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Ref.No.TMB.SE.25/2024-25

29.04.2024

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National Stock Exchange of India Ltd,  
Exchange Plaza, 5th Floor, Plot No. C/1,  
'G' Block, Bandra - Kurla Complex,  
Bandra (East), Mumbai - 400 051.

The Manager,  
Bombay Stock Exchange limited,  
Phiroze Jeejeebhoy Towers,  
Dalal Street,  
Mumbai – 400 001.

**Ref: Symbol: TMB / Scrip Code: 543596**

Dear Sir/Madam,

**Sub: Transcript of the Earnings Conference Call – Q4 Results**

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we wish to inform that the transcript of the earnings conference call hosted by the Bank on the Audited Financial Results of the Bank for the quarter and financial year ended March 31, 2024, has been made available on the Bank's website at the following link:

[Transcript of the Earnings Conference Call – Q4 Results](#)

We are also attaching the transcript of the earnings call with this intimation.

Kindly take the information on record.

Yours faithfully,

**For Tamilnad Mercantile Bank Limited**



**Swapnil Yelgaonkar**

**Compliance Officer**

**Membership No: ACS 21877**



## **Tamilnad Mercantile Bank Limited**

### **Q4 - FY 2023-24 Earnings Conference Call - Transcript**

**April 22, 2024**

**Management: Mr. S. Krishnan, Managing Director & CEO**

**Moderator:** Ladies and gentlemen, good day and welcome to the Tamilnad Mercantile Bank Limited Q4 & FY'24 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 call, please signal the operator by pressing "\*" then "0" on your touchtone phone.

In the interest of time and to give an opportunity to all to ask, we request each participant to ask a maximum of two questions. This conference call may contain forward-looking statements which are based on the beliefs, opinions and expectations of the Bank as of the date of this call. These statements are not a guarantee of future performance and involve risks and uncertainties that are difficult to predict.

I now hand the conference over to Mr. S. Krishnan – MD and CEO of Tamilnad Mercantile Bank. Thank you and. Over to you, sir.

**S. Krishnan:** Thank you. Good evening to one and all. It is a great pleasure for me to be again interacting with you, with the Results of the Bank for the Q4 and also for the financial year-ended March 2024.

The Results have been approved by the Board just about a couple of hours back and the detailed presentation has been uploaded on the site of both the stock exchanges and also on the website of the Bank. I'm sure that my friends might have definitely gone through, but still at the cost of repetition, I will give you a brief of the performance in 2024 for the ready information of the participants.

The Bank had registered its highest ever profit of 1,072 crores in '23-24. I would like to recollect that it was '22-23 when the Bank registered a four-digit number and this time we have exceeded that, we have got Rs.1,072 crores. '23-24 also marks a lot of important milestones for the Bank. It is the highest ever interest income and also the highest ever net interest income.

The Bank has crossed the savings Bank portfolio of Rs.10,000 crores in '23-24. So, these are some of the very prime highlights which I have to say and I will also touch upon other points like when I talk on the bottom line, I should also talk of the asset quality of the Bank.

The Gross NPA is at 1.44 as on 31<sup>st</sup> of March 2024 against 1.69, just three months before that is as on 31<sup>st</sup> of December 2023. The net NPA was 0.85 in March '24, which was 0.98 in December '23.

The other aspect of this, when I talk of the NPA, I should also touch upon the SMA, which is plausible case of NPA for the future. The SMA was 3.97 percentage as of March 2024 against 6.51 percentage a year back, that is March 2023. The stressed assets ratio has also come down from 3.18 a year back to 2.7 percentage.

In the advances, I always say that the Bank is focusing on the RAM segment. The RAM segment of the advances has increased from 87 percentage to 91 percentage as on March 2024, a 400-bps increase.

When I touch upon the shareholders' value, the net worth has increased from 6,928 crores to 7,921 crores. The book value is 500.23 from 437.53 a year back. If I look into the EPS, the EPS I can see almost flat or marginally declined to 67.7 from 68.06, but at this juncture I want to tell that last year the Bank came out with IPO in the month of September, so for the five to six months the number of shares were lower and for the remaining five to six months the number of shares were higher, while it is continuously increased number for the full year.

When I talk of the net interest margin, the net interest margin for the Q4 is 4.24% against 4.08% a quarter back. The Quarter wise NIM if you look into Q1 of '23-24, the NIM was 4%, Q2 was 4.1%, Q3 was 4.08%, that is almost flat and Q4 it has gone to 4.24%. If I look at it for the year as a whole, the NIM was 4.46% last year, which has come down to 4.11%. I'd like to again touch upon that we said a NIM of 4% and above will be maintained basically because of the tightness in the money. The cost of deposit has gone up in the entire industry during '23-24 and which had an impact for the bank also. However, if you look into quarter wise, the quarter wise each quarter the NIM is in the increasing trend and Q4 we could reach 4.24%. That is what I have to say.

As far as the capital adequacy ratio is concerned, the CRAR is very, very comfortable with 29.37 percentage as on March '24, CET-1 alone of 27.97 percentage against 26.26 CRAR and CET-1 of 24.61 percentage a year back.

The slippage ratio is 1.36 percentage for the year and for the quarter if I look into the slippage ratio is 0.16 percentage, which is the lowest in the four quarters of the 23-24. The Bank could show good recovery, it could arrest the slippage in Q4 and thus we could be able to maintain the asset quality and as I was telling that, more particularly the SMAs which can be called as stressed one, though it does not account for stressed asset ratio. But basically, they are the one which will indicate the stress and that has come down substantially from 6.51% to 3.97%.

I also have to share with you that the Board of the Bank has recommended a dividend of 100%, that is Rs.10/- per share having a face value of Rs.10/-.

The other point which I have to touch upon is the provision for the salary arrears. Basically, we are not part of the IBA settlement. We have our own settlement with our own employees and the officer's association. The Association has given the charter of demand only in the month of April. But as a good prudence, we have made provision. During Q4 alone, we have made a provision of 28 crores and totally today I have a provision towards the possible salary increase to the extent of around Rs.84 crores. Out of Rs.84 crores 69 crores is made during this year and 15 crores ever since I took charge, I have been making small provision, 15 crores was made in the last

year and this year we had made 69 crores. So, that is another reason which needs to be factored when we look into profitability.

One more I can say that there was an account which slipped to NPA. Basically, this will have associated with the NPA in the normal IRAC norms. But we decided to classify it as a loss asset though we have the security, the recovery is also visible, maybe within this month itself, it may come, but still we decided to make it as a loss asset and we have provided fully, that again Rs.14 crores hit was there during this quarter. So, these are some of the points which I thought I can tell my friends and I leave the forum open for questions and answers because of the paucity of time. I know the value of time of my friends who have joined here. Thank you very much.

**Moderator:** We will now begin the question and answer session. The first question is from the line of Lakshminarayanan from Tunga Investments. Please go ahead.

**Lakshminarayanan:** A couple of questions. First, in terms of an account that got into NPA in Q2 I think, Just wanted to understand what is the status of that, how we are progressing, that will be very helpful?

**S. Krishnan:** As far as that is concerned the recovery measures are in full swing. As I said that we are in full swing of the recovery, we could recover around Rs.10.7 crores in that account. The other recovery measures including the SARFAESI and also the legal measures are in this one. So, we expect that the recovery will come in the coming year.

**Lakshminarayanan:** Because there is a fresh addition of around 309 crores that happened in Q2. So, from that point of view, I mean, how much of those 309 crores you think will be recovered in the next one year?

**S. Krishnan:** There was a slippage of Rs.309 crores in Q2 as you observed, but if you look into my recovery and upgradation in Q3 and Q4, it is around Rs.150 crores totally both the quarters put together. That is what it is and it doesn't mean Rs.300 crores would be total recovery I am talking about. So each and every account we are targeting so that we will be able to recover.

**Lakshminarayanan:** The Rs.10 crores which you pointed out, is it pertaining to that 309 crores addition?

**S. Krishnan:** One of the big accounts is pertaining to that Rs.309 crores addition.

**Lakshminarayanan:** How many accounts, sir?

**S. Krishnan:** Number of accounts of Rs.309 crores are as of September quarter. We will give you.

**Lakshminarayanan:** I just wanted because I remember that there was one account of more than 100 crores. I think you mentioned in the Q2 Call. So, I just wanted to understand from that point of view how much things have been recovered.

- S. Krishnan:** The account is around Rs.165 crores of which about Rs.10.7 Crores has been recovered.
- Lakshminarayanan:** Another question is that, how do you rate the performance in terms of the asset growth for the Bank? I mean, it seems to be a little underwhelming to what the Bank has always been doing and also underwhelming when compared to the industry growth of the Banks that have actually reported the provisional numbers. What is holding the Bank from growing at least at the credit growth of the economy?
- S. Krishnan:** Sir, I should say that in '23-24 you are aware that the Bank took a lot of transformational process. The transformational process is almost completed particularly on the credit side. So, when any institution is in the transformation mode, there will be a lead time to stabilize and to take off. So, as far as the credit is concerned we established 9 MSME hubs against the 12 regions. 2-3 centers will be completed in the first or second month of Q1. These MSME hubs have started yielding their results because we have posted relationship managers who will be able to identify the potential customers, go and have a talk with them, source the application and there will be a centralized processing center which are posted with the specialized people which will ensure my underwriting standards. So, these are some of the steps which was put in place in '23-24, which is getting matured. I could see that the performance is improving. So, in this current year, we expect that it will improve and if we look into the RAM segment, the growth has gone up year-on-year; the RAM has grown by about 11.37%. The growth may be less, but RAM alone has gone by about 11.37 percentage. That indicates that we have consciously released in the others or corporate, otherwise, the growth is 11.37 percentage in RAM alone.
- Lakshminarayanan:** Does the Bank maintain an aspiration of 12% to 15% growth in terms of assets for the current year or do you want to bring it down to somewhere between 6% to 10%?
- S. Krishnan:** No, we have the aspiration of around 15%. In fact, my board will be meeting shortly where we will be having a strategy meeting, then I can come and give the detailed guidance to the street. But as of now, I can share that we have the aspiration of around 15%.
- Lakshminarayanan:** What percentage of your total advances is with the top 20 accounts?
- S. Krishnan:** I will give you during this call itself, while we take the other questions.
- Lakshminarayanan:** From a branch opening point of view, last year, we started with a number and then we ended at a particular number in terms of new branch openings. How do you intend to grow for the next one year, what kind of branch growth you expect, and when it will come, whether it will be front loaded in the first two quarters or it is going to be coming in the last two quarters?
- S. Krishnan:** See, last year we opened around 22 branches totally and this year we expect a few more that it will be in the first half itself, in fact, I should say that four branches we opened today itself. There were issues on completion of the premises, the furnishing and other things. So, there was

little delay, but those things will now come where I will be able to have in the first half itself. As I said we will be going to the board with the strategy, but I can say that by and large we will be opening around 50 branches.

**Moderator:** The next question is from the line of Jefferson S who's an individual investor, please go ahead.

**Jefferson S:** So, actually, my question was on the part of the growth, but I think it was answered, but just I want to make sure what do you mean by transformation process, you mentioned that the Bank was going through a transformation process, so can you give a brief?

**S. Krishnan:** The Bank took up a Business process re-engineering and to begin with on the MSME credit. So, that was taken up last year, the entire process now we have overhauled I should say. It is as good as having a separate vertical though I cannot call it as a vertical, because we have a mixed one. We have created an independent hub almost in all the areas; I have 12 regional offices and spread across the country against the 12, at 9 centers we have created the MSME hubs and these MSME hubs are equipped with well trained credit professionals who will be able to process quickly and have a good underwriting standard. Secondly, we have also posted and also we are also in the process of recruiting a lot of additional relationship managers. The whole idea is going forward each officer will be having a bucket of customers who will be the relationship officers for those customers who will be looking into the need of those customers. These relationship officers, the main job is, they identify, they go and scout, bring the customers and as well as giving the lead I can say but it is not only ending with the lead, they also ensure that their requirements are having looked into in regular periodical intervals. So, I have relationship officers, who have been put in place as a part of the transformation. We also have plans of putting in place the feet-on-street. That is exclusively for the lead generation. So, the feet-on-street will be put in place during the current year and then we also have got the approval for the co-lending. We have not entered into the co-lending, that is also a part of the transformation. The co-lending will be introduced during the current year. As a part of the transformation, we have also introduced few new products in the MSME sector, maybe for the GST, we have the Easy MSME today, we have Mini LAP. All these are part of the transformation process. So, these are now stabilizing. I expect that '24-25 will be a good year with this transformation which we have put in place. The last but not the least is the digitalization. The digitalization is in full swing. To begin with, what we have done is we have now put in place, "do-it-yourself," which is nothing but the customer will be able to understand, will be able to know by giving minimum information in our website, as to how much he will be eligible. It's kind of in-principle. This is the beginning of the journey. The whole idea is to have end to end digitization, that is till the loan is sanctioned and the amount is credited including the documentation, we want to have the digital journey for which we have entered into with two people, one, Jocata and another is SysArc. Different products are being done by them and hope that that will also be taking shape during this current year.

**Jefferson S:** You mentioned that we can expect it to stabilize around FY'25, right? So, when it stabilizes, what can be the ideal growth rate for our Bank going forward?

- S. Krishnan:** I expect that the growth should be around 15% during '24-25. But as I was telling that the guidance will be given to the street once my strategy reports are cleared by the board, which I will be meeting the board maybe very shortly and then I will give you a clear guidance and I expect that the growth will be around 15%.
- Moderator:** The next question is from the line of Dhaval from Ambit Capital. Please go ahead.
- Dhaval:** My first question was recently we had applied to RBI for the approval of the position of MD and CEO and RBI sort of rejected all the three names. So, what happened there and what's the update there?
- S. Krishnan:** What happened is they have said that they have not found suitable. So, the Bank has already again started the process. So, the committee is on. The nomination and remuneration committee of the board met and the process has been started. Even the public advertisement has been given calling for the applications. So, the process will be carried out and the Bank will be submitting it.
- Dhaval:** Any particular reasons why they were not found suitable?
- S. Krishnan:** No information.
- Dhaval:** These were the internal candidates or the external candidates?
- S. Krishnan:** They were external candidates.
- Dhaval:** So, my second question is on cost of funds. So, they've seen a decline of 10 basis points sequentially. So, what explains this?
- S. Krishnan:** The cost of funds has gone up because the cost of deposits has increased. See, in the last year, the entire industry was facing a very tight money constraint, the cost was zooming for every Bank. So, that is why for us also the cost of deposits went up from 4.68 to 5.74. That is the main reason why the cost of funds has also gone up.
- Dhaval:** No, on sequential basis declined by 10 basis points versus for the sector?
- S. Krishnan:** Yes, that is what I was telling while I was giving the brief in the opening remarks. I was telling that if I talk on the quarter, the quarter wise it is good, in Q4, I am able to contain. See, consciously what we did was that we have not gone against the high cost deposits because my position is comfortable, I have excess SLR and if need be I can resort to the borrowings which are low cost for me. My CD ratio was around 80% last year, that is March '24. With that cost of deposits could be contained. The cost of deposits has come down by about 12 bps from 5.88 to



5.76. So, going forward, I expect that it will further come down. If I look into the cost of funds for the Q4, it has come down from 5.9 to 5.79.

**Dhaval:** Since we are in the transformation journey right now on the asset side, do you see a risk of our franchise weakening on the deposit side because obviously you are not trying to mobilize retail deposits, so some customers might leave the Bank and go to some other Banks which are offering better rates and that might potentially create a risk for us in the medium-term?

**S. Krishnan:** If I look into the quarter wise, my retail term deposits has increased in the last year by about 3.33 percentage, in five years around 5%, 4.89%. So, the retail deposit is increasing. As far as the rate of interest and migration of the customers to the other Bank is concerned, the ALCO of the Banks meet regularly, factors of market requirement and I have to share with you that keeping that in mind, the Bank has recently come out with a new scheme of TMB 400 days with a interest of 8 percentage. So, we are seized the market conditions and the ALCO of the Bank is very vibrant and factors all these things and as I said the retail term deposits has gone up. If I have to see the percentage of retail term deposits as on March '24, it's 83 percentage, which has gone up from 82% in the last year, so 100 bps increase in retail term deposits alone. That means actually consistently, the percentage of the Bulk deposits has come down.

**Moderator:** The next question is from the line of Aravind R from Sundaram Alternates. Please go ahead.

**Aravind R:** Quarter-on-quarter, the bulk deposits have grown faster. Any particular reason for it like from 4,300 crores to close to 6,000 crores? Similarly on the deposits like retail like growth has been very tepid whereas our CASA growth has been healthy. What's our view like in retail term deposits in the next two years or three years? These two are on deposits. And how much more we might have to provide on this employee increments you were talking about Rs.84 crores till now? And as you mentioned on advances, RAM segment is growing at 11 percentage that I understand, but primary part of the growth is driven by agri loans. Why the MSME growth has been very tepid and we were expecting this segment to come back by now, but continuously this segment is not doing as well as what agri segment is able to do. So, I want to understand these things, sir. Thank you.

**S. Krishnan:** As far as your first question about the bulk deposit is concerned, bulk deposits we take for a short period where the cost is beneficial to me and if I look into the bulk deposits a year back that is March '23, it was 6,021 crores and it has marginally come down to 5,896 crores in March '24. That is one. As far as the employee cost, the salary arrears are concerned, I was telling in the opening remarks that we are not part of the IBA settlement, we have our own settlement and just now they have given the sort of demand. Now what we have provided, even if IBA increases to be factored, that is 17%, which we have. Now the Bank has fully provided that 17% amounting to Rs.84 crores. We actually provided the entire one. That is why this quarter we decided that let us make further. So, we made 28 crores this quarter alone and making the total provision to 84 crores. So, there is nothing left out. And your third question is on the RAM segment. RAM

segment has grown by about 11%, as you observed, but you were asking about the MSME. The MSME growth looks as 2%. But let me also say that there are some customers who are MSME, but they have not availed as MSME for whatever reason. So, if I factor that Notionally, the growth from 2% it goes to 5%. and this time I should say that as far as the performance is concerned in MSME, we had reclassified a small amount based on the data purification exercise we are doing and you know that the GECL when we gave for the COVID, the repayments have started and my performance is good as the delinquencies are less. So, the repayments in the case of these loans alone were around 2,000 crores during this '23-24. So, you can understand that that means I have grown over that repayment. These repayments the GECL and deferment of the repayment in the COVID period, all those we have started and this also has resulted in the reduced growth. These are the reasons. Otherwise, the focus is on as I was telling that we have completed the transformation, the hubs have started stabilizing and the performance is expected to be better one in this year.

- Aravind R:** Any group guidance on overall? On agri loans, is it predominantly like secured gold loans and kind of loans or is it something else also in agri loans?
- S. Krishnan:** Secured gold loan.
- Aravind R:** Any data you can give on yields and average ticket size in these loans? You can give like for other segments too, that would be helpful?
- S. Krishnan:** My average yield in the retail is 9.55 percentage, agriculture is 9.17 percentage, MSME is 11.41 and other category is 10.38 and the overall yields is 10.15 percentage for the year.
- Aravind R:** Ticket size, sir?
- S. Krishnan:** Gold loan is around 1 lakh.
- Moderator:** The next question is from the line of Saket Kapoor from Kapoor and Company. Please go ahead.
- Saket Kapoor:** When you mentioned about the employee cost impact of Rs.84 crores, when we look at your annual increase, that translates into Rs.68 crores impact. So, if you could explain once again how this Rs.84 crores got factored, sir?
- S. Krishnan:** I said so far for my employee's salary revision, I have built a provision of Rs.84 crores. Out of Rs.84 crores, I also said that last year we did about Rs.15 crores and this year we have done around Rs.68-to-69 crores, thus making it as Rs.84 crores. I hope that it clarifies your doubt.
- Saket Kapoor:** So, there is further provision required even if -

- S. Krishnan:** That's why I said, if I take even the IBA settlement, we have a separate one, even if I factor that, this amount of Rs.84 crores satisfies that increase up to March '24.
- Saket Kapoor:** So, there are no arrears due also, no provision required, we are up to the mark as per the industry standards, that is what you are telling?
- S. Krishnan:** No provision is required as per the industry settlement.
- Saket Kapoor:** Sir, when we look at your other operating expenses, that has also gone up from Rs.158 crores to Rs.175 crores on a QoQ basis. What explains this increase, sir? Next question in continuation, you spoke about the transformation journey for the Bank for which I think the building blocks are in place. So, if you could give us some more color with this transition phase getting implemented, how are the financials going to look or the improvement in financials going to look going ahead in terms of our NIMs and ROA and also going ahead, what is the trajectory for ROA and NIMs for the current financial year?
- S. Krishnan:** See, I told that the detailed guidance on all the parameters will be given to the street maybe very shortly when I go for the board meeting and expecting for the strategy meeting. The board will be deliberating and we'll be able to give. But I can give you this one that growth is expected to be around 15% and ROA is expected to be around 1.8-2 and the NIM should be 4 plus. That is what the guidance initially I can give.
- Saket Kapoor:** But we have existed ROA at 1.7 for this quarter. It should be slightly higher.
- S. Krishnan:** That's what I'm telling this conservative one. We have reached ROA of 1.84 for 23-24. So, we will be around 1.9 to 2 in the next year.
- Saket Kapoor:** Sir, if you could give us some color on how the business pipeline is looking currently, what is the loan bid pipeline which is expected to crystallize going ahead and what was our disbursal number or the growth in disbursal for this fourth quarter, sir?
- S. Krishnan:** See, as far as the pipeline is concerned, I was telling you that we basically are on the small ticket loans, unlike big corporates where I can say that I have in the pipeline of around 5,000, 6,000 crores. These are all small loans. But going by that trend by which I'm doing, I expect that in '24-25 we will have a growth of around 15% and the focus will continue to be in RAM.
- Moderator:** The next question is from the line of Sonal Minhas from Prescient Capital Investment Advisors. Please go ahead.
- Sonal Minhas:** So, I had two questions. One was regarding the disclosure and I think a few of us here will be analyzing the company for a while, been struggling with -

- S. Krishnan:** Can you repeat? Your voice is breaking.
- Sonal Minhas:** I was talking about disclosures, sir. There is this head of others in both the loan book as well as the NPA, which brings us surprises both in terms of provision and in terms of entry into the GNPA schedule. So, I wanted to understand like if you could be a little bit more granular about like disclosure of this particular head, which we speak right now, our NPA is in this category is around 284 crores on a book of 3,500 crores. So, what are these accounts, what are the top five accounts, nature of the sectors in this particular sector, if you could explain that, maybe not now, maybe later, that's something because this is a lumpy number and I think more disclosure around this is something which maybe will give some more comfort to the street because this number has been growing pretty dramatically if I may just say that way. So, over to you for your comments on this one actually.
- S. Krishnan:** These others which you are referring as 284 crores which has gone up from 244 crores a year back, are you referring to that?
- Sonal Minhas:** Yes, sir.
- S. Krishnan:** See, these are basically, we can call it as corporates, not MSME. In fact, in Q2 we had a huge slippage. Before you in the beginning one of our friends were referring to that, I also said that one big account of around 160 crores was there. So, that is the major addition there. So, that is what it is one account is contributing Rs.165 Crore out of the Rs.284 Crore. Recovery measures are in that account. These are basically, one of the manufacturing units, but not like MSME. That is why we have put it as others.
- Sonal Minhas:** This is a growing number. I think the next question which is linked to this one is that if you could also maybe split the 3,500 crores loan book which is attributable to this other corporate category, who are these, are these stores, are these manufacturing, some nature of the granularity there so that we understand because a large part of what is the overhang here essentially is in these two categories? So, if you consider comparing this to other Banks, who also disclose if they are turning around and if they are moving from let's say Category-X to Category-Y which is also in your case you're moving more and more towards RAM. More disclosure around the outstanding book on the others is something which will give us some comfort as to where are we sitting on these because 60 crores addition and then I think thereafter addition of 160 crores between two quarters is something which is kind of lumpy to understand.
- S. Krishnan:** We will give such a detailed disclosure in future. We have noted your point. We will give much more granular disclosure.
- Sonal Minhas:** The second question is a little subjective. Just trying to understand as you are putting your systems in place, putting your IT infrastructure, putting the manpower, putting everything in place, like what are the two, three areas where you still think a lot of work is pending in terms

of how you are overseeing the Bank and how would you want to fix them in the next year or two basically? So, I'm talking like more key risks you see in the business, key risks you see more from an operational perspective in the business. So, if you could just subjectively cover two, three points which are key to do's for you and the senior leadership for the next year essentially and thereafter?

**S. Krishnan:**

If you ask me, I will say that where I have to do further on the completion is on the digitization front. As I said, the work has started, we just started now as a 'do-it-yourself' which gives an in-principle approval. But we have a long way to go. The whole idea is to have digitization. So, that is the one which we are taking up. Second is as far as the structure is concerned, we have created the hubs and we have also put in place like relationship managers. But we are also in the process of having a feet-on-street for sourcing it. So, that will take place this year. So, these are the few points which will be on the top of my agenda for the year '24-25. So, that if I do this probably, I will be able to complete the transformation process and we will be able to reap the fruits of that.

**Sonal Minhas:**

Just to nudge you a little like you are fairly confident about how the lending book on the RAM segment is coming out in terms of how the quality of that book is in terms of your team's assessment of that book more on a day-to-day basis, do you think those systems are in place and those also need to be a little bit more mature for you to be comfortable around those?

**S. Krishnan:**

As far as that is concerned, my SMA book in fact has behaved very well. As I said from 6.51 Percentage or so, we have come down to 3.97 percentage in the last year. So, that clearly indicates that the behavior is very good. And regarding the sector wise if I look into the MSMEs, I'm able to contain the slippages and my SMA book if I say sector wise, MSME is 1.67 percentage as on March '24, which was 2.46 percentage a year back. So, this clearly indicates that the book is behaving well. We are able to improve the quality of the book. So, we will be able to have better asset quality is what we expect in the coming years.

**Moderator:**

Next question is from Aravind R from Sundaram Alternates. Please go ahead.

**Aravind R:**

I would like to know the mix of repo, MCLR and fixed rate loans. Will the corporate book continue to degrow? And you were mentioning about centralized processing center for MSMEs. Do we have like centralized processing center for all the segments or like the underwriting is done at the branch level?

**S. Krishnan:**

As far as the mix of repo and MCLR is concerned, it is around 50:48 percentage like that, so I can say 50:50 percentage. My fixed rate is miniscule as good as I can say it Nil, very, very miniscule portion. Regarding the underwriting, as I said that we are centralizing, centralizing in the sense, legalize, we have the hub, to begin with we have started for the MSMEs. So, the MSMEs to begin with again any transformation has to be in a graduated manner so that the process gets out successfully. So, what we did was to begin with, all the new proposals and all

the enhancement will be done only by the centralized unit. The renewals will be carried out at the branch. Going forward, once this stabilizes, the renewals also will be shifted to the centralized center. So, this will be the first step when we are focusing on the MSME. Subsequently, we have plans to bring such a process for other sectors also like retail so that underwriting standard can be ensured. This is the idea what we have.

- Aravind R:** Will the corporate book continue to degrow?
- S. Krishnan:** Corporate book, it is not that it will continue to degrow. We will be very selective as I have been telling always that the Bank is focusing only on the MSME. So, it is not that we will be focusing for degrowth. We will be very, very selective, if I have a good one, we will be taking up.
- Aravind R:** And on Mini LAP, what would be the ticket size, I mean like how would be different from MSME?
- S. Krishnan:** It is basically a LAP loan. but LAPs we had a minimum ticket size. So, in the Mini LAP we have reduced that. I will request my GM (Credit) to give a brief on Mini LAP.
- General Manager (Credit):** The ticket size is up to 25 lakhs. There is a collaterals requirement of around 125%. Rate of interest is between 9.5% to 11%
- Aravind R:** Can you please repeat? Sorry.
- General Manager (Credit):** Now the Mini LAP scheme intended for small traders and businessmen. The ticket size is up to 25 lakhs. The security will be in the form of landed properties with a coverage of 125%. The loans are generally repayable up to five years and it is given to all sorts of businessmen, all proprietorship, partnership or companies, all businessmen we are giving.
- S. Krishnan:** M/s.Lakshminarayanan, from Tunga, you had asked about the top 20 borrowers' exposure. It is around 3,300 crores.
- Moderator:** The next question is from Saket Kapoor from Kapoor and Company. Please go ahead.
- Saket Kapoor:** I got disconnected unfortunately and you were explaining me firstly about the other expenses going up sequentially. So, beg your pardon if you have already answered it. For the sake of repetition, if you could just give an understanding on what led to the increase in other operating expenses on a QoQ basis?
- S. Krishnan:** My CFO is here. He will give the clarification.
- P.A. Krishnan:** This is I think on the quarter-on-quarter, the recent December and March, there is an increase of Rs.39 crores in the total operating expenses, of which 22 crores is towards the employee cost,

the balance will be around 17 crores. That is, we had some professional charges and then software license renewal fee, UPI operation charges, etc.,

**Saket Kapoor:** Is it on a recurring basis or a one-time cost, what should we look at going ahead?

**P.A. Krishnan:** Professional charges will be one-time.

**S. Krishnan:** License also it will be a yearly condition that came on the Q4. That is why when you compare the sequential quarter, there is an increase.

**Saket Kapoor:** You were explaining about the business pipeline and the growth in the net interest margin that we can expect for the coming year, if you could give us some more color on the same on the disbursement pipeline the type of indications you have currently in your hand?

**S. Krishnan:** See, I told that we are going to have a strategy meeting of the board wherein the budget should be deliberated by the board and it will be approved by them. Then I will be able to give you a detailed guidance on each of the parameters for the current year. And definitely I will be interacting with all of you, it will be my pleasure to interact with you and give guidance on all the parameters. Pending the same, I feel that my growth is expected to be around 15% as far as this is concerned. That is what I said. Other things, I'll be able to share with you once my strategy meeting is over.

**Saket Kapoor:** So, when is that board meeting scheduled so we can keep the questions pending for the time being and we will be interacting when?

**S. Krishnan:** I expect in the next month itself. I will interact with you.

**Saket Kapoor:** Going ahead, sir, how are the cost of funds likely to shape up? I think the bond yields have again hardened over the last fortnight. So, what would be the impact currently on our treasury book and also how are the cost of funds likely to shape going ahead?

**S. Krishnan:** Going ahead, I expect my cost of funds will be flat. So, we have to wait and watch, how the bond market behaves. But as of now, my expectation is that we will be having a flat in that.

**Saket Kapoor:** Sir, how are we using technology or the use of AI for early detection of stress in our loan book? To put things into order when we look at the market capitalization of our Bank or in comparison to the growth scheme in other Banks, what are the factors that are acting as an impediment or the deterrent to the increase in the market cap going ahead? We have been liberal in our dividend distribution and you have been interacting to investors on a regular basis. So, where are the loopholes? And why are we not able to convince your investors, so that we could have a consistent growth also creating shareholder value, what are the impediments to that sir?

**S. Krishnan:** As far as the technology is concerned, the Bank has been taking every step to take advantage of the technology and also use all the latest tools which are available. Of course, having said, I should also say that we are yet to go into that AI. But we have been deliberating on various technology advancements. Definitely, this will also be the update for deliberations and discussions in the coming period. As far as the market capitalization is concerned, I should say that we are a very new entrant for the market, about a year old for the market. I hope that over a period of time we'll be able to have good market capitalization. As you also acknowledge that, we always keep in mind of regarding the investors, dividends are continuously given.

**Saket Kapoor:** We will wait for your next board meeting announcement wherein we would be getting more broader picture on what's the way ahead for the Bank, sir. That is more important to derive to a valuation, we know what path you are going to glide going ahead.

**S. Krishnan:** As I said, my growth is expected to be around 15%.

**Moderator:** That was the last question. I would now like to hand the conference back to Mr. S. Krishnan for closing comments.

**S. Krishnan:** My sincere thanks to all my friends who participated in this conference call and it is always been a pleasure for me to interact with you and we will be interacting with you all very frequently. Thanks for your valuable time and having the interactions and the details whatever we have given and if anything is required, anyone of you can get in touch with my CFO and we'll be glad to give further details. Once again thank you very much.

**Moderator:** On behalf of Tamilnad Mercantile Bank, that concludes this conference. Thank you for joining us, ladies and gentlemen. You may now disconnect the lines.

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