IDFCFIRSTBANK/SD/258/2023-24 **January 25, 2024**

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

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

Dear Sir / Madam,

Sub.: Transcript of Earnings Call for the quarter & nine months ended December 31, 2023

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, please find enclosed the transcript of the earnings call for the quarter and nine months ended December 31, 2023 conducted after the meeting of Board of Directors held on January 20, 2024, for your information and records.

The above information is also available on the Bank's website at the following link:

https://www.idfcfirstbank.com/content/dam/idfcfirstbank/pdf/financial-results/Concall-Transcript-of-IDFC-FIRST-Bank-Q3-FY24-Results.pdf

Request you to take the above on record.

Thanking You,

Yours faithfully,
For **IDFC FIRST Bank Limited**
SATISH ASHOK GAIKWAD
Digitally signed by SATISH ASHOK GAIKWAD
Date: 2024.01.25 18:36:33 +05'30'
Satish Gaikwad
Head – Legal & Company Secretary

“IDFC First Bank Limited

Q3 FY'24 Earnings Conference Call”

January 20, 2024

MANAGEMENT: **MR. V. VAIDYANATHAN – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – IDFC FIRST BANK LIMITED**
MR. SUDHANSHU JAIN – CHIEF FINANCIAL OFFICER AND HEAD CORPORATE CENTER – IDFC FIRST BANK LIMITED
MR. SAPTARSHI BAPARI – HEAD INVESTOR RELATIONS – IDFC FIRST BANK LIMITED

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

Moderator: Ladies and gentlemen, good day, and welcome to IDFC First Q3 FY24 Earnings Call hosted by ICICI Securities. As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Chintan Shah from ICICI Securities Limited. Thank you, and over to you, sir.

Chintan Shah: Yes. Thank you, Dorwin. Good evening, everyone, and welcome to the Q3 FY24 Earnings Conference Call for IDFC First Bank. We have with us from the senior management, Mr. V. Vaidyanathan, our Managing Director and CEO, along with the other members from the senior management team.

So without further delay, I would now like to hand over the floor to the management. Thank you, and over to you, sir.

V Vaidyanathan: Good evening, everybody. This is Vaidyanathan. Thank you very much for joining us.

Sudhanshu Jain: Yes. Good evening, everyone. I am Sudhanshu Jain. Thank you for joining.

Saptarshi Bapari: Hi. This is Saptarshi Bapari. Thanks for joining.

V Vaidyanathan: So good evening, everybody. First of all, thank you very much for joining us on this late Saturday evening. You have many results to deal with, so thanks for joining us. The key highlights for this quarter is that we have come out with Guidance 2.0. So when you think of for Guidance 1.0, which is what we gave at the time of the merger in December 2018, at that point of time, we almost thought that the first year will be gone in just dealing with many matters. So we gave a guidance for 2025.

While that guidance stays, and we will still keep it on the website and we'll track ourselves to it, you will continue to see it. In the interim, we just saw that this quarter marks exactly the end of 5 exact years after merger. So we've come out with the Guidance 2.0.

When we gave the Guidance of 1.0, we could just say that we really had very little visibility, because merger just happened, Capital First-IDFC just merged and the retail deposit book was something like about Rs.10,400 crores to be precise. The loan book was something like about Rs. 1,04,000 crores.

We had bonds about maybe Rs. 50,000 crores or Rs. 55,000 crores. We had wholesale deposits of about Rs. 30,000-odd crores. We had certificate of deposits, just two-month money, which was about Rs. 28,000 crores. So that's sort of an odd base on the deposit & borrowing side was largely institutional, we call it, 92% institutional.

Again, on the asset side, a lot of things, would have been under uncertainty. Under those circumstances, we still came out with the guidance. And then after that, we saw COVID, we saw many things. But I'm happy to say that almost literally on every benchmark, we are coming good. On one front, probably maybe 1 or 2 elements, they are not right up there, but I think we'll get close.

So, let me just say that during this period over the last 5 years, the key success for the bank has been deposits. Just to share with you that the retail deposits of 31 December, 2018 was precisely Rs. 10,400 crores.

Today, just 5 years, it is Rs. 1,39,431 crores. That is a growth of Rs. 1,29,000 crores. If you take the total deposits, we also had Rs. 29,000 crores of wholesale deposits with us. So Rs. 10,400 crores plus with wholesale deposit of about Rs. 29,000 crores, have made it Rs. 39,602 crores to be precise. That Rs. 39,600 crores is today Rs. 1,76,481 crores. So that is again a good growth on deposits. So the third is CASA ratio. CASA ratio now has come to about 46.8%, which is again quite strong.

So let me just say that one defining factor for the last 5 years has been deposit growth period. And all of us know the deposits practically are the foundation of any bank. And this kind of deposit growth has come, despite the fact that along the way, we dropped the interest rates. Most people thought that we stay with a 6%, 7% strategy for long time. But literally, within 3 years we dropped it. And now we pay 0 to Rs. 1 lakh, we just paid just 3%. And still, last quarter, we saw deposit grow by 43% Y-o-Y.

So I think that, once deposit is strong, we are sorted. We are sorted I say because the contra side is loan book. Now the loan book, if you see, has not grown very much during this period over the last 5 years, the loan book has grown from Rs. 1,04,000 crores to Rs. 1,89,475 crores. So you might say that if the deposit grew so fast, 4.5x in 5 years from Rs. 39,000 crores to Rs. 1,76,000 crores, then how come loan book only grew this much? All of you seasoned investors know the reason that we slowed down loans just because we wanted to fix the CASA ratio.

So basically, the point is that on the asset side, we have a strong, stable business model. I'm actually happy to share that our NPA now for 14th year running, meaning it will become the 14th year in March of 2024. Now 14 years really a long time, I hope you all agree that our gross NPA and net NPA has been 2% and 1%, really long time. And in these 14 years, we have broadly migrated from lending to the largely unorganized segment when we started, to now we have become relatively more like prime bank, for example, if we did give loan against property, say, 8 years ago, 10 years ago, we would lend at maybe 12% or 13% because the banks were doing the prime loan against property of maybe 9%, 9.5% then. Today, we lend at 9%, 9.5% on the loan against property and then maybe there are other NBFCs lending at maybe 13%, 14%. So we've come down the risk curve. And therefore, we're feeling much more stable about our credit quality going forward.

Now the gross NPA at the end of this quarter is just about 1.45% on the retail side, retail MSME and rural side and the net NPA is only 0.51%. So it's been a very long time to have sustained quarter-on-quarter, year-on-year for 14 years, let me say, 13 years and 3 quarters to be more precise. It really gives us a lot of confidence. And now anyway, since you come down the risk to become a little more like the mainstream bank, I think this should continue now for a while.

So therefore, there are 3 things that jump out at our last 4, 5 years of work is that the deposits grew, the loan book grew, the asset quality is stable. Now the second part is that when we look at our bank, there's a lot of harmony within our bank. Harmony, meaning the way the bank is working, the way the system is working up and down across, up and down the chain, interdivision. There is a lot of tranquillity and they just focus on our work. And that gives us an ability to move smoothly ahead.

And with all a lot of teamwork going in the bank, today, myself, Sudhanshu speaking to you and Saptarshi. But frankly, we're speaking on behalf of all our employees, that this success is actually comes back a while from Dr. Rajiv Lall because I really don't want to go back in time and say this was the issue or that was the issue because really someone worked very hard and almost against impossible odds got this bank, a bank license.

So let me just say the first note of thanks starts with him. It's like an impossible feat. But after that, if he had not got the license, I guess, there will be no IDFC Bank today, or IDFC First Bank.

And after that, it starts about how the bank has built over the last five years and things all come good. Now, based on what has happened and how the foundation is built, and also based on the momentum that we are having, we are now looking forward to how the next five years would look like. When you look at the next five years, today we have a lot more visibility.

I started this conversation by saying we had less visibility when we started, when we gave the guidance 1.0. But now we have far more visibility. We have a stable lending model. We know we are originating about Rs.45,000 crores a year on deposits. And now we are trying to only extrapolate what it would take for us over the next five years. So we are now guiding that our deposit base as of December 31, 2023, is Rs. 1,76,000 crores as we close this quarter.

We believe that we will be something like about Rs. 5,85,000 crores as of March 31st, 2029. Now, if you think that's a very steep climb, just remember that we came from Rs. 38,000 crores to here. Now, the other reason why we should be reasonably confident about this is that currently deposits are growing upward of 40%. For the next five years, we've assumed a deposit growing only by 24.8%. We think this should be reasonably easy for us.

Next is assets. On the assets front, as you know, we started with Rs. 1.04 lakh crore, and today we are Rs. 1.89 lakh crore. Now, we are guiding that our assets will be Rs. 5,00,000 crores in March 31st, 2029. So, again, don't think it's too steep a jump from Rs. 1.89 lakh crores to Rs. 5,00,000 crores because we are guiding for only a 20.3% growth, five year CAGR. We are currently growing 24.5%. So, 20% should be easy, should not be a problem.

So, a Rs. 5,00,000 crores loans and advances book, now including SLR, CRR etcetera, will take us to an assets of about Rs. 7,00,000 crores. Third thing is, after deposits and assets is asset quality. Now, asset quality, today, our gross NPA is only 2.04%. But remember, this has infrastructure. We know infrastructure will go away. We are bringing it down. So, if you see excluding infrastructure, today our gross NPA is 1.66% and our net NPA is 0.47%.

We are guiding for a gross NPA of 1.5% and net NPA of 0.4%. That's what we'd like to keep the bank at. Again, considering already 1.66%, 1.5% should not be a problem. And considering net NPA at 0.47%, maintaining 0.4% should not be a problem, broadly. Give or take economic conditions, another COVID coming, caveating, those kind of events happening. This should be achievable the way we are building the business.

Fourth is profitability. Now, we believe that the bank is comfortably moving towards an ROA of 1.9% to 2.0%. Now, if you do the maths and you multiply 1.9% or 2.0% on Rs. 7 lakh crores of assets, you can see that Rs. 7 lakh crores was a closing number. So, the average assets of FY 28-29 should be something like about Rs. 6.3 lakh crores. On Rs. 6.3 lakh crores, you apply 2%, you're getting to about, Rs. 12,500 crores.

So, we are thinking that our broad guess is that we could be somewhere around Rs. 12,000 crores to Rs. 13,000 crores in profitability in March, 2029. For context, for this year, nine months, we are like Rs. 2,230 crores. On the annualized basis, you're getting something like about Rs. 3,000 crores. So, we believe that Rs. 3,000 crores going to Rs. 12,500 crores should be very possible.

And, if we deliver the first four items, you grow the loan book to, about Rs. 5 lakh crores, grow the deposits to Rs. 5,85,000 crores. The rest should fall in line because our business model is pretty straightforward and if you maintain asset quality. Now, ROE is the last one. We've had a tough time dealing with our cost-to-income ratios and ROE, etcetera, because our cost-to-income was always high.

We did explain to many of you that it's because of the set-up stage of the bank. We had branches, this ATM network technology, all the stuff we told you. But, net-net, it's been part of, we are very clear it was the set-up stage of the bank and we had to do what we had to do to build the bank for the future. So, think of it like the first half, or let me say the first five years have gone into building the foundation of the bank.

That process of laying foundation never go away because banks are forever getting built, but we believe phase two, we will be able to reap the benefit of phase one. And therefore, we are guiding for ROE of somewhere in the zone of 17%-18%, give or take. So, I would say that these are all in good faith because we have done a reasonable, we have done our spread sheets and we've analysed it many times over between Sudhanshu, myself, Saptarshi, etcetera.

But we're still saying this in good faith as results may vary. It can happen. We may have achieved, overachieved, underachieved, whatever. But hardly I'd say more than achieved in guidance one. May, may not be achieved in phase two. So, please take all our caveats seriously. But these are being given in good faith with numbers which we believe are reasonably achievable.

And, for a bank starting where it was in 2018, December, in 10 years, to reach a position of Rs. 5 lakh crores of loan book and Rs. 6 lakh crores of deposits and Rs. 12,000 - 13,000 crores of PAT, with ROA of 1.9% - 2.0%, ROE of 17-18%, will be a solid position to be in. And more importantly, the directionally will be looking good.

And other things, anyway, apart from these numbers, the bank is a good bank, really high-quality bank, good customer practices, good culture, good governance, really very high-quality board with high-quality people. All of them have been to a lot, very sensitive to regulatory commentary and so on, and wanting to work within the guidance of the law and guidance of regulations.

So, that sort of, compliant bank, I think that we are set for, we are reasonably well set. So, that would be my brief comment to start the discussion.

Sudhanshu Jain: Thanks Vaidya. I'll quickly touch upon certain key numbers. I'll try to keep it short. To start with, the overall balance sheet size now is at Rs. 2.7 lakh crores, and balance sheet expanded by 22% on a Y-o-Y basis. We continue to see a very strong momentum on our lending book as well as the deposit book. As Vaidya mentioned, customer deposits increased by 43% on a Y-o-Y basis. It's now Rs. 1.76 lakh crores. In fact, the growth in retail deposits was higher at 47% on a Y-o-Y basis. CASA ratio also, you would have seen, has improved sequentially to 46.8%. CASA deposits increased by 29% on a Y-o-Y basis. Average current accounts have increased by 33% on a Y-o-Y basis. And by average, CASA increased by 26% on a Y-o-Y basis.

We also continue to see a faster growth in term deposits, which grew by 59% on a Y-o-Y basis, as customers preferred to lock in the interest rates which are prevailing in the system. The growth here also was predominantly driven by retail. Retail deposits ratio to total customer deposits continues to improve and has increased to now 79% vis-a-vis 76% at the start of the year.

We have opened about 35 branches during the current quarter, thereby taking the branch count to close to 900 branches. The high cost legacy borrowing is further reduced by about Rs. 1400 odd crores during Q3 and another Rs. 1300 crores is scheduled for runoff in Q4 FY24. We have given more details around this in the presentation.

Moving on to the asset side, overall funded assets grew by 24.5% on a Y-o-Y basis to reach Rs. 1.8 lakh crores. I will cover this in four segments. Retail book comprising a mortgage, vehicle portfolio, that's essentially car and two wheelers, then consumer loans, credit card, education loan and vehicles. This portion of the book grew at 29% on a Y-o-Y basis.

We have seen strong growth across all categories. Growth in certain segments like vehicles and consumer were also relatively higher on account of higher demand due to festive seasons and our increasing presence. Talking of credit cards within retail, the bank has now issued more than 2.2 million cards. The book has almost touched Rs. 5,000 crores. The gross spends on credit cards increased by 61% in 9M FY24.

Further, the SME book, which is for business purposes and the corporate segment increased by 16% on a Y-o-Y basis. Also, happy to report that infrastructure book is now just nearly 1.6% of the total funded assets and now below Rs. 3,000 crores.

Moving on to asset quality. The gross NPA of the bank further improved by 7 basis points during the current quarter and stood at 2.04%, and net NPA ratio stood stable at 0.68% during the current quarter. As Vaidya mentioned, if we exclude the infrastructure book, the GNPA improves to 1.66% and net NPA improved to 0.47%.

GNPA in the Retail, Rural and SME segment also improved by 8 basis points to 1.45% and the net NPA is now just at 0.51%. The overall standard restructured book continues to come down and has further reduced to 0.35% of funded assets as compared to 0.38% last quarter. More than 93% of the restructured book is secured in nature.

Moving on to profitability. Profit after tax for 9M FY24 increased to Rs. 2,232 crores versus Rs. 1,635 crores in 9M of last year, up by 37%. For the quarter, profit grew by 18% Y-o-Y to Rs. 716 crores. This was largely driven by strong growth in core operating income. Core operating profit, which is NII plus fees excluding trading gains, for 9M FY24 grew by 35% Y-o-Y. For the quarter, it grew by 24% to Rs. 1,515 crores. For the quarter, NII increased by 30% on a Y-o-Y basis to Rs. 4,287 crores.

The net interest margin improved by 10 basis points on a sequential basis to 6.42%. Fee also registered a strong growth. It increased by 32% to Rs. 1,469 crores for Q3 FY24, and this was largely retail-led, which is at 93% of the total fees. Operating expenses increased by 33% on a Y-o-Y basis due to strong business volumes witnessed during the quarter, I would say, branch expansion and some increase in other expenses, like marketing and so on.

We had a trading gain of Rs. 48 crores during the quarter, and provisions came in at Rs. 655 crores for the quarter. The credit cost as a percentage of average funded assets for 9M FY24 stood at 1.26%, which is well below the guidance which we have given earlier. We are not impacted by the guidelines which came recently around AIF investments at all.

On an annualized basis, ROA stood at 1.16% as against 1.05% in 9M FY23 and ROE stood at 10.7% for 9M FY24 as against 9.9% for the same period last year. The bank has maintained strong capital adequacy. The capital adequacy now stands at 16.73% at December 31st 2023, with CET ratio at 13.95%. This takes into account the capital of Rs. 3,000 crores, which we mobilized in earlier October.

We continue to maintain healthy liquidity levels and average LCR was at 121% for Q3 FY24. We have been maintaining this on a consistent basis across quarters, if you see our previous numbers. With this, I have covered broadly all the facets, all the numbers, key numbers, we will be happy to take the questions.

Moderator: Thank you. The first question is from the line of Ishan Agarwal from Erevna Capital. Please go ahead.

Ishan Agarwal: Hi, good evening. Thank you for the opportunity. I would say, decent but slightly underwhelming performance by the bank. So I have three questions. Should I ask them together? Or should I shoot them one by one?

V Vaidyanathan: One by one better.

Ishan Agarwal: Okay. So the first one, in our previous earnings call the management has always highlighted that core total income will grow faster than opex for FY 24, FY 25 and FY 26, and that is how operating leverage was going to play out. It is slightly disappointing to see opex here growing 33% Y-o-Y and income growing 31%, which, in turn, has upped our cost to income from 72.1% last year to 73.3% this year. What is really causing this pain in opex? What are the factors playing out? And what the management could not envisage while giving the past numbers?

V Vaidyanathan: Let's take them one by one. So thanks for that very crisp question. See, the thing is I have always mentioned to you, I don't know Sudhanshu may have told you again and again that listen, please don't track it every quarter by quarter.

See, very early stage banks, sometimes one odd item expense scatters up, some digitization expense scatters up on some other product, something happens one quarter to the other. If you go Y-o-Y, all our past guesses have come right, I want to just point out one number to you, that if you take a 4-year window, that is 2019 to 2023, you have seen that the balance sheet has grown by 9% from the time of merger to today, but PPOP has grown to 43%. So my point, and by the way, I'm not claiming jaw will be that wide. But definitely for a balance sheet, loan book growing by about 20%, and for the operating profit to increase about 30% to 33%, should be the kind of zone you should look for the next 4-5 years.

So, you know, really one, I told you, it's an early stage bank, really difficult to point out, this quarter, this happened, that happened, it's a waste of your time and waste of our time.

Ishan Agarwal: I understand, but this was a Y-o-Y increase in cost to income, and that is why I highlighted this. So it's not quarter on quarter, which I'm comparing, even year-on-year from 72.1, it is up to 73.3, whereas we are expecting maybe a plateauing or maybe a decline from here on?

V Vaidyanathan: So, I agree with that. I fully agree with that. I'm just pointing out to you that, I say this result is a bit underwhelming, we should have expected to post a little better, at least at PAT level, we should have posted a bit better.

Ishan Agarwal: Actually, core operating profit, not even PAT, I mean there can be some one-offs, but that is slightly underwhelming on that part?

V Vaidyanathan: I agree, 100% agree. Could have done a bit better, could have expected a little better. But it's, you know, like I said, we are running a long game here for 10 year game, out of which five, we finished, maybe even longer from there, maybe many, many decades after that. You know, just take this part of just slight moments upon people here.

Ishan Agarwal: So, going ahead, do you expect that cost to income should start declining from year on, or do we still expect it to keep at this level for a year or two?

V Vaidyanathan: Our sense is that Q3, Q4 of FY 25 should begin to see material movement onwards. We feel that, there are some movement, for example, in next one or two quarters there will be some impact because we do the digital loans. In the digital loans, for a period of time, there was no FLDG permitted.

And last quarter, FLDG got permitted. Now, we had a certain structure with the counterparty. Now, we moved on to the structure with FLDG.

When we moved to FLDG structure, the benefit of not having credit cost, because the counterparty will guarantee that FLDG, that benefit will come two quarters from then, meaning when the credit cost would have hit us, they would have supported us, they would have paid for it. But in the interim, the impact would be there. So, I don't want to confuse all of you with all this mathematics, but the point is that our own sense is that next quarter we'll move over to the FLDG structure.

So, the benefit of moving to FLDG structure will come in Q3, Q4 of FY25, and which will show up in credit cost line. So, therefore, these movements will slightly give better benefits for us by exit quarter of FY 25.

Ishan Agarwal: Okay. So, now, as you mentioned about FLDG, my next question was actually regarding credit cost. While our loan book has grown by, say, 24% Y-o-Y, our provisions have grown by 45% Y-o-Y in spite of all collection efficiency numbers, SMA numbers improving Y-o-Y. So, what is the reason for this?

V Vaidyanathan: Yes, I said this to you earlier also. Oftentimes, when we compare Y-o-Y for early stage banks, either last time there would have been something very much in effect. Remember, we were running credit cost of only 1.15%.

Ishan Agarwal: So, is there any one-off this time, or this is normalized?

V Vaidyanathan: Just hear me one second. So, we were running really very low credit cost for a book that is giving the kind of yield and NIM it is giving us. Our credit costs were running so low. In fact, many people used to scratch their head here, how can a credit cost be only 1.1%? Even lower than many top banks. So, during post-COVID, we were getting certain recoveries. Because, if you remember, during COVID, we took provisions. Now, many of the recoveries started coming. So, the last two years, we were getting the benefit of the recoveries.

So, some of the recoveries we also paper off. So, that is why I said sometimes, there might be some odd jumps here and there. Also, we moved over to the 90th day recognition of NPA rather than 91st day.

And that also had some impact. Think of it like here and there. But our guidance is that, let me step back for two minutes, because this quarter had a few items here and there. Let me just step back and just give you what we see. And that is the heart of it. What we are seeing is our collection percentage, which we reported at 99.5% now for literally like two years at a stretch now.

Last month in December, it stood at 99.6%. Let me call it 99.5% for simplicity's sake. So, if collection percentage stays the way it is. Cheque bounce is also very low at 6.3%, which also we are collecting during the same month in a big way. So, the point is that the underlying parameters are strong. So, there is no reason like fundamentally to be disturbed or anything like that. I mean, you watch our next quarter, you see the results for yourself.

Ishan Agarwal: Okay. Okay. And one more from my end. With the new RBI norms on risk weights for unsecured credit, our Tier 1 capital adequacy is down to less than 14 in spite of the capital raise that we did last quarter, that is in October. So, now given that it is at 13.95%, when do you think we will again have Tier 1 capital to show up the capital adequacy?

V Vaidyanathan: We will watch the numbers with the way the profits emerge over the next four quarters and then make up our mind.

Ishan Agarwal: Because we do have an idea of the capital consumption that the bank will do. So, what is your target that, okay, we do not want to go below Tier 1, say 12.5 or 12%

V Vaidyanathan: No, we do not spell out precisely when you raise capital. It is not a good strategy for any bank to exactly put out in the market and raise capital. I hope you will agree. So, we will make up our mind as it goes along, depending on the numbers.

Ishan Agarwal: Okay. Just one more. So, if I look at the cards data released by RBI, it is unusual to notice that the number of debit cards enforced for IDFC in November has reduced for the first time as compared to September. So, from 67.8 to 66.5 lakhs. So, is there some reason? Were there some dormant accounts closed or what?

V Vaidyanathan: Yes, there could have been some dormant account cleanup being done by the respective teams. Otherwise, in flow, see basically the bank is more and more moving towards quality. We are like very first about it.

So, we are opening lesser number of accounts than before on the bank account, especially on the digital side. But we are focusing on quality. So, the inflow is very strong. That is how we saw growth of close to about Rs. 4,000 crores a month of deposit that kept coming in. So, let me say deposit is rising very well. There would have been some closure of some customers or inactive and those kind of respective product teams keep doing the work.

Ishan Agarwal: Okay. Thank you and all the best. It is really commendable the way the bank is growing the deposits. Thank you.

V Vaidyanathan: Thank you very much.

Moderator: Thank you. The next question is from the line of Shubhranshu Mishra from Philip Capital. Please go ahead.

Shubhranshu Mishra: Hi, good evening. Thank you for the opportunity. Two or three questions. The first one is around the personal loans. I just wanted to understand the run rate of personal loans that we originate from various fintechs and the level of FLDG that we do from these fintechs. My fair understanding is that a lot of lending partners do slightly above 5% or maybe above 5% which is the mandated requirement of FLDG?

The second is on the vehicle finance. If we can give out the split of a car finance, new car finance and used car finance and the outlook for the industrial search and our own growth estimates in FY 25. These are my two questions. Thanks.

V Vaidyanathan: We do work with fintechs broadly but we have not exactly calculated and put out who is doing how much. But let me say broadly it is growing. We are very conscious that on the personal loan front, personal loan meaning basically the unsecured personal loan given, our model is largely lending to salaried people who want to take personal credit, typically term loans.

In that model, I think things are running pretty well for us. Some originated through partners, some originated by ourselves, some originated through DSA, etcetera. Second question is about vehicle finance. We have more on the used car financing side than the new car type though we also do new cars. But new cars have no margin and it is just a waste of time and money. So we give it only to our customers.

Our customers who come to our branches and our base, we lend for new cars. With our limited capital, we will use it for either two-wheeler finance or for used cars. And credit quality has been so fantastic. So why waste money on the new cars?

Shubhranshu Mishra: Thank you for that. If I can just squeeze in one last question in terms of fintechs. When we on-board a customer onto our balance sheet when we are taking the risk, that customer permanently becomes ours.

What I mean by that is that once it is on-boarded to our balance sheet, it is only we who own the customer in terms of any kind of cross-sell, up-sell of credit, non-credit products. So the fintech through which it was originated can also do any kind of cross-sell, up-sell as well?

V Vaidyanathan: This is the typical complication that happens in this industry. So typically, digital partners like to also, do other things for the same customer. But, we are very clear when we work with them that with anybody for that matter, that our bank have absolutely one condition non-negotiable for us is that we have full rights to access the customer and we will do business with the customer.

This is very important to us. It's a fundamental consensus issue. Now, the same party, if some party originated with a stockbroking firm which did stockbroking and by the way gave us some personal loan, well, I'm sure they'll do other things for the same customer as well.

Shubhranshu Mishra: Understood. So the status of the customer is transient and not permanently ours. That's a fair understanding?

V Vaidyanathan: That's a fair understanding, Yes. But when we get our salary customers and we lend to them, we feel more in control because it's our customer, 100%. But when it's originated by a party, sometimes the party also does something with the customer.

Shubhranshu Mishra: Understood. Thank you so much. I'll come back and meet you. Thanks.

V Vaidyanathan: We should be respectful of their income and P&L also. Let us be happy as long as the customer is happy.

Shubhranshu Mishra: Understood. Thank you so much. I'll come back in the queue.

Moderator: Thank you. The next question is from the line of Gao Zhixuan from Schonfeld. Please go ahead.

Gao Zhixuan: Thanks so much for the opportunity. So the first question is just data keeping. How is the growth and the net slippage number this quarter?

Sudhanshu Jain: Yes, slippage for the quarter was about Rs. 1,400 crores. If you see, it's broadly flat as in the previous quarter. And even if the net slippage is flattish, it's at about Rs. 850 crores for the current quarter.

Gao Zhixuan: Got it. So last quarter, we talked about there's some timing issues at one of the last quarter slippages. So is there any such issue that is repeating this quarter? Or are we expecting, you know, slippage to be gradually trending up from here?

Sudhanshu Jain: No. So we feel quite comfortable as Vaidya mentioned that we are seeing a consistent asset quality. Right. So even in this quarter, the slippages are not gone up as the book has expanded. So we feel that we should be quite okay on this one.

Gao Zhixuan: So why does our credit cost is trending up while our slippage were similar to last quarter, you know, our credit cost should not be trending up. And our coverage ratio is similar to last quarter. So I just want to understand that?

Sudhanshu Jain: If you see that credit cost has been for this nine months has been just 1.26%. Right. We had guided the market for 1.5%. Of course, we have been coming lower. This quarter we have seen a slight jump. Right. But that's a combination of an existing book where you as the aging happens, some more provisions come in. So as you rightly said, the growth in the gross slippage that has been quite stable.

Right. And other indicators also like if you see the cheque bounce rate which we have presented the data in the presentation that it continues to be lower. Right. First cheque bounce is about 6.3%. Even the collection efficiency is quite stable. Right. Over the quarter to 99.6%. So which talks of that the incremental book which is getting built is quite pristine. Right. We may have, as I said, some of these provisioning impact become because of aging and so on.

The point which I trying to make mentioned was that gross slippage and net slippage has been quite stable. If you see the asset quality indicators, right. In terms of our cheque bounce, right. That's down from 9.9% to 6.3%, right, over the period. And similarly, collection efficiency is quite stable for early buckets in 99.6%. So we feel quite sort of confident on the incremental assets which are getting generated.

As I said, some of these provisions could come in because of aging, there could be some smaller, lesser recoveries during the quarter. So that is precisely the impact, which some of that impact, which has come during the coming quarter. For the nine months, if you see, the credit cost has been just 1.26%, and which is well below the guidance, which we had given earlier. So we feel that things should normalize from here and should continue to stay so.

Of course, we are very cautious in terms of sourcing, in terms of credit underwriting and so on. So we'll continue to exercise prudence on this front.

Gao Zhixuan: Got it, sir. And second question is on the guidance. Just wondering, if I remember correctly, previously, we were talking about next four to five years, 25% growth is quite sustainable. So I'm just wondering, our 20% growth kind of guidance now is it just on a conservative basis? Or is there some change in strategy that we may be focused a little bit more on the profitability side, maybe slow down growth a little bit or it's some RBI-related issue?

V Vaidyanathan: See, basically, when you look out, probably better to be guiding at a number which you feel is reasonably safe and in the bag. Does that answer your question?

Gao Zhixuan: Yes, sure. Thank you, sir.

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

Nitin Aggarwal: Yes, hi. Good evening. So, one question on CD ratio. While the bank has been doing well and the CD ratio has been coming down pretty consistently every quarter. And any discussions about this with the RBI given the ongoing like media reports about this? And any near-term targets, therefore, that you have?

Sudhanshu Jain: So if you see that we have been bringing down the CD ratio because deposits have been growing faster, right? Of course, we had legacy problems, right? That's why our CD ratio was 137% at merger, right? If you see even into this year, so far, we have brought it down from 109% to 101%. And maybe by the end of the year, we will be lower than 100%. And even in the guidance, if you see our deposit growth is at faster than the loan growth, which we are guiding. So this should keep coming down as we sort of move along.

Sudhanshu Jain: So I'm saying, just for the one data point is that incremental CD ratio if you see for this year is about 80%. And for this quarter, it was just 65%. So as long as our deposits continue to come strong, right, and we feel that we should be able to improve on this ratio. We feel quite confident of bringing it down.

Nitin Aggarwal: Okay. Sure. And second question is on the opex, wherein we are seeing a fair bit of an increase. So if you can provide some colour as to what are the key drivers within this number so that we can better appreciate the operating leverage that is likely to play over the coming years and from Q4 FY25 that you are indicating?

V Vaidyanathan: If you look at the guidance. See, for you to really appreciate where this gain is headed and I read out the operating leverage numbers at a bank level that we've been seeing year-on-year. This year let me say that the operating leverage has not paid out that much because there's digitization expenses and technology and we are building the bank for the future.

And that has been our consistent strategy, as you know, thus far. So therefore, we feel that from next year onwards, like we said, Q3, Q4 of FY25, we should see meaningful movement. And our own estimate is that the opex of FY25, should just increase by about 20%, where the loan book or the income could rise by maybe 24%-25%. So, we feel that in FY25, we should start seeing material opening of the jaw.

And again, one thing you should know, in the way we are building out Story 2.0, that the deposit numbers we have kept very modest. Imagine just going at 20% or 25%. We used to be going at 40%, 25% is nothing. And remember, what is something unique will play out after FY26 onwards. I'll tell you what is unique.

Today, even when you're growing the loan book at 24.5%, bank is funding this growth of 24.5% from deposits, and assuming we were not borrowing anymore, funding it from deposits. Plus, we are repaying bonds pertaining to the pre-merger. So we are carrying double burden. You fund yourself and also pay the past liabilities.

Now, by 1.5 years from now, that lot of it would have gone away, let me say two years. And then after that, you're only funding a loan growth. For somebody who's used to carrying such heavy weight, that should be relatively lightweight actually for us. So that is a material change coming in our life from FY26 onwards.

And we've done the math, there is a big relief in the requirement for deposits then. And actually, who knows, we might even cut deposit rates, and that might be positive for the bank.

Nitin Aggarwal: Right.

V Vaidyanathan: Or we'll put lesser branches, one of the two, if you give.

Nitin Aggarwal: Yes. And sir, last question is on the Guidance 2.0 wherein you are giving guidance on key metrics. But when you look at the ROA of 1.9% to 2% by FY29, what levels of margins and cost to income ratios are you baking in?

V Vaidyanathan: Cost to income ratio looking like more like about 55% by the exit year FY30, that would be like like 57-58% or something like that by FY29.

Nitin Aggarwal: Okay. And margins?

V Vaidyanathan: Margins resuming similar stuff.

Nitin Aggarwal: Okay. The earnings is like implying a 30% CAGR.

Moderator: We request you to please re-join the question queue for further questions.

Nitin Aggarwal: Sure. I am done. Thank a lot.

V Vaidyanathan: Thank you.

Moderator: The next question is from the line of Sameer Bhise from JM Financial. Please go ahead.

Sameer Bhise: Yes, hi. Thanks for the opportunity. Just wanted to get a sense on the others portion of the loan book, which is roughly Rs. 15,000 crores and growing at a fast clip.

Sudhanshu Jain: So this would include digital loans portfolio, which we have. We have given in the presentation that it includes digital loans, it includes some portfolio buyout, which we have done and some revolving credit. So that's part of the others book.

Sameer Bhise: And would this portion be secured or unsecured? I mean in entirety.

Sudhanshu Jain: It depends on what you're buying, no? But chances are we'll be buying the secured portfolios to the extent of the buyout. And to the extent digital loans could be unsecure also.

Sameer Bhise: Okay. This is helpful. And secondly, I think in the opening remarks, Mr. Sudhanshu said that there's no impact of the AIF guidelines on the bank. I just wanted to reconfirm.

Sudhanshu Jain: Yes, that's correct. We have nil impact on that account.

Sameer Bhise: Okay. Great. This is helpful. And congratulations on a good quarter, strong guidance. Thank you.

Sudhanshu Jain: Thank you, Sameer.

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

Rohan Mandora: Thanks for the opportunity. Just on that guidance for FY 29. What will be the normalized credit cost that we are assuming there? That's first. And secondly, what would be the losses that we are incurring currently on the credit card portfolio and on the branch liabilities piece right now?

V Vaidyanathan: See, all products are mixed up, when we announce a bank level credit cost, we guide for 1.6%, so our current numbers include everything. So we will not step -- product by product. But let me just say that, for the upcoming five years, we have assumed a little higher credit cost than what we are currently incurring because there's one benefit we have been getting in our credit costs thus far.

One is that I mentioned earlier, during COVID, there were charge-offs and now recovery is happening because you may charge off a loan but end of the day you're collecting. So that kind of a recovery has been coming to us last two years. And we believe that all those benefits will go away. And also, we should be prepared for a slightly higher credit cost, generally, in the ecosystem, nothing to do about us.

So we assume a slightly higher numbers than what we're currently incurring. At least when we've given this guidance, we've parried it up reasonably, I'd say.

Rohan Mandora: Sure, sir. So this essentially means ROA expansion is predominantly driven by improvement in opex, so NIMs is flattish and credit cost would marginally go up from current levels. Okay. And on the question on credit card portfolio losses that we're incurring right now and the branch expenses?

V Vaidyanathan: I told, we're not calling out how much we lost in LAP or at this sort of used car. We're not giving you product by product. But broadly, at a bank level, we are in a very good control. It's super low.

Rohan Mandora: Yes. I was trying to understand operating losses in the credit card portfolio, like we used to disclose earlier?

V Vaidyanathan: So I told you when we put out our numbers, we put our credit cost numbers at the entire retail level or at the overall bank level, because some products you have a good quarter, some products doesn't have a good quarter, some products have more slippage, something has less slippage, something else. But you should look at a composite manner from quarter-to-quarter and year-to-year.

And that number is trending very well. Last year, our credit cost was 116 basis points. Even in the month of year of COVID, just think of two minutes, I don't want to take it too much back in time, FY 21-22 was a period of COVID second wave. I think April, May, June of 2021. In that period, moratorium did not happen, but lockdowns happened.

So obviously, in Q1 a provision was taken. But for the full year, provision to average book was only 2.51%. So we feel that one of the best things that is happening to our bank is that even in the worst period of COVID, our credit cost average book was, among the best among the peers.

You would imagine for a book that is yielding a NIM of 6.3%, 6.5%, you'd imagine 2.5% or maybe 2% even in normal conditions. In COVID, we had only 2.51%. So, the moment COVID vanished, that is FY 22 & FY 23 credit cost came down to 1.17%. in FY 22-23. This is super low. So, we are very confident that we're underwriting good credit, numbers are speaking for themselves.

But we believe it cannot stay this way all the time. So, we have now factored for higher numbers.

Rohan Mandora: Got it, sir.

Sudhanshu Jain: And just to add with respect to your question on credit card, there is definitely, the economics have been improving there as we are building in more book, right? The cost to income, we have given out numbers that, that was 164% as of the previous year. And we expect that to come down meaningfully to around 110% for this year. And so we have been guiding that we expect credit card to sort of breakeven into next year and be profitable in the year to follow.

So we feel that it takes some time, right? We have been just three years before when we had launched this product. So we feel that we are well on course on this book.

V Vaidyanathan: See, one thing we want to tell all of you and I want to just share with all of you, that we have never let you down in credit cost and asset quality for like 14 years now. Anybody who's been with us in capital first years will testify that we never had a credit problem. It's been five years, we haven't put one foot wrong on credit. Every year-on-year NPA is good, year-on-year credit cost is low, it's been like 14 years.

Now obviously, such a long period of time comes from disciplined underwriting processes, continuous tightening of the norms and revising the norms, continuously staying in the cutting edge of technology, good governance in terms of the number of people who inspect the portfolio. So all these things, we have no intention to relax.

And at least, while we have mentally factored for a slightly higher credit cost because we believe we should be generally pessimistic about these things, or cautious about these things. But we haven't had a problem and we'll make sure that we'll try our best to ensure that we don't give you any surprise on this part.

Rohan Mandora: Okay, thank you.

Moderator: Thank you. The next question is from the line of Anand Bhavnani from White Oak Capital. Please go ahead.

Anand Bhavnani: Thank you for the opportunity. First of all, congratulations for the strong deposit growth in such a challenging environment. A commendable job by the management. Sir from our business model perspective, just wish to understand how much of the collections we do is outsourced.

V Vaidyanathan: It's increasingly becoming more and more digital and online. You know, there's a massive shift underway there. The whole thing is changing, to give you one very simple idea for you to understand. Earlier, if a customer bounced a cheque, we'd have a call center, call the customer and request the customer to pay and some agent would go and collect the money from the customer.

Now, it's not like that. Now, you just lot of analytics and technologies that happen. Calling itself is not necessarily done by human being. The call it will probably done by a bot and the bot will take some promise and then the bot will send a link to the customer saying that, you promised to pay me, here's a link for you to pay. And customer just pays from the link and the bank gets the money. So bank is a very digitized bank and we are able to do such massive progress.

Anand Bhavnani: Sure. I specifically want to understand the outsourced collection cost. So if I were to look at the nine-month total operating expenses, it's around Rs. 8,200 crores. Approximately how much would be the cost we pay out of the Rs. 8,200 crores to outsource collection agencies?

V Vaidyanathan: I don't think we know the number offhand or nor have we put it out. But broadly speaking, the directionally, let me tell you that we're trying to become a more direct to consumer bank.

But of course, we do have agents, for customers who don't pay through your digital methods. For some of our customers, agents chase them down and follow them up for PTP.

And by the way, a lot of our collections in rural areas happens directly by our own employees, not even the agents. Just for information, many locations, we don't use agents in rural India. There are many products in which the early bucket collection done by employees themselves where customers are not. So all that comes to cost of a bank.

Anand Bhavnani: Thank you. All the best.

V Vaidyanathan: Thank you.

Moderator: Thank you. The next question is from the line of Jai Mundhra from ICICI Securities. Please go ahead.

Jai Mundhra: Yes. Hi, sir. Good evening. Thanks for the presentation and the slide on guidance.

V Vaidyanathan: Yes.

Jai Mundhra: I just one question that we earlier had a guidance of, 65% cost to income by exit FY 25 and 1.4% and 1.6% ROI by FY 25. Does that still hold both these things or, you know, or how could one look at it?

V Vaidyanathan: The first of all, we'll keep the slides out there for Guidance 1.0. Because we've given Guidance 2.0, we don't want to escape from a Guidance 1.0. So, we will be true to that guidance and we'll retain the guidance for sure. We'll keep it publicly out for you till the last day. That's our commitment.

Now, second part, your question about how we're going to perform against that. You know, the cost to income ratio, I think we are a little behind what we set out to do. The good news is, let me tell you one countervailing factor for being behind schedule. Supposing we are at 65 and we turn out to be 68. I'm just making up a number, but I could broadly be right. Let me put it like that. So let me just say that we are behind to be just to be straightforward with you. Now, how does this play out? What plays out is that income line turns out to be higher than what we guided. Remember, we guided for 5.5%, now we're delivering 6.3%. So we're already delivering about 1.3% more over on income. So even if your cost to income is higher, your ROA may still you get there. Are you with me on the mathematics? Jai?

Jai Mundhra: Yes. Yes, sir.

V Vaidyanathan: Therefore, the way we look at it is that, if composition of book changes, more than slightly, it turn out a little different than what we initially planned. When we gave the guidance of 1.2%, we had only that much visibility. But broadly, give or take, we are in zone. We are going to be in the zone of meeting our deposit numbers. We are in the zone of meeting our loan numbers, let me say, our asset quality numbers, capital adequacy numbers, we're hitting all the marks. We don't expect to meet exactly the cost to income numbers. But because the equation I told you right now, we may still meet the ROA and the lower end of the ROE mark by that time.

Jai Mundhra: Understood, sir. And sir, the ROE mark is, I mean, this, of course, assumes capital raise at a frequent level as you would still be growing at a much faster pace. So is this ROE is a more normalized kind of an ROE that one should see?

V Vaidyanathan: You'll be a little surprised about how the game has changed. Because what's happening is that we believe that from FY 25, FY 26, as it is I told you Q3, Q4 of FY 25, we do expect a positive momentum cost to income ratio definitely and improvement in ROA, ROE, okay? Just take that as a sense as of now. When you move forward into FY 26, now remember, we are talking of a loan book growth of only 20%. We're talking about deposit growth of only 25%. So our need for investing opex is going to be much lesser than before. The first 5 years, we are in complete build-out stage. We had no choice. We were racing against time, back against the wall, huge amount of big deposits, corporate deposits, certificate of deposits, bonds to pay back, it was like really tough. It's not going to be that tough now.

So our expense requirement will be lesser. So FY 26 over FY 25, the expense growth will not be very much. FY 27 over FY 26 expense ratio will be even lesser. And also by the time bonds will be paid back, need for money will be much lesser. So we feel that, like I said earlier, the things will get easier for us from that point of view. And life is never easy, God knows what new problems will come. But at least on these front of deposit raisings, we feel much more assured now.

Jai Mundhra: Understood, sir. Thank you so much and all the best.

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

Manish Shukla: Good evening and thank you for the opportunity. If I look your sequential growth in assets or loans, it is one of the lowest in the last 8 or 10 quarters. Anything particular to read into this here for the quarter?

V Vaidyanathan: No, we want to keep our asset growth within a zone where our capital adequacy and our credit deposit ratio, etcetera, all good. So then we have access, we do IBPC and take them off the books.

Manish Shukla: Interestingly, if I look at it, your sequential moderation seems to be driven more by home loans and LAP rather than other products.

V Vaidyanathan: Sometimes we do IBPC and sometimes we do assignments, meaning direct assignments with other banks also. Basically, we are clear that we don't want to grow the loan book too much even now. So we have taken out some of these loans and done IBPC, inter-bank participant certificate, with other banks purchase these loans off from us.

Manish Shukla: Understood. Specifically on personal loans and credit cards, any change of strategies since RBI regulations on risk-weighted assets?

V Vaidyanathan: No change of strategy fundamentally, they're good, phenomenal products in the sense that there's a real customer need. Asset quality is good, they're all cash flow analyzed, they're risk adjusted, they make good returns, and they are shareholder value accretive, fundamentally nothing. But yes, what we have done is we increased interest rates on these products because cost of equity has gone up.

Manish Shukla: Okay, sure. Last question for me. The 25% to 20% CAGR loan growth over the next 5 years, right?

V Vaidyanathan: Correct.

Manish Shukla: Is it likely to be a step function now or more a glide part, in the sense that you grow more than front end and back years as balance sheet becomes bigger, you grow slower? How should one think about it?

V Vaidyanathan: As you know, when you look 5 years ahead, we can't be sitting and taking judgments on these step function jumps, what happens 5 years from now. So to be more fair and reasonable, what we have done is we have just extrapolated it at 20%, like five years at a stretch. But we have not not done steps up, step down. We have not complicated it.

Manish Shukla: Got it. Thank you. Those were my questions.

V Vaidyanathan: And in this country, you see on large banks, forget our loan book is hardly anything, Rs. 1.8 lakh crores to Rs. 1.9 lakh crores. With the large banks having Rs. 10 lakh crores, banks having Rs.

15 lakh crores, Rs. 20 lakh crores, they're all growing 20%. So really, 20% is nothing. And we have to do nothing crazy for that. In fact, growing at 25% with good asset quality, imagine growing at 20%, we can further cut-out the edge customers and further improve asset quality. So 20% is nothing, trust me. We don't feel there's any stress at all growing loan book at 20%.

Moderator: Ladies and gentlemen, we will take that as a last question. I would now like to hand the conference over to Mr. Jai Mundhra for closing comments. Over to you, sir.

Jai Mundhra: Sir, just a small clarification. I think it looks a bit confusing. So just for the benefit of all. If you can clarify that what we have done is we are growing at a much faster pace at around 25%. And I think that was more or less understanding given to the participants. And now we have unveiled the new strategy, new guidance, which talks about 20% CAGR. So is this going to be the new normal? Or do you think because of conservatism, forecasting 5 year out, you have given the 20% range? I mean, that is the clarification, I think, that is needed.

V Vaidyanathan: I appreciate the question. It's a very good question. It's our job to clarify this. See, this thing about 25%, the current growth, it's not that next quarter is going to come to 20%. It won't happen. There's no such plan that, oh my God, you have to apply breaks, there's no such need. But yes, I mean, if you wake up in FY 25 and see the book growth, then you might see that the bank's loan book growth is growing by 20% - 22%. It's possible because we are planning to slow down.

There are 2 reasons. One is, it eases a lot of requirements on the deposit side, and we need to put less branches. We could even cut rates. So things happen there. Two is that in an era when everything is looking so fantastic on credit cost front, we do want to warn ourselves again and again here, a trim off the bottom marginal customers. And for example, if your score for lending a customer, I don't mean bureau score, I mean internal score. Suppose there's a cut-off score of 750, you might say let's say move 750 to 780 so that the marginal customer goes away. So we might tighten credit or all that kind of stuff.

So the intention is more to slow this down on a sustainable basis, this can compound for a long period of time. I know you might be a little disappointed with 20%, you may be, I don't blame you for that. But trust me, even at 20% compounded for a long period of time, especially when the operating leverage will open out from there and the opex requirement will be lesser, it actually is a good strategy, a more sustainable strategy. And like that.

For now, we have assumed this strategy. We could be slightly higher. God knows, maybe slightly lower. But think of us in that range as an intention at this point of time. Did I answered the question?

Jai Mundhra: Yes, that answers very well. So yes. So that is all, sir. If you want to have any closing comments?

V Vaidyanathan: No, no, closing comments, really, I wanted from you only, you can be honest with me. Are you disappointed about the 20%? Or are you okay with it? What would you think would be the feel of the house?

Jai Mundhra: No, no, sir, it is not about, being happy or disappointing. As you said, you are clearly right that, if this helps you in maybe a more better filtering of the marginal customer, that is one. And of course, it will ease off some pressure on the deposits. It looks like, at the system level, a narrative build up that suggests that RBI or at system level, the growth needs to be calibrated a little bit. So I think that is in that direction, but nonetheless, sir.

V Vaidyanathan: You could say that. To be honest, you could say that also because yes, there is a message from the regulator also to curb exuberance. And you could hear public comments on this and exuberance does build up in good times. So we do think seriously about that. So this is a time to cut, trim the marginal customers and the slowing down from 25% to 20% also helps in that process.

So it will be a more stable story. I hope. Even if you're disappointed, hopefully you'll become or convert after some time of our line of thinking.

Jai Mundhra: Sure, sir. Yes. That is all from our side, participants. Thank you so much for joining. And thank you, management, for giving us the opportunity to host the call.

V Vaidyanathan: Thank you.

Sudhanshu Jain: Thank you.

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