth, the way the balance sheet is growing and the middle management to senior management, cost is there and the fixed cost of the administrative has already been expanded.

So with now with every increase in the business, we will be seeing some benefit pouring in from the cost income or I can say opex to the asset ratio. So that my remaining component, which is we are still talking about 2029, which is 2.5 years away. So I believe there is a good opportunity available for the opex-led expansion. Opex still, I will say that we are very, very confident, we are happy.

I still believe, yes, we are a growth engine. So growth engine will necessitate in expanding more. By FY29 also, I will continue to have a high cost income. I'm not saying we will be optimized it. So our optimization may be coming post that period. But FY29, we will be still seeing a good cost income improvement, even if we talk about the any metrics. Our cost income, which we have improved from FY21 to '26 first. Now we are taking in the next journey from that particular '26 to the '29.

So that particular journey, the benefit will be there. So my sense is to NIM by 7 to 12 basis points and opex again by 8 to 15, 20 basis points. These are the 2 drivers, which will be helping us in building up the journey of the ROTA expansion from the 1.39% to 1.6%. Just the other lever, noninterest is also there. I'm not saying completely non-available. That will not be a very large lever, but there will be some portion contribution by that also.

Satinder Singh Bedi: Okay. And so we are talking of an operating cost of, let's say, 280 to 285 bps in FY29 as a percentage of average assets?

Munish Jain: Yes, we can safely take that. Today, we are around 3.05%.

Satinder Singh Bedi: Okay. Okay. Fine. And any new products or launches?

Munish Jain: Yes, we are constant, with each year, we are improving products. Rather than the product, we typically distribute showing the distribution on a bucket. Within the MSME, we are multi

products, like CC, OD, WCTL, DLAP, so term loan, project financing. So each year, we are putting in place in multiple new products within each segment. So our improvement in the existing product.

We are quite watchful about what is happening around at the ground level. We follow a firstly, a practice in which we follow at the beginning of each half year. We call it town hall meeting, where all of our business leaders come. We understand what is the market dynamics, what is the pressure, what is the challenge we are facing. And then we redefine our products. So productive innovation is a constant thing.

We will continue to have a product innovation. On a diversification basis, just we are evaluating earlier as I said some sort of consumption-led products also to fast track the growth also. So these are something which we are evaluating, but very early stage of evaluation. So we will evaluate that and deepening more on our business loan products. Business loan products after we enter into the Rajasthan. Rajasthan, now we are very limited. Still we have 7 branches. We are leading that market well.

And depending upon the market requirement, we may be responding with our product innovation for that geography so that we can increase the penetration in that geography. So, which is a constant thing, which we are and which we will continue to do constantly, not that by FY29, each year-end, we improve our products to respond to the market needs.

Moderator: Next question comes from the line of Shreepal Doshi with Equirus.

Shreepal Doshi: My question was more from understanding the agri piece. So while you highlighted that in the state of Punjab and Haryana, we have seen canalization helping us or rather helping everybody in that state. But how do you see at India level?

Like because we are one of the, let's say, expert and larger players in agri loans, at least in some of the key states, but your study or your interaction with players, how do you see at India level, some of the key states like Maharashtra, Karnataka, even Gujarat, Rajasthan, that belt in terms of drought or in terms of weak monsoon. And how well do you see the canalization or availability of, let's say, water there overall?

Munish Jain: Shreepal, I appreciate you are asking this question. Let me put a caveat here. I have more data dumps available to the geography I'm operating. I can give you a lot of data dumps about Punjab and Haryana about agriculture, what are the dos and don'ts within agri. We are evaluating other geographies.

I can say, I started studying about Rajasthan since that is a new territory. But up to now, my initial study results are not that encouraging. So we have not opened the gates of agriculture in Rajasthan. We are not doing agriculture within the Rajasthan. So at this point of time, I can say this much only.

Since we don't have any presence or immediate aspiration to being in Maharashtra, Karnataka. Also, I have a very limited information like a reader, like any other reader for the agriculture

side, I sense there is a good deficit this time and there is a deficit being a widespread with a lot of districts being covered in a deficit.

As part of my travel, I am also observing the canal water outreach in Rajasthan is not that great. But with the Indian water, I can sense, there will be a good monitorable change is visible, possible within Rajasthan, which is monitorable for me to open the gates for agriculture in Rajasthan.

So I'm presently also keeping a close eye on the macro. And I will say the infra developmental aspiration of the states on this particular canal water irrigation. So this is the best answer I can give for my assessment about the agriculture. But Punjab, Haryana are doing well. And I can tell one thing. We were expecting maybe some sort of the deficiency in the productivity per acre for the paddy.

But on the contrary, it is the up to now early trends are, it is same or slightly better than last year, which is a positive surprise for me. I am also very positively surprised, I was expecting the high heat waves may have some impact, but my initial data flow of the first 15 days of the agri procurement or 20 days of agri procurement are positive, which is giving me a higher productivity than either there's constant productivity or higher productivity than last year.

No geography within Punjab out of the 26 districts, I've just come to know about one district in which there is a productivity lesser than the last year. In the 25 districts, the productivity is showing to be same or better than last year. which is against overall belief, which we all believe in the high heat waves and the lower productivity thing will be there. But the actual data is showing a different outcomes.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. We have reached the end of question-and-answer session. I now hand the conference over to the management for closing comments.

Sarvjit Singh Samra: Thank you all for joining us today. I hope we have been able to answer most of your questions. If you have any further queries, please feel free to reach out to our Investor Relations team or to SGA, our Investor Relations Advisors. As we head into festive season, I wish you and your families a very happy Diwali and a prosperous year ahead. Thank you, and have a good day ahead.

Moderator: Thank you. On behalf of Capital Small Finance Bank Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.