IDFC Bank Limited

Q4 FY18 Earnings Conference Call Transcript
April 25, 2018

Moderator Ladies and Gentlemen, Good morning, and Welcome to the IDFC Bank Limited Q4 FY18 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, you may 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. Bimal Giri from IDFC Bank. Thank you and over to you, sir.

Bimal Giri Good morning, everyone. I welcome you to this Conference Call organized to discuss our Financial Results for Fiscal 2018. I have with me Rajiv Lall, Pavan Kaushal, Avtar Monga, Ajay Mahajan, and Bipin Gemani. Sunil Kakar has joined us as a special invitee.

Before we begin, I would like to state that some of the statements made in today's discussion may be forward-looking in nature and may involve risks and uncertainties. Documents relating to our financial performance have been emailed to all of you. These documents have also been posted on our corporate website.

I now invite Rajiv to provide key highlights of our performance for fiscal 2018.

Rajiv Lall Thank you, Bimal. And very good morning to all of you. Thanks for joining this call for our FY18 Year End Results. Before I launch into more detailed presentation just a couple of words of reflection and introduction.

This has been quite a tumultuous year for us for reasons that you are all aware of. But as the year has drawn to a close I have to say that our performance has really been extremely solid, it is a story of sustained and systematic execution as I will explain to you when I go through the presentation. But very broadly speaking the message with respect to our year's performance is the following: this has been a year where we have focused very strategically on repositioning our balance sheet. And I can say with great confidence that our balance sheet at the end of this fiscal year is very significantly stronger than it was last year. And this is because the concentration risk in our balance sheet is much lower than it was before, it is because our credit quality even just in our wholesale book is significantly better than it was before, certainly better than it was few years ago. The retailization of our balance sheet both on the asset side and on the liability, side has continued very aggressively. Our CASA franchise has shown excellent growth and so have our core deposits. So, net-net a much, much stronger balance sheet than last year, extremely well positioned for growth in the coming years.

Second big theme for last year has been there are investments in building out our retail franchise has also continued aggressively. You will see this in the expansion of our branch network, in the growth of number of customers that we are serving, you will see that in the growth and the size and diversity of our retail book and you will see that in our CASA franchise and you will see that in our cost of funds. So, that is the overall story.

Now the implication of improving the quality of our balance sheet, reducing the risk, improving the credit quality of the book and investing in retail means that there is a temporary pressure on our P&L. In a nutshell, stronger balance sheet temporarily reduces P&L,that is the crux of our story.

So, with that let me now turn to the presentation. I had asked Bimal to share with you a fairly detailed presentation yesterday evening. And you will note from that presentation that there is a slight departure from our traditional way of presenting. So each quarter you will have seen over the last year or so we have been trying to improve the quality of our communication, so that you better understand on a sequential basis the functioning of the bank. The biggest difference in this presentation is really the reported balance sheet and P&L versus the MIS balance sheet and P&L. So I will focus on all of that and tell you the narrative or share with you the narrative that supports my introductory remarks about the performance of last year.

So if you turn to Slide #3 which is the key highlights slide, you see four boxes. First is the number of customers, you will see that what we have done over last year is we have almost doubled our customers from 13.8 lakhs to 27 lakhs. Our monthly run rate in terms of customer acquisition continues on a sustained basis, it will be over 1 lakh customers a month. And if you look at how these customers have been acquired, it is roughly 50:50 now, of the 27 lakhs customers that we have about half of them or 12.9 lakh customers have been acquired through our BC network, including in particular IBL (India Bharat Limited), it used to be called Grama Vidiyal. And 14 lakh customers have been acquired through the main branch network of the bank. So this will also give you a rough sense for the pace of growth in the rural customer base versus the urban customer base, the broad message that you should be taking away from this is that the growth of our urban customer base is very rapidly catching up and it has grown much faster in a percentage rate than our rural customer base over the last couple of quarters, that is the first box.

Second one on this page is the CASA ratio as traditionally defined, which means CASA divided by deposits. I had projected to you that we would be above 10% at the end of this fiscal year, we have ended this fiscal year with a CASA ratio of 11.8%. We started this year with 5.2%, so we have gone from 5.2% to 11.8% CASA ratio. And if you look at the box immediately below it you will see core deposits, core deposits is nothing but CASA plus retail fixed deposits. And so it gives you a sense for our sticky liability franchise how it is growing, that has also more than doubled in absolute numbers even from Rs. 4,900 crore in core deposits to over Rs. 10,000 crore at the end of this fiscal year. Of this retail FDs are about Rs. 4,300 crore, we could actually grow much faster if we wanted to, but we are balancing that with the cost of funds as well. And our CASA has reached Rs. 5,700 crore, we were Rs. 2,000 crore last year, we had a Rs. 5,700 crore at the end of this last quarter of fiscal 18 and I am projecting to you that on a standalone basis for fiscal year 19 our goal is to reach Rs. 10,000 crore in CASA.

Final box on this page is just to give you a summary sense of the diversification of the loan book. And the highlight there you will see that the share of infrastructure in our total funded book has come down from 43% to 34%. The share of our corporate that we want to grow, which is our exposure to non-infra large corporate conglomerate and the ELC business, that share has grown from 27% to 37%.

Retail assets have grown from 4% to 11% and we have also been consciously trying to reduce the cost of meeting our PSL compliance, so we are relying less on PSL buyouts than we were before, we are doing more PSL certificates and as a result of that you see our PSL buyout share in total funded assets coming down from 15% to 10%. Our stressed asset book is also strong in percentage terms as well as in absolute terms and I will take you through a very detailed presentation on the stressed assets during the presentation, so more on that later.

On the next page, it is a busy page but it is a nice summary, partly repetitive, but let me take you through some of the small boxes on page four which is the second page of the key highlights. Most important is the first box on the top left-hand corner which is entitled network. You will see that our branch network, our regular bank branches have more than doubled, over the last year we have gone from 74 branches to 150 branches. In our BC network we have gone from 350 branches to 387 branches. And our individual BC points, our merchant points, we have doubled that, we have gone from 8,000 of those to over 17,000. That is really the big highlight on the net worth side. Other big highlight, and I will keep coming back to that is asset quality, our gross NPL ratio is 3.3%, our net NPLs are at 1.7%, our capital adequacy is a very healthy 18%, our headcount growth has gone from 3,800 to 5,800 in the main company, the rest have grown in the BC subsidiary. And so this is all on the balance sheet, customer franchise and asset quality. If you look at the P&L then the story is the profits after tax this year is Rs. 859 crore and the real story in the P&L is that our loan NIMs have declined for the reasons that I started this conversation with, because improve in quality and diversification of the book itself, primarily for that reason, our loan NIMs have come down from 3.1% to 2.4%. So those are the highlights.

I will let you go through the reported balance sheet and the reported P&L and if necessary I will try and reconcile to you the difference between that and the MIS presentation.

I will now draw your attention to Slide #8 of the presentation you should have with you. So I will do the presentation in three parts now, I will start with more detailed explanation of the balance sheet story, then I will talk to you about the P&L and then finally I will deal with a whole segment on stressed assets. So let us deal with the overall balance sheet first, Slide #8, this is Funded Assets. So, if you look at the headline there that our funded assets have remained pretty much flat at Rs. 70,000 crore. Now, these are expressed in gross terms, meaning this is pre-provisioning. So the difference between this Rs. 70,000 crore number and the Rs. 67,000 crore number that you see in your reported balance sheet, the Rs. 67,979 crore is basically provisions. So if you add back about Rs. 3,000-odd crore of provisions you will come to the Rs. 70,932 crore gross number. So, our advances that comprise our loans and our credit substitutes remain pretty much flat, it is the composition of advances that has really changed, this is what I was talking about, this is how we have been engineering the improvement and the strength of the balance sheet. So, if you look at overall our wholesale funded assets, they have only grown by 2% year-on-year, they have gone from last Rs. 49,477 crore to a little over Rs. 50,000 crore. Of which infrastructure has actually shrunk, it has gone from Rs. 30,528 crore to Rs. 24,190 crore, that is a decline consciously executed of 21%. And replacing that decline in the wholesale book has been a very aggressive growth in the corporate book non-infra which comprises conglomerates, ELC and large corporate, all outside the infrastructure space. And that book has grown from Rs. 18,949 crore to over Rs. 26,000 crore, which is a growth of 38%. So we are clearly taking the market share in actually the corporate business. This is very significantly higher than the trend growth of the industry and that is a very healthy sign about how we are rebuilding our corporate franchisee. So that is on the corporate funded books.

Now on the retail side, our retail assets organically originated are now almost Rs. 8,000 crore. We were Rs. 2,500 crore at the end of March 2017, we are now at Rs. 7,966 crore to be precise, that is a growth of 207%. And as I will explain to you in a minute in greater detail, not only is this growth very impressive but the diversification across products and geographies is even more impressive. I pointed out PSL buyout, we have consciously reduced our dependence on PSL buyouts for the simple reason that it is expensive to meet our PSL compliance, it is a cost that we have to incur because we cannot book these assets at a very attractive rate, so we have shrunk this book, we find it more cost effective to do PSL certificates. As a result of that the PSL buyout book has shrunk from Rs. 10,000 crore to a little shy of Rs. 7,000 crore, that is Rs. 6,860 crore. Our SR, these were the security receipts that we got when we sold Rs. 4,000 crore of our stressed assets, we got Rs. 2,000 crore in SRs. There has been quarter-over-quarter repayment against that and that SR book has gone from Rs. 2,100 crore to Rs. 1,984 crore, so about Rs. 150 crore is what has been paid back on that Rs. 4,000 crore stressed asset book that we sold to ARCs.

Finally, if you look at our stressed asset book, that was Rs. 5,600 crore at March 2017, that has come down to Rs. 4,800 crore. And we have been saying this again and again for the last ten quarters or 12 quarters the size of our total identified assets, of our legacy assets, has not changed. If anything, it has actually shrunk overtime because we have had a few write backs. So overall asset quality which relates to our legacy asset has remained stable to improving, that is a big message that we need to take away. And this quarter we have taken Rs. 998 crore of technical write-off which in the general ledger will imply that our stressed asset book has actually come down to under Rs. 4,000 crore, about Rs. 3,800 crore. And that is an intelligent thing to do we believe because it is not as if we have relinquished our claim to try and recover these assets, but it means that it attracts less CRR and less PSL, and net-net it is actually a sensible thing to do. So if you add all that up it means that our total funded book is at Rs. 70,932 crore, that is our funded book. If you go to the bottom of the page, same slide #8, our non-funded assets, we have been guiding you that we are along with our corporate book which has changed its composition away from infrastructure very aggressively, we have been guiding you that we are building cash management businesses which rely on non-funded exposure and you will see that very healthy growth from Rs. 8,600 crore to Rs. 27,900 crore. The FX business likewise has grown but not as aggressively, as a result of which our total non-funded exposure is over Rs. 2,15,000 crore. So that is Slide #8, that gives you an MIS sense, much more granular sense of what is happening to our funded balance sheet.

And to reinforce the point, if you look at Slide #9 it really displays a blown-up version of what you saw in the key highlights. But because it is an important development I will not be kind of repeating it, the share of infrastructure has come down from 43% to 34%, good corporate, non-infra corporates have gone from 27% to 37%, retail assets have gone up from 4% to 11%.

Slide #10, this gives you an even more granular sense of what we have just done in our wholesale book. To reinforce the message already delivered to you, if you examine our wholesale book infrastructure you will see at the bottom of that table has come down from Rs. 30,500 crore to Rs. 24,000 crore, that is a reduction of 21%. Corporate bank, the rest has gone from Rs. 18,900 crore to Rs. 26,000 crore. Of that the fastest growth has been consciously done in ELC because that ELC book which is emerging large corporates, and what is the definition of large corporates, Ajay?

Ajay Mahajan So the definition is that for manufacturing corporates we have the lower-end is at Rs. 250 crore of turnover and the upper end is Rs. 7,000 crore, mid-point is more

likely to Rs. 2,500 crore. In trading corporates, it is Rs. 500 crore lower-end turnover to Rs. 7,000 crore again on the upper side.

Rajiv Lall So that book has grown from Rs. 3,000 crore to Rs. 6,800 crore. We are focused on this book, we are very careful about the quality of exposure we had here. But the yield on this segment of the market is higher than in the large corporate, this is why we are consciously focused on this segment of wholesale banking. I do not have the slide here, but I can also tell you that the average rating of this wholesale book has improved from BBB- two years ago to A- this year. And can you say a word about our internal ratings?

Pavan Kaushal So the internal ratings are benchmarked to external ratings and we are always the lower of the external rating or our own rating, so it is a conservative rating and not the aggressive rating.

Rajiv Lall Now, Slide #11, retail-funded assets. I made the point that not only have retail-funded assets grown very aggressively, we are now almost at Rs. 8,000 crore, but the product diversification and rural diversification is equally in practice. So if you look at the breakdown of our Rs. 7,966 crore in retail-funded assets, you will see that Rs. 3,200 crore are rural comprising the JLG product which is the microfinance product of Rs. 3,000 crore, we started micro-enterprise loans, we have just started equipment hypothecation loans and micro-housing loans. So these will grow, so that is about the rural exposure if you like is Rs. 3,200 crore which comes primarily from our BC network of branches. And we have this year grown very aggressively our Urban Retail portfolio which has gone from Rs. 1,200 crore to Rs. 4,700 crore. We have shown very rapid growth in home loans which has been comprised of significant larger share of that Rs. 4,700 crore in urban retail assets if you like. SME is also now Rs. 900 crore, that exposure has tripled. And please remind us Pavan, what is the definition of SME here?

Pavan Kaushal SME company is below Rs. 500 crore and they are wholesalers and traders, and below Rs. 250 crore for manufacturing all the way down to Rs. 10 crore.

Rajiv Lall So that is why it is part of the retail book, that is how it is being managed. Avtar by the way is overseeing our retail business now and you will see therefore much greater and granular focus on it. So, very pleased with the diversification and growth of the retail book is all I can say.

Page #12, this we have not shared with you quite in this way before, but in this phase of transition and balance sheet strengthening etc we have developed a very muscular treasury and the treasury is relative to the size of the overall bank actually very large and we saw it is important to give you some greater line of sight into our treasury. So Slide #12 basically summarizes from balance sheet perspective what has been happening in the treasury. Size of the treasury book has grown from Rs. 35,000 crore to over Rs. 47,000 crore and in that if you look at our SLR and treasury investments, they have gone from Rs. 31,900 crore to Rs. 44,200 crore. It has been actually a very turbulent year for treasury management, but as I will show you in a minute the performance of our treasury had actually been really very good given the very high volatility and uncertainty that has been gripping the market for the last 1-2 years. But I will come back to that description when I talk about the P&L.

I want to turn to Slide #13, that is now I am shifting from the asset side of the balance sheet to the liabilities and give you a sense of what we have been doing to build our liabilities franchise. So, total borrowings and deposits are now Rs. 1,05,000 crore, they have grown from Rs. 90,470 crore last year. We have been talking a lot about how we had been hamstrung by legacy long-term bonds, that

book of legacy long-term bonds is fixed rate at a high cost, that has come down some, it has come down from Rs. 37,000 crore at March 2017 to about Rs. 31,800 crore at the end of this fiscal year, but it is still close to Rs. 32,000 crore. So it means it is about a third almost of our total borrowings and deposit base at a very high cost. So that explains again the transitional squeeze in our loan NII, this will begin to fall off as we have indicated to you before really only substantially in FY21. So we have to live with that unfortunately until then. But look at what the CASA book has done, so the CASA book, again to reiterate, has gone from Rs. 2,000 crore to Rs. 5,700 crore, it now comprises of our total borrowing franchise. It is still modest at 6% but it is beginning to make a material impact on our cost of funds and I will show you those numbers when I turn to the P&L. Our retail fixed deposits are now over Rs. 4,000 crore, our corporate fixed deposits are at Rs. 2,000-odd crore, our CDs are at Rs. 19,000-odd crore and to fund the muscular treasury that we have, we have a CBLO book that is about Rs. 20,000 crore. So, that is a nutshell on the liability side of the book.

Next couple of slides are just visual, it just reinforces the points that I have been making before, but it is nice to see visually. On Slide #14 the CASA-to-deposit ratio 5.2% to 11%, the point here is it is just showing you a quarterly trend, so it went from 5.2% to 6.8% to 8.2% to 10.1% to 11.8%, and I am saying that please follow this number, this number will continue to grow at least as long as we grow organically. CASA-to-deposits and borrowings exactly the same quarter-on-quarter trend.

Next page shows the same thing for core deposits, core deposits are now almost 21% of our total deposits that was 12.2% in March, went to 15%, then to 18%, then to 19% and is now close to 21%. If you look at core deposits as total borrowings and deposits, they are now close to 10% and this is what has started to make a difference to our cost of funds.

Okay, so much for the balance sheet. Let us put an end on that, I want to now move to the P&L. So, please turn to Slide #16. The big difference between this presentation of the P&L and the reported P&L is the following that we have stripped out treasury and shown it as a separate line item relative to what is in the reported P&L. The other big difference is that we have also stripped out asset sales and put them below the PPOP line, PPOP (Pre-Provisioning Operating Profit) is a Sunil Kakar invention, but it is important because what is happening to the core business. So, asset sales are one-offs. We will be managing them basically opportunistically to bolster our P&L with reference to judgment about what the future holds for HTM book. But the point is that they are not recurring event and therefore we have stripped them out separately as well, otherwise in the reported P&L you would have found them stuck in somewhere and in your not interest income lines. So those are the big differences between the MIS P&L and the reported P&L that you might have seen before.

Now let me go through it more granularly. So the big item on the P&L is that your net interest income has declined by 20%, it has gone from Rs. 1,600 crore to Rs. 1,300 crore. Why is that the case? It is really for three reasons, one is it is basically because of spread compression and it is that spread compression is coming from three reasons:

The first is that we are now seeing the full cost of our PSL obligations. Last fiscal year we only had one quarter of PSL cost that came through but now we will annualize it for the whole year and what you will see is the PSL drag has gone up from Rs. 23 crore to Rs. 148 crore. So that is a first reason for the spread compression, NII decline.

Second is and this is again a point that a lot of people who do not appreciate, the stressed asset book has not grown in size but within it the classification of loans will continue to change, will continue on the margins to deteriorate the longer these assets continue on our balance sheet. So what is stressed but not an NPA today will over the next several months eventually become NPA and as these assets mature their cash-to-cash earning ability keeps declining, but we had identified these assets as problematic over three years ago and we had made very significant provisions against these assets. But what you are seeing is the earning capacity of the residual stressed book continues to decline and whereas that stressed book earned Rs. 364 crore in fiscal 2017 that cash earning this year is down to Rs. 140 crore, that is a second big reason why we continue to have the drag on our NII and that is coming from our legacy assets.

The third reason for the decline in the NII is what I had alluded to earlier, it is a flip side of our attempt to strengthen the balance sheet and improve its credit rating, its average rating. So as you diversify away from project finance type of assets and to working capital type of loans to ELCs, your yield on corporate lending are going to fall even though the risk inherent in it has improved, so that is a trade-off, the risk has come down, quality of the wholesale book is better but the average yield is lower for this reason. The same thing has happened in the retail book. At the end of last year the retail book was disproportionately focused on rural lending, namely microfinance, since then we have grown the urban retail franchise very dramatically and of the Rs. 8,000 crore home loans are now a very significant chunk and home loans is a competitive market, this is a secured loan, so it is a high-quality loan, it has lower risk, but it is also lower yield. So that is another reason why NII has come down.

So that is on net interest income. Now let me turn to non-interest income. This is how we look at it internally. We have previously introduced concept of franchise income but in retrospect that is not the most satisfactory nomenclature. From an investors point of view even from our point of view we want to look at non-interest income in two buckets, that which we know is sustainably recurring and that which is a little more volatile, it is not that it would not recur, but it tends to be more volatile that is just the nature of the business. So, under recurring income, its loan related fees, cash management, client FX, wealth management, other retail related fees, now look at the growth in that, that number has gone from Rs. 279 crore last year to Rs. 375 crore this year, a 34% increase in what we call recurring non-interest income, that is a very-very healthy development. On other non-interest income which is investment banking related we have had a damn good year and DCM and syndication and such like, that income has grown from Rs. 81 crore to Rs. 119 crore, it is a growth of 46%, it is even faster in the recurring income but it may not be replicable this year.

So that is net interest income, non-interest income, now let me come to treasury income. Now just a word again about reconciliation, so in the reported P&L what it seen here as treasury NII would have been part of total net interest income in your reported income, so we have to strip that away to get to a reconciliation. But since we wanted to shine the light on the treasury business we have taken it out of NII on top and put it separately here, it is a very easy to do reconciliation, this we are presenting it to give you a much better sense of the quality of our P&L. So, if you look at our treasury income has two components – it has treasury NII and it has trading which is the MTM (Mark-to-Market) gains. So last year was an absolutely outstanding phenomenal year for treasury, we did Rs. 648 crore in revenue last year and that is because both the NII and the trading gains work in our favor, that has shrunk very substantially to Rs. 271 crore. But in a very difficult and a volatile year compared to most of the treasury as we have just said it has been one of the best performances, one of the best in any large bank in treasury performance this year, but I have not looked at other banks so I do not really know I am just

speaking from a narrow self-interested perspective. But look at treasury NII, treasury NII line has grown from 382 to 427, it is only in the trading gains where we have had to take some mark-to-market losses which are much more modest than most of the banks have had to take. So a big reason why our overall operating income has come down is actually a significant reduction in our treasury income of close to Rs. 400 crore. So if you look at our operating income, the very top line on this page, that operating income has gone down from Rs. 2,600 crore to about Rs. 2,000 crore, about Rs. 2,100 crore. Almost Rs. 400 crore of that Rs. 500 crore decline has come on account of treasury, so if you look at the core lending business despite the fact that our loan NIIs have shrunk, despite the fact that quality of our loan book has improved, there is no material erosion on account of loan book of the core business because what we saw is a decline in NII has been in large part made up rise in non-interest income of a recurring kind. That is really the story I want you to take away about my core business. Operating income is down primarily therefore because of decline in treasury income.

Let me now talk about operating expenses. Yes, operating expenses have gone up from Rs 1,200 crore to Rs. 1,549 crore, that is a Rs. 300 crore increase. Almost all of this is to do with our investment in the retail franchise. In our wholesale book there has been not a crore of increase in operating spend, the bulk of the increase in operating spend has come from our increasing branch network, the associated people with that and the associated lending that has happened using a DSA network for first time lenders in our retail franchise. So that is the story of operating expenses.

Finally, on provisions – total provisions have gone up from Rs. 283 crore to Rs. 351 crore, I will take you through provisions in much greater detail when I talk about stressed assets. We did a phenomenal job on taking opportunistic gains on our asset sales. We have also had some tax write-backs, Mr. Gemani has done a terrific job in getting money back from the taxman. And if you add all that up, therefore our profit after tax has gone from Rs. 1,000 crore to Rs. 859 crore. So that is the P&L.

Before I come to stressed assets I just want you to spend a couple of minutes on spreads and my cost of funds to give you a more granular understanding of again what is happening to my loan NII. So if you turn to Slide #17, you will see a slide entitled Spread Analysis. And you look at the asset yields. If you look at the yields total yields have come down from 9.7% to 8.9%, our average cost of funds across the bank has come down from 8.2% to 7.6%. Wholesale bank yields have come down from 10.4% to 9.5%, our corporate banking yields from 9.9% to 9% and infrastructure yield from 10.7% to 9.8%. But because the composition of infrastructure, the weight of infrastructure in the total book has come down right and the weight of corporate banking at a lowest spread of 9% has gone up, that explains why the overall wholesale banking has actually come down by about close to 90 basis points.

Now take a look at the retail lending yields, they have come down from 14.7% to 12.6%, and that is almost entirely because of the growth of our home loan book in our total which has been done consciously to diversify and improve credit rating and quality of our total loan book. We went deliberately slow on the growth of our MFI lending and JLG last year because we were still waiting for the seasoning of the effects of demonetization. And I can tell you that now that the seasoning is done the quality, the Rs. 3,000 crore book that we have in JLG lending and our rural lending, the quality of that book is absolutely first grade.

Pavan Kaushal Our SA numbers are sub 0.5 at this point in time, much better than the market after the stabilization post-demonetization.

Rajiv Lall Okay. So what that means is that our call for diversification of retail book has been right, we expect to maintain. We keep playing with the composition of the retail book to make sure that it continues to grow very aggressively. And yes, the credit cost of that will be well under control. What is our targeted standalone for the retail book this year? So we are at Rs. 8,000 crore but we will double it for sure, let us put it that way. So we expect to go to at least Rs. 15,000 crore and Rs. 16,000 crore, my ask for the team is to take it to Rs. 18,000 crore, but Rs. 15,000 crore to Rs. 16,000 crore is what we will deliver. On the CASA book, I am getting a little distracted, but just to give you a sense, the CASA book will be close to Rs. 10,000 crore next year.

Okay, coming back to yields. So, I want to just talk briefly about average cost of funds. If you look at the cost of our core deposits which is CASA plus retail FDs, that cost of those have come down from 6.2% to 5.6% and that in large part because of the contribution of our growing CASA book. The cost of corporate deposits has come down more modestly. Our legacy borrowing, that cost still remains very elevated, but because their share in the total borrowings has come down that is why our average cost of funds have actually come down by 60 basis points this year. And that is evident of the continuing success and execution of build out of our liability franchise. So much for the balance sheet and P&L.

I want to now talk about our stressed asset book. So, on our stressed asset book there are several points I wanted to make. First of which is that the overall size of this stressed asset book has actually declined over the last year. And if you turn to Slide #18 you will see the details on our stressed assets. We started the year with Rs. 5,600 crore, we are now down to Rs. 4,874 crore and this is in large part on account of some repayments and some upgrades. This reinforces the overall message that there has been no deterioration in our overall stressed loan situation. Just to refresh your memory, three years ago we started stressed asset book with Rs. 9,000 crore, we sold Rs. 4,000 crore of that, a little more than that to various ARCs, against which we got SRs. So let us keep those SRs aside because we have got some cash. So we got SRs of about Rs. 2,000 crore against that book of Rs. 4,000 crore in stressed assets that was sold, that is about Rs. 5,000 crore. That Rs. 5,000 crore roughly is a broad number and now down to Rs. 4,800 crore. That the trajectory of the overall underlines the volume of the stressed asset book.

I will come back to the details within a minute but before that I want to deal with provisioning. You will notice that in this quarter we have taken Rs. 312 crore in additional provisions. You would also notice that on Page #18 our total provisions against Rs. 4,800 crore in stressed asset is now Rs. 3,700 crore, that includes the additional provisioning of Rs. 312 crore, that is now a PCR ratio of 76%. So taking the additional Rs. 312 crore in provisions this year we have increased our CSR ratio from 64% last quarter to 76% this quarter. Why have we taken Rs. 312 crore for additional provision this quarter? It is because as we have explained to you before, every year or every so often we continue to assess and reassess the residual value of our stress book, so we have all kinds of models that help us make that judgment. And that is what has been informing our provision policy. So basis the last review that we just got concluded, we decided that on our gas assets which we have been telling you for the longest time could well be compromised, we decided that it is time to increase the coverage ratio on those assets from 67% or so that we were carrying to 90%. That is the reason why we have added Rs. 312 crore. Now we continue to monitor the quality of our portfolio on ongoing basis and with the passage of time you will be aware that with no resolution forthcoming, assuming no resolution is forthcoming the regulatory framework from RBI will require us to provide 100% of our stressed assets over a period of four years. Now, keeping this in mind while our present coverage continues to be way in excess of what is regulatory required at 76%, our coverage ratio today 76% is significantly more than what is required by the RBI. We may need to recognize an incremental

provision of around Rs. 650 crore to Rs. 750 crore net of recovery over the next three to four years under the existing regulatory framework. So I am giving you now a forward-looking statement about a theoretically possible trajectory of our provisioning requirement, if nothing would happen we just continue to carry this Rs. 4,800 crore of assets on our book. Overtime because they will be reclassified into NPAs and I will come back on that, we will have to take Rs. 650 crore to Rs. 750 crore, we could have to take Rs. 650 crore to Rs. 750 crore in additional provision. That said, I want to make it clear that it is not at all our intention to carry this overhang of potential infra provision for longer than we need to. Our first preference and we have demonstrated in the past, is to proactively mitigate risk on this balance sheet by continuing to reduce our stress exposure through a sell down to ARCs and stressed funds and we intend to do that in this fiscal year. As we continue to uncover and discover the nature of the NCLT process and how it unfolds, estimating an exact fair value, residual value of these stressed assets is very difficult, right. But while we cannot be certain what additional haircuts may be required as we engage with ARCs, we believe that a more definitive realizable estimate of residual value of these stressed asset would likely emerge over next two to three quarter as we get feedback from the ARCs that we are taking. But in any case we are very confident that the haircut will not be in excess of the maximum regulatory provisions that I have indicated to you about that you would have to take were nothing to happen over the next three to four years.

So that is my statement on stressed assets and provisions. I wanted to once again, and bear with me for another minute, focus on the stressed asset slide, okay. Stressed assets outstanding as on March 2018 are Rs. 4,874 crore, of these NPLs classified as NPLs are Rs. 2,769 crore, stressed equity is over Rs. 1,178 crore, non-NPL stressed assets are Rs. 927 crore, so that adds up to Rs. 4,874 crore. Now what does this mean? What this means is that in a worst case scenario over the next two to three years or however long depending on the trajectory of these assets our gross NPLs could go up by another Rs. 927 crore, at worst, relating to our legacy assets. Against these Rs. 4,874 crore in stressed assets we have provisions net of SRs of Rs. 3,700 crore, that includes the Rs. 312 crore we have taken this quarter, that is a PCR of 76%.

So if we had to take over next three to four years assuming no resolution, no sale to ARC, if we had to take over time. Rs. 750 crore to Rs. 760 crore additional provisions against this book of Rs. 4,800 crore, our PCR, provision coverage ratio will exceed 90%. So now this entire set of numbers and stories allows me with confidence say to you and reiterate to you that the strength of our balance sheet, the quality of our balance sheet is significantly better than it was last year, both because of the provisioning that we have taken, the way we have managed our stressed assets, the way we continue to manage our stressed assets, the capital we have set against the stressed assets and because of the diversification of the loan book.

Sunil Kakar So, I think it has also been kind of validated by the recent RBI inspection, so if you may just want to.

Rajiv Lall Yes, I forgot to mention that. You will notice in our disclosures that there was a divergence of Rs. 207 crore relating to March 2017 relating to one asset classification. Now what does that mean, it means that the RBI for technical reasons insisted in their inspection and we agree with them that this asset should have been classified as NPA in March 2017. As it turns out we classified it as an NPA six months later, we classified it in November I think before the RBI inspection started. But because the inspection period ended March 30th that is the cause of divergence. More importantly, even though we have not technically classified it as an NPL this asset was recognized as an identified stressed asset and we had provided against it in excess of what the RBI assessed us to do. So, even as a

result of the divergence you that has been noted in the accounts there is no impact on provisioning because we already carry against this asset more provisions that the RBI would have required us to do. So, this again validates quality of our balance sheet and now that we did not show on RBI inspection I hope that adds to greater confidence about the quality and nature of our book.

So, I think I will stop there, it has been long set of remarks. But it has been important year for us and I thought that it really deserves the time and effort to do this presentation to you. Open the call now to Q&A.

Moderator Thank you. Ladies and Gentlemen, we will now begin the question-and-answer session. We have the first question from the line of Ashi Anand from Allegro Capital Advisors. Please go ahead.

Ashi Anand My question is with relation to the fairly impressive growth we have had on our retail franchise, both in terms of liabilities and assets. Specifically on the urban retail franchise, just wanted to understand is there any particular segment that we are focusing on, be it salary, or middle income or higher income, etc? And what is the core acquisition strategy that is helping us grow this piece this rapidly?

Rajiv Lall We have been focused since the beginning of the build out with the retail franchise on two extreme ends of the retail customer base. So there was the bottom of the pyramid where you see Rs. 3,000 crore thereabout of our total Rs. 8,000 crore book. And then the top end of the retail customer base, right? And the logic to it was the following that the base of the pyramid customer base we were focused from the point of view and our confidence of growing this book very rapidly especially with the acquisition of GVL and deliver very superior yields and returns. So actually, the profitability on that book is very-very high, right. But because we also have to build our liability franchise, we have to focus on a high-income customer base and we are attacking those customers both on the assets side and the liability side. So the branch network that you see and that has doubled in size from 74 to 150 is primarily focused in 35 now going to 50 cities to acquire high-income customers both on the assets and liability side. So we want to develop our connect with the customer with the high-income customers. It is easier to do it on the asset side and cross-sell the liabilities or vice versa. So it is a binary kind of customer segmentation strategy so far. Strategically now, this is where I see great value in the proposed merger with Capital First because they bring a customer base that sits in the middle of these two. Our high-income customer base that I have just described to you and the base of the pyramid, they come with a franchise of several million customers that are small ticket borrowers, small business people in urban and peri-urban India.

Ashi Anand The second question I have is with relation to legacy infra book especially the non-stressed part of the infra book. I just wanted to understand what really is the composition of this book across different segments of infra? And what is our confidence that the quality of the book is actually strong and will not slip in the future?

Rajiv Lall So that book in all operating assets only. Meaning there is no construction risk left in that book and they are primarily roads and renewables and transmission. So there is some telecom to only the top-rated names in telecom. We have some roads and we have some renewable that is what it is. It is all operating companies. There is no construction risk left in that book at all.

Moderator Thank you. We will take the next question is from the line of Kunal Shah from Edelweiss Securities. Please go ahead.

Kunal Shah Firstly in terms of the stress, if you look at this entire RBI's revised framework. So that has not at all impacted and whatever has been the provisioning that is just because of the increase in the coverage but no further addition to the stress pool is what I understand.

Rajiv Lall That is correct. Pavan, you want to add?

Pavan Kaushal So we have reviewed the entire book post the restructure and there are no additions at all.

Kunal Shah No, additions at all from what earlier we had done?

Pavan Kaushal That is correct.

Kunal Shah Yes. And secondly, maybe in terms of the outlook if you can just broadly say as to how the overall mix within the retail would switch between the rural and the urban over a period of time, okay so whether in terms of maybe the rural portfolio and urban that should grow at a similar pace and how broadly the mix should be? And in terms of the branch expansion plan taking into consideration that is now which will be merged with Capital First will also get merged with you. So what would be the overall branch expansion plan over next two years - three years?

Rajiv Lall So I cannot speak to the next two years - three years but for this year on a standalone basis at par, you can confirm 56 new branches we are adding?

Avtar Monga Yes. And we should be actually targeting to do that by end of first-half.

Rajiv Lall And then we can also add BC branches.

Avtar Monga That will be also coming up about 118 more branches existing network

Rajiv Lall 118 BC branches; 56 urban branches. With 56 branches we will go to a coverage of 50 cities. So we will be at 206 branches so that is our standalone plan for this year.

Avtar Monga And the urban footprint apart from the network you asked the question of growth, we are looking at simple urban lending for the retail and obviously there is no significant growth almost more than double for that in the non-urban.

Rajiv Lall So that the point is that mix will be more biased to urban than rural for the foreseeable future. The growth will be growing very aggressively.

Kunal Shah Okay. And when we look at the Q4, in particular, any reason why the number of customers in IBL has been pretty stable from December to March because otherwise there should normally be an addition every quarter, so is there anything to read into this?

Avtar Monga So there is nothing unique about this quarter. The run rate is pretty stable. We have actually been focusing on the expansion of urban and more products in that area. As we said when we add more branches in the BC network that will increase the number of customers run rate further.

Kunal Shah Okay. And when do we see these legacy long-term bonds being…

Rajiv Lall 2021, fiscal 2021 they will start to fall off. Unfortunately, we have to live with it for three years. So I keep coming back on a standalone basis this is a seven years journey. But the point is that we have seen given in the absence of that dropping off the cost of funds has started to come off like significantly. So the pace at which we are growing our core deposit and the pace at which we are growing our CASA even if we have to live with the long-term bonds till 2021 in the interim we will see a significant improvement in our cost of funds. But next year Bipin is telling me that in FY 2019 of this 31,800; 5,000 will drop off this year.

Kunal Shah And lastly, in terms of the yields in the urban and the rural within the retail, if you can share that?

Rajiv Lall I mean, I have shared so much information with you guys. I am giving you composite retail of 14.7 going down to 12.6. Suffice it to say that the yield in retail is very significantly higher than in urban.

Moderator Thank you. The next question is from the line of Manish Ostwal from Nirmal Bang. Please go ahead.

Manish Ostwal My question on your remark on the repositioning on balance sheet when I look at the balance sheet of FY 2018 especially our treasury investments versus last year it has increased significant especially trading investment it was Rs. 15,562 crore in March 2017 now it is Rs. 27,889 crore. In terms of yield of those asset because the total legacy borrowing is Rs. 31,000 something and we have Rs. 24,000 crore of infra so why we are building such a rapid pace trading investment book and ultimately it is treasury yield is only 1.1% only. And it is creating problem to the profitability perspective because it dilutive to the ROA to the overall balance sheet.

Ajay Mahajan So this is Ajay here and I will attempt to answer your question. There is no doubt that the size of the discretionary investments in treasury went up in this March over last March that is because at that time we held a view that the firstly, just to build context the yield environment at the backdrop to all treasury activity in March 2017 was vastly different from March 2018. Monetary policy may not have tightened but definitely, Government bond yields have jumped, 10 years yields have jumped almost a 150 basis points from lows seen in 2016, 2017 over 2017, 2018. So against a very volatile backdrop treasury constantly switches from trading long duration at times of tightness it switches into more short-term bonds carrying trade which is self-funded from CBLO. So to firstly answer your question, there is no cannibalization of bank deposits being channelized into discretionary treasury investments. So the investment book is totally self-funded other than the SLR book. As you know SLR cannot be encumbered or Repoed and therefore, if you look at the total book of Rs. 44,000 crore netting off on CRR there are 41,000 minus the SLR book which is Rs. 16,500 crore, the balance Rs. 21,000 approximately is entirely funded and from CBLO. This is on Page #13 except there are four securities that you talk about are fully funded by CBLO. There is a difference of about 30 basis points to 40 basis points against the cost and therefore it is revenue accretive in times of tight money market condition to run this book provided we don't expect any erosion in those bonds and we carry very short treasury bonds. So it is accretive to PLF.

Rajiv Lall So there is one more thing I will add that it is true that size of our treasury relative I said that in my opening as large. It is not our intent to keep growing this. So as the overall balance sheet grows so, fortunately, the size of the treasury now will begin to diminish.

Manish Ostwal Sir, do we have any limit internally for this investment of the total balance sheet size?

Rajiv Lall Of course, we do.

Manish Ostwal Okay. The current level is higher or lower?

Rajiv Lall This is the peak now.

Manish Ostwal Okay. Secondly, sir, you did talk about temporary P&L pain to continue. So especially in terms of one is the pain is coming in terms of heavy investment in the network and both network expansion and secondly the asset quality related issues. You articulated that the size and pie of the stressed book is not increasing it is declining actually. So what is your overall sense in terms of overall credit cost in the P&L and secondly, what kind of OPEX growth we can see in FY 2019?

Rajiv Lall OPEX giving you sense so that is modular now. Depending upon the pace of growth of the branch network, you will get a sense for how much we continue to invest in our OPEX. But to your broader point, what I am telling you is that we are already 76% covered on our stress book. If we do not do anything and we will do something about it is not that we would not do anything. If we end up taking the Rs. 650 - Rs. 750 odd crore of additional provision over the next three years to four years our coverage will become 90%. On that book, you will notice that the earnings on that stress book have now come down to zero, right? By and large, the economics of the stressed book that we continue to carry will now begin to stabilize and that drag on the P&L is more or less bottomed out. It will begin to improve. So that is one point. The second point on NII's going forward is that the rebalancing of the balance sheet and the loan book has more or less happened. So the continuing decline or downward pressure on spreads on account of rebalancing the balance sheet will also now bottom out. So over the next couple of years completely standalone and theoretical, right? As our CASA franchise increase, core deposits increase, as our long-term bonds begin to fall off, everything else being held constant, our spreads should start improving.

Manish Ostwal Okay. And lastly, sir, update in terms of when this transaction going to complete, and the merged interim numbers will be reported?

Rajiv Lall We are still awaiting RBI approval. We are hoping it could happen sometime in May, I cannot tell you with any certainty exactly when that will happen. But we have no reason at this point to believe that there are any issues with the RBI. It is just going through a normal routine process within the RBI. So assuming that happens sometime in May with respect to the other milestones that we have to meet in terms of NCLT, etc., we think that base case this could happen November, December.

Moderator Thank you. The next question is from the line of Sangam Iyer from Subhkam Ventures. Please go ahead.

Sangam Iyer Sir, just wanted to get your outlook on the loan book growth for the next financial year given that all the drags or the major drag that the infra is behind us, we are growing our corporate book pretty strongly as well as the retail book which was witnessed in FY 2018. How should one look at FY 2019 given that all those headwinds are kind of behind us now?

Rajiv Lall I think Avtar has given you sense at least on the retail book. Our retail book this year is Rs. 8,000 crore, we are expecting to double it. Likewise, on the PLC book, I can say that we are expecting to grow that by Rs. 4,500 crore - Rs. 5,000 crore and the large corporate will see opportunistically how that happen. So it will be certainty faster than it was overall loan book growth will be faster than it was last year of the combined book, right. So net off the shrinking of the infrastructure book it will show

more insightful growth this year than it did last year. I am hesitating to give you very specific guidance, but I have given you actually pretty granular sense for all the parts of the balance sheet and the loan book that we want to grow, the pace at which we intend to grow is what I have shared with you.

Sangam Iyer So sir, in terms of shrinkages at the infra book that you mentioned could you just throw some light in terms of what is the kind of quantum or quantum that we are expecting in terms of shrinkages from here on

Rajiv Lall See, the shrinkage of the infrastructure book will also now begin to stabilize because the bulk of the stuff that we wanted to get rid off is mostly gone. There are some asset sales that we continue to pursue, some loan sales that we continue to pursue just to balance if you like the overall infrastructure book. But as I was describing somebody else in response to a question, the infrastructure book now is basically telecom and operating assets in roads and transmission and some renewals. So as and when these mature we will not be inclined to replace them with other infrastructure assets. so now the shrinkage of the infrastructure book will not be done as proactively as it has been for the last 18 months to 24 months. It will now happen more on the basis of natural attrition.

Sangam Iyer Right, sir. So if I were to summarize what you said adding the incremental in ELC's and large corporates as well as the retail book. You are talking about an increase of at least Rs. 12,000 odd crore to Rs. 15,000 odd crore. I mean at the gross addition levels. Is that the right…

Rajiv Lall Yes. Rs. 10,000 crore

Sangam Iyer So given that spreads as we said should begin to improve incrementally going forward. So is there any target ROAs that we have in mind given that credit cost are also kind of towards the bottom of the level unless we decide the full

Rajiv Lall No its early now, we are still investing in the company**.** I cannot solve for anything let us be brutally honestly about it. From what we have just come through, we have been single-mindedly focused on stabilizing and strengthening the balance sheet, that task I think is now substantially complete. Now, we are going to be single hand, single-mindedly focused on investment and execution. You are already seeing traction on that and you will continue to see traction on that the P&L will come after that.

Sangam Iyer Got it. In terms of the overall credit cost, we mentioned that 650 to 750 is that max if need be to take over the next three to four years' period. Just want to understand I mean based on your initial discussions with Capital First, etc. is there a likelihood that at the time of integration you would want to start off at a clean slate and take these well so that you started itself at 90%?

Rajiv Lall My whole work is to put it on the table so that it is transparent. When we take it sort of will be an opportunistic decision. So if tomorrow we come up with a really good ARC deal, we could just sell everything off in one shot and we will be done with it.

Sangam Iyer In terms of the overall stress book that we have articulated in the Presentation at Rs. 4,800 odd crore. Is anything else that is there, or this is the max that we have as you have in the stressed book?

Rajiv Lall This is it. Unless you engineer a macro crisis tomorrow which I think is not beyond your power. I would like to believe that this is the end of it, yes.

Moderator Thank you. We take the next question is from the line of Pritesh Bumb from Prabhudas Lilladher. Please go ahead.

Pritesh Bumb The break-up between CASA between the savings and the current account.

Rajiv Lall We will get back to you I do near-term have it handy. What is the second question?

Pritesh Bumb Second is also the risk weighted assets, can you provide some data on that as well.

Rajiv Lall I will let Pavan answer that we will come back to you in the CASA.

Pavan Kaushal So the risk-weighted assets will be part of the balance three pillars disclosures. So you have them on the website if you read all the detail positively. So have disclosed that in the Pillar 3.

Pritesh Bumb So basically what I am asking is any calls from NABARD or PSLs likely to come in and drag more of that our P&L or that is over?

Pavan Kaushal So that is the function of subcategory shortfalls. We have maintained 40% gross PSL every year and we intend doing that through PSL certificates. For specific shortfalls in any subsectors, there are those demands and those are baked into the NII numbers that has been presented. There is nothing pending for the past year.

Rajiv Lall Okay. So now and your CASA question out of the Rs. 5,700 crore about Rs. 3,500 crore is SA and Rs. 2,100 is CA.

Pritesh Bumb Last question will be sir your view on OPEX. Operating expense basically how they are going to pan out?

Rajiv Lall We are very focused on OPEX. As I told you the entire increase in OPEX has only been on account of investments. There has not been a rupee increase in our wholesale bank. So, there has been some increase in overall corporate overheads which is related to inflation that is 7% and there is also some on account of GST, there is nothing we can do about that. And the rest about Rs. 240 crore of the Rs. 300 crore increase has to do basically additional branches that associated people, associated product in technology and the associated technology.

Pritesh Bumb So this kind of OPEX will continue over FY 2019 as well?

Rajiv Lall If we keep opening 50 branches a year, yes. So this OPEX line that you had here today which is still not fully annualized, right. So there would be two impacts on this OPEX line, one will be annualized cost of branches and second will be inflation. So there will be some increase in OPEX next year which will be related to our investment.

Moderator Thank you. Ladies and Gentlemen, we will be taking the last question that is from the line of Aditya Singhania from ENAM Holdings. Please go ahead.

Aditya Singhania Just wanted to understand the SR book of roughly Rs. 2,000 crore there has been some decline I think you mentioned, there were some repayments you received. Could you give us some outlook on when, if at all, you will start to accrue income on this or receive cash income on this?

Sunil Kakar No, the all cash received goes towards reducing the principle, so till it goes off income from that book is going to be like another god knows. After the entire principal is repaid, we will be start seeing the balance recoveries flowing through P&L.

Aditya Singhania Okay. And any additional provisioning, etc., required due to weighting changes or otherwise?

Rajiv Lall No, so we are very confident that the provisioning that was made against the SR book is pretty solid.

Aditya Singhania And just sort of the provisioning that you sort of took in the guidance you gave, is a 90% coverage against gas assets your view or is it just like a worst case you are building in?

Rajiv Lall See, three years to four years now we have been talking this. The reality is there has been some talk about gas being made available in the different formats, it never really happened. Now, we are down to just evaluating whether or not these plants can be dismantled and used somewhere in Kazakhstan or Nigeria what is the residual value of the land and how is that residual value of the land going to be recoverable. So 90 cents on the dollar; 90 paise on the rupee to be more correct as right down against the value of this, we believe is quite reasonable at this point.

Aditya Singhania Right. And out of the Rs. 4,800 odd crore what would be the quantum of gas assets within that if you could disclose that?

Rajiv Lall Rs. 1,100 crore - Rs. 1,200 crore.

Aditya Singhania So out of the Rs. 4,874 odd crore, Rs. 1,100 crore to Rs. 1,200 crore is gas assets.

Rajiv Lall Correct.

Aditya Singhania So that would suggest that you are expecting a closer to 85% - 90% LGD on the rest of the assets as well.

Rajiv Lall Yes, that is what we have said worst case if nothing happens, there is no resolution and we just have to hang on to these assets for the next three years to four years then the regulatory requirements are such that when these things migrate from D2, D3, to D4 we will just have to take another incremental provision of Rs. 650 crore to Rs. 750 crore. I have also said it is not our intention to wait for that overhang of provisions to play out. We are going to proactively go as we have last year, go to ARCs and try to sell these things at a more reasonable residual value estimate.

Aditya Singhania Sure, sir. I appreciate that just trying to understand the nature of this stress because we have obviously equity of around Rs. 1,200 crore I understand may need to be fully written-off. But of the balance Rs. 3,600 crore - Rs. 3,700 crore, the Rs. 1,100 is gas then what is the nature of risk on the rest that requires to sell?

Rajiv Lall All infrastructure assets a lot of them are energy-related, right. Some of them are going to NCLT, others will go to NCLT eventually. This is our very conservative view on what is going to play out in the industry. So all this noise that you hear about how through the NCLT process there is going to be a huge wonderful recovery of assets may be in some steel assets. Maybe in a couple of coal assets with PPAs you will get something like that. But I can tell you, the way this process is going this is our view, I hope we are proven wrong. We are certainly going to discuss very aggressively with the ARCs to see if we can recover more, they may

have a different view, we will figure that out. Let the market decide what these assets are going to be worth. We are just giving you a sense of the worst-case scenario out of just transparency and so that it is out there and people do not keep imaging what is the worst that can happen to the IDFC Bank balance sheet.

Aditya Singhania Right. Thanks. If I may just squeeze in one last question any guidance or outlook on the fee income line?

Rajiv Lall Fee income line will continue to grow in line with the growth of the non-funded business and the growth of the repositioned balance sheet both in ELC, large corporate and in the retail book. So, if those books are growing aggressively, you can expect the fee income line to also grow maybe not as aggressively but grow healthily.

Moderator Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to the management for the closing comments.

Bimal Giri Thank you. Look forward to catching up with all of you next quarter. Thank you so much.

Moderator Thank you. Ladies and gentlemen with that we conclude today’s conference. Thank you for joining us and you may now disconnect your lines. Thank you.