"RBL Bank Limited
Q4 FY '23 Earnings Conference Call"
April 29, 2023

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Moderator: Ladies and gentlemen, good day, and welcome to RBL Bank Limited Q4 FY '23 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 star, then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. R. Subramaniakumar, Managing Director and CEO of RBL Bank. Thank you and over to you, Mr. Kumar.

R. Subramaniakumar: Good evening ladies and gentlemen, and thank you for joining us for a discussion on RBL Bank's financial results for the fourth quarter and full year of FY '23. I'm as always joined on this call by Mr. Rajeev Ahuja and other members of our management team, who, along with me, will address any questions that you have.

I briefly want to touch upon a few of the key items from our business performance this year. Firstly on growth. At the start of the year, we had planned for 15% growth in advances and annualized growth in our retail business of 20% this fiscal. I'm happy to report that we have ended FY '23 with 17% Y-o-Y growth and a 5% sequential growth in advances. Retail advances grew by 21% Y-o-Y, and 8% sequentially. The wholesale advances grew 13% Y-o-Y, and 2% sequentially. We had planned to grow the commercial banking business within the wholesale business, and this segment grew 19% Y-o-Y and 4% sequentially. Momentum in the retail businesses has continued to improve with every passing quarter. Our disbursals across all our retail businesses, other than the cards was approximately INR4,400 crores this quarter as against INR2,700 crores last quarter.

For context, we started this year with approximately INR700 crores in Q1 FY '23. While microfinance growth has been a big driver of this growth, and it is now at INR800 crores monthly disbursal rate.,it has been particularly heartening to see that, the disbursals in our newer verticals of housing and vehicles has been steadily increasing every quarter.

Housing, in fact saw a disbursal of INR900 crores this quarter, and the tractors is now at INR300 crores quarterly run rate. In cards, we saw an issuance of 5.5 lakhs this quarter.

On deposits, we saw a 7% Y-o-Y growth in overall deposits, and a 4% sequential growth. CASA deposits grew 14% Y-o-Y, and 6% sequentially. CASA ratio was 37.4%, and retail and small business deposit ratio, as defined under LCR, was 42.8% as at March 31, 2023, as against 42.5% last quarter end and 38.9% last year.

We have spoken in the past of our focus on utilizing the surplus liquidity, and prioritizing the granular deposit growth. Our retail and small business deposits, as defined under LCR, has grown 18% Y-o-Y, and 4% sequentially. Deposits below INR2 crores has grown 19% this year, and 5% sequentially. This continues to be a key priority for us.

On profitability, I'm happy to report that we have clocked our highest-ever quarterly and annual profit this year. While we have a long way to go and will improve on this in the coming quarters, this is an important first step as we return to full normalcy in our business and profitability journey.

Our profit after tax for this quarter was INR271 crores, an increase of 37% Y-o-Y, and 30% sequentially. We reported an ROA of 1% this quarter, up 22 bps from the last quarter and last year. Our full-year profit was INR883 crores as compared to the loss of INR75 crores last year. On asset quality, our GNPA and NNPA are lower Q-o-Q at 3.37% and 1.10% respectively versus 4.40% and 1.34% respectively. Last year, and our provisioning coverage ratio is at 68%, similar to last quarter. We had a total slippage of INR681 crores this quarter. Recoveries and upgrades was INR385 crores. Our net slippages were therefore INR296 crores as against INR383 crores last quarter.

Slippages also include the impact of out of order circular of Reserve Bank of India. Of the slippages, INR116 crores pertain to slippages from wholesale and the recoveries and upgrades of INR130 crores, so that the net slippages was negative. Microfinance, our slippages were INR71 crores and recoveries and upgrades INR32 crores and our net slippages were INR39 crores.

In cards, we had slippages of INR238 crores and recoveries and upgrades of INR37 crores. Net slippages are flat sequentially. Our slippages in other retail was INR257 crores, of which INR96 crores pertain to the impact of out of order circular of regulator. And subsequently they were upgraded. Net slippages in retail were INR70 crores because of upgrades and recoveries. Our net restructured advances stood at 1.21%, down from 1.44% in Q3 of FY '23.

Provisions, we took total provisions on advances, which is NPA, restructured, and standard assets provision, all put together, INR284 crores in this quarter, as against INR339 crores last quarter. We had recoveries from written-off accounts of INR103 crores. The net provisions and advances therefore was at INR182 crores as against INR244 crores in the last quarter. The credit cards for the quarter were 29 bps as compared to 39 bps in the last quarter.

In summary, we are seeing a stable asset quality and good recovery trend. Our provisions this year were INR900 crores, less than the 1/3 of our provisioning in FY '22 and much below our initial guidance. This has been a welcome outcome given our strong focus and investments in the strengthening the collection infrastructure. We continued to see steady recoveries, especially from historical NPAs, and this trend should continue for a few more quarters.

Briefly on other aspects of our operating performance.

Y-o-Y, NII grew 7% and 5% sequentially to INR1,211 crores. Our NIMs this quarter was 5.01% as against 4.74% last quarter. For the full year, the NIM were 4.67 percentage, which is 22 bps higher as compared to the last year.

Other income was INR674 crores for this quarter, higher 32% Y-o-Y and 9% sequential. Core fee income grew 28% Y-o-Y and 11% sequentially to INR658 crores. For the full year, other income grew 6% to INR2,489 crores, and a core fee grew by 12% to INR2,323 crores. Total revenue was INR1,885 crores for the quarter, higher 15% Y-o-Y and 7% sequentially. For the full year, total revenue was INR6,941 crores, up 9% Y-o-Y.

Our opex this quarter was INR1,292 crores, sequentially growing at 8%. For the full year, our opex was INR4,738 crores, up 31% Y-o-Y. PPOP this quarter was INR594 crores, up 5%

sequentially. For the full year, PPOP was lower at 20% at INR2,202 crores. We are however now on an improving trend on operating profit, and we expect this to continue going forward as business momentum continues to improve.

Consequently, the profit after tax was INR271 crores for the quarter, which is 37% higher Y-o-Y and 30% higher sequentially.

The Board of the Bank has also proposed a dividend of INR1.50 per equity share, subject to the approval of shareholders of the Bank.

Lastly, on capital. Our total capital was 16.9%, and our CET1 ratio was 15.3% as at March end, as against 17% and 15.5% as at December end.

Before we conclude, I want to share a few thoughts on our journey ahead. We have recently finalized our three-year plan for the period '24 to '26 and we have shared some of the details in our presentation, which is uploaded into our website.

Our plans for the next three years are centered around the following pillars:

granularity on both sides of the balance sheet,

the growth of balance sheet, customer base, distribution footprint,

the financial prudence and improving earnings predictability by scaling up newer business verticals at a faster rate,

leveraging infrastructure and organization design changes to drive customer-focused approach, leveraging existing infrastructure effectively, and greater cross-sell,

maintain focus on asset quality and collection efficiency with a strong processes and monitoring mechanism,

sustainability focus at the front and the center in lending practices,

talent management and employee development and governance practices,

growing granular advances and deposits.

One of the key lessons we learned was our capacity to absorb large ticket shocks was limited. We are therefore driving growth by growing granular advances in both wholesale and retail. On our overall basis, we expect to continue to see granular advances and deposit growth of 20%-plus annually for the next three years. Bulk of the growth will be driven by retail as we look to scale up our newer business lines while sustaining the growth momentum in our existing business of credit cards and microfinance.

The new businesses of housing, small ticket mortgages, vehicle, gold, and MSME loans are expected to account for 25% to 30% of the overall advances mix at the end of our three-year cycle. This means that the growth in these new business lines would account for roughly half of our overall advances growth in this period of three years.

In our wholesale business, while we may grow the advances book normally, we will scale up our commercial banking and supply chain business within the overall mix as we look to the bank clients, which make more economic value.

The objective for this cycle is, improve our market position in both credit cards and microfinance, scale up the newer businesses at a faster pace to reach a critical mass and faster breakeven, invest in self-sourcing to reduce the dependency on external sourcing.

On the deposits front, the key objective is to improve the share of granular retail deposit. Retail deposits will account for the bulk of the deposit growth in this cycle, and fund majority of our advances growth.

Today deposits below INR2 crores are approximately 42% of our deposit. We plan to accrete at least 3% annually so that the retail deposit accounts for 50%-plus of the overall deposits by the end of the cycle, which means they will grow at about 20% in this period.

This will be driven by investing in the distribution and the people to supplement the current branch network by 50 branches to 75 branches every year and in RBL Finserve at a similar rate.

Leveraging our existing infrastructure,

the more important journey for us to leverage our existing setup more fruitfully, we today have 821 distribution points of RBL Finserve, and 517 bank branches, which today are focused on a single product. RBL Finserve focuses on microfinance lending, while our branches are largely liability and third-party income focused. Driving liability and asset sourcing from these locations and ensuring cross-sell upsell of other logical products will be the key driver of generating operating leverage, and that is a task we have set ourselves.

Similarly, while we have done a good job of building the businesses such as microfinance and credit cards and well-recognized payment businesses, within these business, we shall undertake cross-sell and upsell which will increase the pace. Driving the cross-sell to improve the customers' stickiness, lower the cost of acquisition and improve the branch profitability, the customer wallet share will be the important objective in my mind.

To achieve all that, I spoke about, we have a sufficient management depth at a senior and middle levels, and have also taken multiple steps in the last year to further up our debt in the key functions. The financial outcome of all this is an improving profitability trend on an ongoing basis. We exited this quarter at 1% ROA. The next goal for us to keep improving this by 10 bps to 20 bps each year.

I'll stop here. And with this, we will now take the questions. Thank you.

Moderator: Thank you very much. The first question is from the line of Jai Mundhra from ICICI Securities. Please go ahead.

Jai Mundhra: Yes, hi. Good afternoon and thanks for the opportunity, sir. And thanks for the detailed vision under 2000, FY '23 to '26 goal. So first question pertains to that, sir. While it is good to have aspirational target for the medium term to understand the direction. But do you think that for FY

'24 also you can deliver 20%-plus kind of a growth in the background of systemic moderation in the credit growth to maybe 12%, 13% kind of a number?

R. Subramaniakumar: Thanks, Jai Mundhra. See, as far as the FY '24 is concerned, we have said about -- the FY '23, we said that we are establishing some practices in retail. All these will start delivering in this year. That's why, I said the retail will grow to the tune of around 25% to 30%, whereas our other existing product will continue to grow around 15% to 18%. Both will average over 20%. We have plan of action for that and we have already established practices as well as the processes to achieve this.

Jai Mundhra: Right. And sir, on your core businesses, right, so you have mentioned that you will keep delivering on the core businesses. This you are referring to credit card and MFI, right? And is there any other business that we are referring when you say core businesses. And what should be the share of these core businesses?

R. Subramaniakumar: See, when I said about core businesses, the businesses which are established and started rolling out, which consisting of our commercial banking credit card and microfinance. If you look back at that microfinance, which was just having a negative growth of 36% in the beginning of the last year has now started growing at the fast pace of around 20%, 22%, which will continue to grow at the same rate. The credit card, which is growing at around 24%, 25% will continue to grow at 20%, 24%. Last year the commercial banking grew at 19%, because with this base of around INR7,000 crores, we still has an ability and growth and the capacity to grow at the same pace. So these are the three things which I said about the core. And now maybe in another half year the core business will include housing loan because which has also now gained around 80%, 88% than what it was earlier. The LAP and other things will also tend to contribute to this core.

Rajeev Ahuja: So Jai, one more point. I think, systemically, we have barely 0.5% market share. So I think system growth of 12% and 16% will impact as much, much, much less, given our size and scale as compared to much more scaled banks.

Jai Mundhra: And the last question is, sir, when you look at -- when you are still in the investment phase, let us say you are still rolling out new products, and maybe tapping new geography. And all these are retail, secured, probably high intensive, high cost-intensive products, the opex growth should still be similar or marginally higher than loan growth, is that a right assumption to make?

R. Subramaniakumar: See the opex growth is more or less remain at same. Yes, I'll just give an example of C&I. The opex growth -- now one thing what we have done, we are front-ended in creation of the retail franchisee across the branches as across the verticals. Excepting for a small bump up maybe in two-wheeler and four-wheeler, all other things have already been implemented or it is now going to the time for them to deliver. Today all these front-ended things have been done partly to the extent of only 2%. There will be a marginal increase in the opex cost as we move forward, but it will not be much higher than what has been done last year. Last year consumed most of the investments.

Rajeev Ahuja: But Jai, yes, it will be more than loan growth. Yes, little more than loan growth.

Jai Mundhra: Sure. And then the PPOP growth that you are targeting is because the revenue growth should be higher, which would also be a function of the fee also, or you think the margins these businesses would have slightly better margin?

Jaideep Iyer: No, I think there will be -- it will be a combination of both margin expansion and fee income. Margin expansion driven by again better mix within wholesale as well as more retail growth overall than wholesale.

Jai Mundhra: Right. Thank you sir. Thanks a lot and all the best. I'll come back.

Moderator: Thank you. The next question is from the line of Shubhranshu Mishra from PhillipCapital. Please go ahead.

Shubhranshu Mishra: Good afternoon, sir. Thank you for the opportunity. The first one is on the Zomato partnership. Why did we nullify this particular co-brand partnership and go ahead with BankBazaar? Is it some favorable commercials? That's the first. Second is that our revolver proportion has been around 22%, which is pretty range bound when we look at sequentially or even on an annual basis. How do we look at revolve growing in our own credit card book? And what kind of spend growth are we looking at in '24, '25 with rentals getting capped because of various fees getting attached to the rental spends. These are my three questions. Thanks.

R. Subramaniakumar: Yes, I'll ask Bikram to respond to that. DO we have our credit card head?

Bikram Yadav: Hi. So answering the first question first, which was like what happened on the Zomato partnership? Zomato strategically wanted to focus on their core business areas, and therefore they have taken a decision to not remain in ancillary lines of activity. It was neither commercial nor any other aspect of partnership, but just pure change in their own strategy. And that is the answer for the first one. Revolve rate is a macro after usually a little bit of a tough cycle whatever is leftover pool, you see little bit lower revolve behavior. As and when we acquire new customers and portfolio momentum gains up, we will see it is getting balanced out. What was your third question? Will you just repeat it once?

R. Subramaniakumar: Spend. Growth of spend.

Shubhranshu Mishra: Spend growth in '24, '25, what is the estimate for us in '24, '25 with rentals getting capped because of various fees getting attached to it?

Bikram Yadav: Right. So if you were to look at it, actual spend increase between FY '22 to FY '23 has been tremendous because of acceptance of cards for unconventional categories like rentals, fee this that and all. Banks have put fee to balance this category of spend. My sense is that in last four years to five years, the category is expanding at 20%, 25% CAGR. Therefore 20% to 25% of growth in spends is likely to be seen even after putting a fee and capping on the rental spends.

Shubhranshu Mishra: Thank you. Those were my questions. Thanks.

R. Subramaniakumar: Yes. Thanks.

Moderator: Thank you. The next question is from the line of Sameer Dalal from Natverlal & Sons Stockbrokers Private Limited. Please go ahead.

Sameer Dalal: So my first question actually has been answered to some extent. I mean, you said that, your opex cost is going to grow marginally higher. Can you give some, I mean, will it be at the similar levels of 30% growth in opex or will that start tapering off in the current financial year? And the second question has to do with credit cost. Yes, credit costs have been extremely good. They have come down quite a bit, but they are still a little higher than what you would like. So where do we expect credit cost to finish in the current financial year?

R. Subramaniakumar: I'll just answer about the credit cost. And I'll ask my colleague to talk about other one. See the credit cost today in this quarter, it is hardly 29 bps. And it was last quarter 39 bps. Whole year it is 149 bps. And we have been -- we said that, credit cost will be in the range of 2.6 or so, and we also said that it will be 50% less than that of the previous year. We have just performed much, much better than what we have been getting it. And I don't think that is elevated position. Going forward on a quarter-on-quarter we will be in a position to do that. And conservatively, we will see 2%, but it will be in the range of 1%, 1.5% as we move forward. So it is not an elevated position, which we'll definitely appreciate. It is just…

Sameer Dalal: No, I am saying you've done well on that front. What I'm saying is, what can we expect next year?

R. Subramaniakumar: Yes, next year we'll be in the same ballpark 1.5% to 2%. Worst scenario will be the 2%. But we are aiming for closing it at 1.5%.

Sameer Dalal: Yes.

Jaideep Iyer: Yes, on the cost front actually we had said, it will be more than advances. It will be somewhere between advances and the current opex growth.

Sameer Dalal: Okay. And lastly on the credit card side, I mean, the NPA side, we've been seeing constantly higher slippages. Can you give us some guidance on how we can maybe work on something on reducing the credit costs that are come. I mean, the NPAs that are coming through in the credit card business. That is where I think you're facing the bulk of the increase.

Jaideep Iyer: Yes. When you said higher-and-higher, you're talking in absolute?

Sameer Dalal: No, I'm not talking in absolute. I'm saying, I mean, compared to the rest of the verticals?

Jaideep Iyer: No. So credit card, as a business, typically run at somewhere around 4% credit cost. So it will have slippages or it is the nature of the beast. And after absorbing credit costs of 4% with the kind of slippages we are seeing, it is still a very profitable business. So, it cannot be compared with, let's say, housing loan as an example.

Sameer Dalal: So you believe it will remain the credit card at 4%. It will not...

Jaideep Iyer: No, in fact these numbers are already below pre-COVID for us. And if you look at the only listed player in this space, we would be similar or below. So we believe we are already in the range where we should be.

Sameer Dalal: Okay. Thank you. We'll come back in the queue for questions, if we have more.

R. Subramaniakumar: Yes. Okay.

Moderator: Thank you. The next question is from the line of Sandeep Joshi from Unifi Capital. Please go ahead.

Sandeep Joshi: Yes, hi. Thank you for the opportunity. Sir my call just got cut off in between, so I…

Moderator: Sorry to interrupt you, Sandeep, there is a lot of background noise coming through, if you can move to a silent area please?

Sandeep Joshi: I'll come back in the queue then, I'll come back.

Moderator: We'll move to the next question from the line of Chintan Shah from ICICI Securities. Please go ahead.

Chintan Shah: Yes, thank you for the opportunity. So my questions are -- is also on the margins front. So given that the margins have been in figure almost in the past four quarters, and they are quite -- they are up like 70 bps, 80 bps in the past three quarters. So could you help me a bit, what is the loan mix in terms of floating and fixed proportions for our book as of now? And what that was kind of four quarters ago?

Jaideep Iyer: So broadly speaking if you look at our business cards, microfinance, and parts of retail are fixed. So typically we will have about 45% or so as fixed rate and about 55% would be floating. Most of wholesale would be floating. And housing, LAP, kind of businesses are floating. So it's approximately 45%-55% between fixed and floating.

And in terms of margin, sorry, in terms of margins, we've had one of the reasons why there have been tailwind on margins is, one is, of course, our product mix has improved towards better yielding loan book. If you see our retail proportions have gone up overall. Second, we have also gradually been able to reduce our excess liquidity on the books. If you see our LCR used to be around 145%, 150%, we are now in the 120s. And third, we are still -- most banks, including us, have benefited from higher repricing on the loan side, and the cost of deposit flow through is yet to fully come. So from here on, I think there'll be a little bit of a headwind on that particular factor, which should get in our case, more than compensated due to the mix change that we still continue to see between retail and wholesale.

Chintan Shah: Okay. So that was my second question actually on cost of deposits only. So given that our -- term deposit, if we compare to the larger banks, that is roughly 2%, 2.5% -- the differential was somewhat around 2%, 2.5% a year ago. And that has been reduced to around 1.5 percentage roughly now. So that differential now, will that further increase to 2%, 2.5% or will it be stable at current levels?

Jaideep Iyer: So I think there are various reasons why it was expanded in the past. I don't see any reason why we should be increasing the spread from here on. We will want to be competitive with our peer group, and we don't expect that therefore that gap to increase. Hopefully over a two-year, three-year period, it should further narrow.

Chintan Shah: So and just one last question on the credit card trend. So the revolver, if you could just highlight what they were? And what are we expecting in term of revolver is for FY '24? And also because of the fact that I think that the conversion to EMI trend also has been picking up, and is that

being the determinant to higher revolver rate? And so, do you believe that, that is a structural change or will the revolver increase in FY '24?

Bikram Yadav: Hi, Bikram Yadav this side. Revolve rate earlier were about 300 basis points to 400 basis points higher than the current level, and they are slowly inching up. As and when the business momentum and new issuance will pick-up, my sense is that they should go up by 100 bps, 200 bps in the coming year. We have been seeing that on the portfolios, revolver and transactor were moving from revolvers, moving to transactors and transacters were moving to revolvers. EMI base has maintained at a certain level for a reasonable period of time, and is likely to maintain in the coming year as well.

Chintan Shah: Sure. This is quite helpful. Thank you. I'll get back in the queue.

Moderator: Thank you. The next question is from the line of Mathews John from -- Individual Investor. Please go ahead. Matthews, your line has been unmuted, please proceed with your question. We don't have the current participant in the question queue. We'll move to the next question from the line of Prabal Gandhi from Ambit Capital. Please go ahead.

Prabal Gandhi: Yes sir. With a blended yield of 7.5% on the corporate book, and with our cost of funds of 6%, how do we make money on the corporate book?

Jaideep Iyer: So in corporate lending is probably the least reason for making money. You have current account floats by getting cash management mandates, you have FX business, you have trade guarantees, LCs business, you have salary accounts of corporate customers, you could do other asset businesses. So, it is extremely narrow view to look at yield in wholesale to judge profitability. And there is also an element of foreign currency in that blended rate. If we take a rupee yield of the wholesale book, we would be closer to 9%.

Prabal Gandhi: So would the ROA be greater than 1% in the corporate book then?

jaideep Iyer: No, we would be ballpark there. So it depends. I think we've also had a particularly benign provisioning cycle in this year. For example in this fiscal, the net provisioning for wholesale businesses is zero. Obviously that's not a model situation, I mean, obviously you have to budget some model credit cost. So in a scenario like this, for us, yes, we are closer to that percentage.

Prabal Gandhi: So, meaning, in a benign credit flow scenario, ROA greater to 1%.

Jaideep Iyer: Yes, you can take it like that.

Prabal Gandhi: Sir my second question is that, sir, on the deposit...

Moderator: Sorry Prabal, sorry to interrupt you. Before you proceed, if you can speak through the handset in case you're using earphones, because the voice is muffled.

Prabal Gandhi: Okay. Sir on the deposit side, so if we adjust for the cost load our deposits on a sequential basis, on an annual basis have hardly grown. And I understand that rent -- so far we had balance sheet liquidity, so we were not looking to grow our deposits that aggressively. But with the loan growth expectations going well, how do we manage our deposit growth?

R. Subramaniakumar: See there is one thing, which we said in the beginning of the year itself, like we are not looking at that overall deposit. We wanted to migrate from that of the deposit, which is bulk in nature to the granular in nature. You could have seen that the granular deposit has grown to the -- our LCR deposit from 18%, and less than INR2 crores deposit is also growing at a very, very comfortable margin of around 18%. We will continue to grow in that area as well.

And now we have moved up -- previously the multiple verticals were there in respect of cross-selling of our liability products. We had our microfinance and credit card, which has just selling the one of the products. Now in this year onwards, we have created a platform through which we are enabled the cross-sell of especially the liability product, which is primarily focusing on deposits to the people who are availing our credit card as well as the microfinance, both has started.

The second is we have already created a digital journey in respect of totally automated digital journey for fixed deposits, which is going to be one of the prime mover in our digital channel. So these additional channels, the DC channel and our branch channel, apart from the branch channel, our digital channel will be facilitators to argument more-and-more. Last year we were not aggressively positioning, as I said that we are looking for the granular deposit growth of around 20%, which with all the preparations we are confident of achieving it.

Prabal Gandhi: Okay. Thank you sir. All the best.

R. Subramaniakumar: Thank you.

Moderator: Thank you. The next question is from the line of Anand Dama from Emkay Global. Please go ahead.

Anand Dama: Yes, thank you for the opportunity. So basically, I was asking about the ROA guidance for next two to three years, if you can give?

R. Subramaniakumar: Correct. I have just said in my speech also, we have exited with 1% and we continued to maintain that 1% as we move forward. We may again exit by another 10% to 20% more in this FY '24. And the same way between 10%, 25% we will be increasing it from year-on-year henceforth.

Anand Dama: Okay. And sir any drivers for this ROA improvement? Is it mainly going to be the lower loan loss provisions or you expect even the margins to pick-up or any other line item basically where from you expect this ROA expenses?

R. Subramaniakumar: See the credit growth is one of the one, which is also going to grow it. And we also said that we are getting into such products which is going to give us a moderate to higher yield than what it has been doing it. We will continue to grow in our credit card and microfinance also. Last year the microfinance number was somewhere around INR4,000 crores, now we're close to somewhere around INR6,000 crores, which will continue to grow. So, these would be the contributor to our income, which in turn -- apart from our guidance with regard to the credit cost cut it down, these two things will continue to contribute. Anything else?

Jaideep Iyer: Yes, I think, we will have the opportunity to get more efficient on the balance sheet. So we will -- there were excess liquidity situation last year, which will come down. We are also changing

the mix within wholesale towards more commercial banking and corporate banking, which will be more profitable as well. And credit costs, so I think, I would probably say that this year was the lowest. It is unlikely will go lower than this. So the drivers have to be things other than credit cost.

Anand Dama: Okay. And secondly sir, there were some accounts which are there in pipeline as far as the resolutions are concerned. For example, McLeod was there, CCD is there. So any developments over there?

R. Subramaniakumar: We continue to work on all these accounts. I mean, it is not the question of one or two accounts. All the entire portfolio is being worked on a continuous basis. You would have seen that wherever the recovery is there, recovery has been told.

Jaideep Iyer: So, Anand, on an overall portfolio basis, as I mentioned the wholesale banking this year has had negligible to nil credit cost. And given the visibility for recovery next year, and the theoretical visibility for slippages, we expect a similar outcome next year for wholesale banking.

Anand Dama: Okay. Thanks. Thanks Jaideep.

Moderator: Thank you. The next question is from the line of Smriti Chaudhary from BQ Prime. Please go ahead.

Smriti Chaudhary: Hi, thanks for the opportunity. I just wanted to ask two things. First is the provisions in this quarter fell 41% year-on-year. I wanted to know the rationale behind it. And if you could talk a little bit about the core income, the increase in core income from previous year. The growth is only about 7% I think, so could you elaborate on it a little bit?

Jaideep Iyer: Yes, so on the provisioning fall, last year, of course, we were still reeling under the lagged effect of COVID. So all businesses of the Bank now are, two things, one is lower slippages on an incremental basis and the recoveries from the past stock also helps in reducing the provisioning. So that is the reason why provisioning has come down substantially. And that has been the story for most of the current year. And we will expect now to be in a stable range going forward.

On core fee income, basically if you see here, our loan growth has been in the 17% range. And therefore last year we had the benefit of one-off treasury income because yields had fallen quite substantially. And that opportunity has been far less this year. So that is one reason for overall income to be down.

Smriti Chaudhary: All right. Thanks a lot. Thanks.

Moderator: Thank you. The next question is from the line of Sumeet from Morgan Stanley. Please go ahead.

Sumeet: Hi, hello everyone. Sumeet here. Congratulations on a good quarter. Just one or two questions. So, one is on GNPL coverage ratio at 68%. Is that a comfortable level or at some point of time you would want to improve that as well?

R. Subramaniakumar: Yes. See we have just anchored not to go below 65%, around 68% to 70% is a normal range in which we wanted to operate on.

Jaideep Iyer: So Sumeet, just to add, I think, we still have a reasonable portfolio from our business loans, which are fully property-backed, which our policy has a 15% provisioning there, and then it goes to 25% next year. But typically, these get resolved at pretty much zero principle loss in 12 months to 18 months' time. So if you exclude that portfolio, then the PCR would be higher. See, you look at our portfolio, we provide cards in 180 days, we provide microfinance in a year, and if you look at our net NPAs across segments, which we have given in the presentation, if I were to put some reasonable conservative thoughts around LGDs, I think we will be more than provided for.

Sumeet: Very helpful. And Jaideep, what would be the threshold CET1 ratio that you would want to operate with, given that RBL, unlike some of the other banks, operates at somewhat higher unsecured loans. So just trying to get the threshold for CET1 that you would want to operate with?

Jaideep Iyer: So, Sumeet, I think, so we are obviously very comfortable today and we don't see the need for raising capital at least for the next 18 months or so. And we don't expect therefore in that period total capital to fall below 14%, 14.5%.

Sumeet: Okay. Thank you. That's it from my side. Thanks a lot Jaideep.

Moderator: Thank you. We now conclude the Q&A session. If you have any further questions please contact RBL Bank Limited via email at ir@rblbank.com. On behalf of RBL Bank Limited, we thank you for joining us. And you may now disconnect your lines.

R. Subramaniakumar: Thank you so much. Thank you.