"RBL Bank Limited Q3 & 9 Months FY-18 Earnings Conference Call"

January 23, 2018

MANAGEMENT TEAM

VISHWAVIR AHUJA	: MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER
RAJEEV AHUJA	: EXECUTIVE DIRECTOR & HEAD – STRATEGY
NARESH KARIA	: CHIEF FINANCIAL OFFICER
R. GURUMURTHY	: HEAD – GOVERNANCE, RISK & CONTROL
ANDREW GRACIAS	: HEAD – FINANCIAL MARKETS
BRIJESH MEHRA	: HEAD – CORPORATE, INSTITUTIONAL & TRANSACTION BANKING
HARJEET TOOR	: HEAD – RURAL BUSINESS, MICROBANKING, CREDIT CARDS, RETAIL & MSME
SURINDER CHAWLA	: HEAD – GEOGRAPHY, BRANCH & BUSINESS BANKING
VINCENT VALLADARES	: HEAD - COMMERCIAL BANKING

Moderator: Ladies and gentlemen, good day and welcome to the Earnings Conference Call of RBL Bank Limited to discuss financial performance for Q3 and 9 Months FY18. 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 management discussion concludes. Should you need assistance during the conference call, please signal to an operator by pressing '*' then '0' on your touchtone telephone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Vishwavir Ahuja - Managing Director & CEO of RBL Bank Limited. Thank you and over to you, Mr Ahuja.

Vishwavir Ahuja: Thank you. Good evening, ladies and gentlemen. Thank you for joining us on this earnings call for the third quarter of FY18. I hope you have had a chance to go through our press release, our quarter's results and the investor presentation which has been uploaded on our website a short while ago.

I will talk through our performance highlights for the third quarter of FY18 and related topics:

Like in the past we will then open it up for questions. I also have my colleague from our management team with me who will also address some of your queries.

First, let me give you a brief perspective of the economy and the banking front:

In terms of the macro the slowdown in Indian economy seems to have bottomed out in the last quarter and many critical indicators have turned around. Some early signs of pickup in business expansion, credit demand and industrial production are visible now. The economy is still in early and tentative stage of recovery and it is expected that GDP growth should return to above 7% growth by next fiscal.

We expect demand for credit to go up further as the economy picks up. The additional capital flowing into the banking system through the proposed banking recapitalization fund would add to the system's capacity to meet additional demand for credit and concurrently push up growth as well.

While some emerging risks in the form of rising oil prices, fiscal uncertainties and rising bond yields do continue to cloud the outlook, we expect the risks to be contained and growth to improve sequentially in the next couple of years by way of response to cyclical and pent up demand as well as structural measures starting to bear results.

Now on to our business performance in Q3 FY18:

I want to say that this month marks the culmination of 7 years from a first capital raise which essentially kick started our transformation journey under this new team that we have at the bank. Over the last 7 years we have seen a compounded annual growth rate of 62% per annum for advances and 47% per annum for profit after tax with net NPA of less than 1% throughout irrespective of market conditions from time to time. In this quarter also we have demonstrated very strong momentum raising the confidence of the bank to meet its long term targets.

Coming to the quarter:

Advances grew 38% year-on-year with wholesale and non-wholesale businesses growing 35% and 43% respectively. Our deposit base continues to see strong growth at 29% year-on-year led by a CASA growth of 34%. CASA percentage is up from 23.67% in Q2 to 24.03% in this quarter. Our ROA has been steadily improving from 1.08% in FY17 to 1.19% until last quarter and further to 1.22% in Q3 FY18.

For this quarter, our net profit increased by 28% to Rs. 165 crores over the same period last year. This is after taking a post tax charge of Rs. 4 crores in respect of an additional investment in Utkarsh Micro Finance Limited which is the holding company of Utkarsh Small Finance Bank.

This was done in order to maintain our stakes at 9.99% as we consider it as a gainful investment for the bank. Normalized for this the profit growth for Q3 is 31% over last year and in excess of Rs. 169 crores on a PAT basis. Credit cost has been consistently reducing quarter-on-quarter from 31 basis points in Q1 FY18 to 22 basis points in Q2 FY18 and further down to 20 basis points in this quarter and we expect it to further decline in Q4 of this fiscal year.

I am extremely happy with the consistent improvement in our Net Interest Margin which has gone up from 3.29% in FY17 to 3.54% in Q1 FY18 to 3.74% in Q2 FY18 and now stands just under 3.9% in Q3 FY18. Our cost to income ratio was stable to marginally lower than last year last quarter at 54%. In other words, a very satisfying progress in every respect.

I will briefly discuss our financial and business performance in different segments now:

Wholesale Book first:

Our wholesale and non-wholesale segments continue to see strong traction. The split of wholesale and non-wholesale advances is 60:40. In our wholesale book comprising of corporate and institutional banking (what we call C&IB) and commercial banking (what we call CB) we saw a growth of 35% on the average year-on-year.

Within the wholesale business C&IB grew 35% and CB grew 33% year-on-year. In C&IB business NPAs have increased slightly owing to the addition of one account about which I will give some details later. In our commercial banking business i.e. mid market and SME business, there is significant reduction in NPAs as well as credit costs. As we have touched upon even in our last earnings call we are seeing growth in our CB business with strong customer acquisitions driving both NII and fee income growth.

The wholesale book's yield for the nine months period was 8.9%. Half year it was 9.1% as compared to 10% in the equivalent nine month period last year. There was continued pressure on yields being driven by market competition. We believe that this will abate going forward. We also believe that our wholesale businesses are well setup in terms of capability and capacity to take advantage of the likely uptick in the credit environment.

The non-wholesale book:

Our non-wholesale book comprising Retail Assets earlier referred to as BBB, the DB&FI position which is Development Banking and Financial Inclusion and Agri in aggregate grew by 43% year-on-year. The yields on this book were relatively stable at 13.3% in the nine month period of this fiscal year versus 13.47% in the equivalent period last year inspite of a decline in market interest rates.

The Retail Asset segment comprising of business loans which includes both secured and unsecured, credit cards and personal loans delivered a strong growth of 63% year-on-year. The secured loan contribution in the Retail Asset book was 58% compared to 61% in the first half of this year as the contribution of credit cards grew to 23% of that portfolio instead of 19% previously.

The Cards business continues to see strong growth and we added 1.7 lakh incremental cards in the last quarter taking our card portfolio to over 6.2 lakh cards. Having started this business just about 3.5 years ago this business is now achieving scale and heading towards the bank becoming a significant market player in the card space.

The overall yields in the Retail Asset segment have improved from 13.96% in H1 to 14.09% in the nine-month period on account of changing mix towards higher yielding assets. The GNPA on this book has reduced from 1.49% in the first half to 1.41% in this quarter. However as the book matures we expect this to creep up slightly over the next few quarters in line with market benchmarks which currently range between 1.75% to 2%. This has been factored into our Retail Asset business plans.

Our DB&FI business comprising of micro banking, MSME and inclusive finance institutions saw an overall growth of 31% year-on-year. While micro banking and SME grew by 56% and 105% year-on-year respectively the IFI business degrew by 12% year-on-year in line with our guidance in the past few quarters. Essentially because many of these institutions in the IFI business have themselves started becoming small finance banks and so automatically we are getting repayments from there. So this is therefore anyway a business that is going to continue to go in this direction.

The growth in the micro banking and MSME business was aided by distribution expansion as we started these businesses in 80 more locations, i.e. 37 micro banking and 43 MSME locations in this last quarter.

We are previously indicated in our last two quarterly calls that GNP level in this business would peak at 5.5% by the end of this fiscal year. Our GNPA presently is 5.17% as of quarter 3 FY18 versus 4.67% in the previous quarter. A small residual amount is expected to flow in to the next which is the fourth quarter thereby ensuring that our peak GNPA level stays within the 5.5% number guided in the last two quarters for the year as a whole.

The full credit cost will be contained around the midpoint of our previously indicated FY18 credit cost of between 2% to 2.5% in other words we will come somewhere in the midpoint of this previously indicated range. As we complete the provisioning for these loans and write them off during FY19, we expect the GNPA to start coming down sharply to a level of approximately 1% only by next fiscal year end.

Furthermore, the portfolio created post demonetization continues to grow and the portfolio is performing extremely well. We have disbursed around Rs. 2,960 crores post December 2016 and the portfolio performance is at pre-demonetization levels of over 99% collection.

Our belief in this market segment is further reinforced with this performance. To take this business into the next level in recent past we have invested in terms of geographical diversification as well as product offerings and customer engagement. We are also enhancing our technological capabilities to bring about process efficiencies and enabling our operating models to bank the rural households.

Our agri portfolio is at 5.4% of the total banking advances at under Rs. 2,000 crores. As you all know this sector has been witnessing some stress in asset quality due to various factors as already mentioned in previous calls. On account of market conditions our NPA in this sector which has historically in the past few years tracked around 1% are at approximately 2.89% as of this quarter end.

In order to control our NPAs in this segment we are cautious about growth this portfolio and are calibrating our future strategy in the agri business to focus on segments that are more stable and resilient.

Our bank level gross NPA therefore was at 1.56% in Q3 FY18 and net NPA at 0.97%. I mentioned earlier about one account in the C&IB segment. This account which was under

SDR previously has been classified as NPA in this quarter. This represents 14 basis points or 0.14% of gross advances.

We are confident that this account will move out of NPA during the current fourth quarter 2018 itself and there is a specific resolution process underway which shall be completed within the next few weeks. Therefore barring this one account, our gross NPA percentage would be at 1.42% which would actually reflect a decline from the previous quarter and the previous quarter before that.

Our restructured assets are at 0.18% only as compared to 0.41%. So, this one account which was under SDR earlier has moved to NPA that is one account that has moved out of SDR and one agri account has moved into SDR and now the total restructured assets stands at 0.18%.

Security receipts position was negligible at 0.01% and there was no ARC sales, no 5/25 refinancing or S4A case in this quarter.

Going forward outcome of the RBI annual inspections. Our RBI supervision for FY17 concluded in this Q3 FY18 quarter. Basis the RBI supervision report we have classified the above referred C&IB account as NPA. The value was Rs. 53 crores which as mentioned we expect to be resolved in Q4 FY18 itself. Besides this only two other accounts aggregating to a small figure of Rs. 13 crores have been classified as NPA included in the numbers already.

Now talking about deposits and cost of funds:

Our deposit base continues to see healthy growth at 29% YoY. The CASA deposits grew 34% during the same period. CASA ratios increased from 23.67% in Q2 to 24.03% this quarter. Within CASA the savings account growth continues to drive growth showing an increase of 45% year-on-year.

Our cost of funds has reduced from 6.9% in Q3 FY17 to 6.1% in Q3 FY18 due to the general reduction in market rates, progressive reduction in deposit rates as well as improvement in CASA. Our cost of deposits has also correspondingly reduced from 6.9% to 6.4% in this quarter. In terms of revenue and margins. Revenue growth has seen very strong momentum and has grown at 44% year-on-year for this quarter.

Our net interest income grew 45% for the quarter on a year-on-year basis and our NIM which has been showing steady and consistent improvement quarter-on-quarter since last year now stands at 3.89% in Q3 FY18. Non interest revenue which is the other income grew 42% year-on-year. Our core fee income growth was 50% year-on-year over Q3 FY17. Strong traction continues in our non interest income especially in distribution, in credit cards, in client FX income and general banking fees.

Our trading revenue for the quarter was 11% of the total non-interest income or other income compared to 22% in the first half of the financial year. Our cost to income ratio was 54% in Q3 marginally lower than the last quarter. We continue to keep our investment plan for the rest of this year. We added 80 business correspondent branches and approximately 20,000 customer service points in this quarter. We now have a total of 246 branches, 757 business correspondent branches of which 188 are now classified as banking outlets and over 100,000 customer service points.

Finally, on capital adequacy ratios:

Our capital adequacy ratio was at 15.03% and Tier 1 capital adequacy ratio was at 13.23% as of December 31, 2017. This does not include interim profits. Capital adequacy was 15.95% and 13.87% respectively as of the previous quarter in September 30, 2017.

I conclude my presentation right now. With that I will open up the call for questions and answers.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of MB Mahesh from Kotak Securities. Please go ahead.

MB Mahesh: Couple of questions. One, on the MFI NPLs that you kind of broadly been indicated. So it has been kind of broadly moving in that direction. Can you just kind of broadly classify what is it in absolute quantum is the underlying gross NPAs today and have you seen any kind of deterioration in the 0 to 30 days, 30 to 60, 60 to 90 and 90 and 180 as we speak today on the existing stock of those loans out there? And when you factor in when you are giving your number on the NPLs, are you including the growth rates that you are seeing today which seems to be reasonably strong as well? That is the first question.

Second question is on the mix of savings and current account. You have seen a slightly better growth or slightly stronger growth on the current account side and slightly weaker growth on the savings account side on a QoQ basis. How should we read into it? It is not a material number but just kind of directionally understanding has to on the progress of this one?

The third question is on the cost side. You have been kind of been reasonably slow on the expansion of branches using most of the BC and other frameworks to kind of reach to a larger customer segment. What is driving this 65% loan growth in OPEX and how much would be driven by the asset side growth so essentially we are looking at the DSA charges out there?

Vishwavir Ahuja: Thanks, Mahesh. I will answer the second question and the first and third Harjeet will answer, my colleague who runs the Financial business and Retail Asset business. So the second question was on the cost of the deposits and the mix between current and savings. So firstly, I think it is very important to appreciate that just a few months ago we raised a fair chunk of capital. We raised Rs. 1,680 crores of capital. So actually even to fund the 40% plus advances growth we did not need that much of an incremental deposit.

We use that as an opportunity to bring down the savings rates. And frankly speaking despite bringing down quite significantly we were still able to generate a healthy savings account growth rate. And also as you yourself remarked we were able to even improve our current account deposits. So essentially I would say that that is the way we try to tackle the situation and we were able to do that pretty effectively. So that is the answer to your second question.

MB Mahesh: I just kind of just supplement that question. Savings account on absolute basis is down, right, on a QoQ basis? Should we read into it?

Vishwavir Ahuja: No, you do not need to reach much into it. I mean we can take up quite easily.

MB Mahesh: And what would be the cost of savings account as we speak today?

Vishwavir Ahuja: 6.4%.

MB Mahesh: It was 6.7% about a few quarters back?

Vishwavir Ahuja: That is right. That is what I am trying to tell you that using that to gradually bring down cost of funds while having adequate liquidity to fund our growth.

MB Mahesh: That is from the savings and current account.

Vishwavir Ahuja: Yes, Harjeet will answer your other question.

Harjeet Toor: Yes, Mahesh your question I think was what is the absolute amount of NPA which is there in the microfinance as of today. So we have a total NPA on our books of about Rs. 152 crores. And when we report our NPA percentages it is a percentage of the book as on that quarter end. So if you recall when the demonetization had hit that time the NPAs we had envisaged on that book between 5.5% to about 7%- 7.5% and that is what is kind of turning out as some increase through at this moment. Any large scale recoveries have not really happened in this portfolio in the impacted markets.

MB Mahesh: And your 90 day DPD last quarter was 4.7%?

Vishwavir Ahuja: I reported that it was 5.17%.

Harjeet Toor: So this time it is 5.17%. I think you were referring to the fact that what about the early buckets?

MB Mahesh: Correct.

Vishwavir Ahuja: 5.17% and as we have said in last quarter and before that this will peak at 5.5%. We have been saying that throughout and we are sticking to that number. We will manage it within that number.

Harjeet Toor: And your other question was what is the bucket looking like below the 90 plus range. So our 30 to 90 bucket is a shade below 1% today.

MB Mahesh: Okay, so that is only not much to be recognized?

Harjeet Toor: There's not much to be recognized. So basically whatever had to happen has happened and that is why we were saying there is only a minor bit which will come in the quarter. Post which the process of the NPA coming down will start. And your third question was on?

MB Mahesh: Cost side because employees have not gone up, branches are not going up. So the bulk of expenses is being driven by what is line item?

Naresh Karia: Yes, so about 60% to 63% of the cost increase is driven by the Retail Assets and Cards business volumes. So it is actually variable and linked to that. The rest is BAU.

Vishwavir Ahuja: And that cost is upfront taken.

MB Mahesh: 60% to 63% of Rs. 250 crores?

Naresh Karia: Of the Rs. 32 crores increase that we have seen between two quarters Q2 to Q3.

MB Mahesh: Between 2Q and 3Q of that?

Naresh Karia: Yes.

MB Mahesh: Sorry I did not get the number, you said 60% something, right?

Naresh Karia: 62% of Rs. 32 crores.

MB Mahesh: Pertains to the cards and the assets?

Naresh Karia: Yes, Retail Assets.

MB Mahesh: One final question on the corporate loan slippages that you saw this quarter, can we get a color as to which sector was it pertaining to?

Vishwavir Ahuja: Agri processing.

Moderator: Thank you. The next question is from the line of Abhishek Murarka from India Infoline. Please go ahead.

Abhishek Murarka: Sir, can you so you said that you are recalibrating the agri piece and probably you are drawing up new a new plan or something. So can you just share what is it that you are changing about that piece and how things are? And also what is specifically the stress areas, is it just the MFI piece or what else is it in agri?

Vishwavir Ahuja: No, it is not at all MFI or financial inclusion.

Abhishek Murarka: Yes sorry, MFI is part of FI, Yes.

Vishwavir Ahuja: These all farmer loans and some agri linked like we talked about agri processing just now. I am talking about that portfolio which is about 2,000 crore in total. It is actually just 5% of our total book. Much of that is perfectly fine. Some of that is obviously under stress and that is what we were referring to. I will ask Harjeet to elaborate it.

Harjeet Toor: Yes, so while we are still going through in terms of which segments we want to really focus on, I think the underlying philosophy is that segments which have been stable through the last couple of years and have been resilient to the ups and downs both in terms of monsoons as well as more so in terms of any political disturbances are ones which we would want to go after. Retail agri in a way kind of qualifies for that and that is where the entire focus will be.

Abhishek Murarka: Sir, what are the products is it just what are the products which were there is was it like standard crop loan kind of thing or was it sort of customized products based on certain groups of farmers or something like that?

Harjeet Toor: Yes, so the product range was full right from crop loans to rural vehicles to commodities to large value chain companies as well. So we were operating in the full spectrum. And there are pockets where we have seen stress and therefore that is the recalibration which we are currently undergoing.

Abhishek Murarka: So which products or which states any particular states where there would be a problem or any particular products where you think there is an issue?

Harjeet Toor: No, I would not say states. For example one or two commodities there have been an issue. There are couple of value chain large companies where there are issues. The state issue was more in terms of the loan waiver which came in. That we expect to stabilize. For example in the State of Maharashtra the loan waiver is now going through and therefore we are getting the monies back from the Government. So that is a question of delayed repayments which will come back. But I think we are kind of assessing in terms of as we want to grow this business which particular segments would we want to really focus on.

Moderator: Thank you. The next question is from the line of Alpesh Mehta from Motilal Oswal Securities. Please go ahead.

Alpesh Mehta: First question is regarding your retail business. If you can give the full breakup of that portfolio in terms of cards, business loans, personal loans, etc.? Second question is related to the margins. Now margins have reached to almost 3.8%, 3.9% levels. So where do you see that number stabilizing? Obviously there is some benefit of capital over the last two quarters but where do you see this number as the portfolio shift is also happening?

Vishwavir Ahuja: On the second question the same question that was put to us in the last two quarters. We had said that anything upwards of 3.75 we are sort of happy with as long as we can maintain high quality profitable growth in the range that we have been delivering in the past. So that is our so called baseline sort of way of dealing with our strategy. So that is that. Now you yourself said that above 3.75 there is a few basis points of capital effect which obviously has been helpful. And I think to some extent some of the dynamics that I explained has also helped us improve that.

I do not see that number coming down in the fourth quarter also. We will hopefully be able to maintain it around this 3.9 or so up and down 3, 4 basis points here and there. So I think the very satisfactory level at which we expect to maintain our business at. And Yes, I mean that is where I would sort of leave it.

Harjeet Toor: And your questions around the contribution in terms of different products and segments within the Retail Assets. So about half of it is loan against property. Then we have unsecured business loans which are about 13%. Our Cards business contributes about 23%. Another 5% is what we have as working capital to our current account customers and personal loans at about 6%. And the balance are loan against fixed deposits, small amount of mortgages, etc.

Alpesh Mehta: Just a request. If you guys can give this as a standard disclosure in the presentation that would be very useful. Secondly on the Bajaj tie up. How has been the progress on that front in terms of the number of customers, acquisitions what is the book size out of that tie up? If you can give some light about that credit card business tie up?

Harjeet Toor: Yes, so the Bajaj business has been tracking up well. In fact today they contribute almost about 42% to our total cards which is about 2.5 lakhs cards. And their contribution to our book in terms of the cards book is in the region of about close to 30%.

Alpesh Mehta: And by when do you see this tie up to breakeven or turn it to profitable?

Harjeet Toor: So by this financial year end we will breakeven and move into profits.

Alpesh Mehta: And just lastly on the DB&FI business out of the total credit cost or the NPA provisions we have taken Rs. 225 crores. What has been the contribution of just the MFIs portfolio in this scenario?

Harjeet Toor: By provisions you are asking?

Alpesh Mehta: No, I am asking about the provisions? I am just trying to relate if there can be any decline in the credit cost?

Harjeet Toor: Rs. 50 odd crores is towards micro financing.

Alpesh Mehta: And there would be some tail left for the fourth quarter, right?

Harjeet Toor: From a provisioning point of view?

Alpesh Mehta: Yes.

Harjeet Toor: Yes, provisioning a little bit will come in fourth quarter. But the majority of the provision of this NPA portfolio will flow into the next year.

Alpesh Mehta: Okay so the total pool at the time of demonetization was around Rs. 110 crores, Rs. 115 crores, is it?

Harjeet Toor: So total I just said that the total Rs. 150 crores is the NPA as of now.

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

Ravi Singh: My question has been answered. Just a quick clarification. In the fee income growth the cards fees in the distribution or is it fair to say the sharp growth which is in the distribution fee income is led by cards? And how do you see the other line items in the fee income panning out?

Harjeet Toor: So yes, fee incomes in the distribution side includes cards and it also includes the third party products, insurance, mutual funds, etc. And we expect the momentum to continue. In fact the card side will actually start growing even faster in the future.

Ravi Singh: Okay but broadly overall fee income growth has been quite ahead of the overall balance sheet growth. In the future do you think it should fall in line with the balance sheet growth or do you see any more revenues picking up?

Naresh Karia: Yes, so directionally we have always focused on getting more and more revenues from non-balance sheet or non credit linked sources. And that has worked in our favor. To give you some perspective last year FY17 that number was about 32%, today that number is 25%. So 7% reduction has happened in the credit linked already. And treasury contribution also is around 17%, 18% of the total other income pie. When I say treasury I mean the fixed income securities business which could have some volatility.

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

Pritesh Bumb: The loan growth in the sensitive sectors like construction, power and some part of engineering as well has been sharp in last few quarters. What is the outlook there where it is happening from? And are you comfortable with that kind of a growth? That is what I wanted to ask.

R. Gurumurthy: Absolutely from a sectoral perspective some of these growths have been happening in very select stories including for example the first piece that you picked up, construction. It is largely we are still a working capital focused bank, we are not project financiers or term financiers. We are just in that working capital space in all of these. And these are all highly rated firms in that space.

Pritesh Bumb: So will there be any yield pressure in this scenario in these sectors because all the banks are trying to focus on working capital high rated corporates?

R. Gurumurthy: See in theory, yes. But part of it if you see the exposure that we have provided there, it is not all funded. There is a significant portion of non funded exposure where it is not a yield pressure story there.

Pritesh Bumb: Basically another question was on the cards' NPA. So I think we are slowly seeing a inch up in the gross NPA though the number is very small. So it is about 1.1% of the Cards business so any sort of trends there why we are seeing such kind of a gross NPA?

Harjeet Toor: Yes, so in cards actually the gross NPAs are coming down. The markets typically operates at about anywhere between 1.5% to 1.8%. Part of the reasons why the NPAs are coming down is on account of two factors. One is the fact that as our experience in the Cards business grows our scorecards get that much better and therefore our origination quality improves. The second is that the NPA on the Bajaj book is expected to be fairly lower than what we have because that is a credit tested book.

Vishwavir Ahuja: So to clarify it has come down actually by about 30 basis points.

Harjeet Toor: Yes.

Pritesh Bumb: I was referring to one absolute basis so it is Rs. 15.8 crores to Rs. 19.3 crores?

Vishwavir Ahuja: Yes, size of the portfolios.

Harjeet Toor: You have to understand that the book is growing by almost 170% yoy.

Vishwavir Ahuja: Revenues grew by 170% almost three times.

Pritesh Bumb: Yes, and third question is the outlook on growth I mean how much growth are you targeting at?

Vishwavir Ahuja: You are talking bank as a whole?

Pritesh Bumb: Yes.

Vishwavir Ahuja: Bank as a whole we have already guided. So basically we are sticking to it and like I said in my commentary also we are very confident of sticking to our long term targets that we have indicated of 30% - 35% CAGR growth and CASA, other income, opening efficiencies and return ratios all of that.

Moderator: Thank you. The next question is from the line of Amit Jeswani from Stallion Asset Management. Please go ahead.

Amit Jeswani: My question is regarding the NPA. You had guided last quarter that our NPAs would be closer to FY17 NPAs. Do you still believe that our NPAs will be closer to FY17 number?

Vishwavir Ahuja: We did not guide that at all. I mean not that they are going to go up from here, I am not certainly suggesting that at all. On the contrary we will make sure that they are well contained but as the credit cost yes, we are down every quarter and as I have just said in my earlier commentary that the third quarter coming down further.

But you also have to understand that the mix of our business is such that as we are doing more retail and less corporate actually in terms of the planned level of NPAs as per the business model calculations you have technically there will be a higher proportion of slightly higher yielding at the same time slightly higher NPA businesses. As Hardeep my colleague was just explaining on the Retail Assets front. So that is the point I was making earlier.

Moderator: Thank you. The next question is from the line of Anirvan Sarkar from Motilal Oswal. Please go ahead.

Anirvan Sarkar: Just something that I missed from earlier in the call. So you spoke about the divergence detail. So am I correct in seeing that it is two accounts of one account is Rs. 13 crores and the other is the account that was classified as NPA this quarter which would come to around Rs. 52 crores. Is that the right way to read it?

Vishwavir Ahuja: Yes, first of all we are not under formal divergence. Let me make it very clear. We were in terms of the RBI guidelines we are well within that prescribed percentage tolerance levels. So therefore, that is the first statement I want to make upfront that we are not under any formal reportable guidance stipulation, okay, given our small level of if I may say divergence. And third is totally there were three accounts.

I had mentioned about one specific account of Rs. 53 crores, Rs. 52.5 crores to be precise which is what I said is under final resolution. It is not an NCLT case, it is our regular SDR case which was tending towards looking like becoming an NPA we have taken it as an NPA but it is getting resolved and we are very, very confident that within next three, four weeks it should get solved. So that is why I mentioned that in particular separately. Other than that there are two accounts with a total gross value of Rs. 13 crores.

Anirvan Sarkar: Thank you clearing that up. My second question is on the microfinance book, you mentioned as absolute GNPA of Rs. 1.2 billion, Rs. 152 crores. So I missed the percentage part, what is this as a percentage of the microfinance book?

Harjeet Toor: 5.17%.

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

Saurabh Dhole: My question is about the provisioning coverage ratio. Is there a particular reason that you have allowed it to drop to 52.54% from nearly 60% levels and are you planning to take it back to 60% in the next couple of quarters?

Vishwavir Ahuja: So good question. Let me answer it. Just this one account, I keep repeating is equivalent to little over 4% of PCR. So therefore my point is even if we had to provide for it on regular basis it would have given me the same level of provision. So which will be 15% but having said that this will be made up immediately on the resolution of this. That will bring it back to within range which we have in the past said that we will maintain between 55% and 60%. So we will be well within that range.

Saurabh Dhole: Yes, because one of the options could have been to maintain the PCR at around 60% and possibly brought down the profit but in that case?

Vishwavir Ahuja: No, wait a minute. For what reason? I mean for a running account your first level provision is only 15% and it will go out.

Saurabh Dhole: No, I was talking about the PCR in the sense that could you have maintained consistency of PCR around 60% and whatever then the outcome in terms of the profit naturally could have remain that but your PCR would have generally like the best in class banks maintain tight range of PCRs?

Naresh Karia: See let us explain again. Basically if you take this one account as a transitory item given that it is going to get resolved in within weeks, really what you are talking about as PCR is 56.5%. Therefore for a temporary situation there was no point in taking excess provisioning. With resolution of this account, we will be within the range that we have always targeted to be in.

Saurabh Dhole: The next question is just about the target CASA ratios. Do you think by the end of FY19 we will be closer to somewhere about 27%, 28% in terms of the ratio?

Vishwavir Ahuja: So again I will please refer you back to our long term guidance under our Vision 2020 goals where we have said that we will try to improve CASA ratio by 0.75% to 1% every year. So we started on a base level of 18.6% and that was the so the idea was to take it to 24%, 25% by 2020. Actually we are tracking to better than that. And yes, we will continue to improve CASA percentage.

Moderator: Thank you. The next question is from the line of Priya Singh from Goldcrest Advisors. Please go ahead.

Priya Singh: I have two very simple questions. I wanted to know what is the strategy you have adopted to motivate your employees to achieve their targets to deliver the results and what is the employee turnover or the people that you have brought in which are from outside to achieve the results?

Vishwavir Ahuja: I mean strategy to motivate the employees I mean I think all I can say is that we have a highly driven and motivated workforce and I would say we have the best in class management team that is across the industry. Almost 70% of the bank's employees are stakeholders in terms of coverage of the ESOP program. And as I just reported to you earlier that we are one bank which over the last seven years has been the fastest growing bank in the country by far with profitable potential growth.

Our profitability in year seven is 48 times the profitability seven years ago and every year it has grown and we have maintained high quality assets throughout with our NPA level net on a net basis never increasing 1%. And every other performance parameters that you evaluate has been improving steadily and consistently for several, several quarters and market conditions may have been volatile but our earnings quality, earnings stream business growth has been non volatile and improving. So then I would suggest very strongly that makes for a fairly motivated and committed workforce.

Moderator: Thank you. Ladies and gentlemen, we now conclude the Q&A session. If you have any further questions, please contact RBL Bank Limited via e-mail at ir@rblbank.com and the website address is www.ir.rblbank.com. On behalf of RBL Bank Limited, we thank you for joining us this evening. You may now disconnect your lines.