DCB BANK

Ref. No.CO:CS:RC:2026-27:101 July 30, 2026

BSE Limited
Listing Department,
P J Towers,
1st floor Dalal Street.
Mumbai 400 001

Scrip Code: 532772

National Stock Exchange of India Limited
Listing Department,
Exchange Plaza, 5th floor, Plot No. C/1,
G Block Bandra – Kurla Complex,
Bandra (East), Mumbai 400 051

NSE Symbol: DCBBANK

Dear Sirs,

Re: Transcript of the Earnings Conference Call held on July 24, 2026

Pursuant to the Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached the transcript of the Earnings Conference Call held on July 24, 2026 with respect to the Unaudited Financial Results of DCB Bank Limited ("the Bank") for the quarter ended June 30, 2026. The same has also been uploaded on website of the Bank and can be accessed at the link given below:

https://www.dcb.bank.in/api/dcb/assets/2026-07/DCB-Bank-Q1FY27-Earnings-Call-Transcript-July-24-2026.pdf

This is for your information and record.

Thanking you,

Yours faithfully,
For DCB Bank Limited

RUBI CHATURVEDI
Digitally signed by RUBI CHATURVEDI
Date: 2026.07.30 22:43:15 +05'30'

Rubi Chaturvedi
Company Secretary &
Compliance Officer

Encl: As stated above

“DCB Bank Limited

Q1 FY27 Earnings Conference Call”

July 24, 2026

MANAGEMENT:	**MR. PRAVEEN KUTTY – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – DCB BANK LIMITED** **MR. SRIDHAR SESHADRI – WHOLE-TIME DIRECTOR – DCB BANK LIMITED** **MR. RAVI KUMAR – CHIEF FINANCIAL OFFICER – DCB BANK LIMITED** **MR. AJIT KUMAR SINGH – CHIEF INVESTOR RELATIONS OFFICER – DCB BANK LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the DCB Bank Limited Q1 FY27 Earnings Conference Call. As a reminder, all participant lines will remain 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 the operator by pressing star then zero on your touchtone telephone. Please note that this conference is being recorded.

We have with us today, Mr. Praveen Kutty, Managing Director and CEO; Mr. Sridhar Seshadri, Whole Time Director; Mr. Ravi Kumar, Chief Financial Officer; Mr. Ajit Kumar Singh, Chief Investor Relations Officer. I will now hand the conference over to Mr. Praveen Kutty, Managing Director and CEO for opening remarks. Thank you and over to you, sir.

Praveen Kutty: Thank you, Ryan. Good evening, ladies and gentlemen. I'm very happy to announce the quarter one financial results. This quarter was replete with geopolitical uncertainties, rising inflation, and supply chain disruptions. Our strategy in these times, as I had mentioned in my Q4 results call, was to stockpile customer liabilities, work on improving productivity, focus on portfolio quality, optimize capital utilization, and finally resulting in improving profitability.

Let me take you through the key financial highlights. Our total deposits have grown by 20.06% Y-o-Y and total advances by 17.06% Y-o-Y. Our NIM at 3.35% has increased by 15 bps over the last year, primarily on the back of lower cost of deposit and improving recoveries.

Our growth in core fee income from INR 134 crores in Q1 of last year to INR 175 crores in this quarter, 31% growth, has helped us offset a one-time treasury income impact of INR 85 crores between these two quarters. On the cost front, we have hit a historical low of 2.42% cost to average assets for the quarter.

Remember, quarter one is when you have the salary increases, traditionally it's a higher cost quarter, and we knocked off 10 bps from the cost to average assets of Q1 of the last year from 2.52 to we have come down to 2.42. Even quarter-on-quarter, we have our cost to average assets has decreased from Q4 to Q1.

And if you have to dig into where the reduction of cost is coming from, you'll see that our number of employees is currently at 11,554, which is lower than the 11,896 people we had two years back in June 2024. So, we have grown somewhere in 18.5% year-on-year for two continuous years and the number of absolute number of employees in the bank is actually lower.

As a consequence of this, our business per employee is at an all-time high of INR 11.06 crores. And if you were to look at the portfolio quality, it has consistently improving. Last year I told you that we were at the seven-year low from a yearly basis. Our GNPA currently is at 2.43%, which is 55 bps better Y-o-Y and 2 bps better Q-o-Q.

Net NPA on the other hand was at 0.84, 38 bps less than Y-o-Y and 5 bps less Q-o-Q. The credit cost for the quarter is 26 bps. Our provision coverage ratio is a shade under 80% and our recovery and upgrade as a percentage of fresh slippage is 92%. We continue to make optimal use of our capital.

Our Tier 1 capital, including profit for the period, has increased to 14.9% from 14.26% of Q4. Finally, the bottom line is that our PAT for the quarter has grown 36% to INR213 crores, which is the highest ever quarterly profit in the history of our bank. In fact, in each of the last four quarters, in Q2 of last year that is the highest ever, followed by Q3 of last year which is the highest ever, followed the followed by Q4 of last year which is the highest ever, and so far Q1 is the highest ever.

So we sign off the quarter with a highest ever quarterly EPS of 6.62 and a book value of 198.12. Last but not the least, our ROE for the quarter for the first quarter is 13.61%, which is a 2.05% improvement over Q1 of last year. What gives me some happiness is that the bank has shown the ability to give time-bound guidance and show the consistency to meet it within the time frame.

The guidance on cost-to-average below 2.5%, GNPA below 2.5%, NNPA below 1%, ROE greater than 13.5% have been met in Q4 and repeated in Q1. As you can see, we as a bank thrive on consistency, predictability, and sustainability.

With this, I thank you for your patient listening and now operator if you can open the floor for the comments, observations, and clarifications. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. We take the first question from the line of Akshat Agarwal from Nirmal Bang Institutional Equities. Please go ahead.

Akshat Agarwal: Good evening, sir. Thanks for the opportunity. My first question is on margins. Yield on advances declined by 23 bps Q-o-Q. So sir, please could you elaborate on the key drivers? And with the loan mix gradually moving towards business loans and we have the benefit of residual deposit repricing as well, so how do you see yields, funding costs, and overall NIMs evolving for the rest of the year? That was my first question, sir.

Praveen Kutty: Right. So our yield came at 10.75%, which is primarily due to the product mix that we went for in Q1. As you have seen, gold was a driver, the big movement has come from gold, which comes at a slightly lower yield and substantially lower cost and fairly minimal credit cost.

We would see that as the year passes in Q2, Q3, and Q4, you will have higher yield mortgages contributing more. So over the next 3 quarters, the yield increase will come from a higher product mix of the mortgage sourcing that we do and the secured non-gold products that we would do.

Akshat Agarwal: Right. So if you could share the proportion of LAP versus retail home loans even on a flow basis and if possible on the stock basis?

Praveen Kutty: Currently we are at the 70/30 mark. So, what used to be a 25%/25% cut, is now looking like 27/ 23 on business loan and home loan. So that will continue. We are happy with the 70/30 kind of cut, probably it will be steady state 70/30 unless there is something dramatic which happens which makes us change the skew again.

Akshat Agarwal: Sir, secondly on the gold loan slippages, like if you could provide some color and how should we see this going forward? I mean it's now at 7.3, right? I know it's all secured but still, I mean, if this will continue or is it like going to come down by next quarter?

Praveen Kutty: If I remember right, it is 5.3, not 7.3, unless you said 5.3, right? So on the total slippage of overall, you're seeing that the non-gold slippage is considerably better. We are at 1.52%, which is very well within the norms. On gold, I would tend to see that slippage is not really indicative.

You look at the last 8, 9 quarter actual NPA stock of gold loan, it is fairly within the INR 20 crores to INR 30 crores mark, even though the book has increased significantly. So on our close to INR7,000 or maybe INR7,500 crores book, you're having an NPA of 30 crores and credit loss which is even negligible, not even worth mentioning in this call.

Akshat Agarwal: Right. So, in terms of the growth trajectory going forward, what's your outlook for the gold loan growth in light of the recent softening in the prices? And how do you see mortgage portfolio performing over the coming quarters with currently it's at 1% Q-o-Q on year-on-year 10% Y-o-Y?

Praveen Kutty: So on gold loan, we have taken a conservative view where even though RBI permits LTV up to 85%, we have been conservative and we give a maximum of 75% LTV. So if you walk into our branch, 75% is the maximum LTV that you will get. And despite being conservative and being less competitive than what other players in the market, you're still be able to grow the book sufficiently.

And if you notice, gold had a INR 17,000 per gram value in middle of the quarter, it has come down to INR 14,400. So, if you were to look back and with the benefit of hindsight look at it, I think it's a good call. You're able to grow to your ambition and still not to have to do any margin call. It helps the business considerably.

So, I would tend to think that the gold as a percentage of overall percentage of the book would be somewhere in the 20% to 22% mark. On mortgages, traditionally Q2, Q3, and Q4 are the months where the disbursement significantly goes up.

One way of looking at it is, if you were to compare our disbursements of INR 1,500 crores with INR 1,100 crores which we used to do in the same quarter one year back, that's a 35% increase in disbursements. And if we continue to increase the disbursement by that kind of a number, you'll see the benefit flowing into the balance sheet growth as well.

Akshat Agarwal: Very well, sir. Sir, my last question is on fee income. Is it, was the decline primarily seasonal in nature with low disbursement in 1Q?

Praveen Kutty: We had a INR 101 crores treasury income in quarter one of last year. This year we got INR 16 crores. So we had to make up INR 85 crores of shortfall and we made it up through core fee income which is repeatable in nature.

Akshat Agarwal: Yes, but it declined on Q-o-Q basis, so that's just seasonal, right? Because 1Q is a seasonally weak?

Praveen Kutty: Third-party distribution in Q4 is usually higher, also the processing fee from loans which are higher in Q4 is the reason why it will be, Q4 to Q1 will be less. But if you were to compare the Q4 to Q1 delta with the previous Q4 to Q1 delta, you'll find the delta is much more in our favor for this year.

Akshat Agarwal: Thank you very much, sir. Thanks a lot for answering all my questions and all the best.

Praveen Kutty: Very much.

Moderator: Thank you. We take the next question from the line of Chetan Sharma from Systematix Shares and Stocks Limited. Please go ahead.

Chetan Sharma: Thanks for the opportunity. Am I audible?

Praveen Kutty: Very well, Chetan. How are you doing?

Chetan Sharma: Yes. All good, sir. Thank you. Sir, my first question regarding the CASA ratio. So how do you expect the CASA ratio to evolve going forward as we can see that in Q1 FY26 it was around 23.32 and currently it stands around 21.65? So what's the strategy to improve in the coming quarters?

Praveen Kutty: I want you to look at the cost-of-deposit of the bank when the CASA ratio was 22% in Q1 and the cost-of-deposit today. Okay. So despite CASA declining, we are seeing that our cost-of-deposit, cost-of-funds actually has come down from 7.18 to 6.75. Okay. So in my mind, its good to have CASA ratio going up, specifically CA. Our CA Y-o-Y growth is 5% only. I think that's a clear area for improvement.

But CASA doesn't really reflect the truth as much as cost-of-fund does or as cost-of-deposit does. So the way we look at it from management perspective is how do you bring the cost-of-deposit down, where one component of course is CASA.

Chetan Sharma: Correct, sir.

Moderator: Chetan, are you done with your questions?

Chetan Sharma: One more, sir. It's just a request from the my end that during the preparation of the IC reports, I tried to get in touch with the concerned team, but the earliest appointment available was around 45 days later. If possible, could you please guide me to the appropriate point of contact whom I can reach out to for directly and quicker response for better coordination?

Praveen Kutty: Certainly. We'll also tell you what the blackout periods are so that there is no surprise in that, right? The least we can do.

Chetan Sharma: Okay, sir. Thank you.

Praveen Kutty: Right.

Moderator: Thank you. We take the next question from the line of M.B. Mahesh from Kotak Securities. Please go ahead.

M.B. Mahesh: Good afternoon, sir. Questions, one is last quarter you indicated that the headroom to maintain margins was reasonably okay for 2027. If you can just comment about this. The second question is on while you indicated mortgages tends to be quite slow on disbursements in the first quarter, even the Y-o-Y numbers doesn't look particularly strong. Is it a choice on margins, to defend the margins that this choice was taken or is there some actions on the ground that you're seeing which is making you to grow slower?

Praveen Kutty: Hi Mahesh. Sorry, didn't recognize your voice.

M.B. Mahesh: Sorry, I'm outside.

Praveen Kutty: On mortgages, no, there is no intentionally, we're not slowing down and saying, it's not to improve the margins that we are, the growth is not moving in. Consciously, we have decided about a year back that we're not going to do any further DA in mortgages. So the DA book will always be run down, it will never be replenished because we don't see the reason for that. Currently it's all organic sourcing, better yield, much better portfolio quality, and considerably better ability to do cross-sell. So that's the reason why we are seeing the momentum happening.

And on growth, the real early indicator is disbursal. So if you were to see the delta in disbursal. So if you were to see the delta disbursal, you're seeing a 35% increase in disbursal between Q1 of last year and Q1 of this year. And if we continue the same momentum, by the end of the year you'll see a very, very different growth path on the balance sheet growth.

We're not seeing any considerably higher closures, foreclosures, or part payment coming in. So, if we maintain the similar level of disbursal, you probably mortgage will outpace the overall growth of the bank as well.

M.B. Mahesh: And on the first question which is on margins, which you had indicated last quarter that it will be stable for the year. How are you seeing it for this year now?

Praveen Kutty: On margins, if you see it's a 90-day Q4 versus a 91-day Q1. So you will see a one-day impact coming through. Our product mix was such that we had a more gold loan in Q1, probably that will not repeat itself in quarter 2. So you will see the mortgage product increasing its presence, you will see more of agri higher yield products having a higher amount of sourcing and impact on the portfolio.

So we will probably see a upward curve in the interest yield curve. But having said that, 14 bps is the reduction that we managed on cost-of-deposit between Q4 and Q1. I'd be very happy if we continue with that 14, but in realistically I would expect something like a 7% to 8% decline. And if we hold the portfolio to the standards that we're keeping to right now, there's no reason why NIM will not increase in Q2 and also going forward.

M.B. Mahesh: Perfect. Thank you.

Praveen Kutty: You're welcome.

Moderator: Thank you. We take the next question from the line of Jai Mundhra from ICICI Securities. Please go ahead.

Jai Mundhra: Yes, hi sir. Good evening and congratulations on a good quarter.

Praveen Kutty: Hi Jai.

Jai Mundhra: Yes, hi. Sir, we used to have actually a bit of a adverse seasonality in Q1, right, in terms of growth, in terms of slippages and margins also. If I see this quarter, I mean, it is less visible in terms of, you know, the growth is flattish Q-o-Q but interest on advances have grown up decent at 4%.

Slippages while they are up Q-o-Q but they are not dramatic change. Cost has also held up. Any changes that has happened in the business or that is something different which has happened? Usual seasonality is not there. So that is the observation or question.

Praveen Kutty: So, we have given a guidance with a clear timeline on multiple metrics of the bank, including cost, NPA numbers, and ROE, right? We said, and it's not like a in the next 6 to 9 months. It is exactly in the year 2026-2027, 13.5. We also said in the year 2027-2028, 14.5. So we are we are ensuring that we have calibrated growth and calibrated growth of the right quantity, right quality.

So you're seeing the efficiency improvements that we have implemented a year, year and a half back is giving the kind of results that we want to get. And possibly this should continue. An ROE of 13.5% in this year should happen without a hockey stick kind of movement. Every year -- every quarter that kind of movement has happened. And the bank is geared up for that.

So we don't give a guidance unless we are reasonably sure of it. And that's why in September we gave that guidance, we could see what is coming in. And over a period of time that guidance will be taken with more and more credibility if you have the kind of performance that we've been having for the last 4, 5 quarters. Otherwise there is really no dramatic strategic change, Jai.

Jai Mundhra: Sir, secondly on your co-lending book, right? So we understand there was change in the co-lending regulation et cetera. So hopefully that is done and how to look at co-lending portfolio growth going ahead? This quarter, of course, it is a relatively weak, but how to think about as we go to FY27?

Praveen Kutty: Expect it to go to 15%. We have, the guidance we have given is that, co-lending will not exceed 15%. So we have a room of about 2.52% more to go. So that availability, that is an opportunity which is there. We could go up all the way. But personally, I prefer organic lending improvement and co-lending can be somewhere in the, where we are at 12.5% to 15% kind of range, somewhere around -- somewhere in between this.

Don't want it to go far below this, but definitely we don't want to be kind of relying on co-lending for our growth. So organic will pick up. Co-lending will not be at 12.5%, it will be somewhere around the 13% to 14% range, but we have the luxury to go all the way up to 15% as per our internal ceiling and benchmarks are concerned.

Jai Mundhra: Great. And sir on gold loan, I just wanted, the growth is very strong 100%, almost 100% Y-o-Y, 35% Q-o-Q. And so just to understand the risk framework, you know, how do you, let's say price the loan, because there could be daily variation. Do you do some moving average?

Do you do some minimum floor or maximum ceiling etcetera? How much percentage of the gold loan book could be, let's say, above a 75% LTV? Not at the blended level, but, individual cases where or what is the risk management that you have for gold loan?

Praveen Kutty: Jai, you can test for yourself. RBI allows up to for consumption loans, up to 85% LTV. Okay. For business loan, there is no upper cap. You can go 110% also, 120% also if you want to. The new rules applicable from Jan 1 or April 1, 1st April onwards. You can call up any of our branches or walk into any of our branches and not one branch you be able to get more than 75% despite RBI allowing 85%. Okay. And we're able to grow.

So you don't necessarily have to go all the way to 85%, you're comfortable having a buffer there. So and look, we're happy with the kind of growth we're getting at a maximum LTV of 75%. Now that may change tomorrow if there is intensive competition acts that can change.

But as of now we have taken this call and the benefit of hindsight I think it's a good call because when gold price was 17,000 per gram, had we given 85%, it would have become 100% LTV today because 85% of 17,000 is 14,400 which is the gold price of yesterday. So, and we'd be doing margin calling like crazy and spending a lot of management time, there will not be NPA hopefully, but there'll be lot of management time wasted on margin calling.

So we remain conservative. Having said that for co-lending, we go up to 85% as per the RBI norms apply. So what the originator source can be at 85% but internally within the bank for organic sourcing we don't go above 75%.

Jai Mundhra: That is all right, sir. The question is if hypothetically...

Moderator: Jai, I would request you to please join back the queue for follow-up questions.

Jai Mundhra: Sure. Thank you so much.

Moderator: Thank you. We take the next question from the line of Parth Gutka from 360 ONE Capital. Please go ahead.

Parth Gutka: Yes, hi sir. Thanks a lot for the opportunity.

Praveen Kutty: Hi.

Parth Gutka: Hi, Sir. Sir, my first question is the disbursements which we see within the MSME segment has been falling on a Y-o-Y basis for the last couple of quarters.

Praveen Kutty: Yes, that's right.

Parth Gutka: So what actually is happening there or can you just highlight that?

Praveen Kutty: Yes. So on MSME we are trying to, there's three things we are working on which we need to improve. And I think all the 3 are interrelated. one is current account. two is MSME overdraft facilities and three is trade finance. So as you can see, our current account growth has been 5% Y-o-Y. SME has been, has grown partly because we stopped doing TReDS, which is a very low yielding book.

But fundamentally getting the current account traction going and improving SME are the critical focus area for us. It'll also help us in getting the trade fee income. So the disbursement number going up is critical for us. A lot of work is happening on it. You're not seeing the output on it yet, we're also not seeing the output of it yet, but I am sure that maybe in quarter 2, definitely in quarter 3 that number is increasing. We have put in higher quality people, we have opened up new sectors. So that -- it is a change that is bound to show itself in output in Q2, definitely Q3.

Parth Gutka: Sure, sir. Sure. And my second question is, so first, how much of the deposit repricing is left or the costs have largely bottomed out? And just squeeze in one more quickly, how much room is there within the opex to asset ratio to bring it further down from 2.4%? Of course we have done a commendable job over last 6 to 8 quarters, but if I look at the next 4 to 5 quarters then what is the headroom? Yes, thanks.

Praveen Kutty: See, I'm keeping to the mandate of, mandate in the sense, the guidance of 2.5%. We should come below that. So, and obviously denominator increasing at similar kind of levels will help bring the cost down. Traditionally Q1 is where you take the hit of salary increases etcetera with the denominator coming in later. So there's a there's a good chance that we'll be able to maintain or slightly improve the cost-to-average assets going forward.

And your first question on deposit repricing, Yes Q2 also has a bit of it. So there is some tail of the old repricing still continues. One of the good benefits of having a long duration term deposit is that you continue getting the benefit for a longer period of time.

Parth Gutka: Sure, sir. Thanks a lot, sir.

Praveen Kutty: You're welcome.

Moderator: Thank you. We take the next question from the line of Punit Bahlani from Dolat Capital. Please go ahead.

Punit Bahlani: Yes, hi sir. Thanks for taking my question. So just two firstly on the SME, I know you gave the explanation earlier, but the TReDS thing, are we building that up? I thought we already had a decent infrastructure in place for that. And is that the main reason for the run down of the book?

And secondly even in the CV, I know CV is not a big proportion, but there also we have seen some run down. Is that done to maintain asset quality or is there any other reason as such which I'm not aware of?

Praveen Kutty: Yes, I'll answer the first part of it. Punit, CV book is, we don't have a CV team at all, it's a run down book. We don't incrementally source anything, it's just a pure play run down book. INR 300 crores, INR 400 crores will be there. How much is it? INR 350 crores, yes. So it is as long as it doesn't create a problem for us from NPA, there is no attention going into building the book and we have no intention also to keep building the book.

It's a historical legacy which we are just ensuring that we run it down without any incremental loss. On the MSME, my response remains the same. It's an area where we want to grow. We have not really gotten to the level of where we want to get it to yet. And that's where the opportunity lies for us.

We certainly think that once we get the execution right on that, it'll -- today we are incurring the cost, not getting the benefit, but Q3, I can clearly see, we will be getting the benefit of the incremental investments we've done, both on people and technology, opened up new sectors. So Yes, right now just grinning and bearing it. We'll see -- maybe even Q2 you'll see an improvement happening on that on the MSME like I told the Parth of 361.

Punit Bahlani: Got it. Sir, on the margin front, like we have seen your margins driven by the cost of fund decline. We are seeing margins remaining stable. On the yield but -- assuming -- is it fair to assume that once we see the SME book picking up or any other segment which you could highlight we will see some upliftment on the yield because this deposit repricing I guess a couple of quarters more, right, or we have any more leeway? And how much if you could quantify? How much bps we have left for deposit repricing? Just trying to ascertain what the trajectory will be going forward.

Praveen Kutty: Look, you're getting it wrong. Deposit repricing is a natural phenomenon. There's a lot of effort going into the bank to get deposits at a lower rate. Fresh deposit getting at a lower rate. We are not relying only on deposit repricing happening automatically. Our frontline -- the rates that we currently give are such that you get -- we were at one point in time one of the highest deposit paying banks in the country. Today that that's changing.

So it is not just automatic roll over, renewal of old high cost deposits which is coming through. There's a lot of effort in branch banking to get a lower cost fresh customer into the system as well. So that's the first point. The second is without changing anything else, the sourcing profile when it changes, like similar kind of when you see the disbursal of mortgages going up and that's bound to happen in Q2, you will find that the kind of yield that you get on mortgage is far higher than the kind of yield you get on organic loans.

So it'll definitely add to the improvement of the yield. If you keep the portfolio quality at similar levels or improve it slightly, you continue to get a NIM benefit going on it. As a bank, it'll be the -- NIM improvement will be primarily driven by cost-of-fund reduction and maintaining good quality portfolio. I don't see us wandering into higher yield segment chasing NIM and then potentially suffering the consequence of that one year down the line or one and a half year down the line.

So clearly the strategy is, bring down the cost-of-deposit, bring keep the portfolio quality momentum going. And that would be the way the NIM improvement happening by changing the product mix. The more of LAP, more of mortgages by itself and SME frankly is a INR 1,800 crores book, it cannot alter the destiny of the bank. But a INR 29,000 crores mortgage book certainly can.

Punit Bahlani: Got it, sir. Thank you so much for answering my questions.

Praveen Kutty: You're welcome.

Moderator: Thank you. We take the next question from the line of Aditya from Securities Investment Management. Please go ahead.

Aditya: Yes, hi sir. Thanks for the opportunity and congratulations on a good set of numbers.

Praveen Kutty: Hi Aditya. Thank you very much.

Aditya: Sir, first one clarification on cost-of-deposits.

Praveen Kutty: Yes.

Aditya: So Q2, do you see a drop considering the repricing which is left. But going forward from Q2 onwards, do you see that remaining stable or it should increase considering if I look at your last 2, 3 months, you have increased our fixed deposits rates by 25 to 30 bps. And with tighter liquidity in the system, do you think deposits would increase from Q2 onwards?

Praveen Kutty: So Aditya, good question. I just want to tell you this. In Q4, we grew 21% liabilities. Okay, in Q4. And in Q1, we have grown 20%. So we were very clear that even if it means that you have a higher carrying cost, it is important to get money now than money later. And I'll tell you 5 trend lines. Our cost-of-deposit over the last 5 quarters was 7.12, 6.96, 6.86, 6.84, 6.71. And these are times -- like 6.84 was done in a time in Q4 when most banks were scrambling for deposit.

In Q1, most banks were scrambling for deposit, we still got 20% growth and we brought down 14 bps on the cost-of-deposit. So the best way to answer the question is by doing it and by doing it consistently. And that's what you're seeing. If you can grow by 20%, if you can bring 14 bps down on the cost-of-deposit and keep your top 20 well within the 7% mark which we kept for ourselves without ruining the profile.

And you do it repeatedly quarter-after-quarter, especially quarter 4 which is traditionally a very difficult quarter, quarter 1, you'll have seen how the various competitive banks have performed on deposits. If you can keep it going and there is merit in us squeezing the cost-of-deposit even further going forward. And it's not just from repricing our deposits alone. That helps -- but that's not the only thing. It's only a -- every passing quarter the importance of that is becoming less and less and less.

Aditya: Understood, sir. And sir, if I look at your CD ratio, it has come down, it's now around 80% to 81%. So is there room for that to increase going forward?

Praveen Kutty: Yes. We're at 80.49 right now. So you'll see asset -- there is a possibility that asset growth could outpace liability growth and going forward -- and we're comfortable with that because we're sitting on stockpiled money.

Aditya: Got it. Sir, just two small questions. Do we see any benefit from this FCNR scheme launched by RBI? And secondly any impact of ECL on us?

Praveen Kutty: Yes, FCNR we are keen on it, because they are individual deposit, they are long-term deposit and maybe they are slightly better than cost neutral. So to that degree it's not a bad thing. So we are focused on it. As far as ECL is concerned, there are two things I want to tell you. You've seen how the GNPA, NNPA movement is. You've seen a credit cost of 26 basis points. And you've seen that the trend line of how all the 3 have been going for the last 7, 8 quarters.

And for ECL, clearly the recency matters, the fact that we are secured heavy matters, and also the fact that every quarter we are adding INR 6 crores to INR 7 crores to a floating provision which is now INR 210 crores from which we have not even dipped into it even during COVID or demonetization or whatever else, never in the lifetime. That gives enough buffer for us when ECL goes live in April.

Aditya: Got it. Sure, sir. I'm done with my questions. Thank you.

Praveen Kutty: Thank you, Aditya.

Moderator: Thank you. We take the next question from the line of Krishnan ASV from HDFC Securities. Please go ahead.

Krishnan ASV: Yes, hi. Good evening and thanks for taking my question.

Praveen Kutty: Hi Krishnan. How are you?

Krishnan ASV: Absolutely fine, sir. Thank you. Sir, a couple of questions. Your asset quality that you just mentioned, your GNPA has been trending lower, your NNPA has been trending lower and this is 5 quarters -- this is about a year since the tariffs were introduced by the U.S., right? So does that surprise you that why are MSMEs so resilient? And it's not just you, I mean this is something that we see across the banking system now.

And just wanted your thoughts, because you have been an MSME dominated bank predominantly. Just wanted to understand your thoughts on what's keeping the MSME engine running? That's one. And the second I'd probably come to once you have answered this, please.

Praveen Kutty: See, primarily the MSMEs that we look at are from the service and not from manufacturing. Okay. And as far as services are concerned, we clearly do not -- we're not seeing any impact of tariff or inflation so far. I was more concerned about inflation. I had expected that the bounce rates or the slippages would increase because petrol prices were to increase by INR 15 over a 2-month period. It has to result in squeezing on the wallet somewhere.

But one of the things I can tell you is that we have moved up the ticket size. So, we did some mortgage DA in 2024 and that really bit us badly, small ticket secured lending, secured DA that we did with from some originators and that has not kept us in good stead. So at that time we decided we'll -- not only will we not do any DA on small ticket, but increase the average ticket size significantly.

So partly I would say that it's because you've gone to a slightly more resilient customer. But even if you were to -- when I speak to other CEOs of other companies or credit bureaus, there is no indication of any big problem coming in the kind of segments that we deal with.

Krishnan ASV: Right. And what seems to be answering the inflation? Because even in services like including banks and financial services, I think the general cost of doing business is now higher than what it was six months back, right? So what is it that's keeping inflation at an edge?

Praveen Kutty: I just hope it's not the loan supply. There is supply. There is no restriction of credit. Right? So I just hope it's not just the supply of credit. But otherwise you're seeing -- when I go for customer visits etcetera, I'm finding increasing corner cutting everywhere. You know, both the height of the cup and the diameter of the cup is reducing for every cup of chai that you're having whether in rural India or suburban India, just to give you an example.

So there is some bit of pressure, but that's not really reflecting in the financial system. And frankly, loan demands is significantly -- we have an option to pick and choose. You can pick and choose the right kind of customers, there's demand across and you're able to command your ability to choose. So that's why it's not reflecting anywhere. But I genuinely believe that petroleum price increase will have a ripple effect on multiple other costs.

Krishnan ASV: Got it. Sir, my second question is about your NIMs. You mentioned NIMs still has some legroom or should I say the cost-of-deposits has some legroom on the way down. Is this despite the hike in incremental cost of funds? Because what you expected 6 months back is a very different environment now, right?

So do you see -- and the RBI is quite stubborn with rates, so they are not letting go on rates, so there's no EBLR benefit coming through for banks yet, right? So how are you so confident about NIMs going up in this environment?

Praveen Kutty: See, I think the answer lies in inefficiency. As a bank, I think we have been giving a higher rate than what is required for the kind of growth that we had for a decade. So we were putting more money on the market than what was required. And that's the honest answer. One way of looking at this, if you were there in the Investor Day presentation, I spoke about it. The difference between our rate and the rate of...

Krishnan ASV: And the delta decreasing?

Praveen Kutty: Yes, that delta's decreasing and that is good enough for bringing down the cost-of-funds and cost-of-deposits. But that is not even after the reduction, there is enough for the avaricious greedy customer to come to us because 45 bps over what some other bank gives is also good money. You don't have to give 65 bps points up, you definitely don't have to give 120 bps more than what the biggest banks are giving.

So the movement from 120 to 70 is helping us in a cost of funds and cost of deposit and cost of funds. And any reduction thereon is still enough in the in our pricing to attract good customers. So, in a sense I'm kind of shooting myself in the foot when I say this. There is that opportunity, there is that efficiency improvement that we can do.

And the whole theme of the bank for the last three years I've been a MD & CEO has been about improving efficiency in terms of productivity, in terms of cost of funds, in terms of capital utilization, you know, in terms of output per person. So there is I really think we were a very generous company earlier and now we're being a bit more leaner, meaner, fitter, and that's reflecting in the in the kind of bottom line that you guys are seeing for the last four, five, six quarters.

Krishnan ASV: Got it, got it. Thank you. Thank you. Thanks. That was very helpful. Thanks and all the best.

Praveen Kutty: My pleasure, Krishnan.

Moderator: Thank you. We take the next question from the line of Param Subramanian from Investec. Please go ahead.

Param Subramanian: Good evening. Thanks for taking my question and congrats on the quarter.

Praveen Kutty: Hi Param. Thank you very much.

Param Subramanian: Yes, hi sir. So first question is on the cost to assets. So you are at 2.4%, you're already doing better than the medium-term target that you set for yourself. So can we assume we are very much or near the bottom here or are there more efficiency gains that we can see? That's first one.

Praveen Kutty: We, in the last quarter I had said that I would expect the number of people increasing from 11,500 to somewhere around 13,000. I still hold on to it. We probably will be increasing people because for all the talk on digital, we still require feet on street in increasing the sales volume. So some bit of the efficiency improvement will get consumed by the incremental staff salary. But I would tend to think that we would be under the 2.5 guidance that we're given. We'll try and keep it within the 2.45 kind of mark for the full year.

Param Subramanian: Great, sir. Perfect. Very clear. Secondly, sir, some of the mid-sized banks have called out sort of a lending rate sort of pressure on the gold loans. So if I can understand what is the say broad yield on your gold loan portfolio and is there a pressure -- pricing pressure you're seeing there say led by public sector banks that could say hurt your margin?

Praveen Kutty: Look, see when I ask the frontline, the sales folks they will always say there is humongous pressure. They no not a single salesperson will ever say there is no pressure. But the fact of the matter is and you can check it out like I told Jai Mundra earlier. You call up our branch, you check you walk into a branch, you will not get more than 75% LTV, whereas the bank next door or the gold loan company next door will give you 85%.

And 10% is a lot of money. So if you're if you're able to grow the way we are able to grow without giving 85% LTV, right, and keeping LTV down by 10 percentage points, why would you face a pressure? There is enough in the market. Maybe for we haven't seen that pressure coming in either pricing pressure coming in or the market pressure coming in.

But if we do then we'll probably revisit how we do the gold loan business. But if you see Q4 -- Q4 and Q1 both, we haven't seen too much of pricing pressure or LTV exposure pressure coming into us from a organic perspective. I am not talking about co-lending at all, I'm talking about our own book.

Param Subramanian: Understood, sir. If you're comfortable sharing what is the say broad portfolio yield on your gold loan?

Praveen Kutty: We don't give product-wise do we? No we don't. We don't.

Param Subramanian: No worries. Perfect. Thank you so much and congrats once again on the quarter.

Praveen Kutty: Thanks Param. Thank you very much.

Moderator: Thank you. We take the next question from the line of Vaibhav Mehta from Axis Mutual Fund. Please go ahead.

Vaibhav Mehta: Hi sir. Thanks for taking my question.

Praveen Kutty: Hi Vaibhav. How are you?

Vaibhav Mehta: Yes, I'm fine. Sir, my question was regarding with the branch additions and branch growth vision that we are having. I have seen that we have seen good number of additions over past few quarters, though Q1 was flattish. But going forward what could be our vision for that and what would be the markets we would like to penetrate going forward?

Praveen Kutty: Maybe another 20 branches this year. We're not very branch focused for our growth. So maybe 500 will be a good number to have at the end of the year, maybe slightly more than that. But that's not -- at least for the next two-three two to three years, I don't see branch being central to our growth story.

Where will the 20 branches come in? Mostly second, third branch in the existing cities which are which are doing well. So increased penetration in existing neighborhoods would be the way to go. But otherwise it'll be more of people increase than the than the branches increase. Proportionately more of people increase than branches increasing.

Vaibhav Mehta: Got your point. Thanks.

Praveen Kutty: You're welcome.

Moderator: Thank you. We take the next question from the line of Vaibhav Garg from VPPL. Please go ahead.

Vaibhav Garg: Hi sir.

Praveen Kutty: Hi Vaibhav. How are you doing?

Vaibhav Garg: I'm good. Looking a bit ahead, your tenure is till April of 2027. So has the bank board indicated anything about the extension? And if the board decides to offer an extension, what would be your willingness to accept it? And secondly, any update regarding the fund raising plan of the bank for the current financial year?

Praveen Kutty: Yes. So has a branch spoken to me? No. Sorry, has the board spoken to me? No. I think it's a bit too early. What my personal choices are, I mean I've been in this bank for 19 years. I can work for another 19 years in the same bank. I have the energy, willingness and I've got a great team which you're working with.

So no two ways about it. But again it's a board's call, RBI's call. So that's a simple answer to your question. And with regard to fundraise, so this is weird, right? 14.26 was a was a Tier 1 capital three months back. Now that has gone to 14.9. And if you were to look at one year back Y-o-Y, our capital adequacy has gone up from 14.20 to 14.90.

And overall, if you were to look at Tier 2 included, CRAR has gone from 16.66 to 17.03. So that's very weird because as you all know, banking is an industry which is very, very guzzling capital. So we are in a good space, controlling RWA. But the reason why we want to have capital is not to conserve capital, it's to expand on it.

I think the model is more or less proved, right, that we can run a secured book of where 13.5 definitely and next year you will see 14.5. That model comes into place and we demonstrate that look, it is very much possible to run a 13.5 to 14.5 kind of ROE book, keeping it secured -- the kind of small ticket secured granular assets that we have.

So then the whole idea is how do you get incremental capital for the next phase of growth, maybe what is good enough for the next three years. Last time we raised capital was eight years back, maybe nine years back -- eight years back. So for the next three years what is the required we'll take it up. So there's no urgency, but we are open, we're having conversations.

So you know we had a AGM where an enabling resolution was passed for a INR2,000 crores which is INR 1,500 crores of Tier 1 and a total of INR 2,000 crores capital raise. That has gone through pretty smoothly. Obviously with the kind of consistency that we're bringing in, there is interest. But the timing, quantum, and pricing will be decided by the board.

Vaibhav Garg: Thanks a lot, sir.

Moderator: Thank you. We take the next question from the line of Devam Modi from Ardeko. Please go ahead.

Devam Modi: Yes, thank you sir for the opportunity.

Praveen Kutty: Hi Devam. How are you?

Devam Modi: Yes, hello sir. Hi. So firstly on the non-interest front. So given that our fee income is partly liability linked and we have seen a very strong deposit growth plus there is a potential of higher advances growth during the year given the disbursement run rate and the existing CD ratio. One should -- could one expect the current outperformance of core fee income in the first quarter to only extend and grow in the remaining part of the year and also any branch level intervention or initiative we have taken to enable this as of now?

Praveen Kutty: Look, core fee income, the by definition core fee income is something which is replicable and recurring in nature. Okay. So I'll tell you what is working well for us, what can work better for us, okay, what can improve. So mostly our core fee income is driven by third-party distribution and processing fees. Q1 usually is lukewarm in terms of asset disbursal.

We expect that to continue to increase in Q2, Q3 going forward. So processing fee naturally just by extension of logic should go up. Third-party distribution, Q4 usually is a great quarter and Q1 is a very sleepy quarter. We managed to kind of change that. And that is a that's a big mover because usually four months worth of output happens in Q4 and two months worth of output happens in Q1.

We managed to kind of kind of catch the -- change that Q1 behavior. So that also logically speaking we should see a improvement happening in Q2 and Q3 because that's a natural flow of things. Where the area where we need to improve a bit more is trade finance income. It is tied to how well we do current account in SME and if you heard me speak to the earlier folks, either you can call it inefficiency or you can call it an opportunity.

Getting the current account SME right will by force of nature improve our trade finance. And that is a recurring income that's core fee income and that I think is a real big opportunity. The other two I think we are doing fairly well and we'll continue to do fairly well. So trade finance-how well we build it up which will also partly address our current account issue and partly address our SME momentum is one area where we're focusing on.

We're putting a lot of effort not seeing great results, but we're patient about it. Things don't happen overnight in retail banking. So putting the effort so you sow now you reap maybe after three-four either years or quarters.

Devam Modi: Sure and any branch level initiative or intervention that you have taken that seems to be working well on this front?

Praveen Kutty: Huge number. I mean there's like too many there is a there is nothing out of branch I mean there are 480 branches and each branch is different. I mean so it is not a one measure, one size fit all. Some just go gangbusters on gold loan, some are fully term deposit oriented, some are practically current account very it really depends upon what kind of market it is, what kind of competition is there. So the sum total of that is what you see as the output coming in either in the balance sheet or in the fee growth. Or even in the asset growth. So it's different horses for different courses.

Devam Modi: And finally sir, will you recognize that you have I mean you have done a very disbursement in this quarter, but at the same point of time there seems to have been a high run down as well. So any thoughts on that front and whether that was on the balance transfer side and what would be the general churn in the mortgage book and the overall tenor of the same?

Praveen Kutty: Okay. In the mortgage book, there are two things you have to look at. One is that like I told you we did some wrong calls in 2024 and got some DAs which contributed to NPAs and it still does. So we've stopped that completely. So if you see the mortgage book today it's practically fully organic. And secondly, the disbursal of today will lead to the growth of tomorrow.

So if you have a 35% increase in disbursal, it is unlikely that you will see a 35% increase in growth. But if you continuously do a 30%-35% increase in disbursal over the Q1 of last year, Q2 of last year, Q3 of last year and Q4 of last year, then you'll see that the growth will not be 9% as you see currently seen, it will be upwards of 22% to 23%.

If you ask me how are we on the premature closures, the non-contractual closures, Q1 and Q4 are -- I mean Q1 is slightly better than Q4. So I almost said are equal, no. Q4 was more aggressive, there was far more of takeovers, Q1 there has been lesser of takeover. So on the mortgage book, happy to see the lead indicator of growth coming in, which is disbursal.

And if we continue on the same path, there cannot be two ways about growth not coming through because we have a good a very good retention management system, pretty highly tech driven, AI plays a big role in identifying the goods and the bads, probability of default. So I think it's reasonably well managed and I don't lose sleep over mortgage growth.

Devam Modi: Thank you.

Moderator: Thank you. Ladies and gentlemen, we take the last question from the line of Kushwant from KPAC. Please go ahead.

Kushwant: Yes hi. Am I audible?

Praveen Kutty: Hi Kushwant. How are you doing?

Kushwant: Very well, sir. I have a small question, congratulations first of all on decent set of numbers. I remember you told in previous quarter for most of the banks there was for you know one common question that was coming was the impact of crude oil prices and war and any stress coming into the banking system in the later part of the year. Just wanted to pick your thoughts on that?

Praveen Kutty: So I believed that then and I believe that now also, but honestly I don't see an impact of that hitting us. And it is because of these fears that we significantly increased our liquidity; we increased our deposit growth significantly. That is the reason why we kept our LTV very conservative and went after gold loans in Q1.

But honestly, look at the slippage ratios, non-gold slippage ratios, bounce ratio which we don't publish otherwise, but these are the early indicators, our 12-month on board 30 plus, 90 plus, there is no indication to believe that there is going to be a problem in terms of repayment based on historical facts.

So that's what we did. So we just stockpiled liabilities and turned our sourcing engine towards safer assets. But frankly -- clearly Q2, Q3 we are the mortgage business, mortgage sourcing will significantly increase, has already increased in July. Similar with SME and MSME. So all the other asset products also started kind of rolling it in.

That's our indicators and if you look at external indicators of credit bureau also, one doesn't see any impact of that in this particular target market. By saying that I mean a ticket size of X and above in locations that we are currently present in, we just don't see any negative impact.

Kushwant: That's so lovely to hear. My best wishes to you all. Thank you so much.

Praveen Kutty: You're welcome. Thank you.

Moderator: Thank you. Ladies and gentlemen, with that we conclude the question-and-answer session. I now hand the conference over to Mr. Praveen Kutty for his closing comments.

Praveen Kutty: Thank you very much whoever is still in the call. So we hope to keep getting the same kind of questions and same kind of answers and the same set of results. And the whole idea is to bring in the consistency of performance, not just of growth alone, but also of all the engines of growth. We are focused on it.

What we didn't speak about in this particular meeting is the kind of investments that we are continuing to make in technology, the incremental use in AI etcetera. But hopefully we will come back to you next quarter with the results of quarter two and you will see how well our talk of being consistent, being predictable and being sustainable is. There's nothing to prove as much as results can prove. So keep watching out for results. Thank you very much.

Moderator: Thank you. On behalf of DCB Bank Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.