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Tamilnad Mercantile Bank Ltd
Be a step ahead in life

Ref.No.TMB.SE.62/2026-27

30.07.2026

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

The Manager
BSE 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 – Q1 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 Unaudited Financial Results of the Bank for the quarter ended June 30, 2026, has been made available on the Bank's website at the following link:

Transcript of the Earnings Conference Call – Q1 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 ASHOK YELGAONKAR
Digitally signed by SWAPNIL ASHOK YELGAONKAR
Date: 2026.07.30 13:45:10 +05'30'

Swapnil Yelgaonkar
Company Secretary & Compliance Officer

Tamilnad Mercantile Bank Limited

Q1 and FY 2026-27 Earnings Conference Call – Transcript

July 27, 2026

Management:

Mr. Salee S Nair, Managing Director & CEO

Mr. Vincent M D, Executive Director

Mr. Sanjoy Kumar Goel, Chief Financial Officer

Moderator: Ladies and gentlemen, good day, and welcome to the Q1 FY27 Earnings Conference Call hosted by Tamilnad Mercantile Bank Limited. As a reminder, all participants' lines will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touchtone phone.

On the call today, we have the following management representatives: Mr. Salee S. Nair, Managing Director; Mr. Vincent Menachery Devassy, Executive Director; Mr. Sanjoy Kumar Goel, Chief Financial Officer.

I now hand over the conference to Mr. Salee S. Nair, Managing Director from Tamilnad Mercantile Bank Limited. Thank you, and over to you, sir.

Salee S. Nair: Thank you, Pari, and good evening to all of you, and welcome to this con call on the results of TMB for FY27 first quarter, Salee here. And just to take you through the highlights and the performance highlights. The quarter 1 of FY27 has been a good quarter for TMB, as you would have already seen the presentation that has been uploaded both in our site and the NSE and BSE sites.

We have delivered as promised, we have exceeded the guidance as promised in the last con call in April. The growth is, if I look at it, we have delivered first quarter 23% growth business growth, total business growth of 23%, which is way, way higher than the 8.82% 10-year CAGR that this bank has delivered in the past.

So, this is the highest growth in the last 14 years. It is 7% over the industry growth. And the growth, of course, has come and backed up by the growth has helped us deliver strong net interest income and the net profit, which is the highest ever in the bank, the bank's 105 years history. Credit cost continues to be under control. And for the first time in the history of this bank, we have fully provided for the non-fund based facilities.

If you look at the provision that we have had for the quarter, a substantial amount is against non-fund based facilities where we are fully provided. We have provided almost INR26 crores there. Gross and net NPA percentage has continued to decline. And the capital adequacy is at 32.33%. It's one of the highest in the industry.

And what this means for the shareholders, ROE, I think the second quarter when we have crossed 15% this quarter, FY27 first quarter, it is at 15.93% Quarterly EPS is INR25.99 per share. Market cap since the last call is up 20%. And the 20% was up to Friday, and you would have seen the price go up today, and this is not captured in this 20%.

So, this has been a value-driven growth. And I'll come to that just in a bit. The total business increased 23%, as I just mentioned, to INR1,21,715 crores. Deposits, 19.71% up to INR64,409 crores. We will get a little more color on it as we go a little later. CASA is up 16.94% growth year-on-year. Advances 27.01%. And the RAM business, the advances retail, agri and MSME, is up 28.47%. So, all this has delivered good value for us.

Net interest income, as I said earlier, is up 32.01% year-on-year. The operating profit is at INR611 crores, up 48.22%. Net profit is an all-time high, INR412 crores, up 34.97%. ROA is up 32 basis year-on-year, up from 1.82% to 2.14%. So the ROA, return on assets is at 2.14% for the quarter. And ROE, like I said earlier, is 15.93%, up 263 basis over quarter 1 of FY26.

And if you delve a little deeper into it, CASA is at 26.16%. Unsecured exposure in the overall portfolio is just 10 basis points. Net interest margin, the net interest margin is up 45 basis year-on-year, and it is now stands at 4.29% for the quarter.

Cost-to-income ratio well contained, below 40% at 39.10%. The credit cost continues to be under control, 9 basis points. And the credit like I said, the credit quality continues to be good. GNPA is 0.69%, down 53 basis year-on-year and NNPA is 17 basis, down 16 basis year-on-year. SMA is at 2.21 basis, again, down 84 basis and PCR is 96.04% total PCR and on book, it is at 75.36%.

Now when you get into separately into the business performance, current account is up 16.28% though quarter-on-quarter, it is down 8.75%. I'll come to that a little later. CASA overall, it's 16.94%, I mentioned earlier, but quarter-on-quarter, because of current account degrowth of 8.75%, is down 2.95%.

Term deposit has more than compensated that. In fact, it is up 20.73%. And overall, term deposits is up 19.71%. This particular quarter, we have been trying to secure our resource base in a big way, and that's getting reflected in the overall deposits of 19.71% and in particular, the term deposit of 20.73%.

We have been focusing on the term deposit in the quarter, and that has, to some extent, cannibalized current account the CASA, which has, sort of, not really up to what we would have anticipated 2.95%. But when we look at it holistically, we have put that in Slide 10, while the degrowth in CASA is just about INR500 crores.

The overall focus on the resource mobilization, the overall focus on deposits have yielded INR2,697 crores in the first quarter, which is a record deposit mobilization as compared to INR114 crores that we did in the same quarter last year.

And to give you a little more color on it, the noncallable deposits quarter-on-quarter from the 31st of March '26 to 30th of June is up 18.44%. So that's again our focus on resource mobilization, our focus on seeing that the focus continues on within the resource mobilization, the non-callable deposits is up 18.44%.

And such deposits, 80.39% are over 1 year and above tenure. So that's the other aspect. So we are trying to secure our growth strategy going forward. FCNR(B) deposits is also seeing some movement there, 11.03% as it has moved up quarter-on-quarter. And $10 million is what we have raised so far under the Special Forex Swap Facility of the RBI.

So, there is some movement there. And like I said, overall, the focus has been on securing the resource base for the growth forward. And CASA, a small degrowth in CASA has been a consequence of it, which will more than make up hopefully in this quarter, which is quarter 2.

On the Advances side, I think the RAM, as I said earlier, is up 28.47%. The growth is evident across retail, agriculture and MSME. MSME, in particular, has moved up 20.09% year-on-year. The others are at 6.69%. Again, a bit of a movement happening there. Overall, like I said earlier, gross advances is at 27.01%.

CD ratio has moved up by 511 basis across the year, and I have a slide for you on the CD ratio coming up later. On the advances, of course, the growth momentum is maintained and the profitability is the focus of the advances, obviously.

And we have put in place some of the numbers, which I'm sure you can scrutinize later where we have given you the ROA on some of our portfolios, both retail, agri, MSMEs and other advances separately.

The portfolio mix currently stands at agri 40%, MSME 28%, retail 25% and others, 5.62%. So the gold loan portfolio continues in an acceptable range. It continues to be gilt edged. Our portfolio still has the ability to handle almost 20% reduction in the gold price. And with LTV continuing to be in the acceptable range, there has been a bit of a spike in the portfolio at-risk one day, which is now getting contained.

Like I said, the portfolio yield is very, very comfortable at 10.58%. So, this is a portfolio that we will continue to market, continue to ramp up going forward. We don't anticipate any kind of issues in the commodity risk involved in this portfolio, which is being monitored on a daily basis. And it is clearly well under control.

Unsecured exposure, as I said earlier, is just about 10 basis. There is practically no NPA in that. The NPA in unsecured is just about INR56 lakh. On the export credit front, I think 3.53%, INR685 crores of our purely export component and West Asian exposure is only about 32.14%, which is practically a small portion of it.

And so far, we have not been seeing any kind of stress in our export portfolio or the larger MSME portfolio on account of the West Asian crisis. There has been some uptick in the GECL portfolio, GECL 5.0 portfolio. But like I said, we are not foreseeing any as of now, we have not seen any kind of stress in this portfolio.

On the financial performance, like I said, the net interest income is up 32.01% and the profit is INR412 crores, INR411.51 crores, up 34.97%. So, the employee cost and the other expenses are under control, and that's what helped us to deliver an operating profit of 48.22%. The balance sheet is now almost touching the INR80,000 crores mark as on June 30.

So, this all has resulted in enhanced shareholder value. I said about the earnings per share at INR25.99. Book value per share stands at INR667. ROA 2.14%, it has been continuously moving up. And ROE stands at 15.93%. Total shareholders' fund stands at INR10,562 crores.

And the other interesting aspect is the shareholding pattern when we go deep into it on the 30th of June '25, when we had no investment from the mutual funds, TMB, there was no mutual fund that invested in TMB on June 30, '25. When I move to June 30, '26, I noticed that, that interest is beginning to show up. The mutual fund investment in TMB's holdings is at 0.577%.

And likewise, the foreign portfolio investors are also showing some interest, which was at 4.576% earlier, is now up to 6.73%. So, some interest now coming from a larger mutual fund DIIs and continued interest from the FPIs.

Credit quality continues to be stable. And like I said, GNPA at 0.69%. NNPA at 0.17%. PCR is at 75.36%. This is on book PCR. Asset quality is very much under control. And even in the NPA, the collateral coverage for the NPA book is at 145.28%. So INR398 crores of NPA, INR241 crores of provision and INR145 crores of collateral coverage.

So, I think pretty much the provision that we have already invested in, much of it is, likely to come back as we resolve these cases going forward. One of the highlights of this quarter, as I said earlier, is that instead, or rather we have provided provision of 100% provision for the stressed NFB, non-fund based facilities.

This is not a requirement as per IRAC, but it is certainly a requirement of the expected credit loss regime, which will start from the 1st of April 2027. So, this is something that we have already done. The provision number that you see, INR26 crores of that provision number is on account of this stress NFB facilities provision, which, in normal course, we may not have done, but we have done it as a prudent measure and looking at the ECL going forward.

Yes. Coming to slippage. Slippage is under control, 8 basis points. SMA is also under control. Stress assets are on a downward trajectory. And I was mentioning about the ECL, effective from 1st of April '27, ECL will be implemented. And as far as we are continuously calculating the ECL cost for us.

And the cost as on 30th of June '26 is at INR324 crores. That is additional provision requirement as we move from the IRAC regime to the ECL regime, that is the additional provision that will be required. And I have said earlier also that INR250 crores of COVID contingency provision, we have not written back. We have kept aside just for the ECL.

And in this quarter, in quarter 1 of FY27, we have also added another INR26 crores to the stress NFB, taking the overall provision that is kept aside to meet the expected credit loss in kicking off next year is INR276 crores.

So, when the industry moves out to the ECL regime, TMB would largely be insulated from the impact of that, and we are hopeful that, we certainly will be in a position to contain the ECL fallout in the first year of the implementation itself.

On the key ratios, the cost of deposits have moderated; from 5.71% last quarter, it has come down to 5.68%, a reduction of 3 basis. While on the advances side, 9.93%, it has moved up 9.93% in quarter 4 has moved up to 10.10%, 17 basis. So, both combined the combo of it has helped us deliver a net interest margin of 4.29%.

Capital adequacy, even Tier 1 is at 31.30%. Cost-to-income ratio, as I just said, now stands below 40% and I've also put some kind of information on the CD ratio, on the solvency ratios, leverage ratio stands at 12.5%. If you recall, the regulatory minimum requirement is just 3.5%. So, we are at 12.5%, more than 3 times that. LCR stands at 140.74%, NSFR at 150.74%.

And CD ratio is 88.97%. But given our net worth, we have put some numbers there, our net worth in the balance sheet size is 13.24%. That gives us the ability to lend much more. And we have also calculated the maximum CD ratio permissible on account of this high net worth is 99%. It stands today at 89%, which means we have some distance to go in terms of CD ratio.

And obviously, you will see from the deposit numbers, the resource mobilization numbers that our focus on term deposit will probably moderate the CD ratio going forward, and particularly term deposit at 20% plus.

So, on the business per branch, continuously up INR193.81 crores average business per branch per employee, we have recruited 325 new employees during quarter 1. Otherwise, I think that has impacted their productive input is not part of the business per employee is at INR23.75 crores and the profit per employee is INR32.12 lakh.

So that's also continuously expanding. We have added 6 branches in the first quarter. The branch now stands at 628. 171 of those branches are outside the state of Tamil Nadu. So in the 6 branches that we opened in FY27, 3 branches are within the state of Tamil Nadu and 3 branches are outside the state of Tamil Nadu.

Digital transaction trends, I think the number of transactions that is now conducted across the counters in the branches has shown moderation. It has come down from INR59 lakhs to INR55 lakhs. Likewise, the usage of TMB MB has also seen continuously rising and we've seen some growth.

And of course, we are investing heavily in the technology and in the process of modernizing the bank. I think that effort has continued in the first quarter and will continue in FY27 as well. And there is one additional disclosure we would like to make that the investor community is aware that there has been a show cause notice issued against the bank by the Enforcement Directorate for certain shares being part of the NRI community.

And the show cause notice 1 where a penalty of INR17 crores was imposed on the bank and show cause notice 1 for issuing bonus shares where no penalty imposed, but the show cause amount is INR1,037 crores. On the 9th of July, the Appellate Tribunal has announced this order, our appeal has been partly allowed.

The penalty has been reduced to INR3.4 crores, and the bank would receive INR13.60 crores, hopefully, in quarter 2. ED's claim for confiscation of the shares held by the foreign investors has been dismissed. So that's a major outcome of the order. And we are evaluating the order. The order has been received, we are evaluating and further course of action is under examination. SCN 2, the adjudication is still pending. So that's from my side.

I have with me, as Pari just mentioned, the Executive Director, Vincent; the CFO, Sanjoy Goel; the Head of Credit, Ananda Ganesan; Head of Resources, Ashok; Head of IT, Davis; with me to answer any of your questions as you may have. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Digant from GreenEdge Wealth.

Digant Haria: Sir, congratulations. You continue to underguide and overdeliver. It's like almost the seventh quarter that I'm saying this comment to you, but congratulations, sir. Sir, because of such good performance and it's the start of the year, so would you want to give us some guidance on loan growth and margins, ROA, ROE, any such parameters for the year?

Salee S. Nair: I think you did mention that the seventh quarter, we are underguiding and overperforming. Is that the word you used, right?

Digant Haria: Yes.

Salee S. Nair: I think we have been looking at structural changes within the bank, investing in technology, releasing the productive infrastructure precisely to generate the kind of growth. And that the bank has been responding and the numbers have come better than expected. But I know probably a lot of it is driven by our team in general and they have been delivering.

Having said that, the total business growth for the quarter, yes, we have been quarter after quarter, the growth is moving up, but a stage comes when your balloon cannot get bigger, right? It has to be sustained.

And the rest of the quarters, you will see these kind of numbers. We are trying to see whether these kind of numbers can be sustained. Now from a larger perspective, the sort of guidance that you're looking, I think I would take you back to the guidance that I've given in April. What is your name, you said?

Digant Haria: Digant Haria from GreenEdge.

Salee S. Nair: Haria. The guidance, if you recall, we had said that CASA growth will be 17% to 18%. Certainly, we will stand by that in the, say, the next quarter, the quarter 2 and the rest of the year. I think that's something that we will try and see. The deposit growth, we said we will be 16%. I think we are increasing it by another 2%, right? I think we will see how that moves up.

And 16% is what we said for the year, we are raising it by another 2% because slowly, the system is responding to our overflows on deposits. We'll see how that proceeds before we revise it in the next quarter.

Advances growth, we said 20%. I think we would be upgrading that again by another 2%, 21% to 22% is what we are hoping to end the year. Total business, like I said, 18% is what we mentioned for the year. I think another 2% is something that we are confident of delivering.

Net interest margin, 3.90%, I think we should be very well past the 4% mark for the year. ROA, 1.9% is what we guided. I think it is going to be, again, well over 2%. ROE, 15% is now our revised guidance. And the GNPA continues to be below 1%. Yes, Haria.

Digant Haria: Right, sir. Sir, in last quarter, I asked you this one question that in the last year, gold loans was our Dhurandhar, and you said that probably this year, the other parts of the RAM business might be the Dhurandhar. But sir, Q1, again, it's gold heavy. So, when do you think this retail MSME picks up really well and like?

Salee S. Nair: Let me take you to my which slide is this? I keep going back and forth, I get lost in the slide. My Slide number 12. MSME, look at the way MSME is moving.

Digant Haria: Yes, sir. INR500 crores every quarter you are adding, I can see that.

Salee S. Nair: So hopefully, gold loan one of the reasons why we are looking at 21%, 22% as opposed to the 27% growth we had in the first quarter is that the second half of the current year, we will unless the gold moves, I think the prices are getting stabilized around $4,000 an ounce. So the kind of Dhurandhar growth you mentioned in gold loan may not be there in the second half of this year.

And that is where our other arms of the advances will step in, particularly we are looking at MSME. We have done a whole lot of investment in the MSME space, and that is beginning to deliver us results. The 14.89% quarter, the year-on-year MSME growth has now moved up beyond 20%.

And this is one area you will see growth continuing. And this is what we are banking on to step into the vacuum, if at all, any created by the slowing growth of gold loan. And like I said, 21% we are upping the guidance to 21%, 22% for overall advances growth.

Digant Haria: Right. No, great. I wish you success for this year also. Sir, just one last question is on this CASA, like we are around 26%. We used to be somewhere around 30% before this high-growth pace started 28%, 29%, 30%. And we opened a good number of branches also last year. So just what strategy anything more that we want to do to improve the CASA? So yes, that's the last question from my side.

Salee S. Nair: You look at it. In this year in this quarter, because there has been a bit of a crunch on the deposit crunch that we anticipated. So, we were focused on securing the resource base. That is where we had a focus on the term deposits in the current quarter, and that we noticed has cannibalized a bit of CASA deposits.

But we are focusing back on it, back on the CASA. We are strengthening our TBG, the transaction business group. And we are also expanding. As you just mentioned, last year, we opened 44 branches and our intention is to open 60 branches in this year. And 6 of the branches have already been opened. So that's some activity, you will see the CASA pick up going forward.

Moderator: The next question is from the line of Laksh from Share India Securities.

Laksh: Congratulations for the good set of numbers. Since we are so bullish in the MSME space, so what guidance can you give regarding the growth in this sector for the year going forward?

Salee S. Nair: In the MSME space?

Laksh: Yes, sir.

Salee S. Nair: Specific guidance will respond to, I think probably we can come back to you on, as this quarter comes to a close. Because some of the investments are still in the offering. And the investments already made in the LOS, in the structural HR and the structural reforms, getting the CMCs in place, etc., are yielding results.

And to what extent this response, these structural changes, the investments in IT responds to us is something that we are studying. But for the year as a whole, we are confident that this will be well ahead, will be much beyond the number that we have put on the table of 20% plus.

Laksh: Okay. Okay. And sir, did we see any hit from the impact of the El Nino and war?

Salee S. Nair: See, we don't see any kind of stress emerging as of now. At least certainly in our book when we study the book and when we study the cash flows in the book and also our reaching out to our own customers, we are not seeing any kind of impact at all as of now.

Moderator: The next question is from the line of Parth from 360 ONE Capital.

Parth: Sir, my first question is our SMA 0, 1 and 2, all the 3 have gone up on a quarter-on-quarter basis. Is this any particular portfolio contributing to the same? And can you just throw some light on the same?

Salee S. Nair: If I take you to Slide 14, you will notice that there has been some bit of an uptick in the portfolio at-risk one day. When we are talking about SMA, we are talking specifically about SMA 0, SMA 1 and SMA 2, right, including the SMA 0. There has been a bit of an uptick in the gold loan portfolio that has contributed almost INR100 crores, INR150 crores there. So that's a piece.

But you also noticed that our corrective mechanism that we have put in place is already impacting it and the numbers are coming down. So that numbers going forward will have an impact on the overall SMA portfolio. Of course, I can't tell you the number today, which is I can tell you is well below what we have quoted in the June 30. But it's under control. Let me assure you it's under control.

Parth: Okay, sir. Fair enough. And on the segmental yields that you give, if I look across your yields within the agri segment has gone up from 9.75% to 10.5%, whereas your yields within the MSME segment has gone down from 10.5% to 10%. So what exactly has happened in these 2 portfolios during the quarter?

Salee S. Nair: Agri portfolio sorry, in the MSME portfolio, we were catering to a certain segment. Now we are widening our and diversing our customer base. And that will obviously require some bit of offering of a finer price, and that is impacting the overall yield. Even after the overall yield, the ROA continues to be at an acceptable level.

On the agri side, yes, the yield has gone up because that was a conscious effort to improve the pricing of the gold loan segment per se as we anticipate hardening of the rupee term deposit base going forward. Oddly for us, that has not impacted that much. And that's one of the reasons why our net interest margin stands at 4.29%.

Our cautious approach in ramping up the gold loan yield a little tweaking it upwards in anticipation of a hardening of term deposit rates has worked in favor of us. That's the reason why we see the yield moving up to 10.54%, and which is also impacting, like I said, the net interest margin.

Parth: Sure, sir. And my last question is on Slide 41. For the show cause notice 1, right, it's mentioned that ED's claim for confiscation of shares held by foreign investors has been dismissed. So is it now fair enough to say that now these shares would be free from the encumbrance or would be available?

Salee S. Nair: It is a little too early for me to react to that. I think we are studying the order as such. And incidentally, the bank is not involved in it. This is a case between ED and those certain investors. I think the ED had claimed that those shares should be confiscated, but appellate authority has set it aside. Now we'll have to see what is the implication of that, right? ED obviously can also go in appeal. So, we are studying it, and we'll see when I meet you in the…

Moderator: Ladies and gentlemen, the line for the management seems to be disconnected. Please hold for a while.

Salee S. Nair: Hello?

Moderator: The line for the management is reconnected. Please proceed.

Parth: Yes, sir. So you were saying, sir, you will study the order…

Salee S. Nair: Yes, that's what I'm saying. In fact, we have engaged one of the top legal firms in the country to have a look at the order and advise us on the course of action. So some clarity will emerge during the quarter.

Parth: Okay. Okay, sir. And my last question is, sir, the retail portfolio has declined on a Q-o-Q basis, if I look at Retail portfolio?

Salee S. Nair: Which portfolio, sorry?

Parth: Retail portfolio. So, like all the other 3 portfolios have actually grown. So what has actually happened there? Yes. That was my last question, sir.

Vincent M D: On the retail portfolio, we are certainly seeing the green shoots. For instance, vehicle loan has grown up by 25.7%. And we have been observing a degrowth in our home loan portfolio that has been largely arrested. And if I compare with '25, our advance level versus the current level, it is almost the same level.

So, the downtrend has been largely arrested in home loan, and there is a very good uptick in the auto loan segment, vehicle loan segment. That has grown up by 25.7%. And coupled with this, jewel loan for the consumption, that is still having very good demand and the growth is happening there. So overall, we are expecting that here also similar to MSME growth, where our retail segment will also contribute in a big way during the current year.

Salee S. Nair: See, one of the other aspects that we noticed is that the retail gold loans, toggles between agri gold loans and the retail gold loan, depending on some migration seems to have happened from the retail gold loan to the agri gold loan. That is one of the reasons why on a quarter-on-quarter basis, you are seeing a 2.5%. You should combine it and see.

Moderator: The next question is from the line of Arvind from Sundaram Alternates.

Arvind: Congratulations on the very good set of numbers. Sir, a few things. I mean I was seeing that slippages in MSME portfolio is slightly higher. I know it is still under 1% annualized number, it is still a good number, but I'm still trying to understand if there is any issue there in MSME portfolio in terms of new slippages?

And another question is this is much more a medium-term view, like growth is really great, but especially in retail and agri, like most of the growth is still coming through gold loans. And I understand that MSME growth is also like have picked up meaningfully in the last few quarters. Trying to understand non-gold retail portfolio, like how are you looking to grow, what are the segments you want to take it up as the next set of growth drivers in the coming quarters or coming years? And how do you want to achieve it?

Salee S. Nair: Yes, Arvind. Your first question on slippage in MSME. I think you must be looking at the INR37 crores here, and I'm sure your observation is based on that. Let me tell you that this is actually only 2 accounts. And from a resolution perspective, you will see that getting resolved in quarter 2, right?

So, this is a one-off that we so this is going to be resolved. So, you will not see this. The MSME space, I think, continues to be robust. And from a credit quality perspective, I think it is still pristine.

Vincent M D: If you look at the gross NPA position as on June '26 versus June '25, currently, it is at INR160.35 crores, whereas it was at INR202.34 crores as on June 2025. So, while there are slippages, there are a large number of recoveries and upgradations as well. So overall, the position is better than what it was during June 2025.

Salee S. Nair: And like I said, the slippage you see in the quarter is something that will be tackled in this quarter. Quarter 1, the INR37 crores largely will be tackled in quarter 2. Of course, it doesn't mean that the quarter 2 will not have its own slippage. This particular one will be tackled. Yes, Arvind.

Arvind: What about the second one, like non-gold retail products, which one are we like thinking about scaling up in a meaningful way, which will be contributing to the growth?

Vincent M D: There are 3 products which we will be focusing upon home loan in a big way, vehicle loan also again in a big way, LAP loan, loan against property. So, these 3 products will really deliver the record numbers during the current financial year.

Arvind: Okay. And any target or mix, anything like that in mind or any target mix or anything like that in mind? Either in medium term or like in the short term?

Vincent M D: The vehicle loan portfolio by roughly 25%. That is going to continue. And we are sure that the housing loan portfolio will also start growing because the sanctions are happening in a big way currently and especially during this current financial year, current quarter, that will help us in terms of reaching around 8% to 10% growth in home loans. So, we feel that the Retail segment, non-jewel retail segment will also grow alongside the MSME growth, MSME.

Arvind: If I can ask just one more question. Like if the gold prices are, let's say, flat, how would you think about the gold loan growth going forward?

Salee S. Nair: The gold loan is flat, as you are saying, it is moving around $4,000. One, of course, like I said earlier, we have provided sufficient cushion against any kind of commodity risk there. Going forward, gold loan is likely to be more not on a per gram kind of number that will drive it, but the tonnage. I think that's something that we are focusing on. We are focusing on acquiring new gold loan customers. We are, in fact, looking at even a cadre for gold loans going forward.

So, it is going to be a tonnage game going forward. And I think you will see that while the gold loan prices have stabilized, our gold loan growth may not grow to the extent that we have seen earlier, but will certainly continue to grow. Like I said, gold loan MSME as an aggregate portfolio, I've just told you that we will see that it will be in the 21%, 22% range for the year.

Moderator: The next question is from the line of Vinith Jain from Siddhi Capital.

Vinith Jain: I have 3 questions. The first question is on the IT spending. How much are you planning to spend this year?

Salee S. Nair: I'll just, my head of IT is here, you want to say?

Vincent M D: Yes. So, in the current financial year, it's around INR280 crores that we'll be spending, of which infrastructure will be 21%. New software acquisition enhancement will be around 20%, 35%. Cybersecurity related will be 10% and the others will be around 35%. Overall budget for IT spend for the current year is INR280 crores.

Salee S. Nair: And by the way, if I may add to that, we did mention cybersecurity investment will be about 10%. And we have told the IT head that this is one area where we need to really focus on and the 10% will not be a limiting factor as far as cybersecurity systems are concerned. So going forward, we would be ramping up our investments in the cybersecurity.

Vinith Jain: Sir, next question was on the new ECL norms, which start kicking in from next year, and we already started providing for it. Other INR48 crores, I think, remains. So, are you planning to further provide in the same financial year? Or are we done for this financial year? And what was left? Does it go in the next 2, 3 years or so?

Salee S. Nair: The size, the amount is fairly enough. Our calculation showed that on the business level of 30th of June, we need an additional provision requirement of INR324 crores. And like I said, INR250 crores, the COVID contingency provision, we have not written back. We have kept aside for this.

And in addition to that, quarter 1, we have also provided INR26 crores for the stress non-fund based facilities entirely. So, this is also keeping in mind. So INR276 crores provision is there. We will not be looking at additional provisions in the current quarter because look at RBI. RBI has actually given you a leeway. It can be spread across how many 4 years or 5 years.

Spread across 5 years. So, there's no providing early on, unless there is a trigger for it, further provision in the current year, we may not be doing. But we are very confident that in the FY27 in FY28 as it kicks in on 1st of April, we will be able to completely provide for that in the year itself. And we are looking for whether it can be done in the first quarter itself. So even otherwise, it will be spaced across and will be fully booked in the FY28.

Vinith Jain: Sir, on the overall growth strategy, I just wanted to have some clarity. We already are at 47.82% in the jewel loan. Do you have any internal ceiling or a cap where do you want to go? I know, of course, the other part of advances will start kicking in, the MSME started growing 20%. You're expecting the retail to grow further. So, you will have headroom in the gold loan. But in spite of all that, we see gold is growing faster for you. Do you have any internal ceiling? And how do you plan to manage it?

Salee S. Nair: Going forward, the portfolios are going to grow in different ways, right? Your MSME is going to grow faster than what you have seen. Some of the other retail segments of the portfolio also will start moving. But at the same time, on the other side of it, the growth that we saw in the gold loan portfolio either to what we saw last year or is not something that we anticipate getting it repeated going forward. So, the portfolios are going to go in different directions. And the current share of portfolio, which is how much 47%...

Vinith Jain: 47.82%.

Management: 46.97%.

Salee S. Nair: 46.97%, I think might move up a bit more, but I don't see that significantly changing. There we have an informal internal cap to have it limited to 50%.

Vinith Jain: Okay. The internal cap is at 50%, but we expect other things to grow and you will have a headroom further?

Salee S. Nair: So, we would like to see others grow and grow in tandem with the gold loan portfolio, and that's something we monitor and that's something we are investing in, both structural changes and HR changes and technology changes to see that the non-jewel loan portfolio also grows in tandem.

Moderator: The next question is from the line of Darshan from Indvest Group.

Darshan Deora: This is Darshan Deora from Indvest Group. So great set of results. One question I had or clarification I wanted was on the gold loans. What is typically the structure of these gold loans? Are they bullet loans or are they, like, EMI, sort of, based, like, some sort of monthly or quarterly payments?

Salee S. Nair: No, no, I think, one, of course, the gold itself will be in the jewelry form. That is something that is right? And it is not an EMI based. It is a 6-month or a 1-year bullet payment. And typically, when we track the LTV, we do not track the disbursed amount, we track the disbursed plus the interest accrual. Whatever you are seeing in the slide that we have presented for the gold loan, it also includes the interest that has accrued in that as on the 30th of June.

Darshan Deora: Got it. Got it. So, you're being conservative. I appreciate that. Second question was again on gold loans only. So, for a fresh loan, what are you capping the LTV at?

Salee S. Nair: What is the LTV?

Management: Average LTV is 56.98%.

Salee S. Nair: No, no. What is the LTV cap?

Management: 75%.

Salee S. Nair: 75%.

Darshan Deora: 75%, including the interest component?

Vincent M D: Interest will not go beyond 85%.

Management: This is for consumption loan only. For agri, there is no LTV at this time. Consumption loan it is 85%.

Salee S. Nair: We have 18 different gold loan products. I think largely, it is in the 75% range.

Vincent M D: The idea of LTV is principal plus interest on due date will not cross 85%.

Darshan Deora: Got it. That's for non-agri. And for agri, there is no cap. So, you have also the other collateral. So that's fine.

Salee S. Nair: We are using the same kind of criteria even for the agri. where this has taken as some kind of we are also using. So ultimately, we don't want to be hit by the commodity risk, changing or fluctuating gold prices. And incidentally, we have an automated system tracking each loan account on a daily basis.

Darshan Deora: Got it. Got it. Again, so a great set of results. I mean you guys really hit it out of the park like you've been doing for the last few quarters. Really appreciate it and wish you the best of luck for the rest of the year as well.

Moderator: The next question is from the line of Nishit Shah from ViSolitech Investment Advisor.

Nishit Shah: First of all, congratulations on a good set of numbers. Most of my questions regarding slippages were answered. My question is more on strategy side. So, are we looking at CGTMSE as a way to increase our MSME book? That would be my first question.

Salee S. Nair: Not really. I think we would certainly be looking at CGTMSE as one of the ways of increasing, not we have been a conservative bank, where we have been looking at the secured lending in a big way. And you would also notice that our unsecured book is just about 10 basis points, right? So that strategy will continue. Added to that to support the growth, we would certainly will be looking at CGTMSE, MSME as a hybrid, particularly the hybrid model as one way of ramping up the growth.

Nishit Shah: Okay. So that is not something which you are looking actively. And my second question would be...

Salee S. Nair: I said that we would be looking at in a hybrid fashion, that means CGTMSE plus a bit of a collateral. Because in the MSME space, the equity that you see in a large corporate, corporate with good corporate governance, the equity in it is you know that it is there. When we are talking about an MSME, the equity his skin in the game, we ensure by through asking for collateral. So this will be a hybrid game that we'll be playing, including CGTMSE and certainly a bit of collateral as part of his skin in the game, which we'll be requesting.

Nishit Shah: My second question would be because we are like adding branches as well as we are adding people. So, is this sub-40% cost-to-income ratio sustainable?

Salee S. Nair: I have repeatedly said that we will be in the 46% to 47%. We will defend a 46% to 47% of cost-to-income ratio. That is something that I've also always said. And I think in the guidance, we can reduce it by 2%, right?

Nishit Shah: Right. No, this quarter was, I think, an unusual quarter. So that is what I'm trying to understand.

Salee S. Nair: Yes, yes. We never expected to break the 40% mark, but we did. There has been some one-offs that aided us. But having said that, I think some of the initiatives that we have taken both structurally on the HR side, on the IT side, etc., are already started bearing fruits. You have seen the net interest income as a result of that moving up. So, the original thing that the cost-to-income ratio would be in the 46%, 47% range. I think we are revising it downwards.

Moderator: The next question is from the line of Saket Kapoor from Kapoor & Co.

Saket Kapoor: Yes, first of all, congratulations to the team, sir. We have delivered not only year-on-year, but also on a sequential basis, the operating profits are higher from INR522 crores to INR611 crores. That is a commendable job. Sir, as you were mentioning about our gold strategy moving to the tonnage part. /So, can you explain what exactly would be the difference in how we are executing today gold loans and how will the same matter when we will go through the tonnage route? I am unable to understand?

Salee S. Nair: There is no rocket science here. See, what the gold loan, the extraordinary growth that the industry witnessed, not just TMB. Industry witnessed was because of the price increases in the gold loan prices. Right? Once the gold loan prices stabilize. Sorry, gold prices, not gold loan. The gold prices has been because of the rise in the gold prices.

So now that we are seeing some sense of stabilization of the gold prices around $4,000 an ounce, see, the increase in the gold prices driving the growth is not going to aid us to that extent. So the only way is the customer base, we need to expand in the gold loan space. So that is the way we are going.

That's why I said it is a tonnage game, as in, tonnage of the gold that we receive; the same gold is not going to give you additional loan, you have to improve the tonnage of gold loan. So that strategy we have already put in place the branches have been equipped to start moving in the local advertisement area, etc., to tell the world that we are there and to attract more and more customers to us, and we are able today to be able to deliver a gold loan in under 10 minutes.

In under 10 minutes, I think that is the other aspect that we are showcasing so that a larger number of customers actually use our services for availing gold loans. So that's the tonnage part I was mentioning.

Saket Kapoor: Just to add to the profitability part, I think so as you very well explained to us that the growth rate that we have experienced now, the base being on the higher side. So now it will be a plateauing out in the way that we may be expecting, sir, going ahead with the confluence of all the base effect and the gold prices stabilizing, the operating profit should plateau out for the ensuing 3 quarters? That would be a good understanding for us?

Salee S. Nair: No, no, no, wait, wait. But yes, when you take within the overall advance portfolio, you take the gold loan portfolio separately, yes, you are right in a way, say that it is going to it is from a gold price perspective, from a per gram perspective, there could be a flattening off. But what I'm saying is on the gold loan itself, there is going to we are focusing on increasing the customer base and thereby generating growth on the gold loan. That is the first aspect.

And added to that is our focus on the other segments of the advanced portfolio, particularly MSME, right? Both together, MSME is also giving us a yield of 10% plus. Both together, the kind of profits that we are looking for, I think we don't see any kind of reduction in the kind of growth in profits going forward.

Saket Kapoor: Sir, it is not the growth part. I was just looking at the defending the operating profit number. See this INR600 crores is the first time, yes, I'm just joining the queue. INR611 crores is, in my understanding, the highest number posted by us. So definitely, now the base being higher, are we in a position with respect to our advances and the yield that this INR600 crores can be defended going ahead?

Salee S. Nair: What is your name?

Saket Kapoor: I'm Saket Kapoor from Kapoor & Company.

Salee S. Nair: Saket Kapoor, we will meet again after the second quarter results are announced. And I'll take the same question from you, and I want to see whether you ask the same question.

Saket Kapoor: Okay, sir.

Moderator: Ladies and gentlemen, due to time constraints, that was the last question. I now hand over the conference to Mr. Salee S. Nair, Managing Director from Tamilnad Mercantile Bank for closing comments.

Salee S. Nair: Yes. I think what we have repeatedly said that the next quarter will be better than the previous quarter is something that somebody did mention that we have been doing for the past 7 years. But at some point 7 quarters, sorry. So, this is a slip of the tongue that I'm sure can be excused. So, 7 quarters, and we have delivered 23% in the current year.

And we have reached an orbit, taking forward without the kind of investments stratifying would be something that we are looking at. And like I said, the good growth that we have seen in the first quarter, our hard work and our efforts would be to see that it is maintained going forward in the current year and the remaining quarters.

I hope to meet you guys in October after the second quarter results are announced, at the time of announcing the second quarter results. And in case any of you want clarification in between, please reach out to either me or Sanjoy Goel. All the numbers are given. So, we'll be happy to provide you with the clarifications. Finally, I can tell you that the growth that we have delivered would continue. Thank you for joining us in this con call.

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