



“RBL Bank Limited Q4'21 & FY'21 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the RBL Bank Limited Q4 & FY'21 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 the questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing '*' then '0' on your touchtone phone. 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 Fourth Quarter and full year FY'21. I hope you and your families are safe. I want to definitely start by saying that. I also want to apologize for the delayed start to this call and also for what might come little longish presentation this time. I am of course joined on this call by my other colleagues on the management team, who along with me will address any questions that you may all have.

So, at the very outset, I wish to place on record our extreme gratitude and appreciation to all our employees who have shown exemplary courage and commitment at a great personal health risk to continue to serve our customers in a seamless manner. Our primary focus has been and will be to take care of the health and safety of our employees. And the second wave has been a grave concern too. In spite of our efforts, we've lost a few of our dear colleagues to the pandemic, especially in the last few weeks. I wish to offer my deepest condolences and support to the families in this time of need.

For RBL Bank, FY'21 has been the year of building resilience and strengthening the franchise across several fronts. And in terms of focus, these include

granularizing both sides of the balance sheet and tightening risk filters, prudent, accelerated and additional provisioning, leading to significant improvement in the PCR,

reducing corporate exposures, significantly improving the asset quality and rating profile of the wholesale balance sheet in order to reposition the business for growth

, rapid ramp up of our retail deposits, CASA base,

significantly raising capital buffers,

driving other income particularly core fees,

ensuring consistent increase in provision operating profit and therefore maintaining the earnings momentum and net income at even slightly better than previous year level despite the impact of COVID and of course

significant reduction in cost of funds to enhance competitiveness in lending and to facilitate the build out of some new secured loan products.

Several risk mitigation measures in each of the bank's portfolio/business segments have been undertaken in FY'21. And our business plan going forward entails further tightening of risk portfolio diversity and ensuring healthy collections as important parameters of the bank strategy. We are confident of managing the future asset quality outcomes at prudential levels. We feel we are well positioned for decent growth in FY'22 and beyond.

Let me talk about “Asset Quality, NPAs and Provisioning” to start with.

Having recognized and adequately provided for the stress emanating from the identified pool of corporate accounts in FY'20, our slippages during '21 almost 80% in retail owing to the impact of the COVID pandemic. This translated into a gross and net NPA position as of March '21 of 4.34% and 2.12% net as against our pro forma numbers of 4.57% and 2.52% as of December 2020. So, in other words, in the fourth quarter we have seen improvement in asset quality. The bank has maintained the net NPA ratio as on March '21 at broadly similar levels to March '20 despite the pandemic resulting in above trend slippages in the retail segment in FY'21 which is around a little over 2%, number 2.1%.

PCR including technical write-offs improved to 72.2% from 64% in March '20 and excluding write-offs, it has improved to 52.3% from 44%-odd in March '20, representing an increase in PCR by approximately 800 basis points. Our plan in FY'22 seeks to further improve the prudential ratios including PCR to well beyond 80% including write-offs and over 60% excluding write-offs respectively.

Our total credit costs for the year were Rs.2,230 crores, about 410 basis points. This includes Rs.70 crores towards additional accelerated provisioning on our unsecured retail businesses ex-cards. In addition, we've also provided for interest on interest as per the Supreme Court order.

Our wholesale advances in GNPA and net NPA was Rs.1,100 crores and Rs.545 crores respectively. The composition of the wholesale book has been strengthened with negligible exposure to vulnerable stressed sectors. While the bank's recovery efforts relating to the previously identified stress pool of select corporate accounts were affected during FY'21 due to the COVID restrictions, we are now starting to see traction from these and other accounts and are hopeful of seeing reasonable recoveries in the coming quarters. Of our net NPA in the wholesale of approximately Rs.545 crores, around Rs.100 crores is from the retail group and Rs.200 crores from the corporate group where we expect transactions to happen in the near future. And so don't see downside on a wholesale book as a whole except for the BAU stuff.

The target operating model in wholesale, which we had implemented in July '19 has worked well for us. We have improved granularity in our exposures while at the same time we've also

materially improved the rating profile of the book. Our 'A-minus and above' book is now 77.6%, up from 72.8% a year ago and 67% in March '19. We have rationalized the exposures in the BBB and below rated exposures also. Incremental lending over the last 18 months or so has been largely to 'A and Better' and is reflected therefore in the overall rating mix. Hence, we can comfortably say that the wholesale segment is now right sized, derisked and adequately provisioned.

I would now like to elaborate on our three large segments in the retail space. During FY'21, the bank has seen stress build up in the retail segments, including the unsecured segments of credit cards and micro banking, and also in the MSME segment.

In each of these segments, the Bank has followed a very conservative policy of accelerated provisioning for all the unsecured retail loans. For instance,

Credit Cards : the Bank's policy provides for 100% provisioning and fully writes off at 180 days

Microbanking : 50% provisioning on slippages in Q4FY21 (up from 25%). This is in addition to the fact that approx. 45% of the microbanking book is covered by FLDG which provides further risk mitigation

Retail Unsecured : 50% provision on the slippages in Q4FY21 (as against 25%)

As can be seen in our largest retail business segments, cards and micro banking, we do follow a conservative provisioning policy. Further, while both the businesses did suffer from higher than normal slippages due to the pandemic akin to what we would call a major stress scenario, the businesses were still profitable at the segment level despite the accelerated provisioning policy. And this is a very important point to consider from a business model perspective and the related perception of risk and also therefore, we have sufficient earnings power to manage and grow a high-risk retail portfolio, such as cards and MFI.

Furthermore, on credit costs in our credit card business, we have been within our expectations and we believe that these credit costs will normalize to pre-pandemic levels from the second half of FY'22.

Lastly, on business loans, we follow IRAC norms on provisioning. Our LTVs, as we reported earlier, are approximately 65% on the affected portfolio, and there is enough value in the collateral to ensure minimal expected loss in this portfolio.

Given the accelerated provisioning done on the unsecured loans, plus the additional prudential provisioning taken, together with the recovery expected in the secured MSME loan segments,

the bank expects to see a further increase in the PCR in the coming year. As I've indicated, it could be an additional 8% to 10% for the year.

On restructuring and ECLGS, our total restructuring was Rs.927 crores, little under 1.6% of advances, well within our expectation. Of this, the wholesale was Rs.347 crores and retail was Rs.580 crores. We have taken requisite provisioning on the same.

On ECLGS, we have very prudently extended the scheme to our customers, aggregating to value of Rs.1,212 crores to help them tied over their short-term stress. Of this Rs.680 crores was in wholesale and Rs.530 crores was in retail.

Let's talk about the "Operating Performance."

First about fee income.

Fee income grew 8% year-on-year to Rs.2,058 crores. Similarly, our core fee income despite the shutdown in the country during the first half of the fiscal was higher year-on-year. This is despite the impact of core fee income reversals of approximately Rs.144 crores in FY'21. For Q4'21 core fee income grew 40% year-on-year and 33% quarter-on-quarter to Rs.660 crores, higher than the pre-COVID levels.

Our granular retail businesses, led by credit cards accounted for 80% of the core fee income, it was 77% in Q4 FY'21. Credit card fees grew 25% year-on-year and general banking income grew 30% year-on-year in Q4'21. Given the bounce back in credit cards together with the expansion of a branch footprint, we remain confident of expansion of core fee income in FY'22.

Coming to net interest margins - For Q4'21 it was 4.17%, flat sequentially and 4.48% average for the full year in FY'21. NIMs for the full year were impacted because of the interest reversals to the tune of approximately 50 basis points as well as the excess liquidity the bank has been carrying on its balance sheet. We expect NIMs in FY'22 to normalize to the 4.75%-plus levels.

We have seen sustained improvement in (PPOP) the pre-provision operating profit throughout the year from Rs.690 crores in Q1 to Rs.720 crores in Q2 to Rs.807 crores in Q3 and to Rs.877 crores in Q4. For this fourth quarter, the PPOP was up 17% year-on-year and 9% sequentially.

In terms of our deposit franchise, our key objective has been to keep increasing the contribution of retail deposits, improve our CASA, maintain healthy levels of liquidity and increase the tenor of our liabilities, and at the same time reduce cost of funds.

I'm happy to report that there has been substantial progress on all fronts. Total deposits grew 26% year-on-year and 9% sequentially to Rs.73,121 crores. The proportion of retail deposits as per the LCR definition in the bank deposit has grown from 32.9% as of March 2020 to 37.2%

as of March 2021 on a growing deposit base. On an incremental basis retail LCR deposit constituted 54% of our total deposits raised in FY'21. The daily average LCR for the bank has consistently been well above regulatory requirements averaging 154% for Q4'21. In line with our peers, we've also reduced rates on savings and term deposits since March 2020. As a result of this, and improving CASA position, the cost of deposits for the bank has reduced from 6.4% in Q4 FY'20 to 5.45% in Q4 FY'21. We expect continued moderate reduction during FY'22 also.

CASA deposits growth was strong at 36% year-on-year and 11% sequentially. CASA percentage was at 31.8% in Q4 '21 as against 29.6% same time last year. We also calibrated advances growth given the general environment which has also helped to materially improve the credit-deposit ratio.

So, to sum up, we have seen very robust growth into granular deposits and we expect this trend to continue going forward even as we continue to add to our distribution, both physical and digital.

Having said so let me talk about driving digital banking solutions. In FY'21, the bank's focus on digital payments was to build stickier client engagement and transactions and float revenues.

Some of the achievements in this space in FY'21 are as follows:

Onboarded 190 wholesale banking clients in the last one year, contributing to current account balance.

The bank's AEPS service is ranked fifth in terms of transactions processed in the country. We process around 30 lakh transactions per month.

The bank has achieved over 25% market share of disbursements in the MFI payments segment. The bank has launched rupee drawing arrangements, RDA recently, which is averaging 15,000 transactions per day.

During FY'21, API has increased from 30,000 API transactions to 5 lakh API transactions per day.

The bank also recently launched e-Mandate services as a sponsor bank, and currently processes around 10 lakh mandates per month.

In our branch banking business, we have been building digital acquisition processes for the past 3.5-years with 40% to 45% of our monthly sourcing on savings account is now through digital. Balances of digital accounts have grown 4X over the last four quarters, backed by strong hybrid onboarding and engagement strategy of voice plus digital. Over 40% active customers have more

than three products enabled by digital journeys. So, we believe this has been a phenomenal performance for the bank.

In terms of some other performance metrics, as far as advances are concerned, it grew 4% sequentially and 1% year-on-year. Retail advances grew 13% year-on-year and 4% sequentially whereas wholesale advances grew 3% sequentially...of course, wholesale was down for the year. Retail-wholesale advances mix stood at approximately 59:41. Overall, year-on-year total revenue growth was 5%, NII was flat and other income was up 38%.

PAT for the quarter was 75 crores, down because of the accelerated additional provisioning that we have taken and also on the Supreme Court mandated reversals. For the full year, PAT was Rs.508 crores, just about the same level as last year. Our capital adequacy ratio as at March 31, '21 was at 17.5% with a CET-1 of 16.6%.

To sum up, the pandemic has been worse than what we had expected at this time last year, but our balance sheet fortification through derisking both sides as well as adding capital buffers and revenue engines going, makes us well placed to take the franchise forward. While we are closely watching the impact of the second wave and are prepared to handle any short-term disruptions, our business engines are in good shape and have been further tightened to be in a far better position to tackle the impact of a second wave and any potential partial lockdowns.

I do want to take this opportunity to talk about scaling up of our domain expertise to gain market share and a little bit about our new sort of business products.

While remaining watchful, conservative and agile, the focus going forward would also be to scale up in segments where we have domain expertise and critical mass, which is, of course, cards and MFI, and to also invest in new secured growth engines, i.e. housing finance, tractor, two-wheeler, gold, and continue to sustain granularity across businesses and maintain the deposit traction. So, essentially, that is the so-called if I may say the growth direction and focus for the institution going forward.

We are gradually accelerating our retail businesses with a stronger focus on secured retail businesses, while at the same time maintaining our market share in credit cards and microfinance where we have built industry-leading franchises. In affordable housing, for instance, we have 66 branches currently and in the current fiscal year the plan is to add another 75 branches.

Just to give you some more information, we ended the year with Rs.1,669 crores of home loans through both self-origination and selective portfolio purchases, this will continue.

In the semi-urban markets where we run our micro SME businesses, the incremental focus will be on the secured loans of ticket sizes in the 10 to 25 lakh range. We have moved away in this segment from unsecured loans.

In rural markets, we are taking initial steps to build a tractor finance book. This will see greater traction in the coming years.

In our micro banking business, we are introducing secured products such as loan against gold, home improvement, and two-wheeler loans as cross sell products to our large customer base.

We will continue to invest in credit card franchise through better cross-sell and customer value proposition and are prepared to take advantage of the current market opportunities. Cards is now seeing decent growth traction as the situation on the ground has improved. The business has been profitable in FY'21. And as the economy normalizes, the bounce back in these businesses tends to happen faster, therefore providing good growth and ROA impetus.

Cross-sell will be a key focus both from branches originating more asset products as well as mainstreaming asset customers across MSMEs and credit cards through further cross-sell.

In micro banking, outside of the three, four impacted states, the businesses on the ground are doing well with overall collection efficiencies at 97%. New originations with tight filters is now approximately half our book and collection efficiencies are at pre-COVID, i.e., exceeding 99%.

In our wholesale business, we will selectively look at opportunities in segments like multinationals, customers, NBFCs including HFCs and IFIs which has seen decent growth where asset quality has held stable with no material delays or defaults. We will also look to grow the commercial banking franchise with a focus on multiple bank products.

In terms of other opportunities in wholesale, while overall corporate demand has been muted as companies, increasingly deleverage, we have been looking at making inroads through digital solutions, foreign exchange, trade and cash management, and deposits, etc., In fact, our trade and FX momentum in Q4'21 and even in April is now at pre-COVID levels. Tactically, given the surpluses we are running, we have also been deploying this for short term opportunities with the highly rated corporate names. As credit growth happens, some of this low pricing is expected to normalize.

In Digital Banking, we hope to continue to maintain the lead in digital banking innovations for both enterprise and retail customers, driven by innovative product offerings with fintechs for retail and business customers.

And lastly, we continue to significantly increase digitization in operations for a robust backbone infrastructure.

Now, to talk very briefly on our distribution, we ended the quarter with 429 bank branches, up from 386 in the previous quarter, 1,365 BC branches, up from 1,245 in the previous quarter, and 412 ATMs, up from 389 in the previous quarter. The focus on expanding the distribution

franchise will continue as one of the key channels to add relevant customer base to the bank's growing franchise.

At this stage, before I come back and talk to you some more, I will hand over to Harjeet to take you through some details on the retail businesses, which I'm sure you will eager to know about.

Harjeet Toor:

Thank you, sir, and good evening ladies and gentlemen. The year FY'21 has been an unprecedented year on many fronts, the ever evolving situation around the pandemic and lockdown scale of disruption in the economy and the challenges in navigating business operations through this situation. As we entered into the lockdown towards the end of March '20, we started our scenario planning exercise in terms of what to expect and thereby our business forecast. But I would be the first to admit that we didn't expect a lot of things that unfolded in the subsequent six to nine months, the prolonged lockdown and subsequently the unlock phase and the associated restrictions for over nine months, extent of disruptions to the small business segment, the two moratoriums, restructuring and the Supreme Court standstill, the quick bounce back in terms of pent up demand, and now unfortunately, the raging second wave and restart of partial and intermittent lockdowns. However, despite all of this, we still managed more or less to deliver on our forecast and guidance in terms of GNPA and credit costs. This was largely due to the agility in the business processes to adapt to evolving situations and thereby implement portfolio actions, customer communication and collection strategies.

Also, during this period, conscious effort was made to ensure that business and portfolios became stronger and resilient. Some of the changes made were structural in nature and will help in navigating such challenges in the future. Some of these are enumerated below.

Significant migration of business processes to digital, thereby reducing or eliminating the need to physically meet the customer. This is across new customer origination, through engagement and service collections and also internal team management.

Ability to quickly scale up businesses, business origination run rates, the moment external risk environment is conducive for growth. And this despite tightening the acquisition risk filters.

Ensuring existing portfolios are more resilient to future shocks Part of this is due to accelerated flow through to losses of weaker segments during this pandemic. But a large part is on account of the ever growing contribution of the new business book which is superior in this quality based on learning so far. The analytical risk models, forecasting models, etc., today are much richer factoring in the actual performances seen during the stress period.

Ability to run collection operations digitally. Bring down cost run rate quite appreciably in FY'1, not only because majority of the costs were variable, but also a lot of reimagining of cost structures through zero-based budgeting and altogether eliminating some costs.

So, for example, today in our cards business, we are acquiring customers at pre-COVID run rates with much tighter acquisition filters. Our salaried contribution and geographical distribution in new acquisition is more than the portfolio average. We've also brought down our risk appetite measured through leading indicators like the six months 30-plus from 3.5% to 3% and accordingly the scorecards have been adjusted.

Spends are higher than pre-COVID level run rate, March '21 versus March '20 is higher by 28%. Spends for active cards are also up by 8%. We have seen customers remain engaged throughout this tough time, while changing the proportion amongst category of spends as per their needs. Overall, we have gained market share in spends by 30 basis points year-on-year and are at 4.7% and have clocked slightly higher spends in FY'21 over FY'20 despite the lockdown,

We now have a better understanding of how different segments performed through extreme stress and hence, these learnings are built into our risk models guiding portfolio build-up. Our limit assignment and management strategy is far more prudent than the industry and is seen in our lower dollar loss rates for the same number loss rate, that is, our loss rates by value versus loss rates by number of customers is around 16% lower than the industry. Details on our limit allocation are shared in the investor deck.

Therefore, despite apprehensions that a card portfolio was not seasoned enough or did not have enough contribution of internal bank customers, the portfolio has performed equal to or better than the industry throughout this extreme stress phase.

Similarly, in micro banking, in the last one year, we've been able to evolve processes, enabling us to seamlessly manage branch operations and customer engagement across 1,200 districts.

We've been able to significantly strengthen the collection operations especially the ability to collect in the absence of center meetings. We've been able to engage with the 3.3 million customer base every month consistently on phone through our loan officers. This has enabled them to collect through center leaders or individually from customers, whenever center meetings have not been possible due to COVID restrictions.

Our onboarding and other branch operations have now completely moved to digital and customer identification is through biometric Aadhaar, thus reducing instances of fraud, ringleaders etc.,

So, all in all, while we have seen increased risk especially in a few impacted states, our micro finance portfolio has performed much better than the market. Our 90-plus DPD portfolio as of Feb was at 2.5% as compared to 5.35% for the market as published by the credit bureaus.

Therefore, to sum up, we have been able to modify our businesses during the last one year, and we are far more resilient to navigate the second COVID wave and subsequently quickly ramp up as and when the opportunity presents.

I would now like to talk about the performance of our businesses in Q4 FY'21 and some of the trends we have seen. Let me start with credit cards.

We issued 3.82 lakh new cards in Q4 versus 3.5 lakhs in the previous quarter. Overall, in the year the new card issuance was at 9.8 lakhs versus 14.5 lakhs in FY'20.

Market share in terms of cards in force was at 4.7%, up 10 basis points year-on-year.

Spends continue to be strong and were at Rs.9,170 crores in Q4, up 6% quarter-on-quarter and 10% year-on-year. For the full year, spends were at Rs.29,500 crores slightly higher than FY'20. Per card spends and active rates further improved over Q3 FY'21.

We have a restructured book of only around Rs.274 crores which is 2.2% of our cards book as at March end. Of this Rs.50 crores which is 0.4% of the book is in the 30 to 90 DPD bracket. GNPA as at Q4-end was at 5.5%.

Credit cost was at 10.4% for the full year versus 7.6% for the nine months FY'21 and is in line with our estimate at the beginning of the year. We are also seeing they will start paying back their dues even after they've been classified as NPA post the vacation of the Supreme Court of interim order. Of the total GNPA of 5.5%, 1.3% of customers have been paying one or more dues. So, the 90-plus DPD is at 4.2% versus GNPA of 5.5%. However, we continue to carry NPA provisions on these as well.

We believe that GNPA's have peaked and will start coming down from the next quarter as we write-off the impaired book. Credit costs will remain elevated for another quarter or maybe two depending on the impact of the currently raging pandemic and then we will see it coming down to normal levels over the rest of the year.

We today are the fifth largest card player in the industry and are confident that we would continue to grow in this business in a prudent manner and maintain or grow our market share. We continue to add more partners and channels and further diversify our business. Technology continues to be the backbone of our success with digital and instant customer journeys for new acquisition, plus a rich and consumer-friendly card management app which is used by more than 2 million customers.

Let me now talk about "Micro Banking."

The micro banking book saw a growth of 6% over the previous quarter and 11% year-on-year. This was despite negligible disbursement in the four impacted states of Assam, West Bengal, Maharashtra and Punjab.

The collection efficiency improved further and was around 97% on an average for Q4 FY'21. The new portfolio which is around half of the total book continues to perform at over 99.5% collection efficiency levels.

We are still being watchful in the four impacted states and we look for clear signs of improvement before we start doing incremental business there. GNPA for the quarter was 3.67% versus 2.7% in the previous quarter, and came in lower than the 5%, 5.5% indicated earlier in the previous quarter.

Credit costs were at 2.37% versus 2.5% indicated earlier. This was largely on account of improved collection efficiency in the quarter. About a third of this impaired portfolio is covered under FLDG. However, as reported last time, the phenomena of erratic payment behavior by a certain set of customers continues with them missing one or two installments and then paying again. Therefore, they continue to remain in delinquent buckets. This coupled with the situation in the four impacted states indicates that we may see GNPA levels remain elevated in the next year.

However, as compared to the industry, the 90-plus DPD numbers for the RBL Bank portfolio are at 50% levels of the industry as of Feb as per data from the credit bureau. More information on this is given in investor deck.

We continue to closely work with our customers through this period and continue to lend in markets which are not impacted. Our focus in FY'22 is going to be to deepen relationships with existing customer households and offering a range of products from deposits to home loans, two wheelers and loan against gold. Our deep branch distribution across 415 districts in the country is our strength, which we intend to leverage as we grow this rural portfolio.

Now, on to "Business Loans."

The small business segment continues to be impacted though we did see business volumes start to pick up in the last three to four months. While manufacturing and trading segments were relatively quick to bounce back, the service sector recovery is slow. The advances book declined by 1% quarter-on-quarter but grew 3% year-on-year.

The collection efficiencies however came back to pre-COVID levels in this quarter. With the lifting of the Supreme Court stay on standstill status, we expect recoveries to improve. We also have seen the repayment stickiness, which we measure as percentage of delinquent customers who continue to remain regular after resuming to pay their dues, improved to a high of 98% which is better than what we used to see pre-COVID. The collection efficiency on the current book is now 99.3% which is equal to pre-COVID. The collection efficiency on the book including the delinquent book is 96%. We are still cautious in this segment and new disbursements are quite measured and controlled with much tighter filters. Restructured book here is Rs.280

crores which is about 2% of the book. And as of now, around 10 crores which is only seven basis points in the book is between 30 to 90-days.

Now, let me just share something on the housing segment. The advances in the housing loans were at 1,669 crores in Q4 FY'21. We now have 66 branches that are operational and we look to add another 75 branches in FY'22. The average ticket size is around 16 lakhs. We find our target segment is between 10 lakhs to 75 lakh loan size.

Approximately, 79% of the portfolio is salaried. We will continue to accelerate growth in this business as we see it as a resilient secured book and this is being built in a manner to be able to withstand economic shocks as we have seen happen for this industry during this pandemic.

Before I end, I would like to give our view on the emerging situation of the second wave of infections and the sporadic lockdown that have been announced in the country. As of now, we believe it is difficult to give guidance around the impact and severity of the disruption. We are adopting a wait and watch strategy but at the same time, we have significantly tightened our acquisition filters further.

In cards, we have cut out an incremental 20% sourcing. In micro banking, we continue to remain focused on collections and are not disbursing in the impacted states. In business loans, we have stopped all unsecured loans and are now doing very selective secured business. We have seen this year that growth can be quickly ramped up when the market becomes conducive. The collection capacities which we had built up for the higher delinquent volumes last year are still being maintained. We are quite confident of tackling any worsening situation at this time. The playbook is quite well defined. However, we hope that this time the lockdown or dent in economy will not be as severe because of the rapid push towards vaccination.

I would now like to hand over back to Mr. Vishwavir Ahuja for his concluding remarks.

Vishwavir Ahuja:

Thank you, Harjeet. Even as one looks at the near-term challenges of managing COVID, very important that on the learnings of the last several years, and more specifically, the changes accentuated by COVID. The financial services industry was changing anyways. But COVID has accentuated the changes both in terms of speed and scale. It is no secret that many banks that have been born in the last 10, 12 years have predicated their opportunity on the large untapped market from a quality of supply perspective. The belief was that it is all right if you just build it well. We have held that belief also in large part, even as we built this franchise starting 2010 and sort of built it well and including built new businesses in micro banking way back in 2011, and that of the cards in 2015, leveraging technology and partnerships. However, the changes in the competitive environment, enabling regulations, and that of a more empowered customer has changed this belief forever we believe at least in our view.

Collectively, these changes are making a significant impact on the durability of the banking notes and the economics of our businesses. It is not an exaggeration to state that while from the outside the business of banking might appear the same as before, but the capabilities, choices and tactics that will give banks a leading edge will need to be different and specific to each institution.

What is needed therefore is to look at the opportunity through different lenses. Combine and recombine our resources more intelligently and with speed. It would imply that we have to strengthen some existing foundations, build newer capabilities and de-emphasize some old approaches.

Some of the foundational capabilities that we will seek to strengthen are:

A) Agility. The pandemic has heightened the need to rapidly realign our operations, technology, interactions with customers, etc., to meet the change requirements and with speed. While the pandemic will certainly be behind us one day, this organization muscle will be very important.

B) Use of technology and data. In many of our businesses we were always tech and data first. But this has now become almost a base level requirement across origination, risk and customer engagement.

C) Creating certain right to win franchises. The bank was early in microfinance and in cards, leveraging tech and partnerships as we said before and has been able to create scale even in a tough year. These businesses have remained ROA-positive. This will be our constant endeavor. We are now leveraging our distribution in Bharat acquired via micro banking to enhance our product offerings, such as affordable housing, tractors secured MSME loans and loans against gold.

D) Changing the internal dynamics around client segments and how we create cross leverage. This is perhaps our most ambitious project. We have nearly 4 million customer relationships in metro urban India to a branch banking and card franchises, of which 60% interact with us via digital channels. And we add between 1.5 to 2 million new customers every year. We have been running an internal project, Abacus to see how in a modern way we can build customer pull for broadening our relationships. Across one lakh customers this has been very promising, and we now intend to give it more momentum in terms of tech, design and branding. We will keep you updated on this over the next few quarters.

E) Leveraging partnerships to generate new businesses and scale. We do have a deep DNA for partnerships with startups, fintechs and even established players, this we have demonstrated. This philosophy permeates most of our client segments. Our belief is that customers of financial services will use the bank services, not just through brands, and now the app but also through

our partner ecosystem. Embedding our services through these partners will allow us to expand the customer acquisition at lower cost.

And now, a few risk management principles that we will adhere to:

- A) Granularizing deposits, reduction of cost of funds.
- B) Reasonable diversification of asset businesses across secured and unsecured reducing concentration risks.
- C) Maintaining strong capital position throughout.
- D) Increasing PCR over the next years to through the better industry standards. And
- E) Improving earnings diversity and predictability.

I stop here with this. We will now take the questions.

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

Kunal Shah: So, firstly, maybe we have mentioned in terms of the strategies of granularization as well as in terms of PCR, but do we have any buffer now currently, have we utilized any of it in Q4 and what is the contingency or provisioning buffer that we have on the balance sheet currently?

Jaideep Iyer: Kunal, what we did was we accelerated the provisioning on unsecured retail businesses and we've also provided for restructuring which is yet to get implemented. Essentially to that extent, we are not carrying anything forward in terms of expected provisioning on the current book. We are not specifically carrying anything additional in terms of COVID provisioning. What we have done is we have taken additional provisioning on our NPAs.

Kunal Shah: So, broadly if I want to understand in terms of almost Rs.3,100 crores of GNPL, but overall in terms of additions to GNPL of Rs.3,100 crores how would it be across the product segments? And if I were to look at it in terms of the credit cost of Rs.2,400 crores, if you can just give the broader break up for credit cards, MFI, corporate and other retail?

Jaideep Iyer: Broadly on credit costs. Kunal I think the data given in the investor deck...

Vishwvir Ahuja: Very detail data is there on slides 21 and 22... full breakdowns are there exactly to your question?

Kunal Shah: No sir, they are largely in terms of the GNPL and the net NPL I think.

- Vishwvir Ahuja:** In the following slide, breakdowns by category.
- Kunal Shah:** Yeah, that is of GNPL.
- Vishwvir Ahuja:** Have you got the slippages?
- Kunal Shah:** Yeah, I am actually searching... because there will be write-off across the segment.
- Jaideep Iyer:** Sure, sure. Sure. So, broadly about a little more than a third is cards; about 1,300 crores is cards, about Rs.390 crores is MFI, approximately Rs.750 to 800 crores is retail and wholesale is about Rs.600 crores, that would be the broad breakup.
- Kunal Shah:** This recovery which was there during the quarter in fact quite a significant recoveries as well as upgrades, no doubt it would be maybe accumulation of past three quarters as well in terms of the effort, but which segments are actually leading to this?
- Jaideep Iyer:** We had some upgrades in wholesale and retail predominantly and some in cards. Recovery also predominantly in secured and unsecured retail where the recovery is, to some extent MFI.
- Kunal Shah:** Last, in terms of maybe the way you articulated the strategy, but finally, when we look at it in terms of the overall book, how do we expect it given the opportunities which could be there, how do we look at the growth? And finally, in terms of maybe any guess wherein we would have in terms of the credit card that not getting it beyond 20%, 25% of the portfolio or unsecured not going beyond a particular level of the balance sheet?
- Jaideep Iyer:** Kunal, I think, first of all, it's a little bit of a dynamic environment, because we are again into some level of uncertainty. So, essentially, we will look at where we think the risk reward is stacking up given the environment. So, there is no hard and fast rules. But having said that, I think on a two-year basis, we will definitely want to reduce unsecured exposures in retail. Predominantly sticking to unsecured between cards and MFI, de-emphasizing unsecured outside these two portfolios and adding to secured engines like Mr. Ahuja mentioned in speech, wherein most new products in retail that we are either scaling up or introducing is on the secured side. And also, more importantly, adjacent to our current strategies, where we are able to either leverage the customer base or the distribution network or both.
- Vishwvir Ahuja:** If I may add one sentence, that the proportion of unsecured will continue to go down from so called this moment onwards. And like he said, in a two year timeframe, we do hope that it will go down by maybe 7% to 10% of the total book from where it is right now. So, that's a broad directional endeavor of the bank in terms of how we want to build the future. I know it was a bit much, but something that I was trying to sort of say in terms of the forward journey of the bank, that entire shift is something that we need to bring about, in terms of the new way of banking, and we see the landscape definitely changing. And we certainly will want to use our agility, our

tech and digital strengths and also the way we look at fintech and other partnerships, like we said to make sure that the future journey is more about how you serve the customer rather than in very traditional terms of building balance sheets, etc., So, I mean, that's the outlook. So, all of this that you're asking will be very if I may say, automatic, if we are able to successfully implement our new vision. Second wave surge has come. Otherwise, we would have put out a whole vision document, that is what we were hoping to do. But somehow in the last month or so, everybody's mind space and energies and time has got a bit distracted on the health front. But that is something we will do in quick time and put this so-called new design and new thing out there for everybody. But to more simply answer your question, I think Jaideep has given you a very good answer. I just want to overlay the sentence like directionally that is the way we want to move forward. But we don't want to give up where our strengths are, we also don't want to give up our ability to sort of scale up and maintain leadership in the so-called businesses where we already have a premium position and which are also giving us very decent ROAs.

- Moderator:** Thank you. The next question is from the Jai Mundhra from B&K Securities. Please go ahead.
- Jai Mundhra:** Wanted to check first is in the recovery upgrade, is there any lumpy corporate account which got downgraded and upgraded upon restructuring, is that understanding right?
- Jaideep Iyer:** No, Jai, we've not had any COVID-related restructuring upgrade, we've had an old NPA which got upgraded because of change in management control. Nothing lumpy.
- Jai Mundhra:** Third is on MFI. Now you have said in your opening comments that in the four states we have not been kind of virtually strong disbursement. So, if you can share, a) the par book for entire MFI as of now and maybe the growth outlook that you have in the entire MFI space?
- Harjeet Toor:** So, the par book 30-plus in the MFI is about 7%. And from a growth perspective, if you look at it, we are basically as of now as I said cautious, we are not still disbursing in the four states, in the others we are, but with the pandemic which has suddenly started raising up again, I think the focus has shifted back to collections. But existing customer disbursals continue to happen. In any case, this quarter is usually a weak quarter for MFI.
- Jai Mundhra:** The last question is as we conclude FY'21 I think the entire impact of first wave is there in the numbers if I were to just calculate the slippages for the entire retail book would be around 7% something and you add 1.5% of restructuring, which is 8%, 9% kind of a stress route through for the first wave. Early times, but still would you hazard a guess that how severe maybe the second wave, but the impact should be lower than the first wave at least for the retail portfolio or how would you think the second wave versus first wave impact?
- Vishwavir Ahuja:** When I was speaking, I was trying to say the same thing that there are two things which we've done; one is that the existing portfolio has become far more resilient and the credit quality has gone up, partly because the weaker segments have gone out and also because the entire new

acquisition which has come in is performing much better and is holding up, whether it be the cards business space or the retail loan space or the microfinance space. And the same even today as we speak when we saw signs of the second wave coming in, we further tighten the acquisition filters. So, the other thing I think we need to keep in mind is that when the lockdowns happened in let's say end March, the first one or two months where everyone was taken by a little bit of a surprise and therefore then one put in one strategies and therefore got into the act. But now, I think the operating manuals and the processes are fairly well laid out. You know, when a lockdown happens in a particular place, what is to be done, what operating procedures are to be put in place. So, we are far better prepared to be able to handle this. So, if you keep this in mind, definitely, the second wave impact should be much lower. And also one needs to be at least hopeful that the second wave duration will be much smaller because of the increased vaccination rates which are supposed to be happening right now as we speak.

Moderator: Thank you. The next question is from the line of Rakesh Kumar from Systematix Group. Please go ahead.

Rakesh Kumar: Sir, my question is pertaining to the wholesale book. So, if I see there is a sharp change in the yield what we have gone through around 7.6% and considering the funding cost and considering that we have 1.85% gross NPA and 93 bps net NPA number so close to 100 bps, number of credit cost is there as well, so, like how much is the ROA way that we generate on this wholesale book which is I think dragging overall performance for the bank, so if you can, clarify on this?

Jaideep Iyer: We are in a transitional mode on wholesale. So, naturally when you take the business deal, the idea is to kind of first derisk the business. Once at the current income generating levels with our cost of funds coming down, we are quite confident that once the normalization of provisioning happens, which should pretty much happen unless there is something very extraordinary happening next year, we should start getting into making reasonable ROA, it's not going to be anywhere close to what one would make in retail given the profile of customers that we will want to deal with. But it's not only to look at a standalone business of ROA for the wholesale book; one, it gives you size and scale. second, it gives you a presence; third, it gives you an opportunity to cross-sell SME, commercial banking, retail salary accounts, etc., So, you can't look at that business in isolation purely from an ROA standpoint. Having said that, I think we will want to do low risk medium return kind of business in that with granular structure. I think we do not want to obviously go back to a bulky structure which hurt us in fiscal '20.

Rakesh Kumar: In the credit card business, what is the delinquency rate that we have in Bajaj and non-Bajaj originated book if you can tell us?

Harjeet Toor: Typically, that book is better by about 25 to 30 basis points, so not much difference.

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

- Manish Shukla:** On microfinance, did I hear you right that you restructured about Rs.280 crores?
- Harjeet Toor:** No, Rs.280 crores book on the business loan side. Microfinance book is Rs.30 crores.
- Manish Shukla:** Other question is what is the average duration of the MFI book pre-COVID and post-COVID?
- Harjeet Toor:** About 18 months, not much of a change. Typically, we do either 18-month loans or we do 24 month loans.
- Manish Shukla:** In terms of the collection model, is the frequency of collection changing or how are you thinking about it?
- Harjeet Toor:** Predominantly, our collection model is a monthly collection model and that continues. It is a small portfolio which is on a fortnightly basis but largely monthly.
- Manish Shukla:** To an earlier question, Mr. Ahuja answered that unsecured might decline as much as 8% to 10% over the next couple of years. Just thinking how do you think of it in terms of a blended ROA for the bank because the yield differential between secured and unsecured would at least be 500 basis points if not more so what does it do to your ROA aspirations?
- Jaideep Iyer:** So, Manish, we are also talking about products which are not like the prime mortgage products, we're talking about affordable, we're talking about gold and these are broadly I would imagine in the range of let's say 9.5% to 12% range kind of a book. And I think what will happen is that the amount of wholesale banking, pure asset growth will be lower, because as Mr. Ahuja said that will grow in let's say high single digit. So, that and we have some very low yielding. So, first of all, we are carrying exceedingly high liquidity today, and that has been the case for the last 12, 18 months, that should unwind itself. In addition to excess liquidity, we also have wholesale book which is deployed for liquidity purposes in terms of advances. So, as we right-size some of these businesses, I don't think the ROA impact will be dramatic. We will continue to obviously from where we are we need to go a long way up.
- Manish Shukla:** A couple of times normalized credit cost was mentioned. Given the book mix if you think you will get to, what you think that number would be, and how long before you get there?
- Management:** Manish, I think it's a totally evolving situation. So, I guess, we should kind of...
- Vishwavir Ahuja:** It will keep coming down. Directionally where we are is at the peak level according to me.
- Manish Shukla:** In FY'22 a normalized credit cost here or unlikely is the question?
- Vishwavir Ahuja:** No, no, no, no, because there is a first quarter impact, no, that is linked to what has happened. We all know that. Whatever books we are carrying right now, even say in the card we have taken 70%, 30% provisioning we have to take in the next quarter, so that credit cost has to be taken.

Similarly on the other business. Only on the corporate side, I think we are at more or less BAU level. Again, between some slippage and some recoveries that may even out like, so, it may not be material at all. But on the retail side there is still like Jaideep clarified very clearly that the first half, we still have to watch, the second half certainly will reflect much lower credit costs. First half will be very difficult to say at this stage. It'll be lower, but how much lower you cannot say.

- Moderator:** Thank you. The next question is from the line of Saurabh from JP Morgan. Please go ahead.
- Saurabh:** Two questions; one is, what will be the loss in the card portfolio for fiscal '21. And second is your savings rate and your term deposit rates are very close to each other. So, when do you think you can start rationalizing the rate?
- Harjeet Toor:** The credit cost in the cards book is about 10.35% for FY'21.
- Saurabh:** In Q4 as well, this would have been a similar number or...?
- Harjeet Toor:** I am talking about the full year, so it was obviously the first two quarters of the year did not have anything, has largely come in the Q3 and Q4.
- Saurabh:** As you normalize by H2, you would expect to come back to that 4.5%, 5% ROA?
- Harjeet Toor:** 5.5%-odd by H2 is the normal run rate.
- Saurabh:** On the deposit rate?
- Jaideep Iyer:** On the deposit rates, we obviously continue to rationalize the rates, we have materially reduced the rates at the bulk end of the bucket, so we have an inverted curve there, we want to continue to encourage granular retail deposits, so that we get customers into the bank and then of course, cross-sell both assets and other key products. So, I guess that strategy will continue. But at the same time, clearly, both directionally will keep coming down over the next two to three quarters at least.
- Saurabh:** One follow up, on slide #39, so, your spend market share is 5%, your advances market share is 11%. Why is that on cards portfolio?
- Harjeet Toor:** If you look at it our advances, we've always followed a strategy of doing both spend linked loans and somewhat out of limit loans, etc., on our card base. Objective being to try and maximize on our earning book and therefore, you see this correlation where the advances market share will always be higher. We along with one or two market leading players do have a higher let's say advances per customer, which we run with because of the strategy we just mentioned.
- Saurabh:** So, this is basically the EMI loan, right?

- Harjeet Toor:** That is correct.
- Saurabh:** And will be the mix between the revolve rate and the loan?
- Harjeet Toor:** Revolve rate if you look at it on slide #40 you will see the book different.
- Moderator:** Thank you. The next question is from the line of Adarsh Parasrampuria from CLSA. Please go ahead.
- Adarsh Parasrampuria:** I had a question on the comment that you made on the unsecured book, right. I believe in cards and MFI, we have given core portfolios and the share has accreted over the last four or five years. Just wanted to understand the share drops to 33% in FY'21. Over a time period it will drop by 5 to 10 percentage points, is that correct, this 33% share?
- Harjeet Toor:** So, please understand that we do run some other unsecured businesses as well, partly in the MSME side, we did run some on the business loan side we had a very small personal loan book as well. So, those are the businesses which are not going to grow at all. In fact, a lot of them have been stopped. And therefore on the other side, the secured businesses will start growing much faster. Because when we start doing things like mortgages, the tenors are long and the book stays longer. And therefore the growth in the book is that much more. And that is how the mix will change.
- Adarsh Parasrampuria:** So, these comments has nothing to do with how we look at on a forward-looking basis, the parts are the MFI portfolio...?
- Jaideep Iyer:** As we said that we will continue to grow in these businesses and our market share will be either maintained or grown.
- Vishwavir Ahuja:** So, let me step in here. I think it's been misunderstood. If you take the bank as a whole, there is a certain percentage of unsecured in a year that has several components. Two of which are cards and MFI. And then there are two, three other components coming from the retail part. And then some component coming from the wholesale part also. There are many times where even on the wholesale side, you do unsecured for certain names when you want an entry into a company initially for a few months, use the unsecured before they bring you into the consortium and things like that or you may do short term lending to public sector companies which are, usually unsecured. So, there are many components to unsecured. Overall, the proportion of unsecured for the bank as a whole, the comment I made was in that context that that shall come down. And within that category, we are going to directionally bring down wholesale unsecured. And these two, three components of retail unsecured, which Harjeet just clarified. But as far as cards and MFI are concerned, these are our pockets of strength, these are our businesses where we have strong competitive positioning and these definitely are our growth businesses also. So, there will

be a rebalancing of the portfolio from that point of view, overall leading to a reduction in overall unsecured versus the total. Does that clarify?

Adarsh Parasrampuria: Partially because I would still believe that cards and MFI is 33% of the portfolio and they remain growth portfolios. So, until unless you tell me that cards and MFI are not going to grow or some parts become the focus areas, mathematically difficult to add up to the fact that because this 33% is a very large number and it's specific to us and obviously the strength areas. Or if you can broadly tell me out of like say the book, right, 33% as I said is cards and MFI, what percentage of the portfolio would be other unsecured, right, be it sitting in corporate, be it sitting in retail ex-cards. So, 33% is cards and MFI unsecured which is clearly growth. Ballpark number is good enough.

Vishwvir Ahuja: So, there is a significant portion sitting at wholesale right now. And that is something that has been deemphasized already. So, you will see that number pair off. I think easily a 5% overall reduction on the balance sheet will come from there without touching card growth. So, that takes care of most of what I said. And on the retail side, 3% is what Harjeet was talking about, about the piece that we don't like. So, four, five there in a two and a half, three year is about 6%, 7%. And that's all I was talking about.

Adarsh Parasrampuria: Now that part is something that comes off very sharply because either you've stopped or you are going to let the business run off very soon?

Vishwvir Ahuja: Correct.

Harjeet Toor: Also, keep in mind that in the last one and a half years business loans, which was a secured engine, because of economic conditions, almost 1.5, 2-years has not been growing very aggressively and that's been a conscious strategy. But now when home loan comes in which is largely to the salaried segment, that is a segment which will therefore grow fast and therefore will be able to fill in that secured gap which was to some extent in the last one, one-and-a-half-year growth was missing.

Adarsh Parasrampuria: The only point that is that with our cost of fund differential versus a lot of peers, right, the point was raised in my last question, barring this 33%, which is cards and MFI, where blended yields would be in 20%, rest is the migration so sharp towards secured assets and obviously, from a credit side, it's okay, it is good, but I don't know what gives you an advantage to be in those businesses per se, right, like, some of the low yielding businesses really require presence of low cost of funds, otherwise, it makes very little sense to do those businesses. The 33% is only the profitable part, the rest was low ROA, and it will become even lower ROA right in a normalized business case.

Harjeet Toor: So, understand that when we talk of housing, what housing are we talking about, right. The reason we got into housing at this stage is one, we have defined the segment which we are

getting, so we're not getting in the 7% interest rate housing. The second is that we have roughly about 150, 160 small town branches where these housing is going to come from. So, we are talking about very granular level of housing, where interest rates today also run in the 9.5%, 10.5%, 11% kind of range. That is the housing which we will build. And the reason we are building that and where we have an edge is the fact that we have a distribution, there are not too many large banks, which play, there are a few HFCs which play there and that is the competition which we have which we will be faced with. So, there is a space which we believe we can make an entry into and there is a right to win which we see there. We are not therefore talking about getting into the bigger cities, the top-30 cities and therefore operating at the let's say 1 crore, 70 lakhs or 2 crore housing levels at 7%, that is not where we are getting it.

Vishwvir Ahuja:

And also, we have 50 bps on the cost. I think one more point I want to make is that given the trajectory of the profile of the deposit franchise, the way it is turning out, easily within this coming next few months, we have the potential of reducing cost of funds by another 40 to 50 basis points easily. So, we have reduced by 100 basis points in this last 10, 11 months. And as we have been dropping rates we have been seeing actually the deposit accretion on the lower granular retail side not only not to be negatively impacted, on the contrary, as you can see in all our ratios, the flow has been even stronger. So, we do believe that there is continued scope to keep bringing them down quite immediately actually, and not in any way decelerate the growth of the granular deposit base. So, the cost of funds gap is getting bridged. And I believe very strongly that in the next few months, you will see that getting bridged some more. Also, we are managing the credit cost side much more tightly. So, ultimately, our entire this thing is becoming more competitive from that standpoint. And we spend a lot of time talking about our digital platforms and those aspects of our business, which also bring down acquisition costs in other ways. And then we do play successfully already and that is another area of significant competitive strength and ramp up for the bank. So, you have to take it all in totality in terms of what we are saying.

Moderator:

Thank you. The next question is from the line of MB Mahesh from Kotak Securities. Please go ahead.

MB Mahesh:

Jaideep, a question for you. In the initial part you had indicated that the overall slippages was about Rs.1,300 crores and Harjeet mentioned that the total provisions made on this card book was about 10.5%, that itself translates to about Rs.1,200 crores. If I look at your slide on the net NPAs on the card book, it shows that there is another Rs.250 crores of provisions which needs to be made. How do you recycle these numbers?

Harjeet Toor:

It was Rs.1,100 crores.

MB Mahesh:

If I look at the slide on the gross and net NPAs, there's 250 crores of pending provisions in that book. Is this reconciliation, correct?

- Vishwavir Ahuja:** Correct on card book.
- MB Mahesh:** Second one in Exhibit 44, can you just explain what is this chart mean in on the top, the six months 30-plus comparison with the industry? I assume that you're talking about in March '20, the cards originated on that period, six months later, your NPAs in that book was 6%, is it?
- Harjeet Toor:** Not NPA. Origination in that period measured for 30-plus six months later both for industry and for us.
- MB Mahesh:** In September 2020, the origination which you've made in March 2020, it showed a book of 6% on the same slide?
- Harjeet Toor:** Yes, because you had a moratorium in which there was no aging happening. And also what happened was that there were cards towards the later end of where the applications that come in which we source towards the later end of March and a little bit in April which was a spillover, they immediately went into a lockdown situation and therefore you saw a little bit of a spike. And that is why the two months preceding that if you see you almost see six months, 30 plus, so you need to be able to even it out.
- MB Mahesh:** One would have thought that the incremental card origination would almost have a much lower delinquencies than what has been reported even in the previous years, right?
- Harjeet Toor:** It had. You have to understand that when you do six months with 30-plus, for a card which originated and straight away got into a lockdown situation, you would even have a few cards go up, that percentage looks very high. That is the reason why this is happening. Otherwise if you look at it, it would have never come down, the most of the card sourcing have started happening later and then you see this curve balancing back again.
- MB Mahesh:** This slide 42 you're comparing it with much 2020 numbers is it when you're looking at the 90 plus index delinquency rate delinquency rate, the shaded portion, with what should I see this number now?
- Harjeet Toor:** No, no, this is basically saying that each shade on an app, if you compare that segments delinquency at any given point of time, to the average delinquency, then how does it perform. So, for example, if my average let's say is 100, then salaried would be 94 basis points and self-employed 114 basis points, that's how to read it.
- MB Mahesh:** When you say sources, CIBIL of March 2020, why would you do that?
- Harjeet Toor:** No, that is a typo, that is not applicable here, it is purely internal data.
- MB Mahesh:** What is the write-off in the unsecured wholesale book?

- Jaideep Iyer:** I think nothing material this quarter, Rs.20, Rs.30 crores maybe.
- MB Mahesh:** The segmental data on profitability across segments, corporate book has turned profitable this quarter. Just wanted to check should we now assume that we have reached a point where this should be base run rate in which we are running?
- Vishwavir Ayuja:** I would say perhaps better because we are expecting some old recoveries to happen also now shortly.
- Jaideep Iyer:** There is some recovery noise here, but on an average, yes.
- Moderator:** Thank you. The next question is from the line of Hiten Jain from Invesco Mutual Fund. Please go ahead.
- Hiten Jain:** So, there has been a good growth on core fee income both year-on-year and sequential. If I just look at the drivers, it looks like it has come from trade and others. So, there used to be around 30, 40 crores at the quarterly run rate but this quarter at around 140 crores. So, what has exactly happened here?
- Jaideep Iyer:** No, there is a 60, 70 crores recovery from a written off account in wholesale in addition to all the recovery and upgrades that we discussed earlier in the call. When we recover from written off accounts, it comes up as revenue, so there is a 60, 70 crores element there.
- Hiten Jain:** Rs.40 crore has become 140-odd crores in trade and others. Even if I was to exclude this Rs.70 crores of one-off there could be a recovery from written of account, still, that number has doubled. So, is there anything more to it in terms of one-off?
- Jaideep Iyer:** No, then we've had a little bit above trend granular recovery from all other retail because obviously you're having a slightly higher base of written-off accounts given what's happened in the last six months. FX business is trending above trend. Trade is on similar lines, I mean, the usual bump up of Q4, nothing out of the ordinary.
- Moderator:** Thank you. The next question is from the line of Zhixuan from Point 72. Please go ahead.
- Zhixuan:** Just a quick question on the collection efficiency. I think for MFI and cards we have done pretty well in March quarter, 97, 100 percentage level. Do you mind give us some color on how is it doing in the month of April?
- Harjeet Toor:** In the month of April, the lockdowns typically started only from the middle of the month. So, for the last 15 days, we've seen a drop by about 2% to 3%. So, not material, but one has to see how this situation plays out in the coming months.
- Zhixuan:** Two to three percentage points drop, that is assuming a fall in MFI and cards as well?

- Harjeet Toor:** That is correct.
- Zhixuan:** I think you were commenting that credit cost we already saw the peak this quarter and going forward the first half also still elevated, could be lower, right. Just wondering whether you can put in more color on why is it driven mainly because this quarter, we have seen accelerated provision coverage on secured and going forward that will not happen or is it going to be driven by slippage coming down faster from the current level?
- Harjeet Toor:** So, the way it happens is that post the moratorium there was a certain bulging of the delinquency buckets which was there and with every subsequent quarter, either they get resolved or they flow into NPA and then in cards for example they get written off. So, the last portion of that is something which will flow in the next quarter, but majority of it is already done and post which the regular run rates come in and therefore the slippage also comes down and hence your credit cost starts coming down.
- Zhixuan:** Slippages at least come down from coronavirus well in first half, right?
- Harjeet Toor:** That is correct.
- Moderator:** Thank you, Ladies and gentlemen, that was the last question for today. I now conclude the Q&A session.
- Jaideep Iyer:** To the participants, I just also wanted to clarify on the provision coverage ratio, as slippages come down over the next year, and we start continuing to provide on our current book basis policy, we automatically should expect PCR to materially improve over the next nine to 12-months in the range of 7% to 10%. So, just wanted to clarify that in case there was some misunderstanding on that question. That was the last comment. Thank you very much everyone for attending the call.
- Moderator:** Thank you. On behalf of RBL Bank, we thank you for joining us. You may now disconnect your lines.