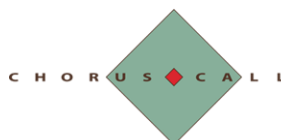




# “AU Small Finance Bank Limited Q1 FY'25 Earnings Conference Call”

July 25, 2024



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**MR. PRINCE TIWARI – HEAD OF INVESTOR RELATIONS**

**Moderator:**

Ladies and gentlemen, good day, and welcome to AU Small Finance Bank Q1 FY'25 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Prince Tiwari, Head of Investor Relations at AU Small Finance Bank. Thank you, and over to you.

**Prince Tiwari:**

Thank you, Yeshasvi, and a very good evening to everyone. And welcome to AU Small Finance Bank's Earnings Call for the First Quarter of FY'25. We thank you all for joining the call today evening. The format for today's call will be very similar to last few quarters where we will have opening remarks from the senior management for the first 20-25 minutes. And that will follow with a question-and-answer session of about 35 to 40 minutes.

To start the call, we will have our MD and CEO, Mr. Sanjay Agarwal, share his thoughts and strategy on the overall performance of the bank and the outlook for the remainder of the year.

he'll be followed by our Head of Liabilities, Mr. Shoorveer Singh Shekhawat, who will share his thoughts on the liability strategy of the bank, given that it is such a topical conversation. Besides them, we also have senior members of the management team on the call today to answer any questions that any one of you may have.

For the benefit of everyone and so that we can take everyone's questions, we would humbly request everyone to keep the number of questions per participant restricted to two and join back in the queue in case of any further questions. In case your questions are related to data keeping, you can always reach out to the IR team anytime post the call to have the data clarified.

With that, I now request our MD and CEO, Mr. Sanjay Agarwal, to kindly share his thoughts on the quarter gone by and the announcements that we have made and the outlook for the bank.

**Sanjay Agarwal:**

Yes. Thank you, Prince. Good evening to all. Appreciate your patience. So very happy to announce you that today, the Board has decided to file an application for the universal bank and Board has also constituted the committee under our Chairman, Mr. H. R. Khan saab, and of course with M. S. Sriram saab and Pushpinder ji, along with me to review the application and file as soon as possible.

I think this is a very important milestone for us because universal doesn't come easy, right? But we have done a lot of good job in the last seven years. Done lot of hard work on the street to come to this stage. So I really want to congratulate the entire supporter of us in last seven years of journey, be it government, be it regulator, be it our customers, employees, investors, for their wholehearted support in our high and lows, both. So very, very excited to see that how quickly we can file the application and move forward in our journey.

Moving on to the present overall macro aspect is this that we've got the general election and that made us very proud as Indian. It was done seamlessly. The volume which we handled in May and June in that heat is highly, highly appreciable because it's not easy to handle 1.4 billion people. But I think our whole faith in our constitution has gone up.

And as we continue, the government has given us a lot of hope and I think the Budget was in line, and to be very honest, and I believe that Budget is very suited to the organization like us who actually deal into the unserved and unreached markets. I think the effort around MSME

credit and, of course, the overall approach to give affordable housing, focus on other housing, MSME, the industrialization, skill training will only help not only country, but your bank too.

I mean I don't want to touch much narrative around economy. It looks very promising. India is shining. India is growing. India is confident. And I believe, your bank is building themselves to really arrest or take all the advantage in times to come. So very happy in overall sense, how the quarter has gone. And overall business side, we already narrated our strategy in March and of course, the last quarter in April, that we'll be focusing more on in terms of low-cost deposits.

And in our deposit strategy for last quarter, we reflected in a way that the deposit -- the cost of money has gone down by 7 bps. And we haven't grown our deposit book because we preferred cost over the volume. And I think overall narrative on deposit, the strategy and everything, I think Shoorveer will tell you more after my call.

But overall, if I see, the deposit number, the overall retailization, the CASA, the cost of money in terms of building the entire deposit franchise, we are very happy that we are on some path. And the path may be difficult as of now, but we will -- we want to work on this path for some time so that the actualization of deposit franchise, we should get it in times to come. But overall, I would say deposit is not easy, but it is also not difficult.

And the quantum we want to raise this year, I believe that the team will deliver this. And we believe that we'll also save some costs around it. Shoorveer will let you know more about it, right. But other than deposit, if I see assets, I think our asset strategy has really executed well. We narrated that our focus would be on high-yield assets. And this year, the target is around 60,000 plus kind of disbursement, out of which 20% disbursement has been done in this quarter.

And the yield on this disbursement is around 15.8%, and -- which is considerably around 250 basis points up from the last quarter, which was a stand-alone quarter, but I think this jump is enough to arrest any kind of pressure on yield. So I think that is there. And in terms of momentum, be it vehicle, be it SBL, microfinance, commercial banking, affordable housing, all has very promising numbers.

And I think first quarter actually has surprised us in terms of disbursement because generally, it happens around 16%, 17%. But this time, it has around 19%, 20% of the overall target. So of course, the asset quality also, in my opinion, remains very strong. As we guided in our March call that overall, we believe that the kind of market we deal in, the kind of yield we deal in the assets, normalized credit cost would be in the range of 1.10%- 1.15%. This quarter, it remains around 1.20%- 1.25%. And it's the first quarter. It will remain like this.

But overall, on a yearly basis, I believe it will be under the guided range. So I think profit on the asset side, other than that, be it our technology, be it our people strategy, all remain very strong. Merger is also going on well, be it people, product, technologies, all are getting integrated as per plan. So I would say the first quarter has given us a lot of hope that we are on right track. And now by getting the permission to file an application, it will give us a next hope.

And I believe that overall, the performance other than maybe here and there of 1 or 2 things, we remain very solid. And I hope that the Indian economy, the Indian environment and this platform

will empower us more and more in times to come. So happy to be in the space, to be very honest. And I think -- team has done a lot of good things in the last maybe now 4- 5 months to come back. And so my focus area would be more around branch banking, where the heavy lifting is done for the deposit franchise or deposit buildup.

I really want to focus on our credit card business because it has its own challenges last year, but we are in decent shape. So that is one thing which I want to really focus on. And of course, the microfinance business because there is a little bit initial, I would say, feedback that market is heated up, and we have to take corrective actions, but as I narrated earlier that our microfinance business won't be more than 10% of our overall book.

We will create an extra provision of around 3%, which we have done in last -- in this quarter balance sheet. So in that sense, very well done. So very happy. And thank you so much, and happy to answer your any questions. And want Shoorveer take from here and have some detail around branch banking or a deposit franchise. Thank you so much.

**Prince Tiwari:**

Yes. Shoorveer from Bombay office would like to share his thoughts.

**Moderator:**

Sure.

**Shoorveer Shekhawat:**

Thank you, sir. Good afternoon, everyone. My name is Shoorveer Singh Shekhawat. In the last quarter, I was entrusted with the responsibility of heading the Liabilities business for the bank. I am thankful to the management and the bank for their trust. I joined AU as part of the bank project team in 2016. And since then, I have handled various roles from heading liabilities products to building video banking and taking care of marketing and communications.

Over the past 12 months, I was heading Swadesh Ban king, government business, wholesale liabilities and cooperative bank business for AU. I take this opportunity to share insights and our views on deposits, one of the most discussed business segment in recent times. Reflecting on the last quarter, as shared by sir, we maintained our liabilities book near to March '24 levels. Our overall deposit book stands at INR97,290 crores as of June 30.

Our CASA deposits grew to INR32,035 crores, a 1.8% increase over pro forma merged CASA as on 31st March '24. Keeping deposits growth muted was a calibrated move to use excess liquidity from the year-end deposits to optimize our cost of funds, visible in the improvement in our CASA ratio and reduction of cost of fund from 7.10% to 7.03%.

As part of this strategic decision, we did not renew approximately INR1,000-odd crores of expensive deposits during the quarter, mostly from erstwhile Fincare Small Finance Bank. We also optimized our savings account rate reducing them in lower buckets to better align with the overall cost strategy. Almost 1% reduction in 1 lakh to 5 lakh bucket and a 0.5% reduction in less than 1 lakh bucket.

We are closely monitoring the market liquidity and adjusting our approach accordingly to balance growth at optimal cost. In Q1FY'25, the market liquidity situation remained tighter with significant rate competition in the market. We competed with midsized universal bank with our term deposits and savings account rates almost at par with them.

Term deposits remain a real benchmark of rate competition. On retail term deposits, today, large banks are priced around 7.2% to 7.4%. Midsized private banks are closer to around 8%, similar to our rates. And smaller banks are priced around 25 to 50 bps higher. Even in short-term tenor and bulk term deposits, large banks are aggressive making rate competition intense.

There has been a lot of discussion around the financialization of savings in India, which shift towards financial assets like equities and mutual funds. This trend towards equities and mutual funds and SIP's is at early stages and is expected to grow. However, in our experience, the current account market size and opportunity, which is one of the most important segments of deposit growth in terms of cost will continue to grow with sustained GDP growth and business activity led by micro- SMEs and SME, and specifically, the government focus in the recent budget seems to be more focused around this segment.

The granular savings account is the core foundation of digital payment ecosystem for day-to-day use by individuals. Its market size and opportunity shall continue to grow with growth in income-generating population and penetration of digital payments. The entire concern or the discussion has been around the impacted segment, which is the investable surplus, whether in terms of term deposits or the high yield savings, though, given the geographic and economic divergence in our country, in my personal view, the impact will become significant only in next 5 to 10 years. However, we are working on a comprehensive strategy for the Capital Markets segment to capitalize on this changing trend and opportunity.

Having said that, at AU, we have substantial room to grow our deposits within existing markets as our penetration remains small at approximately 0.5% of the overall deposit market in India. We have around 717 Liability branches with 2,414 touch points, given our wide yet limited distribution with the competitors, there is a significant potential for growth and increase in our distribution.

To tap into this opportunity, we already have well-seasoned, dedicated teams for raising deposits like branch banking, government banking team, cooperative bank team, wholesale deposit team, TASC team and NR team and corporate salary team.

We have recently restructured the corporate salary team to target deposits from stable salaried customer segment. Overall, we remain confident to grow our deposits by 25% this year, but we will continue to revisit our deposit strategy quarterly based on market liquidity conditions and the rate of interest dynamics.

In our endeavour to build a granular retail deposit franchise, we continue to work on our key execution pillars from a strategy perspective, comprehensive and superior product suite with improved service quality this is what for AU has always been known for. Easy banking, top notch digital solutions like AU0101 and video banking.

Segmented acquisition focus on affluent and mass affluent customers via focus on Ivy, Royale and Platinum products are one of the special focus, which we guided earlier in our Investor Day also was to improve current account as a percentage of overall deposits. This, from a strategy side, we are focusing on 4 important levers.

First, segmented propositions on retailers, traders, gym saloons, and the various segments which operate in the industry. Leveraging the AD1 products to penetrate an EXIM opportunity. One of the important levers in this strategy of increasing current account penetration is the leverage of our business banking customers as well as the business banking or the commercial banking team on ground. Our all business banking customers are driven for primary banking across current accounts, savings accounts, CMS and trade products.

We currently have around 65% penetration of current accounts in our Commercial Banking segment. This is where a larger focus has been built into the execution side. And most important of the strategy items to leverage the entire cost benefit is by improving the cross-sell and product penetration using wealth, credit cards, QR and various consumer asset products, the bank has built over the period of last seven years.

As part of the Fincare integration, 136 Samriddhi branches have been fully integrated into the AU liability franchise. These branches now offer the complete suite of AU's liability products, services and solutions. All new customers being acquired in these branches are on AU's products and services and existing customers will be migrated by end of this year. We aim to achieve approximately INR2,000 crores in acquisition from these branches which are aligning with AU productivity and should reach similar run rates by quarter 3.

During this quarter, we have opened 11 new branches and launched eight new products around EXIM and trade-related with AD1 opportunity, revamped our senior citizens savings account scheme. During last quarter, we also established new partnerships with Bajaj Life Insurance and Star Health Insurance, broadening our range of insurance products and partner availability for our customers.

We continue to enhance our digital wealth platform and have launched feature where a customer can holistically view his entire MF holdings across all platforms at one place. We have also introduced on the wealth side the GIFT city-based investment solutions for our HNI customers. Our focus on branch profitability will leverage the comprehensive product suit we offer to cross-sell and upsell to liability customers aiming for branches launched until FY'20 to breakeven in FY'25.

In summary, we are well positioned to leverage our competitive advantage of 360-degree complete and superior product suite, segmented multi-sales channel teams, well-established high-performance culture to optimize our costs and drive profitability in the coming fiscal year. However, as we move forward, we will adapt to the market forces, which will define the liquidity and cost of funds. We are cautious on how the rate competition spans up during the year, but are confident that given our strength, we should be able to deliver on our deposit targets and numbers. Our core endeavour remains raising low-cost, stable retail deposits with high customer engagement. Thank you. Prince, over to you.

**Prince Tiwari:**

Thank you, Shoorveer, and thank you, Sanjay ji. Yeshasvi, we can now open the call for question and answers.

**Moderator:**

We have our first question from the line of Kunal Shah from Citigroup.

**Kunal Shah:**

Congratulations for 1.6% ROA in the first merged quarter as well as the universal bank. So first question is on universal bank licensing application, okay, So any timeline which you would want to suggest wherein we'll make that application? Okay. And secondly, maybe any kind of calibration on the balance sheet or regulatory requirement, which we can expect that bank will start building up, okay, through this entire application process so that maybe from RBI side also, it is more comfortable in terms of getting transition to universal licensing?

**Sanjay Agarwal:**

Thank you so much. So Kunal, we'll be doing application as soon as possible. So I can't set the time line today because we've got the approval two hours back only, but team is on the job. So we expect maybe in August only we should be able to file. And so that is point number one. In terms of second, I don't think because we are scheduled commercial bank, all regulatory – everything remains as per scheduled commercial bank.

So we don't have to do anything, honestly, to get the license, in terms of balance sheet build-up or building anything extra. So there won't be any extra cost to do this. It will be very normal transitioning from small to -- I don't know, we can't be called AU Universal Bank. It will the AU Bank. So it should be a very simple process.

Of course, regulators will take their own time. That also, I do not know as of now. But it looks because the transition guidelines are very clear that who can apply and who are eligible. Under that, we have gone and took the Board approval. And now Mr. H.R. Khan saab, the Chairman of Board, himself will supervise the entire process of filing the application. So I think we are in good shape.

**Kunal Shah:**

Sure. And second question on ROA. So in fact, what we guided for in terms of the full year, we are almost there in the first quarter itself. We indicated that maybe margins we could see some moderation, cost to income would also maybe get towards closer to like 63-odd percent. And credit costs instead of 120 basis points could be like 110-115. So broadly, it's fair to assume that this will be the stable level of the ROAs? Or are there any levers available to improve from here on through the fiscal?

**Sanjay Agarwal:**

Kunal, I would say, again, very early in the year. This is just first quarter, lot much unknowns, lot much variables, which we will not be able to control as we move forward. That is my sense. So we really want to stick to our earlier guidance that we should defend our last year ROA, which is 1.6%. But I can assure you that I'm not seeing any vulnerability around our asset quality. It is as per prediction, as per our business plan, which we have figured out very early in the year. That is absolutely going through that.

We are able to redeem our high-cost deposits. And that is why our deposit has not grown, but we have able to manage costs in this quarter. But I don't think that we can be on that path for long. We need to raise money also. The money is coming at cost. So -- but at what cost, again, it's variable. So you really want to be really honest here, that we should not have any exuberance because our first quarter results. It is a tough time, in my opinion, in overall sense about liquidity, deposit competition and all those things. So really want to be more safe than aggressive there.

And other than that, asset strategy is absolutely in place. So be it Wheels, MBL, housing, gold, microfinance being our retail asset, our distribution is well in place. We are around 2,400 distribution points, right, entire pan-India presence. So I'm hopeful that this distribution not only will help us for this year, maybe for next 2 to 3 years, we are -- I'm very confident about our asset franchise, both in terms of volume, yield and asset quality. So that's my sense. So let's go more deep in the year, and then we'll be able to comment that how our ROE can be panned out. But as of now, I want to -- stick with earlier guidance, that is 1.6% ROA.

**Moderator:**

We have our next question from the line of Renish from ICICI.

**Renish Bhuva:**

Congrats on good numbers post merger. So just two questions. One, again, on the, let's say, the asset growth, which will be linked to the deposit growth, right? So we are expecting 25% growth in FY'25, wherein first quarter, a sequential decline, which means we have a steep task of growing the deposit base by almost 8% sequentially for the rest of the three quarters. And when we look at the cut in the SA Rates, of course, it must have been recalibrated internally. But do you foresee a risk to the asset growth if the deposit growth the way we wanted to be if that doesn't happen?

**Sanjay Agarwal:**

I think good question. Good question. So one data, which is clearly in our favor is our CD ratio. So we are around ex refinance of assets. If you take the refinance assets out of the calculation that we are around 84%. So that gives us room to have that -- believe that we will build deposits. So -- again, I would say that -- if you ask me what's the real challenge? The real challenge is maybe around costs, not the volume. So I believe that we will be able to build around INR25,000 crores of deposits in the next 9 months.

But I think the real challenge can be the cost, right, So that is why I don't think that it is a serious challenge on our asset growth because then we have to take a call that can we handle 10 bps, that's why I'm saying that I don't want to revisit our ROA expectation for this year. Like if we're able to raise deposits at that rate, which you have raised in last quarter, our ROA will go up, right, But that is why I want to take that margin with me that even I go up in my cost in deposits, I can defend my ROA, right.

So I don't think the risk is there on the growth, the risk may be on the NIM, and that is why we are trading our ball that our ROA should be in the range of 1.6%. But even things can go bad from here also. So we will come back and tell you people that what is our ROA in next quarter, right, But as of now, I don't think any risk around our asset growth because of deposits.

**Renish Bhuva:**

Right. And is it fair to assume that as you stand today, there is no risk to NIM as well? I mean - or you would like to, let's say, reassess some of those metrics in Q2?

**Sanjay Agarwal:**

Sorry, Prince do you want to comment on this?

**Prince Tiwari:**

Yes. So Renish, before I get on to the NIM question, just one more data point to your earlier question just for the benefit of everyone. If you go back and see last year as well, in the Q1, we did not grow our -- or we chose not to grow our deposits, right, in FY'23-'24. And then we went on to grow our deposits by 9% and 9% in Q2 and Q4 and 7% in Q3. So as Sanjay ji, articulated -- and last year, we raised between Fincare and us INR20,000 crores. This year, the requirement

is INR25,000 crores with the expanded distribution. We remain confident. The question is all about cost, right, So just to put that number out there.

Now as far as the margins are concerned, again, we saw some expansion in this particular quarter because of the overall enhancement in the yields. AUM Yields expansion as well as the merger benefits coming in. But we have also guided -- and the cost of fund that we saved, right? But we have also articulated that -- or what we are just talking about, that as the year progresses, we will need to raise deposits, and to that extent, we will have to let go some of the cost on the incremental fund side. So we'll have to see.

I think for now, our guidance remains that our margins -- full year margins for this financial year will be in the corridor of last year's, which was about 5.5%, so maybe add about 10,-15 basis points on that, but allow us to come back on that. I think anything around about -- I'll be happy with anything between 5.7% to 5.8%.

**Renish Bhuva:**

On one. So I think that's a fair reply . Secondly, again, when we sort of look at MFI book, right, though, for us, the portion is small. But if we go by a narrative, let's say, most of the guys are hinting towards some of the pain in some of the states. So at this point in time, whatever provisioning would we have on the MFI book, though we have target to reach to 50%. So where do we stand today in terms of 50%? Though we note that we have provided INR17 crores, but if you could just give us the percentage, the total provision on MFI Book of and according to you, 50% is it proper pool? Or do you want to increase given the current situation?

**Prince Tiwari:**

So Renish, maybe I'll start and Rajeev ji will just complement from a microfinance perspective. But if you look at our overall narrative that we had said, that we will -- given the cyclical nature of the entire business on the microfinance side, we want to do two -- we articulated two very clear guardrails in terms of securing the overall profitability and balance sheet. One was that keeping this overall size of microfinance business at about 10% of the overall AUM or the loan portfolio. Today, it is about 8%, right.

And the second one was that we will have a credit cost of 3% annualized beginning first. And we have started that process now, right. We have taken it -- we haven't waited for the year, but we have started doing it from the first quarter itself. So of course, I think for the full year, you will see every quarter we're taking some amount of provision, which is over and above whatever will be required so that the total is 3%. If the requirement is more than 3%, then obviously, we'll take more than 3%, but at least -- so in this quarter, and maybe Rajeevji can talk about a bit about microfinance business itself, what's the overall view and credit cost.

**Renish Bhuva:**

So what's the total provisioning we have on MFI today?

**Prince Tiwari:**

93% to cover the GNPA. I'll give you the exact amount. Just give me a minute.

**Rajeev Yadav:**

This is Rajeev Yadav. So you are right that this quarter, what we have seen in the industry is, one, a cyclical trend, which normally happens in this quarter, but we are seeing collection efficiencies being a notch lower than earlier broadly, the reasons have been stated by quite a few players. The heat wave has caused some impact there has been with the election disturbance. And also, clearly, there is an element of over-leverage, which has increased for the customers.

But I'll add to some of the points on the guardrails, which Prince talked about, the two quadrants that we have sort of incorporated as part of the AU merger. But fundamentally, Fincare MFI business was built around its own risk guardrail, which were -- besides the operating -- the quality and all the operating work that we do, but the guardrails that we had was that none of our states is greater than 12.5% exposure. Our top 3 states are about 34%, -35% exposure.

We operate in about more than 300-plus districts, and except for 1 district, there is no other district which is greater than 2% exposure. And we have one of the lowest exposures per customers in the industry that's about INR27,000. Our average ticket sizes have been very conservative always in the past. So with these guardrails, what we have sort of enabled that if we have a little bit of collection efficiency pressure in some areas or some districts or some states, we'd be able to hold our portfolio quality much better.

On the credit cost, as such, we had a credit cost over 2.2-2.3% on gross advances. This is after removing the securitized book, and the remaining 0.7% was built in on the -- as a special provision. So fundamentally, we had a bit of a credit cost increase. But otherwise, we are working towards stabilizing the collection efficiencies like we normally do in other quarters.

**Renish Bhuva:** So is it fair to assume that, let's say, July 1st half is better than April, May, June in terms of collection or delinquency whatever metric you track internally?

**Rajeev Yadav:** On early trends, it is definitely a little notch better, but I would say we'll have to wait for some more time for us to comment on that.

**Prince Tiwari:** And Renish, the provision number on the overall gross NPA, excluding the write-off is about -- sorry, on the microfinance book is about INR67 crores. So 17 plus 51, 70%.

**Renish Bhuva:** Okay. Okay. And this is a total provision, right?

**Prince Tiwari:** Excluding the write-off, if I add the write-off -- because we do also do technical write-off. So if I add that, then it goes to 91% -- 93%,.

**Moderator:** We have a next question from the line of Nitin Aggarwal from Motilal Oswal.

**Nitin Aggarwal:** Congrats on a good results, good start to the Merge numbers this quarter. I have two questions. One is on the disbursement yield like if we see, there is a pretty good increase over the last couple of quarters. And I recollect that for a good time in FY'23 and early '24, we were not able to raise the disbursement yields and our portfolio yields are also like flattish at that point. So has competitive intensity come down, which is now enabling us to increase the yields? And do you see any implications of this from an asset quality perspective, a system in general is witnessing some rise in delinquencies?

**Sanjay Agarwal:** Okay. Bhaskarji, do you want to address. Please go ahead.

**Bhaskar Karkera:** Bhaskar here. So essentially, Nitin, if you look at it, starting of the quarter 4, which is January, February onwards itself, we had started inching upward. And if -- and we kind of made that presentation in the month of March, the strategy document was in preparation a while earlier,

right, So we kind of in all the three lines of business, essentially Wheels as well MBL as well as HL, what you call it, the word out on the street was that we'll have to inch upward. And also if this will happen with the cost of funds going up for all kind of we have more NBFCs in our market in all the 3 product lines and if all of them also increasing their lending rate also did help the cost.

And also the fact that given our entire core rural landscape with the application of the vehicles that we do with the kind of profile that we kind of handle, we really had this room to nudge it up a little, then we have kind of kept following up there and we have undertaken that step. And to whether it leads to any kind of high -- whether we have moved to higher risk asset class, the answer is no we have been doing the same thing over the years. So it is really working in the same. We're just nudging up the rates a little up in the applications that we had.

**Sanjay Agarwal:**

Nitin, my whole assessment is that the market is -- the intensity has gone down because -- the rate has gone up. Even I think the NBFCs are struggling to get the desire money to fund those markets. So I would say the intensity has gone down. And we as a bank also has regrouped ourselves and has taken this as a challenge that let's go back to our older days, and let's price the risk, let's look for high-yield assets, and let's not be in the part of the race.

So I think that has -- strategy has really worked in the last 2 quarters. And so be it Vehicle, MBL/SBL, affordable housing, business banking, agri banking. Every team has built their book on a better yield. So -- and I think as we move forward, I believe that if there is no interest rate cut in this year, there might be a possibility that we might have more room to increase the yield. So I think both. The intensity is going down.

And we as a bank has regrouped and focused on our core. And so that is the one. And -- but I don't think that this will eventually will go and hit our asset quality. So largely, if your book is north of 15% on a gross basis, on advances, you should expect that book at this level would give you around 1.10% kind of NPLs, the credit cost.

So I think -- I don't think that at this level, there is a possibility of any asset quality issues. Of course, the last 3 years or last 4 years of very good days of not having any credit cost are not there. There is a normalization of credit costs as we move forward. But no early bad signs or anything. So that's my sense. I hope it clarifies.

**Nitin Aggarwal:**

Yes. Certainly clarifies. One other question is on the...

**Sanjay Agarwal:**

Nitin, we are not in an unsecured space at all. So we are into a secured lending. still our 95% books. Of course, I'm sorry, if you count microfinance, 85%, right? The book is secured, right? So whether it's MBL, Wheels or housing or gold, where we are lending on a higher rate, it's backed by security.

**Nitin Aggarwal:**

Right. Got it. And the other question is on Slide 28, in respect to the portfolio yield or two specific segments, credit cards, there is a sharp increase in yield this quarter on a growing base. And gold loans like a pretty big gap between how AU Bank is to operate in the yield that it used to make and -- versus what it is now. So what will be the, say, the strategy on the gold loan in

terms of yield and the growth now? And on credit cards, has the revolve rate increased to drive those kind of yield increase? So what has essentially driven this?

**Sanjay Agarwal:**

So I'll tell you about gold first, Nitin, and then Mayank will comment on the credit card. So gold, Rajeev is on the call, you can ask the question to him also. So gold we have moved on to the Fincare strategy because Fincare has built it very nicely over the year. We haven't done that good in that sense. And we were not focusing on those. So our entire Gold team has been shifted to the Fincare unit under the leadership of Rajeev.

And Fincare was building that book around north of 16%. And with a lot of focus on technology, the way they were handling it books. So I think the strategy remains the same. We really want to build more gold in the sense because we have now South also in our whole distribution gambit. So I'll let Rajeev speak about our strategy of both. And then, of course, Mayank can tell you about credit cards.

**Rajeev Yadav:**

Nitin, basically, our Gold book was -- Sanjay explained quite clearly, it was about a 16.2% to 16.4% rate. And we had a much larger book in this asset class. And therefore, the strategy is to gradually introduce our fully automated loan onboarding system and -- which has all the controls built in, which is required for this asset class. So gradually roll this out to all the branches, which are about 400 branches of AU which gold was being done.

And by introduction of this technology, the new sourcing would gradually migrate to the product definitions of what Fincare was doing. So gradually, we should see some improvement on the other side. And hopefully, we should be able to do more business given the addition of the distribution network of 400 branches to our network, which is about 550 on the Fincare side.

**Mayank Markanday:**

So Nitin, on the credit card side, mainly the yields are increased due to increase in our term book. So our term book really grown well in this quarter and which is now at 19.7% of our ENR, which was earlier at just at 17.8% in the last quarter. So that has given us good amount of yield increase. The revolve rates, as you asked, revolve rates have not increased. They are pretty much stable from last 3 quarters.

**Moderator:**

We have a next question from the line of Prakhar Agarwal from Elara Capital.

**Prakhar Agarwal:**

Yes. Just quickly two, three questions. So there's been a lot of talks about CD ratios around the industry. In your mind, when you have a discussion with the regulator, do you look at CD ratio adjusting for refinancing as you highlighted? Or is just the outside CD ratio that is getting calculated in your discussion with regulators?

**Sanjay Agarwal:**

So Prakhar, the regulator has the specified CD ratio definition. But we, as a bank, always want to be very prudent on that side that refinance assets -- assets which are financed by refinance book, which is around NHB, NABARD, Mudra should not be there. So that -- because sometimes regulator only say to you that you need to understand, what is credit, what is CD ratio, which makes you comfortable, right? Because it's not about that they want to hand hold you for everything.

It's our duty also as a banker to make bank very sound and sustainable, right? In that sense, I believe that assets which are refinanced because of all those institutions from that money is in the very safe zone. Other than that assets are built to -- from the deposit side. So for me, that is the real CD ratio. And that is why I commented that we are at 84%, and largely RBI is also looking around 80%, 85% kind of CD ratio. So we are comfortably placed as of now.

**Prakhar Agarwal:** Got it. Second, you have spoken about funding costs and then there's been a decline on a sequential basis. Can you also elaborate about the cost of deposit, how that has behaved in the quarter?

**Sanjay Agarwal:** Sorry, Shoorveer, do you have the data or you guys?

**Shoorveer Shekhawat:** I have. I'll answer that. So if you see that, like we have mentioned, it was 7.10% from the transition has moved from 7.10% to 7.03. However, if you want to see -- understand the savings account and term deposit differentiation. On a book level, at a merged entity level, our savings account cost of fund ranges between 5.5% -- around 5.58% to 5.59%.

This in March term was around 5.8%, but the reduction is because, like I mentioned, we dropped our savings some rate in lower buckets and calibrated that for optimization. From a term deposit side, there is around 10 bps increase in the overall at book level from 7.83% on stand-alone basis, so it is to 7.92%, but that is also to do because of the incoming Fincare deposit book overall. I hope I've answered your question.

**Prakhar Agarwal:** Just one last aspect in terms of liquidity, you generally mentioned that you have used excess liquidity. How do we generally look at from a liquidity perspective, from a balance sheet perspective and analyze what is excess? And how -- what is in your mind when you look at from a steady-state basis, what should be ideally the number that you should keep in mind when you look at from a liquidity perspective?

**Sanjay Agarwal:** So, LCR, we are around 115%, 120% right. Our ALM is perfectly in the shape. And as you know that we don't have that large wholesale book. Our CASA plus retail TD, with a new definition, plus the non-callable wholesale deposit is close to 84%, right. So we don't carry that kind of vulnerable money with us, . And so we are very comfortable the way we are building our treasury and entire metrics is there. So Yogesh you want to comment on this?

**Yogesh Jain:** Additionally, as we mentioned, we keep other than LCR, we keep high-quality liquid asset also always, which are comfortable at the moment because as we commented in Q4, we got a growth of 9% in our deposit, and that is why we had excess liquidity, which we utilized in this quarter. And now we are comfortable in terms of our LCR and also we are carrying some non-SLR money, where we are not giving any carrying cost.

**Moderator:** We have our next question from the line of Rohan Mandora from Equirus Securities.

**Rohan Mandora:** Sir, hypothetically, if you were to get the universal banking license in the next 6 to 9 months, just want to understand from the bank's perspective, how would we look at the asset strategy? Would we be looking to add new product share, would corporate banking would be a focus because right now, when we are talking about focusing on higher-yielding assets. So just trying

to stand as a universal banking, what changes versus the current nature of the bank? And how will we look to differentiate against frontline banks once you come to universal bank?

**Sanjay Agarwal:**

Okay. So my friend, why hypothetically we should become right. But I want to keep this because we are still in the process of building the application. And Mr. H.R. Khan saab will supervise that. So I think the entire strategy will be discussed and then we'll put in the application. So I think we should wait for under maybe 3 to 4 weeks to really come out clearly on this agenda. But as a practitioner, as a CEO of a bank, I believe that there would be not much change in our banking strategy, the way we have built ourselves in the last 7, 8 years, it's quite evident that is a place of opportunity, right? And we have executed well.

The only challenge being SFBs- is that people generally have less trust on this platform. So we really want to take that away in our whole process of building universal aspect, right? So -- but I think the way we have built ourselves over the years in terms of our execution on asset side, we should remain there. We feel comfortable there. It's -- we believe that is our, I would say, our expertise area, right? And we want to remain there as much as possible. But I think the larger call will be taken by the Board and, of course, the -- that committee, which we have constituted. So once we do that, we'll come and tell you people.

**Rohan Mandora:**

And just secondly, just on the slippages and the provision which have happened in the P&L, if you want to share the split how was slippages across segments and the provisions, NPA and non-NPA provisions?

**Prince Tiwari:**

So overall, I think, Rohan, , overall, we had guided for a credit cost of about 1.1%. And the total provisioning is about INR319 crores. So if you -- and we had a INR36 crores bad debt recovery. So if you net that off, then our total credit cost is about INR281-odd crores -- INR283-odd crores which basically translates to about 1.28% kind of annualized credit cost. So that's the broad number. I think it was a quarter where generally Q1 quarter, we all know that.

If you go back last year, probably something similar you would see. And this quarter was further impacted by the elections as the general commentary you would have heard from everyone by now that there was a disruption or there was some amount of discontinuity because of the elections, because of the heat wave.

So I don't think there is any particular asset class that we want to call out. It remains within the range, right, 2.5% kind of slippages is something that we operate in, given the kind of assets that we have. If you go back last year as well, same quarter, you would find similar numbers, adjusted for the MFI business, right, So yes. .

**Moderator:**

We have a next question from the line of Pritesh Bumb from DAM Capital.

**Pritesh Bumb:**

So just to explain the last question on -- in terms of strategy, once you become an universal bank. So on the distribution side, now we have present almost pan-India. So once you become universal bank, what will be the strategy in terms of your distribution? So now earlier it was more contiguous. It was more into top 50 deposit centers. Now, how do you look for the distribution side?

**Sanjay Agarwal:**

Again, I want to be honest here that -- we should wait for another maybe 3 to 4 weeks to have a clear cut strategy on it. But I strongly believe that we have around 2,400 touch points in around 1,400-plus locations. We haven't covered every location for our deposit buildup. So our idea would be that our first -- as a SFB, also to very honest, our strategy should be there that we should go to the places where the large money is based, right, And when we go there, build our franchise, it's easy to have some market share from those market side.

So our strategy of building deposit franchise more in urban and more in kind of cities where money lives will continue. And -- but I believe that universal bank license will give us that kind of awareness or positioning that this bank can be trusted more. Our acceptance will move up, our brand acceptance will move up. And lot many other areas which we are not, as of now, like -- we are not at all in our corporate salary accounts. We are not much in our NRI deposit built up, our AD-I license has just come in, the entire export community will also get this to us.

The government banking, the entire acceptance level will go up. So -- in my opinion, there will be lot much coming to us once we get to that level, right? So it's both, distribution as of now and the brand, which we will try to build over the year and which will get pushed because of this license, eventually will help us.

And I'm saying that asset, I don't think that -- it's a big mystery for us. You have seen us for the last so many years that asset wise, we are more confident because in that business, you have from the last 28 years side. And we can handle the diversity the granularity, different aspect of products and still be in the range of what makes you people comfortable.

**Pritesh Bumb:**

Second question was on other opex. Basically, this quarter, it was almost flattish if you look at quarter-on-quarter basis. What were the levers for us, available for us for that opex to be where it is?

**Sanjay Agarwal:**

No, it's very cyclical. So don't read much into this. We -- because there is no appraisal cost -- has a little bit appraisal cost has come in. A lot business is just 19%, 20% right. So I believe over the year, it will be around 61%-62%. That's my sense.

**Pritesh Bumb:**

So 61%-62% is the cost to income, basically?

**Sanjay Agarwal:**

Yes. You are telling about that only, right?

**Pritesh Bumb:**

So I was more talking about the other opex, which is -- grown by about 2.3%.

**Prince Tiwari:**

So last quarter, if you see there might have been a one-off on the merger expenses side, especially on the Fincare aspect, right, And our side as well, we have to take some calls. But more importantly, Pritesh, Q1 as overall is sluggish in terms of expenses as well -- lot of expenses typically come towards the Q4 related to your CSR expenses, related to your marketing expenses. And that's why if you compare Q4 over Q1, then it's looking more flattish. If you compare year-on-year, you will see a 35% jump.

**Pritesh Bumb:**

Got it. Correct. Yes. Last question from my side is on the credit card side. So we've seen some credit cost increase in few quarters back. And now we're seeing a little bit of stress in the

unsecured side. Anything to -- anything you can outline, which we have done in this quarter in terms of any credit cost, NPA, although Gross NPAs inched up, but anything on the provisioning side, which would have contributed a lot. .

**Mayank:**

So we have done -- we have -- in the last quarter also, we stated that we will calibrate the business and we have really done calibration in this quarter. We have not issued much cards. It's only 75,000 cards we issued in this quarter. So we have calibrated our entire business rule engine for credit appraisals also. And I think with the new version of our credit engine coming up, this is further strengthening our credit appraisals and optimizing the limits also which we are issuing.

And also, we have identified a lot of segments which were going bad in the last year. And we have seen -- we have taken a lot of insights from the industry also where the segments are showing especially on the high utilization of unsecured limits and exposures. So we have curtailed those segments. And with this, the overall, I would say -- the overall segments core has also increased for us, like if you see super-prime scores of 780-plus, our major contribution of sourcing is coming through that segment. Like it has gone above 40%, 44% levels in this quarter.

So a lot of good work has been done on the credit underwriting side. We are looking -- all our early indicators are also showing stable or reducing trends. Though, yes, for the first quarter, normally the collection remains slow. So mainly because of what all is narrated in the call earlier. But other than that, we are not seeing any signs which are giving us more stress to look upon at the moment.

**Moderator:**

Next question is from the line of Nidhesh from Investec.

**Nidhesh:**

Firstly, on the incremental yields. So 15.8% that you reported this quarter, do you think that is a sustainable number going forward? Or do you see that because of loan mix changes, etcetera, in this quarter, this number is slightly on the higher side?

**Prince Tiwari:**

So Nidhesh, I think we did mention in the presentation as well that the endeavour would be to sustain it, right, Of course, it's the first quarter. Going ahead, you'll have some festive seasons and Q4. So there might be a few bps here and there, but I think the entire effort is to ensure that we can maintain these kind of disbursement levels and yields.

**Nidhesh:**

Secondly, on the credit card business, the 75,000 credit cards that we've issued is this a new normal or -- because I think for the full year, we have guided for around 6 lakh credit cards?

**Prince Tiwari:**

Yes. No, I think for the full year, we remain on -- very similar to last year number, around 5 lakhs cards. So it will pick up as we go along the year.

**Nidhesh:**

Sure. And lastly, can you quantify the credit cost in the credit card business in for the quarter?

**Prince Tiwari:**

The quarter was a bit seasonal, but I think for the full year, we have guided for anywhere between 6.5% to 7% that should remain.

**Moderator:**

We have our next question from the line of Sameer Bhise from JM Financial.

**Sameer Bhise:** Just a question on fees, especially the general banking fees. I understand there is an impact of the merger, but it looks particularly strong for 1Q, any specific reason there? And how should we look at it going ahead?

**Prince Tiwari:** Yes. So on the fees, overall, sorry, I just got distracted a bit. For the overall fees, I think we delivered about 1.7% of assets this particular quarter. And if the last full year as well, we were around 1.7% kind of level. So we do hope that we can sustain that number, if not grow. Because credit cards, bancassurance, wealth etc

**Sanjay Agarwal:** So I think I would say our other fee is summing up, right? And there is no one-off. So there is no PSLC, there is no treasury profits. It's based on the business volume. So our processing fee or the insurance income, the AD income, I would say that this income will only go up because we will get traction in our AD1 business as we move forward. So I think the other income because we don't have much options other than this, right? So like wealth product is also coming up, but it will take 1 more year to really give you some numbers there. But very focused on the other income side and team is doing a very good job in that terms.

**Sameer Bhise:** Sure. And secondly, in terms of write-offs for the quarter, would it be fair to say that a larger proportion was triggered by the microfinance book or it is well spread?

**Prince Tiwari:** Predominantly microfinance and credit cards.

**Moderator:** Next question is from the line of Ashlesh Sonje from Kotak Securities.

**Ashlesh Sonje:** A couple of questions from my side. Firstly, on the outlook for cost of funds. You have guided for a 35 to 40 basis points increase in cost of funds for FY'25 over FY'24, which means your expectation is that it will be around 7.15% to 7.20% for the full year, whereas you're currently running around 7%. What makes you think it will go up by that much over the rest of the year?

**Sanjay Agarwal:** I think, again, nobody knows brother right, how the rates will inch up. I think today only, we saw HDFC Bank, the big boy raising around 20 bps on their deposit, right? So we really want to be really honest on this call that we don't want to derail our asset franchise. We really want to build our asset franchise. And we don't want to be, I would say, over-protective around our ROA. So we want to be in the range of 1.6% ROA, because in case the cost goes up, we should not surprise market at all, right, And so if it remains positive, the way it remained in quarter 1, then there would be an upside in ROA. That's for sure.

But I think money is coming at cost. And we don't have that much ammunition with us that we can survive on this cost for 2 quarters, right, So we need to raise deposits. So we need to price it. So -- and that's unknown, that's a variable, which we can't control as of now. Of course, Shoorveer and team is doing, and of course, led by Uttam . They, we'll do much heavy lifting around the CASA, the retail TD and all those things. But still, we really want to remain in zone. So that's the sense that we want to really be guiding you that maybe around 35 bps, our cost can go up. So that's the overall around it.

**Ashlesh Sonje:** Okay. Understood. Sir, secondly, if I look at your NPA ratios in select segments, they seem to have inched up a bit on a sequential basis, like PL is up 70 basis points. Even in the MBL book,

it has inched up by around 60 basis points Q-o-Q. Can you elaborate a bit on this increase what is driving it?

**Sanjay Agarwal:** You want to say the cyclic or the sequential? Sequentially, it will go up because in the first quarter, the first quarter, this time it was general election. It was quite a heat in North India. Generally, quarter 4 remains very strong in overall retail industry as a structure. So I don't think we should read much about it. And -- so I would say that -- I'm quite confident that will remain in the guided range in whole year, right?

**Ashlesh Sonje:** The increase seems a little on the higher side this quarter?

**Sanjay Agarwal:** Not much.

**Prince Tiwari:** MBL also had a merger of the Fincare book. So both the books have come together.

**Sanjay Agarwal:** So yield would have gone up. The yield would have gone up because Fincare was doing the SBL business around 18%. So you need to price the risk also there. So that's why I'm saying you, the NPA data are relatable, right? It is based on our risk profiling also.

**Moderator:** We have a next question from the line of Anand Dama from Emkay Global.

**Anand Dama:** So first, basically, I think at the beginning of the call, I think you alluded that the margins have actually improved quarter-on-quarter because of the lower cost of funds. Is it possible for us to tell us like what's the pro forma merged NIM for fourth quarter? And how basically -- what is the kind of improvement that we have seen during the current quarter?

**Prince Tiwari :** No. I think pro forma merged on the margin will not have -- in the P&L side, we haven't really -- because there were certain adjustments. So I don't think that will be right to compare. If you look at our own numbers, we have -- we were at 5.15% in the last quarter as we exit. Of course, Fincare was a 10% margin business, and they form about 10% of the book. So they bring in about 1% -- close to about 70-80 basis points. So that's the impact that you are seeing. And for the overall cost of funds, we have already articulated, it's a ~~bps reduction on the AUM side~~ (Correction – 7bps reduction on the overall COF). .

**Anand Dama:** And sir, secondly, it is good to see that basically you've started again building contingent provision. But a specific PCR has been slipping down now to about 65-odd percent. Is it possible that we will inch it up during the year to close to about 70-odd percent, while we also continue to build the contingent provisions? And basically, whether the credit cost guidance that we have given includes this kind of increase?

**Prince Tiwari:** So again, we have a very stringent provisioning policy. For unsecured book, we provide 100% on 180 day. For credit card, we provide 100% of 120 days itself, right? Even on the secured side, we start off at 25% at 90 DPD and then do with 180 DPD, we take 50%. At 270, we do 75 and at 450, we do 100%. So -- and historically, you have seen our loss given defaults and recoveries. So honestly, we are quite comfortable. And with that policy, the end number is a product of that policy. Where exactly is the bucket movement. If it's more early buckets, then probably you'll have a lower PCR, excluding technical write-offs. And if NPA's are more aged you will see

more higher provisions. But I think it's more about the provisioning policy, and we are very comfortable with that right now.

**Anand Dama:** But any thoughts in terms like where do we want to take this contingent provision buffer towards the end of the year?

**Prince Tiwari:** No. So contingency provisions, very clearly, we have created for a particular purpose, and that purpose is, as we have articulated earlier as well in the call as well as on various forums is for microfinance business. And that's where we are saying that we will take a 3% kind of annual credit cost on the MFI loan portfolio at the AUM level. So any contingency that you'll see us building over the next few quarters will just be a byproduct of that, like where exactly is the MFI portfolio, how much is the credit cost and the differential will go towards contingency.

**Anand Dama:** Okay. But the other assets as well, like particularly cards, the other businesses that we are into, there also we could see higher delinquencies going forward because of the kind of stress that we are seeing in the system. So do we plan to build some buffer over there as well?

**Sanjay Agarwal:** Not really. Because I believe that AU is around 85% secured, right? So -- and unsecured parties, including microfinance is not more than 15% as of now. And that will remain for this year. So I think -- and in our secured book, of course, the PCR is around 65% or 70% what you were narrating. But actual credit cost is this 50% or so, right? So I think we are adequately covered our overall in terms of NPA and the provisioning is very well covered.

**Prince Tiwari :** I mean on credit cards, we provide 100% at 120 days, how conservative can we get.

**Moderator:** We have a next question from the line of Param Subramanian from Nomura.

**Param Subramanian:** Congratulations on the merger. My first question is on the credit cost and along with that, the ROE guidance. So what I heard was that the 1.3% credit cost we've seen in this quarter, you're guiding that it will come down to 1.1% by the end of the year. We really need that to work because you are talking about the margin also moderating in order to meet the ROA guidance of 1.6%. How confident are we that this number will roll off because considering the credit cost or the write-offs we have seen, as you pointed out, is in segments like credit card, MFI where we are seeing the trendline moving upwards So yes, that's my first question.

**Sanjay Agarwal:** Yes. So I am confident, of course, there are -- there may be some unknown variables, which we do not know as of now. But our track record says, our overall calculation says that -- and being in secure asset more, and we know that quarter 1 always been not so good in terms of collections because quarter 4 always remains so high, there is a tendency of some slippages, which we have also seen in this quarter. But there will be a strong pull as we move forward in quarter 3, quarter 4 of this year. So I think we should not surprise negatively on an overall sense.

If you ask me, I am more than confident that our credit cost should be in the range of 1.10% on a year basis, which will include the contingency provision for MFI, that's one sense. And -- so - - and of course, the ROA, again, there is a room of some kind of upside there. But I don't want to take that exuberance as of now because, again, a little variable little unknown is the cost of money as we move forward. So we really want to build our business in the sense that let's do a

north of 60,000 crores of assets, lets do some kind of INR25,000 crores of deposits, let's build a decent asset there.

I think that sense is more prevalent then a small number here and there because I know in long run, as I'm commenting that first 10 years of any bank always remain crucial right. And that foundation we are laying of building up, I would say, a very decent asset in terms of overall, which has the risk pricing in place, right? So -- and of course, how the deposit franchise built up through retail, through entire metrics being at CASA, CD ratio, LCR. So I think we are learning every day to be honest, right, So I think both numbers are defensible in my sense.

**Prince Tiwari:** Just one point, Param, for everyone's benefit, this 1 point -- and just a clarification point, this 1.1% credit cost that we are talking about all through the call. This is on advances, not on the balance sheet. Balance sheet, it will come down, I mean, accordingly, 0.8% or 0.85%.

**Param Subramanian:** Yes. Got that. So there's a couple of other questions on this. Since you there is some upside there possible on the ROA.-- so if you could quantify maybe if you worked out on the PSLC side, what kind of income can we generate post-merger? And also you took a Board approval for a capital raise. If you could talk a bit about that. Is there any plan around this because your Tier 1 is very healthy?

**Sanjay Agarwal:** No, no, no capital raise resolution is a very routine, enabling one. So we don't envisage any kind of capital raise in this financial year

**Param Subramanian:** Okay. Perfect. That's very clear. And on the PSLC piece, sir, any working because last year...

**Yogesh Jain:** Yes, Param, PSLC we see each quarter basis. So whenever we see there is opportunity for assignment or securitization also we did in first quarter. So we always see what we will do. If we see some cost benefit, we do securitization, assignment or IBPC. So I think we'll see at that time if we will have any excess portfolio, we'll see either PSLC or securitization.

**Sanjay Agarwal:** So just to give you a clarification here, the only demand for premium is from small marginal farmer, which is around 10% of everybody's PSL requirement, right, And we are also building our books. So the scope of selling SMF book is not there now. The other pieces -- other private sector surplus we have, be it micro, be it general PSL, maybe agri, but demand is not there because now the whole basket has gone up to next level in terms of applicability, right? So I don't think that in the longer run, PSL can have lot much revenue as other income, right, That's my sense. But let's see.

**Moderator:** Ladies and gentlemen, we'll take that as a last question for today. I now hand the conference over to Mr. Prince Tiwari for closing comments. Over to you.

**Prince Tiwari:** Thank you, Yeshasvi, and thank you to all the analysts and investors for participating in the call and asking your questions. I hope we were able to answer them to your satisfaction. In case you want to reach out for further clarification questions, you can always reach out to the IR team at [ir@aubank.in](mailto:ir@aubank.in). Thank you so much. Good night.



*AU Small Finance Bank Limited*  
*July 25, 2024*

**Moderator:**

Thank you. On behalf of AU Small Finance Bank, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.