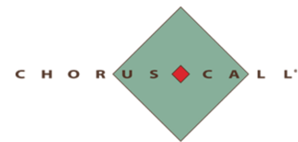
# "RBL Bank Limited
# Q1 FY '25 Earnings Conference Call"
# July 20, 2024

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**Moderator:** Ladies and gentlemen, good day and welcome to RBL Bank Limited's Q1 FY '25 Earnings Conference Call. 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, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. R Subramaniakumar, Managing Director and CEO of RBL Bank. Thank you, and over to you, Mr. Kumar.

**R. Subramaniakumar:** Thank you, ma'am and good evening ladies and gentlemen and thank you for joining us for a discussion on our bank's financial results for the first ended Q1 of 2025. We have uploaded the results along with the presentation on our website and I hope you have had a chance to go through it in detail ahead of this call. I am as always joined on this call by Mr. Rajeev Ahuja and other members of our management team to address any questions that you have. Before we get into the results for the quarter, I would like to briefly touch upon the business trends of the quarter.

Happy to state that the bank is on track with the stated objective and on course to achieve vision 2026. The advances growth was 19% Y-o-Y and 3% sequential in this quarter. The retail advances grew at 31% Y-o-Y and 9% sequentially. Our newer secured businesses continued to grow at a healthy rate with the business loans and the housing cumulatively growing at 19% Y-o-Y and housing specifically growing at 52% Y-o-Y and the rural vehicles growing at 74% Y-o-Y on a low base.

Housing and business loan yield continued to improve as we focus on profitable sourcing with yields improving 50 bps in the quarter on new sourcing. The commercial banking within the wholesale saw 25% Y-o-Y growth. As you can see our focus areas are demonstrating healthy growth. On deposits, we are focusing on granular deposit growth and our share of granular deposits continues to improve. Deposits less than INR3 crores was 49.3% for the quarter, up from 46.8% a year ago.

The next step would be to increase this share to 50% plus in the coming quarters. The granular deposits grew 25% Y-o-Y and 5% sequentially and we expect this momentum to continue. CASA deposits grew 3% Y-o-Y, but degrew sequentially. The March was higher because of the seasonal flows towards the year-end mainly in current accounts. There is a competition for deposit, but we have seen and believe we will continue to see the decent traction in the retail deposit growth. Our focus remains to grow granular deposits as an increasing proposition of the incremental deposits to fund incremental advances growth.

The branch banking led deposits grew 23% Y-o-Y and 7% sequentially and account for 61% of the total deposits of the bank. The LCR was also very healthy at 137% for the quarter. In terms of disbursement, we are seeing decent traction in the newer segments with HL and LAP quarterly disbursal run rate of INR1,200 crores plus and now it accounts for approximately 30% of the total quarterly disbursal.

The market share of rural vehicle financing is around 4.3% at the states where we operate. We have seen lower disbursements in microfinance in this quarter particularly because of caution

due to elections and general Q1 weakness. In credit cards, we have now increased the share of non-BFL co-brand cards to 52% and this will continue to increase as our direct sales and branches get more tractionalong with the pickup in the volume with our newer and the proposed co-brand partnership. We have also signed up 5 new partnerships this quarter. Our endeavor would be to scale these partnerships over time to diversify our sourcing base.

**On asset quality and the collection traction of BFL co-branded cards**.

On the transition of collections and credit cards I'm happy to report that it has been completed as we speak in July. There were some costs and slippages increase due to transition which we had in Q1 on account of this. We saw INR60 crores increase in slippages as compared to Q4 partly impacted by the transition. We expect some spillover of the transition impact in Q2 as well, but expected to stabilize and improve Q3 onwards. The slippages in microfinance were lower versus Q4 of FY '24, but we are still not close to where we were in the early parts of last year.

We continue to focus on collections especially in the early buckets and that is the primary focus. Collection efficiencies did see a dip in April and May due to election disruption, but it has been improving since. Net slippages in the rest of the businesses have been negligible. The focus in these businesses is to improve the recovery on the existing NPA and written-off funds.

On an overall basis, our PCR and NPA levels have been steady. We continue to hold contingent provisions on credit cards and microfinance at 1% of the book amounting to INR283 crores which will provide some cushion against downturns. Now on to other aspects of our operating performance. Our NII was up 20% Y-o-Y and 6% sequentially at INR1,700 crores. The cost of funds and cost of deposits increased by 12 and 14 bps this quarter. We received interest from tax authorities on the refund that we had got last year which is partly reflected in NII.

Our total other income was INR805 crores in this quarter, 18% higher Y-o-Y and accounts for 32% of the net total income. Of this, core fee income grew 20% Y-o-Y to INR769 crores. Our total income was up 19% Y-o-Y at INR2,505 crores. Our opex grew 13% Y-o-Y and 4% sequentially at INR1,646 crores. Our cost-to-income ratio was 65.7% this quarter as against 69.3% in Q1 last year and 64.2% last quarter.

As I said earlier, there were certain costs related to the collection migration in the cards business in this quarter. We expect cost growth to typically be lower than advances and balance sheet growth this year. Our PPOP this quarter was INR859 crores up by 33% Y-o-Y on provisions. We took a total provision on advances of INR521 crores during this quarter. We had recoveries from written-off accounts of totalling INR60 crores. The net provisions on advances therefore, was at INR461 crores.

The credit cost for the quarter was 59 bps as compared to 53 bps last quarter. We also reversed the INR90 crores on the provisions we have taken in AIFs in Q3 FY '24 basis clarifications on the same. And therefore the negative impact of Q3 FY '24 is neutralized now. Our net profit for

the quarter was INR372 crores up 29% Y-o-Y and 5% sequentially. Similarly, ROAs were 1.14% and ROEs were 9.88%.

On asset quality, in terms of NPA ratios GNPA was at 2.69% improving from 3.22% the same time last year and NNPA was at 0.74% again same as the last quarter. The PCR now stands at 73.1%. Our net slippages in the wholesale was negative of INR29 crores aided by recoveries. The credit card was INR400 crores, microfinance was INR136 crores and the rest of the retail was INR20 cores. Our net restructured advances stood at 0.44% against 0.51% in Q4 FY '24.

On capacity building, our total employees as of June 2024 was 13,353 which increased by 16% Y-o-Y. During the last two to three quarters, we have in-sourced some of the core technology management activity and improved the bank's ability to enhance customer service. Lastly, on capital. Our total capital including profit was 15.56% and our CET1 ratio was 13.85% as against 16.18% and 14.38% as at March end. This is largely on account of the onetime impact due to increase in operational risk RWA. We will drive some efficiencies in the coming quarters.

In summary, we continue to see a steady growth in the focus areas of our business. We do, however, see some pressure on slippages and cards partly contributed by collection migration and to some extent in microfinance in the near term. We expect pullback on this by second half of this year. We are focused on growing secured retail as well as the commercial banking and growing incremental deposits in the form of granular deposits. We have completed the migration of collection in our cards business and while that saw some increase in cost and slippages, we expect this to stabilize by next quarter.

In microfinance, we are focused on improving the efficiencies in early buckets and we want to see to get to the levels closer to the last year. At the same time, we are working to improve our overall efficiency and profitability ratios. Our newer retail businesses are beginning to scale up and we should see results by the time we exit this financial year. On capital, our ratios continue to be healthy and while we are approaching our shareholders for an enabling resolution we remain well-capitalized for growth in the short and the medium term and there are no immediate plans for raising equity capital.

On deposit mobilization, we are confident of continuing our growth in granular deposits due to our differentiated services. With this, we will open the session for question and answer.

**Moderator:** Thank you very much, sir. We will now begin the question-and-answer session. The first question is from the line of Jai Mundhra from ICICI Securities. Please go ahead.

**Jai Mundhra:** Hi, good evening sir and congratulations on good set of numbers. Sir last time -- I mean, at the time when we had unveiled our 3 years plan things especially on deposit fronts have changed or liquidity has become tightened. We have also seen that in this quarter our deposit growth has reduced part of that is due to current account decline, but still on CD ration we are now to 85.5% considering what has happened in the last few quarters, would you still be confident in the 20% loan as well as deposit growth over the next few -- in the initial period that is the question number one?

**R. Subramaniakumar:** Yes. So Mundhra we gave our guidance that the overall total deposits will grow by 18% range, 18% to 20% range and within that we are focusing on a granular deposit which for the last 3 or 4 quarters it is just holding around 25% to -- average of 25%. In our estimate, we may not go down below that granular deposit growth below 25%.

We will be in the range of 23% to 25% of the granular deposit growth. Our assessment is that the granular deposit growth will be able to aid and help us to grow incremental advance growth. Since our entire market share is hardly 0.4% to 0.5%, there may not be much of a difficulty in achieving our growth estimate even under the current circumstances, that is our assessment. Hope it clarifies.

**Jai Mundhra:** LDR -- any view on LDR this 85.5% if you were to calculate on net advances basis, how -- I mean what could be the outer limit of this LDR as we go along?

**R. Subramaniakumar:** The LDR will be in the range of 83% to 85% is our estimate and we will continue to maintain it within the range of 83% to 85%. All our calculation of deposit mobilization is with this 83% to 85% range of LDR.

**Jai Mundhra:** And if you can give the slippages breakup for this quarter sir MFI, credit card and corporate numbers?

**Jaideep Iyer:** For cards slippage is around INR400 crores, MFI is about INR135 crores and the rest put together should be negligible. There are some pluses and minuses across other segments.

**Jai Mundhra:** And sir if you have called out the SMA number for microfinance because the situation is still a bit volatile and you said that you will be focusing on the early delinquencies. If you can give maybe SMA-1 or SMA-2, PAR 30, PAR 60 in MFI book?

**R. Subramaniakumar:** See the SMA if you look at it, it is in a range of INR60 crores to INR65 crores SMA-2 and SMA-1 is also in a similar range as far as the microfinance is concerned. And as I said that we are focusing on early bucket and the flow is what we have been controlling it.

What we understand from the field report in the last 10, 15 days is that we are able to pull back and our efficiency in respect of zero bucket is just becoming better than the period of April and May. We are able to see maybe around 10, 15 bps better than what we have been seeing it earlier. And with that we feel that this number can also come down. We'll be able to do a fair amount of recovery in the current SMA-1 and SMA-2.

**Jai Mundhra:** Sure. Thank you sir. I will come back in the queue.

**R. Subramaniakumar:** Thank you.

**Moderator:** Thank you. We'll take the next question from the line of Kunal Shah from Citigroup. Please go ahead.

**Kunal Shah:** So firstly maybe in terms of the MFI when we look at the overall increase which has been there in the GNPA. So on the net side, it doesn't seem to be much of the recovery. It's like almost like INR90 crores, INR95-odd crores is the increase which has been there in the GNPA and you have mentioned like INR135-odd crores as the slippage number. So that's right INR135-odd crores which is again I would say closer to like 7%, 8% kind of run rate continuing in the MFI portfolio?

**R. Subramaniakumar:** Yes.

**Kunal Shah:** Yes. And last time, maybe -- sorry to the earlier question last time you indicated 30-plus at 2.83% and 60-plus at 1.89%. So how would that number be now?

**Jaideep Iyer:** This is for microfinance.

**Kunal Shah:** Yes for MFI.

**Jaideep Iyer:** It's similar to slightly less Kunal. There is -- our expectations are that we have indicated earlier also that we saw slippages trending a little bit up. We are now -- we, of course, pulled back Q1 slightly below Q4 and we expect something similar to happen in Q2. And if all goes well then H2 should start looking much better, but we expect Q2 to be flattish over Q1 in terms of slippages.

**Kunal Shah:** Okay. And maybe in terms of the growth overall so credit card I think you indicated that given the transitioning which is there that portfolio might grow slightly slower, but I think MFI given that space is also continuing at 7%, 8%. Should we see maybe the even MFI maybe the book growing slow getting into entire FY '25 given the situation?

**R. Subramaniakumar:** See as far as MFI growth is concerned we will be able to pull back. The Q1 is one area where we consciously reduced our expansion. And if not to the peak disbursement of the last year, it will be in a position to go back to the average growth what we saw in the last year will be back again in Q2 onwards. In Q1, it is a conscious decision of pullback because of various April, May election and the heat wave and general Q1 weaknesses. So these factors were kept in mind. And average growth what we saw last year will come back again from Q2 in MFI.

**Kunal Shah:** Okay. And lastly in terms of the impact of interest on IT refund on NII. It's there in the other income, but if you can just quantify how much was it?

**Jaideep Iyer:** Yes, that is in the NII line not in other income line. So that is approximately 25 basis points impact on margins. So margins would have been flattish without that. It's about INR68 crores to INR70 crores that range.

**Kunal Shah:** Okay got it. Perfect. Thank you.

**Moderator:** Thank you. The next question is from the line of Rohan Mandora from Equirus Securities. Please go ahead.

**Rohan Mandora:** Sir this is with respect to Slide #17 where we are giving the split of costs against various segments. Now if you look at the business acquisition and collection costs it is still growing at around 23% year-on-year. So I just want to understand with the branch-led acquisition model, this is still running at a higher than business growth of 18%. So when -- so would this run rate continue or do we expect some moderation of this going ahead? That's one.

And second, on the new customer addition run rate, for the past few quarters it was at around 0.6 million whereas for this quarter it has come down to 0.3 million. So is there an impact of MFI customers here or how should we look at the new customer addition run rate?

**Jaideep Iyer:** Yes. So on the second part it's a combination of card and MFI. The liability addition continues to be what it was. Both cards and MFIs we are -- as Kumar sir mentioned Q1 on MFI, of course, it's a little less and credit cards also our gross and net acquisition is slightly less partly because we are also diversifying our sources of origination consciously.

On the first one again that is dominated by cards collections. And in fact the transition impact while it had some impact on slippages, it also had somewhat of an impact on the cost when the transition happened because there was some double amount during transition that happened. So that itself was around in the range of INR40 crores - INR50 crores which we expect should start moderating from second half of Q2 and then definitely Q3 onwards.

So this business acquisition and collections cost it's got many factors. Honestly, higher slippages also means that there will be more thrust on collections across portfolios, but in general, we should start seeing that trend downward from Q3 onwards. Yes, it should come more in line with advances growth.

**Rohan Mandora:** Sure, sir. And sir just on the change in the collection infrastructure which has happened on card. When we are saying that there's an increase in slippages this quarter and next quarter also we expect it to be higher, but moderate after that. So like what is it that is happening which is leading to this increase and why are we confident that from 3Q onwards the slippages would decline because see this would -- the collection infrastructure would come into picture only when once the dpd is happening. So that slippage would anyway be there. So just because of a change why is this getting impacted? Is that the early bucket recoveries which is within the quarter? How will we be able to control better from 3Q onwards?

**Jaideep Iyer:** No. So the transition collection just to clarify this was for the co-branded portfolio that we have with Bajaj Finance was being managed by a group entity of Bajaj Finance as we had said in the past. And that is now being coming into the bank managed, directly managed through the way we manage other parts of our business, our own card business.

When this transition happens we have obviously put infrastructure in place in terms of people, in terms of agencies empanelment and so on and so forth as we absorb that large portfolio directly. There is also a tech expansion that we had to do to manage this portfolio. And when transition happens because of the handover to be smooth there will be some level of overlap that

we had to consciously maintain. So that's the reason for the cost being temporarily a little higher which will start coming off as things settle down within our scheme of things.

Now when -- also when such a transition happens naturally, the -- there are new employees who have come into our fold who are doing this, there are new agencies that are involved in collection. So naturally that transition also means that there will be some level of slippage impact that we have seen which again is something once things settle down for a couple of months we should start seeing that behave more in line with what was there before the transition.

**Rohan Mandora:** And sir lastly on the rural vehicle finance we've seen a degrowth Q-on-Q on the mix. So how should we...

**Jaideep Iyer:** Yes. We have done some IBPC sell-out on that portfolio, a small amount. So that's the reason. Underlying portfolio has grown quite well.

**Rohan Mandora:** Sure sir. Thanks a lot.

**Moderator:** Thank you. The next question is from the line of Mona Khetan from Dolat Capital. Please go ahead.

**Mona Khetan:** Hi, good evening and thank you for taking my question. So just one clarification. When I look at retail other segments it's grown back almost...

**Moderator:** Sorry to interrupt, ma'am, your voice is breaking. Can you use your handset please?

**Mona Khetan:** Okay. I will get back in the queue.

**Moderator:** Thank you. We'll take the next question from the line of Rahil Shah from Crown Capital. Please go ahead.

**Rahil Shah:** Sir just two things. First question I would like to know your outlook or rather guidance for FY '25 on AUM credit cost, ROA and cost-to-income front?

**R. Subramaniakumar:** Yes. I think if you can just get back to the Vision 2026 where we just articulated. We still hold the same view. We will be having a credit costs in the range of 2.1 to 2.2 is what we have said about it and we'll be in that range only. With all our efforts which has been good now, we are confident that we will be in a position to maintain that particular position.

And as for the ROE and ROA is concerned, we said that there will be a growth of around 20% over that of the last year. We are making all out efforts and we are confident that we will try to reach it around 15% to 20% growth there.

**Rahil Shah:** Which was the last one for 15%, 20%?

**R. Subramaniakumar:** Yes ROA exit ROA we will want to look at 15% to 20% growth on the exit ROA that we had in Q4 last year. So 1% going to somewhere in the 1.15 range.

**Rahil Shah:** But this is for FY '25 or FY '26?

**Jaideep Iyer:** Exit quarter FY '25 fourth quarter.

**Rahil Shah:** Okay. And cost to income I don't believe you...

**Jaideep Iyer:** No, we haven't guided any specific number, but typically we will expect income to grow faster than costs and therefore growth in PPOP to be higher than advances and therefore cost to income to fall. Broad range don't hold me every quarter on this, but broad range should be 2% to 3% or 3% or so per annum reduction.

**Rahil Shah:** 2% to 3% per annum reduction. Okay. And overall you said your FY '26 aspiration which you had shared earlier is on track?

**Jaideep Iyer:** Yes.

**Rahil Shah:** All right. Thanks. I will get back in queue. Thank you.

**Moderator:** Thank you. The next question is from the line of Nitin Aggarwal from Motilal Oswal. Please go ahead.

**Nitin Aggarwal:** Hi, thanks for the opportunity. Sir two questions. One is on the margin. Margins have been pretty strong again this quarter we've reported a good improvement. Now with the ongoing moderation in the card business and MFI how do you really see this? Can one say that the margins have peaked out or how do you really read into it?

**Jaideep Iyer:** So Nitin I just mentioned some time back that the margin has some impact of tax interest refund that we got. If I exclude that we should be flattish margin sequentially Q1 over Q4. And we expect margins to be flattish in Q2 and then we after that actually expect it to slightly improve and the improvement is largely coming through doing a better risk-adjusted return business across all our portfolios in each of the portfolio.

For example, in retail assets we are focused more on the smaller segments. We have put in lower thresholds below which we are not doing business. Similarly, in wholesale we are putting thresholds below which we are not doing business because we are not really chasing growth beyond 18%, 19% on loans. So basis the mix improvement and with certain assumptions that cost of funds are kind of peaking we should be able to improve margins in the second half, but next quarter should be flattish.

**R. Subramaniakumar:** Having said that the first part of it that we never said that we'll be shrinking our microfinance. We said that the growth will be average of the last year that means Q1 we had cautiously brought it down. And Q2 onwards it will not be shrinking. The growth will be average of the last years. You may not see the peak of Q4 again, but it is at the average of last year.

**Nitin Aggarwal:** Okay. And the other question on the credit cost other key guidance that we have. Now over there this quarter, of course, like we have reported a 59 basis point credit cost. So you think we are in

range to adhere to our 2, 2.1 credit cost or you see upside risk to it because Q2 also you are indicating for like a similar performance on asset quality. So where -- how do you see that trending out?

**Jaideep Iyer:** Yes. So I think the first half will be similar to what we are reporting in Q1. And then I think second half, we should try and pull it down. So we will probably -- in fact, my range was 1.75 to 2.25. We will end up in the higher end of the range for the year.

**Nitin Aggarwal:** Right. And the other -- one clarification on the investment like regulation what impact did it have on the CET1? There is like some fall in Tier 1. So what was the impact if you can quantify from the revised investment regulations this quarter?

**Jaideep Iyer:** So we had a net worth impact of -- or reverse impact of about INR75 crores. So that is about 7, 8 basis points on capital.

**Nitin Aggarwal:** Okay because I just asked because the actual decline in Tier 1 looks to be a little higher?

**Rajeev Ahuja:** Yes. So the reason for that is also because every beginning of the year you transition to a new operating cost calculation which is on the previous 3 years' average. And we also did an accounting change which resulted in a grossing up of BC costs in microfinance. And the operating cost -- operating capital requirement on operating risk is basis the total revenue and therefore, there was an impact.

So that was almost a 45 basis point impact excluding that we should be broadly coming -- with the accretion of profits we should be burning about 20 basis points of total capital give or take.

**Nitin Aggarwal:** Thank you. Wish you all the best.

**Moderator:** Thank you. The next question is from the line of Rati J Pandit from Nirmal Bang Institutional Equities. Please go ahead.

**Rati J Pandit:** Thanks for taking my question. My first question is with respect to the sourcing strategy for the newer businesses which we have entered into. I mean, do we plan to reduce our reliance on DSAs over there? What is our sourcing mix now and what do we target in future? This is my first question. And the second question is on bookkeeping one on the provision breakup which you have been giving but this time I believe it's missing?

**Jaideep Iyer:** Yes, what was the first question ma'am if you can repeat?

**Rati J. Pandit:** First question basically on the sourcing strategy for the newer businesses which we have entered into in the past two to three years and how -- I mean whether we plan to reduce reliance on DSA over year?

**R. Subramaniakumar:** See we said a year before and we intend to move with the DSA based to non-DSA to 50% is what you we are aiming at. Right now today most of the businesses, the non-DSA-based sourcing

has already reached over 30%, 32% and going forward we'll be able to achieve that non-DSA by around 50%.

And another very important strategy with regard to the sourcing is through our RFL 100% subsidiary where already is a pilot branch and 75 branches start operating and we are intent to take it around 200 branches and who will be sourcing all our retail products what we have been -- what we have rolled out except in prime housing loan, they'll be in a position to get us all other loans.

**Jaideep Iyer:** I'll come back to that in a minute. Yes, sorry. So our total provision was INR460 crores. The NPA-related provisioning was around INR513 crores. And we had a recovery of approximately INR70 crores on written off accounts and standard asset provisioning was about INR18 crores which includes the continued provisioning that we do on contingent provisioning on cards and micro finance. So as a result of this total provision was INR461 crores and then we had INR90 crores write-back on AIF which we had taken in.

**Rati J. Pandit:** How many more AIF provisions are -- I mean we have finished the write-off over there or some provisions we still retain on the AIF?

**Jaideep Iyer:** We will have about INR20 crores of provisioning on AIF because there will be -- even if we have invested in an equity fund the equity fund has invested in a common borrower in an instrument which is like a convertible preference share or something like that conservatively we have continued to maintain that provision. So that's about INR20 crores. That will come back over a period of time as and when the fund returns its money.

**Rati J Pandit:** Okay sir. That's it from my side. Thank you.

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

**Prabal:** Sir, my first question is you mentioned that you want to maintain credit-to-deposit ratio in a narrow range. Are you looking to raise interest rate on savings for term deposits so that you can deliver on 20% of your guidance?

**R. Subramaniakumar:** See whatever the plan we have drawn it is basis on the current state of affairs and with the current environment is what we have planned out. If the environment changes adversely ALCO will take a decision with regard to what should be the rate of interest to be paid.

**Jaideep Iyer:** Just to add on that, if you look at the peak term deposit rates that we are giving for retail which is at about 8% today. And if you look at larger state-owned banks or larger private sector banks they should be in the range of 7.20, 7.25. This gap has been narrowed substantially from a couple of years back where the gap was as high as 1.5% or so.

**Prabal:** So suppose you have to choose between pulling that growth or seeing higher rate of interest. Would you prefer pulling back growth or are you okay say diluting ROEs, how do you look at it?

**R. Subramaniakumar:** No, In order to maintain the CD ratio between 83% to 85% and we have already said that we will be growing the deposits in the range of 18% to 20% at least minimum 18%. That is what the plan of action is. We have no other plan as we speak today.

**Prabal:** And the ROE is 10% currently and our guidance is of 15% by FY '26. What will be the levers to improve this by 500 basis points?

**Jaideep Iyer:** No. So we have given an ROA guidance. I think the ROE will be a function of where we are on the capital cycle. It is very unlikely that we will get to a 15% ROE before we end up diluting capital. So that is going to be a function of as and when we raise capital which will take 12, 18 months and then subsequently we'll have to lever up again to get to that level of ROE. What we have guided is mostly on the ROA side.

**Prabal:** Okay. And any plans -- I remember that you mentioned in your opening remarks that you are trying to raise equity capital, but last time when bank had raised equity capital their Tier 1 was around 15%. Currently, it's 14% and since your growth is higher than your ROE you're consuming capital as we move. So any levels that you are looking when you will start exploring equity raise?

**Jaideep Iyer:** So two things here. One is that the last time we raised capital was under circumstances which was immediately after COVID and we had also gone through a wholesale cycle. We are not seeing any asset quality, unusual situation right now. Second, we also have built up a 1% contingent provisioning on our cards and microfinance business. So there is some level of cushion in case there is any down cycle.

Third, we do have plans to raise Tier 2 capital during this year which will shore up our total capital. And as Mr. Kumar said in his opening remarks the QIP shareholder resolution that we will take in the AGM in August will be relevant for 1 year from then. So if you ask whether we will raise capital before August of next year? Answer will be probably yes. Are we raising capital in the near or medium term? No.

**Prabal:** All right sir. Thank you so much. All the best.

**Moderator:** Thank you. The next question is from the line of Yash from Citigroup. Please go ahead.

**Yash:** So just one clarification on the risk-weighted assets. So the increase is sharp from 71% to 77% of total assets. So I just wanted to check if it's similar to what you explained earlier on leading from the operational changes?

**Jaideep Iyer:** Yes, it is largely to do with the ops risk.

**Yash:** Right. And so this will be more or less the range going forward as well?

**Jaideep Iyer:** No. So this one step -- step-up increase will not happen for the rest of the year.

**Yash:** But as a percentage of total assets, it would be in the similar range?

**Jaideep Iyer:** Yes, it's -- it will come down when the cost balance sheet again increases with the normalized rate. So the impact of op-risk comes down during the course of the year which is why I said that we will burn around 20 basis points to 25 basis points per annum going forward again net of profits of course.

**Yash:** Thank you sir.

**Moderator:** Thank you. We'll take the next question from the line of Shail Mundra from Veba Financials LLP. Please go ahead.

**Shail Mundra:** First of all, I want to congratulate the entire team for an excellent performance over the last few quarters which continues in this quarter. And I have recently purchased stock after seeing your performance. So I'm curious to know I'm liking what you have been doing and that's why I bought the shares. So one thing which I would like to know more about is what are you doing for brand building and image building for your bank and do you have a dedicated team focused on that activity?

**R. Subramaniakumar:** See we analyzed all the options. We have 550-plus branches. First, I think what we thought is we have to create our brand in and around the places where we will be able to do business on the granular level because our strategy is to grow granular deposit and granular advances in a big way. So we did a micro marketing. And if you asked me last year all the 500 branches, each of the branches have done more than 10 or 15 such activities which created a good brand recall value.

And there is one how far it's -- there is a brand -- top 100 brands of the countries to be published to some branding companies in which our bank entered in 2023 at the position of 94. And now this year, it just moved up to 83. So which we feel that, yes, we are doing a fair job of managing the cost as well as building the brand and we'll continue to do that. And we will come with some other alternative we have some strategies. The board is discussing certain other alternatives for this year which we will implement it during the course of the year.

**Shail Mundra:** Thank you sir.

**Moderator:** Thank you. We are not able to hear you.

**Jai Mundra:** Sir thanks for the follow up. Sir I just had a question on the credit card spend. If you look at the past 3 quarters it has been hovering around INR21,000 crores to INR21,000 crores. So I just wanted to check is there any particular reason for low growth in spend or is it just a seasonal phenomenon and we should see a pickup happening here soon?

**R. Subramaniakumar:** I'll ask Bikram to answer that.

**Bikram Yadav:** Usually -- I mean, if you were to see historically Q4 and Q3 have always been posting higher spends than their previous quarters. So this is just a cyclic effect in absolute true sense if you were to look at the industry is also going through similar between Q1 and Q3 there is a difference. That is the difference. There is no other attributable to it.

**Jai Mundra:** Sir, any view on the revolve rate how do we see an uptick happening there sometime in the near future?

**Bikram Yadav:** See as we have informed last time because of the change in ecosystem revolve income is reducing, but a large portion of our customer base will take EMI finance. So if you are to see what -- about 70% of our advance is interest bearing either in form of revolve or in form of EMI loans.

**Jai Mundra:** Sure thanks.

**Moderator:** Thank you. Ladies and gentlemen, we will take that as a last question for today. 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 I repeat ir@rblbank.com. On behalf of RBL Bank Limited, we thank you for joining us and you may now disconnect your lines. Thank you.