"RBL Bank Limited
Q1 FY27 Earnings Conference Call"
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Moderator: Ladies and gentlemen, good evening, and welcome to RBL Bank Limited Q1 FY27 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. R. Subramaniakumar, Managing Director and CEO of RBL Bank. Thank you, and over to you, sir.

R. Subramaniakumar: Thank you, ma'am. Good evening, ladies and gentlemen and thank you for joining us for a discussion on our bank's financial results for the first quarter ended financial year 2027. We have uploaded the results along with the presentation on our website and I hope you have had a chance to go through it in detail ahead of this call.

As always, I'm joined by Mr. Jaideep Iyer and Mr. Bhavin Lakhpatwala and other members of our management team to address any questions you may have. Firstly, I would like to brief you about the additions to our management team. Mr. Bhavin has joined as the Chief Financial Officer. Mr. Ashwini Choudhary has joined as a CRO Designate. Mr. Navin Sharma has joined us as the Head of Internal Audit.

Before we get into the details on Q1 operational performance, I would like to briefly touch upon the transaction update. Emirates NBD Bank infused approximately USD2.75 billion or INR260 billion, by way of preferential issue on a private placement basis to acquire 60% of the expanded share capital of RBL Bank at a price of INR280 on 18th of June 2026. ENBD is now classified as a promoter of the bank.

As you are aware, Emirates NBD Bank is a leading banking group in MENAT region with a presence in 13 countries, serving 10-plus million active customers. For deployment of above capital, in the very short term, we have taken the opportunity to not renew some of the high-cost wholesale deposits and repay borrowings, this being the most efficient use of liquidity.

However, over the next few quarters, we expect the normalized credit growth will consume this and therefore, giving further fillip to our net interest income. As you would be aware, I'm happy to inform you that our long-term credit rating has been upgraded to AAA Stable by ICRA and CARE. CRISIL also assigned a long-term rating of AAA Stable.

Before we get into the details on Q1 operational performance, I would like to briefly touch upon the macro trends. The demand conditions across our key customer segments remain broadly stable with retail consumption and the small business activity continuing in line with recent trends.

We have not seen any material impact on our portfolio arising from the conflict in the Middle East so far. However, we continue to remain watchful given the early signs of inflationary pressure. In retail, the collection momentum, including the rural businesses this quarter has been stable with no disruption so far.

On the wholesale side as well, we have not seen any impact at this stage. We have anyway been conservative in our approach over the last few years. While the banking system saw deposit growth of approximately 13% year-on-year in this quarter, our bank practically chose not to renew certain wholesale deposits in this quarter, given the liquidity with the bank post the completion of preferential allotment to ENBD. Credit growth in the banking system was around 19%, and our growth has been better than the average. Banking system so far seen INR1.55 lakh crores disbursal under ECLGS 5.0 scheme. Our loan disbursals under the scheme has been approximately INR200 crores.

Now on to business trends of the quarter. Our deposits grew 11% year-on-year to INR1,24,829 crores as of June 30. Average deposits grew 24% year-on-year. Within deposits, the Granular Deposits, that is, the deposits of less than INR3 crores, account for 52.4% of total deposits as of June 30. CASA ratio stands at 29.2% as of June 30.

As mentioned in our exchange intimation, releasing provisional financial numbers earlier this month, our bank tactically chose not to renew certain wholesale deposits in this quarter, given the liquidity with the bank post the completion of preferential allotment to ENBD. Our advances grew 23% to INR1,16,223 crores as of June and average advances grew 25% year-on-year.

Within the overall advances, the Secured Retail Advances grew 18% year-on-year and Unsecured Retail Advances grew 8% year-on-year. The wholesale advances grew 38% year-on-year. In the Wholesale segment, our large corporate business grew 38% year-on-year and Commercial Banking business grew 36% year-on-year.

The JLG disbursements grew 50% year-on-year. Within Secured Retail, the business loans grew 48% year-on-year. The CD ratio stands at 93.1%. Our CD ratio, including long-term borrowings and the capital stands at 66.4%. In credit cards, bank issued 3.4 lakh cards during quarter 1 of this year, with cards in force increasing to 4.65 million cards as of June.

We have built traction in direct sourcing with this contributing 90% of the acquisition. This includes co-brand cards where sourcing is done by RBL team. The disbursal from branches was INR1,178 crores for the quarter versus INR731 crores last year, same quarter as we continue to cross-sell asset products to our liability customers.

In summary, as we look ahead, our growth priorities are clearly defined and focused on building scalable, resilient and profitable franchise. Continuing to build granular and stable liabilities with the objective of progressively narrowing the cost of deposits gap vis-a-vis large peers, build momentum on SA over the next few quarters through non-resident deposit flows that we expect to target in the Middle East and, over time, in all geographies where ENBD has presence.

To support this, we are also strengthening our branch presence in the relevant geographies, deepening relationship with large corporates, which were not accessible earlier due to constraints of credit rating or our cost of funds. We also see a significant opportunity to target the trade flows in the corridors where ENBD is present, where we should have some competitive advantage.

Driving a more balanced and diversified retail asset mix with a faster growth in secured products alongside targeted market share gains in secured business loans, housing loans, gold loans, enhancing profitability across secured retail asset segments through better pricing discipline, operating leverage and product optimization, deepening customer relationship by increasing product penetration across our existing liability customer base and credit card franchise. Now I will invite Mr. Jaideep to take you through the financials in greater detail.

Jaideep Iyer: Thank you, Mr. Kumar and good afternoon, everyone. Briefly touching on some of the specific aspects of the financial performance, we grew net Advances by 23% year-on-year and 2% sequentially to INR1,16,223 crores. Retail advances grew by 13% year-on-year to INR64,196 crores.

The retail wholesale mix was about 55-45. Secured retail advances grew 18% year-on-year. Within secured, business loans grew 48% year-on-year. The disbursal for Secured Retail was INR4,000 crores for the quarter versus INR2,900 crores in the same time last year. Microfinance advances disbursements grew 50% year-on-year, and the book grew by about 30%.

Wholesale advances grew 38% year-on-year. Commercial Banking grew 36% year-on-year and large corporate grew 38% year-on-year. We issued 3.4 lakh cards during the quarter, reaching total cards in force of 4.65 million as of June 30, 2026. Coming to deposits, our total deposits grew 11% year-on-year to INR1,24,829 crores.

As mentioned earlier, some of the deposits were run down because of the equity infusion that came in the last few days of June. Average deposits grew 24% year-on-year. Deposits less than INR3 crores, which continues to be our focus area for growth, grew 13% year-on-year and now accounts for 52.4% of the total deposits as of June 30, 2026.

Average LCR for the quarter was at 133%. In terms of operating performance, our NII was up 12% year-on-year to INR1,654 crores. Other Income was down 10% year-on-year to INR959 crores, mainly due to reduction in the large treasury income, which we had seen in Q1 of FY '26, given the fall in yields that had happened during that time.

Core Income grew 16% year-on-year to INR923 crores. Our total net income grew 2% year-on-year to INR2,614 crores. Our opex de-grew 8% year-on-year to INR1,691 crores. Cost-to-income as a consequence was down to 64.7% versus 65.1% last quarter. Our pre-operating profit, therefore in this quarter grew 31% year-on-year to INR923 crores.

Net profit for the year as a consequence was up 27% year-on-year to INR254 crores versus INR200 crores for Q1 FY26. In terms of Asset Quality, GNPA was down 15 basis points Q-o-Q to 1.3% and net NPA was down 2 basis points Q-o-Q to 0.37%. Provision Coverage Ratio stood at 72%.

With technical write-off, this would be in the 90s. Net provision on advances was INR597 crores. Of this net provision in credit cards accounted for INR575 crores, microfinance was INR17 crores, secured retail was INR9 crores and wholesale had a release of about INR6 crores.

As a consequence, the credit cost for the quarter was 54 basis points. The slippages and therefore, credit costs in cards have been elevated in the last few quarters. Based on early indicators on the delinquency trends, as mentioned earlier as well, there are significant signs of improvement, which makes us believe that slippages should materially decrease from Q3 of FY '27. On capital, post infusion of INR26,016 crores by Emirates NBD, our total capital adequacy was at 33.3% and CET-1 ratio was 32.2%. With this, we will now open for Q&A.

Moderator: Thank you very much. We will now begin the question and answer session. We will take our first question from the line of Rikin Shah from IIFL Capital.

Rikin Shah: I actually have quite a few questions today, 7 to be precise, so I'll ask them one after another. First one, if you could just talk about out of this INR26,000 crores of fundraise that has been done, how has it been deployed? How much of that has been used to retire the costlier liabilities? What was the average cost of this retired liabilities? And how do you intend to deploy the remaining funds? So that's the first one?

R. Subramaniakumar: Yes, as far as retirement of the borrowings and high-cost deposits, around INR10,000 crores has been done. And the net 7.25% is the net rate which has been retired out of it. And we have redeployed some of them in the short term also, which is giving us around 6.7% to 6.8%. That is what we gained out of the redeployment.

Rikin Shah: Okay. And sir, balance INR16,000 crores out of INR26,000 crores, INR10,000 crores was used to retire some of these liabilities. And what about the balance INR16,000 crores?

R. Subramaniakumar: It was invested in the short term.

Rikin Shah: So invested in investment securities, is it?

Jaideep Iyer: Yes. I mean, short-term market instruments.

Rikin Shah: Okay. So I'm guessing that it can be redeployed into the loans as and when you start growing your...

Jaideep Iyer: Yes.

Rikin Shah: Got it. Okay. The second one was what was the IBPC runoff in this quarter? And how much of that balance is still outstanding as well as the CASA decline Q-o-Q, even after I adjust the INR5,500 crores of transient flows that we got in Q4, the CASA was meaningfully down. I mean, a bit surprising that CASA was also so heavy on wholesale. So your comments on that as well, please?

R. Subramaniakumar: Runoff for IBPC is to the tune of around INR4,000 crores, which is what has gone. And the other part of it.

Jaideep Iyer: Yes. So, Rikin, CASA, honestly, while there was clearly a one-off flow that we had spoken about of around INR5,000-plus crores across March 31. In general, March is a little bit CA-heavy quarter. And we've been relatively steady to slightly declining over the last 1 year or so on the averages.

We are now running at about 25%, 26% on daily average CASA. We've also kind of continuously rationalized savings account rates. And I think the idea is to kind of continue to do that gradually. And while that might be resulting in some relatively lower than preferred growth on SA, but I think the intent is to build more low-cost SA over time, given the opportunity that we have right now.

Rikin Shah: Fair point. And so what is the outstanding of IBPC now? Is there anything remaining which can be run down going ahead? Because that has been dragging the overall down.

Jaideep Iyer: It's about INR500 crores. About INR500 crores.

Rikin Shah: Okay. Not much. And to your comment, Jaideep, so while I do understand that we cut our SA rates and which is why the quantum of SA mobilization is weak. But essentially, that's the point, right? As long as the capital is there, you can use that to fund growth. But unless organically, we are able to mobilize SA at the same time offering competitive rates, how do we get confidence that after the free funds are deployed, we have enough ability to keep growing at 23%, 25%?

Jaideep Iyer: So that's a question one can debate for the next few days. But Rikin, on a more serious note, I think we have lots of opportunities also because of the transaction. I think NR is an important focus area. Coincidentally, the FCNR opportunity is a very nice marketing opportunity as well to, kind of, reach out to customers with a value proposition, which otherwise would not have been there.

We will expand branches. We are also expanding branches. We should be -- we've opened about 20-odd branches. We will continue to add people. At some stage, we will get into wealth over time. So there are lots of things that will happen over time on trying to mobilize low-cost deposits.

Even on current account, there is a huge focus area on retail. We've introduced some new product variants, which are attractive for smaller companies, SMEs, proprietorships, et cetera. So plus the combination of product and reach, I think that is the main effort, right? I think the holy grail is to kind of improve the cost of liabilities as well as have a reasonable growth. And between high levels of equity and a potential FCNR opportunity, it actually gives us a breather over the next 12, 18 months to get some of this right. There will be less pressure in general on deposit growth because of the liquidity that we are sitting on.

R. Subramaniakumar: In addition to that, the rate upgrade, in addition to that upgrade of our rating is also providing us a new territory, which we said we are not able to enter at all. And it is also providing us an opportunity to bring in a lot of collection accounts, which we said we are not able to do. So these are the 2 things which will also be an addition to our CA.

And plus a lot of salary-related proposition has been done and product proposition, as you rightly say, the variants are going to get us there. And a big strategic change has been made in credit card, which is going to be used in the acquisition for the purpose of SA. Now getting a straight SA from asset-led liability is what we have been driving it for the last 1 year, which is also providing us a lot of inroad into the new customer base, which will be able to accelerate and get us.

So of course, it is a very execution discipline is required. And you know that in the last 2, 3 years, the machinery has been completely oiled and which is in a position to do the execution in a very disciplined way. So we are very confident. Otherwise, we would not have been able to let go of this high-cost SA, which is a very natural way to do it.

Rikin Shah: Got it. Fair point, sir. So that feeds into my third question. Given that ENBD is now a promoter and expectation is that a large part of FCNR flows should be coming from Middle East. Is there any particular target that you are intending to achieve via FCNR. Because many other midsized banks may struggle to raise dollar funding or offer those leverages themselves. So any potential targets or any commitments that you've got from ENBD on this?

R. Subramaniakumar: See, we are working on multiple options, multiple commitments on that. And you can visualize our bank like see, we are only 0.5% of the market share and all these deposits so far. You can consider us reaching in FCNR at least 1.5x -- 2x to 3x of that market share is what we are aiming to get in of whatever is going to be mobilized as the FCNR. Our share of FCNR will be 3x, 4x higher than the market share of deposits what we have enjoying it today.

Rikin Shah: Got it. Makes sense. The next fourth question is on margins. So we have seen almost 50 basis points of margin contraction in last 2 quarters. Part of that is understandable given that the wholesale mix share has gone up. But even the retail disbursal yields in this quarter across many products are down. So what is driving such kind of sharp margin contraction even this quarter?

And also, your cost of SA and TD have gone up a bit in this quarter, which is a bit surprising. And finally, how do we think on margins from here on? Because after such sharp contraction, where do they start going from current levels? Of course, they would have bottomed, I imagine, but how much can it go up after all of these funds have been received? And where do they settle in a few quarters' time?

Jaideep Iyer: Yes. So Rikin, on margins, broadly, I think there have been some headwinds. The full impact of repo rate cut, which happened in December early, part of that was there in Q4, a reasonably large part also reflected in the Q1 numbers. And that's part of the reason why retail asset yields are coming off.

Second, I think on savings account, we had a high-cost bucket, which was introduced in late March and which we have now taken the opportunity to kind of get rid of. And therefore, for the quarter, that impact is sitting there. Now we should start seeing decline in SA overall rates as we go into the next quarter -- coming quarter.

The other headwind was that credit card reversals have continued, and I think this will probably be there for one more quarter as we had guided earlier. So these were the headwinds. And I think going forward, there are -- yes, and I think we also had slightly higher CA daily averages in Q4 versus Q1, which we hope to build over time as we just spoke in the earlier question.

Having said that, in terms of going forward situation, Rikin, there are quite a few, let's say, factors and things that we will have to face. One is obviously, the heavy equity will result in a step-up of margins directly. We will have to see how repo rates behave through RBI. Obviously, a hike in repo rates is good for margins. Our credit rating has improved to AAA.

So we will start seeing a significant reduction in our bulk deposit costs, our borrowing costs as and when we start leveraging again. At the same time, our mix will continue to move towards more secured retail. We will also take the opportunity to go up the risk curve in terms of both wholesale lending to better-rated corporates and in terms of mortgages to, again, better business loans as well as individuals.

So quite a few factors here. But if I have to kind of take a guess, directionally, obviously, we will go up significantly because of equity, north of 40 basis points, 50 basis points improvement or 30 basis points, 40 basis points improvement should be expected at least in Q2. And I think till the time we get to some relative stability in terms of mix changes, both on liabilities and assets, we will have some level of difficulty in predicting precisely where the margin goes. But clearly, the intent is that margins will inch up because of equity over the next 3 to 6 months.

R. Subramaniakumar: The base effect improvement of 30 bps, 40 bps is a given. Base effect improvement of 30 bps, 40 bps is a given. Beyond that, yes, we think will start inching up thereafter.

Rikin Shah: So maybe just another way of checking this is, is there a path or journey to go to 5% NIM from 4.13% over a certain time frame? Because even I'm guessing the interest reversals due to credit card could be significant. So is that possible or that seems very unlikely given where we are right now?

Jaideep Iyer: So Rikin, if you look at the big picture, I think there is always a trade-off between NII and provisioning, right? So I think the idea is, if I take a 2-, 3-year period, NIMs have to go up primarily from the cost of liability benefits. But it will also have the impact of a mix change on the asset side, on the loan side towards lower and lower yielding assets because -- and we have to extract benefits from operating costs. So I don't think we will target a margin of a certain number. I think ultimately, we will have to work towards an ROA target and then ultimately an ROE target.

Rikin Shah: Got it. The next one is on asset quality. I mean the credit cost improvement in this quarter seems largely due to reduction in PCR. Given our current loan mix, I was just wondering why should PCR decline. In fact, on your Slide 12, I was computing the MFI provision coverage is only 40%. Credit card coverage is 73%, which is almost same as your Secured Retail PCR. So any comments on PCR? Why did it go down?

Jaideep Iyer: So, Rikin. No, no. Rikin, so PCR is a function of the policies that we have. We haven't changed any policy. So credit cards continues to be provisioned at 70% on 90 days and full provisioning on the 120th day. So a higher slippage in cards would mean a higher quantum of cards between 90 days and 120 days. That is simple mathematics.

Similarly, in MFI, we have a 25% per quarter provisioning. And now we are seeing a very sharp reduction in slippages. So when -- this is a function of what had slipped 2, 3 quarters back. And as we get into a steady slippage, which has already happened, we will see provisioning inch up on this portfolio.

By the way, in any case, a very large proportion, I think 95%, 96% of MFI provisioning is now covered by CGFMU. On the Secured Retail assets, typically, we will have -- on mortgages and home loans, et cetera, we have a 15% provisioning on tractors, we have, I think, 25% per quarter provisioning. So I think this is an outcome of slippages in various categories. And I don't think we are quite comfortable with the kind of provisioning levels we have.

Rikin Shah: Got it. And the second last question is on the credit card. You have been talking about the slippages and credit costs peaking in Q2. So could you talk about what's the current credit cost on cards and where can it settle in second half? I'm guessing it's around 7% or so right now. But if you could just quantify where it is and where does it normalize from second half onwards?

Jaideep Iyer: No. In the last couple of quarters, we have been closer to 11%, 12% headline on cards in terms of credit cost on that book, credit cards plus personal loans. And I think while we will expect some reduction in Q2, but a material reduction should happen as we have guided in Q3 onwards. And we should clearly come down to the 5% handle by the time we hit Q3.

Rikin Shah: Got it. And then --

Jaideep Iyer: That will be a very sharp one.

Rikin Shah: Yeah, fair point. Got it. And then just the last question is on effective tax rate. It has been consistently low at 22%. What's the reason behind that? And does it normalize to 25% anytime soon?

Jaideep Iyer: I think predominantly GIFT earnings is one reason why I can think of that we will never be at 25%. By definition, GIFT is tax-free. So that will be one. I don't see any other reason why we are at where we are.

Moderator: Next question is from the line of Anand Dama from Nuvama.

Anand Dama: So you talked about the FCNR flows and you also talk about the NRE deposit flows. Can you just chart, like, how you plan, like, you're going to add some branches back in Mumbai, you want to open some centers in Dubai. If you can just like -- I'm sure a lot of discussions would have happened with ENBD. If you can just talk about how the liability structure is going to change and how the ENBD is going to help you over the next 2 to 3 years?

R. Subramaniakumar: Given this partnership, I don't think it will be relevant to talk about opening a branch in the geographies they are strong and they are working on. And the next obvious question will be how do we leverage the relationship to our -- within the regulatory framework, how to get the accounts open for those people who are dealing with them.

You see that half of the population of Dubai are Indians. If we're able to get at least 20% of that itself into it, it's a huge flow. And the remittances, if you look at it, it is -- I mean, the largest flow which you would have seen there. If we're able to -- instead of allowing that amount to be a flow instead of stay business, then that is going to be another big opportunity for us to grow. These are the major concentration through which we'll be able to grow our NR business in alliance or in partnership with the ENBD.

Anand Dama: And so what are the pieces that you're going to put in place? You got to get some people on board as well for that or the existing people and the setup itself should be good enough for you to mobilize the NRE deposits?

R. Subramaniakumar: I have been telling this again and again, we have a strong -- I mean, like human resource and skill set within the bank. And wherever it is required on a need basis, we are hiring it. And I just read out the 3 names who have just joined our management team in the last 1, 1.5 quarters. So this team is fairly strong enough. And need-based, business opportunity-based, business expansion-based, decisions will be taken.

Anand Dama: Sure. And Jaideep, you said that you expect about 30 basis points to 40 basis points margin retracement in second quarter. Is that it? Or like thereafter also, you will see a continued margin improvement given that you have so much of capital to consume and you would also see some benefits coming in from the liability mobilization, possibly at a lower cost? And are you expecting any further SA rate cuts? Because now that you've got so much of capital, I think you can live with a relatively lower SA rate?

Jaideep Iyer: So Anand, on margins, I will hesitate to go beyond Q2. I think there are quite a few factors, which we will have to see. As I said, we will also want to move towards a loan mix, which is low risk. We will also end up deploying a certain amount of excess liquidity in lower-yielding assets, which will continue.

We don't want to accelerate anything dramatically on our business-as-usual lending because there is no intent to take outsized risk here. And therefore, there will be some noise around margins, which we'll have to see. But directionally, I think the intent is to get the cost of liabilities down. I think it's already reflected in bulk deposits as well as in borrowings. But we are obviously need for deposits is very low for a bit. On the -- sorry, what was the other question you had?

Anand Dama: SA rate.

Jaideep Iyer: Yes, so SA rate, our peak rate is now at 6%. And I think we will want to gradually reduce this over time because ultimately, we have to also protect the customer franchise. So the attempt is to see how we can deepen the relationship with our high net worth, high-value SA customers over time and then gradually reduce. I think it is safe to assume that this will directionally come down over the next 12, 18 months. I don't think we have a strict timeframe in mind as to when we have to get to what rate.

Anand Dama: Sure. And any target in terms of deposit growth for FY '27?

R. Subramaniakumar: We already said no. It is on the need based. The deposit will be raised depending on the deployment. Now right now, for the short term, we already have a sufficient amount of deployment in the deposits. Once it goes after 2 quarters, we'll be in a position to mobilize, we'll bounce back because we have an advantage of getting into the reduced rate of mobilization in the corporate deposits, which will start moving up. And retail deposit growth, yes, it is going to be there. Our target is 20-plus and within 23%, 24%.

Jaideep Iyer: FCNR on top of it.

R. Subramaniakumar: Yes, FCNR on top of it. That is also another thing. That is over and above additional deposit growth which will be there in FCNR.

Anand Dama: So you have any target in mind for FCNR deposits?

R. Subramaniakumar: I think I would have told to Mr. Rikin, that we said that right now, our deposit share is around 0.5% of the market share. Within the FCNR, we wanted to make it 2x, 3x of that. Total FCNR mobilized, we will not restrict ourselves to 0.5%. We'll be 2x to 3x more than our market share is what we are intending to do for the FCNR deposit mobilization.

Anand Dama: Okay. So that should be about 4% to 5% of the overall FCNR deposits that will be mobilized?

Jaideep Iyer: No. He said 3 to 4x our current market share. So you should assume 1.5% to 2%, not 4%. I mean, difficult to predict. If it happens to 4%, we'll be happy, but...

R. Subramaniakumar: Intent is to mobilize more, but this is a minimum what we are talking about.

Bhavin Lakhpatwala: And since you're trying to do the math on NIM, please remember that FCNR whenever that comes in, will come deployed at a lower NIM. Because it will come at higher than the cost of funds that we are currently running.

Anand Dama: Sure. And one more thing was, sir, there are some banks who have filed with the CGFMU. There are some banks who have already received the money. We also had a sizable microfinance portfolio. Are there any CGFMU recoveries that we are expecting? Have you filed? Is there any progress if you can just talk about?

Jaideep Iyer: So we are expected to file our first recovery this quarter, and we will expect that as and when that gets approved, we should start seeing the flow.

Anand Dama: Okay. Any quantum that you can talk about?

Jaideep Iyer: Not really. I mean I don't think I have that handy. But I think the safe thing we can say is at least over the last 3 to 6 months, the entire book has been largely covered under CGFMU.

Moderator: Next question is from the line of Jeet Suchak from Ambit Capital.

Jeet Suchak: Sir, can you share your view on LDR? We are going to use our own funds more and we are going to cut the deposit rates, we're not going to do bulk. And what do you see on LDR? How stretched it will be in FY '27 and coming years?

R. Subramaniakumar: I want you to start looking at the LDR in slightly different perspective. It's loan-to-deposit, loan-to-borrowed funds. In fact, if you look at it as a loan to borrowed funds, including capital, it comes around 66% is what we have said just now in our presentation also. And if you look at it, our intent of having so much of capital is to reduce the high-cost deposits. Naturally, the CDR, you take it in the CD ratio in the straight form, it may look a little higher than what it is. Even this quarter also, we closed around 93%. It will be in that range and is likely to go up also as we move down the retail rate.

Jaideep Iyer: Yes. So if you look at the LDR in the 90s and call it stretched, I don't think that will be a right reflection.

R. Subramaniakumar: Correct.

Jeet Suchak: Okay. So anything you can say, can it go beyond 100? If we are not able to offer the rates at?

Jaideep Iyer: Not a number that we are tracking seriously.

Jeet Suchak: So you are carrying basically loans upon the borrowings?

R. Subramaniakumar: And another thing is the FCNR is going to come around at 4% -- I mean, 2%, 3%, it will dip down. That is the deposit what we are getting it.

Jaideep Iyer: Sorry, Jeet, you mentioned that, therefore, we will depend on borrowings. No, we are saying we are depending on equity right now. We are a 4x leverage bank.

Bhavin Lakhpatwala: I also want to just go back to what you said earlier, and so there's no confusion. We're not suggesting for a second that we will not be in the deposit market. We will be in the deposit market. The calibration that has happened in the first quarter was a very high SA rate has come down. If you see the rates currently, we are continuing to be competitive on the retail side. On the wholesale side, these are all depends on the transaction, depends on individual customer base, we will be tackling customer deposits. I don't want to leave a message that we are not in the market for deposits, please.

R. Subramaniakumar: So, Jeet, just to add to the point, we have been focusing on the retail for the last 2 years, and you know that we are growing at the rate of retail deposits, especially the TD in the range of 23%, 24%. We will continue to focus that and we'll continue to garner not less than 23%, 24% in that space. Added to that, FCNR, we are focusing it. Just now we said that 2% of the market share is what we are looking at. And it may go up also depending on how this demand ultimately concludes. So it is only the bulk deposit, high-cost deposit is what we are looking at is something which we will give up and avoid.

Jeet Suchak: Okay. So focusing on retail deposits, how do you see the cost ratio or cost to income going down on, we will need to ramp up our branches very fast to focus on retail deposits, right? How do you see on the cost front?

R. Subramaniakumar: The cost, if you look at it, we had a very calibrated measure for the last 1, 1.5 years. And our cost to income, you would have seen that it has come down to 64%. The interest income is going to come with the capital infusion. It will further go down by another 5, 6 points in next 1 or two quarters.

That is -- it is providing us enough investment opportunity for the branch expansion. The branch expansion is not disproportionately high because the other branches are making profit and some of the branches which we opened in the last 1 year will turn around. They will be able to provide a sufficient income for supporting the new branches.

Jeet Suchak: Okay. And in absolute terms, growth, if you can see in the cost side, employee additions and total expenses growth, what can we see?

R. Subramaniakumar: If you're asking about the cost, whether it is going to spike because of employee addition, I'm just telling you that more or less we have invested fairly well in retail asset and all the asset side of it and the productivity is what we are looking at. The second is the adoption of technology, adoption of automation.

So the existing setup will be able to produce more and efficiently, which itself will be able to cover rather than demanding more proportionate to that of the growth. There will be for special areas, of course, we will be investing in headcount, which will be very marginal and the small one, which will not materially alter the cost structure.

Moderator: Next question is from the line of Jai Mundhra from ICICI Securities.

Jai Mundhra: Congratulations on the quarter. Sir, I have a few questions. First is on credit card slippages, sir. So they have been anyway elevated and this quarter, they have again gone up. What -- is there any specific reason? And why should they drop like half for the next 2 quarters? Because I thought that it is a very short-cycle product, you would have some near-term visibility. So what led to spike and then what would lead to a dramatic decline?

Jaideep Iyer: So Jai, I think we've been quite clearly guiding that we have some portfolio challenges, which were there in certain pockets, which would mean that we will remain elevated on credit costs and slippages for H1 of this year. I think we have said that almost 6, 9 months back. And if we look at the early delinquency, which is flow into 10-day bucket or a 30-day bucket, that I think, has quite materially come down.

Obviously, we have taken a lot of actions around sourcing, collection efficiencies and stuff like that, which -- and the reason why we are now saying with some level of confidence that we should start seeing a sharp reduction in slippages in Q3 is because one can see the early buckets coming into where we always wanted it to be.

Jai Mundhra: Right. No. So that's right, sir. You have been flagging this, but I was just hoping that this quarter -- I mean, so even in last quarter, you were hoping that it will rise first and then will start to normalize, right? Or this rise Q-o-Q of more than INR100 crores was broadly similar to your thesis, let's say, 1 quarter back?

Jaideep Iyer: Yes. So I think it's difficult to predict beyond a certain level of accuracy here. So now we are saying that the next quarter should be lower than this, not materially lower, but begin to get lower. And then given what we are seeing on early trends, we are quite confidently saying that we should see the reduction that I alluded to earlier, a very sharp reduction from Q3 onwards. And from there on, I think we will then be subjected to new market realities, but at least it will come into the BAU zone that we've had, let's say, in '22, '23 and in that period.

Jai Mundhra: Right. Sure. That's helpful. And on ECL, right, so now you have become a subsidiary, the parent must already be following IFRS. If you can suggest if you would transition before -- sorry, if you would have an accelerated transition, could that mean anything for the next 2, 3 quarters or your assessment of ECL?

Bhavin Lakhpatwala: No, Jai, I don't think we're going to do any accelerated or there will be some data sharing, which will happen. And please bear in mind that the policies that RBI will have will be slightly different from what the IFRS and what the group may need. So -- but we will follow the RBI pattern, and we'll start doing it from next year along with the other banks.

Jai Mundhra: Okay. Sure. And secondly, on PSL, now, sir, we have -- I mean, the loan growth Secured Retail and Wholesale and everything, I mean, the loan growth trajectory looks very strong. But if you can comment on your PSL achievement as to where are you on PSL? And do you -- along with MFI, do you think that PSL assets should be growing at least similar to your overall loan growth? Or how are you placed there?

R. Subramaniakumar: See, PSL, as you rightly said, it is a challenge in the current growth unless it is very clearly calibrated from Q2 onwards. And as far as the weaker section and the most wanted PSL is in the form of our corporate nonfinance, which is our microfinance will be able to support us to the extent of around 75% to 80%. Beyond that, we are looking maybe that PSL certificate is one option.

We can look for, we can look for alternatives like the last time we did it on IBPC; we will not be doing the IBPC in the same way. But still, we have an option of getting it through PSLC. We are working on it. And we are pretty confident that we will not miss the PSL certificate or the PSL target going forward.

Jaideep Iyer: So Jai, just to add, one is that we see, given the opportunity on the wholesale side, we will see some level of disproportionately higher growth in GIFT City. Disproportionately higher, meaning if we are growing loan book at 20%, GIFT will grow higher than that. And that is exempt from PSL.

Second, if we look at between microfinance, tractors and agri, broadly, we should be in the zip code of 10% of our loan book. And given that PSL is for the previous year and assuming a 20% growth, simplistically, that takes us to 12% of the previous year's ANBC. And with a little bit of GIFT here and there, I think some amount of PSLC seems to be okay for now. I don't think the intent will be to take credit risk on segments where just to fulfil PSL, that is something that we will try and avoid as much as possible.

Jai Mundhra: Right. And sir, if you can share what was your PSL, let's say, organic PSL level as of maybe FY '26 or this quarter, just to get a sense on SMF?

R. Subramaniakumar: We will get the data. I will ask.

Jaideep Iyer: Not carrying that number right now. But as I remember, March '26 was not a shortfall.

R. Subramaniakumar: March '26, we have achieved all targets, even sub-targets also.

Jai Mundhra: Okay. And that was organic or including PSLC? That would be including PSLC and everything, right?

Jaideep Iyer: Yes. We would have purchased some PSLC. That's correct.

Jai Mundhra: Okay. Sure. And secondly, sir, on risk. So now again, you would have a clear growth trajectory. If you can share some qualitative or quantitative, let's say, observation on risk or your preparation on risk as to, let's say, is there any minimum threshold for CIBIL? I mean, you gave a lot of details on the product-wise yield, so that is very helpful. But if you can share if you have, let's say, increased the risk people or if you have a minimum threshold for retail, let's say, above a particular threshold in CIBIL or CMR? Or how are you strengthening the risk profile?

Jaideep Iyer: So Jai, we've actually -- if you look at our last 4 to 8 -- 8 to 12 quarters, I think if you exclude cards and microfinance, which have had their own independent cycles, you will see that we've hardly had any credit costs across retail and wholesale. And I think unless we see a very bad macroeconomic cycle, which we currently are not seeing, I don't see any significant worries on that front.

In general, we've been conservative on retail. And this allows this capital infusion, this ability to drop liability costs only adds to the ability to do business at finer pricing provided we get multiproduct relationship with the customer and yet make the relevant spreads that we can because we need to take a lot of benefit from the cost of liabilities that should come down over time.

Jai Mundhra: Right. And lastly, sir, sorry, I missed if you had explained this, we have cut down the borrowing. I mean this is very visible on the balance sheet number also, which has come down by around INR7,000 crores. But what is the bulk deposit outstanding, which possibly can be run down, if you can share that bulk deposit number?

R. Subramaniakumar: What we have run down so far, I can tell you it is around INR7,000 crores or something like that. And what is going to come down will be maybe in the same ballpark figure.

Jaideep Iyer: No. So Rikin. Sorry, Jai. The way we look at this is that we've published that we are about 52%, 53% of our retail deposits is below INR3 crores. Now every month, there will be some level of maturities of deposits. We will be conscious to -- as Bhavin had very clearly mentioned, we are consciously going to be clearly present in both retail and wholesale.

But I think the ability to be a little more picky in terms of rates that we offer in terms of new client acquisition that we want to do given our rating upgrade and the transaction opening doors with newer wholesale MNC clients. I think those efforts will continue. Because ultimately, equity will run out in 6 months, 9 months, right? So the idea is to ensure that we continue to diversify our sources on bulk deposits and retail thrust will continue.

Moderator: Next question is from the line of Jeet Shah from Pinpoint Asset Management.

Jeet Shah: My question is regarding the credit card and PL book where net slippages have gone up by almost 25% Q-o-Q and the gross slippage rate is at about 15% to 16% annualized. Now this is a very alarming number. So I presume the management would want a very sharp reduction in this share going ahead. So could you help us with understanding how this 25% of unsecured book, which has been very unpredictable, comes down as a share of advances over, let's say, the next year or 2, please?

Jaideep Iyer: So I think we've been quite transparent in guiding the fact that we will see elevated slippages in cards in H1 of this year. And I think we are now more confidently also saying that we expect a sharp reduction of this quantum of slippages from Q3 onwards. We will see some marginal reduction or we should see some reduction in Q2, but more business as usual levels of slippages in the portfolio should start coming through from Q3 onwards.

In terms of your question on the mix, I think the cards book is now also not being looked at as only cards. I think we are experimenting with bundled product propositions. We will also look at a far more aggressive opportunity to look at cards through our branches and through our salary account customers, which is gaining traction separately.

So the idea is to look at it more as a product to a set of customers rather than just a product standalone. And that strategy should pan out over the next 18, 24 months. However, having said that, I think given the maturity of the market there, it is highly unlikely to grow at rates which otherwise we will grow the loan book at.

And therefore, it should drop in proportions over time gradually. I don't have a specific answer in terms of what proportions it will be over a 2-, 3-year period, but we see the growth opportunity there, given the maturity of the market to be lower than the opportunity that we have on the overall loan book. I mean, for example, Wholesale will grow at a good rate simply because of the disproportionate opportunity that we are having on that side.

Jeet Shah: Okay. Sure. And could you just highlight what's the average yield differential between your unsecured book and your secured book today?

Jaideep Iyer: Unsecured book yield is about 20% or so. And when I say unsecured, we are only talking about cards and microfinance. I'm not talking about wholesale unsecured.

Jeet Shah: Okay. So this doesn't include PL as well?

Jaideep Iyer: No, it includes PL, cards, PL and microfinance, sorry.

Jeet Shah: Sure. Understood. So that's at about 20%, and I presume the rest of the book would be at 10% or sub-10%?

Jaideep Iyer: Yes, that's correct. 11% is the overall average. So the rest of the book should be lower than 10%.

Jeet Shah: Okay. Sure. So then even if we assume this 25% of the unsecured book comes down to 20%, that would almost imply, like, a 50 bps NIM compression coming in from there, right? So does that mean most of the benefit that you see from this capital infusion gets eaten away by the mix shift that happens, let's say, over the next year or 2 odd?

Jaideep Iyer: I don't think that kind of mix shift is happening in 1 year. That kind of mix shift will happen over time. Second, I think the most important deliverable that we will want to work on is our reduction in cost of liabilities across borrowings, bulk deposits and retail deposits in that order. We've already seen the benefits on the first 2.

And over time, we should see that reflection in the retail deposits as well. So the idea would be to, from a spread standpoint, go down -- go up the risk chain as in more secured, more lower-yielding but multiproduct holding customer relationships and make up the spread loss as far as possible through the liabilities. I don't think we are chasing a high margin number for the sake of a margin number. We have to see that in proportion along with the provisioning that comes along.

Moderator: Next question is from the line of Darshil Jhaveri from Crown Capital.

Darshil Jhaveri: A lot of my questions have been answered, sir. So just wanted to know directionally in terms of ROA, what do we see it? Like I understand, sir, our whole conversation around NIMs, but if we can focus more on the bottom line in terms of our ROA, when can we see it go around 1%? Like what do you see, sir, going forward?

Jaideep Iyer: So I think the capital -- full impact of capital in the next quarter -- I mean, the current quarter, Q2, Q3 onwards, I think we should start seeing the 1% number in somewhere in the Q2, Q3 zone. And I think after that, as credit costs in cards normalize, I think that should be the other fillip as we go into Q3 and Q4. So yes, I mean, I think 1% zip code is a given near term, and I think we should get better than that by the time we exit the year.

Darshil Jhaveri: Okay. Okay. So, 1%, we can get better than. So sir, overall, sir, then in terms of our ROE, ROA, like maybe not this year, next year, what are the targets that we would be looking at a broad range of direction is also fine, sir?

R. Subramaniakumar: Normally, we don't give the guidance for the ROE and other things. We said that we make an aspirational effort for increasing it to double digits in the 3 to 4 years' time line. That's what we are working on. And we may -- as the situation improves or it becomes, we may do it a little earlier. That depends on how it pans out.

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