"RBL Bank Limited Q2 FY22 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to RBL Bank Limited Q2 FY22 Earnings Conference Call. As a reminder, all participant lines will be in the listen only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" and "0" on your touchtone phone, please note this conference is being recorded. I would now like to hand the conference over to Mr. Vishwavir Ahuja - Managing Director and CEO of RBL Bank. Thank you and over to you Mr. Ahuja.

Vishwavir Ahuja: Thank you. Good evening, ladies and gentlemen and thank you for joining us for a discussion on RBL Bank's financial results for the second quarter of FY22. I'm sorry for the slight delay in this call, because we had some technical issues, which we were sorting out, but they have now been sorted out, so happy to proceed now. We hope that all of you and your families have been safe and in good health. As always, I'm joined on this call by other members of my team, who along with me will address any questions that you have.

Quarter 2 has been a story of two halves if I may say, till almost the first half or end of August around the time we spoke to you last time, we were very cautious and still counting the costs of COVID-2 if I may put it that way. The second half or most specifically September, has been 180^0 turnaround in the mood and the energy levels and I want to amplify that briefly.

All our business vectors are now back on a positive trajectory. Slippages as well as the recoveries are both looking better, than what we had anticipated in August. Therefore, we expect second half to be better and start normalizing.

We had feared a loss of almost 10 weeks of card issuance owing to the embargo on MasterCard, but I think it's a tribute to our team and that of our partners, Visa and Fiserv that we started our issuance in 7 weeks. Our October run rate of new issuance is approximately 2 lakh cards, which is our lifetime best.

Even as we have been addressing the environment, our long-term focus on expansion of distribution whether in terms of branches, BC points and technology driven services, Project Abacus 2.0, have all continued apace.

Our deposit base continues to grow on all the right metrics. Lower cost of deposits, CASA growth, leading to the highest ever CASA ratio this quarter and more retail deposits. In fact, out of every Rs 100 of incremental deposits being sourced more than 80% is now coming in the retail category.

With this backdrop of a few positives, which are all relevant, I will now talk about our results for this quarter. In terms of the asset quality and related provisioning aspects, our GNPA was 5.4% slightly higher than the last quarter, which was very much expected and indicated last time. And net NPA is 2.14%, so we've kept it around the same level for a long period of time around the 2% level as we had committed that we would keep taking more provisions to ensure that net NPA stays under control and does not show more elevation. In our last call we had indicated that gross slippages in Q2 were expected to be similar to Q1 on account of higher balances in the retail delinquency buckets. Happy to report that the slippages in Q2 have been lesser than anticipated and have come out at Rs. 1,217 crores as against Rs. 1,342 crores in Q1 22. On a net slippages basis this quarter, we are 30% lower QoQ, that's Rs. 747 crores as against Rs. 1,069 crores in Q1. We were aided by recoveries and upgrades this quarter at Rs. 471 crores or 39% of our gross slippages. We saw pullback from slippages in this quarter and we expect this to continue in the second half of course. This quarter was the peak of our GNPA cycle, going forward in line with our past commentary we expect gross slippages to be lower, recoveries to continue to be high and therefore significantly lower NPA position and of course net slippages. So, far, net slippages Rs. 747 crores in this quarter.

The breakdown is on similar patterns as last time, Rs. 431 crores came from credit cards. Rs. 267 crores came in micro banking, Rs. 35 crores came from the rest of retail buckets and only Rs. 14 crores from wholesale.

Now we have seen several quarters of the wholesale book, showing very high quality portfolio, hardly any sort of slippage or delinquency. And as we had said last time, it is extremely well positioned for a revival of growth in that area and we will talk about that as we go along, even though that is not reflected in Q2, but it will certainly start showing up in Q3 onwards.

We took total provisions net of recoveries of Rs. 652 crores. In addition, we continue to hold almost 60% of our COVID provision, which we have taken in the last quarter. PCR is now slightly further improved to 61.66% as against 60.94% last quarter and 52.28% in Q4 ’21. As previously guided PCR will steadily keep creeping up and we expect it to be more than 65% by the end of the year. As in the past, we have also given Gross & Net NPA numbers for each of our business segments in our presentation.

Our total restructured advances at the end of the quarter was 3.66% of this wholesale was 21% and the rest were from the retail. Again, in retail restructuring was largely driven by secured business loans and micro banking. We have of course, taken requisite provisioning on the same.

In terms of operating performance, our advances were flat sequentially and were down 1% year-on-year. Again, this was as per what we had previously indicated. Retail advances declined 4% year-on-year and sequentially, whereas wholesale advances grew 5% year-on-year and 3% sequentially. In wholesale banking our activity levels, as I said earlier, have reversed from where we were over the last few quarters. We are increasingly seeing traction in credit growth. In fact, in the month of October itself, we have already disbursed more than Rs.1000 crores of incremental loans and which is over 4% of our total wholesale book, have all disbursed in the month of October itself. We are seeing, as I said earlier, continued traction in this space. In retail, while in Q2, we saw a reduction, as for two reasons, one we were of course and we continue to be cautious post the second wave, as far as the micro banking business was concerned. The second part is the fact that there was the MasterCard embargo on credit cards. Both were affecting the growth in the retail portfolio and as it is we had stopped the other unsecured businesses, which we have reported earlier. Therefore, that business was just about holding at its previous levels. But October onwards, we are seeing again positive growth traction, even here, even in the retail space. Having said that Retail:Wholesale mix is now 55:45,. Wholesale has crept up a little bit in the mix, because of the circumstances I've just outlined.

Coming to revenue YoY, total revenue was up 12% at Rs. 1,508 crores, of course, net interest income de-grew 6% sequentially to Rs. 915 crore impacted by interest reversals of almost a little over Rs. 130 crores and a lower retail book, especially in micro-finance. As a result, NIMs for the quarter were at a low point of 4.06%. Again, the impact of these reversals alone was 58 basis points. NIMs were 4.36% in Q1. We expect the trend to reverse immediately in Q3 and to the 4.3% range and exit the year close to the 4.5% range, as far as NIMs are concerned. This question is asked, in the Q&A, so I thought I'd address it upfront.

Year-on-year other income was up 42% at Rs. 593 crores of which core fees themselves worked Rs. 506 crores up 46% year-on-year. Fee income was adversely impacted to the extent of Rs. 39 crores due to reversals. Otherwise, it would have been even higher. YoY, fee income from retail business grew 51% to Rs. 426 crores. Out of this Rs. 593 crores, Rs. 426 crores came from retail, largely cards. Retail fee income to core fees was 84% this quarter. Year-on-year a pre-provision operating profit grew 2% to Rs. 691 crores this quarter. However, as a result of the provisioning mentioned earlier, our profit after tax was Rs. 31 crores for the quarter.

Now let me talk about the deposit franchise, the retail deposits franchise. In line with our key objective to grow granular retail deposits, year-on-year total deposits grew 17% and 1% sequentially driven by CASA and retail deposit growth. CASA ratio reached an all-time high of 35.4% and has improved 170 basis points sequentially and 426 basis points year-on-year. CASA deposits grew 33% year-on-year and 7% sequentially well above the overall deposit growth. Year-on-year share of retail and small business deposits as a proportion of overall deposits increased 717 basis points and 195 basis points sequentially from 39.6% at the end of last quarter to 41.6% at the end of this quarter. Our focus on retail deposits show a combination of increased digital and physical footprint, improved brand recognition, network effect of branches are bearing fruit.

The bank is focused on customer acquisition across all channels and products with a view to materially cross-pollinate various products, something which we have spoken in detail in the recent past, particularly the last quarter commentary.

Our liquidity levels of course continue to be high with average LCR at 155% for the quarter. Our cost of deposits has been decreasing steadily and has come down 17 basis points sequentially to 5.01% in Q2. This has come down almost 92 basis points on a year-on-year basis. I think on the average, the industry has come down about half of that. We've in a sense closed the gap quite a bit. We expect to see more reduction over the remainder of the year while sustaining retail acquisition momentum.

On capital, our capital adequacy ratio was as of September 30th was 16.33% with a CET 1 of 15.54%. While we continue to be well-capitalized, this little decline I'll have Jaideep explain later, it is for certain technical reasons. We expect to claw it back, but having said that while we are well capitalized, we are in the process of raising some tier-2 capital to further augment our capital position in the very near term.

On our distribution network, we ended the quarter with 445 branches, an addition of nine branches in the quarter and 1,435 BC branches, an increase of 13 in the last quarter. We expect to end the year with 500 plus branches and continue to grow each year from here on. I now hand over to Harjeet to talk to you about some details on the retail businesses for this quarter.

Harjeet Toor: Thank you, sir and a very good evening to all. I will outline for you, our Q2 FY22 experience and how we are seeing things as we move forward from here. Let me begin by talking on advances and disbursals.

As we mentioned earlier, advances declined 4% year on year and sequentially. While we did see an increase in advances in cards, home loans and tractor loans, there was a decline in micro banking and business banking sector. Disbursals started again from September onwards across all business segments and we are seeing good traction and seeing them grow in the third quarter. Firstly about how we are seeing things today in terms of markets; both urban and rural are not seeing any restrictions on account of lockdowns anymore. Resolution rates, in terms of collections are better than pre-COVID levels across all buckets. Collection efficiency has seen a gradual improvement in micro-finance. Overall collection efficiency was 83% in June, 88% in July, 89% in August and about 90% September. On the non-NPA book, collection efficiencies have improved from 83% in June to around 94% in September and are improving every month. The book we originated in FY21 and which therefore was not subject to any moratorium is running at collection efficiencies of around 98.4%, which therefore gives us the confidence that the delinquencies are now restricted largely to our pre-COVID book. This new book, accounts for around 53% of our total micro banking advances and this proportion should start increasing as a new disbursal's pickup.

On slippages, as mentioned earlier, the slippages in Q2, saw a 10% reduction over the previous quarter at Rs. 1,170 crores. Further recoveries and upgrades were much higher resulting in sharp reduction of around 48% in net slippages, Rs. 733 crores in Q2 versus Rs. 1,104 crores in Q1. The worst of slippages in credit cards are now behind us and we should see sharp reduction in slippages from Q3 onwards. We will also see a similar trend in business loans. In micro banking, as indicated we saw lower gross slippages sequentially in quarter two, though still higher than normal. As I said earlier in our last call, collection efficiencies are improving and we are seeing these customers stabilize in the existing delinquency buckets. As indicated previously, recoveries happened towards the end of the loan tenure as these customers do not typically catch up on missed EMIs and hence don't get upgraded or normalized.

In terms of COVID restructuring, the resolution framework of 2.0 was largely centered around secured business loans and MFI. We did around Rs. 819 odd crores in the secured business loans and about Rs. 250 odd crores in the MFI segment. Restructuring in credit card was negligible, just about a crore. So, total COVID restructuring 1.0 and 2.0 is around Rs. 1700 odd crores, which is about 3% of the total advances of the bank.

If I was to talk about little bit on the business momentum, in credit cards, we launched the credit card issuance on the Visa platform from 13th of September. This was done in record time and much earlier than what we had earlier anticipated. We issued around 1.6 lakh cards in September 21 itself and expect to issue approximately 2 lakh plus cards in October. This should therefore take care of any shortfall that was originally expected on account of embargo on issuance of new cards on the MasterCard network. Card spends also continued to show robust growth and Q2 has seen a growth of 48% year-on-year and 21% QoQ. We are now operating at our highest spend levels, and I've seen the festival uptick in spends kicking for October. We expect spends in October to be in the 4,100 crore broad range an 18% increase over the immediate previous month.

In terms of micro banking, we have slowly started scaling up on disbursals in micro banking since the beginning of October. The fact that our new book created in FY21 is showing collection efficiencies of 98.4% gives us the confidence to now enhance disbursals. We have done a micro assessment of districts and branches where we are comfortable doing this. We have defined collection efficiency thresholds, which need to be reached before we allow disbursals in any branch. We've also been able to develop a score card in the micro-finance business, which is able to differentiate between resilient and vulnerable customer segments. It is showing some encouraging results, when we have back tested the same on our portfolio. We would be deploying this in this quarter.

On the other hand, business traction in home loans and tractor loans continues to grow as infrastructure and distribution is getting enhanced. I will now like to hand over back to Mr. Vishwavir Ahuja for his concluding remarks.

Vishwavir Ahuja: Thank you Harjeet. So, to summarize first point on slippages, in Q2, we have crossed the hump in terms of the impact of slippages from the second wave. In fact, slippages in this quarter were lower and will continue to trend downwards. NPA, gross NPAs have peaked and they will now turn down to. Our net NPA has been maintained around the 2% level all through the last year. We expect this year to end to bring this down to below 2% levels. On recoveries and PCR, we expect to see recoveries continue from the slipped accounts. On a net basis, two-thirds of our slippages has been accounted for in the first half of the current year and only therefore the one third in the second half of the current year. Our PCR is 62% and will go above 65% in the second half. Growth traction has started in October and has been very good across all segments. Growth in second half will be 7%, 8% range with credit costs being less than half of first half. Our own expectation on loan growth is at least mid to high teens growth rate from FY23 onwards or rather for FY23 with significantly improved profitability metrics.

Deposit traction, especially granular retail will continue to be strong. There is some more room for further reduction in cost of funds in the second half, further enhancing us competitiveness as an institution on the lending side.

On digital, Abacus continues to be a strong focus area and we continue to make investments in scaling that up.

Lastly, on operating performance - NIM, other income, pre-provision operating profit will start returning to normalized levels in Q3, Q4. We are now more confident of the external environment and we expect to exit with at least a 1% plus ROA in Q4 and improve that further in FY23.

I'll stop here and open it up for Q&A.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question on answer session. The first question is from the line of Zhixuan from Point72, please go ahead.

Zhixuan : Just couple of questions first on the slippages, understand that we will start to see some decline going forward. Just want to understand, in the medium term, what are normalised levels of slippages?

Vishwavir Ahuja: Yes, I suggested a little earlier, that the second half of this fiscal year will be half of what happened in the first half of the year. If you're asking me a forward question, I would like to suggest that probably the credit cost next year would be half of the credit costs this year.

Zhixuan : Is that guidance for credit costs for this year?

Jaideep Iyer: Just answered that question. That rest of the year looks like to be around half of the first half.

Zhixuan : The half of you are talking about credit costs and slippages, right?

Vishwavir Ahuja: Yes.

Zhixuan : Just on the one more data keeping questions on the total permission, NPA this quarter is 6.5 billion, right? Is there a reclassification of recoveries into this line and if we've got them reclassification, what's the total permission number?

Jaideep Iyer: Yes, there is a reclassification, as per the Reserve Bank of India guidelines and we have restated the numbers of the past as well, basis the new classification where recoveries now, from technical write-off and other write-offs go into, the provision line. That number for this quarter was approximately Rs. 67 crores, Rs. 670 million.

Zhixuan : On restructuring, is there any kind of further restructuring or **the** book is at the peak?

Jaideep Iyer: No, I think the guidelines, essentially allowed the restructuring till September. So, there won't be any more restructuring.

Moderator: The next question is from the line of Chirag Periwal, Individual Investor, please go ahead.

Chirag Periwal: Just to understand, what would be the ROA, what would be the finish in terms of corporate banking, what would be the ROA percentage. Will you be able to give 1% there as well?

Vishwavir Ahuja: At this moment, I don't think we have given or are able to give segmental ROA. I've given you a blended ROA indication for the last quarter of the year, exit last quarter and also therefore an indication for next year, which will be of course, better than that.

Chirag Periwal: In terms of retail banking, can you provide us the information more about the home loan book side how has that grown in terms of secured assets as compared to the unsecured assets.

Vishwavir Ahuja: The overall unsecured portfolio of the bank is lower by about 1% compared to the last quarter. I mean, in terms of the mix, unsecured has come down by 1%, in previous quarter also it came down relative to the previous quarter to that. It is trending in that direction and it will send down a little bit more as we go along, but please remember that we have now, our micro banking, which is also unsecured, on percentage terms, which used to trend 14%, 15% in the past is now going to be under 10% going forward. There is a significant percentage proportion change there, but that will be according to us, likely made up by the additional exposure we will take on the card side. So, where we see great opportunity and profitability going forward and other unsecured loans which we used to do in the past, which we have stopped, we had indicated last quarter also that, that part we expect to be replaced by secured lending powered from the newer secured product lines, that we have started, ie, home loans, tractor loans and so on and so forth, which are picking up traction steadily, if not rapidly. Yes moderation of unsecured, but at the same time, mix changing slightly among the various product categories.

Moderator: The next question is from the line of Amit Premchandani from UTI Asset management Group. Please go ahead.

Amit Premchandani: I had a question on that tier-1 that you mentioned in the early part of the call you will explain what led to the decline. If you can explain what led to the decline in tier-1 and increase in the risk weight asset in this quarter?

Jaideep Iyer: In the retail secured loan portfolio, typically you need to have a certain criteria to get the benefit of the 75% risk weight in terms of turnover etc. I think that particular thing, including Udyam Certificate, etc. I think we fell short bit, in terms of throwing up that, I think that should, reflect again by the time we hit the next quarter.

Vishwavir Ahuja: Because of the challenges around COVID and getting Udyam Certificates was a challenge across the industry. Other banks also faced it. We raised this issue through the IBA also, now that being the case, there was a challenge temporarily, but I think they're sorting it out.

Jaideep Iyer: We should claw back about 25 to 30 basis points, like to like next quarter.

Amit Premchandani: Another question from my side, the tie-up with Bajaj Finance on the credit cards. When is it ending and what are the negotiations going forward?

Vishwavir Ahuja: The original agreement goes into next month is valid till end of November. We expect a satisfactory renewal, well within that timeline.

Amit Premchandani: And you will announce it whenever it happens?

Vishwavir Ahuja: Absolutely we will.

Moderator: The next question is from the line of Sidharth Jain from Anvil Group. Please go ahead.

Sidarth Jain: Two questions from my end. So, the credit card as I said that we have been issuing the record credit cards in the month of October. How much of these incremental cards are from Bajaj Finance tie-up and the rest from our side?

Harjeet Toor: Normally our breakup is about 70%-75% Bajaj and the balance Non-Bajaj.

Sidarth Jain: We see that our wholesale book has grown year-on-year, I understood from other banks as well lot of these large corporates are continuously de-leveraging, I would just like to have a flavour of what kind of loans are we giving here, are these short-term working capital loans or and what yields are we kind of generating on these?

Vishwavir Ahuja: I think the yield chart is there, please take into context the fact that, while the de-leveraging in the industry is going on we were also having granularizing our wholesale book and also we were de-risking the balance sheet on the wholesale side and you will see over last 3, 4, 5 quarters, how the rating portfolio of our bill book has been improving steadily. It's literally reached a point where, it is in very, very comfortable satisfactory levels from a quality perspective. I mean, if you see the slippages from wholesale, hardly, I mean, eligible to nothing and so on and so forth, for now a fairly long period of time. So, this is a time last quarter we said that we are going to reposition this business for growth now. Growth is coming from midsized companies and also some from the slightly larger businesses customers clients that we have. I mean, my point here is that, we see opportunity. I think we are more competitive than before we used to be, because our liability is far superior in terms of cost competitiveness, etc. And also, these relationships we always had. It's just that we have decided that we are going to now penetrate deeper and also add much more clients because that granularity aspect is now uppermost in terms of our underwriting standards. We have new risk filters, concentration guidelines, etc. Within that framework, there's no specific segment. It is across the board in the wholesale side.

Moderator: The next question is from the line of Mona Khetan from Dolat capital, please go ahead.

Mona Khetan: My question is pertaining to the credit card segment. How much write-offs you have had in the first half of this fiscal?

Jaideep Iyer: We would have written off about Rs. 1000 crores or so. Typically, in credit cards at 90 days we provide about 70% and then take full provision by 180 days and write it off automatically. However, as we have said in the past, recovery efforts continue on that portfolio, but that number should have been in the range of Rs. 1000 crores.

Mona Khetan: For the MFI book, you mentioned of net slippages of Rs. 264 crores. If I could have the gross slippage and the recovery upgrade that will help?

Harjeet Toor: For MFI the gross slippage was Rs. 375 crores for this quarter and the net was Rs. 266 crores and the balance is the recovery.

Moderator: The next question is from the line of Arvind Balaji, Retail Investor, please go ahead.

Arvind Balaji: My question is regarding the home loan portfolio. What would be the quarter-on-quarter growth?

Harjeet Toor: The home loan portfolio is extremely small. So, the percentages actually look quite high.

Arvind Balaji: I just wanted to know regarding last quarter we mentioned about the database which we have for credit cards being used to do home loans.

Harjeet Toor: Yes. We haven't yet started on that initiative. We are still doing it from our branches, so not yet.

Arvind Balaji: If I may say for this fiscal year and what would be the proportion of home loans in the total advances book, any guidance?

Harjeet Toor: We today at about Rs. 1540, 1550 crores, I guess add another Rs. 300 odd crores more. Close to Rs. 2000 crores.

Arvind Balaji: That would be with regards to MFI and credit cards growth picking up from here on.

Harjeet Toor: No I was giving you the Home loan growth.

Arvind Balaji: 2000 crores would be along with MFI also I am asking whether MFI growth will kick on from here on.

Harjeet Toor: MFI will start growing. If you see, our MFI book has been de-growing, because we were not disbursing. That would roughly remain a little flat too and then start growing in the next two quarters as we catch up on disbursements.

Moderator: The next question is from the line of Sameer Dalal from Natverlal and Sons Stockbrokers. Please go ahead.

Sameer Dalal: My question is regarding regard provision guidance that you have given. You said half of what has been done in the first half will be the second half, you're talking of a Rs. 1000 crores provision in half-2 and even if you say half of what has happened in the current financial year that will be a total provision of Rs. 3000 crores. So, half of that Rs. 1500 crores in the next year. Given our loan book size, the credit cost still works out about 2%, 2.5% anywhere in between. My question is, why do we believe that the provisions would need to remain this elevated going forward? Are we seeing some pockets of stress somewhere, where exactly that you're keeping provisions at this high level?

Jaideep Iyer: When we look at cards, the usual run rate should be in the 5%, 5.5%, 6% range and at that proportion, is now for us in the twenties, right? It will stay here maybe marginally even grow. Similarly in microfinance while we've seen high slippages, even the steady state should be in the 2%, 2.5% range. So, it is a question of the mix, also as we evolve. With these credit costs, obviously these businesses at those credit costs become fairly highly profitable because of the benefit around the income levels.

Vishwavir Ahuja: Yes. I mean, my point is that if you take 25% of your portfolio, 5.5% to 6% credit cost and then you take another 10% of your portfolio at a 200 plus basis points cost. We also have built into to our so-called indication, some additional counter cyclical provisions, which are definitely there and already started putting them in place. We have planned for that in our model next year. Some of that, maybe 0.5% or more of that is also put into the system, that may not occur, that may turn out to be a benefit. But given the kind of events we have faced in the MFI business in the last 2, 3 years, even COVID and pre-COVID, we do feel that these counter cyclical buffers need to be put in place and therefore we have plan for them, and so that if anything we come out better rather than worse, compared to our, if I may say indications or guidance even for our own functioning. If you take this kind of a portfolio mix and also we are investing in certain new businesses, while we all hope that these are secured businesses, these are tested businesses, that the level of credit costs are relatively lower, but for a bank like us, since we are getting into this business and it is the initial years, we also have to see how they pan out, so there is a yes, a little bit of conservatism in what we have said, but I think given the environment we are coming out of, conservatism is important.

Sameer Dalal: Second question is, in regards to, you said that interest reversal was how much? Rs. 130 crores was it?

Vishwavir Ahuja: Yes.

Sameer Dalal: So, Rs. 130 crores interest reversal, you also mentioned that a lot of these, restructured books will probably not go into standard asset because most of these people don't come back and come to the exact tenure of what they were supposed to be paying. By when can we expect any of these interest reversals to be adjusted back into our income levels? It does not happen till the loan is really paid?

Jaideep Iyer: I think, two points here, interest reversals happen when you have outside slippages which we've seen in the last two quarters because of COVID. As we see slippages normalize and also by the way, we don't even take, we stop interest meter on restructured loans on a conservative basis. So, as soon as slippages begin to normalize, which we expect should happen by Q4, these numbers on interest reversals should materially come down and go back to BAU level, which is why, Mr. Ahuja guided the fact that we should see upward trend in margins in Q3 and then getting back to somewhere in the 4.5% range for Q4.

Vishwavir Ahuja: Remember I suggested that 4.06% which is for the second quarter, maybe closer to 4.30% next quarter and 4.50% the following quarter. That automatically, the math can be done. You'll figure it.

Sameer Dalal: And, just one last question, if you may. You guided for a 7% growth for the remainder of the year in your loan book, is that correct?

Vishwavir Ahuja: Yes, 7%, 8% I suggested.

Sameer Dalal: 7% to 8% and you would be in the mid-teens in FY 23?

Vishwavir Ahuja: That is mid to high teens is what I suggested yes.

Moderator: The next question is from the line of Amaan Elahi from Investec India. Please go ahead.

Amaan Elahi: Just a data keeping question. You have shared the breakup of net slippages, if you can share in the number for gross slippages?

Jaideep Iyer: If you can just reach out to us, I don't have that handy. We can just send it out to you.

Moderator: The next question is from the line of Abhishek Murarka from HSBC. Please. Go ahead.

Abhishek Murarka: Just one data keeping question again, with what would be the weighted average cost of SA now?

Jaideep Iyer: Weighted average cost of SAA should be I think just south of 6%.

Abhishek Murarka: And just going back to that capital consumption.

Jaideep Iyer: Sorry Abhishek, correction, cost of SA is around 5.7%.

Abhishek Murarka: Going back to the capital consumption question, can you say which portfolio was this 35% and basically if I see you 60 bps consumption of tier-1, 30-35 bps would because of this regulation and that you expect to claw back next quarter, is that right?

Jaideep Iyer: Yes Abhishek it is business loans, LAP and small business loans.

Abhishek Murarka: Instead of 75 currently you are planning 100?

Jaideep Iyer: Correct. Also, the other factor is that restructured loans attract 125, obviously whatever secured loans we restructured goes from 75 to 125, but that will not unwind that will unwind over a period of time as and when they fall off.

Abhishek Murarka: What is the criteria that has to be fulfilled to get this reversal?

Jaideep Iyer: Need to have the demonstration of three-year turnover below 50 crores or something like that, or equivalent Udyam Certificate to demonstrate that it is a small business loan, which also has a requirement for priority sector lending and which attracts therefore 75% risk weight.

Moderator: The next question is from the line of Himanshu Taluja from Motilal Oswal AMC. Please go ahead.

Himanshu Taluja: So, first we need one clarification. You said the restructured book is around 17 billion and somewhere in the comments, you have also mentioned that as a percentage of the loans it is 3.66. If I calculate at 3.66 is around 20 million. So, if you can just?

Vishwavir Ahuja: That was retail 1700. The total I told you is 2000. That is 3.66 and I also said 21% is wholesale and 79% is retail. That's 79% or 80% is equal to the 1,700.

Himanshu Taluja: Just, secondly, there is credit cost guidance that which you have given for the next year that it will be half of FY22. If you can give some color on the credit costs, what your credit costs you expect in the credit cards and the MFI?

Vishwavir Ahuja: Just told you that, in the normalized level of credit cost in the card business is 5.5%, 6% and four MFI it is little over 2%. That is the normalized levels, now we've been reporting our cost numbers and delinquency throughout in the last 18 months, which are obviously much more elevated than these levels. Now they're normalizing towards these levels. I mean this quarter, our total credit cost is 89, 90 basis points for the quarter. Annualized will be 3.6%, so that's the way it's working. At some point in the midst of COVID it had touched much higher levels.

Jaideep Iyer: Sorry this quarter 1.18.

Vishwavir Ahuja: Previous quarter it was 2.55 and so on. It is coming down rapidly and that's the way to look at it, but normalized levels for the bank as a whole, if you do a weighted average of across the portfolio comes through around 275 basis points to 280, 290 basis points that range for the year as a whole.

Moderator: The next question is from the line of Avinash Tanawade from Dalal & Broacha. Please go ahead.

Avinash Tanawade : I just have few questions about collection efficiency, excluding microfinance portfolio. What would be that number for the month of September, excluding microfinance?

Harjeet Toor: If you go to slide 39, you will see the retail loans collection efficiency.

Vishwavir Ahuja: Slide 39 has the answer.

Moderator: The next question is from the line of Mona Khetan from Dolat Capital, please go ahead.

Mona Khetan: On the restructured book, what sort of slippages could one expect over time of the 20 billion book?

Jaideep Iyer: I think just to give you a flavor I think the micro finance restructured book will probably have higher slippages than let's say the secured retail, which is by the way, the bulk of the retail. But I guess it's very difficult to put a percentage on this as we go ahead. All of that is any way a part of the kind of guidance that we gave on credit costs and slippages, for let's say the rest of this year and next year.

Mona Khetan: And of this restructuring, how much is from the MFI book?

Harjeet Toor: Rs. 363 crores.

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 email at ir@rblbank.com I repeat ir@rblbank.com On behalf of RPL bank limited we thank you for joining us this evening. You may now disconnect your lines. Thank you.