



## “City Union Bank Limited 4QFY24-25 Earnings Conference Call”

**May 02, 2025**



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**MR. V. RAMESH – EXECUTIVE DIRECTOR, CITY UNION BANK LIMITED**  
**MR. J. SADAGOPAN – CFO, CITY UNION BANK LIMITED**  
**MODERATOR:** **MR. JIGNESH SHIAL – AMBIT CAPITAL PRIVATE LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to City Union Bank 4QFY2024-25 Earnings Conference Call hosted by Ambit Capital Private Limited.

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 this conference call, please signal an operator by pressing ‘\*’, then ‘0’ on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Jignesh Shial from Ambit Capital. Thank you and over to you, sir.

**Jignesh Shial:** Thank you and good evening everyone. On behalf of Ambit Capital, I would like to thank the management of City Union Bank for allowing us the opportunity to host 4Q and full year FY25 Earnings Call.

We have along with us Dr. N. Kamakodi - MD & CEO; Mr. R. Vijay Anandh - Executive Director; Mr. V. Ramesh - Executive Director and Mr. J. Sadagopan - CFO.

I will now hand over the call to Dr. Kamakodi – MD & CEO of City Union Bank for his opening remarks. Over to you, sir.

**N. Kamakodi:** Good evening, everyone. Dr. Kamakodi here. Warm welcome to all of you for this conference call to discuss the Audited Financial Results of City Union Bank for the 4th Quarter and year ended 31st March 2025.

The Board approved the results today and I hope you all have received copies of the Results and the Presentation.

The Board of Directors recommended a dividend of Rs. 2 per share on the face value of Rs. 1 per equity share at 200% for the year ended 31st March 2025, subject to the approval by the shareholders in the ensuing Annual General Meeting. Last year, it was 150%. We are glad to inform you that based on the approval accorded by RBI on February 14th, 2025, the Board of Directors of the Bank had appointed Shri. V. Ramesh as the Executive Director on the Board of the Bank with effect from February 21st, 2025. The process of obtaining the shareholders’ approval is under progress. At present, the bank has two Whole-Time Directors apart from MD and CEO.

Now, I hand over the mic to Shri. Vijay Anandh - Executive Director, to discuss the details of the Results. Later, we can go for the Q&A. Over to Vijay Anandh.

**Vijay Anandh:** Thank you, sir. Good evening, everyone.

At the beginning of the year, we shared our expectations for the Financial Year FY 2025, which are as follows:

1. With all the new digital initiatives supported by strengthened top and senior level management, we expressed confidence to restore credit growth on par with industry levels sooner and go beyond.
2. On asset quality front, the trend of reduced slippages coupled with improved recovery would continue for Financial Year '25. We said we would reach between 1%-1.25% of net NPA for FY 2025 and we would explore the possibility of improving the provisional coverage ratio.
3. We also said our ROA would be back on our long-term average of 1.5% and this trend will continue.
4. Since we were taking the cost of digital lending retail business upfront, our cost to income ratio we said would be around 48%-50% for the current year and once the full benefits of digital lending and other initiatives transfer into growth, the CIR will start coming down.

So for the current quarter, Q4 FY '25, we are almost on track on our expectations, which we shared with you all earlier.

For FY 2025, we have registered 14% growth on our gross advances. We have increased to Rs. 53,066 crores from Rs. 46,481 crores for the Financial Year '24. As we stated in our Q3 FY '25 con-call, our growth restarted from the Calendar Year 2024, and we reached the double-digit growth of 10% in June '24. For September '24, we registered 12% growth. In the last quarter that is December 24, we registered 15% credit growth and for Q4 FY '25, we have achieved 14% credit growth.

In the current financial year, we had registered double digit credit growth in all the 4 quarters, a feat achieved after FY 2018-29. That is the first time post-COVID. This growth we have achieved after we have decided not to renew IBPC to the tune of Rs. 1,100 crores and we have also let go of low yielding NBFC funding to the tune of Rs. 150 crores which is approximately Rs. 1,250 crores of reduction in advance, of which Rs. 750 crores of reduction has come in Q4 FY 2025.

As stated in our earlier calls, with improved efficiency level aided by the digital lending process, we have restarted our consistent credit growth and we hope that the current trend will continue for Financial Year '26 as well.

**Deposits:**

Our deposits have also increased by 14% and stood at Rs. 63,526 crores for FY '25 as compared to Rs. 55,657 crores for FY '24. The CASA has increased from Rs. 17,050 crores to Rs. 18,119 crores in FY '25. CASA-to-total-deposit stood at 29%.

In the Calendar Year 2024, our main concentration was to get credit growth on track which has happened now. In parallel, we have made efforts to take care of the deposit growth, to support the required credit growth. As a result, our deposit had grown by 11% in Q3 FY '25 and 14% in Q4 FY '25, which is in line with our credit growth of 14%. Based on the same, our CD ratio stands at 84%. The cost of deposit stood at 6.02% for Q4 FY '25 versus 5.75% in Q4 FY '24 and for the full year FY '25, the same was 5.85% compared to 5.59% last year.

#### **Asset Quality:**

On the asset quality front, our slippages used to be around 2% during pre-COVID and it stood at 1.91% in FY 2019. During the COVID years that is FY '20 and '21, this has increased above 3% and it was hovering around the same level till FY 2023.

Post-COVID, we have taken every possible measures to address our slippages and we have started seeing a reduction of our slippages from FY 2024 where it stood at 2.18%.

We had said that we are aiming for approximately Rs. 800 crores of slippages for this financial year at the beginning of the year and we have stick to that and we have ended up this financial year with Rs. 815 crores of slippages, which is 1.54% against 2.18% of last year.

Apart from that, we have stated earlier the trend of recoveries is more than slippages. The same trend is continuing.

For Q4 FY '25, the total slippage is at Rs. 229 crores, while the total recovery is at Rs. 291 crores consisting of Rs. 238 crores is from live NPA accounts and Rs. 53 crores is from technically written-off accounts resulting in negative slippages again.

The total recovery for FY '25 is Rs. 1,042 crores. splitted into Rs. 834 crores of live NPA and Rs. 208 crores from technically written-off accounts as against Rs. 1,031 crores in FY '24 which is Rs. 816 crores is from live NPA and Rs. 215 crores is from technically written-off accounts.

We closed the gross NPA last financial year at 3.99% and now, we have closed at 3.09%, which is 90 bps reduction from the last financial year.

Similarly, our net NPA number had reduced to Rs. 653 crores in FY 2025 as against Rs. 899 crores in FY 2024, which is 1.97% in Q4 FY '24 and 1.25% in the current quarter, which is 72 bps reduction for the year.

Overall SMA-2 to total advance stands at 1.10% in Q4 FY '25 as compared to 2.08% in the similar period last year. We could see substantial improvement in SMA and slippage numbers.

In our Q2 FY25 con-call, we have conveyed that we will try to increase our provisional coverage ratio to bring it closer to the industry levels. PCR with technical write-offs stood at 78%, which has improved from 72% last year. Similarly, PCR without technical write-off has improved to 60% for FY '25, which has improved from 52% last year.

Our interest income has grown by 12% in Q4 2025 and increased to Rs. 1,533 crores from Rs. 1,374 crores in Q4 FY '24. For the full Financial Year FY '25, our interest income stood at Rs. 5,834 crores as against Rs. 5,271 crores last year, registering a growth of 11%.

Our yield on advance stood at 9.93% for Q4 FY '25 as against 9.81% in Q3 FY '25, which is increase of 12 bps sequentially. Our NIM for Q4 FY '25 stood at 3.60% as compared to 3.58% in Q3 FY '25. For the full Financial Year FY '25, NIM is at 3.60%.

During the quarter, the bank has passed the benefit to the customer in line with expectation of 25 bps reduction and repo rate. As discussed in earlier calls, our NIM is in the range of 3.60% for the past few quarters and we hope to maintain the same trend with (+/-10) bps. If you look at the last 50 to 60 quarters, 90% of the time our NIM had been in the range of 3.40%-3.70%. During the middle of the quarter, we have also decreased our Savings Bank rate by 25 bps and during the month of April, we have reduced our term deposit rate in line with the reduction in repo rates. The benefits of rate reduction and deposits will start reflecting in the coming quarters. In addition, with respect to gold loans, we have migrated to fixed rate from floating rate as we envisage decreasing interest cycle rate, and these measures will act as a cushion during decreasing interest rate cycle.

The total other income for the year has increased by 21% from Rs. 742 crores to Rs. 898 crores. The insurance commission has increased by 79% from Rs. 55 crores last year to Rs. 98 crores. Also, the loan processing charges has increased by 67% from Rs. 93 crores to Rs. 156 crores.

For the current quarter, our operating profit had grown by 25% and stood at Rs. 441 crores compared to Rs. 352 crores in the corresponding period last year. For the year as a whole, the same has increased by 11% from Rs. 1,516 crores to Rs. 1,679 crores. We have achieved a PAT growth of 13% and our PAT stood at Rs. 288 crores for Q4 FY '25 as against Rs. 255 crores in Q4 FY '24. The PAT for the year FY '25 is at Rs. 1,124 crores as against Rs. 1,016 cores last year, registering a growth of 11%.

**Cost-to-income ratio:**

Our cost-to-income ratio for FY '25 is at 47.77% as against the expectation of 48%-50%. This is mainly due to some expenses we have planned for retail vertical in FY '24-25 were postponed for the next year that is FY '25-26. Hence this year CIR will be around 48%-50% and start reducing once the benefit of retail vertical starts showing results.

**ROA:**

Our ROA for the year, FY '25 is at 1.55% compared to 1.52% in the last financial year. Our ROA for all the 4 quarters of FY '25 is above 1.5%, which is our long-term average. ROE stood at 12.6% for Q4 FY '25 as compared to 12.39% in Q4 FY '24.

In our last con-call, we had briefed about our tie up with IPL franchisees. We had signed an agreement with Chennai Super Kings and Sunrisers Hyderabad for co-branded credit card and banking partner respectively. We have done pilot launch in March and we went live from April 25. We have been successful in creating and issuing the cards to the customers through a completely do-it-yourself journey without any physical interface or branch intervention. The journey is fully digital and paperless, and it is in line with our broader strategy to enhance customer service, capabilities and operational scalability. By removing manual touch points, we are not only improving our customer convenience, but also reducing the turnaround time and the operational cost associated with onboarding. This progress is in line with our expectation, and this is in a slow and steady manner.

**To sum up:**

We have achieved double-digit growth in all the 4 quarters of this financial year and we have ended this year with 14% credit growth, which is broadly in line with our guidance given at the beginning of the year. Now, we have aligned with the industry level credit growth, and we expect this level of credit growth to stabilize and move forward. We are making this assumption on 'as is where is basis', subject to current

economic environment continues without any turbulence or geopolitical tension we can improve growth by few more points as well. The current level of credit growth was achieved majorly from MSME core business, gold loan.

Retail journey has started from the second half of last year and we hope it will give a significant contribution to our credit growth in the Financial Year FY '25-26. With our efforts, our deposit growth is also back on track and aligning with credit growth. We have also achieved our long-term average numbers with respect to credit growth at ROA and NIM. We have reached our desired levels of 60% PCR without technical write-off within this year. We hope to continue this positive momentum for the current financial year as well.

In case, if you are moving away from the trajectory, we would update this on our quarterly results.

Thanks to everyone, open for questions.

**Moderator:** Thank you very much. We will now begin with the question-and-answer session. The first question is from the line of Sameer Bhise from Dymon Asia. Please go ahead.

**Sameer Bhise:** Hi, thank you for the opportunity, sir and congrats on a steady quarter in a difficult environment. Just wanted to kind of ask on the growth outlook, I understand you have done a reasonably good job coming to around 14% plus kind of growth, but if one were to look at FY '26 assuming that there is more supportive regulatory environment with respect to liquidity and even the growth stance of the regulator, also we are in a better shape with respect to the CD ratio. Is there upside risk to your growth expectations and especially if the whole retail exercise kind of plays out the way we are expecting it to?

**Vijay Anandh:** If you see the visibility, we would be 2%-3% more than the credit growth.

**Sameer Bhise:** 2%-3% than the year where we ended?

**Vijay Anandh:** 2%-3% over and above the systemic growth. That is what we are looking at.

**Sameer Bhise:** And secondly, outlook on margins, can you just repeat, if I heard correctly, around plus minus 10 basis points from the current level, is that a fair assumption?

**Vijay Anandh:** Yes. We are at 3.6. We will be plus or minus 10. As we spoke in the call, we have reduced our SB rate and TD rate. Eventually, we will start seeing this in the next 2-3 quarters. So we will be in the range of 3.6 plus or minus 10 bps as confirmed in the call.

- Sameer Bhise:** Sure, sir. Thank you. I will get back in the queue. All the best.
- Vijay Anandh:** Thank you.
- Moderator:** Thank you. Participants, you may press \* and 1 to ask the question. Next question is from Dhaval Gala from Aditya Birla. Please go ahead. Dhaval, may I request you to unmute your line and proceed with your question, please.
- Dhaval Gala:** Hello, yes, sir, if you could talk about outlook on margins for the next fiscal and also possible target of loan growth?
- Vijay Anandh:** Yes, I will confirm we will be around 3.5-3.7. This is what we are looking at and 2%-3% more than the industry growth is what we are looking at if the visibility is good for the current year.
- Dhaval Gala:** And you would also talk about incremental cost of funds and any change of SA deposit rate for your bank?
- Vijay Anandh:** No. Whatever we have done, we have reduced the SB rate, we have reduced the TD rate, and we are fine with this and this results, we will start getting in the next 2-3 quarters.
- Dhaval Gala:** Alright, sir. Thank you.
- Moderator:** Thank you. Next question is from the line of Mona Khetan from Dolat Capital. Please go ahead.
- Mona Khetan:** Yes. Hi, sir, good evening and congratulations on a good quarter. So firstly, on the EBLR loans, what is the reset date that we have? What is the frequency of reset?
- J. Sadagopan:** It is mostly a one-year loan.
- Mona Khetan:** So from the time the repo rate cut happens in what period does the reset of yields happen?
- J. Sadagopan:** We have already given it.
- Mona Khetan:** Is it one month?
- J. Sadagopan:** Yes, we have passed out the rate cut of 25 bps in the month of February itself. For the second rate cut, it is on card probably in the first week of May, we are going to do it.



- Mona Khetan:** So it is more like an immediate reset in your case or how does it play out?
- J. Sadagopan:** Yes. Overall, we have around 48% of total exposure to EBLR. So the first rate cut of 25 bps, we have passed out and the second rate cut of 25, we are going to do it in this week.
- Mona Khetan:** Got it. And we have seen some yield improvement during the quarter, what has contributed to that?
- Vijay Anandh:** So as mentioned in the call, we have moved out of IBPC, which was low yielding, and we have moved out of low yielding NBFC. So if you see from the previous quarter to this quarter, we had 1% dip. In spite of moving of Rs. 750 crores in Q4, we still had 14% growth. Since we have moved out of the low yield loans, our NIM became better.
- Mona Khetan:** And from a full year, these amount to about Rs. 2,000 crores?
- Vijay Anandh:** Around Rs. 1,250 crores.
- Mona Khetan:** Got it. And just finally on the fee growth, which has been quite strong this year, do we expect it to grow better than the overall balance sheet even going forward or what is the outlook here?
- Vijay Anandh:** It depends on the business. If the business grows, obviously this will also have good growth.
- Mona Khetan:** Got it. And just one last thing, in the loan mix on Slide #27, there is a personal loan of Rs. 1,200 crore. What is the nature of these loans? I understand these should not be unsecured in your case. So what exactly are these?
- Vijay Anandh:** This is not an unsecured loan. This is a loan given to my existing borrowers or MSME under the personal loan headline, which also collateral with us.
- Mona Khetan:** Got it. That is all from my side. Thank you and all the best.
- Moderator:** Thank you. Next question is from the line of MB Mahesh from Kotak Securities. Please go ahead.
- MB Mahesh:** Just this question again on margins where you said it is between 3.5 and 3.7, just trying to understand what would drive a 3.7 for next year?

- Vijay Anandh:** So Mahesh, we have three types of thing. One is MSME, we have JL and we have retail. When I speak now, as we speak today, our fixed rate is almost close to 31% which is the jewel loan, gold loan. So one, our MSME growth, our Jewel loan growth of fixed rate of X% and our focus on retail secured, which we have already started clicking on double digits, is giving us good growth over and above that, our deposit pricing. We have reduced our deposit pricing as I said a couple of minutes before in both SB and TD. This is giving us an advantage, hence we are slightly able to predict this number.
- MB Mahesh:** Sir, the question is mostly given the fact that there has been a rate cut also that you are doing on the other side, just trying to understand what can possibly cause the margin expansion based on the current mix of loan book that you have. It is only the fixed rate loan that is available, is it?
- Vijay Anandh:** The fixed rate is 31%. The deposit benefit I will get it only post 2-3 quarters, number one. Number two, our retail secured has already started achieving double-digit interest yield and our MSME loans has always been doing well. When the deposit rate comes down after 2-3 quarters and my 3 engines started doing as per expectations, then 3.5-3.7 should be a decent number I think.
- MB Mahesh:** Perfect. Second question is, gold loan is now doing reasonably well. This book will continue to grow at this rate or you see that it can kind of slow down from the surge?
- Vijay Anandh:** I don't think so. I think we should be comfortable in growing this book at this rate.
- MB Mahesh:** Okay, sir, done. Thank you.
- Vijay Anandh:** Thanks.
- Moderator:** Thank you. Next question is from the line of Jai Mundhra from ICICI Securities. Please go ahead.
- Jai Mundhra:** Yes. Hi, sir, good evening and congratulations, sir on the results. Sir, I have few questions. So first is, in this quarter, we had cut SA rate during the quarter, but still the cost of deposits has gone up. Was there any deposits repricing which led to higher cost of deposit and is it safe to say that the cost of deposits now has peaked because you have cut the SA rate and TD rate also and there is no more repricing disadvantage there?

- Vijay Anandh:** The cost of deposit is because of TD. And we have currently the TD rate only in the month of April, number one. Number two, our SB rate also, we cut only in the February last week, so that is the reason why the cost of deposits is slightly higher.
- Jai Mundhra:** Right. And there is no, even if the TD were to reprice, there will not be any, you will gain to benefit only, right even if any maturity TD were to reprice, it will be repricing downwards only?
- N. Kamakodi:** Yes, Mundhra, there are two things. Kamakodi here. Basically, like the deposits, current fixed deposits which are maturing today when they get contracted into the new rate, there itself, I am getting a benefit now. So incrementally, but as Vijay Anandh said it will be cumulatively giving us benefit, but already the benefit has started, basically, let us say, two things we timed well. One is shifting the gold loan into fixed rate, so when the rate reduction cycle started, actually, we need not reduce the rate and also when the 25 basis points reduction happened in the repo rate, the final average yield reduction, it worked out about close to 10 basis point depending upon the risk rating and how much of adjustment that happened in the risk premium and things like that. Because of that and also the cumulative effect of, let us say, Savings Bank reduction and also the withdrawal of, to the previous question, why the cost of deposit increased? When we, just before entering into the 4th Quarter, anticipating a tighter market, we had gone for a special FD schemes of 333 days in tune with the market rate and let us say, the bulk of the growth happened through the term deposit accretion and which has that 12 basis point increase in the weighted average yield. So when the older deposit is getting matured now, we get that benefit on the reduced rate of interest in the term deposit today and so it has potential to cushion whenever we get into the reducing interest rate cycle. The margins contract during decreasing rate cycle and whenever we get into the increasing interest rate scenario, margins expand, despite into the rate cycle where you have seen, let us say, 2 rate cuts instead of the margins decreasing it slightly expanded by 4-5 basis point mainly because we timed it well. So some amount, you cannot make it with the surgical precision, but we are able to manage it with the reasonable level, so we are able to say with confidence that the existing rate margins should be at the current level plus or minus 10 basis points is what Vijay Anandh is conveying.
- Jai Mundhra:** Right. No, sure, sir. That is very helpful. Just that so you mentioned this out of first 25 basis point rate cut, the blended yield, let us say, impact on the portfolio was around 10 basis points, right? So this relationship ideally should have held up, right in the sense that if RBI cumulatively cut 75 or 100?

- N. Kamakodi:** It is let us say, you have, it is basically on the EBLR plus wherever you have given a strategic discount, wherever you have a risk premium, there are multiple factors getting involved. Finally, market forces take up.
- Jai Mundhra:** No. So I am asking, sir, if there is a cumulative 100 basis point rate cut by regulator, then you should ideally have around?
- N. Kamakodi:** So you can't say it is going to be only 40 basis points.
- Jai Mundhra:** But what would be the range, sir, 40-60?
- N. Kamakodi:** It could be 50-75. Some lag will have.
- Jai Mundhra:** Right and despite that, right, because the consensus is that there will be?
- N. Kamakodi:** Yes. One more thing what you have to understand is like, every quarter 25% of your CC limits will get renewed. Whenever you renew it, you will be having a revised contract where you will be resetting the rate. That reset rate will depend upon the individual risk assessment and all such things with some amount of lead and lag factor in transmission. In the past, let us say, almost a decade back, we had seen a cycle when, because of surplus liquidity available in the system, the rate transmission was even faster than the RB rate. So all these things are determined by the market forces both at the overall level and also individual account basis, so it is very difficult to have one-to-one, let us say, prediction. And another thing, if the rate cut cycle is relatively slow say, for example, if 1% rate reduction, whether it happens in one-half or 1 year or 1 quarter, it also plays a role. So multiple factors determine how fast the transaction happen and let us say, for example, as you always know only which are directly involved with the 50% of your portfolio, for example, is linked to the EBLR, only that 50 has to have direct relation of, let us say, the 25 basis point means overall portfolio will have only 12%. So within that you will be having a quarterly renewals for which, there will be reset of rates depending upon the individual risk rate and all and there will be some amount of what you call lead factor or lag factor. You will find it very difficult to predict precisely what will happen.
- Jai Mundhra:** No, that is fair point, sir. I can understand there are multiple moving parts. What I was trying to understand is this NIM guidance of plus minus 10 basis points is, you, of course, assume that there will be let us say which is widely anticipated two more rate cuts, right? So this guidance is not only the rate cuts which has announced so far, but also assumes that RBI may further announce one or more rate cuts, two rate cuts assuming that is the guidance?

**N. Kamakodi:** See, the point is, if 2 rate cuts happen in one quarter, if 2 rate cuts happen in one half, or 2 rate cuts 3 quarters or 4 quarters, the impact will be different depending upon how quick the rate cuts happen. That is what I am trying. Whatever predictions we give, we take an assumption that this rate cut will happen over the period of next 1 year in a graded fashion. Whatever yield cuts we have to take because of the reduction in the repo rate and the benefit we get in the repricing of the term deposits, will largely match and compensate to a greater extent and overall, yield will not go higher from wherever we are is our expectation with which we are going.

**Jai Mundhra:** Secondly, sir, on the growth, right, so I wanted to understand, what is the MSME growth in the sense that there is some change in the MSME reporting over the last 1-2 quarter or last 1 year because of this MSME norms, etc., what would be MSME growth and maybe if you have number for disbursement growth in MSME, just to understand how effective is the new LOS versus what we were doing earlier. So if you have any number for, let us say, 4th Quarter disbursement versus 4th Quarter of last year just to get a sense as to how this new LOS is helping in terms of the fresh disbursement. Of course, the outstanding number is visible, but I wanted to check if you have any number on disbursement also?

**N. Kamakodi:** See, we had total credit growth of about Rs. 6,500 crore for the current Financial Year, perhaps, the highest whatever we have recorded over the period of, in our history. Out of this Rs. 6,500 crores growth, about Rs. 4,000 crores growth has come from the MSME. For example, this should give you some idea, definitely the digital lending for MSME through our Newgen software which was guided by BCG last year. It has helped us to accelerate our credit growth per se, so less than Rs. 7.5 crore, the decision is by and large now taken by the system with minimum manual intervention. So that is now helping us to proceed further. Actually speaking, the outstanding MSME growth was 23% for the current Financial Year.

**Jai Mundhra:** So MSME growth was 23% and of course, the overall growth was 14% because you also took some IBPC etc., and disbursement growth must have been maybe 40%-50% right in the MSME itself, just to get that 23% number?

**N. Kamakodi:** The disbursement for the whole year it is close to Rs. 10,000 crore. So in that you will also have CC portion which will be having lower utilization. You can't have 1:1. So that is why we don't discuss too much about that disbursement per se. We explain on an outstanding basis.

**Jai Mundhra:** Sure. And sir, in this Newgen Software, if you have the rough number of green, amber, red, how is that progressing this ticket?

- N. Kamakodi:** Still the amber portion is more. So how we have made is that, like when the red conditions are clearly given, they are washed off. On the amber side, let us say, the tuning will take, at least I think by before the end of the Financial Year '25-26 that tuning will happen.
- Moderator:** Thank you. Jai, I am sorry to interrupt you. I will request you to come back for a follow-up question. Thank you. Next question is from the line of Rakesh Kumar from Valentis Advisors. Please go ahead.
- Rakesh Kumar:** Yes. Hi, sir. So like, I think this quarter, the quite critical part was deposit growth that you managed to report quite a strong number. So just wanted to know what is the strategy around the deposit mobilization that we did, because we had to manage failure as well, so what are the product on the asset side or on the liability side, we had this quarter or what is the kind of manpower that we had to manage or to show this kind of deposit growth and what would be the strategy going ahead also because we are looking at similar kind of credit and deposit growth number with the earlier. So if you can help us understand that part? Thank you.
- Vijay Anandh:** So we started this year with the advance target. We wanted to have a good growth on advances. I think we were pretty decent and Q3-Q4, we had dedicated structure for liabilities and we had lot of trust and we had the structure in place in sourcing the liabilities numbers. I think there were a couple of new arrivals, the new recruits as well. So this has given a strong focus, we have a dedicated structure and this has yielded the results, number one. Number two, what is going to be the future as we said in the call, we wanted to keep the LDR at 85. So that is the number which we are looking at and our growth will also be basis the same.
- Rakesh Kumar:** Got it. So next fiscal year, we are looking similar kind of growth number in deposit or because if I look at the real TD rate for the system, it is like kind of high in the last 4-5 years. So the real TD rate has to come down. So it will have some repercussion on the TD growth number. So overall deposit growth number, we have similar number in mind as compared to credit growth number?
- Vijay Anandh:** Yes, that is the point I said. We have already reduced the TD rate in April. We have kept the target of 85% in LDR. That is the number which we are targeting for the credit growth what we are envisaging for this Financial Year, for the current Financial Year.
- Rakesh Kumar:** Got it. Thank you, sir. All the best.
- Vijay Anandh:** Thank you, sir.

- Moderator:** Thank you. A request to all the participants. Kindly restrict to 2 questions per participant and join the queue for a follow up question. Next question is from the line of Akshay from HDFC Securities. Please go ahead.
- Akshay:** Yes. Hi. Thank you for taking my question. Sir, firstly, the slippages are slightly higher for this quarter around 2%. I would like to know the reason for that from which sector that it is coming from?
- Vijay Anandh:** When we started this year, we confirmed that we would be around Rs. 800 crores. So we started with Q1 of Rs. 178 crores. Q2, we moved from Rs. 178-Rs. 176 crores and Q3 from Rs. 176, we moved to Rs. 201 crores. So we were around Rs. 555 crores as of Q3. We had Rs. 800 crores. That is the number which we were envisaging for the year basis the prediction what we have done. We had ever SMA-2 customer. So we do not want to take any chance. So we thought that when we have a room, we will just fill this. And that is why we have moved it to Rs. 800-815 crores and we were well within the expectations and hence we made this movement.
- Akshay:** Sure. And second question was around, there is uncertainty regarding the global tariffs, global scenario because of the increase in tariffs. So has any, within our MSME sector, since we have exposure to export oriented companies, especially the textile sector, having seen any sort of some disruptions in some of these sectors or any early signs of any stress building up here?
- N. Kamakodi:** See, currently, we did not have significant exposure to the export oriented units- it is low to middle single digit only. Within that, Coimbatore built textile exposures for the last 3-4 years, they had the impact because of the strong competition from the Bangladesh. After the regime change and things like that, there was some advantage for them and currently and it is better than what it was there last year. What I can definitely say is that whether any significant improvement will have positive effect, but if there is any deterioration, they will not have much deterioration. But to what extent supply chain impact will be there, whether India-Pakistan war will come, whether it will affect the thing? There are macro questions and all which we expect there should be, let us say, the existing situation will continue that you have tension always, but nothing on field any change. This is what we expect.
- Akshay:** Thank you. Thank you so much.
- Moderator:** Thank you very much. Next question is from the line of Puneet from Macquarie Capital. Please go ahead.

- Puneet:** Yes, sir. Thanks for taking my question. Just one bit on the credit cost thing, we are expecting to increase our PCR in line with other private peers, right, around 70% and we plan to maintain our credit costs around the FY '25 levels, right, all else being equal, of course. And so am I right, sorry I missed some of the opening comments, that is why?
- N. Kamakodi:** No, actually like in the beginning of the last year, we told we will be improving our provision coverage ratio number and the number that we were anticipating was somewhere around the current level 60 only, which we have already done. You always, on “as is where is” condition, like we don't have any specific number in our mind. So we don't make a call depending upon what is happening in the market or whatever because the 70% coverage ratio including technical write-off is something which was there on the regulation which we had covered a long back. Post the call which you take depending upon how market progress and what are all the things you need. So far without drastically changing anything in a phased manner, we are able to see about 90 basis point reduction in w gross NPA number and about 70 plus basis point reduction in the net NPA number. We can proceed in the slow and steady fashion without compromising on the ROA. If you need to compromise on the ROA, increase your provision coverage ratio to much higher level. That option we always have and we can take at any point of time, but as of now, we think we will be proceeding on this level. The decision whether to go for extra provision to reduce the net NPA number, to what extent you need to compromise the ROA and have extra provisions and all, those choices we will be taking a call as the quarters progresses.
- Puneet:** Right now, we are targeting stable ROAs with let us say, there is no target.
- N. Kamakodi:** Yes, right now, we don't anticipate any target as we speak. With the current level and with that the slow and steady fashion itself, you have already seen desired reduction in the gross NPA and net NPA. You also need to factor in, this is going to be, Financial Year '25-26 going to be my 15th year which is regulatorily permissible as the CEO. What is the net NPA number, I want to hand over to the successor, we have to take a call, the way how you we proceeded during the quarters.
- Puneet:** And sir, your margins, the guidance 3.5, sir, if I am not right I heard that only 31% of the book is fixed. So in such a scenario, so deposit repricing happens with the lag, right? So for us guiding 3.5-3.7 next year looks like aggressive guidance given we have around 70% floating rate book, right, so any comments on that?
- N. Kamakodi:** So that is what I explained in detail. So you have multiple levers working. In fact, the expectations even for us, we would have had reduction in the net interest margin in the



4th Quarter itself compared to the 3rd Quarter because there were multiple rate cuts. But still we were able to scrape through because like, on the yield side, you are going to have reduction in the yield. As you rightly said, you have only 30% in a fixed rate. Floating rate also, let us say, 25% of your CC accounts get repriced every quarter when they come for the renewal. So in that 25%, it need not be that the same reduction in the repo rate is getting passed on because you re-negotiate the rate depending upon the risk appetite, how you want to have a strategic discount whether there is a surplus liquidity in the system, so many factors come into play. So as I explained earlier, the 25 basis point repo, finally the net impact on the yield was only in, high single digit, not the 25 basis point as you guys think, which was to greater extent taken care by whatever reduction in the Savings Bank rate or in future the benefit you are going to get. Because every quarter you are going to have 25% of your term deposits getting repriced. So we had special rates for term deposits for the last quarter which we have withdrawn and the rate at which the current term deposits are maturing and at what rate we are now currently offering market rate including the market rate. So there is going to be reduction in the deposit rate. Similarly to greater extent they will be getting offset by the reduction in the yield. So they will be going in tandem. So that is why we feel it may not be in a surgical precision. That is what I also explained, in future, it depends upon how fast the rate of interest comes down, say for example, everybody is factoring another 50 basis point reduction in the Financial Year. If the reduction of 50 basis points happens in one go, the market dynamics surplus liquidity in the system, so many things come into play. So if we expect this 25 basis point reduction in stages over the period of next 4 quarters, we hope this is what we expect. Based on that, the existing margins with the plus minus 10 basis point will hold is our expectation.

**Moderator:** Thank you very much. Puneet, sorry to interrupt you. May I request you to come back for a follow-up question, please.

**Puneet:** Yes, I am done. Thank you.

**Moderator:** Thank you. Participants, kindly restrict to 2 questions per participant. Next question is from the line of Anand Dama from Emkay Global. Please go ahead.

**Anand Dama:** Yes, sir. Thank you for the opportunity. Wanted to check, sir, how do you see the retail portfolio shaping up in FY '26 and FY '27 because you have been very strong on the gold loan front, housing is also your strong forte, which are the new products that you are going to introduce or scale up number one? On people front, have you made any new changes? Have you hired some new team as such, in the retail team as such, and whether that will have an impact on the overall cost in FY'26? I think in the initial

comments you talked about some increase in the cost. Is it more related to the retail business as such or there is something more to it?

**Vijay Anandh:**

Yes. The cost was more on retail front. We said that we will be around 48-50 this year, number one. Two, in terms of retail, yes, our home loan has been pretty decent, and our LAP has also started picking up, loan against property. As I was speaking some time before, on an average, we started hitting double digit rate in terms of the overall blended rate for retail. So our focus on LAP and HL will continue. Also for through our branch network, we are focusing on affordable home loans. So this business also once it starts picking up, I think we should have the decent book in terms of retail and broadly the hiring is done. We have hired Sales Head, we have hired the Zonal Heads, we have hired Credit Risk Heads for the zones. We also had the feet on street. As mentioned multiple times, we don't have plans to go with third party sourcing for home loans for sure. So broadly, home loans will be a brand sourcing. Only for LAP, North and West and some part of South where in Tamil Nadu we plan to do a DSA sourcing for loan against property. Otherwise, AHL is broadly a branch-based strategy where the branch will sell the affordable home loans to their customers or new to bank customers with the existing retail set up. This is what is broadly on the retail plan. So we will continue with our overall strategy of 95%-98% secure. We don't have any change there and the remaining would be a credit card and a small bit of PL if you want to give for our existing customers or salary customers per se.

**Anand Dama:**

Great. Sir, on your SME book, wanted to check, like now that the rates have been cut. So are you passing on all the rate cut to the customers or you are trying to delay that by few months by increasing the risk premium because the macro disruptions are certainly up there? And so you can always increase the risk premium. Are you doing anything of that sort and that is basically the reason why you seem to be more confident on the margins front or maybe in the guidance seems to be more optimistic as compared to what one would have expected it to be?

**N. Kamakodi:**

See, as we explained, you may clearly see there are multiple levers. Say you have fixed rate for which you are not going to have any impact. So you have what is EBLR for which the impact reduction will be immediate for let us say other floating by and large what is in MCLR, you will be getting only when it is coming for the renewal. And the 25% of your CC limits will be coming for renewal every year. So as we explained 25 basis point reduction in the repo, the ultimate impact in the blended yield of the portfolio was in high single digit. It was not into the double digit because of the composition of the loan book and also wherever we had given strategic discount even earlier where some amount of the interest rate concessions were given in earlier contract itself. So whenever there is a reduction in the let us say, EBLR comes, a part

of that will be observed in that, the extra reduction that was given in the past. So taking everything into account for that 25-basis point repo rate cut, because of the composition of loan book with the fixed rate EBLR, MCLR or all different type of things, the net impact in the overall yield was in high single digit is what we faced.

**Anand Dama:** And any reason for a sharp jump in the CEB and the other charges, the fee income in this quarter?

**N. Kamakodi:** Good question. There are two things, which was resulted in this. One impact because of change in the remuneration structure. In the insurance income, we could see substantial jump which was hovering about Rs. 54 crores in the Financial Year '24. We could get closer to just under 100%, about Rs. 97 crores or something for the Financial Year '24-25, which is a substantial jump. Similarly, we had 2-3 years of lower growth in the core advances growth and MSME. As the advances growth rate started picking up, particularly after the arrival of Newgen based lending and other things, there is a substantial jump in the processing fees also. These two have resulted in substantial increase in the Commission, Exchange, and Brokerage fee side of the bank.

**Anand Dama:** Sure, sir. That is very helpful. Thanks a lot.

**Moderator:** Thank you. Next question is from the line of Bunty Chawla from IDBI Capital. Please go ahead.

**Bunty Chawla:** Thank you, sir. Thank you for giving me the opportunity and congrats on a good set of number. As you earlier in FY '25, you have guided for the slippages of Rs. 800 crore and net slippages will be negative. So if you can share similar outlook for FY '26, this net slippages negative will continue for FY '26 and how will the slippages number or slippage ratio will be in FY '26?

**Vijay Anandh:** So we gave the number of Rs. 800 Cr for the current financial year, which we closed at 815. We are looking at another.

**Moderator:** Sir, sorry to interrupt you. Bunty, can you please mute your line from your side? Thank you.

**Vijay Anandh:** So we gave a guidance of Rs. 800 crores for the current year and we closed at Rs. 815 and for the next year, we will be around Rs. 650-Rs. 700 crores. That is the number we are looking at. But in terms of provisions, we will also have, D1, doubtful 1 to doubtful 2 extra provisions we will have for the year which we may have to take. Otherwise, we are quite confident of recovery, will be more than slippages for the current year as well.

So to answer your question, Rs. 650-Rs. 700 crores is the number we are looking at. Recovery will continue to surpass the slippages.

**N. Kamakodi:** And number two, let us say, the extra provisions depending upon the provisioning requirement and also in tune with the expected net NPA numbers. The provision numbers, as we have always pointed, the decisions will be taken as we enter into the quarter.

**Bunty Chawla:** Secondly, sir, as you said, the margins will be in the range of (+5) to 10 bps, 3.5-3.7 and cost to income ratio will be around 40%-50% kind of a thing. So any chances of improvement in ROA or we are still going with stability in the ROA at 1.5% for FY '26. That is it for my side?

**N. Kamakodi:** See, we don't want to be too optimistic, overpromise and under-deliver. So our earnest efforts to improve that are always there and we will be working for that.

**Moderator:** Thank you. Next question is from the line of Gaurav Jani from Prabhudas Lilladher. Please go ahead.

**Gaurav Jani:** Thank you, sir and congrats on good quarter. Firstly, sir, I missed Vijay sir's comments on shredding of lower interest rate loans. Can you repeat that please, which two segments would be there?

**N. Kamakodi:** See, what we explained was that for the entire year that 14% growth rate was achieved after exiting about Rs. 1,200 crores of Interbank Participation Certificate, low yielding and also the Rs. 150 crores of low yielding NBFC advances. Out of Rs. 1250 cr, Rs. 750 cr happened in the last quarter itself. The interbank participation certificates we had to enter the previous year because we had to exit gold loan Agri portfolio and because of that achievement of target, some amount we had to enter, but that we had to compromise on the yield that we had now exited. So there are two things because of the two outcomes. One, we could achieve 14% growth despite, shedding about Rs. 1,250 crores of loan book and it has also helped us to have a better yield because whatever we exited were of low yielding. In fact, about Rs. 150 crores were around let us say 8%-8.5% and that remaining Rs. 1,250 were about, let us say, 6%-6.5% in that very low rates because we had to regulatorily go for that to achieve our agri target in the previous year to achieve the targets.

**Gaurav Jani:** Sir, thank you for this. I just also just an extension to this, is there any more scope for reduction in this low yielding, given the fact that you are looking at further rate cuts?

**N. Kamakodi:** We have opened up almost everything possible, to what extent renewals are coming, to what extent the fixed rates are there, whatever these things are there, we don't anticipate any more. Finally, it all depends upon the market dynamics and how the rates pan out. As of now, at least on cards, we don't see anything to come down so fast, let us say for example, we have about 2% of our portfolio from NBFC lending which is about Rs. 1,417 crores as given in the slide number 27. So how that yield adjusted as we get into, these are all basically corporate lending and they will always have lower yield compared to your core advances. And if the yield in their portfolio, how it gets adjusted because of the market yield and what are all the alternate options available for them, whether we will be better off by continuing those rate of interest because these corporate lending will be around 9% or even 8.5%-9% and things like that, but we will be able to have an average yield of the portfolio close to, let us say, 9.5% to even double digit, whatever it has come closer to that. So those calls are taken on a dynamic basis on a continuous thing. We don't have a target and all in our mind and all. We also never expected that we will be, let us say, totally exiting from all these things. One of the reasons is because that, like we could do the gold loan better with better yield and also on agricultural lending and things like that.

**Gaurav Jani:** Sir, thank you. Just one last from my end, if I may. You mentioned about the Commission, Exchange and Brokerage, right? So can you understand that was it also bulked up in because it was Q4 and could there be further normalization in the coming quarters or this is new base that you are looking at?

**N. Kamakodi:** See, Commission, Exchange and Brokerage, the insurance income hike is perhaps the change of remuneration structure and some amount of change of marketing campaigns which we took, we will be fine tuning and there is some more juice available over there and on the processing charges front, it will be the function of the credit growth.

**Gaurav Jani:** Understood, sir. That is it from my end. Thank you, sir.

**Moderator:** Thank you. Next question is from the line of Arun, Independent Shareholder. Please go ahead.

**Arun:** Hello. Can you hear me?

**N. Kamakodi:** Yes, sir.

**Arun:** Thank you for taking my question. Actually, my questions were largely answered, but one question I had on the retail portfolio growth, are you looking at it primarily to grow in Tamil Nadu or is it the other states as well because I also saw you have done a fair

amount of branch expansion recently, so is the focus going to be more on your MSMEs in the other case only or will retail growth be there as well? To that, do you have like a goal or target in mind on retail growth?

**Vijay Anandh:** The retail growth is going to be across. It is not restricted only to South. Having said that, we have a decent presence in the South, so whatever the business we are getting is at a 0 cost. So basically, I don't have an acquiring cost which is normally very high in retail. Our branches can fulfill this business. Having said that, our retail business is going to be in complete Pan India apart from South. We wanted to be 3% of our overall business on MSME business year-on-year. That is the number which we have in mind. So to be precise, we are looking to exit this year with Rs. 3,000 crores. Rs. 3,000 crores should be the exit number for retail for this year as we speak.

**Arun:** And currently, what it is, sir, sorry, I don't have it open?

**Vijay Anandh:** We should be around Rs. 1,000 odd crores as of now.

**Arun:** So you are looking to grow it for FY '26 to Rs. 3,000 crores?

**Vijay Anandh:** Yes, Rs. 3,000 crores should be the exit number.

**Arun:** Thank you. That is all there. Thanks.

**Moderator:** Thank you very much. Next follow up question is from the line of Jai Mundhra from ICICI Securities. Please go ahead. Jai Mundhra, may I request you to unmute your line and proceed with your question, please.

**Jai Mundhra:** Yes. Hi, sir. Thank you. I wanted to check their when did you move the gold loan from floating to fixed and what is the outstanding risk weighted assets number?

**Vijay Anandh:** We moved on July from floating to fixed, the gold loan rate. Sorry, what was your next question, Jai?

**Jai Mundhra:** Sir, the outstanding risk weighted assets number?

**Vijay Anandh:** Rs. 39,900 crores, the overall risk weighted assets.

**Jai Mundhra:** Yes, sir.

**Vijay Anandh:** Rs. 39,900 Jai, is it audible?

**Jai Mundhra:** Yes, audible, sir. Thank you so much, sir.

- Moderator:** Thank you. Next question is from the line of Ajit Kumar from JM Financial. Please go ahead.
- Ajit Kumar:** Thank you for taking my question, sir. Just one question from my side. I wanted to know your take on recent bill introduced by the Tamil Nadu government to prevent coercive loan recovery practice. I understand it is not applicable to RBI regulated entities, but any impact on your on-ground operation if this deal is passed and especially given Tamil Nadu firms more than 70% of the total business, so any impact for you?
- N. Kamakodi:** Yes, this law doesn't apply to RBI regulated entities, you are right, particularly for the banks. So we don't anticipate any, let us say, issue because of this law, any new impact because of this.
- Ajit Kumar:** That is it for my side. Thank you.
- Moderator:** Thank you. Next question is from the line of Pritesh from DAM Capital. Please go ahead.
- Pritesh:** Yes, good evening. Just two questions. One is on the branch expansion strategy. We have done good branch expansion in this quarter and this year. Next year, where do you target and how much are you targeting to increase the branches?
- N. Kamakodi:** See, we opened about 75 branches in the current Financial Year '25. We had been consistently opening about 50-75 every year except during the COVID years. So this year, from 875, probably we will be taking it to about another 50-75 basis points, 75 branches. If let us say, things are favorable, we may also open few more branches.
- Pritesh:** 925 is what we are looking at? I missed that number?
- N. Kamakodi:** Yes, 925-950.
- Pritesh:** And second, the branches will be incrementally outside Tamil Nadu or it will be spread across depending?
- N. Kamakodi:** Yes, exactly. You might have seen incrementally the non-Tamil Nadu branch numbers are increasing. Proportionately, the Tamil Nadu based branches in terms of percentage is holding or coming down. So we are almost reaching a stage of exhausting the TN expansion. So incrementally except for the unbanked, rural and regulatorily to be opened branches, we will have proportionately higher number of branches in the non-Tamil Nadu states.

- Pritesh:** Got it. And question related to basically as you open more branches, the SA per branch number is coming down. We were doing quite a decent few quarters back, but we have seen that from last quarters, the SA per branch is coming down. What is the strategy there? How do we improve our SA per branch number?
- N. Kamakodi:** Whenever we open a new branch, maybe for the first 3-4 years till it comes to stable business, the number of people employed per branch will be after one Manager, one Officer, and about 3-4 Relationship Managers. So it will be lower than the current level of average number of persons per branch, so that number may look a little bit coming down, but on the other side, we are in the process of, let us say, creating the sales structure, partly we have done and a small portion is left under the sales. Structure itself, we are in the process of making that. Some amount of expenses, we expected in the last year slowly getting shifted for the current year also. So let us say, as we explained maybe for another 1 to 1-1/2 years the cost to income ratio because of this additional sales force and things like that. Some 48 to 50% cost income ratio will be there. Once that start delivering results when the income starts coming, you will start seeing the cost to income ratio coming down.
- Pritesh:** Thank you so much. Thank you for answering those questions.
- Moderator:** Thank you very much. As there are no further questions, I will now hand the conference to Mr. Jignesh Shial. Please go ahead.
- Jignesh Shial:** Thank you. On behalf of Ambit Capital, we are thankful to the management of City Union Bank for the detailed discussion. I will now hand over the call to Dr. N. Kamakodi - MD & CEO of City Union Bank for his closing remarks. Over to you, sir.
- N. Kamakodi:** Thank you Ambit for arranging this call and thank you all for joining. So just to sum up, for some years, the credit growth was evading us and we have now recorded firmly about 2%-3% growth over and above that of the credit growth of the industry. Should be in a position to firm that up further in the current Financial Year. We are getting better visibility for the asset quality. We are seeing the slippage ratio getting better. We are seeing SMA numbers getting better. We are seeing NPA ratios getting better. We hope these things will further get better in the Financial Year. And with this, we are also seeing other income showing substantial growth particularly from the third-party sales and the insurance and your credit processing charges. So overall, as I told, we are entering into the year when the remuneration structures, going forward, the productivity has to get aligned with that and the things have to get improved from here. So we hope the geopolitical situations don't deteriorate from wherever we are, but on whatever situation we are currently seeing and on "as is where is" condition, the



visibility for a better year is there and with this positive note, I hope we should be having a Financial Year '25-26 even better than whatever we saw in the Financial Year '24-25. So with these words, I once again thank you all and let us complete this call. Thank you.

**Moderator:**

Thank you very much. On behalf of Ambit Capital Private Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.