IDFCFIRSTBANK/SD/43/2022-23

May 4, 2022

National Stock Exchange of India Limited
Exchange Plaza, Plot No. C - 1, G - Block
Bandra-Kurla Complex, Bandra (East)
Mumbai 400 051.
NSE - Symbol: IDFCFIRSTB

BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street, Fort
Mumbai 400 001.
BSE - Scrip Code: 539437

Dear Sir / Madam,

Sub.: Transcript of Earnings Call for the quarter and financial year ended March 31, 2022

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, please find enclosed the transcript of the earnings call for the quarter and financial year ended March 31, 2022 conducted after the meeting of Board of Directors held on April 30, 2022, for your information and records.

The above information is also available on the Bank's website at the following link:
https://www.idfcfirstbank.com/content/dam/idfcfirstbank/pdf/financial-results/Concall-Transcript-ICICIsec-IDFCFirstBank-Apr30-2022.pdf

Request you to take the above on record and acknowledge receipt of the same.

Thanking You,

Yours faithfully,
For **IDFC FIRST Bank Limited**

SATISH ASHOK GAIKWAD

Digitally signed by SATISH ASHOK GAIKWAD
Date: 2022.05.04 18:34:11 +05'30'

Satish Gaikwad
Head – Legal & Company Secretary

Encl.: As above

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"IDFC First Bank Q4 FY-22 Earnings Conference Call"

April 30, 2022

MANAGEMENT: **MR. V. VAIDYANATHAN – MD & CEO, IDFC FIRST BANK**
MR. SUDHANSHU JAIN – CFO & HEAD CORPORATE CENTER, IDFC FIRST BANK
MR. SAPTARSHI BAPARI – HEAD, INVESTOR RELATIONS, IDFC FIRST BANK

MODERATOR: **MR. KUNAL SHAH – ICICI SECURITIES**

Moderator: Ladies and gentlemen good day and welcome to the IDFC First Bank Q4 FY22 Earnings Conference Call hosted by ICICI Securities. As a reminder all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Kunal Shah from ICICI Securities. Thank you and over to you sir.

Kunal Shah: Thank you and good evening, everyone. This is Kunal Shah from ICICI Securities. Today we have with us, Mr. V. Vaidyanathan – Managing Director and CEO, Mr. Sudhanshu Jain – CFO and Head Corporate Center, Mr. Saptarshi Bapari – Head Investor relations from IDFC First Bank to discuss their Q4 and the full FY22 earnings. So, over to you sir.

V. Vaidyanathan: Good evening, everybody. Thank you very much for joining us for this call this evening. I've got with me Sudhanshu Jain who's the Chief Financial Officer of the company. I got Saptarshi, who heads the Investor Relations and many strategic affairs for the company. It's nice to speak to all of you. I'd like to give a few opening remarks and then Sudhanshu is ready with his numbers to share with you.

1. We'd like to say that for the last 3 years or so you heard us say that we are consolidating the balance sheet and strengthening it. The reason was that we had a very large loan book of over 1 lakh crores at the time of merger but we had only retail deposits of Rs. 10,400 crores. So that was clearly unsustainable. We slowed down the overall loan book for the first 3 years. Our loan book grew by a CAGR of only 6% from FY19 to FY22. But the retail deposits grew at a CAGR of 73% in the last 3 years. That clearly shows that we're very focused on first addressing deposit side. I'm happy to share with all of you that phase of like we say consolidating the balance sheet or strengthening the balance sheet whichever way we put it. That case is now behind us. We're quite strong. We think that from now on we will be able to grow the loan book comfortably. That's the point number one.
2. You see that if you were to get a sense of where the loan book will grow from here on for the next few years, we think that to grow the loan book from overall loan-book, retail, wholesale all put together to grow that and between 20% to 25% it should be very possible. So, we will break out of our CAGR growth of 6% and get into the normal growth league which all, let me say good quality private sector banks are growing or probably a bit faster than that.
3. For the growth we also think that we have a very strong lending model. Our incremental lending model by our internal assessments is giving us return equity of ~20% and that's very strong. You might ask how and if you would notice even in capital first we were posting 15% return on equity on the book itself, forget the incremental return of equity which was much higher, maybe to 20%. That itself was 15% on the cost of funds of 9%. Now on cost of funds of 5%, certainly you can see how 15% can easily come to 20%. You can see that's coming and in case this is despite the fact that we've started the prime home loan. All that is factored into the ROE of

20% that I'm talking about. On that kind of a business model the book is beginning to grow. That is why you will begin to see the profit jaw begin to open from here on quite strongly.

4. My fourth comment or third comment is that the all-legacy accounts of the bank which we have often talked about whenever we had. Now all of those issues are all addressed, either they're straightaway in NPA like some of the toll accounts we talk about and the power accounts we talk about or they are current. There's very little SMAs 0, 1 and 2 that is left in the wholesale book now and whatever is there we have provided for it. Please don't have much concern on that front.
5. The incremental quality of wholesale lending for the last 3 years has been pretty good because earlier it was infrastructure and all of us know, it is not that someone did a good job or bad job. It's just the nature of deals was like that. So, but incrementally we haven't done much of infra. We've actually focused on regular corporate lending which is a regular cashflow based, good quality named based, balance sheet based and all that. That book we have sanctioned close to Rs. 17,500 crores of wholesale loans in last 3 years. I'm really happy to share with you that the net NPA even after 3 years and it has gone through the stress of COVID, the NPA is zero on that book. You should be comfortable now that there is no real issue coming up on this front.
6. That you might say listen if you're going to grow the loan book by 20% to 25% that's on a loan book of 1,22,000 crores which means our loan book should grow by anywhere about 20,000 to 30,000 crores a year. You might say, look where you going to get 30,000 of deposits for doing that. I must say that in the last 3 years alone we have grown retail deposits by Rs. 54,820 crores.

Now that's retail deposits, retail CASA, retail term deposits. That really shows that and by the way last 3 years we've had every problem I think around we were relatively start-up bank, we had COVID, we had lots of issues and all that. But basically, despite that if money could come to us, we can clearly see that we will be in a position to fund ourselves for that the sort of a deposit growth. We feel frankly very comfortable on that front. To put it in context our CASA for example is now touching 50%. It's been around that number for now four quarters in a row. We feel quite confident that even next year we will be able to sustain our CASA ratio at 50% give or take a few basis points here or there.

Now therefore to be able to have a strong deposit front side the CASA 50%, ability to grow is a tremendous source of comfort for all of us. Also gives us a lot of confidence that we can now press the pedal on the lending side. The next thing to remember is what's happening on the, you might say that look you might do the loans by 20,000 crores, so what's the quality? Now our asset quality, I'm happy to say that the gross and net NPA for the bank for the retail side and if we specifically call out retail because that's the large part of the book as we can know and when we say retail, we mean both retail, the personal credit which is the retail-retail and then the commercial financing which is basically business loans, business banking, commercial vehicle. This is kind of stuff it goes largely to businesses. These are the two categories we track. Now on the retail side the categories which I defined, the gross NPA has now come down to 2.63% and the net NPA has come down to 1.15%. Now we have always guided that the gross NPA and the net NPA of the retail side will come down to 2% and 1% respectively, we feel quite confident of that front and for that you should see the trend to give you the comfort. In March ‘21 when the COVID hit, let me go back a little more in time. Pre-COVID, let me say December 2019, the gross NPA of retail was 2.26%. In March ‘21 which is when the peak of the COVID was there, the gross NPA went up to 4.01%. In June it came to 3.86%, in September it came to 3.45%, in December it came to 2.92% and in March it has come down 2.63%. It's not hard to see why this number should come down to 2% as per our guidance. Now let me talk of net NPA; in December ‘19 pre-COVID our bank’s retail side’s net NPA was 1.06%, in peak of COVID it went to 1.9% which was in March ‘21. June, it came to 1.82%, September it came to 1.66%, December it came down to 1.28% and March ‘22 it has now come down to 1.15%. Like 1.15% in touching distance of 1 so hopefully this has been our concern. In fact, our own internal estimates are to go down below 1 rather comfortably. You get the drift about how we think of the asset quality side.

Now the next point to address after addressing deposits, after posting growth, addressing growth, after talking about asset quality is our confidence on the capital front. Because after all if we want to grow the book at 20%, we need to have capital by our side. On this front our bank is strongly capitalized. We've got 16.7% is the capital. We also have significant headroom for Tier 2 because we haven't raised rates much of that. We can always raise some Tier 2 and we have sufficient headroom to grow.

Now the next thing is about incremental unit economics. On this front I already described to you that our retail lending business giving us 20% return on equity and all we have to do is to keep doing that in a safe way in keeping good eye on quality. On quality front if you permit me it will you give you confidence to note, it's a 10 year track record. Now 10 years is not a quarter or two quarters. 10 years is straight 40 quarters. For us to continuously for a long time keep a gross NPA of 2 and net NPA of 1 must give you confidence that we will get there. If we can do a good return on equity with low gross and low net NPA and a reasonable credit loss we should be just fine and be able to grow it from here.

The next point to note is credit loss percentage. Now I must read out some numbers to you if that helps you. As far as credit cost is concerned, if you remember when the COVID second wave hit us then when we came out with June ‘21 results, we took a big block of provisions for COVID second wave. At that time and it was a pretty large hit. We took Rs. 1872 crores provision. Not all of it was retail. It had some lot of wholesale infrastructure account etc. But still it had retail, retail was a component of that. Now at that time we had given a clear guidance of what we expect Q2-Q3-Q4 of FY22 to look like. At that time if you recall I had publicly said to all of you that our Q2 provisions will be less than Q1, Q3 will be less than Q2 and Q4 will be less than Q3. I'm happy to share the following numbers with you as it turned out. So, our gross Q2 provisions were 475 crores, Q3 provisions were 392 crores and Q4 provisions are only 369 crores. The sum total of all these four numbers are Rs. 3109 crores. Now our average loan book for the year was ~Rs. 1,18,700 crores. If you divide, you'll get a number of 2.5% to 2.6%. Now you can think and calculate for yourself that in a COVID ravage year where Q1 was so hard hit and by the way in Q1 there were lockdowns across the country. I can't say across the country but across the large number of states, is practically a national lockdown but there was no moratorium. So, slippages were there. This despite such a quarter and a year our credit loss for the whole year was only 2.55% to 2.6%. You can do the math, somewhere there between the two. I think it's 2.6%. So therefore, if a COVID ravage year it was 2.6%, really, it's not hard for you to also believe us that next year when the guiding just for 1.5%, we have done our math for that. If we take annualized credit loss then for Q4 our annualize credit loss was only 1.2% now. So that's 1.2%. We are guiding for 1.5%. We kept ourselves sufficient cushion when we say that next year, we'll do 1.5%. Therefore, there is enough data by our side that when we were running this, so earlier it was 2.5%, now even a COVID year its 2.5%. Now we're guiding for 1.5%. So, you get the drift. Therefore, we believe that we are building pretty much a phenomenal model at our end where we are able to lend to multiple segments of the market. Also, the prime-prime home loans but also to a two-wheeler customer, also to a consumer durable customer, also to a personal credit customer, also to a credit card customer, also to a micro enterprise, also to business loans, also for affordable housing. We're doing a spanning of wide range and blend at 1.5%, it's really good number we are frankly very happy about it. We're just waiting, we just wish it could pass over time and be able to report one year forward numbers to you. I'm just waiting for such a day when we'll be able to share our numbers with you a year from now. So, we are that much tails up internally.

Now coming back to the last thing, about two more things I want to share with you is the fee income. Now our fee income is not only from the businesses like your loans. We had income coming from loans of course where we get disbursal income and prepayment income and all that kind of stuff. But we also get income from on the liability side from insurance distribution, mutual funds give some annuity income, on the wholesale side we make income in the form of LC/BGs etc., wealth management is growing pretty well for us. Then the cash line business is firing very well. We've got a really fantastic cash management product. Basically, the list, the span of a business that giving an income is pretty good for us. Now for us retail fees constitute 84% of the total fee income. If it's retail giving us 84%, we know it's sustainable and can pull through next few quarters can only grow from here. Now I got only two more points to add to you. One is that as a business model since we are building it ground up and we don't have a legacy sort of business model to worry about in terms of what we are incrementally building on retail side. Every product of our bank is very much a customer first product. For example, if it's credit card you tend to think of it like there are lots and lots of fees and charges and lots of opacity often times, everything about our bank is transparent in the way we design the product. Similarly on the loans and on the deposits and all that. So that's one thing.

My second penultimate point is about the operating profits. This is very important. Now in terms of the operating profit, let me read some numbers out for you, now you should note the following numbers. In FY19, December 2018 is when we merged. We have taken December quarter operating profit, December and the March quarter. Then we have taken them together and then we have annualized it. So that the full benefit of capital first and IDFC Bank is coming in it. So that number and then after annualizing it we find the operating profit of the bank post-merger, so that there's a like to like comparison is Rs. 1105 crores. In FY20 this number shot up 60% to

Rs. 1,764 crore, in FY21 this number grew by 8% to Rs. 1,909 crores. This was the COVID year where obviously income was troubled. In FY22 its operating profit has jumped from Rs. 1909 crores to Rs. 2753 crores, that's the growth of 44%. So, you can clearly see that there is a 3-year CAGR of 36% including a COVID year. Therefore, our big so to say happiness is coming from the fact that all of you might point out that our operating expenses of the bank were quite high which frankly I agree. But I think net of that expenses in the bank our operating profit has jumped by 44% last year from Rs. 1,909 crores to Rs. 2,752 crores. Now that alone even doesn't tell the full story. Now you compare the quarter by quarter, if you take quarter by quarter again the Q3 FY19, the quarter in which we merged, our operating profit excluding trading income which is basically worst which was like core-core-core was Rs. 276 crores. Now this quarter, the Q4 FY22 this number has touched 836 crores. Now just think Rs. 276 crores going to Rs. 836 crores despite whatever expenses we may have. We are feeling really very good about our incremental economics of this bank. I am a firm believer that if incremental economics are so strong all we have to do is just sit and deliver Rahul Dravid style, not play any false shots, no cross-bat and nothing. This will jump from here and then straight away if you adjust for a reasonable credit loss, you will get to see stronger return of equity. Somehow so we feel broadly that a bank is headed for a fantastic return on equity and that game will play out. Many of you have had concerns over the last 2-3 years because you felt that we are always coming and saying this legacy or that legacy, that really was never intent but unfortunately it turned out like that. But I can safely say that 3-year period is behind us. We've fixed everything. Now we're just looking forward to growing the bank. Hopefully if you're staying put with us you will get to see the results from our side.

So, thank you very much. That's my quick talk on an overview level. Maybe my friend Sudhanshu can give you a quick commentary on the specific this quarter's numbers.

Sudhanshu Jain: Thanks Vaidya. I would like to start with an update on the growth on the asset side of the business. As Vaidya said we have witnessed strong business momentum continuing into Q4 FY22. The overall funded assets in the bank grew by 13% during the year to reach Rs. 1,31,951 crores as on March 31st, 2022. This was mainly driven by the growth in retail loans and commercial finance loans which grew by 28% and 15% respectively on a YOY basis. Disbursements were strong and in the retail segment these were higher by 32% in Q4 '22 as compared to Q4 FY21. Within the retail segment the home loan segment registered the faster growth and that book grew by 52% on a YOY basis. The bank has seen strong traction on the prime home loan segment since the launch of its attractive interest rate for prime home loan customers. The rural finance book within retail which includes funding to self-help groups, kisan credit cards, micro housing loans and some small enterprise loans. That book grew by 12% on a YOY basis. The bank has maintained its conservative stance towards commercial loans which includes business loans, commercial vehicles loans with strict underwriting norms. That book at 15% on a YOY basis.

On the wholesale side the bank continues to bring down its infrastructure book as per the stated strategy and is reduced by 36% on a YOY basis and 14% sequentially. The non-infra corporate book remained steady with a growth of 5% on a YOY basis and 9% sequentially. The top 10 borrowers' constitution has steadily come down and reduced to 3.7% as of March 31st, '22 as compared to 5.9% in March 31st, 2021 and 19% in March 31st, 2019. The bank plans to grow corporate book going forward based on the right opportunities, pricing and the assessment of risk. Infrastructure book is now just 5.2% of the overall funded assets. We are happy to report that guarantees which were given by the bank for spectrum has now been released. The bank has issued more than 7 lakh credit cards so far mostly to existing customers in the book. Our spend for active cards are higher by 35% as compared to the industry average.

On the liability side the bank's CASA deposits have grown 11% on a YOY basis to reach Rs. 51,170 crores and the CASA ratio as of March stood at 48.44%. However, point to note is that average CASA for FY22 stood at 49.88% as compared to 41.50% in FY21. Overall customer deposits increased 13% on a YOY basis to reach Rs. 93,214 crores. The proportion of current account in the overall CASA mix improved to 18.29% at March '22 as compared to 11.8% in March last year. The bank has managed to bring down the excess liquidity during this quarter as the Average LCR was at 136% as compared to 149% last quarter. As the business and economic environment revive going forward there will be scope for further improving on this metric. This quarter bank added 42 branches to take the branch count to 641 branches. 70% of the new branches were opened in semi, urban and rural areas. The bank has substantially granularized the liability-based since merger and CASA and TD less than 5 crores at 84%. In terms of asset quality. Mr. Vaidyanathan has covered that we have seen a substantial progress. Our provision coverage ratio including technical write-offs has increased to 70% at March 31, '22 and if we exclude one Mumbai toll account which became NPA in Q1, the provision coverage ratio stood at 77%. Of course, we have seen a sharper improvement in the retail segment.

On the P&L front very quickly, the bank has seen strong growth in profitability, NII for Q4 FY22 increase by 36% on a YOY basis and for FY22 by 32% on a YoY basis. The net interest margin improved to 6.27% for Q4 FY22 from 5.17% in Q4 FY21 driven largely by decrease in cost of funds and however the asset yield stayed broadly stable. For the full year the net interest margin stood at 5.96% as compared to 5.03% in FY21. On the fee front, again there was a healthy increase of 40% on a YOY basis. The fee was Rs. 841 crores as compared to Rs. 600 crores in Q4 FY21. For the full year the fee increase was 66% and the fee for the full year was Rs. 2,691 crores. Fee income growth was largely contributed by increase in fees related to loan sourcing, higher transaction fees and wealth management fees as Vaidya mentioned. The fee growth was 13% on a sequential basis which also indicates a strong performance on this front. Core operating income increased by 37% YOY to Rs. 3510 crores in Q4 FY22 from Rs. 2561 crores in Q4 FY21. The core operating income of the bank for the full year grew by 38% as compared to FY21. Operating expenses grew by 24% at Rs. 2674 crores for Q4 FY22 as compared to Rs. 2156 crore for Q4 FY21 on account of increased business activities and lower base due to subdued economic activity due to COVID last year. As a result, the core operating profit of the bank for Q4 increased by 106% to Rs. 836 crores from Rs. 405 crores in Q4 FY21. Provisions were lower by 36% on a YOY basis. As Vaidya mentioned the credit cost for the quarter has topped at 120 basis points. This has come down on a quarter-on-quarter basis. The bank has not utilized any portion of COVID provision in this quarter and carries forward COVID provision of Rs. 165 crores as on March 31st, 2022. As a result of all the numbers which I talked about the profit after tax increased by 168% to Rs. 343 crores in Q4 FY22 from Rs. 128 crores in Q4 FY21. Sequentially it went up by 22%. PAT for the full year was at 145 crores. We had posted a negative PAT of Rs. 630 crores loss in Q1 due to higher provisions of Rs. 1872 crores to tackle unprecedented COVID-19 second wave impact. There after the profitability has improved gradually to Rs. 152 crores in Q2 to Rs. 281 crores in Q3 and now 343 crores in Q4 where it is driven by gradual improvement in the core operating profit and sustained credit cost levels. The bank has maintained strong capital adequacy and its CAR was at 16.74% as of March 31st, 2022 with CET-1 ratio of 14.88%. The overall CAs have improved by close to 297 basis points vis-a-vis the last year. The bank also mobilized a Tier II of Rs. 1500 crores during the quarter in its maiden round from marquee investors including LIC which came with 60% participation. The bank is comfortably placed in terms of capital as compared to the mandated levels and look forward to growth going forward. With that we can hand it over for Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Anish Moonka from Astrix Capital.

Anish Moonka: I have this amazing experience with a pre-approved credit card from IDC First Bank. It was actually on my app to use seconds after I agreed to the document you sent. So the text that's supporting such functions shouldn't have been as simple to develop as has been the experience and would definitely entail a good amount of operating leverage as the volumes increase. Other than this we have also observed increased tech hiring and marketing regarding the same from IDFC's side on platforms like LinkedIn and YouTube. What's the bigger picture Vaidyanathan sir and how should an investor expect this to transform IDFC First Bank's way of doing business 3-4 years down the line?

V. Vaidyanathan: Thank you for the experience you shared makes our team feel better. Now, yes we have spent some money building all these good stacks and giving our customer really good experience. The benefit we see is actually lower cost on an incremental basis. For example, in the credit card business, you will be surprised to know we have no DSAs and the entire industry, for the last 20-30 years has been built by paying DSAs to originate the credit cards for you. We have 7 lakh cards with no DSA. This ability comes to us because we developed good processes and we of course reach out to other marketing channels to originate. We believe it will pay back in terms of operating leverage in the years to come. That's one of the reasons why we are very bullish about ourselves which you can't see today because you're seeing the numbers today and probably happy or unhappy about our some of the numbers but we internally feel happy because we know that you fast forward the story 1 year forward or 2 year forward, straight away the income will rise rather a bit disproportionately.

Anish Moonka: Makes sense. What is the top and mid-level management attrition rates for FY 22 and how do they fare compared to the industry? How does the company continue to keep the credit underwriting culture intact if you are growing at 25% plus rate continuously as so many new people enter the business?

V. Vaidyanathan: It's a great question. Somehow attrition we've not put any public numbers but I can tell you briefly that our attrition at senior management let me say a top two to three layers of management is very low. I mean we rarely come across and we all come across a case only once in a while. It's quite low, very stable. Now attrition is more in the bottom of the pyramid. Really when people join for the first jobs, work for 2-3 years, find a higher composition somewhere, go away or move for personal reasons or whatever. Attrition is typically more on the lower end of the hierarchy chain. Now with regard to credit that's an easy one to answer because we think that our credit will hold up with scale. That's something that we feel very confident of. That's because the whole credit architecture of this bank we have bit ground up so we know every bit and every moving part of this place, we meaning not I, I mean the whole team, we understand what we built. We understand the stack, we understand the credit criteria. We know how each of these evolved, we knew what we built in 2011 and '12 and '13 and '14 and '20 and '21, '22 every time the score card has evolved with the learning. So, we've been through this process basically we know the insight of it. The second thing is that in due course underwriting capabilities in this country has only improved because of more availability of data and ability to scrape data from multiple sources etc. What we do is actually not just believe in these numbers or these processes alone, we even track ourselves by certain outputs. There are certain number of things we track. We track to monitor whether it is performing well. For example, we track of the loans we booked, what is the number of customers who return the cheques next month itself. We call it first EMI; the cheque bounce, the cheque is only metaphor normally NACH. We say that first EMI cheque bounce if X percentage of what it was. So, I will give you one number for example pre-COVID if index was 1 of check bounces today on the first EMI bounce basis for the definition I said earlier, the check bounce is 0.7. Check bounces are 70%, only 70% of what it was pre-COVID. We track similarly bucket one, bucket two, bucket three, we check SMA then we check vintage analysis, we check recovery. So, we track many fronts like this. Frankly we are very cautious about this because the last thing we want is to have a problem on credit loss on our book maybe a few years from now that won't smell right for us. So, we are very conscious about it. We have the right tools; we have right technology. So, we feel confident.

Anish Moonka: Just a final question from my end. As per our aspirations we want to become a world-class bank. Our today's balance sheet is nearly at 1.9 lakh crores. The plan is not to stop until the numbers become much larger. What are the current biggest weaknesses that stop us from becoming one and the ones that you are focusing to resolve over the next 5-7 years?

V. Vaidyanathan: The truth is that when we say world-class bank. The thing is it's not the size alone doesn't make anybody a world class bank and maybe there are some amazing institutions which are also large and also world-class. That's also true but in our case our loan book was only Rs. 1,20,000 crores. So for us even if we grow at 20%-25% at 25% you can double your balance sheet in 3-3.5 years, you double it again in 3.5 years, so for us it's not difficult for you to imagine that is 1.2 lakh crores bank will become 2.4 crores of loan book maybe 3-4 years from now, another maybe 3-4 years from then maybe 5 lakh crores book. From there hopefully another 10 lakh crores book. This story will never stop at all, just not stop because the lending is running by a machine here, is running by a set of formula and a bit of credit underwriting processes. There is unserved credit in the country. Large amazing banks like ICICI Bank, 20 years ago they were just 200 crores loan book. So, who would have imagined they'll become a 6 lakh crores retail book today? So, it just compounds, over a period of time. Look at HDFC Bank, look at Kotak Bank, look at the other banks. They're all great banks. For us to keep compounding from here the loan book can play a steady straight game for the next 15-20 years really, I don't see a problem.

Moderator: The next question is from the line of Lalit Deo from Equirus.

Lalit Deo: Just want to understand on the margin's trajectory. In this quarter it was like about 6.27%. Was there any one off in the quarter because as we see like that net core NIMS grew by 28 basis points on a sequential basis?

Sudhanshu Jain: There was no one-off as such during the quarter. This is a steady increase which has happened on a quarter-on-quarter basis.

Lalit Deo: And about data keeping question, can you tell us gross slippages and are expected during the quarter.

Sudhanshu Jain: Gross slippages for the quarter was about 1400 crores and net slippages were about 700 crores. We saw strong recoveries during the quarter.

V. Vaidyanathan: And there was one corporate account of about 250 crores that slipped during this quarter. It was a legacy corporate account but if you net that out the numbers look quite comfortable.

Moderator: The next question is from the line of Ishan Agarwal from Erevna Capital LLP.

Ishan Agarwal: So, first question is that given the levers that we have for increased NIMs from here on, even at 6.27% if I have to name a few we are booking retail loans at 14.5% to 15%. We are replacing 26,000 crores of high-cost deposits over the next 3 years. Our LCR drag is there right now on our balance sheet and our incremental cost of funds is 5%. Then why are we saying that NIMS should taper off from here on. When we reverse push the NIMS to a higher trajectory of 6.6% to 6.8%?

Sudhanshu Jain: Yes. It could still rise from here.

Ishan Agarwal: What will be your guidance on the OPEX front for FY23? Will it be in line with your overall loan growth or will it be lower?

V. Vaidyanathan: Lower because that's where the operating leverage comes in. If you remember the first speaker gentleman spoke, I think Anish if I'm not mistaken, he talked about that experience. So basically….

Ishan Agarwal: If the loan book grows by 22%-23%, OPEX should grow at a slower pace is what we're expecting?

Sudhanshu Jain: Think about it as what the NII plus fee income will grow at and think of the OPEX, OPEX should grow lower. But more than the percentages what is important is the fact that, remember the NII plus a fee income, they tend to grow on a larger base. So, a larger base growing at a greater percentage vis-à-vis OPEX growing slower but on a slower base that is what actually expands the P&L so sharply.

Ishan Agarwal: My last question…

V. Vaidyanathan: I just got some numbers here so I'll explain. Let us look at the income line for the bank for financial year FY22. Our NII plus fee income without trading gains—straight forward—only income core income. That was Rs. 12,397 crores and obviously OPEX is much lower and last year this income has grown by 38%. If you take the quarter-on-quarter this number has grown by 37%. That is Q4 FY22 divided by Q4 FY21. That's 37%. But the OPEX line has grown to only 24% on a lower base. That's why suddenly the operating leverage otherwise you might wonder how did the income, what we call the core operating profit, how did it jump from Rs. 400 something crores to Rs. 800 crores? This is the reason and this is what makes us feel good about next year also, hopefully when you talk 1 year from now you will see that the income would have grown further and OPEX would have grown at a slower pace.

Ishan Agarwal: My final question is we've achieved two of our primary three goals that we had set at the time of the merger, in terms of the liability issue being sorted, the asset quality issue being sorted and profitability when do you see the bank reporting double digit ROE?

V. Vaidyanathan: Soon.

Ishan Agarwal: How soon?

V. Vaidyanathan: Soon meaning definitely I think by our own internal estimates are that by fourth quarter of next year we should be getting there.

Ishan Agarwal: Fourth quarter of FY23?

V. Vaidyanathan: Yes. Then you know the trajectory, remember we're coming from zero.

Ishan Agarwal: Right.

V. Vaidyanathan: We already touched the 6 and next year if we can touch 10 then you can imagine what the next year exit quarter will look like. We are like any other good bank in the mid-teens. Actually, our own belief that we will not be mid-teens. Bank will be a little higher than mid-teens banks when this story stabilizes.

Ishan Agarwal: Do we have any capital raise plans for FY23? Given we already are envisaging a 20%-25% loan growth, Tier I capital I'm talking about?

V. Vaidyanathan: No.

Moderator: The next question is from the line of Rohan Mandora from Equirus Securities.

Rohan Mandora: Can you help us understand income from the OPEX expenses between fixed OPEX, business linked variable and future capacity building, what is the split and in the last 2 years how have each of these line items grown?

V. Vaidyanathan: Well, we don't have any of those numbers ready for you unfortunately. Maybe we'll try next time. But let me just say that definitely a portion of our expenses are towards building a future. There are two types of expenses we are having. One is course around the bank as usual. Second is remediation of any of the existing systems for example if the tech stack and many of the parts of the tech stack requires a remediation because some part may not be right. Maybe the core systems, maybe the enterprise service part, maybe the channel facing tech systems, maybe the CRM. So, some of these things often require or maybe some system doesn't talk to each other or reconcile with each other. Those kind of things remediation work is always there. The third part of the expenses of course investing for the future because basically building a really future ready tech stack. We are very focused on that. To build those kinds of capabilities where customers can get instant solutions. For example, we are going to launch, we have launched the mobile app but we are going to launch upgraded version of mobile app where customers should be able to purchase mutual funds etc. on the fly. On the fly meaning not just buying a mutual fund, actually they can go, they can be done API connected all the mutual fund companies. Therefore through an integrator whereby customers can come there, customers can do a query of the highest performing mutual funds either the morning star or something and then they can click the fund they want to buy. They can see the categories of companies, categories of investments underneath. They can see the companies underneath those mutual funds. They can click-click and buy what they want to buy. These kinds of capabilities we are building in the bank and I think all of these will add value to the bank in the longer run. You may not be able to see in the P&L of this quarter or next quarter, but we are building a bank for the long run so they will all add up.

Rohan Mandora: Any ballpark range where we are operating in terms of these expenses towards future technology additions?

V. Vaidyanathan: No, we don't have specific numbers at this point.

Rohan Mandora: What were the total OPEX towards the DSA distributor payouts in FY22?

Sudhanshu Jain: We don’t share those specific numbers.

Rohan Mandora: Employee count as of March ‘22 and where do we employee per branch trending in say next 3 years? This has come down from 50 odd to 40 counts in ‘19 to ‘21. Where do we see that trajectory in the next 3 years?

V. Vaidyanathan: We think that for most of our regular businesses, like home loans, car loans, personal credit, etc. we don't need people anymore. I mean we don't need to expand the team at all and the very much the existing team that we built, should be able to just have a high disbursal of about 25% straight forward, just because of the way the economy lifts and the way people become more productive over time. But for maybe new business that we launch so our hiring, if any, will only be for that, there's nothing we need for existing businesses.

Rohan Mandora: Employee count as of March '22?

V. Vaidyanathan: And that's one of the reasons you will see operating leverage. Supposing we have X number of employees doing all the loan businesses and the same team, this is supposedly loan book is just make it up say a 95,000 crores and you make it up. Suppose the 95 goes to say 1,20,000 crores or something and out of that, we add more people. You get the drift, you straight away see what it will do with profitability. That's how operating leverage plays out. We will need people only for newer bank branches to be put, where we need to have people, maybe add some in wealth management, maybe add something in gold loans, maybe add something in firm businesses where we have the business priority sector. So those kinds of things, we will add people but not really for regular businesses.

Moderator: The next question is from the line of Bhavin Gala from Marine Capital.

Bhavin Gala: I have few pointed questions. First is on the retail banking operations. The recent earnings do suggest that the retail banking operations have turned around, they have posted a PAT of (+400) crores. What explains this turn around? Was there a one-off or the entire contribution has come from recurring activities in terms of, from the revenue stream? The second question is though in the PPT you have mentioned, entire spectrum related BGs have been repaid. If you could help us in terms of specific numbers on the exposure of Vodafone?

Sudhanshu Jain: On the retail front, definitely there has been a turnaround. We have seen lower provisions during the quarter and hence what you see in external segment that for retail banking we have, there is a profit of 430 crores. So, there is no one-off as such. This has come through lower provisions and robust growth in the retail asset book. And on the telecom front, about 2100 crores of guarantees worth released. This works towards guarantees given to Vodafone and Bharti and on Vodafone now we have an outstanding's of about 500 crores. This exposure used to be about 3200 crores at one point of time.

Bhavin Gala: If I heard correctly during the call, the blended growth for the asset book for FY23 is in the vicinity of 20% to 25%, right? We are not referring only to the retail book, a 25% of asset book is on the blended book?

Sudhanshu Jain: That's right.

Moderator: The next question is from the line of Sahil Sharma from S.S Capital.

Sahil Sharma: My first question is to understand our CASA strategy. If you look at our CASA book its growth has been slightly lower than our loan book growth in Q4 and also FY22. The liability franchised the backbone of any modern retail bank. So, what I am wondering is what is our strategy on the CASA side and whether it is possible first to improve our CASA ratio even from here, beyond 50%. Related to that I think what you have mentioned is that current accounts are fiscal….?

V. Vaidyanathan: Hold on, let's take one question at a time, it will make our life easier. The CASA is easy one to handle actually. See, last year we were running LCR of 150%. So, that's a lot of money, excess lying either with RBI or a repo or somewhere. So, our reverse repo also, we were not getting enough returns. This year onwards, we want to pay the loan book, we will press the accelerator on deposits, we will get it. We really don't see any concerns. I mentioned in my opening remarks, how we raised about 25,000 crores, even in a COVID year. I'm telling you maybe there are concerns about our bank that you might have had about our profits and all, the past but I hope you'll agree with me that our bank really is a respected brand. We get deposits, huge deposits from retail, not the bulk deposits kinds and when we just want to press the peddle on the liabilities, it just comes pouring in.

Sahil Sharma: Can we expect it to grow roughly at the rate of the loan book so that the CASA ratio is maintained, roughly?

V. Vaidyanathan: Yes, we will go a little bit fast. We think that 50 is no problem for us to maintain.

Sahil Sharma: Related to that my question was, I think our current accounts are around 15% to 18% of CASA right now and I wanted to understand what kind of initiatives you have taken to grow your current account book and whether there is an opportunity to cross sell our current accounts to our MSME retail borrowers?

V. Vaidyanathan: Great question. It's a good observation also that our current account is as a proportion of CASA so to say is not good enough and we need to improve on that. For us savings account pressing the button on savings account is easy one, we just pressed it and we got it but we will start working on current account a little more because that requires as you know, as we build this this even in a previous organization, but it takes time to build it because you need to build good technology, good ecosystems, capture that flow of money from end-to-end, from business-to-business, then didn't give ads, multiple solutions to customers which are not just banking related. It could be accounting solutions and HR solutions, legal solutions, we got to build all those capabilities. We're building this up right now and we are quite confident that we will make a mark in that space also.

Sudhanshu Jain: Just to add, the proportion of CA in the overall CASA has improved from 11% to 18% and our endeavor would be to take it to 30% in due course, like other good banks.

Sahil Sharma: We had launched an amazing credit card product and the rate of interest here is sort of dependent on the customer credit profile. I think the idea here was that it might encourage some of our customer base to revolve credit for one that are comfortable revolving credit. Have you seen that actually pick up and can you share any kind of data on what percentage of our credit card customer be who are actually revolving their credit and how this compares to industry?

V. Vaidyanathan: By the way, there's a lot of disturbance on your line. If you don't mind keep it on mute mode, it'll help others. On the credit card front, typically in the business takes time to start getting about a 50% of the loan, of the book to start having interest income. Typically, you can think of it like about 25% of the book could be revolver, about 25% of the outstandings could be installment based where the customer is not revolving but customer is choosing to convert the transaction to an installment and balance 50% of straight forward transactors they just pay up on time. We would say, we are a little behind the industry at this point of time because we are still a newer player, we are just 1 year into the business. But as this plays out for the next 1 or 2 years, we will definitely get better. But good thing about our bank is that our customer complaints are really very low. By the way, we are a new bank. It's not that people knew our credit cards compared to other banks who have 15-20 million cards each, maybe 15 million and we just have maybe 6,00,000-7,00,000 today. So, despite being a new player the spends on our cards is really good and delinquency is very low on this business for us. All this is coming because right in the beginning when we launched the card, we didn't try to gain the customer, figuring out if we price it like this, I'll make more money, less money. We straight forward made really good product for the customer. We didn't say that if you spend so much, I will waive your fees. If you do that, we straight away set it free for life or no annual fee. We straight away paid good reward points, we straight away said that reward point can be redeemed for the next purchase; something that really nobody does in our knowledge. Everybody wants to give some catalog against it. Though we are planning to introduce a fee structure for redemption of the reward point but I guess it'll be nominal. Customers will have already been notified. Basically, we have put a really simple product and a really customer friendly product. I think it will pay back in due course, maybe a little slow but we'll pay back very well and pay back in a sustainable manner to us.

Moderator: We'll move to the next question from the line of from Ashutosh K. Mishra from Ashika Stock Broking.

Ashutosh K. Mishra: My question is that to understand the long-term evolution of the NIMs especially from a 3 years perspective? Keeping in mind where do you see your composition of retail and commercial finance books? Going ahead from here, we have launched prime home loans also. How you see the NIMs getting between the advantage which we have on the paying of the high-cost borrowings and the change in the retail and commercial loan book going forward from here?

V. Vaidyanathan: See the thing is that when we started the whole post-merger, we put out a number that retail will be a X% of the book, 70% and all that. Now you know we have passed that stage so we don't want to put any more guidance here on what percentage it will be. We ideally would like no business to have more than 15% of our total book. We have just so many businesses, we have credit cards, we have got personal loans, we have got commercial vehicle, car loans or home loans, loan against property, we have got rural financing and we have got wholesale credit. The way now we're thinking is not in terms may be 70-30, 80-20, we don't have any of those benchmarks now. We are beyond that stage. Now we are focusing on saying that we launched so many businesses, everything stays below 15 except for mortgages and loan against property, we would like them to be where we did like the cap to be about 20% each. And in the corporate side we don't have a lower limit but we think that about it, upper cap at probably be 30%. So, we are more worried the upper caps not the lower caps anymore. What I meant that we don't take the number, that wholesale will be 30 or 20 or 10 nothing like that. Whatever gives us good returns, whatever gives very diversified, whatever there are credit underwriting standards are well proven and we feel confident to grow, whatever is very diversified and wherever we have our own strengths so whatever growth as long as it doesn't bust a particular limit, we'd like to grow it that side.

Ashutosh K. Mishra: We can expect NIM to remain around 6% or 5.5% if I ask you from a 3.5-years down the line, roughly?

V. Vaidyanathan: Yes.

Ashutosh K. Mishra: My second question is again on fee income front. 80% of our core fee income comes from the retail front. Do you see the growth to remain in line with the growth of our retail loan book? Or do you see some changes or some because we are hearing lot of technological product may impact the retail fee income both of the bank in general. So here we want that?

Sudhanshu Jain: If you see our fee income to total income is about 22% as a ratio. Again, we feel that we have a lot of opportunity to increase in there. Of course, some part of the fees comes through lending right but there is a huge opportunity to earn fees through non-capital consumption linked revenue sources like your trade, toll, credit card and so on and also selling third party products. We feel that we will be able to register strong growth going forward as well and there is a huge opportunity to increase.

Ashutosh K. Mishra: On OPEX front, does bank has any internal cost to fee or ratios target and how do you see that panning out over the next 3-years?

V. Vaidyanathan: See, very clearly, we should not take a startup bank first 2-3 years cost and try and think that this is going to be the eventual cost structure of this bank, it won't be. We are finding that cost to income will begin to come down, bit simply by scale and its operating leverage. Of course, I'll give you a color on the incremental. One of the things we track internally which is not a number we release to the market anything of that. One of the things to track internally is incremental cost to income ratio. How does incremental cost to income ratio works is that the year goes by; we know the bank has generated a certain amount of income and it's in bank's internal settlement of OPEX this year. So that becomes the incremental and that number for us is trending down pretty quickly and will trend down next year also. And finally incremental cost to income becomes the cost to income eventually on a scaled-up book. To give you an idea this year in this quarter, in Q4 FY22 so we may take you back to Q2 FY22. At that time our OPEX growth was 47% but income growth was 41%. Obviously, it's not a great cost to income ratio. You come to Q3 FY22 so, our expense growth was 30% and income growth was 34%. Now we come to Q4

FY22. Our expense growth is 24% but income growth 37%. So, you see how the jaw is opening. It should not surprise you at all. If you wake up next year or year after that to see the incremental cost to income coming down for the bank, it will come down. I'll tell you another very big factor which many people are missing and they are evaluating our bank. So, you think of today's cost to income as X% let us say 78% or something of that if you take the latest quarter, 76%. When we say 76 actually not, we stripped out all kinds of treasury income and everything, we just mean core-core which we can measure quarter-on-quarter, so that's somewhere there. Now you think that there are three businesses that is dragging this down. You know those three which I will still call them out, one is credit cards. In the credit card business, our expense is more than our income by close to about Rs. 320 crores. That's been basically the loss of the year. Now that's plus a bit of credit cost. Now obviously we're not going to be incurring Rs. 324 crores of gap between operating income forever. It's just the state of building it. Let's say that make it up that next year it comes down to Rs. 100 crores. Year after that it breaks even and frankly it will become positive in our opinion. So that's one item, just keep it there, number two on the retail liability side. So, we've told you that already we told you that it's incurring a loss of about 325 crores a quarter for us. You multiply that by 4, Rs. 1250-1300 crores we're losing that business because these are branches, ATMs everything we set up to build up CASA that is the number there. Now the legacy item of that what we talked about Rs. 27,000 crores at 8.8% we are honoring. You add these three numbers, now simply add back because you know we're going to fix this for sure. Certainly, we're not going to run the bank like this forever. You just add back those three items back to our income line which is a little ahead for sure and then you will see our cost to income has already come down to 64, already even today. Just add that these three numbers. So, which means that if you did nothing just fix these three items and don't do any more operating leverage will be 64. They're not talking about the operating leverage. So, it'll come down to 50. I can clearly see that this bank is getting to a 50% cost to income ratio. It's only a matter of time. You're there. I'm there. You can see the numbers as they play out.

Ashutosh K. Mishra: The last question I like to on credit card. The RBI has come out with the new regulations on that. What's your view and how do you see our bank is doing in this? Because your product is a really good. In the last con-call you have asked one of the analysts to take this and I have taken that and I really find very good product. So, what's your view on RBI regulation first and how do you see the banks long-term strategy on the credit card?

V. Vaidyanathan: We like it. We are very proud about the product we have launched and also happy like the first gentleman he spoke that he also had a good experience, thank you for sharing that. So, with a good product we think this book will now begin to continue to grow for us. I told you credit quality is excellent, customers are happy, we hardly have complaints. So basically, we think we will keep going this. There is a lot of profit to be made in this business. Right now, in all this conversation of cost to income and adjusting ROE etc. I'm merely talking about matching expense to income. Eventually there's not going to be matching thing, it's going to make, in our opinion maybe 3-4 years from now, our internal estimates are we will make a PAT of not less than Rs. 500 to 600 crores on credit cards alone. That's the kind of a picture we are seeing on this business. And with regard to your second question, frankly all those norms are good norms.

Basically, inactive cards will get weeded out and anyway there are new banks so we don't have much to lose on the existing base and we don't have co-brands yet. Even the co-brand issue doesn't apply to us.

Moderator: The next question is from the line of Jai Mundhra from B & K Securities.

Jai Mundhra: Question is on your SA mobilization, I just wanting to get some more quantitative aspects here. Clearly the CA mobilization, CA story has been phenomenal in the last 3 years without putting too much branches as well. If you can help us to understand the granularity of this SA portfolio? Clearly your LCR disclosures shows as per the last quarter that it is fairly granular in terms of, if I do the retail regulatory retail break-up is probably in line with some of the larger peers. But I just wanted to understand if you can further break that main into ticket size whichever you feel appropriate, maybe 2 lakhs-5 lakhs or maybe even 10 lakhs as to how much is between certain ticket sizes? And if you also have the break-up for individual, wholesale, government, trust etc.?

V. Vaidyanathan: See, the day we think about it that yes, I think on the savings account front I think yes bank has done a good job, actually quite a good job but I think on the current account front we've done an okay job I think because our current account business should grow faster. In fact, it should outstrip the growth of savings account for us to get a decent balance mix of CA and the SA. We'll work on that and India is open, opportunities are open. We have a really good bank and really good product, really good products. We will definitely address that issue as it goes along. With regards to the balance per account and just as you speak maybe you can ask the next question and I'll fix the answer by that time. Per account how much balance security etc. I don't have the number upfront. As we speak, we got the answer.

Jai Mundhra: I don't want the average number, I actually wanted if you have the break-up maybe by ticket sizes, maybe by HNI or maybe by ultra-HNI or maybe by salaried retail or maybe a normal let's say 50?

V. Vaidyanathan: I'll tell you as a bank generally speaking, we are if you're trying to get a sense of segment, we are attracting a slightly upper middle class income segment kind of or a HNI kind of segment which is naturally kind of gravitating to us. That's because of the kind of branches we have put up, I don't know if you have been to any of our branches. They are really high-quality branches, spacious and they're really good branches. So, our branches are like that, our products are also such that our brand is also such that people are tend to believe that we have good products and so on. Our wealth management offering is really good. The last time I told someone to take a credit card, now I am going to request you to take our wealth management business, just try our operation, you'll understand what really super platform we built. Our wealth management business is very good and our interest rate is such that it tends to attract HNI customers more. Let me just say that we get an upper income customer base to our bank. Largely, we also get the people open 10,000 accounts but we get more the upper end.

Jai Mundhra: Similarly, if I were to see how much of your asset side customer, what could be the proportion of savings account which is coming from your existing asset side customer or is it that the asset or the SA acquisition strategy is slightly different from asset side of customers?

V. Vaidyanathan: Basically, on the asset side we have two kinds of customers. One is the consumer durable and two-wheeler kind of the asset; they represent certain income profile. That income profile doesn't leave much balances actually and we if at all they take, they probably take the 10k product of the bank but there's not much of a penetration we have in that segment. So, we would love to I mean we like every segment and but we haven't made much of a penetration there but our segments are more like I said, people who are having a home loan from us, the people have a business loan from us, who then also tend to have a bank account with us. Like I said we are a little slightly upper middle-class kind of income segment.

Jai Mundhra: But any numbers that you want to put to get how much of your CA would be funded?

V. Vaidyanathan: We will come better prepared next time on this question. I don’t have it right now.

Jai Mundhra: On your number of employees, if you can give that number and maybe because you have clearly higher yields and you are arguably dealing with on the asset side slightly let's say self-employed SME sort of customers. If you can also help us what could be the number of employees which are engaged in recovery/collection/monitoring and is that proportion slightly higher than other banks or there is something else which is driving such a better let's say asset quality performance?

V. Vaidyanathan: Basically, asset quality is some quality of underwriting and the skills developed in them. It's got some correlation to yields but not really a lot. For example, so basically these days even everything's getting digitized, even collection side is all getting just like sales. We if not put up any specific division wise numbers in the market so I have no intention of sharing that. But I can just say that, I mean it’s like not that I have it on my hand but we don't share it anyway; we don't put a division wise, that’s not the data which is there in the investor presentation. But generally speaking, we are actually fine that the number of employees over a year is only coming down though the book is going up. That's because more and more work is happening digitally. To give you one idea, for example let me say even a year ago or 2 years ago, if X number of customers returned their cheques unpaid and a certain percentage let me pick a number say X% of them X% of that Y, was going to visit the customer. Now it's not X% because now we are sending UPI link to the customer, customer paying to UPI. So, nobody is going to the customer's home. You get a sense about the entire activity of somebody going to the customer's home, picking up the cheque etc. has come down. That's where all these operating costs also comes down and you get the drift.

Moderator: We will take the last question from the line of Aditya Shah from Vikram Advisory Services.

Aditya Shah: I've been looking at the improvement over the last 3-4 years as you've mentioned. My question is what should we expect as a steady state NIMs for the next 2 to 3 years?

V. Vaidyanathan: I know many people ask this question actually but we would like to play it along, there are some reasons why we feel it will go up, there are some reasons why it will come down and we'll got to take as it comes. If we're doing more home loans, NIM should compress. We're also doing the other businesses that are going very well with good credit quality that should increase the NIM. We don't know where it is settled but let me just say that it could inch up from here.

Aditya Shah: That is for this year but overall, on a 2-3-years basis; should we expect anywhere between 6% and 7%?

V. Vaidyanathan: Yes. That's our internal estimates also. We're not taking it at 7% but certainly should stay in the (+6ish) league.

Aditya Shah: My next question is, why is there a sudden change in the savings bank interest rates in the last 1 year? First, we were at 7, we came down to 6, then to 5 and then again to 6; probably from 1st May we are doing it for balances above….?

V. Vaidyanathan: I will tell you why we did that. It's a very simple answer. See, last year there were just too much of excess cash for us. The way we had, I told you that in a COVID year of 2021, I said this number to you earlier, we've got Rs. 25,000-26,000 crores of cash pouring into the bank at that rate. Now we couldn't take that kind of because we were not doing the loan book. What do we do with another Rs. 25,000 crores lands up? So, we had to reduce the rate at that point of time. As you could see now then we slowed down the growth of deposits and it was still very liquid. We were still sitting at 130%-140% even today for that matter. But then this year onwards we are seeing strong growth and that's why we have touched it except that we're doing on a progressive basis this time; we are not paying from the first rupee. That way it doesn't add to the cost also much but yes of course we're paying 6 and other banks are paying 3 or 4. You see it's going to be a higher cost for us. But really like I said it's more a measure of how much money we need. I've always told people that I am not going to take a position that we will never raise it, we will never drop it, I don't see any of those things. I'm playing cricket, I could go front foot, I could go back foot. I could do anything whatever the ball deserves that will do.

Aditya Shah: No but it's just that it's quite sudden. That is why in a years' time from moving 2% down to moving 1% down, that is why this question because it doesn't give stability in terms of the customers who are your saving banks customers because the expectation changes pretty fast in 2 to 3 months or 6 months?

V. Vaidyanathan: No, I appreciate the question and I appreciate the comment also. You're absolutely right. But thing is that for a whole year we kept it at 5%. It's not like it stays in 2-3 months. For a whole year we kept it there. Even now as we speak really like as we speak, we don't need money at 6% really. But then we are preparing for the whole year, we are seeing a strong demand coming up. So, we want to be just prepared so to say.

Aditya Shah: My last question is regarding the reverse merger with the IDFC Limited. Since their AMC has been sold, when do we expect any announcements on that front?

V. Vaidyanathan: Really, I'm not able to make any comment on about that at this stage.

Aditya Shah: So, should we say 6 months to 3 months or somewhere around that time? Because probably things will get sorted by then?

V. Vaidyanathan: No, I understand the question but unable to comment because we did inform our interest or to take the merger process forward which we still maintain but so there's no doubt, there's absolutely no issue about intention from our side. I think to put a time to it is difficult because you don't know. There are so many points to close before you get to that point. So, but there's no intention issue. Definitely intention is on but things have to work out yet.

Aditya Shah: Thank you so much for your answer.

V. Vaidyanathan: But you know the earlier someone asked the question about return on equity and the answer is kind of, now you see this quarter's profit, ~Rs. 340 crores and then you multiply that by 4 and you know that and then you annualize it and then you divide by our equity. We are already now looking pretty much better than what it was before. Not that we are a great benchmark to the past were pretty low but we are at least it's becoming respectable now but it's still lesser than respectable let's say. But then you add, we are for three businesses; the ones that I named earlier; credit card, retail liabilities and legacy liabilities. These three alone if they were to just break even forget being profitable; if they were just breakeven, we will add on a PAT basis, post-tax basis Rs. 500 crores for quarter. You add that Rs. 500 crores to the Rs. 340 crores, that takes us to about Rs. 840 crores. And the annualized Rs. 840 crores into 4 that Rs. 3,400 crores and you divide Rs. 3400 crores with Rs. 20,000 crores, you know Rs. 21000 crores, you get to see that already touching an ROE of (+15%). Therefore, it should not surprise you at all when we touch the 15% ROE because all we have to do just touch the three buttons and zero itself them from loss-making. If any of you have any concerns about our return on equity, I'm telling you we are already there; only we got to work on those three items and rest it will increase. So don't at all be surprised when our ROE touches 15% and it'll definitely happen. And then you can imagine what a well governed bank with a good ROE growing at 25%, technologically very abled, what we should be valued at. You can do the math for yourself. That's all my closing comment is but anyway I want to just say thank you to all of you who are on the call and for talking to us.

Sudhanshu Jain: Thank you everyone for joining. Have a great weekend.

Kunal Shah: Yes. Thanks Mr. Vaidyanathan and thanks Sudhanshu for patiently answering all the questions and all the best for the future. Thank you, all the participants, for participating on the call. Thank you and have a good weekend.

Moderator: Thank you everyone. On behalf of ICICI Securities that concludes this conference. Thank you for joining us and you may now disconnect your lines.