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Q2 FY '23 Earnings Conference Call"

October 22, 2022

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Moderator: Ladies and gentlemen, good day, and welcome to RBL Bank's Q2 FY '23 Earnings Conference Call. As a reminder all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask question 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, RBL Bank. Thank you, and over to you, Mr. Kumar.

R. Subramaniakumar: Thank you very much. Greetings to all of you on the Diwali eve. Good evening, ladies and gentlemen and thank you for joining us for the discussion on RBL Bank's financial results for the second quarter of FY '23. I'm joined on this call by Mr. Rajeev Ahuja, Executive Director of the Bank and other members of our management team, who along with me will address any questions that you have.

Briefly on our results for the quarter, first on asset quality. Our GNPA was lower quarter-on-quarter at 3.80% with net NPA at 1.26% and a provision coverage ratio of 67.8%. We had a total slippage of INR 812 crores for this quarter. Our total overall recoveries and upgrades was INR 314 crores. Our net slippages were therefore at INR 498 crores.

Of the slippages, INR 279 crores pertain to the slippages from the restructuring book, where we have already substantially taken the provisions in the past. So the need for additional provisioning was reduced. In the case of slippages from microfinance restructured, you will recall we had identified the customers where we saw potential stress and made additional provisions in the March quarter. One account in the wholesale bank's restructured book was classified as an NPA in this quarter on a technical ground. However, this account continues to service its obligation.

In credit cards, our slippages were INR 245 crores this quarter marginally higher than the previous quarter. Our recoveries and upgrades continue to be strong in this segment. So the net slippages are INR 194 crores. The card is now tracking to 4% to 4.5% credit card, which would be better than the pre-COVID levels.

Our slippages in other retail was INR 221 crores, of which INR 66 crores pertain to the impact of out of order circular of Reserve Bank of India. As in the previous quarters, these get upgraded in the subsequent quarter. The net slippages in the retail were INR 65 crores because of upgrades.

Our net restructured advances stood at 1.87%, down from 2.35% in Q1 FY'23.

We talk about the provisions. We took a total provisions and advances in NPA, restructured and standard asset provisions of INR 296 crores in this quarter as against INR 329 crores last quarter. We had recoveries from written-off account of the amount of INR 70 crores. The net provision on advances, therefore, was lower at INR 226 crores as against INR 249 crores in the last quarter. The credit cost for the quarter were 39 bps and 82 bps for the half year as against 374 bps for H1 FY'22. We have also given you a detailed breakup on provisioning in Slides 20 to 22 of our presentation.

Our PCR stood at 67.8% as against 72.5% last quarter.

Briefly on advances, our growth journey has resumed with an overall advance growth of 4% Q-on-Q and 12% Y-o-Y. Our disbursals in retail were approximately INR 2,800 crores this quarter and we expect our disbursal run rate to continue to grow in the coming quarters.

As a result, this quarter, retail advances grew 6% Y-o-Y and 7% sequentially. The wholesale advances grew 20% Y-o-Y and 2% sequentially. Retail to wholesale advanced mix stood at 52 and 48 respectively. Within retail, cards grew by 17% Y-o-Y, Microfinance by 8% lower Y-o-Y, but showed a strong growth of 22% sequentially.

We have moved away from stagnation in this business to steadily accelerating the growth. Home loans grew 123% Y-o-Y to INR 3,450 crores, and tractor loans on a lower base by over 474% Y-o-Y to INR 540 crores. In Microfinance our book originated from 2021 onwards till now, accounts were 87% of our Microfinance advances, which have an NPA at less than 0.5% in this book, indicating that the stress in the book is broadly mirroring the pre-COVID levels.

In credit cards, we added 5.2 lakh cards this quarter. Our spends per card is also growing well with an increase of 8% Y-o-Y. As I mentioned earlier, the credit costs in this also now trending lower than the pre-COVID levels.

Coming to deposits and liquidity. Summarizing the quarter, total deposits grew 5% Y-o-Y. The CASA deposits growing 7% Y-o-Y and retail and small business deposits growing 4% Y-o-Y and 5% sequentially. CASA ratio was 36.2% and retail and small business deposit ratio as defined under LCR was 41.3% as of September 2022. That's against 39.6% last quarter, quarter end. Our liquidity levels continue to remain high with the coverage with average LCR 156% for the quarter.

Our cost of deposits was 5.14% for the quarter. Our focus continues to be to grow granular small ticket deposits, while our overall deposit numbers will not increase given the headroom in our credit deposit ratio and our surplus liquidity, both of which will be absorbed naturally by the credit growth in the coming quarters. We will keep increasing the share of retail deposits in the overall mix. So we expect to see the proportion of retail deposits as defined under LCR in total deposits accrete at 5% to 6% every year.

On capital. Our total capital was 17.4%, and our CET-1 ratio was 15.9% as of September end as against 17.5% and 16% as of June end.

Briefly on other aspects of our operating performance. Y-o-Y NII grew 16% and 4% sequentially to INR 1,064 crores. Our NIM this quarter was 4.5%, 49 bps higher Y-o-Y and 19 bps higher sequentially. Other income was at INR 583 crores for this quarter, lower marginally by 2% Y-o-Y. The core fee income, however, grew 7% Y-o-Y and 2% sequentially to INR 544 crores. Total revenue at INR 1,648 crore for the quarter was flat sequentially and 9% higher than last year.

Our Opex this quarter was INR 1,135 crores sequentially just growing at 2% only. The pre-provision operating profit this quarter was at INR 512 crores and profit after tax was INR 202 crores for the quarter flat sequentially. Our profit for H1 FY'23 is INR 403 crores as against a loss of INR 429 crores for H1 FY '22.

I want to touch upon some of our new initiatives, which we have finalized in the last few months. I have briefly spoken in the last call of our plans on to focus in the areas of rural vehicles, 2-wheelers, and used cars, housing and small business lending and other retail products to build a new niche. I'm happy to report that our new forays into 2-wheeler, used car and gold loans would be ready to launch in this quarter.

At the same time, our scale up in the existing nascent businesses of housing and tractor loans is building traction as well. Our overall plan is to increase the share of these loans to 20% plus of the overall advances mix in next two to three years, while maintaining the growth in our existing verticals of credit card and Microfinance.

The outcome of these product launches is to

- provide greater predictability of the earnings while contributing an increasing share of the overall advances by financial year '25 end,
- therefore creating a solid base for the scale up in the next planning cycle, and leveraging the banks present in Tier 2 to Tier 6 locations through the bank's branches and RBL Finserve branches, to acquire and service customers and on-ground monitoring.
- Creating **"right to win"** through efficient use of technology and processes. For example, we launched our rural vehicle business in tough conditions during the COVID phase, and we built a different model by digitizing the entire process end to end. And that is the same operating model we are using to build both 2-wheelers and used cars.
- Provide the points of distribution with additional products to aid the customer acquisition, retention for creating an engaged customer base.

Our main goal borne out of our past learnings is to address through our new initiatives, greater operating leverage for customer acquisition, engagement and service. In the past, our Bank has not effectively cost leveraged our various business segments, leading to low penetration of multiple products to the large customer base that we have.

Our approach is to drive assets to liability customers and vice versa. While we are certainly not the first bank to talk about this, our primary goal is to do a better job at bridging this gap to create a sustainable operating leverage.

On an overall basis, therefore, we will look to grow our advances at 15% this fiscal and at approximately 20% plus over the medium-term basis. We will look to fund most of the advances growth to granulate deposit growth, which means that our target would be to grow the granular deposits at a similar rate. On our income and expenses, given the growth in our business is now back on track, we expect to see improving income levels in the coming quarters.

On the other hand, our expenses base and therefore, our operating profit has been affected by the expenses we have incurred and are incurring in the branch expansion and related employee additions, technology refresh across the Bank, cost of new businesses set up, etcetera. We fully appreciate that there has been a concern in your minds on our OpEx levels.Outside of our new business, where we are making investments, we are looking at every line of cost and running cost optimization projects to focus on reaping greater benefits from the expense base. You would have noticed, we were able to contain the growth of OpEx cost and it is at 2% level sequentially. The benefits of this would start showing up with a lag from Q4 this fiscal with an improvement quarter-on-quarter thereafter.

I will end my speech by reiterating some of the key points.

Having spent the last four months in the Bank, I can confidently say that the balance sheet is strong, and there will be more predictable growth from here on. You can observe that H1 FY '23 has demonstrated higher profitability and lower provisions as compared to H1 FY '22. The strength, capacity and the capability in the Bank will ensure steady rhythm of sensible profitable growth.

The business engines more specifically within the retail have started their growth journey again. Return to the growth in our existing businesses, including corporate, where we see opportunities, and this will lead to top line growth. And as the new business starts and grow, we should see consistent uptick in income levels.

There has been some concern in employee morale and therefore, attrition. I'm happy to say that the team is intact, motivated, and we have also addressed some caps with some key hires. You would have also seen the new additions to our board to add our strength and expertise.

Growth in advances should be 15% for the full year this fiscal and higher thereafter and at the same time, our granular deposit growth will be similar or higher as we granulize deposits. Capital position continues to be robust, giving us a sufficient runway for growth. I'll stop here.

And with this, we will now take the questions. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. Anyone who wish to ask a question may press star and one on the touchtone telephone. If you wish to remove yourself from the question queue you may star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen we will wait for movement while question queue assembles. The first question is from the line of Kunal Shah from ICICI Securities. Please go ahead.

Kunal Shah: Yes. Wish you a very happy Diwali. So firstly, on the restructured advances, so in fact from almost INR 1,730-odd crores, it's down to INR1,400-odd crores, but we are seeing that maybe whatever has been the delta in this quarter significant part of it has slipped into NPA, okay? So almost like INR 280-odd crores of the reduction of INR 340-odd crores have slipped into NPA.

So now looking at the overall book and what on a net basis, which we are carrying also provisioning against it, do we think that there is an adequate provisioning or given that in first half significant amount has slipped, maybe there would be a higher requirement of provisioning on the restructured pool?

R. Subramaniakumar: See, with regard to the slippage on the restructured book, I want to divide in two parts. The one set is from your Microfinance book, which has been restructured. The second is the restructured book of the wholesale. One big account, which has slipped from restructured book in the corporate is purely on technical ground. And this account is performing or the repayments are coming intact. So there is no need for additional provisions as far as this particular book is confirmed. With regard to that other remaining book, I'll ask Jaideep to give the numbers and you'll be able to...

Jaideep Iyer: Yes. So Kunal, restructuring, as Mr. Kumar said, that the main item that we were anticipating was microfinance, which we have taken adequate provisioning. And that is kind of slipped. Now going forward, I think we have some tail left. But again, since we have healthy provisioning on that, we don't expect that to make a dent in the credit cost going forward. So the reduction, therefore, in the restructured book is partly due to slippages, partly recoveries, but skewed in favor of slippages because of the one single wholesale account.

Kunal Shah: Yes. So when we look at business loans of INR 1,060-odd crores in restructured on which there is INR 130-odd crores of provisioning. And even credit cards, okay, when we look at it INR 130-odd crores of portfolio, with hardly like INR 14 crores of provisioning on that pool. So does that seem sufficient or maybe we will see that coming through over the next couple of quarters, yes? Because credit card, I think maybe that can really slip into NPA. Yes.

Jaideep Iyer: Yes, I can answer that. On retail assets, Kunal, this is lapse and therefore secured, so we really don't expect an LGD issue here. Even if there are slippages, in general, our expectations are 8% to 10% of slippages from the restructured book over the next two to three quarters as and when the morat comes out.

On the credit cards, this restructuring in the technical restructuring, which is more than a year old. So honestly, there is nothing to it. If you look at the slippages from these cards, they are negligible. They are in line with our non-restructured book. This was a technical restructuring, which happened almost a year back. So it has been perfectly performing. There is no morat on this book over the last 12 months.

Kunal Shah: Sure. Got it. And one last question in terms of the advance growth. So we are highlighting it will be 15-odd percent kind of growth, then in the future years, almost 20-odd percent. So garnering deposits is going to be very critical. And this time also, it's almost flat. So at what spread we would be doing the incremental business and what kind of impact it can have on margins given that focus will also be in terms of getting the granular deposits?

R. Subramaniakumar: See, the first with regard to the deposit advances growth, it is going to be at the mid-tier range. So today, we have the yield in the range of 21% in our credit card and around 17%, 18% in our Microfinance. The retail growth, which we are looking at is going to be secured number one. Second, it will be the rate of 11% to 14% range, which will be filling up our yield. So it is better return than what we have been getting it from have we grown our wholesale book.

The second with regard to the deposit mobilization for that, as I said clearly that we are moving away from the bulk deposit and you would have seen that LCR has grown by 4% sequentially, which earlier was not growing. So the granular deposits and the CASA is going to be the focus in. If you look at that, we are able to clock the granular deposit at 41.3% within the overall INR 80,000 crores what we have.

We have an ability to grow that segment from what it is, we'll be reaching around 44%. The idea is that today, we have a surplus liquidity of somewhere around INR 7,000 crores, right? So that with our intent to retain our LCR at 120%, the INR 7,000 crores can be deployed even today with the current level of the deposit only. There is no compulsion to grow the deposit.

As we move forward, our ability to collect the deposits is coming from the two factors. One, we have not leveraged our 800-plus branches of our Finserve, which is now eligible to collect our liability franchise also, which we haven't done so far. The second 507 branches which are operating today, have an ability to increase their account.

One thing I can say with confidence is that number of accounts which we mobilize and that lead segment, whether Insignia, Signature and those segments, maintaining an average balance of around 5 lakhs to 7 lakhs is doubled in the last one year. So we will be in a position to start improving our granular deposits from the current level of 36.2% CASA to around 38% by the end of this year and granular deposits from 41.3% to 44%, which will trigger the CASA growth from the current level of 7% due to the low around 12% or 13% of the CASA, which is added to a deposit to meet our current level of growth what we're planning it and which will consistently move the next year also.

Moderator: Thank you. The next question is from the line of Matthew John, an individual investor. Please go ahead.

Matthew John: Sir, just want to check out with respect to the communication from, is there any communication from RBI with continuation of the RBI nominee Yogesh Dayal in the Board, given the continuous good performance for the Bank for the last three, four quarters?

R. Subramaniakumar: Normally, these kind of communications do not return because it was appointed by RBI, and they will take a decision with regard to his continuation otherwise. Otherwise, he is there for two years as per the terms of appointment. We don't get into that. We do not want to speculate as well.

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

Anand Dama: Sir, the slippages that we saw during the current quarter, you said that one of the corporate accounts has slipped on technical basis. So can you provide some more details? And now that we have had spent good amount of time, so any analysis of our overall corporate book, BB and below any incremental stress that we see over there?

R. Subramaniakumar: See, I just made a statement in my opening remark that the balance sheet of the Bank is strong. That statement I made after analyzing the balance sheet, which includes the wholesale book, retail book, and micro finance and credit card. So I said very clearly that the credit card continues to be the credit cost of somewhere round 4% to 4.4%.

And I also said that incremental increase, which you have seen in micro finance has seen slippage of only 0.5% in the new book, which is I would rather say that far better than the performance which has been doing a bit earlier. So one thing you have done it is in all the retail again, we have strengthened our collection mechanism. So it doesn't give you any shocker or it doesn't give any concern with collection mechanism pretty strong. For retail, which is today at 52%, it's just market accepting for the restructured book is we said that clearly, this is one where, if at all, there's a concern comes, it is going to come from the restructured book. However, the restructured book is fairly well provisioned. It may not be creating much concern. It's still moving forward.

And one thing is that from the written-off account, we also stated that around INR 70 crores has been recovered, which gives a comfort that these accounts even if it slip, we have an ability to correct them. With regards to the LAP which is at retail, even if it slips, we have all that restructured now. Even if it slip, it is going to be secured -- to recover is definitely higher than what it is.

Now coming to that 48% of the wholesale book, which is the commercial as well as corporate on our accepting for the natural phenomenon which is going to happen, we don't envisage anything which demonstrated with our GNPA reduction in the last four quarters, that GNPA reduction will continue from what we have been seeing in future ourselves. Hope that addresses your concern.

Anand Dama: Yes. So basically, sir, we also had old NPAs like CCD and all. Sir, any hope of resolution in the near term debt that you have?

R. Subramaniakumar: What is that, come again?

Anand Dama: So we had a lot of these old stress accounts like CCD and some other large accounts were there. So any resolution over there that is expected?

R. Subramaniakumar: See, CCD recovery is happening. It was around INR 200-plus crores, it has come down to INR70-plus crores, if I remember as a group, deployed pretty well that one is going on in safety. We don't have anything else...

Rajeev Ahuja: I think Anand, just to be clear, the recoveries are happening. And I think they will continue happening over the next few quarters. Obviously, a lot of them are structured around interbank agreements or somewhere NCLT or private transactions. But I think that effort is already on, and some of that is already reflected in our net credit costs over the last couple of quarters.

Jaideep Iyer: Yes. In fact, Anand, wholesale, for example, has been running negative credit costs for the last 2 quarters.

Anand Dama: Okay. Sure, sure. And lastly, anything on OpEx that are we largely done with the OpEx that we have seen or the OpEx should remain elevated for next two quarters as well?

R. Subramaniakumar: You make a comparison of the OpEx sequentially, we have grown only by 2%. That kind of control will continue.

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

Shubhranshu Mishra: Happy Diwali to the entire team. On the credit card piece sir, I just wanted to understand what is the split between Bajaj Finance and other sourcing, both in terms of CIF as well as in terms of acquisition? And also, what could be the ROA on a steady-state basis for each of these portfolios? And my third question is, what is the total payout that we do to Bajaj Finance on an annual run rate basis? And what would be the various components of these, sir?

R. Subramaniakumar: With regard to the first one on run rate, I will ask Bikram who is just heading that credit cards, with regard to that BFL and other thing, we will... Jaideep, do you want to add something?

Jaideep Iyer: Yes, yes. So I'll take that. Basically, on a book basis, we are roughly 55%, 45%. On the incremental sourcing basis, we are approximately 70%, 30%, 75%, 25%, depending on how the other partners source in a particular quarter. So that's the run rate. And this run rate will start moving back towards 50-50 over the medium term as our other partners continue to gain traction.

The steady-state ROAs we would expect in this business at an overall cards level, it should be in the range of 4% to 4.5% when it is fully leveraged and the credit costs are, let's say, as per the model credit cost. And that is true for whether it is a Bajaj Finance portfolio or some other partner portfolio, depending on the maturity of the partnership, it hovers in that range.

I don't think we can comment on specific line items on how we pay Bajaj. Largely, it is related to sourcing and some performance of the cards. For example, we do have some spend share. So the better the customer spends, we do give a share of that to Bajaj because they also continue to incentivize customer spend through their network of stores and stuff like that. But I would not want to get into details on that because that's a private partnership.

Shubhranshu Mishra: Sir, just to confirm, my own calculation is we roughly do around INR 550 crores to INR 600 crores kind of a run rate. Is it closer to that, sir?

Jaideep Iyer: As I said, I would not want to comment on that.

Moderator: Thank you. The next question is from the line of Himanshu Taluja from Aditya Birla Sunlife Asset Management.

Himanshu Taluja: Just a few questions at my end. Firstly, on your basically, since you're guiding for a loan growth of 15% from this year's financial year. But if I look at my deposit growth for the last two quarters has been on a flat. So what is the deposit strategy here? And what is the deposit and what sort of growth that you expect basically to garner on the deposit side? That's my first question.

R. Subramaniakumar: I have already explained earlier, anyway for your sake I can tell you, we are going granular deposits. Our LCR is around 41.3%, which will become 44%, 46%, and today, we have a surplus liquidity of somewhere around INR 7,000 crores, which is sufficient for us to clock around 15% growth, what we are talking about. Therefore, we are capable of raising the deposits as and when need arises, we'll be able to manage it.

Himanshu Taluja: Okay, sure. And sir, secondly, on the asset quality front, we are seeing the progression on the improvement on the slippages quarter-on-quarter that's coming down. But when we think that the complete normalization and the asset quality will end, we are going to see the earning normalization also begin basically. So if I can have a…

R. Subramaniakumar: In terms of credit cost, we are already actually below normal this year. In terms of slippages, I think because of the restructuring noise, I think that probably will normalize by, I think, Q4 or early next year. But because we have taken a lot of provisioning on restructures, the credit cost impact is not there because of those slippages.

Himanshu Taluja: Okay, sure. And sir, also on your earnings, what do you expect, any ROA guidance that you wanted to convey basically?

R. Subramaniakumar: We said last quarter also, we continue to maintain it, for this year, exit will be somewhere around 0.8%. 0.94% or whatever it is, 1% you can take it for exit of this year.

Moderator: Thank you. The next question is from the line of Saurabh from JPMorgan. Please go ahead.

Saurabh Kumar: Sir, just two questions. One is, can you give some color on this incremental sourcing you're doing there in micro banking, the book has gone up 22% quarter-on-quarter. So that's first. And second is on this NIM quarter-on-quarter. Fair to say this is just largely back to pricing, there is no mix improvement you have seen per se in this quarter Thanks.

R. Subramaniakumar: Yes. I think that on the first one, if you remember, we had hardly any sourcing in Q1 because of RBI guidelines, which came in and it took most of the industry players including us to change the rule engines and technology to fall in line. And therefore, obviously, that fell in line by late June, early July. And therefore, we've had a fairly good sourcing for this quarter. Yes. And I think that trend will continue and probably even improve going forward. Our expectation is that we should get back to a book size of where we were in March '22, which was around INR 7,000 plus crores...

Jaideep Iyer: March '21, we were INR 7,100 crore, we'll reach that by the end of...

R. Subramaniakumar: Somewhere around that by end of this year. Sorry, your second question.

Jaideep Iyer: Second question, we couldn't get it. What is that?

Saurabh Kumar: The NIM improvement, which is quarter-on-quarter what we're seeing, which is just the back book repricing, there would not have been a core spread improvement in the book on incremental disbursements?

Jaideep Iyer: Actually, it's a mix of both because what happens is that the repo rate linked book has rapidly repriced up even the wholesale book reprices up quite quickly, whereas deposits are a little back-ended. So it's a mix of both. And I think now we will have a little bit of catch-up from deposits. And therefore, going forward, mix improvement will play a bigger role in what we estimate that margins should continue to improve.

Saurabh Kumar: Okay. So the incremental business, which is being generated at the Bank is higher than the current NIM?

R. Subramaniakumar: Yes. Correct.

Moderator: Thank you. The next question is from the line of Pankaj Agarwal from Ambit Capital. Please go ahead.

Pankaj Agarwal: Sir, you said that your ROA in credit cards business is roughly 5%. And if credit cards business is roughly 22%, 23% of your book, you should be roughly making 90 to 100 basis point ROA from credit cards alone. Now your blended ROA is even less than that. So how do you reconcile this...

Jaideep Iyer: So Pankaj, two things. Sorry, I should have clarified, 4.5% is the ROA. Second, the denominator of that is the loan book. If you have to look at the balance sheet, which is what you're looking at when you look at the overall ROA, you should deflate it by treasury assets, which don't have much ROAs. So that is about 1/3 or 30% higher.

If you declare that, you will be able to compare it with the Bank. Yes, we do have businesses where we are investing. For example, retail assets, we are continuing to invest. So it will not necessarily be making money, similarly, branch banking, where we are continuing to add branches.

So there will be areas where we are continuously investing and there will be businesses like wholesale, which will now come back to profitability after the provisioning issues that we saw two years back. So you have several parts of the businesses, sometimes some doing very well, versus others.

Pankaj Agarwal: But sir, if you like, gross up this credit card loan book with your, because you also have CRR SLR requirement, right, which is similar to other businesses. And if you make it, what should be the ROA, I mean comparable ROA, which you report on overall assets?

Jaideep Iyer: That should be down to somewhere in the 2.5% to 3% range.

Moderator: Thank you. The next question is from the line of Rishikesh Oza from RoboCapital. Please go ahead.

Rishikesh Oza: Sir, firstly, can you provide any guidance on cost-to-income ratio going ahead?

R. Subramaniakumar: See today, the cost-to-income ratio is somewhere in the mid region of 60%, 65%, and this has continued to be retained in that range for another two quarters because we're investing in our branches, and we will be investing in our employees, we will be investing in the technology also. So going forward, it will stabilize and start looking down from mid of next year. By end of

FY'24, you'll be able to see them in the range of around 60%, then the efforts will be on to bring it down to 54% year thereafter.

Rishikesh Oza: Okay. And can you please indicate on credit cost, what credit cost are we seeing for H2 and next year FY '24?

R. Subramaniakumar: No, we are sticking to our guidance of give or take 2%, less than 2% for this year. We haven't given specific guidance for next year.

Rishikesh Oza: Okay. And out of your slippages for this quarter, gross slippages INR 812 crores, how much is from restructured book?

R. Subramaniakumar: Around INR 280 crores.

Rishikesh Oza: Okay. So that is gross, right?

R. Subramaniakumar: Correct. Yes.

Moderator: Thank you. The next question is from the line of Rakesh Kumar from Systematix Shares. Please go ahead.

Rakesh Kumar: Clearly, like as the bank is going under transitory phase, so just to get your view that in how much time do we see that credit composition would normalize?

R. Subramaniakumar: The credit composition, even now is normalized. There is no abnormality as far as the credit composition is concerned. The composition will undergo change as we move forward in our line. It's more of a retail and I said that by end of '25, we'll be around 60%, 65% range will be retail book and the remaining 35%, 40% will be the range of wholesale book.

And within the wholesale book, there will be a credit composition move away from the bulk deposit commercial bank where our yield will be slightly better than that of our investment in the corporate book. In retail book, there is going to be a credit card, which will continue to grow as it has been growing. These are two and in micro finance, it will continue to grow the way we have been. At the end, if you see it, we may have to enter the balance sheet with 10% in the Microfinance, 25% in credit card and 25% of all other secured retail accounts, remaining is the corporate book, approximately around this is what the composition as we move forward.

Rakesh Kumar: So as per your calculation, this entire change would take at least maybe around a year or so.

R. Subramaniakumar: These are continuous ones. Today, we have 21% in this balance sheet book of 21% is in the retail segment, what we have. And we have around 23% is in credit card and around 6% to 7% Microfinance. That will keep on increasing it depending on, I mean, as you move for the total growth. If the total growth is 20%, this will also be growing. The run rate of the secured retail will be higher than the current rate of others.

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

Krishnan ASV: I hope I'm audible. I just had a couple of things. One, on the deposit strategy. I'm sorry, I'm getting you to repeat this. I know that you mentioned about improving your retail deposit mix from 41 to whatever number that you want to take it. But how do you intend to take it?

If you could just articulate that a little bit, number one. Number two, does the RBI have any view on how far you can take your unsecured mix, both credit card plus MFI together. So today, you are at about 30%. Is this inelastic one way? Or does the RBI typically advise banks on how they want your asset mix to move over a period of time?

R. Subramaniakumar: Yes. From the second part of it, normally, a prescription will not be given. There will be a business model will be undertaken by us. As to the business model which has been decided and which we have earlier communicated, we are strengthening it with our revised model today is that we will be increasing our secured portion in retail to the top whatever the number to 25%. Overall, the retail, I mean, secured portion is going to be somewhere around 50%, 55%.

Jaideep Iyer: Retail -- will about 50%.

R. Subramaniakumar: Today, the secured is a little lesser, and we will be touching around 50% to 55% will be the secure. This is the plan which we have drawn for the next three years by exit of FY'25. We will be discussing, we'll be engaging with our regulator who is sitting here who will be looking at it. And I don't think that beyond that, they don't give any prescription.

The first point, coming towards how we are going to grow the deposits. First is our branch where we are going to introduce the asset product, which we have not been marketing or sales through the branches. You also will definitely appreciate that asset leads to a lot of liability growth. So when the asset is going to be positioned, all the retail products what we have been talking about, which we will be launching in this quarter as well as next quarter will all be made available through the branches. And that is the one source where we will be able to increase our core deposits and granular deposits.

The second, we have somewhere around 800 plus RFL branch, which is called the BC outlets. Today, they are doing with 8,000 people on the ground around 7,500-plus people on the ground. Those people are doing a single product of giving a Microfinance advances only, which we wanted to leverage as per the BC model that are permitted to mobilize deposits, mobilize savings fund account, mobilize this maybe that value will be lesser, but the quantum of mobilization will be much higher, that's second source.

The third source is the digital channel. Today, we have through the digital channel services somewhere around 15 lakh customers who we have never leveraged beyond what we have been doing it. We are using them through our partnership model, and this will be leveraged. We have already established a strong analytics team, which has already started publishing or rather doing analytics to find out. The exact people who can be reached within this customer base 15 lakhs in the payments space alone and plus 11 lakhs of all the customers, how many of them can be moved to the liability.

And we have another 4.6 million customers in the credit card. Majority of them are not into the liability space at all. Again, we are leveraging our analytics to see that our many of them will be able to leverage for the purpose of our liability product. So this is how the plan of action which we have. This plan of action is in the various stages of implementation. By end of this year, we will be in a position to complete all the plans what I said and into the implementation. Implementation itself will be coming thereafter the benefits will start accruing to us.

Moderator: Thank you We now conclude the question-and-answer session. If you have any further questions, please contact RBL Bank Limited via e-mail at ir@rblbank.com. On behalf of RBL Bank Limited, we thank you for joining us. You may now disconnect your lines.