Capital Small Finance Bank

Great Place To Work. Certified

CSFB. 2024-25/524 **February 04, 2025**

To,

BSE Limited **Listing Compliance** **Phiroze Jeejeebhoy Towers** **Dalal Street** **Mumbai 400 001** **Maharashtra** **Scrip Code: 544120, 951995 & 953739**	**National Stock Exchange of India Limited** **The Listing Department,** **Exchange Plaza,** **Bandra Kurla Complex,** **Mumbai - 400 051** **Maharashtra** **Symbol: CAPITALSFB**

Dear Sir/Madam,

Sub: Transcript of Conference Call for Earning Conference Call for the Unaudited Financial Results of Capital Small Finance Bank Limited for the Quarter and nine months ended on December 31, 2024

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

We submit herewith the transcript of the conference call held on Thursday, January 30, 2025 for the Unaudited Financial Results of Capital Small Finance Bank Limited for the Quarter and nine month ended on December 31, 2024.

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

This is for your information and records.

Thanking you,
Yours faithfully

For Capital Small Finance Bank Limited

AMIT SHARMA

Digitally signed by AMIT SHARMA
DN: c=IN, o=Personal, postalCode=141010, l=Ludhiana, st=Punjab, street=HOUSE NO 30 JAPPAN COLONY JAMALPUR NEAR AHLUWALIA COLONY FOCAL POINT LUDHIANA PUNJAB- 141010, 2.5.4.20=756cfd4636506c4a5ae0f297db5ff869f7c90f9c4c6efee2deaf9f1de92ae166, serialNumber=714e67af2c56cb3a137a0e626667dd2dc0ee0473e2d5376e0d595999604af844, email=amitsharmasgnr@gmail.com, cn=AMIT SHARMA
Date: 2025.02.04 15:59:36 +05'30'

Amit Sharma
Company Secretary & Compliance Officer
Membership No. F10888

"Capital Small Finance Bank Limited

Q3 FY25 Earnings Conference Call"

January 30, 2025

"E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on January 30, 2025 will prevail."

MANAGEMENT: **MR. SARVJIT SINGH SAMRA – MANAGING DIRECTOR – PROMOTER AND CHIEF EXECUTIVE OFFICER – CAPITAL SMALL FINANCE BANK LIMITED**
MR. MUNISH JAIN – EXECUTIVE DIRECTOR – CAPITAL SMALL FINANCE BANK LIMITED
MR. ASEEM MAHAJAN – CHIEF FINANCIAL OFFICER – CAPITAL SMALL FINANCE BANK LIMITED
MR. SAHIL VIJAY – HEADS TREASURY AND INVESTOR RELATIONS – CAPITAL SMALL FINANCE BANK LIMITED
MS. BHARTI BABUTTA – INVESTOR RELATIONS TEAM – CAPITAL SMALL FINANCE BANK LIMITED
SGA – INVESTOR RELATIONS ADVISORS – CAPITAL SMALL FINANCE BANK LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY '25 Earnings Conference Call of Capital Small Finance Bank Limited. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sarvjit Singh Samra the MD, Promoter and CEO. Thank you, and over to you, sir.

Sarvjit Samra: Thank you, Alric. Good afternoon, everyone. I am Sarvjit Samra, Managing Director and CEO of Capital Small Finance Bank. Thank you all for joining Capital Small Finance Bank Limited's Earnings Call. We have already uploaded the results and investor deck on the exchanges. I hope everybody had the opportunity to go through the same.

Joining me in the call are my colleagues, Mr. Munish Jain, who is Executive Director; Aseem Mahajan, CFO; Sahil Vijay, who heads Treasury and Investor Relations and Bharti Babutta. who is part of Investor Relations team; and SGA, our Investor Relations Advisors.

Let me begin with overview on economy, along with the industry post which Munish will provide a detailed overview on our business performance. India's economy has shown remarkable resilience and momentum in recent months, emerging as a bright spot in the global economic landscape.

In the second half of 2024, GDP growth was recorded at 6.3% supported by a robust service sector contributing 55% of economic output. Manufacturing activities also witnessed a surge with the Purchasing Managers Index consistently above 57, indicating expansion. Exports despite global headwinds reached $390 billion in the first three quarters of financial year '24-'25, driven by sectors like electronics, pharmaceuticals and automotive components.

Meanwhile, inflation moderated to 4.8% in December '24, aided by the declining food prices and effective monetary policies by the Reserve Bank of India. Credit growth in the banking sector has moderated with an expected increase of 13% to 15% in financial year '25, down from the peak of 20.9% in December '23.

This slowdown is attributed to regulatory changes in retail and NBFC lending, coupled with shift towards corporate credit driven by private sector capital expenditure. The loan-to-deposit ratio reached 80.4% in first half of financial year '25, reflecting a persistent gap between deposit and credit growth.

Elevated LDRs and tight financing conditions are expected to constrain loan growth, while deposit growth is projected at 12% to 13%, supported by the term deposit re-pricing and competitive efforts to attract CASA deposits. Despite these challenges, asset quality of the banking industry has improved significantly with gross and net NPAs at 12 years low of 2.6% and net NPAs at 0.6%, respectively.

However, unsecured retail lending including personal loans and credit cards have seen delinquencies particularly among self-employed and young borrowers. Profitability in the sector which peaked in financial year '24 is likely to moderate further due to increasing credit costs and high slippages.

Overall, the banking sector faces headwinds from external volatility causing financing conditions and evolving credit dynamics. We at Capital Small Finance Bank are consistently progressing towards a promising future and have closed the Q3 of financial year '25 with a profit after tax of INR34 crores, reflecting 18% year-on-year growth with return on assets of 1.4%, scaling from 1.3% in Q3 of financial year '24.

Gross advances increased to INR6,816 crores, registering growth of 19% year-on-year with disbursement growth of 92% with reduction in GNPA to 2.6% and NNPA to 1.3%. Our deposit continues to be retail-centric with CASA of 39.1% and deposits have grown to INR8,384 crores with year-on-year growth of 12% and 8% quarter-on-quarter growth.

These results underscore our commitment to deliver progressive growth while remaining steadfast in our mission to sustainable banking for all. As we look forward, we are optimistic towards our growth momentum and delivering value to our stakeholders. Thank you. I'll now hand over to Munish, who will share a detailed overview of our business performance and financials.

Munish Jain: Thank you, Mr. Samra. Good afternoon and warm welcome to all of you. We are consistently progressing post our capital infusion and I am pleased to share the financial highlights for Q3 FY '25. Advances during the quarter, growth is broadly in line with the bank estimate and gross advances stood at INR6,816 crores as on end of December, represented by a growth of 19% year-on-year and 11% on a year-to-date basis.

During the quarter, we reversed the historical trend of negative growth in advances during Q3 of the financial year and registering a Q-on-Q growth of 2%. We continue to be a secured lender with 99.8% secured book with around 80% loan book collateralized with immovable property or bank FDRs. Further, we are having zero direct microfinance exposure.

Fresh disbursement during the Q3 FY '25 is INR737 crores against INR384 crores in Q3 FY '24 with a year-on-year growth of 92%. And for the 9M FY '25 is INR2,081 crores against INR1,392 crores during the last year first 9 months, with a YTD growth of 49%. The disbursement constitutes 21% to MSME segment, 23% to mortgage segment, 19% to agriculture; 22% to NBFC and remaining to the consumption loans, including the loan against deposits.

Our advances consisting of agriculture32% against 35% in Q2 FY '25 and 37% in Q3 FY '24. Mortgage 27% and the same was also 27% in the last and the corresponding quarter end. MSME increased to 21% against 20% a quarter back and a year back. Corporate/NBFC lending at 12%

against 11% a quarter back and consumption lending at static at 7% at the end of the current quarter and the same is also 7% at the end of Q2 and Q3 FY '24.

Our experience being in the lending business for more than two decades. Our primary banking approach, visibility of client cash flow, identified niche lending segment, ie the middle income group segment, our conservative LTVs, has contributed to consistently maintain a superior asset quality, even in black-swan events. Despite the present challenging macro environment, we are having a GNPA of 2.67% for Q3 FY '25 and net NPA of 1.35% against 2.97% and 1.53% at the end of December 2023.

Our emphasis continue to be on collection and resolution even for the sticky loans and we have almost zero write-offs and nil NPAs during the quarter. Our slippage ratio for Q3 FY '25 stood at 1.33% against 1.9% in Q3 FY '24 with upgrade and recovery ratio of 1.2%. The same is calculated on an annualized basis.

Our credit cost remained range bound at 0.1% during Q3 FY '25 and we are maintaining a PCR of 50% plus. SMA 1 and SMA 2 calculated as a percentage to advances stood at 6% at the end of December quarter and the same was also 6% at the end of December 2023.

Moving on the liability side. the liability mix is positively skewed towards the deposit which constituting 82.3% of the balance sheet and 93.2% of the deposits are retail deposits and 3.5% being the borrowings which is providing us an adequate liability expansion levers. Our deposits grew by 12% on a year-to-date basis to INR8,384 crores at the end of December 2024 which is registering a year-on-year growth of also 12%, with maintaining a healthy CASA ratio of 39.1%. During the quarter, Q3 FY '25, we grew our deposit by 8%.

Moderator: Ladies and gentlemen, we have lost the line of the management. Please stay connected while I re-join the management. Ladies and gentlemen, we have the management line connected. Sir, please proceed.

Munish Jain: Yes. I'm just repeating the last paragraph again. Our deposit grew by 12% on a year-to-date basis to INR8,384 crores as of December 2024, which is also Y-o-Y growth of 12%, while maintaining a healthy CASA ratio of 39.1%. During the quarter, we grew our deposit by 8%. The cost of funds for Q3 FY '25 stood at 6% against 6% a quarter back and cost of deposit being also 5.9% as was during the last quarter.

The average credit-to-deposit ratio for the bank has inched up from 78.4% on December FY '24 to 81.1% in quarter 3 FY '25. We aim to take this ratio to mid- to the high 80s going ahead.

Now talking about the profitability. Pre-provisional operating profit has increased to INR47 crores against INR39 crores in the corresponding quarter, registering a growth of 22% and profit after tax stood at INR34 crores against INR29 crores in the corresponding quarter, registering a growth of 18%.

Pre-provisional operating profit has increased to INR139 crores against INR115 crores during the first 9 months of the current year with a growth of 21%. And net profit for the first 9 months has increased to INR98 crores against INR83 crores during the last year first 9 months with a growth of 17%.

PAT growth is driven by 22% increase in the net interest income, 20% increase in the net total income and optimization or reduction in the cost-to-income ratio, which is 62.1% during this quarter and the same was 62.8% in December FY '24.

NIM has increased to 4.3% in Q3 FY '25 against 3.9% in the corresponding quarter, and our operating margin has improved to 1.9% against 1.8% in the corresponding quarter. Non interest income during the quarter remained at the similar level as at the end of the last year, which is 0.73% against 0.77% at the end of the previous corresponding quarter.

Noninterest income, we are recognizing on cash basis. As such, certain non-interest income, specifically the Penal charges, which is valuing around 0.1%, was not forming part of the interest income though they are related to this period for Q3 FY '25 since they are being charged on half year-end basis.

Our ROTA has increased to 1.4% in Q3 FY '25 and return on average advances increased to 2.1% against 1.3% and 2% respectively, in the corresponding quarter. Our ROE during the Q3 is 10.9% against 10.8% in the Q2 FY '25. The capital adequacy ratio is at 25.8% at the end of the Q3 FY '25 and our LCR is at 239.2%, which is giving us a legroom to further improve our CD ratio.

Our branch network at the end of quarter stood at 185 branches spread over 5 states and 2 union territories.

Going forward, we remain committed towards achieving our loan book growth of 20% plus in FY '25 by capitalizing on the growing MSME, mortgage segment coupled with expanding middle income group segment.

Our focus on expansion of NIM, NII and increasing fee income will be the key drivers for our targeted ROA -- annualized ROA of 1.4% plus for FY '25. And further, we intend to expand our ROTA going forward.

The outline strategies, initiatives collectively positioned us for a sustained growth and amplified market presence. I'm eager to share many more positive updates with you in the coming quarter. Till then, stay safe, stay healthy. Thank you. Now I request the moderator to take up the Q&A session.

Moderator: Thank you. We will now begin with the question and answer session. The first question is from the line of Shailesh Kanani from Centrum Broking. Please go ahead.

Shailesh Kanani: Sir, first question is with respect to -- in your opening remarks, you said that we will be working towards increasing the ROA. So can you just point out certain levers which should play out in the next few quarters or a couple of years, which would help us to increase our ROA?

Munish Jain: Yes. We have identified three levers for our ROTA expansion. First lever being the NIM expansion and the factors which we are considering for the NIM expansion is the expansion of our CD ratio. Our average CD ratio for the current quarter, as we discussed, is around 81.1%. We intend to expand it to mid- to the high 80s. So with this expansion, we anticipate expansion in the NIM as we move forward.

As per the back of envelope calculation, if all other factors remain constant, that is our interest spread between the cost of deposits and yield on advances remain constant, with every 100 basis point increase in the average CD ratio, so there is a benefit in the NIM by around 0.04% to 0.05%.

So that is the one lever which we have identified. And we believe with the type of the liquidity coverage ratio we are having, the type of the capital adequacy ratios we are having, and we also believe we have enough opportunity and are prepared to expand the CD ratio as we move forward, so we have identified first lever as the NIM expansion.

Second lever, which we have identified for us is the noninterest income. Noninterest income, which is presently ranging anything between 0.75% to 0.9%, depending upon quarter, which we are Q1/Q3 or Q2/Q4, non interest income is being recognized on cash basis.

We intend to expand this ratio by 10 basis points to 15 basis points as we move forward. And we believe there is enough opportunity to expand it as we move forward in the coming years. the basic levers within this is now all the financial products have been available, and we've been having the right set/adequate number of accounts/ number of customers. So with that thing in sight, we believe there is enough opportunity now available to expand the non-interest income.

The third lever which we have identified is the opex. Yes, the opex lever, I believe, is not going to be mature in the next 1 year. The opex, which is presently, on the basis of the Opex to the average assets is typically in the range of 3.05% to 3.15%/ 3.2%. I believe for the next 1 year, it will remain in the similar range, plus/minus 5 basis to 10 basis points.

But after the 12 months from now, we believe there is a lever available in opex which will be helping us to expand ROTA after 1 year. So these are the 3 levers which we have identified for us and on which we are working to continue to expand our ROTA as we move forward.

Shailesh Kanani: So just a follow-up on that. But if I see currently this quarter as well, we have kind of seen a flattish advances growth, but the deposit growth has been higher. So on the CDR front, how does that help and what is the growth we are targeting in terms of advances to achieve that first lever?

Munish Jain: The thing is if you look into the Q3, Q3 historically we're always having a negative growth in advances, being we are a SURU specialist, that's the semi-urban and rural area specialist which have a high dependency on the on agri-based acquisitions. So Q3 being a harvesting period, which in consequent resulting in not have a high demand for the advances, rather there's a good recovery pattern.

So in this particular period also, we are able to grow our advance book by 2%. If I look historically,, in last year FY '24, we degrew in Q3 by 3%. And in FY '23, we de-grew by 2%. So we are able to reverse that particular trend. And accordingly, our year-on-year growth for the current fiscal, now it is 19% plus.

So by the end of the March quarter, as we said earlier, we intend to expand our advance growth on a year-on-year basis to 20% plus. So which will be a good lever to expand our CD ratio. And Q3, we worked very hard on deposit accretion, and we grow our deposit by 8% on a quarter-on-quarter basis, which gives us a sufficient liquidity to expand our advances as we move towards the Q4.

So, with that thing in sight, so I'm confident that we will be able to expand and utilize the Lever 1. And this is also visible from the aspect that our average CD ratio for FY '24 was 79%, which we have improved to 80.1%. And consequently, if you look into our NIM, our NIM for FY '24 was 3.9%. And in Q3 FY '25, we are able to expand it to 4.3%. So with that thing in sight, the historical trends and the type of the opportunity available in the segment we are confident on expanding our CD ratio as we move forward.

Shailesh Kanani: So sorry to harp on this. Just for CD ratio for FY '26, given that you have said 20% plus growth on the advances spend is what we are targeting, what would the CD ratio number in your estimate for FY '26?

Munish Jain: We are talking about 20% plus for FY '25. For FY '26, we have not given any guidance till date. We believe our growth rate will expand in FY '26. We will give a guidance about the FY '26 growth as at the appropriate time in the first call of the year of that particular year. But saying all this, we intend to expand our CD ratios to mid- to the high 80s in FY '26.

Shailesh Kanani: Understood. And sir, my second question is with respect to geographical concentration. How do we see that predominantly because we are in two states predominantly? How do we see that diversifying it in future or any plans on that?

Munish Jain: If we talk about the concentration risk, firstly, we need to look into whether we are in a mono-line business or we are in a secured business. We are purely a secured franchise with the 99.8% being the secured book. And within this, more than 80% of the portfolio, we have a collateral in the shape of immovable property of the value more than the amount of the loan.

So we have ring-fenced from that particular aspect. Secondly, despite this particular fact, we are mindful of this particular concentration aspect, and we are continually working to reduce our exposure in our home state of Punjab. Statistically, if you look into this particular number, as on March 31, 2023, the Punjab advances constituting 82.68%, which presently as on December 31, 2024 end, it is 79.11%. So we are able to reduce it by around 3.5% to 4%.

So, going forward, as part of our expansion philosophy and as part of our branch expansion philosophy, we have taken internal strategic choice that we will be opening majority of our branches out of the state of Punjab so that we can continue to expand in the neighbouring geographies also.

We always internally call we want to make now Haryana our Punjab and want to have a deep presence in Punjab, as our growth philosophy is not just present, but to be thickly present, since we are a retail franchise on both the side of the balance sheet, being in the deposit side or the advance side. So that is what our thoughts are, and we are constantly working towards this particular direction as we are moving forward.

Shailesh Kanani: So any particular number we are working for, say, not in near term, but in 3 to 5 years' time in terms of concentration? Any number we are working with or any targets we are aspiring to be?

Munish Jain: There is no such ballpark number I'm just quoting at this point of time. But just we aspire to be a multi-diversified entity as we are moving in the future. And I believe with each passing year, we will be reducing our concentration on Punjab on advances side with a reasonable good number. Just I shared with you, current first 9 months, we have already done it by 3.5% to 4%.

Shailesh Kanani: Yes. Just sir, last question from my side. Any aspirational ROE for us in terms of target as we see all these 3 levers what you highlighted playing out, any lever which -- any number which you would like to -- not a guidance per se, but any aspirational ROE targets that we are working towards? That would be all from my side?

Munish Jain: Since we just raised the capital, and in the very initial phase of consuming that particular capital. since we raised the capital around 9 months back and we are in the process of consuming that particular capital. And despite that particular fact, we are continuously improving ROE.

And now in the quarter-to-quarter, we have an ROE of 10.9% or I can say around 11%and we are expanding it each of the quarter. If you compare our ROE for Q1 versus Q2 versus Q3, you will observe we are expanding our ROE as we are moving forward. So we intend and I believe the type of the growth aspiration we are having and ince we are a profit earner organization and always a profit earner organization.

internal accruals, which is helping us to build up sufficient capital available for next minimum 2-year plus. And our endeavour is to be hit the next capital market when we have ROEs in the mid to the high teens. So that is our aspiration, and we are working closely towards that particular direction.

Shailesh Kanani: That's very useful. Thanks a lot and best of luck.

Moderator: Thank you. The next question is from the line of Shreepal Doshi from Equirus. Please go ahead.

Shreepal Doshi: Sir, my question was on fee income side. So that is one of the focus area for us. But if you look at there is during the quarter, there is a dip in fee income. So what explains that? And as a percentage of total asset, what is it that you are aspiring to sort of get to in terms of fee income?

Munish Jain: Shreepal, there is no dip in the fee income. The fee income, which was INR17 crores in Q3 FY '24 has been increased to INR18.17 crores in Q3 FY '25, if we talk statistically. And if I further drill down about it. The fee income, which is typically 0.73% in the current quarter, which was 0.77% in the corresponding quarter. We recognize the fee income on a cash basis. Presently, the fee income, which is around 0.1% of the asset basis, which is accrued and which is related to the current quarter is not being taken to the P&L since we are recognizing and debiting that particular fee income on a half year-end basis. So accordingly, that fee income of around 0.1% of the asset moved the moved the period from the current quarter to the next quarter, so which is because of the accounting practice we follow.

You will observe the same in Q1 and Q3 always, and you will find a high number of the fee income in Q2 and Q4. So if we're balancing it, you will find the different number. So that is the one point I'd like to mention.

Second point I'd like to mention, the current quarter, there is around 1.5% to 2% growth in the advances. So there will be some flatness in the fee income related to the advances. And in the next quarter, that is Q4, we are anticipating a better growth in the advances, so which will be correspondingly helping us in building up this particular fee income.

If I give you the breakup of the fee income, which is presently INR18.17 crores, so we have identified now the 4 levers for our fee income.

One is the banca lever that I call upselling the banking/financial products. And I also like to mention that in the current period, there has been some impact on account of the regulatory changes around the surrender guidelines in the life insurances, which has affected certain fee income's percentile also, and that is the industry level concern, not just for us,.

So if I talk about the total fee income, that INR18.17 crores, all of the fee income is a stable state fee income, which consisting of a banca income of INR8.68 crores, loan-related fee income of INR2.5 crores, operations (includes the payment systems and the operation-related fee income) of around INR4.9 crores and forex and the treasury that is AD-II business/ regular forex business is around INR80 lakhs.

So what I'm trying to demonstrate is we are working on all the sides of the fee income and getting penetrated in this. Going forward, in Q4, I'm anticipating our fee income to be in the range of 0.85% or rather 0.9% to 1% in the Q4. So that is what we are anticipating for the Q4. So fee income, we are constantly working hard, and we are optimistic. But because of some accounting level process, which we are following that there is a movement of some fee income from Q3 to Q4.

Shreepal Doshi: Got it. And the second question, again, something that we've been focusing on would be the CD ratio. So if I look at the average CD ratio or the reported number has sort of seen some decline on a sequential basis. So how do you see it shaping up in Q4and over FY '26 for us? While I understand you've given the target, but how do you see it -- what levers are we sort of -- or what strategies are we deploying?

Munish Jain: Just for the sake of repetition, I'm again saying that historically, Q3, we are always having a higher deposit growth. And since we believe there is enough opportunity available in SURU for the retail deposit. So accordingly, Q3, the deposit growth is 8%, and we always see that the Q3 is a bit sluggish for our advance growth or rather we always had a negative growth. But in the current period, we are able to grow it by 2%.

So consequently, Q3 our concentration was quite high on the deposit because of the availability of deposit and giving us a sufficient raw material for the future expansion. So that's the reason there has been a slight decline is visible that is 82.4% was our CD ratio in Q2 FY '25, which is reduced to 81.1%. So that is a marginal decline is visible.

But now with the levers come in sight, the levers come in sight and that is available. So even if you look into the outstanding CD ratio at the end of the last quarter was 86.4% and presently outstanding CD ratio being 81.3%. So with that kind of thing in sight and Q4 is always high on advances, even if you look into historical numbers that last year also we grew by 8%, FY '23 also, we grew by 8% on quarter-on-quarter basis in Q4.

So, we are also optimistic about the current quarter that we already said in the beginning of the call that we intend to achieve 20% plus loan growth in current period, that is FY '25. With that thing in sight, we believe in Q4 also, we will see some upswing happening in the CD ratio. which will be helping up in our Lever 1 in ROA.

And one thing is always there. We always grow our deposit book in a calibrated way. But we also look forward that the sufficient deposits are being mobilized to support our advance growth. I'm just saying the target perspective, we intend to take our CD ratio in FY '26 to FY '27 period to mid- to the high 80s on an average basis.

Shreepal Doshi: Got it, sir. That is helpful. Sir, just one last question, if I can squeeze in. It is like you highlighted earlier to the earlier participant that you want to be thickly present in the state of Haryana and make it the next Punjab. So in terms of product bouquet, which -- like, for example, in Punjab, we know that in agri is something that is having larger share. In Haryana, what would be that flagship product for us?

Munish Jain: In Haryana, we are having the two flagship products or rather I would say two buckets, which we are working hard. One is the mortgage and second is the MSME lending. We are doing the agri also in Haryana, maybe in the selective buckets. But in Haryana, our biggest concentration is on the MSME segment and the mortgage segment.

Shreepal Doshi: Got it, sir, That is helpful, sir. Sir, thank you so much and good luck for the next quarter, sir.

Munish Jain: Thank you, Shreepal.

Moderator: Thank you. The next question is from the line of Pritesh from DAM Capital Advisors. Please go ahead.

Pritesh: Just a couple of questions. One is that the loan mix towards corporate is now 12%. Any cap we want to put on that, given that it has risen sharply in terms of percentage from last 1, 1.5 years?

Munish Jain: Typically, Pritesh, if you look into the loans to the corporates, even though it is 12% of the portfolio, which was 11% at the end of the last quarter. we intend to keep it below 15% overall basis as we move forward. But one thing I'd just like to flag here, we are not increasing much in the account/Count in the segment.

Earlier, before the capital infusion, we were typically lending it up to around INR15 crores to INR20 crores each of this particular company. And our average ticket size in this type of segment is around INR16 crores. Now with the capital infusion, we expanded that particular exposure ceiling to INR40 crores. Still we are conservative and don't want to lend more than INR40 crores to a single NBFC. But we want to lend to a rightful NBFCs, and we are not increasing much of the count.

So if we look into the particular numbers, you will be observing our ATS has increased from INR16 crores, which was Q3 FY '24 to INR22 crores. So that is to the tested customers, which we had testing with us, and we are expanding our bouquet in this. So that's the reason there may be some visibility perspective, you will find some growth. But overall, I'd just like to flag here. We are lender within this space only to those NBFCs who are secured NBFCs. Our exposure to the microfinance industry in this particular space on the overall basis is around 1-1.5% of our total portfolio. So we are very mindful that we are lending into that segment, which are lesser leveraged and which are in the line of businesses, which we know well. So that is our take on this corporate lending. And accordingly, we are building up the book.

Pritesh: Got it. Sir, just a follow-up on that. So basically, that growth has been slightly higher, that also brings down our margins relatively given that what I see from your average yields is about 11%. But from a perspective, it will constrain your margins, which can move up from the CD ratio perspective. So any threat on that or any thoughts on that perspective?

Munish Jain: Pritesh, just a data point perspective. If we look into our yield on our advances portfolio, it is around 11.25% to 11.35% presently. And if you look into our yield on the corporate book, it is also around 11.05% to 11.15%. So we are not significantly away from what we are getting on the portfolio basis.

So I'm not seeing any challenge with this portfolio build-up on our margins since they are very nearer to each other. On our corporate yield basis, if you look into the presentation, Page #5, the yield on our corporate book is 11.06% as on December. And our total yield is around 11.25% to 11.3%.

So they are very nearer to each other. And so they are not posing any threat to our margin expansion with our CD ratio expansion. We are very mindful of it. And accordingly, we are taking a step further.

Pritesh: Got it, sir. Sir, another question on asset quality. Generally, Q4, we see slippages moving up. That's the trend which we have seen in the last couple of years. Also, we see upgrades moving up in the same quarter. But with changing macro, do you see there is a threat that the upgrades may not come in and we may see some asset quality issues? Is there anything like that?

Munish Jain: Up to now, the information available and the situation at the ground. I'm talking from the Capital Small Finance Bank perspective. We are not sensing any such problem. Even if you look statistically, our slippage ratio for the Q3 is 1.33% and our upgrade ratio is 1.2%. In the Q3, we are able to bring them very, very nearer to each other.

And Q3 is always a period in which we always see some higher slippages. And Q4, we will always find some higher upgradations. So as on date situation at the ground, we are not seeing any such chances, and we are committed to maintaining the superior asset quality as we move forward.

Pritesh: Sir, only last question related to that is the PCR orientation. Last quarter, we had done some slightly higher provision and put it into our PCR being higher, like 51%. But this quarter, since that a little bit of -- though we understand there is seasonality to asset quality, but what is your orientation on PCR now from here on?

Munish Jain: We have our internal guidance that we will not let the PCR slip below 50%. And in the event the PCR slip below 50% after application of the regulatory provision, we attempt to made the additional provision. And if you look into the current quarter end, our PCR is more than 50%. It is almost a similar number which we had of the last quarter, plus/minus a few basis points. plus/minus a few basis points will be always happening.

So we are committed to keep the PCR above 50% despite the fact having a collateralized book. And we intend to continue to maintain a stance that older NPAs shall be carrying 100% PCR, which is typically 4-year plus book, that is the stance we are intend to continuing to maintain as we move forward as well.

Pritesh: Sure. Sir, just a suggestion from our side is that I think you should consider increasing your PCR in a phased manner, even though it does not orient or it does not warrant to increase such, but I think you should move it towards 60% given that the environment is very challenging and very volatile. So it will always help for investors to get confidence on that?

Munish Jain: Pritesh, noted and I will take up to the respective decision-making body and try to work towards this particular thing. But thanks a lot for the advice and we appreciate the concerns.

Pritesh: Yes, sir. Thank you so much. All the best.

Moderator: Thank you. The next question is from the line of Ashwini Agarwal from Demeter Advisors LLP. Please go ahead.

Ashwini Agarwal: Very encouraging set of results. Congratulations. Just a quick question. You're coming up to 1 year of listing in a couple of months and full year results out. Have you put up a dividend policy? I haven't seen one. That's why I'm asking?

Munish Jain: So typically, we're being high capital-intensive/ industry, capital consuming industry, we follow a philosophy that we will be paying a dividend, but not very, very high numbers. But your advice is well taken. I check with my secretarial team that if there is some policy available to make it in a public domain.

just like to mention, we're being in a growth-oriented organization. presently in the, I will call it, a growth phase of the life. So at this stage, we want to keep conserving the capital for the growth rather than completely/elevated distribution. But we also understand distribution is very, very critical, and we fully acknowledge that fact. So noted, I will check with my secretarial team to see what best we can do on this.

Ashwini Agarwal: Yes. My suggestion, sir, would be -- I mean, just a suggestion. Obviously, it's for the Board and for the management to decide would be a certain percentage of net income on a consistent basis. Obviously, exceptions will apply it, but if you can sort of think about it and let us know whenever you discuss it, that would be great?

Munish Jain: Noted Ashwini and it is a good option. We will discuss it with the respective decision-making body and keep this thing in mind, the sentiments and all other aspects and try to reach up to a decision on the matrix.

Ashwini Agarwal: Because this will also help you optimize your ROE faster. And I mean, access to capital will not be an issue so long as your metrics look good. So again, just a suggestion from my side, but congratulations on a pretty good number

Munish Jain: Thank you, Ashwini-ji. And thanks for appreciating us.

Moderator: Thank you. The next question is from the line of Balkrushna Vaghasia from Axanoun Investment Management. Please go ahead.

Balkrushna Vaghasia: My first question is related to the Q-o-Q jump in SMA 1 and 2 with 100 bps. So is there any indication or how do we read into it?

Munish Jain: Balkrushna, typically, if we look into historically, historically, always Q3 and Q1, we will find some sort of jump in the SMA 1 and SMA 2. But despite that particular jump, even if I talk about the absolute basis, we are still 6% SMA 1 and 2 put together, so which is also a lower number.

But yes, I agree, there is a slight jump. It is not an indication of any particular stress building up. That is typically how the historical time lines also say, even if I look into last year December number SMA 1 and 2 were 6%, which we are able to contain it to around 5% by March. So we are also confident and very working hard to again bring it back to the similar levels because we have internal targeting it to keep it around 4.5% to 5.5%.

That is the internal target we have all kept that we want to bring it -- keep it in that particular range. So it is not any early signal because if you look into the other matrices whether you look into the collection efficiency metrics, whether you look into the GNPA metrics, whether you look into the NNPA, GNPA write-off metrics or to NNPA selloff metrics, you will sense there is no such stress building up.

This is one of the mathematical change and because of the particular period. And the difference is only 1%; 5% to 6%. Optically, I said look, 5% to 6%, that is the 20% jump. But that is a behavioural, that is a thing which is happening always at the end of the Q3, if you look into our published available number.

And in Q4, you will find we are able to improve it every year. And this year also, we are committed that we will be able to improve it when we meet next time over the call for the Q4.

Balkrushna Vaghasia: Okay. My second question is regarding there was a recent report in the news regarding the meeting of some Small Finance Bank officials with the RBI, wherein it was suggested by the RBI to look into mergers with some bigger banks and particularly those small finance banks who have particularly geographical concentration or stress scenario. Do we have any -- did we have any meeting or do we have any update here?

Munish Jain: Even I've gone through the same as a part of the today's press. This is a sensitive information, but I can say we were never part of any such discussion with the regulators. We are never being part of any such discussions as we talk. And even if I look into that particular article, if I just talk about the article, the article was putting an emphasis on the lenders with the unsecured piece.

And just to mention, our unsecured pie is 0.2%. I'm not talking even 2%. I'm talking about 0.2%. So that whole of the article was concentrating towards that segments with a higher unsecured pies. This is also news to me and we came to know from the press, but we are never being part of any such discussions or any such things. We never heard it earlier even.

Balkrushna Vaghasia: Last question. So how does -- so you have some Kisan credit card exposure. So how does that work? And how do you see the delinquency or DPD in those segments? And if the default occurs, how do you recover those advances?

Munish Jain: So typically, we are being a lender in the agriculture loans/ KCC loans from last 25 years. So we being a lender in this space also as like any other product in the middle income group segment, that is a target segment of INR5 lakhs to INR25 lakhs and our average ticket size being INR12.5 lakhs in this particular segment.

And our segment lending is typically to the progressive farmers and to the aided farmers in which we can confide upon on the specific geographies, in which who is cultivating ideally 3 crops in a year, but minimum 2 crops. And he is cultivating one of the crop as the MSP crop. And these particular -- all of the lending is done. This is the need-based assessment.

That is after taking two variables, that is what is the land under cultivation and what is the cropping pattern is adopted. With these two variables, we assess what is his expense need and what is the debt obligation he can meet. With these two outcome, Min of the tow is the credit facility, which we give to that particular borrower.

Additionally, we typically take collateral that is in addition to the primary security in the shape of the legal mortgage on the piece of the land, which is typically 2x or can say with a 50% LTV. So with our close follow-up and our strong knowledge, we being in this particular product now from 25 years. Just a matter of product, I'm saying we have never sold any NPA asset from the agriculture loans and neither write-off material value.

Our cumulative write-off of 25 years of the overall portfolio, including agri will be less than INR1 crores. With that thing in sight, we are quite confident. And presently also, the number is available on Slide 5 of our presentation that also of the agriculture. So the things are not showing any signs of stress.

Balkrushna Vaghasia: Okay. So you guys are doing a great job in the current scenario considering current environment. Good luck for the next quarter and year.

Munish Jain: Thanks a lot. Thanks for appreciating us.

Moderator: The next question is from the line of Chinmay Nema from Prescient Capital. Please go ahead.

Chinmay Nema: Sir, on the SMA piece, could you share which products have contributed to this 5% to 6 -- increase from 5% to 6% in the current quarter?

Munish Jain: Chinmay, there is no specific product. It is across the products. As I said, it is the timing-based behavioural of the ground level people. So the increase is only 1% of the portfolio . And it is not skewed towards any of the product, it has a quite mixed combination both from the MSME mortgage and the consumption lending and all the products to gradually contributing.

So there is no any stress as on date, we are not witnessing or we are not seeing any trend that there is any stress is building up from any of the segment. So this is almost equally spread over all the product bouquets we are having. And I'm just reiterating. This is the historically Q3 base data flow and the increase is very minuscule. It is just a 1% increase, I am just reiterating. So yes, we are used to keeping our SMAs at the lower numbers, and we are well committed towards that.

Chinmay Nema: Got it, sir. And just wanted to understand what is our provisioning policy in the SMA bucket? Because I mean, I understand it is cyclical in nature, but this doesn't reflect in the credit cost. So how should one look at that?

Munish Jain: The provisioning in the banking industry is governed by the IRAC norms. That is the IRAC norm published by the Reserve Bank of India. And the presently provisioning policy is applicable in respect of the sub-standards and the NPA book. On the SMA 1 and 2 bucket, are typically categorised as standard loans.

On the standalone loans, the provisioning policy as per the present regulatory framework that is dependent upon which segment it is from 0.25% to 1%, depending on the sector it is, that provisioning is made on a portfolio level basis. So which we are also following whatever is the regulatory guidance on the same and which is being followed by all the industry, even we are following the similar guidelines.

Chinmay Nema: Fair enough, sir. And sir, just wanted to understand on our NBFC loans. Could you share the -- typically, what is the interest rate at which these NBFCs lend out further? And what is the credit rating of these NBFCs?

Munish Jain: Say typically, if I talk about, Chinmay, we are very, very selective about this NBFC lending. We are typically lending to those NBFCs who are not high leveraged. We have put our internal metrics that what should be the maximum debt equity ratio of the target NBFC, which we are lending to. We have a hurdle rate. We have hurdles. We have four, five hurdles which are kept internally.

One hurdle is the leverage ratio they are maintaining. Second is what is the write-off percentage which they have. The other one is the what is the minimum they should be having a minimum capital and the capacity to infuse the further capital. And fourth, more important, we typically lend to those NBFCs who are in the secured on lending activities. And if the particular NBFCs are in the multiline of business activities, we typically lend for that asset creation, which is a secured asset creation.

So with all this thing in sight, and we are not lending below the investment rated NBFCs. So that is the way how which we lend in this particular piece. So typically, we look forward for the larger NBFCs, that is with the AUM of INR300 crores plus. So we have typically put a lot of internal learning-based checks. So over -- if you look into this particular portfolio also, you will find that our total portfolio is INR845 crores.

Out of this, these are basically lending to the -- you will find the total count will be 40-50. So we are very selective in this particular portfolio and consciously selecting in this particular piece first. So we are not a lender to the NBFCs who are on road -- unsecured lenders. We are lender only primarily to the mortgage and MSME-based NBFCs.

Chinmay Nema: Got it, sir. And just one last question. The disbursement in the current quarter is around INR737 crores, but the quarter-on-quarter loan book growth is about INR98 crores. Is there something to read into this?

Munish Jain: The basically thing is that, as I shared earlier, Q3 is typically an inflow quarter since we have a 75% of the branches in the semi-urban and rural area. And in semi-urban and rural area irrespective of the segment or class of the asset, you will find these have a direct or indirect dependencies on this particular high cash flow, which is coming into the market.

So in this particular period, you will find even if you look at our portfolio, you may have observed that our agriculture book, despite a disbursement INR150-odd crores during the quarter has been degrown from INR2,340 crores to INR2,199 crores.

So this is a particularly in which we recover lots of things which are coming to us as part of the KCC recovery. So that's the reason I always said Q3 being a cash flow -- heavy cash flow coming in the SURU. We always capitalize in the way for deposits and growth on advances are always muted. So this period, we worked hard on disbursement heavy on MSME and mortgage, which helped us bringing out the growth also.

Chinmay Nema: Understood, sir. And sir, just a request, if you could add in the gross NPA numbers on the product level in the presentation, that will be great. That's it from my side?

Munish Jain: NPA number is there in our presentation of all the comparative numbers on Slide number 5 - 7.

Chinmay Nema: Sir, I'm referring to on the product level. So gross NPA for agriculture, mortgage, MSME?

Munish Jain: We are depicting net NPA, and we are also publishing that we are not writing off anything. But still in the space demand, we will see what best we can offer in the interest of the information available. Point is noted and we will see what best we can do on it.

Chinmay Nema: Thank you, sir.

Moderator: Thank you. The next question is from the line of Ashish Shah from Business 2Match. Please go ahead.

Ashish Shah: Congratulations on a good set of numbers. Sir, I have two questions and both slightly long term, which is 3 to 5 years out. Our bank has had a phenomenal competitive advantage in terms of CASA, which has led to this low cost of funds over a long period of time. Is that a threat to us over the next 3 to 5 years like what do you plan and how do you see it sustaining?

Munish Jain: If you look into the CASA franchise, if I talk about FY '20, we were having a CASA of 36.3%. And then if you go to the FY '21, '22 and '23, we retained it in the range of 40% to 41%. Then we see a slide as per the whole of the industry has been slided by 20%, and we also slided by around 8% to 9%.

And we settled down around 38% in FY '24. Now during the current year, we kept it around 37% to 38%. That is the range we are keeping it for the CASA franchise. Now if I talk about the CASA franchise versus our overall NIM expansion or that particular aspect. Firstly, we're being a retail franchise with the target of the middle income group.

If I talk about this, we have an average ticket size in the saving or the CASA account of around INR42,000. So rather than having a chunky CASA, I'm saying we have a widespread CASA as facilitating toward the middle income group segment. Our various practices like our 3G digital approach, our relationship banking approach, holistic product suite, ground level presence that is, I can say, we call it internally carpeting approach over the just being present, we want to be thickly present, being part of the ecosystem are helping us in maintaining the right matrix of the CASA.

Going forward, CASA is a matrix, which will be industry driven. Yes, we can perform better, and we intend to perform better than industry. but, we will be continue to be driven by how the industry moves, how the macro environment look like. I'd just like to flag presently, our CASA is basis the saving bank rate, which is presently we are paying the 3.5% only.

It is not that we are paying some different saving rates to attract this CASA. it is 3.5% saving bank rate based CASA. So with that thing in sight, we are able to perform it and we are a liability sourcer from last 25 years. And we believe we will continue to perform better than what the industry is doing.

So that's why I'm not in a position to give you any number for that, but we are committed to perform better than what the industry will be performing. But we have built up lots of levers internally. With the increasing CD ratio, the NIM expansion will be coming and which will be helping us to to continue to grow the ROTAs.

The next lever after 1.5 years, the opex lever will come into play, which is presently 3.15% on the average asset basis. So that lever is also going to play 1/ 1.5 years down the line. So with those all levers, so I believe there is a lot of new levers are available to offset any of the contingencies coming in one or another stated lever.

Ashish Shah: Okay. So that's very helpful. And sir, the second question is on leverage. Where do you see that over the next 3 to 5 years?

Munish Jain: Typically, if you look into the present balance sheet, , our advances at around INR6,816 crores against a net own fund of INR1,302 crores. We are typically 5x advances to the net worth. Whereas if we look into the any of the secured lender, I will not be in a position to compare myself with the unsecured pies. So if you look into the any of the secured bank, you will find the balance sheet lever is typically 10x or so and the advance lever is typically 7x.

So I'm presently at 5.2x. So I have a huge opportunity, a huge unconsumed capital, which we want to consume as we move forward, and it is giving us enough opportunity to grow and without worrying about the capital. So that's what we see. But going forward, we are very conscious about the levers that we believe that we need to remain rightfully balanced capital, not excess capital, not under capital.

Ashish Shah: Sure, sir. That's very helpful. Sir, if I can squeeze in one last question. Sir, on Haryana, you mentioned that you intend to do mortgage, MSME, not agri. So any thoughts on that? And a related thing to Haryana, you will be also having a deposit franchisee from Haryana, correct?

Munish Jain: Let me clarify. I said we are concentrating heavily on MSME and mortgage in Haryana, and we are doing agriculture in the selective belts of Haryana. We never said that we are not doing a agri in Haryana. We will be doing agri Haryana in the selective belts. So that is what we do is Haryana.

Haryana, we internally call. We want to make Haryana our next Punjab. The perspective is how deep we are there in Punjab and how we are deep in the balance sheet of the individual account. I purposefully using the word, balance sheet of the individual person. We want to be similar outfits in Haryana so that, that particular family is having both asset liability or financial relationship with us so that we are able to being their complete financial solution provider.

So how we have built up ourselves in Punjab. Now we have targeted Haryana to make it our next Punjab over the next couple of years. So that is how we look into Haryana.

And we are also very conscious that we need to continue to sow our seeds for the future expansion. And accordingly, Haryana, we are targeting for a bigger expansion. So we are already sowing our seeds in the other states where we can continue to sensitize so that those states can become a growth driver as we move ahead. And presently, we are in the 5 states and 2 union territories and we intend to expand every year by adding one or two states.

Ashish Shah: Thank you very much and all the best.

Moderator: Thank you. The next question is from the line of Anant Mundra from Mytemple Capital. Please go ahead.

Anant Mundra: Sir, just wanted to understand, so on the LCR, it has always stayed high and it continues to stay high for us. Is this because of a low CD ratio or is there any other reason why we have higher LCR?

Munish Jain: Typically, presently, we are under-leveraged entities, and we are having a lower CD ratio also. So with these two variables, and we have a very static stable retail deposit. So basis that we're having a high LCR. But the thing given the LCR ratio high and plus our average CD ratio being low, is giving us a right opportunity to expand the CD ratio as we move forward.

And we are doing it also historically, and we will be helping us to expanding ie to meeting our aspiration of advanced growth on one side and our ROTA growth on the other side.

Anant Mundra: Okay. Got it. And what -- I mean, last quarter, you had mentioned that our MFI NBFC exposure is around INR55 crores, INR60 crores. What is it for this quarter and Q3? And is there like -- in the corporate side, do we have any GNPAs or what would be the SMA 1, 2 bucket on the corporate side?

Munish Jain: In the corporate side, there is no additional NNPA or thing has come over the last 1.5 to 2 years. There may be some older cases, which is there since we are not writing off, we are working hard to recover. There is no such change coming in that particular segment. Even SMA-1 and SMA-2 are very, very miniscule, almost negligible in that particular bucket.

And if I talk about our MFI exposure, as I said earlier, our presently MFI exposure is around 1-1.5% of the total advances. So we are very, very mindful and almost very negligible exposure to the MFIs.

Anant Mundra: Okay. So, it's about INR68 crores, advances around INR6,800 crores. So INR68 crores?

Munish Jain: It is a bit more than that. We have slightly more than that number. So we typically keep it around 1% to 1.5%. That is the total number we are having. So I mean to say negligible outstanding in this and not any higher concentration or we are not skewed towards the MFIs.

We are following a similar philosophy, Anant-ji. Secured franchise within the NBFC also, we are chasing those NBFCs, which are in a secured lending franchise.

Anant Mundra: Got it. And sir, one final question. Have we activated ASBA facility on the liability side for our customers?

Munish Jain: Anant-ji, since there are certain things which are in the regulatory approval based. We are completely ready and have in principle approval, technologically good to go. We're just waiting for the final go ahead from the respective regulator. And we are making our best effort to get that file moved. But we are in a completely ready stage. There is nothing pending to be done on Capital Bank side.

Anant Mundra: So it's pending with RBI or is it pending with SEBI?

Munish Jain: Not with RBI. There is nothing pending with RBI on this.

Anant Mundra: Okay. All right. That's it from my end.

Moderator: Thank you. The next question is from the line of Sonal Minhas from Prescient Cap Investment Advisors LLP. Please go ahead.

Sonal Minhas: Great to get reconnected, sir. I had two questions. First one was on the NNPA, net NPA for the agriculture loans. If I compare this quarter to quarter 3 FY '24, we see a trend where the net NPA is going up from 1.57% to 1.94%. If you could just give some subjective commentary on this because the loan book is kind of pretty much constant. So what's happening here, I want to know?

Munish Jain: Sonal, if you look into the agriculture, agriculture our outstanding at the end of December 2024 and if comparing it with September, our agriculture outstanding has reduced from INR2,340 crores to INR2,199 crores. If I talk about the value of our NPA number in this, that is almost constant.

Sonal Minhas: No. I'm comparing to Q3 FY '24, sir.

Munish Jain: Q3 FY '24. So if I talk about -- I was just saying -- I just heard you said 1.77%, 1.77% was the number of September.

Sonal Minhas: 1.57%.

Munish Jain: Typically, if I talk about the quarter, in the current quarter, there is no increase in the GNPA in the agriculture, almost insignificant increase. The increased number is just consequent to the reduction in the base. there is no increase in the current quarter we witnessed in agriculture.

And even if you look into the last period, so our agriculture growth, we are being a bit cautious on the agriculture growth, and now we believe there is a good opportunity will be coming, and we will accordingly look into the same. So, there is no build-up of any problem here. It is the base effect, which you can see is visible. But otherwise, in the current quarter, I'm reiterating. There is no incremental NPA and outstanding NPA has not increased even INR1 crores in the the agriculture portfolio.

Sonal Minhas: Got it, sir. So basically, nothing much to double click here.

Munish Jain: Nothing at that.

Sonal Minhas: I understand that, sir. Second question, I wanted to understand like for agri loans, -- there are gold loans, there are agri loans. Are there agri loans which are backed by gold? And what is it that we have an exposure there? Just wanted to understand that a little bit more?

Munish Jain: Sonal, we are not there in the agriculture gold loan, the agriculture loan against the gold. We will be having an insignificant exposure, I will say, even less than INR10 crores. So we are not in the gold-based agri lending. We are purely productive and need-based and depending upon the land under cultivation and the cropping pattern he has adopted, as I shared earlier.

So we are in that particular lending cycle, not just taking a gold and lending. So we are not in that particular product. Yes, we take gold as a collateral in the event of some eventuality, but that particular value is almost insignificant, not even 1% or 0.1% even.

Sonal Minhas: Understand that sir. And in terms of working capital loan, project finance loan, the machinery loan, the category that you have, are there some builder loans there, which are bucketed under this side, loans to builders, loans to real estate developers?

Munish Jain: So we are not much in that particular business. Those particular business will be there , like clients which we have known them well, and very lower portion not a very high portion; very, very negligible portion in that particular space. But if there is any such business which we have done, it will be bucketed under MSME and trading provided those gentlemen are eligible as MSME.

If they are not eligible in MSME, they will be under corporate loan. So we are not much in this particular business. This is not our target segment. We are not a bigger lender to the housing/land developers or the real estate developers. So we will be having very minimal clients like this, which we know well and which have a history and a very limited values.

We are not a targeted lender in the real estate developer business. That is never our preferred segment. Neither is and neither up to now is never our preferred segment. You will get a sense that our average ticket size of this case is only INR20 lakh.

Sonal Minhas: I got it. Yes, that explains finally.

Moderator: Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to the management for the closing comments.

Sarvjit Samra: Yes. Thank you, everyone, once again for joining us today. We are committed to deliver progressive growth and value to our stakeholders. Look forward to connect with you again in April for Q4 and yearly results. Thank you.

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