Analyst call on July 22, 2023: opening remarks

Certain statements in this release relating to a future period of time (including inter alia concerning our future business plans or growth prospects) are forward-looking statements intended to qualify for the 'safe harbor' under applicable securities laws including the US Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve a number of risks and uncertainties that could cause actual results to differ materially from those in such forward-looking statements. These risks and uncertainties include, but are not limited to statutory and regulatory changes, international economic and business conditions; political or economic instability in the jurisdictions where we have operations, increase in non-performing loans, unanticipated changes in interest rates, foreign exchange rates, equity prices or other rates or prices, our growth and expansion in business, the adequacy of our allowance for credit losses, the actual growth in demand for banking products and services, investment income, cash flow projections, our exposure to market risks, changes in India's sovereign rating, as well as other risks detailed in the reports filed by us with the United States Securities and Exchange Commission. Any forward-looking statements contained herein are based on assumptions that we believe to be reasonable as of the date of this release. ICICI Bank undertakes no obligation to update forward-looking statements to reflect events or circumstances after the date thereof. Additional risks that could affect our future operating results are more fully described in our filings with the United States Securities and Exchange Commission. These filings are available at www.sec.gov.

This release does not constitute an offer of securities.

Ladies and gentlemen, good day, and welcome to ICICI Bank Limited Q1 FY 2024 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sandeep Bakhshi, Managing Director and CEO of ICICI Bank. Thank you, and over to you, Mr. Bakhshi.

Mr. Bakhshi's opening remarks

Thank you. Good evening to all of you and welcome to the ICICI Bank Earnings Call to discuss the results for Q1 of FY2024. Joining us today on this call are Sandeep Batra, Rakesh, Anindya and Abhinek.

The Indian economy continues to be resilient amidst signs of slowdown in the global economy. The underlying indicators reflect continuing growth in economic activity, with expansion in manufacturing and services PMI, higher tax collections, real estate buoyancy and resilient urban demand. The Government led capex cycle is continuing. Though there has been a pause in the monetary tightening cycle in India, the global and domestic inflation, liquidity and rate environment continues to evolve.

At ICICI Bank, our strategic focus continues to be on growing our core operating profit less provisions, i.e., profit before tax excluding treasury gains through the 360-degree customer centric approach and by serving opportunities across ecosystems and micro markets. We continue to operate within our strategic framework and strengthen our franchise, enhance our delivery and servicing capabilities and expand our technology and digital offerings.

The core operating profit less provisions grew by 38.0% year-on-year to 125.95 billion Rupees in this quarter. The core operating profit increased by 35.2% year-on-year to 138.87 billion Rupees in this quarter. The profit after tax grew by 39.7% year-on-year to 96.48 billion Rupees in this quarter.

Total deposits grew by 17.9% year-on-year and 4.9% sequentially at June 30, 2023. Term deposits increased by 25.8% year-on-year and 9.8% sequentially at June 30, 2023. During the quarter, the average current and savings account deposits grew by 6.6% year-on-year and 2.6% sequentially. The Bank's liquidity coverage ratio for the quarter was about 124%.

The domestic loan portfolio grew by 20.6% year-on-year and 4.0% sequentially at June 30, 2023. The retail loan portfolio grew by 21.9% year-on-year and 4.5% sequentially. Including non-fund based outstanding, the retail portfolio was 45.9% of the total portfolio. The business banking portfolio grew by 30.4% year-on-year and 3.8% sequentially. The SME portfolio grew by 28.5% year-on-year and 5.0% sequentially. The rural portfolio grew by 17.6% year-on-year and 3.6% sequentially. The domestic corporate portfolio grew by 19.3% year-on-year and 2.8% sequentially driven by growth across well-rated financial and non-financial corporates. The overall loan portfolio including the international branches portfolio grew by 18.1% year-on-year and 3.7% sequentially at June 30, 2023.

We continue to enhance our digital offerings and platforms to onboard new customers in a seamless manner, provide them end-to-end digital journeys and personalized solutions, and enable more effective data driven cross sell and up sell. We have shared some details on our technology and digital offerings in slides 15 to 26 of the investor presentation.

The net NPA ratio was 0.48% at June 30, 2023, compared to 0.48% at March 31, 2023 and 0.70% at June 30, 2022. During the quarter, there were net additions of 18.07 billion Rupees to gross NPAs, excluding write-offs and sale, reflecting mainly the seasonal higher additions in the kisan credit card portfolio and lower recoveries and upgrades from the corporate portfolio compared to the last couple of quarters. The total provisions during the quarter were 12.92 billion Rupees or 9.3% of core operating profit and 0.49% of average advances. The provisioning coverage ratio on NPAs was 82.4% at June 30, 2023. In addition, the Bank continues to hold contingency provisions of 131.00 billion Rupees or about 1.2% of total loans as of June 30, 2023.

The capital position of the Bank continued to be strong with a CET-1 ratio of 16.66%, Tier 1 ratio of 16.76% and total capital adequacy ratio of 17.47% at June 30, 2023, including profits for Q1 of 2024.

Looking ahead, we see many opportunities to drive risk calibrated profitable growth. We believe our focus on customer 360, extensive franchise and collaboration within the organisation, backed by our digital offerings and process improvement and service delivery initiatives will enable us to deliver holistic solutions to customers in a seamless manner and grow market share across key segments. We will continue to make investments in technology, people, distribution and building our brand. We will remain focused on maintaining a strong balance sheet with prudent provisioning and healthy levels of capital. The principles of “Return of Capital”, “Fair to Customer, Fair to Bank” and “One Bank, One Team, One RoE” will continue to guide our operations. We remain focused on delivering consistent and predictable returns to our shareholders.

I now hand the call over to Anindya.

Anindya's opening remarks

Thank you, Sandeep. I will talk about loan growth, credit quality, P&L details, growth in digital offerings, portfolio trends and performance of subsidiaries.

A. Loan growth

Sandeep covered the loan growth across various segments. Coming to the growth across retail products, the mortgage portfolio grew by 16.6% year-on-year and 3.2% sequentially. Auto loans grew by 23.7% year-on-year and 5.6% sequentially. The commercial vehicles and equipment portfolio grew by 8.1% year-on-year and 2.4% sequentially. Growth in the personal loan and credit card portfolio was 40.6% year-on-year and 7.6% sequentially. This portfolio was 1,355.15 billion Rupees or 12.8% of the overall loan book at June 30, 2023.

The overseas loan portfolio, in US dollar terms, declined by 32.1% year-on-year and 5.2% sequentially at June 30, 2023. The overseas loan portfolio was about 3.1% of the overall loan book at June 30, 2023. The non-India linked corporate portfolio declined by 39.7% or about 182 million US dollars on a year-on-year basis. Of the overseas corporate portfolio, about 90% comprises Indian corporates, 6% is overseas corporates with Indian linkage, 2% comprises companies owned by NRIs or PIOs and balance 2% is non-India corporates.

B. Credit quality

There were net additions of 18.07 billion Rupees to gross NPAs in the current quarter compared to 0.14 billion Rupees in the previous quarter. The net additions to gross NPAs were 19.32 billion Rupees in the retail, rural and business banking portfolios and there were net deletions of gross NPAs of 1.25 billion Rupees in the corporate and SME portfolio.

The gross NPA additions were 53.18 billion Rupees in the current quarter compared to 42.97 billion Rupees in the previous quarter. Recoveries and upgrades from gross NPAs, excluding write-offs and sale, were 35.11 billion Rupees in the current quarter compared to 42.83 billion Rupees in the previous quarter.

The gross NPA additions from the retail, rural and business banking portfolio were 50.72 billion Rupees compared to 40.20 billion Rupees in the previous quarter. There were gross NPA additions of about 6.66 billion Rupees from the kisan credit card portfolio in the current quarter. We typically see higher NPA additions from the kisan credit card portfolio in the first and third quarter of a fiscal year. Recoveries and upgrades from the retail, rural and business banking portfolio were 31.40 billion Rupees compared to 31.47 billion Rupees in the previous quarter.

The gross NPA additions from the corporate and SME portfolio were 2.46 billion Rupees compared to 2.77 billion Rupees in the previous quarter. Recoveries and upgrades from the corporate and SME portfolio were 3.71 billion Rupees compared to 11.36 billion Rupees in the previous quarter.

The gross NPAs written-off during the quarter were 11.69 billion Rupees. There was no sale of NPAs in the current quarter compared to sale of 2.01 billion Rupees for cash in the previous quarter.

The non-fund based outstanding to borrowers classified as non-performing was 37.04 billion Rupees as of June 30, 2023 compared to 37.80 billion Rupees as of March 31, 2023. The Bank holds provisions amounting to 19.64 billion Rupees against this non-fund based outstanding.

The total fund based outstanding to all standard borrowers under resolution as per various guidelines declined to 39.46 billion Rupees or about 0.4% of the total loan portfolio at June 30, 2023 from 45.08 billion Rupees as of March 31, 2023. Of the total fund based outstanding under resolution at June 30, 2023, 34.06 billion Rupees was from the retail, rural and business banking portfolio and 5.40 billion Rupees was from the corporate and SME portfolio. The Bank holds provisions of 12.24 billion Rupees against these borrowers, which is higher than the requirement as per RBI guidelines.

Moving on to the P&L details:

C. P&L details

Net interest income increased by 38.0% year-on-year to 182.27 billion Rupees. The net interest margin was 4.78% in this quarter compared to 4.90% in the previous quarter and 4.01% in Q1 of last year. The sequential movement in NIM reflects the lagged impact of increase in deposit rates over the last year on cost of deposits, offset, in part, by an increase in loan and investment yields. Of the total domestic loans, interest rates on 46% are linked to the repo rate, 3% to other external benchmarks and 20% to MCLR and other older benchmarks. The balance 31% of loans have fixed interest rates. The impact of interest on income tax refund on net interest margin was 3 basis points in Q1 of this year compared to nil in the previous quarter and 3 basis points in Q1 of last year.

The domestic NIM was at 4.88% this quarter compared to 5.02% in the previous quarter and 4.14% in Q1 of last year. The cost of deposits was 4.31% in this quarter compared to 3.98% in the previous quarter, reflecting the increase in deposit rates over the last year, though rates on incremental retail term deposits have largely stabilized and wholesale deposit rates have moderated. We expect the cost of deposits to continue to increase over the next couple of quarters.

Non-interest income, excluding treasury gains, grew by 12.0% year-on-year to 51.83 billion Rupees in Q1 of 2024

- Fee income increased by 14.1% year-on-year to 48.43 billion Rupees in this quarter. Fees from retail, rural, business banking and SME customers constituted about 78% of the total fees in this quarter.

- Dividend income from subsidiaries and associates was 2.91 billion Rupees in this quarter compared to 3.47 billion Rupees in Q1 of last year. The year-on-year decline in dividend income was due to lower final dividend from ICICI Securities Primary Dealership.

On Costs: The Bank's operating expenses increased by 25.9% year-on-year in this quarter. Employee expenses increased by 36.3% year-on-year in this quarter reflecting the annual increments, promotions and increase in number of employees over the last 12 months. The Bank had about 135,000 employees at June 30, 2023. The number of employees has increased by about 27,650 in the last 12 months. Non-employee expenses increased by 19.5% year-on-year in this quarter primarily due to retail business related expenses and technology expenses. Our branch count has increased by 174 in the first quarter and we had 6,074 branches as of June 30, 2023. The technology expenses were about 9.0% of our operating expenses in this quarter.

The core operating profit increased by 35.2% year-on-year to 138.87 billion Rupees in this quarter. Excluding dividend income from subsidiaries and associates, the core operating profit grew by 37.0% year-on-year.

The total provisions during the quarter were 12.92 billion Rupees, or 9.3% of core operating profit and 0.49% of average advances, including the seasonal impact of kisan credit card NPAs and lower write-back from corporate recoveries and upgrades relative to the last couple of quarters. The provisioning coverage on NPAs was 82.4% as of June 30, 2023. In addition, we hold 12.24 billion Rupees of provisions on borrowers under resolution. Further, the Bank continues to hold contingency provision of 131.00 billion Rupees as of June 30, 2023. At the end of June, the total provisions, other than specific provisions on fund-based outstanding to borrowers classified as non-performing, were 223.46 billion Rupees or 2.1% of loans.

The core operating profit less provisions grew by 38.0% year-on-year to 125.95 billion Rupees in Q1 of this year.

There was a treasury gain of 2.52 billion Rupees in Q1 compared to a gain of 0.36 billion Rupees in Q1 of the previous year, primarily reflecting proprietary trading gains capitalising on market opportunities during the quarter.

The tax expense was 31.99 billion Rupees in this quarter compared to 22.60 billion Rupees in the corresponding quarter last year. The profit after tax grew by 39.7% year-on-year to 96.48 billion Rupees in this quarter.

Sandeep earlier talked about the capital adequacy position with a CET-1 ratio, including profits for Q1 of 2024, of 16.66%, Tier 1 ratio of 16.76% and total capital adequacy ratio of 17.47% at June 30, 2023. These ratios include the impact of increase in risk-weighted assets for operational risk, which is computed in first quarter of every fiscal year. Also during this quarter, there was a redemption of Tier 1 bonds of 40.00 billion Rupees.

D. Growth in digital offerings

Leveraging digital and technology across businesses is a key element of our strategy of growing the risk-calibrated core operating profit. We continue to see increasing adoption and usage of our digital platforms by our customers.

There have been more than 10 million activations of iMobile Pay by non-ICICI Bank account holders at end-June 2023. We have seen about 230,000 registrations by non-ICICI Bank account holders on InstaBIZ till June 30, 2023. Our merchant STACK offers an array of banking and value-added services to retailers, online businesses and large e-commerce firms such as digital current account opening, instant overdraft facilities based on point-of-sale transactions, connected banking services and digital store management, among others.

We have created more than 20 industry specific STACKs which provide bespoke and purpose-based digital solutions to corporate clients and their ecosystems. Our Trade Online and Trade Emerge platforms allow customers to perform most of their trade finance and foreign exchange transactions digitally. Our digital solutions integrate the export transaction lifecycle with bespoke solutions providing frictionless experience to our clients and simplify customer journeys. The latest digital solutions includes Insta EPC for instant disbursal of export finance, eDocs solution for regulatory compliance, vessel tracking for real-time status update on shipment and document tracking for movement of export documents. About 70% of trade transactions were done digitally in Q1 of this year. The value of transactions done through Trade Online and Trade Emerge platforms in Q1-2024 was 1.4 times the value in Q1-2023.

E. Portfolio information

We have provided details on our retail, business banking and SME portfolio in slides 32 to 43 of the investor presentation.

The loan and non-fund based outstanding to performing corporate and SME borrowers rated BB and below was 42.76 billion Rupees at June 30, 2023 compared to 47.04 billion Rupees at March 31, 2023 and 82.09 billion Rupees at June 30, 2022. The total outstanding of 42.76 billion Rupees at June 30, 2023 includes 7.27 billion Rupees of loan and non-fund based outstanding to borrowers under resolution.

The maximum single borrower outstanding in the BB and below portfolio was less than 5 billion Rupees at June 30, 2023. At June 30, 2023, we held provisions of 4.02 billion Rupees on the BB and below portfolio compared to 4.09 billion Rupees at March 31, 2023. This includes provisions held against borrowers under resolution included in this portfolio.

The total outstanding to NBFCs and HFCs was 874.18 billion Rupees at June 30, 2023 compared to 834.90 billion Rupees at March 31, 2023. The total outstanding loans to NBFCs and HFCs were about 8% of our advances at June 30, 2023. The sequential increase in the outstanding to NBFCs and HFCs is mainly due to disbursements to entities having long vintage and entities owned by well-established corporate groups.

The builder portfolio including construction finance, lease rental discounting, term loans and working capital was 427.12 billion Rupees at June 30, 2023 compared to 398.87 billion Rupees at March 31, 2023. The builder portfolio is about 4% of our total loan portfolio. Our portfolio largely comprises well-established builders and this is also reflected in the sequential increase in the portfolio. About 3.8% of the builder portfolio at June 30, 2023 was either rated BB and below internally or was classified as non-performing, compared to 4.6% at March 31, 2023.

F. Consolidated results

The consolidated profit after tax grew by 44.0% year-on-year to 106.36 billion Rupees in this quarter.

The details of the financial performance of subsidiaries and key associates are covered in slides 46 to 49 in the investor presentation.

The value of new business margin of ICICI Life was 30.0% in Q1-2024 compared to 32.0% in fiscal 2023. The value of new business of ICICI Life was 4.38 billion Rupees in Q1-2024 compared to 4.71 billion Rupees in Q1-2023. The annualized premium equivalent was 14.61 billion Rupees in Q1-2024 compared to 15.20 billion Rupees in Q1-2023. The profit after tax of ICICI Life increased by 32.7% year-on-year to 2.07 billion Rupees in Q1-2024 compared to 1.56 billion Rupees in Q1-2023.

Gross Direct Premium Income of ICICI General was 63.87 billion Rupees in Q1-2024 compared to 53.70 billion Rupees in Q1-2023. The combined ratio stood at 103.8% in Q1-2024 compared to 104.1% in Q1-2023. Excluding the impact of cyclone of ₹ 0.35 billion, the combined ratio was 102.9% for Q1-2024. The profit after tax was 3.90 billion Rupees in Q1-2024 compared to 3.49 billion Rupees in Q1-2023.

The profit after tax of ICICI AMC was 4.74 billion Rupees in this quarter compared to 3.05 billion Rupees in Q1 of last year.

The profit after tax of ICICI Securities, as per Ind AS on a consolidated basis, was 2.71 billion Rupees in this quarter compared to 2.74 billion Rupees in Q1 of last year.

ICICI Bank Canada had a profit after tax of 16.4 million Canadian dollars in this quarter compared to 7.2 million Canadian dollars in Q1 last year.

ICICI Bank UK had a profit after tax of 9.4 million US dollars this quarter compared to 3.4 million US dollars in Q1 of last year.

As per Ind AS, ICICI Home Finance had a profit after tax of 1.05 billion Rupees in the current quarter compared to 0.40 billion Rupees in Q1 of last year.

With this, we conclude our opening remarks and we will now be happy to take your questions.

Moderator:

The first question is from the line of Mahrukh Adajania from Nuvama Wealth.

Mahrukh Adajania:

Congratulations. My first question is on cost of funds. Over the last 2 quarters, in each of the quarters, you've seen an over 30 basis points Q-o-Q increase in cost of funds. So do we see this increase moderating from here on? And, where or when do cost of funds peak?

Anindya Banerjee:

I don't want to talk about the level, but we will see the cost of funds continue to increase I would guess, for the next couple of quarters. And by then, the repricing impact should have largely taken place, that trajectory will continue.

Mahrukh Adajania:

Okay. Any kind of colour that you could give on how much deposits have already been repriced and how much are pending to be repriced, how much liability?

Anindya Banerjee:

Not really, because it is a function of both scheduled and premature repayments and also, of course, now given the growth in the deposit base itself, function of the rates that we see incremental deposits are being raised. So, I think, you could try and look at it based on sort of the current versus historic deposit rates and that should give a fair idea. We still have some way to go.

Mahrukh Adajania:

Okay. And my next question is on loan growth. So, in the quarter, at least on a sequential basis, unsecured has grown much faster than secured, even housing. Is there any challenge to asset quality in any of the segments? So, maybe not in the income segments you operate in, but there are often noises about unsecured NPLs going up, it may not be for banks like you, but in general. So, any stress in any segment which could then lead the regulator to hike risk rates?

Anindya Banerjee:
I mean, we can talk about our own portfolio. And as you can imagine, we also pay close attention to market commentary, as well as regulatory commentary and keep looking at the portfolio and various cuts of the portfolio. So we are quite comfortable with our origination and the quality of the portfolio that we have, as well as the incremental volumes that we're doing. So, no concern from our side as such. I think, we continue to see pretty decent opportunity for penetration in our existing customer base, and also for new customer acquisition in our target segments.

Moderator:
The next question is from the line of Kunal Shah from Citigroup.

Kunal Shah:
Yes. Congratulations for a good set of numbers. So, firstly, on just the deposit growth, a lot of catch-up which has happened in this particular quarter itself, getting towards almost of 18-odd percent. So within this term deposits, incrementally how much would have been, say, wholesale versus retail?

Anindya Banerjee:
Since the proportion in our deposit base hasn't really changed. I think, we've always said that 75% to 80% of our deposits overall are retail and that continues. So we've seen pretty strong growth on the retail side. And of course, we have seen some flows on the wholesale side as well, but retail continues to be the prime driver.

Kunal Shah:

Okay. And, in terms of again, the larger part of deposits in terms of the repricing. So, Mahrukh also asked that question, but should we see further catch-up, maybe in the deposits, which would have been raised currently, this would not have entirely got reflected in terms of the cost of deposits now and that should lead to a higher cost of deposits catch-up in the coming quarter?

Anindya Banerjee:

As I mentioned, there is a deposit rate. Now, if you look at the retail deposit rate, it has been more or less stable for the last 6, 7 months. So, to the extent that there are deposits from prior periods that have to mature and reprice, that effect will play through. In addition, of course, the growth in deposits itself. So, if you look at this quarter, we have increased our term deposit base by about INR620 billion. So, that growth in incremental deposit will also affect the overall cost. So we will see a continuing increase in the cost of deposits for the next couple of quarters.

Kunal Shah:

Sure. And second on employee costs. So, last time, you already had a one-off of the retirement and maybe the pace was expected to moderate, but in fact, even on that base we have seen a sequential uptake. So, you highlighted mainly the annual incentives, but how much would be the stable level of employee cost we should look at it? What was the one-off in terms of the annual incentives?

Anindya Banerjee:

See, we don't really disclose the annual incentives, etc. But if you look at it, we had done significant additions to the team in the second half of last year and we have, of course, on top of that, added number of people in the first quarter as well. And also, given the increments and started the year at that level. So that is what has led to the increase in the employee cost. And from here on, we will see based on our business plans, we do expect to continue to hire, and that will start contributing to revenues also at some point.

Kunal Shah:

Sure. And one last question on MCLR differential to private banks. We are still much lower, almost like 25 to 45 basis points kind of there Any plans to catch up on that? Maybe, obviously, it's a factor of cost of deposits and the return expectations, but still it's much on the lower side. And should we see we're getting the benefit on the corporate when we do the lending, maybe clearly a pricing benefit vis-a-vis the private peers?

Anindya Banerjee:

So, I think the way in which MCLR is required to be computed is pretty prescriptive. So we basically follow those guidelines and there is an outcome, there is some discretion beyond that, but it's pretty limited. And so, there is no real question of, say, on the base MCLR, which is the one-year MCLR is doing a catch-up per se. It is a function of the formula.

In terms of the corporate lending, I think, if we look at the current level of MCLR that we have, there are, of course, corporates who are borrowing below that level. So those end up getting some amount linked to external benchmarks and so on. So, I think the level of the MCLR itself does have some impact, but not may be as much, because finally what matters is really the level of yield. I mean, the MCLR is just a benchmark like other available benchmarks.

Moderator:

The next question is from the line of Nitin Aggarwal from Motilal Oswal.

Nitin Aggarwal:

Congrats on the results. One question is like, has there been any change in the way ICICI Bank is looking at its subsidiaries now? Because often, like changing plans to increase stake in ICICI Lombard down for the period of ICICI Securities. So, any color on that?

Anindya Banerjee:

I don't think there is any fundamental change as far as ICICI Lombard is concerned. As you are aware, our shareholding had come down below 50% due to an M&A that the company has done. And as per statute, we can't hold between 30% and 50%. And when this event happened in 2020, the view was that we would have to go down to 30%, for which we had obtained the regulatory exemption for 3 years, which we subsequently were able to obtain an extension of 1 year. But as things panned out, I think we felt that it would be possible to look at increasing our stake back above 50%, and that is what we decided to do. And we are, of course, awaiting regulatory approval for that, and the application is pending. So, I think, if you look at it from a strategic perspective, whether it is at 48% or 51% is still a very large holding. It's a company carrying our name and so on. So I don't think anything fundamentally changes. It's more a way of what is the best way of complying with the statute.

As far as ICICI Securities is concerned, I think we have always said that it is very core to our business and there is a lot of synergy between ICICI Bank and ICICI Securities. And we have been quite clear that we don't intend to monetize, although it is a listed company and required to maintain a minimum public float, we would not want to go below 75% in that entity. And then as we saw the opportunity to enter into a Scheme of Arrangement and make it a wholly-owned subsidiary, we thought that that would be the right path to pursue given the synergies between the 2 companies. But I don't think either of these is really fundamentally strategic changes.

Nitin Aggarwal:

Okay. And second question is, there has been a slight increase in our NIM advances this quarter, is it possible to share how much of this increase is due to the mix change and growth and how much is due to repricing of loans? What I'm trying to really assess is like, this quarter the NIM compression has been around 12%. So, in the absence of any repricing-related benefit, is it fair to say that NIM could see sharper decline in 2Q and 3Q, when the repricing could be at its peak?

Anindya Banerjee:

So, this quarter, I think, if you look at it, we have seen some increase in our yield on investments and on our yield on advances. I think, we did get some benefit of the last repo hike, which happened during Q4, because the portfolio reprices over a period of time based on the reset date. So that benefit did come. There was also some benefit in the yield on investments, because of the repricing of some of the floating rate bond portfolio and so on. So, assuming that repo rate remains where it is, those kind of benefits will not be there in the subsequent quarters, that's correct.

Nitin Aggarwal:

Right. And if I can squeeze in one more question. On the corporate lending piece, like, we have reported pretty strong growth, 19%, some of the peers this quarter have not grown citing the pricing pressures. So how do you view versus the competitive environment in wholesale business?

Anindya Banerjee:

So, actually, I think if you look back a little further, we were not growing till last year, our corporate loan portfolio as much, while some of the peers were growing it at a much faster clip and our main concern was around the levels of pricing. I would say, over the last year, possibly, certainly, there has been some improvement, post the monetary tightening cycle, there was some better opportunities for corporate lending. So, we continue to look at the risk-adjusted returns and really the whole overall ecosystem approach, because we don't see the lending decision in isolation. And wherever we see that there is an overall opportunity for the corporate, that opportunity from a particular client and their ecosystem, we participate in it. I think, basically, what we're looking for is the first principle of return of capital. We want to keep the portfolio reasonably granular and really look at cases where we have a larger ecosystem opportunity in terms of their value chain and their employee base. So, within this construct, we're quite happy to grow the corporate portfolio.

Moderator:

Next question is from the line of Saurabh from JPMorgan.

Saurabh:

Sir, just two questions. One is, the attrition level at ICICI Bank, would it have gone up in fiscal '23 versus fiscal '22? Secondly, the growth that we're seeing in personal loans and credit cards. So have you moderated down risk filters? Or is it due to more cross-sells through your existing clients, like, if you could give some qualitative color around that?

Anindya Banerjee:

So, first, I think on attrition we have not yet published our BRSR. That will come out hopefully in the next 10 to 15 days, and then the numbers would be in the public domain. I think you've seen the numbers which have come out of some of our peer set, and they are reasonably high and that's reflective, I guess, of what is happening across the system over the last 2 years, I would say. So I don't think that there is any specific thing that we would want to call out really regarding attrition in our context. On your second question, on credit cards and personal loans, so we have not moderated any sort of whatever diluted any risk filters on a large-scale basis. Of course, we would always be trying to sharp shoot and sort of figure out which are the pockets where we can do more and which are the pockets that we should do less. But broadly, I would say, our stance on risk has been quite consistent, and we keep reviewing the portfolio and the outcome today are well within our tolerance range.

Moderator:
Next question is from the line of Param Subramanian from Nomura.

Param Subramanian:
My question is on operating expenses. So, if you look over the last couple of years, the operating expenses have actually been growing faster than the overall balance sheet growth, and it continues to be so. So, any timeline or any guidance on when this starts moderating or we see some sort of operating leverage kicking in? Of course, we still have the employee headcount and the branch rollout still in the pipeline. But, yes, any color around when we see an operating leverage playing out? That's my first question.

Anindya Banerjee:
So, we don't really look at it that way. I mean, in that sense if you look at this quarter also, the operating income growth is a little bit higher than the operating expense growth. So, what we look at is really the overall PPOP and that having a positive direction on a risk-calibrated basis. And we would look at all levels of profitability within that. Currently, as we have said in the past, we feel that there is a lot of opportunity for us to grow our franchise and we would continue to invest in that.

Param Subramanian:
Okay. Fair enough. Just one more question again on the unsecured loans. Now, if you look across the market participants, there hasn't really been an increase in the lending rates across the market. Now, in your sense, is this being led largely by

competition? Or do you see any pressure in being able to increase your lending rates over the year? And is this something that should play out, say, over the course of the year? Because if we compare with other segments, the other segments have not really seen any repricing over the last year. Yes, that's it for me.

Anindya Banerjee:

Sorry, which particular segment are you referring to? I missed that.

Param Subramanian:

Unsecured personal loans largely, yes.

Anindya Banerjee:

I think it has been quite competitive, and rates have not moved up. So, I don't see immediate sort of move up in rates. There have been a lot of players entering that segment, a lot of banks, as well as some of the NBFCs. And, I guess, credit experience in that segment has also been pretty good over the years. So, in that sense, some reduction in the rates from what we have seen historically would be justified. But yes, today, the rates are at probably pretty low level, but I don't see them increasing much from here, although probably ideally they should.

Param Subramanian:

Congratulations on the quarter.

Moderator:

Thank you very much. I now hand the conference over to the management for closing comments.

Anindya Banerjee:

Thank you all for sparing time on the Saturday evening, and we'll be available to take your questions off-line as well. Thank you.

Moderator:

Thank you very much. On behalf of ICICI Bank Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.