DEPT : SECRETARIAL
REF. No. : SEC/ST.EX.STT/59/2026-27
DATE : July 22, 2026

SOUTH INDIAN Bank
EXPERIENCE NEXT-GEN BANKING

National Stock Exchange of India Ltd., Exchange Plaza, 5th Floor, Plot No.C/1, G Block, Bandra-Kurla Complex, Bandra (E), Mumbai – 400 051. SCRIP CODE: SOUTHBANK	BSE Ltd. Department of Corporate Services (Listing), First Floor, New Trading Wing, Rotunda Building, P J Towers, Dalal Street, Fort, Mumbai – 400 001. SCRIP CODE: 532218

Dear Madam/Sir,

Sub: Conference call for Investors/Analysts –Transcript of the Conference Call

Pursuant to Regulation 30,46 and all other applicable provisions of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015 and in continuation to our letters SEC/ST.EX.STT/48/2026-27 dated July 13, 2026 and SEC/ST.EX.STT/56/2026-27 dated July 17, 2026, we wish to inform you that, the transcript of the conference call for Investors and Analysts held on Friday, July 17, 2026 at 16:00 hrs (IST) is attached herewith and made available on the Bank's website at www.southindianbank.bank.in under the following link:

https://www.southindianbank.bank.in/userfiles/file/sib-q1-fy26-27_earnings_call-transcript.pdf

This is for your information and appropriate dissemination.

Yours faithfully,

JIMMY MATHEW Digitally signed by JIMMY MATHEW Date: 2026.07.22 17:54:19 +05'30'

(JIMMY MATHEW)
COMPANY SECRETARY

Encl.: as above

"South Indian Bank Limited

Q1 FY27 Earnings Conference Call"

July 17, 2026

MANAGEMENT:	**MR. P.R. SESHADRI – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – SOUTH INDIAN BANK LIMITED** **MR. DOLPHY JOSE – EXECUTIVE DIRECTOR – SOUTH INDIAN BANK LIMITED** **MR. ANTO GEORGE – CHIEF OPERATING OFFICER AND EXECUTIVE VICE PRESIDENT – SOUTH INDIAN BANK LIMITED** **MR. VINOD FRANCIS – SENIOR GENERAL MANAGER AND CHIEF FINANCIAL OFFICER – SOUTH INDIAN BANK LIMITED** **MR. JIMMY MATHEW – SENIOR GENERAL MANAGER AND COMPANY SECRETARY – SOUTH INDIAN BANK LIMITED**
MODERATOR:	**MR. AMAN – ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to South Indian Bank Q1 FY27 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

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 Aman from ICICI Securities. Thank you and over to you, Mr Aman.

Aman: Thank you, Renju. Good afternoon, everyone and thanks for joining the call. On behalf of ICICI Securities, we welcome you all to Q1 FY27 Post Earnings Conference Call of South Indian Bank. From management side, we have with us Mr. P. R. Seshadri, Managing Director and CEO; Mr. Dolphy Jose, Executive Director; Mr. Anto George, EVP and Chief Operating Officer; Mr. Vinod Francis, SGM and Chief Financial Officer and Mr. Jimmy Mathew, SGM and Company Secretary, along with other senior executives of the bank. I'll now hand over the conference to management for their opening remarks, post which we can start with the Q&A session. Thank you, and over to you, sir.

P. R. Seshadri: Thank you very much, Aman. Good evening to everybody on the call. Thank you very much for joining us for the South Indian Bank Limited Q1 FY '27 Earnings Call. My colleagues, as Aman had mentioned, are with me in the room, and we look forward to our conversation today.

Let me preface the conversation that we are going to have subsequently with some of the key highlights from our financial performance for the quarter. The bank declared net profit of INR378 crores for quarter 1 FY '26-'27, registering a growth of 17% compared to INR322 crores in Q1 FY '25-'26.

Total deposits grew by 11% to INR125,817 crores from INR112,922 crores on a Y-o-Y basis. Retail deposits, which excludes, bulk deposits, grew by 14%. That is to say that whilst total deposits grew by 11%, retail deposits grew by 14% to INR124,306 crores from INR109,368 crores.

Gross Advances grew by 17% to INR104,368 crores from INR89,198 crores. During the last financial year, we had a technical write-off of INR1,163 crores. And if we were to exclude the impact of this, then the Y-o-Y growth is actually 18%. Total business of the Bank grew by 14% to INR230,185 crores. Net interest margin for the quarter was 3.23%.

With this, we have clawed back the dip in net interest margin that occurred as a consequence of the repo rate cuts. The net interest margin for the quarter was up sequentially 28 basis points. And on a Y-o-Y basis, the NIM was up 20 basis points. The Bank was able to show a healthy growth in average advances during the period with a growth of 17%.

Return on assets at 105 basis points and return on equity at 12.84%. Bank declared the highest ever net interest income in the quarter at INR1,025 crores, which is a growth of 23% compared to INR832 crores registered during Q1 FY '25, '26. It also represents a sequential growth of INR110 crores between Q4 and Q1.

Capital adequacy ratio for the bank was at 19.62% and the Tier 1 ratio stands at 18.93% as on June 30, 2026. CASA grew by 15% year-on-year to INR41,496 crores versus the earlier year period amount of INR36,204 crores. Provision coverage ratio, including write-off, improved by 569 basis points to reach 94.51% and PCR, excluding write-off, improved to 81.40% during the year.

Overall, gross NPA reduced by 177 basis points from 3.15% to 1.38% on a Y-o-Y basis. Net NPA reduced by 42 basis points from 68 basis points to 26 basis points, again on a Y-o-Y basis. Slippage ratio for the quarter was at 12 basis points, which when annualized comes to 48 basis points.

The credit cost for the bank for this quarter was 9 basis points. I'd like to now take you through some other operational and financial performance indicators of the bank. Our focus on MSME loans continues. On a Y-o-Y basis, our business loans, improved to INR14,391 crores from INR12,660 crores.

This number includes a INR554 crores charge-off. If you were to exclude the impact of this, that amounts to a growth of 18% on a Y-o-Y basis. The gold loan business grew by 43% and now stands at INR24,930 crores with an average LTV of 65.25% and an average ticket size of INR2.94 lakhs.

Mortgage loans, home loans and auto loans are other areas of focus. On a Y-o-Y basis, we were able to achieve 34% growth in mortgage loans, 19% growth in home loans and 34% growth in auto loans. And these numbers exclude the impact of IBPC/DA that we may have entered into.

We will continue to maintain the momentum in disbursements and collections in the coming quarters, and we aim to achieve the desired targets that we've set out for ourselves. As many of you know, this is the last conference call that I will be attending in my current capacity as the Managing Director and CEO of South Indian Bank.

So before I conclude and open the floor for questions, I'd like to thank all the folks on this call for working together with us as we've built the franchise for South Indian Bank over the last 2 years and 9 months. During this period, we have made a very significant progress in terms of new products, changes to existing products.

New systems so that we are able to do business better with our counterparties, significant improvements to our processes, changes to our organizational structure, significant enhancement in our capabilities that enable us to compete better. And all of this was possible because, a, I was given this opportunity to be part of this organization for which I thank the Board and the others who are responsible for it.

And I'd also like to thank all my colleagues within South Indian Bank who have afforded me the trust and collaborated with me in making possible whatever progress that we've had over the last 2 years and 9 months. I'd also like to thank all of you on this call for your forbearance, for your advice, for your help in transitioning South Indian Bank from where it was to where it is today. So with that, I'd like to open the floor for questions. Thank you very much once again.

Moderator: Thank you. We will now begin the question and answer session. The first question comes from the line of Akshat Agrawal with Nirmal Bang Institutional Equities.

Akshat Agrawal: Sir, if you can provide some color on what drove such a sharp decline in cost of deposits? Have we absorbed all residual deposit repricing or is some left? And how much contribution was from the very strong growth in CASA during this quarter? And Sir, similarly on the asset side, what drove the better yield on advances? Was it better shift -- was it a shift towards the better yielding retail MSME and Mid-Corp or was there something else? And overall, sir, what's the outlook for the margin going forward? That was my first question, sir?

P. R. Seshadri: Thank you, Akshat. I think basically, we've been working on our cost of deposit a while and a substantial chunk of our liability base -- sorry, we are getting some kind of background noise.

Moderator: Yes, it's been managed. Please go ahead.

P. R. Seshadri: Okay. As you are all aware, the interest rate cycle changed when RBI started cutting repo rates. At which point in time, we started marking down our deposit rates as well. And during the period from the first quarter and the second quarter of this year, so I'm saying from January of this year to June of this year.

A very substantial portion of our high rate deposits actually rolled off and repriced downwards by anywhere between 40 to 60 basis points. And that in large measure is what is reflected in the significant reduction in our cost of funding. There's also a very significant impact that is coming from the increased CASA balances that we have.

The good news is that our average CASA balances grew 119%,I'm sorry, grew 19% -- so they went from 100% to 119%. And that, in turn, has helped manage our cost of funding. And the final element that helped us manage our cost was the fact that our the bulk deposits rolled off.

So we basically dropped bulk deposits by 50% from where they were a year ago. And if you're overfunded, then you end up having -- paying x on the deposit and then receiving Y when you place the money overnight with Reserve Bank of India. So the arbitrage losses that we were suffering was reduced very considerably.

So there was a lot of active management on the funding side that enabled us to do all of this. But the principal reason is the fact that the higher cost deposits rolled off. Now your question was, will it continue going forward? I suspect that a substantial portion of the repricing impact is already baked in.

Going forward, there may be this kind of sharp reduction is quite unlikely. And the second part of your question was how did we get the 5 basis points increase in our asset yields or asset -- that was largely driven by a shift in mix. And we were also helped by the fact that our corporate, a portion of our corporate book is linked to T-bills and T-bills moved up very sharply during this period. So there was a mixture of various things that happened, change in mix, us being on the right side of the rate cycle movement, all of that helped to get the yield on assets up. So I hope this answers your question. If there is NIM, you want a guidance?

Akshat Agrawal: Right. Yes.

P. R. Seshadri: So with respect to NIM guidance, what I would like to say is that when the rates were going down, we were perhaps the most impacted bank because we give effect to a repo rate change on a T+1 basis. So if rates go down, we are the most impacted. And the logic for us to adopt that was, a, it's in line with RBI's policy of rate transmission and so on and so forth.

But equally importantly, if you are the first one to be impacted, you're also likely to be the first one to take action to counter the impact of the change. And so now we are in a position where our belief is the rate cycle has switched. So it's more likely to increase than to reduce. And if that belief is right, then our view is that the NIMs from here should harden as the repo rate changes come into effect. So while I cannot give a guidance on the number, all I can say is that we are reasonably well positioned with respect to NIM. And we do expect that the outcomes for us during the year will be positive.

Akshat Agrawal: My second question is on opex. The bank has resumed employee hiring and branch expansion this quarter. So do you expect further hiring and branch addition for the rest of the year? And how should we think about the cost going forward?

P. R. Seshadri: It's a very good question. We are in a very small way restarting branch rollout. Essentially because we had frozen almost everything for the last 3 years. So in fact, we had reduced our branch count by a little bit, and we are now coming back to where we were. The branch rollout this time is going to be in very key locations for us.

We think that we are going to make better choices in terms of where to put the branches and our whole process of managing the branch rollout in such a fashion that we get outcomes that we want, which is revenues to come reasonably quickly after the expenses crystallize is something that we are working on.

So the idea is to be very, very careful as to where we put the branches and how we get them to actually be accretive to ourselves. So at this point in time, there is no significant change in our process. We think that we should be able to manage our costs quite tightly going forward. As an institution, we are aiming to get operating leverage, positive operating leverage.

So the last 2 years, we've demonstrated positive operating leverage. This quarter, we do not have it. But for the full year, our aim is to get full positive operating leverage. And I think the traction that we have on NIMs, the traction that we have on business lines in general gives us some confidence that whilst the costs will increase a little bit, our total revenues will increase more and consequently, pre-provisioning operating profit should actually increase. I'm going to request our CFO, Vinod Francis, to give you further details if you so desire.

Vinod Francis: I concur to the points what MD Seshadri sir has mentioned. We are not expecting that any significant increase in the opex that to come in the current year to materially alter the P&L structure. We should be within the range of, say, maybe 5%-6% in that range.

Akshat Agrawal: My last question is on Fee, sir. It has been a little bit soft declining Q-o-Q. And other income, which includes the bancassurance and recoveries were on a lower side. So what would be the outlook for the rest of year? Can we expect fee recovery this year or will it -- is it more of like FY20 agenda? And within others, how did banca trended versus the recovery, sir?

P. R. Seshadri: What was the last question versus recovery? I'm sorry, I couldn't hear you.

Akshat Agrawal: Yes. So there's another part of the noninterest income where we put bancassurance as well as the recovery income. So I wanted to understand what's like how both are trending, as in, is bancassurance income increasing and recoveries coming down, something like that happening over there?

P. R. Seshadri: So to answer your question, a, firstly, we think that this is a one-off. We were very busy working on our NIMs, and we were not laser-focused on fees. So we will start our -- renew our focus on this element. And we do not see this as a trend. I think we should be able to address this going forward.

We are also working on a series of new systems, which will enable us to participate in other products more effectively. So our trade and FX platform, we are hoping will go live by end of September with all capabilities. So it will enable our customers to do everything electronically with us, FX bookings, LCs, guarantees.

The ability to send money overseas, receive money from overseas or everything being done electronically, settling the export bills, import bills, all of that. So currently, we -- on the FX side, we have limited revenues, but you can see from our presentation that our revenues, whilst they are limited, have been growing at 40%, 50% year-on-year.

So with these new systems coming in place, business volumes will grow and revenues will also grow. So with respect to fees, my own view is that it's a one-timer. We shouldn't read this as something that is going to last forever. It is something that we can work out of. It is perhaps because we were focused on other elements, and we did not focus on this as much as we should have.

The second question was how much was -- the first quarter of any financial year is traditionally a softer year, softer quarter when it comes to recoveries. So our recoveries for the quarter were around -- was approximately INR170 crores, INR179 crores in reality. And our slippages were INR120-odd crores, INR128 crores.

So the difference between slippage and recoveries was lower than normal and a small proportion of that comes in as revenue into the revenue line, which would have been significantly lower than the numbers that we've had historically. But to give you the exact number, I'll request Vinod Francis to walk you through the numbers.

Vinod Francis: With regard to the recovery side, if you see we had the recovery from technical write-off accounts close to 60 crores and that remains like the last quarter, that is March quarter. So -- but on the other side, the contribution of the recovery towards the interest income is slightly lower and because of the total recoveries are slighly lower when compared with the March quarter because this quarter, we had a total recovery of only INR179 crores which is lower than March..

Moderator: Next question comes from the line of Prashant Kumar with Sunidhi Securities & Finance.

Prashant Kumar: First of all congratulations sir, on a remarkable tenure of South Indian Bank. And under your leadership, the bank has delivered a significant turnaround and we wish you all the very best for your future endeavor. My first question is on corporate credit, I mean, asset side and corporate credit has grown at a healthy pace over the past few quarters.

And with the corporate portfolio now accounting for around 40% of total loan book, but our strategic objective was to reducing around 30%. So has the bank consciously recalibrated its portfolio mix or do you still intend to gradually bring down the book to around 30% over the medium term?

P. R. Seshadri: So I think it's a very good question. Our aim in the long run is to bring corporate down. But under the current circumstances, given the disturbances in West Asia and so on and so forth, our belief is that high-quality corporates offer lower risk than some of the other segments we operate in.

And the other thing that has happened was pricing on corporates had improved very dramatically during the last quarter, especially for the shorter duration facilities. So we took advantage of that because we already had credit lines on many large corporates. And given the fact that we had liquidity, we chose to deploy it with the corporates because the view was that in an environment which is uncertain.

Deploying money which is marginally accretive with low-risk counterparties was better than trying to grow high-risk assets. And that's why corporate grew last quarter. The environment hasn't changed very dramatically. The uncertainty associated with the Persian Gulf continues. So our view now is that we will continue to look for opportunities on the corporate side.

As long as they are remunerative, we will engage with them. But long run, those balances will be wound down. Please remember that these are all very short duration assets, and we have the ability to wind them down practically at will. I mean it's not really at will, but they are short duration, so they roll off very quickly.

And therefore, this is a onetime adjustment, which has occurred on account of environmental conditions and also given the strengths that we have on the corporate side. I mean if we did not have lines on these same counterparties, we would not have been able to grow this. But given the fact that we had them and we had the liquidity and we were a little wary about credit risk that is likely to hit us in the future, we took this opportunity. I trust I answered your question.

Moderator: Next question comes from the line of Suraj Das with Sundaram Mutual Funds.

Suraj Das: I have three questions. But before that, sir, one clarification.

Moderator: Mr. Das, sorry for interrupting. We cannot hear you. Can you speak a little louder?

Suraj Das: Is it better now?

Moderator: No. Can you speak a little more louder?

Suraj Das: Is it better now?

Moderator: Yes.

Suraj Das: I have three questions, but one clarification on this fee income that you were mentioning, there was some one-off. But if I look at your core fee income line item, which is INR179 crores this quarter, if I look at this trend in terms of, let say, ROA contribution, the contribution seems to be coming down only, let's say, from 60 basis points to now 50 basis points for last 2, 3 quarters consistently.

So if you can highlight what are the factors behind this weakness? I mean is this that the new products that you are doing, you were more focused on, let's say, margin or yield rather than the fee component. So the new products that you are doing are of lesser fee component. Is that the plan?

So that is question one. Question two sir, in terms of employee cost, I think there was some one-off in the last quarter in terms of actuarial thing of INR80 crores. It looks like that this quarter, this has reversed fully while the G-SEC movement has been half of only the movement in 4Q. So can you clarify that thing? The last 2 questions are, one on the credit cost.

So right now, I think on a run rate basis, you were 30, 35 basis points. After ECL, do you think this could be the run rate or it can go up because eventually there is a higher requirement on the SMA-1 plus 2. And sir, the last question is on FCNR B deposit growth. So this quarter it has been good, I think 6% Q-o-Q growth.

Question is, sir, do you still think this kind of growth post June as well? Because I think there are a lot of noises in terms of this leveraging talks within RBI and within central banks so and so forth. So are you seeing that the growth remains good or it has come down or if you can give some color? And also what is the landed cost of these deposits?

P. R. Seshadri: Okay. Those are a lot of questions. So let me answer the first one first, your question on fees. Fee has basically multiple lines. One line, which is treasury and forex has been very, very muted for us, as you can see. So it was very good in Q1 FY '26, but now it is -- Q4 FY '26, it was actually zero.

Now we've recovered a little bit. We have INR44 crores, but it is 80% below what it was in Q1. With respect to the core fee income, you are right in the sense that it has come off a little bit from INR191 crores in Q4 down to INR179 crores, and it's a little lower than Q1 of FY '26, which is INR188 crores -- and there are some technical reasons for it.

We seem to have changed some product setup on our system where when an account is renewed, the way we renew it and the way we charge the fee by way of an oversight or by way of a change in the process, it unfortunately resulted in lower fees being charged for a particular product.

So that difference between INR191 crores and INR179 crores can in large part be sort of attributed to that, which we will now fix going forward, and we should be able to change the mix. And the other area where we have a reduction is in terms of recoveries, a portion of which gets attributed to interest income because of the nature of the loan and where it is and the quantum of recoveries that we get.

So as I told you, Q1 is lower than Q4 of last year, and it tends to improve as time goes along. And therefore, my view is that this lower noninterest income line is an aberration, which will get fixed as we move forward. So we are aware of it. We are addressing it. And our belief is that this is something that we will be able to fix as we go forward.

The credit cost guidance, from a credit cost perspective, our cost was 9 basis points for the year -- for the quarter. Slippage was 12 basis points for the quarter. Slippage is INR128 crores. We think that our slippage will be in the neighborhood of INR500 crores to INR750 crores, INR800 crores will be the maximum slippage given the current trend lines that we can see, even assuming that there is some deterioration on account of the West Asia problem.

And our recoveries will be in the neighborhood of INR800 crores to INR1,000 crores. So that's the current view that we have. Obviously, we'll try and restrict the slippage to the maximum possible. The exact credit cost that translates into our P&L is a factor of many -- is a function of many things that go into it. We think that the 9 basis points that we currently have is probably on a generous side. So hopefully, as we go forward, our credit costs will moderate from here, if anything. But I'll turn this over to our CFO for a more detailed answer.

Vinod Francis: Thank you. With regard to the other income, just to touch upon one more thing in addition to what MD was mentioning. So as you know, there is an element of one-off items if you compare with the last year.

Moderator: Sorry for interrupting, speaker. Speaker, can you speak a little louder? Cannot hear you.

Vinod Francis: Am I audible now?

Moderator: Yes. Please go ahead. Thank you.

Vinod Francis: Just to add a few points on the other income side, apart from what MD was mentioning. So it is with regard to the -- if you compare with the figures of Q1 of the last year, there are certain one-off items you can see over there. There is one which MD has already mentioned with regard to the treasury. Last year, Q1, we had a spectacular income from the treasury.

And apart from that, there was the income what we earned from sale of PSLC was there. So that was amount close to around INR60 crores. So current year, we were not having that kind of surplus to have that sale. So that is also one of the items which is not there as a one-off income in the current quarter.

Then coming to the recovery side, from the recovery from the technical write-off accounts, we are almost flat compared to the last quarter. It's almost INR57 crores current quarter and last quarter, it was INR60 crores. So it remains almost flat even though total recoveries have reduced from Q4 to Q1.

In Q1, the total recovery is INR179 crores. But going forward, historically, if you see the recovery pattern, the Q1 seems to be a little bit slower. And thereafter the more and more recoveries to come in the coming quarters. And hopefully, we should be able to close to around INR1,000 crores for the year.

Suraj Das: And sir, on the actuarial thing on the opex?

Vinod Francis: Yes. So the actuarial valuation as we mentioned last quarter, we had a write-back of around INR80 crores. So this quarter, as you know that in the year beginning, we take the actuarial valuation as a projection for the current year. And based on that, we started providing as normal. So last year also, first quarter, if you see, we had a total actuarial contribution of around INR80 crores. And this year also, we had made a contribution of INR84 crores. So it is back to the normal.

Suraj Das: Okay. And sir, last on the FCNR, I think is the growth good after June?

P. R. Seshadri: The growth has been robust, and we are participating actively on the FCNR scheme. We have -- internally, our view is that as long as the price matches the price of liquidity within the country in Indian rupee terms, we will price it at that level. So we are offering very attractive rates to our customers, and we are seeing flows.

We believe that a vast amount of these flows will come in August and September because the offer is open until September 30. So we are working with our rep office in Dubai. The Dubai rep office, what it can do and what it cannot do has been an area of some focus with the Central Bank of the UAE.

And we are engaging with all our -- with them to ensure that we operate to the maximum extent possible and permissible under the law. And one area where we do have a concern is that we do not have credit lines from external entities nor do we have an entity in GIFT City. So consequently, offering leverage for us is not possible.

And therefore, by definition, the customers who at this point in time are placing deposits with us are those who are placing unlevered deposits. While we are working with foreign banks to get ourselves lines, but those have been -- those have not materialized as of this moment. So if they do happen, then we will -- our volumes will materially change. But right now, the pace of growth is good, and we are quite confident that we will get reasonable numbers.

Moderator: Next question comes from the line of Parth Gutka with 360 One Capital.

Parth Gutka: Sir, I see security receipts have gone down on a Q-o-Q basis, and we would have recorded some income on the same. So what was the quantum?

P. R. Seshadri: I'll request our CFO to answer that question. Security receipts, we got some INR40-odd crores of cash.

Vinod Francis: Yes. So security receipts in the beginning of the year, we had a balance of INR119 crores and we closed the quarter with a balance of INR72 crores. So there was a recovery of close to INR47 crores.

Parth Gutka: Yes, right, sir. But then we would have recognized it some portion of it in the P&L as well?

Vinod Francis: No, we don't have anything upside on that with the P&L side. It's only the recovery of principal.

P. R. Seshadri: So the upside was recognized when we recognized the SR itself. The entire SR was recognized as an upside.

Parth Gutka: Okay. Fair enough, sir. And my second question was, if I look at the Q-o-Q growth within the gold loan book, it's around 0.8% on a Q-o-Q basis. So what has actually happened in this quarter?

P. R. Seshadri: So there was a change in our process and policies, occasioned by the fact that the RBI had come out with a circular on gold loans and which went into effect on the 1st of April. And as a consequence, some of our other arrangements, which is basically where we were doing some co-lending and where we had some portfolio purchases and so on and so forth.

Those ran off to the extent of almost INR270 crores or so. Our branch banking by itself grew quite nicely. But because of the runoff on our bulk deals, the net growth was only the number that you are talking about, which is roughly 80 basis points. But underlying core growth from our branches is quite solid, and we are reasonably confident that going forward, you will see material growth on the gold loan business.

Parth Gutka: Okay. And sir, my last question, SMA-1 and -2 both has gone up on a Q-o-Q basis by roughly INR80 crores. Anything to read into it?

P. R. Seshadri: SMA-1 and -2 always increases in the first quarter from the fourth quarter. there's a seasonality in it. And you can see it in the prior years also. So if you see March '24 versus June '24, you will see that it goes up. And if you see March '25 versus June '25 also, you see the same trend line.

Nothing, as of this moment, we don't see anything -- sorry, -- as of this moment, we have -- we don't see anything material in the changes. And we are -- we reviewed these numbers. We have seen the constituents of SMA 1 and 2, and we believe that they are reversible and that they do not materially add to the risk that we are carrying.

Moderator: Next question comes from the line of Jai Mundhra from ICICI Securities.

Jai Mundhra: Sir, a few questions. Sir, first is ECL will also change the effective interest rate regime, right? Have you done any working? Will this change the NII in any manner? Or will it -- or it is too early to say or it does not change anything materially?

P. R. Seshadri: Do you want to answer that, Vinod?

Vinod Francis: So Jai, good afternoon. So with regard to the effective interest rate coming in as a part of ECL, we don't expect that there will be any material change. Of course, the working is still on. We are not in a position to give a concrete number. But initial workings reflect that there will not be any material change to what we have currently.

Jai Mundhra: Right. And secondly, sir, this DICG insurance, there was -- now the banks are -- the insurance repricing is not uniform. Does this change any outgo for insurance or this is status quo or was there any benefit, if you can highlight that?

Vinod Francis: Yes. So we got benefited by that change. So if you have seen the numbers on a Q-o-Q basis, there is a reduction of close to around INR10 crores over there.

Jai Mundhra: Sorry, reduction in percentage, it will be like 15% type reduction, right? for full year. Is that the right understanding? Because that is a...

Vinod Francis: Yes.

Jai Mundhra: Okay, sure. So that is good. And lastly -- sorry, second lastly, one, sir, if you have any breakup for this other income breakup into PSL, TW recovery and maybe FLDG and third party or something just to understand the movement better of the non-core non-treasury fees.

Vinod Francis: Okay. So broadly as I earlier mentioned, this quarter we don't have any income on the PSL sale.

Jai Mundhra: Okay

Vinod Francis: That is obvious. Second thing, FLDG also currently we don't have any FLDG income on any of the products. Because earlier it was with the credit card and that has been done away with as based on the RBI guidelines. So there is no FLDG as of now. So by and large, we don't have any one-off income in the P&L side for the current quarter compared to the last year or last quarter.

Jai Mundhra: Okay. And TW recovery was around INR60 crores, right? Which is what you said.

Vinod Francis: Yes.

Jai Mundhra: Okay, sure. And just a small clarification, sir. I think you mentioned that because despite there is a lot of -- I mean, this quarter had a chunky disbursement in corporate, but still the yield were favorable. That is part of that is because of the T-bill movement, right? Or within corporate, you think you have scope to improve the yield for the spread?

P. R. Seshadri: So it is a bit of both, Jai. I mean there was some of it was T-bill movement and some of it is the market hardening. I mean liquidity was a little tighter, and therefore, we took advantage of it and pricing to corporates went up. Otherwise, we wouldn't have grown the corporate book. So it was opportunistic. It was available. Pricing was better. And on the retail side, prices were not moving upwards. Whereas on the corporate, they were moving upwards quite considerably, and there we took advantage of that.

Jai Mundhra: And just a small parting message. I mean, you have been there for the 3 years and you have helped us a lot in understanding, explaining the bank. Wish you all the very best for your next inning.

Moderator: The next question comes from the line of Rohit Ahuja with Lotuslion Venture.

Rohit Ahuja: With CRAR at 19.6% and legacy book cleaned up, what's the 3-year plan for deploying excess capital? And where do we see ROEs sustaining on a steady-state basis?

P. R. Seshadri: So the plan for deploying excess capital very clearly is to grow the balance sheet at wherever the market is growing plus 2%, a couple of percent above where the market is growing. And also to change the asset mix a little bit. So our CRAR is also helped by the fact that we have a large concentration of very low-risk assets where the capital charge is very low, but they also have the problem of being lower yielding.

So as we move up the capital charge ladder, automatically, the spreads also improve for us. So some of it will get utilized in as we originate more retail and MSME business, which is not necessarily rated AAA. Where the capital charge will be closer to 100%, if not 150%. And that will -- the risk density will increase as we start increasing all of this. So to answer your question very simply, our balance sheet will grow. The constituents of the balance sheet will change and the CRAR computation will change accordingly and capital will get used because the asset structure has changed.

Rohit Ahuja: And guidance on ROEs?

P. R. Seshadri: We've been saying that we will -- we have a few levers for our financials. To manage our financials. We have the ability to change the structure of our balance sheet on the asset side while keeping a tight lid on our costs. So if you see our cost of money today, we believe that we are amongst the better placed institutions in our peer set.

Obviously, we can't compete with the State Bank of India or any such other institution. But amongst our peers, we have arguably amongst the better cost of money. So therefore, our aim has been to grow our balance sheet at a rate at which we can continue to keep this advantage. Whereas on the asset side, we try and move away from the lower-yielding assets and move it into the higher-yielding assets.

So I think as we do that, our return on assets will improve from where we are today. We had said that we'd be in the 100 to 110, 115 range. Over time, that should sort of migrate to 120, 125. And given our leverage, you can compute the return on equity automatically. So that's the trend line that we see as of this moment. I'm hesitant to give you a more concrete answer considering that I'm nearing the end of my tenure. And therefore, it would be inappropriate for me to proffer something which binds my successor.

Moderator: Next question comes from the line of Ravindra, an Individual Investor.

Ravindra: My question is to Mr. P.R. Seshadri. Thank you, sir, for serving 3 years and all the best for your next innings. But my only question is why don't South Indian Bank is having a leadership stability? Previously, Mr. Murali also left in 3 years, and you're also leaving in 3 years?

P. R. Seshadri: Mr. Ravindra. Thank you very much for the question. I cannot really answer for Mr. Murali's decisions. I can only say that I was initially also in my mind, I did not see this. I'm leaving as a consequence of the fact that I believe that I want to do other things with my time. And considering my age, I believe that there comes a point in time when you have to lay down some of these roles and move into others. And that's the reason why I'm moving on. I can't really address the actions taken by others, Mr. Ravindra.

Ravindra: Okay, sir. And my next question is on the net interest income. So this quarter, it has grown very nicely. Is it sustainable in the coming quarters as well? Will this run rate go on?

P. R. Seshadri: I will request our CFO to address that question.

Vinod Francis: So if you see the growth in the net interest income for the current quarter as we already mentioned in the call, we had a couple of advantages which we derived from the repricing of bulk of deposits. And apart from that, another strategy what we implemented is that to reduce the bulk deposit by almost 50%. So this advantage what we got from the repricing of deposits may not be there in the same quantum in the coming quarters.

So of course, we continue to ensure that the net interest income holds. And at the same time another leverage that can come in favor of the bank is that, as we mentioned in the call that in case if the interest rate cycle moves up and the repo rate increases, definitely, that also will work in favor of the bank as we pass on this repo change on T plus 1 basis to the customers. So that is also expected to be in favor of the bank over the period.

Moderator: Next question comes from the line of Aman from ICICI Securities.

Aman: Can you spell out the loan outstanding for retail as a whole segment and retail gold?

P. R. Seshadri: Aman, I think I'll request my team to give you the numbers. It's not available with me right away, but we can give you the numbers. Those are available in general.

Aman: Yes. Sure, sir. And I'll request you or Dolphy sir can speak about the prospect of MSME growth and MSME segment loan growth.

P. R. Seshadri: I'll request Dolphy to walk you through that.

Dolphy Jose: Good afternoon, Aman. MSME yes, there has been -- the growth has been a little muted from our expectation. We were actually well poised for this quarter, last quarter for scale. Unfortunately, there was too many uncertainties, which probably gave us a caution to go a little slow.

But having said that, the fraternity has reacted as business as usual, and that's giving us some confidence to make sure that this quarter, we will go back to the scale mode. And we intend to keep our narrative intact on the changing the balance sheet mix from shrinking the corporate and increasing our contribution to the advance book from better yielding assets, specifically MSME. That narration continues. So I can only reassure you that we are on the narrative and the right direction.

Aman: And sir, what would be disbursement under the ECLGS scheme?

Dolphy Jose: We have limit set of about INR400 crores as of date and disbursement of about INR238 crores exactly. But utilization is where we struggle. I think we have a book of -- utilized book of about INR50-odd crores. So that is yet to fructify, but we are on it. So I think we're looking at progressively increasing that ECLGS contribution to the book.

Aman: Got it, sir. And just the last question, if you can give me breakup of upgrades, recoveries and write-offs during the quarter, if that is readily available?

P. R. Seshadri: I'll request Vinod and Prashant to give you the numbers.

Vinod Francis: Aman, with regard to the recovery side, the total recoveries for the current quarter was INR179 crores. And out of that, technical write-off recovery from technical write-off accounts is close to around INR60 crores. And interest on NPA that contributes to the net interest income as a part of recovery that is close to around INR40 crores.

Aman: Got it, sir. Thank you.

Moderator: Thank you. On behalf of South Indian Bank, that concludes this conference. Thank you for joining us. You may now disconnect your lines.