"RBL Bank Limited

Q3 FY '25 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day, and welcome to RBL Bank Limited's Q3 FY '25 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 touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. R. Subramaniakumar, Managing Director and CEO of RBL Bank. Thank you, and over to you, Mr. Kumar.

R. Subramaniakumar: Thank you, ma'am. Good afternoon, ladies and gentlemen, and I thank you for joining us for a discussion on our bank's financial results for the third quarter of the financial year 2025. We have uploaded the results along with the presentation on our website. And I hope you have had the chance to go through it in detail ahead of this call. I am, as always, joined on this call by Mr. Rajeev Ahuja, Executive Director of the bank; and other members of our management team to address any questions that you may have.

Before coming to our results, let me take a couple of minutes on our take on the current macro environment. We have witnessed a few headwinds including some moderation in the overall economic growth, pressure on the rupee, a relatively tight liquidity condition despite easing of CRR by 0.5% recently. All in the backdrop of fairly uncertain geopolitical environment. This has clearly delayed the easing cycle that one expected, say, 6 months ago. In this backdrop, the environment of deposits remains fairly competitive.

The other theme, which has kept all of us concerned is some challenges on asset quality, though largely restricted to the unsecured segments. We will take you all through what we are seeing here in a little more detail in a few minutes.

First, on what has worked well. Our wholesale and secured retail businesses, which comprise of mortgages, business banking and wheels have continued to grow well especially the build-outs in affordable space. The returns from all these businesses, despite the ongoing scale-up mode in secured retail has delivered enough PPOP to cover the increased credit costs in unsecured segments. We have seen a 13% Y-o-Y in advances this quarter with the wholesale growing 5% Y-o-Y and total retail growing 19% Y-o-Y.

We were carrying low-yielding tactical balances in the wholesale same time last year, which have now given way to a better risk rewarding exposures. Within wholesale, commercial banking, that is the mid and small corporate segment grew 21% Y-o-Y.

The secured retail advances grew by 38% Y-o-Y, in line with our plan to grow this as an identified focus area. Given our higher risk focus in response to the market dynamics, the JLG, the Joint Liability Group segment has been lower both Y-o-Y and sequentially. In credit cards, including personal loans, the growth was 8% Y-o-Y but lower 2% sequentially.

The deposit quality has continued showing strong trends. While I did allude to the general competitive dynamics relating to the growth on deposits, we are happy to see continued improvement in granular retail deposit growth. Our total deposits grew 15% Y-o-Y and were lower 1% sequentially. However, granular deposits grew 20% Y-o-Y and 3% sequentially. Similarly, while the while period ended CASA balances grew 12% Y-o-Y, but de-grew 3% sequentially. Our average CASA balances grew 14% Y-o-Y and 4% sequentially.

On what we are doing to navigate some near-term challenges, we have been taking active steps to tackle the headwinds, both in the rural, the JLG loans, and the urban consumer that is a credit cards that is over levered. We have been cutting risk and increasing focus on recovery. In credit cards, the slippage was INR533 crores as compared to INR606 crores last quarter. We had spoken extensively on the transition impact last quarter.

I'm happy to share that the team has now stabilized, and we are continuing to see improved trends in both arresting slippages as well as resolution rates in delinquent pools. We had said in the past that improvement will be seen in Q3 and will become even better in Q4, and we continue on this track.

In JLG, we have seen elevated slippages this quarter. The net slippage is at INR521 crores as against INR231 crores last quarter. This was expected given high SMA-1 and 2 balances that we had seen as at September 30, 2024. In the JLG segment, the situation on the ground has been in a flux for most of the past months, but December has seen the first material uptick in collection efficiency and the recoveries of old NPAs.

We saw good improvement in bucket one collection efficiency in December 2024 at 98.4% as compared to September 2024 which was at 97.5%. However, as October and November were relatively similar to September levels, we expect the slippages to be broadly similar in Q4 as compared to Q3. We expect to have a better resolution rate from delinquent buckets and also a higher recovery from NPAs. The improving trend witnessed in December, which we believe should sustain and improve will result in material reduction in slippages Q1 FY '26 onwards.

We are monitoring Q4 and if the collection efficiency continues picking up, we can feel a bit more confident of where this business will finally settle. This situation is being addressed through additional provisioning in this quarter. We continue to carry a contingent provision of INR273 crores which will minimize impact of higher-than-normal trend slippages. And this, along with the steady PPOP, which we built consciously over a period of time, will hold us in good stead.

Also, we are observing weaknesses in the consumer segment, both rural and urban and therefore, we have started taking risk actions. So that there is no outsized impact for us in FY '26 and beyond. This includes taking risk mitigation steps such as CGFMU cover for incremental disbursals in JLG. We now have a cover on approximately 42% of disbursals in this segment, which was 25% in Q2.

Now what does it mean for the growth? Our growth opportunities come from our wholesale and secured retail business, which continued to deliver growth, quality and profitability, and we continue to grow this steadily without impacting the financial dynamics. Our secured retail business grew well with a large focus on branch catchment area customers. The affordable finance business is still young, but tracking good quarterly growth.

This is more a medium and a long-term play for us. And here, we are not chasing just yield but focused on a reasonable ticket size with customers for whom we can be meaningful full-service bank in the future. Our PPOP this quarter plus the two one-offs that Jaideep will discuss in more detail, have given us enough resources to substantially provide for most of our JLG pain up to this quarter.

Thus, we have lower NNPA of 0.53% and a higher PCR of 82.2%. We hope we can do the same in Q4 through our contingency reserves, which we haven't utilized thus far. The primary objective is to establish clarity on focus areas and ensure clear risk guardrails while recovery efforts continue.

Lastly, to summarize. Our objectives of strengthening the balance sheet on both the sides. Quality assets and the granular deposits will continue and, in fact, increase in pace notwithstanding the near-term challenges in unsecured lending, which in a measured way will continue to moderate as a proportion. As such, with these measures, we are minimizing any potential impact on the balance sheet stability. Our risk filters across the organizations have been strengthened in response to changes to the macro environment around us.

Our biggest achievement and priority has been to ensure coherence in whatever we do. While we started RBL 2.0 as a set of 4 independent business verticals with no material cross-sell and cross-leveraging resources. We have, over the last 2 years, achieved significant consolidation by way of operating synergies, cost, customer segments and most importantly, making customers part of the overall bank franchise. There's a long journey ahead of us on this. And this, we believe, is the strength that will stand as well, not just in FY '26, but years beyond and in some manner -- sorry for the disruption.

And these kind of disruption will continue to come be it a business or be it a technology. We are very well prepared to face and get out of it successfully. Our biggest achievement and priority has been to ensure coherence in whatever we do. While we started RBL 2.0 as a set of four independent business verticals with no material cross-sell and cross-leveraging of resources.

We have, over last 2 years, achieved a significant consolidation by way of operating synergies, cost, customer segments and most importantly, making customers part of the overall bank franchise. There is a long journey ahead of us on this.

And this, we believe, is a strength that will stand us well not just in FY '26, but years beyond. And in some manner, will ensure we help us in maintaining a strong PPOP. There has been a lot of discussion on growth. I would say for us, growth is important but it is critical to have a profitable growth with appropriate risk. And we believe plenty of opportunities lie at this convergence for us.

In my mind, there are four Cs that can give us sufficient lift besides growth, these being Cost of Deposit, Cost of Operations, Cross-Sell and Cost of Credit. I will now ask Jaideep to take you through other financial parameters in detail.

Jaideep Iyer: Thank you, Mr. Kumar, and good afternoon, everyone. Briefly touching on other aspects of our financial performance. On advances, we grew net advances by 13% year-on-year to INR90,412 crores and retail advances grew by 19% year-on-year to INR55,199 crores. The retail wholesale mix now stands at 61:39. Our secured retail advances grew at 38% year-on-year.

And as we have been saying, this remains a core focus area for us. Our total deposits grew 15% year-on-year to INR106,753 crores and CASA ratio now stands at 32.8%. Our granular deposits, basically the deposits below INR3 crores, grew faster at 20% year-on-year and 3% Q-o-Q to INR53,719 crores and now stands at 50.3% of our total deposits.

This has been an area of focus for us for the last several quarters, and we are happy to kind of progress steadily on this front. Our net interest income was 3% year-on-year, up, but down 2% sequentially at around INR1,585 crores.

NII growth was impacted on two counts: lower disbursals in the JLG business as well as increased slippages causing interest reversals. Our cost of deposits was 4 basis points higher sequentially at 6.57%. And similarly, cost of funds was up by 6 basis points at 6.63%. We expect this to be largely steady in this range for the next 1 or 2 quarters.

Our net interest margin was down sequentially to 4.9% this quarter, mainly, as I said, on account of interest reversals and lower disbursals in the JLG business. Our total other income was at INR1,073 crores this quarter, 38% higher year-on-year and 16% sequentially. This other income had the benefit of a gain from a onetime gain on sale of an investment which we did in Q3.

However, happy to report that core fee income grew 19% year-on-year and 6% sequentially to INR871 crores. Our total net income was up 14% year-on-year to INR2,658 crores. Without the specific gain on the investment we had, it was up 8% year-on-year. In a sense, despite pressures on margins, we've been able to offset some of the impact through better fee income performance.

Our opex grew 7% year-on-year and 2% sequentially to INR16,62 crores. Our cost-to-income ratio was 62.5% this quarter as against 64.2% last quarter and 67.1% same quarter last year. Our PPOP this quarter was at INR997 crores, up 30% year-on-year. Without the onetime gain on investment that I mentioned, our PPOP was INR853 crores, which was up 11% year-on-year.

Let me now briefly come to asset quality. We touched on the trend of slippages earlier when -- in Mr. Kumar's remarks. In terms of NPA ratios, gross NPA was at 2.92% and net NPA was at 0.53%. Net NPA sequentially lower from 0.79% we had in September. Primarily because of the accelerated provision that we have taken on the JLG book, JLG NPA book. Consequently, at the bank level, the PCR improved to 82.17% versus around 73% last quarter. I will give a little bit more details on this in a minute.

Our net restructured advances stood at 0.32% against 0.38% as we continue to see paydowns by customers. So this has become now fairly irrelevant. We are seeing improvement in trend in recoveries as well from NPA and technically written-off book in the unsecured segment this quarter. And I think with improving slippage trends that we're already alluding to, this recovery from NPAs and written-off portfolios should also improve.

On provisions, before we detail the provisioning charges, I just wanted to clarify on the benefits we had in this quarter from some one-offs. One was the stake sale that I spoke about, which was for INR144 crores gains booked in Q3 by the bank. In addition, we had a tax write-back of about INR150 crores in this quarter.

And these two benefits we have taken substantially and more into provisioning for our JLG book. So in addition to the normal provisioning policy in JLG, which is 25% every quarter, which translated into INR259 crores for this quarter. On a prudent basis, we have taken an additional INR414 crore towards the NPA in the segment. So totally, we provided almost INR680 crores or so.

So this provisioning on the entire GNPA of JLG takes us to 85% coverage in the JLG book. And in addition, we continue to carry the full contingent provisioning of INR273 crores, which should help us in dealing with what we expect to be still above trend slippage in Q4 and the idea would be to carry as little baggage as possible into the next financial year on this book.

In credit card, we had a provisioning net of recovery of INR473 crores, in line with our fairly aggressive provisioning policy. So in effect, in the unsecured segment, what we are saying is that we've seen asset quality challenges, but we have kept net NPA to fairly lower levels. And therefore, carrying less baggage to the next quarter, and we hope to do that even in the next quarter so that we start FY '26 on a relatively clean slate accompanied by even fresh slippages becoming more and more towards normalization.

As I said earlier, we've seen declining trend in cards. We've also seen -- while we will see above trend slippages in JLG book in Q4, early bucket resolutions as we had published for December '24 makes us believe that we should start seeing normalization in this portfolio from Q1 or Q2 onwards.

Our net profit as a result of the fairly high provisioning that we have taken, stands at INR33 crores for the quarter. Briefly on capital, our total capital, including profits was at 15.4%, and our CET 1 ratio was 13.7% as against 15.9% and 14.2% at the end of September. This is after the change in risk weight for JLG book, which we have taken from 75% to 125% in this quarter.

Excluding the JLG risk weight change impact, our burn on capital would be about 10 basis points in CET 1 and total capital approximately. And I think this trend will also continue given the fact that the higher risk-weighted book is expected to grow slower as we go forward. And therefore, we expect to be fairly well capitalized for the foreseeable future. With this, we'll open the session for question and answers.

Moderator: Thank you very much, sir. We will now begin with the question-and-answer session. The first question is from the line of Mona Khetan from Dolat Capital.

Mona Khetan: Sir, just one query on the collection efficiency. So the 98% number that we see for December, does it include both standard and delinquent book or just the standard portfolio? Yes.

R. Subramaniakumar: It is the current book, which is due on that particular month. Collection will be more.

Mona Khetan: Sorry, this is just the current book?

R. Subramaniakumar: Yes, it is just the current book, which is falling due in that particular month out of INR100, we collected INR98.4, which was INR97.4 the previous month. And the early indicator from January makes us -- the trend is continuing the same way.

Mona Khetan: Got it. And I missed the gross slippage number on the MFI portfolio?

Jaideep Iyer: Gross slippage is INR536 crores and the net would be INR521 crores.

Mona Khetan: INR536 crores against last quarter at about INR2.4 billion? INR240 crores?

Jaideep Iyer: Yes, correct. That's correct.

Mona Khetan: Got it, okay. I'll come back in the queue.

Moderator: The next question is from the line of Rikin Shah from IIFL Securities.

Rikin Shah: A couple of questions. So while we acknowledge that the collection efficiency has improved sequentially, but it is still only current bucket collection efficiency, which usually has to be well north of 99%. So seems like while the trend is improving, there are still going to be significant forward flows. And you already alluded that October, November was weak, but what gives us enough confidence that even 1Q slippages will start kind of trending down? So that's question number one.

The second question is on capital. So while the growth rate is still materially higher than the ROEs, we are still consuming capital. Of course, this quarter, there was an impact of higher risk weights. But how long do we expect that the current capital level will sustain our current growth ambitions and when could we potentially look at next round of capital raise? That's point two. And third one is more data keeping question. If you could spell out segment-wise gross slippage and net slippage for wholesale, cards, MFI and other retail, that will be helpful? Thank you.

R. Subramaniakumar: Okay. I'll just take the CE first. And if you look at it, I'll just give a small background which you must be well aware. When we were in the month of March, we did the current bucket resolution of 99.47%, that was the peak and the best. So which resulted in the Q1 to have the least slippages because of that particular entire trending.

And it started moving down from the month of June, July and which started showing up in the month -- from the Q3, which is impact which you're seeing in Q3. So whatever the current trend of 98.4% basis the local assessment and the field performance on a daily basis till the 15th, we are of the very firm belief and confident that this will never go below, it will move up.

Our assessment is that from next month onwards, or by March, definitely, we will be in a position to reach the current bucket efficiency of 99.1%. So whatever that October, November, which we saw it was in the odd 97%. This will have an impact in Q4, but the trending which we are seeing it from December onwards, will show us a lesser slippages from the month of March onwards.

So there will be a little, small -- lesser slightly the -- because of this March effect in Q4, but will be more or less, which we also said in my conversation -- in my statement earlier, for which how we are prepared. One is the impact, second is the impact preparation. We said that we still have the contingent provision of INR273 crores, which we are already holding it with that.

And our steady PPOP, which we have seen it all along, we'll be in a position to consume it leaving no baggage or very less baggage to that of the Q1. This is the number one. And how we are confident of Q1 is December is indication for the March. And from January, February, March will be helping us to do in Q1. So we are sure that it will start trending down and reducing the slippages from Q1 onwards. With regard to the capital and segment, I'll ask Jaideep to respond to you.

Jaideep Iyer: Yes, Rikin on capital...

Rikin Shah: Sir, before that if I can just seek one clarification on this. The tighter MFIN guardrails which were going to be implemented from 1st Jan are now pushed out to 1st April. So isn't there a possibility that once the tighter guardrails get implemented from 1st April, the collection efficiency can potentially further dip down given -- specifically for the overleverage customer profile. So how do we think about that?

R. Subramaniakumar: See, let me just clarify two points here. As far as the MFIN guidelines is concerned, it has 2 components. That is one in respect to the number of institutes, second, in respect of the amount peak. Only the number of institutions which -- from which they can borrow has been pushed from 1st of April. The other guardrail is already adapted by everybody, including us. We have already done in respect of the institutions also.

So partly, it has been adapted in this quarter itself. The second, if I look at my portfolio and other things, the initially while sourcing, we had around 5% to 6% of our borrowers who were skipping this 1 plus 2. And whereas the portfolio today because of the overleverage from others, it's somewhere around 25% to 26%. And going by the feedback what we got, that is one trend we just like to escape. Others are all in a position to increase the current trend.

So we feel even if the MFIN is going to be pushed down, it is going to improve the quality of the portfolio going forward. This will not have an impact in respect of the existing portfolio. The existing portfolio -- only way to collect is only the collection efficiency, which we are seeing an upward trend and it will not get impacted.

Rikin Shah: Got it, sir. And sir, sorry to harp on this, but on our current MFI book, what proportion of the borrowers would be four or more in terms of the lender exposure, both in the number of customers as well as the value terms?

Jaideep Iyer: So about 10% to 11%.

Rikin Shah: This is on volume or value terms?

Jaideep Iyer: Both are similar.

Rikin Shah: Okay. Got it.

Jaideep Iyer: On Capital, Rikin, I think obviously, there is no question of looking at capital raise for the foreseeable future. I think we are bringing down our burn quite materially despite completely understand the low ROE scenario, but we don't expect, given the mix change that is happening automatically that the burn is going to be more than 10 bps a quarter. So we are -- we will be quite comfortable with up to 13% CET 1 or thereabouts.

And so we have easily 1.5 years right now to go on this. In terms of your data points on slippage, basically, ex cards and MFI or ex cards and JLG, there is hardly any gross or net slippage. On cards, the gross slippage was INR567 crores and the net slippage of INR533 crores. On JLG book, gross slippage was INR536 crores and the net slippage is INR521 crores.

Rikin Shah: Got it. And sir, just one more question, if I may squeeze in. With the higher additional provision on JLG now, I understand the portfolio is 85% provision coverage. Going ahead, what kind of provisioning policy will we be following for JLG book? Earlier, we believe it used to be 25% on 90 DPD. Is there a fundamental change in the provisioning policy?

Jaideep Iyer: So Rikin, no, I think we will want to keep provisioning high in Q4, given the fact that we will expect high -- above trend slippages in Q4. After that, we would want to revert to our 25%, and we will see any change in provisioning policy when things get settled down in a few -- in a couple of quarters.

Moderator: The next question is from the line of Piran Engineer from CLSA.

Piran Engineer: Just firstly, continuing on cards. Last quarter slippages was INR600 crores, this time, INR570 crores. What's really the view here? Because last time it was impacted because of the migration and collection responsibilities. And we were of the view that in the next couple of quarters, we would go back to that 5%, 6% credit cost. So any outlook on credit cards would be useful?

Jaideep Iyer: So Piran, I think we would expect -- as we have said earlier, we would expect the slippage trend both gross and net to keep trending down. I think it's a little premature to kind of really say when do you expect normalization because we still are in a slightly uncertain environment. But if you force me to make a guess, I would say somewhere in the Q1 to Q2 time frame.

Piran Engineer: Got it. Okay. That's fair. Secondly, just on Rikin's question, have you all started adopting the norms that come from 1st April already, like proactively? Or did I misunderstand that?

R. Subramaniakumar: Yes, yes. We have already adapted as a prudent measure of the MFIN much earlier. It was -- in fact, we have a little extra over and above what has been said by MFIN, one in respect of the family as a unit, we are looking at it in our assessment, which normally was not there by others also. The second is that they are talking about delinquency of 60-plus and we are talking about 1 plus DPD also as part of our underwriting. This is over and above MFIN point 1 plus 2 and the INR2 lakhs and above has been adapted by us.

Piran Engineer: Okay. And just as per your assessment in the industry, has everyone started adopting this 1 plus 2 norm? Or are you one of the few people who are proactively doing that?

R. Subramaniakumar: See, I may not be able to precisely confirm or otherwise. But based on what the market information I got is that 1 plus 2 is getting postponed and which has not been adopted by many of them, whereas that the peak value of INR2 lakhs has been adapted to most of them.

Piran Engineer: Understood. Okay. And just lastly, on MFI, sir, if you could just clarify if December has been better than October, November and Jan is also on a good trend. Why are we saying that slippages will remain elevated in 4Q as much as 3Q?

R. Subramaniakumar: We had October, November, the CE was not in the range of 98.5%. It was in the range of 1% less. So we feel that this will play out in the month of January and February. In the month of March, which will play out basis that SMA-0, the collection efficiency of December, where it will be slightly down. That's why we said that it will be -- ballpark figure will be that, it will be slightly less also because just as a matter of prudence, we thought that it will be in the same trend. So we are preparing ourselves to face that eventuality, so that no baggage carries forward.

Piran Engineer: Okay. But it's fair to say that -- yes, sorry, please go ahead.

Jaideep Iyer: And just to clarify, basically, bucket one efficiency is a leading indicator. So by definition, what you see in December, will play out in the 90-day time frame.

Piran Engineer: Correct. So basically then, at least in 4Q, the slippage into SMA-0 and SMA-1 will be lower than 3Q, is my understanding correct?

Jaideep Iyer: Yes, yes. That is correct.

R. Subramaniakumar: Correct.

Jaideep Iyer: Which is why we're saying that Q1 should come down in terms of slippages.

Piran Engineer: Okay, okay. So it's just seasoning that a Stage 2 loan moves into Stage 3, and that's what will happen. Got it.

Jaideep Iyer: Correct.

Piran Engineer: Got it, got it. Okay, that's it from my end. Wish you all the best.

Moderator: The next question is from the line of Kunal Shah from Citigroup.

Kunal Shah: Yes. Firstly, on LCR. So quite a sharp improvement out there. So maybe anything done with respect to the quality? No doubt you indicated in terms of the granular deposit growth. But besides that, in terms of the outflow rates and all, how are we seeing it and what has clearly led to this improvement?

Jaideep Iyer: So Kunal, yes, I think the outflow, both gross and net, have trended down for us last couple of quarters. And I think that's a conscious trend both from a granularity perspective as well as from an individual balances perspective. So -- and I think this was also in preparation to any potential, if at all, change in LCR guidelines. So yes, that's a continuous effort. And hopefully, as that trend continues, our need for excess HQLA also keeps trending down.

Kunal Shah: Okay. And secondly, in terms of margins, so again, I think on MFI, looking at the overall operating environment, the growth could be lower. Credit card also, it will take some time before we see the entire transitioning towards the newer partners. So then maybe obviously, there has been some element of interest reversals, but definitely should we look at the overall margins being down even from the current level because of the pressure on yields and some maybe cost of funds also staying elevated?

Jaideep Iyer: Yes. So Kunal, I think for Q4, we will expect margins to kind of trend down a bit given the fact that we will have -- continue to have standard -- yes. I mean, proportion of standard advances in the JLG book and cards as a proportion to total standard advances will trend down in Q4 as well before it starts to stabilize in Q1. So yes, Q4 margins, my guess would be it should come down.

R. Subramaniakumar: But it will start moving up.

Jaideep Iyer: Yes.

Kunal Shah: Okay. Okay. Got it. Yes.

Jaideep Iyer: Yes, we should start -- the trajectory should change sometime in the early to middle of next fiscal.

Moderator: We'll take the next question from the line of Anand Dama from Emkay Global.

Anand Dama: Sir, you said that credit card slippages also should come down in fourth quarter, whereas the micro finance slippages might remain elevated in the fourth quarter. So in fourth quarter, if we continue to make these kind of provisions with no one-off gains being there, can we expect that we might run into a net loss in fourth quarter?

And from first quarter onwards, I think we are entering into a far better zone where we are largely done with the heavy lifting in terms of provisions and micro finance and credit card and then on we'll move on away from -- maybe, say a better thing from previous quarter, is that the right understanding?

Jaideep Iyer: Yes, no, Kunal I think -- sorry, Anand, sorry. I think the -- while nothing can be certain, but it's highly unlikely that we will want to go into negative territory on the profit because we will -- depending on the discussions with the Board want to use the contingency provisioning as well. And along with that and the PPOP, we should be comfortable in minimizing any carry forward -- or material carry forward on MFI without going into negative territory is the starting estimate that we will have.

Anand Dama: And secondly, sir talked about cost control, CASA and credit costs. So I think the other factor certainly will take time. But on cost front, what exactly are you planning to do in FY '26 to control it, that maybe if you could just elaborate on?

R. Subramaniakumar: Anyway, you would have seen that our cost-to-income ratio is in 62%, which is what we saw it. It may trend 1% up or down, depending on how it is going to pan out. There are -- the cost control is definitely a focus. There are multiple -- actions are being taken. Some of the actions, if you see that if suppose I'm going to have a lesser sourcing of the card, that itself is going to be the lesser -- that may be temporary in one.

But there are consolidations, there are process simplifications, there are improvement in the systems which are less productive is being made productive. All those things are being taken, which will play out as we move forward. It cannot give me an immediate result, but these are the ones which will be able to sustain the level what we are seeing it now.

You would have seen that our opex is more or less holding at the same level for the last 3 quarters. We will try to hold it, excepting for some investment in the capex, which is required for -- so that depreciation will be definitely adding up to it. But more or less, we'll be in a position to hold it at a similar level.

Anand Dama: Sir, any number do you have in mind in terms of cost income ratio or cost to asset ratio over 2, 3 years?

Jaideep Iyer: Anand, I would prefer to give specific guidance here. I think we are in a little bit of uncertain territory for a quarter or so. So please bear with us to give guidance on this more specifically for some more time.

Anand Dama: Jaideep, we are actually talking about next 2, 3 years. So can we get to that less than or closer to 55% kind of a zone?

Jaideep Iyer: I...

R. Subramaniakumar: I mean instead of throwing that kind of numbers, I would try to say that the cost to income, which was high is being controlled now. We will continue to take the efforts. And I would rather resist from giving any specific number now, which you can hold it. But you will see that effect in a couple of quarters. Thereafter, we'll be able to see precisely where we'll move down.

Moderator: The next question is from the line of Lavish Korwal from Axis Bank.

Lavish Korwal: Yes. Just one question. If we come to Slide number 26, it shows credit cards have -- credit card have fallen down basically -- there are 2.6 lakh credit cards that have been issued during the quarter. However, the card -- number of cards in force have decreased. So what is the reason for that?

Jaideep Iyer: So we will always, Lavish, have some attrition on cards, which is quite normal. So typically, unless you originate a certain -- set of certain cards unless you, let's say, compensate for the attrition, the net book will go down. So even if you look at the previous quarters, you will see that the net accretion is less than the growth additions that we disclosed. So there is always attrition, which will happen.

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

Jai Mundhra: Sir, wanted to check on one thing of our 10 million-plus JLG customers, there would be a certain amount of non-MFI retail loans as well, right? If you can ballpark say, do we offer non JLG non-MFI loans to these customers or we don't? Industry data suggests that there is some INR1.5 lakh crores of non-MFI retail loans available to JLG customer. What is our practice? And what could be that quantum, ballpark?

R. Subramaniakumar: See, right now, this portfolio, we are only having JLG, we have not worked anything beyond that. We will just wait for an opportunity to come after the normalization takes place. Right now, it is only JLG.

Jai Mundhra: Okay. So we don't offer any 2-wheeler or affordable housing or gold loan, etcetera, to these customers, right, as of now?

R. Subramaniakumar: At this point of time, no.

Jai Mundhra: Sure. Secondly, sir, now you mentioned in your opening remarks that the growth will be driven by wholesale and secured products and the unsecured proportion may come down. But still, if you were to sort of highlight the business growth overall, at an overall basis for the next maybe 2, 3 quarters till the time we are out of this asset quality headwinds if you have any commentary there?

R. Subramaniakumar: For the near term, I can say that we will be holding at the same level of growth that you have seen in this quarter. And the medium term, we will revise it after we come out of this normalization on 2 quarters.

Jai Mundhra: Sure. And lastly, sir, a small clarification. I think you mentioned 10% to 11% is the borrower who are four lenders plus. Did I hear this correct? And if you have the number, same number for maybe two or three lenders. I mean, because just to get a delta if -- in the -- MFIN guardrails are going to get impacted -- going to get implemented?

Jaideep Iyer: So four plus, as I said, in about 11% or so and at -- and 4 about another 7% to 8%.

Jai Mundhra: So three-plus is roughly 85%. Up to three is 85%?

Jaideep Iyer: Yes.

R. Subramaniakumar: Yes, yes.

Jai Mundhra: Right. And sir, if I may just ask a small clarification again. Apart from three lender cap, all other MFIN guardrails, right, the INR2 lakh limit, I think you already mentioned, but this disbursement wherein lenders had stopped disbursement anyone who was beyond a certain DPD, maybe 60 DPD customers that you have already implemented, right? And the body...

R. Subramaniakumar: So we have tracked ours is a little stringent than what you have seen in the MFIN. Any 1 DPD also we are not lending it. Our BRE will not consider anybody, not only him, we are looking at the family also, which is -- I mean, you may say that our risk underwriting standards are a little more stringent than what you find in the MFIN. And we have already adapted all the models, whatever is postponed also we have done it. Anything else you want to...?

Kingshuk Guha: So just to clarify, keep aside the guardrails. We have never actually lent to any customer who is even one DPD in our own book or outside. And as Mr. Kumar clarified, we also look into DPD at the family level. So I would be essentially pulling out Bureau for the entire family member. And if there is any loan which is delinquent over there, we would not lend. So we have maintained this for quite a number of years now.

Jai Mundhra: Right. And just a small thing, sir, I mean, how frequently does the data gets refreshed at the Bureau level for MFI and maybe because I think there was a proposal wherein the Bureau were asked to refresh the data or update the data more frequently. This is like real-time basis or how frequently does it gets refreshed?

Jaideep Iyer: So we have moved from monthly -- I mean, as in all lenders have moved from monthly to every fortnight basis RBI guidelines, effective 1st Jan. So now it's every 15 days.

R. Subramaniakumar: Yes.

Jai Mundhra: Okay. So this is MFI plus other retail also or this is only applicable to MFI?

Jaideep Iyer: All retail.

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

Darshil Jhaveri: So I just wanted to know, could we like give any kind of guidance how we are looking to end FY '26 in terms of the loan growth or credit cost or NIM or ROA or any of these factors that we want to look forward for FY '26?

R. Subramaniakumar: At this point of time, I hold back the FY '26 guidance, which we will come back after this quarter is over.

Darshil Jhaveri: And sir, any -- how do we see Q4 going? Like I think we said some kind of NIM pressure will be there. So what do we look at -- like how do we look to end the year at, sir?

R. Subramaniakumar: Q4, you divide into two parts. One in respect of the slippages of this unsecured part, other one is in other book. Other book other than the unsecured, we don't see any stress in the book at all, and it is behaving properly, and it is going to grow the way we have been growing in Q2 -- on Q3.

In respect of the unsecured, we have already toned down, you would have seen that we degrown card and personal loan sequentially, and we have grown by 8% in card and in the JLG we have degrown, that will continue in Q4 as far as this because the current environment doesn't make it to be expansion.

And with regard to our slippages, we see that, as you said, that the card, the slippages we are seeing is trending down and in Q4, it will be further down. And in respect of the MFI, we have already said that it will be lower than the Q3 or more or less equal to Q3, but Q1 onwards it's going to be trending down. That is what we see in Q4. Do you want to add something?

Jaideep Iyer: Yes. I think, Darshil, the focus for us would be to kind of clean up as much as possible so that we carry negligible net NPAs in our unsecured portfolio for next year.

Darshil Jhaveri: Okay. Okay. Fair enough, got it, sir. And sir, just a question regarding MFIN, like I think we said around like 20% of the book is like three lenders plus so with the new loans coming, how would the industry work? Like so we'll not be able to lend to these people? Or how would -- so is it like a 20% of book is now like into -- it will not be viable for us. So how would that impact our book and growth in that sector, sir?

Kingshuk Guha: So basically, I think the entire problem that we are seeing right now is because of overleveraging. And in any case, we would not want to lend to these customers who already have two loans, three loans.

R. Subramaniakumar: Three plus.

Kingshuk Guha: Three plus. So basically, while disbursal might have looked simpler, if we did not put these guardrails, but we will again face a similar kind of a problem in the future so.

R. Subramaniakumar: If I understand your question that, what is the availability of the -- opportunity for lending. That is what you are asking if that is the case...

Darshil Jhaveri: Yes, yes, yes correct sir, because we've -- yes, how would we grow that because we're going to grow -- lend to a lot of people and it's an industry-wide phenomena where a lot of people are overleveraged. So, I just wanted to know about that sir like in terms of how would we be able to disburse?

R. Subramaniakumar: See I'll tell you -- yes, first thing is that we understand the financial inclusion is the first step for the formal induction of anybody into that financial sector itself, the moving away from informal lending sources to the formal lending. So, there will be enough opportunity of the NTCs available. The new to credit is new to the banking is always available, which is a fairly, fairly big number.

And which is also somewhere big number for us. And where the problem will come is that while doing a renewal, if suppose the person has been overleveraged, you maybe may not be in a position to lent to those overleveraged customers. So the first impact in my assessment, I may be wrong, I'm just making an assessment based on what you understood in this industry.

In our view, the renewal part of it may come down because of this overleverage, the NTC part of it, which is around 60%, what you have seen, it is likely to be there. And the ETB will also be there, which is going to move to that because we have around 85% of the customers are already there in less than three, so that pool is also available for our renewal. So I don't think that opportunity is taken away.

But in my view is that we will be moving towards a situation where the common underwriting will be standard across. So somebody is giving more and more loan and then putting the entire ecosystem into the trouble may not happen because it will take a couple of quarters for them to streamline and stabilize into this. Once it does, this industry will become a streamlined one.

Darshil Jhaveri: Okay. Great, sir. That's great to know. And sir, the last question from me, what is the credit cost you expect for the '25?

R. Subramaniakumar: What, can you repeat?

Darshil Jhaveri: Credit cost for FY '25, sir?

Jaideep Iyer: Credit cost for FY '25?

R. Subramaniakumar: Overall book.

Darshil Jhaveri: Yes.

Jaideep Iyer: So we only published 9 months. I think given the fact that we are saying that MFI slippages will be, give or take, similar to Q3, maybe marginally less, cards, marginally less. So -- but we will want to kind of, as I said, clean up on whatever we can and take extra provisioning. So, I think the bigger focus for us then looking at credit cost for Q4 would be to see that we carry next to negligible net NPA position on our unsecured businesses.

Cards, we already have a fairly aggressive provisioning policy where we take 100% provisioning in 120 days. Micro finance, as you know, we have stepped up in this quarter. and I think we'll have to do something similar so that we start FY '26 on a relatively clean slate on these businesses. And hopefully, we also have lower slippages given improved resolutions in both these businesses. So that would be the focus rather than looking at credit costs as such.

R. Subramaniakumar: Just simply to summarize for clarity. We have four verticals as far as the credit costs is concerned, we have our wholesale banking and we have retail secured. Most of them are not at all consuming anything as far as slippage is concerned. Even if it is done, it is consumed through the recovery also of the old one. So that sets aside around 40% plus 30%, 70% of my book.

The second, you are coming to that remaining 30%, the credit card micro finance. Jaideep very clearly explained whatever the slippages we saw in the Q3, we consumed through that a one-off what we got. So that means this is negligible, it's getting carry forward.

As far as credit card is concerned, it generally doesn't get carried forward because it is being consumed through our PPOP itself. So concern and focus will be that how to reduce the slippage in card, which the trending makes us to believe that it is going to be trend down. And coming back to the micro finance, as you said that the next quarter is likely to have some little more impact than what we saw it in Q2 to Q1.

That also we are preparing ourself because we have something under the contingency provision and PPOP, both of them will be able to support and substantiate so that we carry a very least baggage to the Q1. Q1 onwards, it is going to be a -- I mean I can simply put it in words, this is business as usual.

Moderator: We'll take the next question from the line of Suraj Das from Sundaram Mutual Fund.

Suraj Das: I have three questions. The first one is a clarification. So, when you say that in the MFI, the provisioning policy is 25% every quarter we see some 1 DPD or is this from 91 DPD?

Jaideep Iyer: It's for NPAs so by definition 90 DPD.

Suraj Das: Understood, sure. The second question is, sir, on the collection efficiency, the improvement that you have seen in December, if you can give some geographic color in terms of where -- I mean is this improvement across broad-based all the states? Or how has been the situation across states? And also, if you can just talk about a bit more about Bihar, UP and probably Rajasthan, which would be your top couple of states.

R. Subramaniakumar: Just to first confirm, I'll say 10 states where we have 93% as a coverage has shown an improvement in the collection efficiency in December over November. I'll just over to him for a...

Kingshuk Guha: Yes, right, so to give you comfort of these large states that we have, Bihar specifically is one of the states, which is inched very close to 99%. Other than Bihar, there are 5 states which are -- which have touched 99% or even crossed. The total number of states, which are in the range of 99% now is about 55% of the total portfolio. And hence, that's where the confidence comes from. And as Mr. Kumar mentioned, there were only two states which were slightly lower than the November month.

R. Subramaniakumar: Those two states are contributing only 7% of the entire book, 93% is showing a positive uptrend of the collection. And in fact, five states have crossed 99%, as he said.

Suraj Das: Sure, understood sir. And the last one is, sir, on the SMA book, INR550 crores, what is the outstanding provision against this book that you have as of today?

Jaideep Iyer: No, unfortunately, we don't make provisioning on the SMA book. So we have focused on taking significantly high provisioning on the NPA book. Yes. So we -- yes, so we are on Indian GAAP so we effectively don't have provisioning on SMA book. Yes.

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

Rohan Mandora: Sir, I just want to understand in the MFI, the 43% disbursals which are getting covered under CGFMU, so what is the thought process on which you choose asset cover? Sir, why not 100% for incremental disbursement?

R. Subramaniakumar: So it is -- CGFMU, if I remember broadly, the eligibility criteria is depending on the purpose for which it has been disbursed as well as there are certain things which is not being covered. For example, if I remember very right, because I don't have a complete answer to it, so I'll ask somebody to answer it offline. All the eligible accounts under the CGFMU are being covered. That's the one broad statement I can make it. Why that is not reaching the other one, I will ask team to reach out to you and explain it.

Jaideep Iyer: Yes, we'll clarify this, not carrying that right away.

Rohan Mandora: Sure, sure. Okay. Second was on the non-MFI non-cards book. Is it possible to give a sense on what kind of PPOP would that be contributing in Q3 just to get a sense that incrementally, how is that book contributing on profitability?

Jaideep Iyer: On retail or entire advances of...?

Rohan Mandora: Either ways is fine. Just wanted to get a color of excluding these two segments, how is the growth on profitability shaping up?

Jaideep Iyer: So wholesale book is doing somewhere in the 2.5% to 3% PBT range. And the secured retail is still not yet breaking even. We expect that to happen over the next few quarters.

R. Subramaniakumar: But within secured retail, there are certain components who have become profitable. That is wheels, the tractor is profitable. It is just giving us a contribution. And in respect to the agriculture and BBG, they are positive. And only thing is the housing loan, which we started recently, is just waiting for that to be breakeven. And the mortgage loan is also -- both of them are only waiting. All other things have become more or less profitable, there is a neutral.

Jaideep Iyer: Sorry, wholesale is about 3.5%.

R. Subramaniakumar: 3.5%.

Rohan Mandora: 3.5% PBT, okay. And sir, on the corporate -- large corporate piece and strategy we had indicated, we'll not go that meaningfully because of the lower yields. But this quarter, we have shown a 4% sequential growth. So just want to understand the thought process here.

R. Subramaniakumar: As far as the large corporate is concerned, we have already stated in a couple of quarters before. It is not going to -- book building method we will not do. We will be doing that kind of business with those corporates who will be giving us an allied business like the forex or trade finance or these kinds of businesses.

Those kind of business we will continue to do because you could have seen that. You can easily see that the contribution in the other income, which is consistently growing at the rate of around 25% to 28%. We will be looking at those kinds of corporates with whom we get a moderate return plus all additional businesses.

Like we get a liability business, we get our forex business, we get trade finance business. We also get the salary accounts. There are multiple cross-sell opportunities we are seeing in those corporates where we are going in. The second, there are also some good relationships, which we have been enjoying it since past where we have a good forex business and other business we are doing it.

Those corporates will continue to give an enhancement as and when there is a need for it to come up. That is the thought process as far as the corporate book is concerned. And within the wholesale commercial, you have seen that is something which is growing.

Rohan Mandora: Right. And sir, next one on this deposit piece. So if you look at the savings deposit, I think there's a 12% growth in last 6 months. So just want to understand if there is any lumpiness or it's all granular deposits? And we have not grown term deposit this quarter so -- despite we having a relatively higher rates, so what was the reason here? And as an associated question here, was that cost of funds despite SA mix I think has gone up. So what is the average cost of SA during 3Q and 2Q?

R. Subramaniakumar: The cost of fund, as far as the strategy of CASA as far as the TD is concerned, first, it is directly linked to my ability to deploy. And the second, it is going to be the decision of the granularity. You would have seen that my savings fund has moved up considerably by around 12%, 13% or it is more than that, and it reached around INR20,000 crores.

Majority of them, I don't think that we have anything which is a higher rate because if you look at our rates which we give, you always give it to the better rate for the SA less than INR3 crores, which are mostly driven by individuals only. In TD, if you see that it is flat, it is mainly because that we are not chasing any bulk.

And wherever the reduction you would have seen, it is a bulk because granular CASA and granular TD put together, which we call it less than INR3 crores, itself has grown by 20%. So the granularity concept is just holding us well. And wherever you see the less one, it is mainly because of that there is no need for us to raise deposit, would have seen the CD is also coming down.

Rohan Mandora: Sure. And sir, lastly, just want to reconfirm on the transaction...

R. Subramaniakumar: Hold on, hold on, you asked second question?

Rohan Mandora: The average cost of SA.

Jaideep Iyer: Yes, we are at about 6.4%.

Rohan Mandora: 6.4%, okay. And just lastly on the slippages in the cards portfolio, the transaction linked part was nothing in 3Q, right? It was all business as usual all the -- the transition linked slippages because of that Bajaj thing, that is not there in the 3Q slippages. Most of the credit card slippages in 3Q were business as usual due to the economic environment, macroeconomic environment?

Jaideep Iyer: Right, you're understanding is right.

Moderator: We'll take the next question from the line of Aditi Nawal from RSPN Ventures.

Aditi Nawal: So, I had a few questions with respect to the CC book. So one is, so in the last quarter, you have provided a split of what is the credit cost for the credit card book. So I just wanted to know what is the credit cost for this quarter and also the split between the existing BFL cards and the non-BFL portfolio in terms of credit cost?

Jaideep Iyer: So Aditi, we are -- we gave that information specifically in the context of transition. As we said that, that is largely settling down except for tail. So there is no need for us to now look at it separately. So we are not providing that split effectively, and I'm not carrying that right now. Sorry, what was the second question? The book split should be approximately 60-40 or 61-39 between BFL co-originated book, Bikram BFL co-originated versus other co-brand plus just BFL, non-BFL book.

Bikram Yadav: So BFL book would be about 55%. Other co-brands would be about -- for rest of it, it would be a further 40-60 between rest of it.

Aditi Nawal: And what is the direct sourcing number?

Bikram Yadav: So today, whatever we source, about 55% is directly sourced by us.

Aditi Nawal: Okay, got it. And just the credit cost for the credit card book overall?

Jaideep Iyer: So we provided about INR470 crores on the cards book, cards plus the PL book.

Aditi Nawal: Okay. So okay, in the credit cost for the credit card book, you also include the PL to credit card customers within that calculation?

Jaideep Iyer: Yes, I mean we look at it combined because currently, our PL book is pretty much only given to our existing card customers.

Moderator: The next question is from the line of Kunal Shah from Citigroup.

Kunal Shah: Just was broadly trying to understand in terms of the MFI provisioning. So now INR922 crores of slippages and almost INR540-odd crores of SMA bucket. So, if we look at it closer to INR1,470 odd crores of this stress pool, on which we are already carrying almost like INR790 crores of provisioning.

Okay. So I would say still, even if I include SMA, then it still seems to be like 53-odd percent coverage from 85% on the GNPA. So just to infer maybe like the incremental provisioning which was done of INR414-odd crores maybe that should broadly be absent in the -- maybe if we look at it not too much of flows than the normal slippages, you are also indicating that at least Q4 slippages will be similar to that of Q3, at least not going up. But this entire INR414 crores accelerated that might not be required.

And still, we have 1% contingency buffer as well. So fair to assume that on the provisioning, it could be like at least INR400-odd crores kind of a delta in the next quarter? Or how should we look at it?

Jaideep Iyer: Yes. So Kunal, you're right in assuming that the step-up that we did in Q3 will not necessarily be repeated in Q4 because we have to contain Q4 slippages and I think about INR130-odd crores of GNPA that we are carrying in this book, and we have a contingency buffer of approximately INR280 crores. So the outsized provisioning that we took on this book need not be repeated in Q4, but it will be higher than normal levels that we have seen in the past.

Ramesh Ramanathan: But Kunal, just to clarify, if we -- given how our intent is not to carry any baggage into Q1, so we would want to provide the INR135 crores, there is a balance on the net NPA as we entered Q3. And as much as we can on whatever slippages we see in Q4. And if we have to dip into contingency, we will do that.

So you will have some delta of contingency being used in the P&L if it comes to that. But it's I think fair to assume that if I'm saying my slippages are similar to where I'm seeing in Q3, we would ideally want to provide as much as we can in Q4. So you could see my slippages plus my net NPA, we try to utilize.

So if you assume my slippages are INR450 crores to INR500 crores plus INR135 crores, that is the amount of provisioning I will do. What comes out of contingency, we will see as we get close to Q4.

Kunal Shah: Okay. And contingency when we look at it, if I have to look at MFI, that will only be like INR65-odd crores. Balance is still towards current PL because generally, we tend to maintain 1% contingency on the unsecured. So you are saying that it's like INR290-odd crores of contingency, but that can be utilized for MFI could only be INR65-odd crores?

Ramesh Ramanathan: See, we'll have to go back to the audit and board on this. But just to clarify, in our cards business, we provide fully at 120 days. So there is no real baggage we carry which requires contingency per se because whatever slippages we see in 90 we fully provide by 120. Unlike in micro finance, we provide 25% each quarter.

So yes, you're right to say when we started it, we started with the intent of doing both on cards and MFI. But given how our provisioning policy is in cards, the pay is absorbed fairly quickly in cards on the entirely BAU basis. So micro finance, we'll have a discussion and we will see. But given that we've taken it up to 85% with the intent of absorbing as much stress as we can, that will continue to be the intent in Q4 as well.

Kunal Shah: Yes. So just a question was even contingency on credit card and PL can be utilized towards JLG?

Ramesh Ramanathan: We'll have to -- I mean we have that...

R. Subramaniakumar: Yes, we're working on to it...

Kunal Shah: Okay. Yes. So, then we might not continue with 1% on credit card plus PL?

Ramesh Ramanathan: Yes. Correct.

Moderator: The next question is from the line of Shailesh Kanani from Centrum Broking.

Shailesh Kanani: So my other questions are answered. Just one question. On the MFI side, you said certain states are still underperforming in terms of collection efficiency compared to November and October. So can you highlight a couple of states which are still seeing some issues in terms of collection efficiency?

R. Subramaniakumar: Betterment is 10 states are better, no?

Kingshuk Guha: Yes.

So just the southern states, Shailesh. Just the two southern states are slightly lower than the previous month.

Shailesh Kanani: So Karnataka would be one of them because Karnataka third quarter was a little bit on the lower side in terms of collection efficiency, Karnataka will be one of the states?

Kingshuk Guha: Yes. One is Karnataka and Tamil Nadu. While we have AP, Telangana, of course, is very early days for us. So we are at 100% in the last 4, 5 months. And we are...

Shailesh Kanani: And from north side, UP and Bihar both has recovered. That is right?

Kingshuk Guha: Yes, yes, yes.

Moderator: The next question is from the line of Shubhranshu Mishra from PhillipCapital.

Shubhranshu Mishra: Just one question. When we look at the credit card piece. How many of the credit card customers have two plus credit cards? How many of them have three plus? How many of them have four plus and how many of them have five plus? And what is the unique number of credit card customers?

R. Subramaniakumar: Bikram?

Jaideep Iyer: So the question, Bikram, was unique number of credit card customers and how many of them will have two plus, three plus, four plus approximately.

Jaideep Iyer: our cards or you're talking about overall cards industry

Shubhranshu Mishra: Overall cards. So RBL cards, RBL cards, not at the industry level.

Bikram Yadav: So a number of customers who are having more than 1 card from us would be about 6%, 7% only. Like it's not too many customers have two card products from us. But if you're asking that if how many of them have card from other banks, so about 70% of our customers would have cards from other banks as well.

Shubhranshu Mishra: Like how many cards sir, two, three, four, five, how many cards?

Bikram Yadav: The exact breakup of how many exactly. I'm giving you a ballpark number. So about, say, 50% of customers would have three or more cards. And so whatever is left of 20% would have probably two cards. And the unique -- this is ballpark number not to be at actually -- yes.

Shubhranshu Mishra: Yes, yes. And what is the unique number of credit card customers we have?

Bikram Yadav: So 4.8 million, I think, is our unique credit card customers.

Moderator: The next question is from the line of Pranuj from JPMorgan.

Pranuj: Just one question. Could you just provide the absolute interest reversal number for the quarter?

Jaideep Iyer: INR134 crores.

Moderator: The next question is from the line of Prakhar Agarwal from Elara Capital.

Prakhar Agarwal: Just one question from my side. In terms of MFI book, when you say that you'll probably start FY '26 on a relatively cleaner base, is there a thought process that you'll probably carry on a steady-state basis, some contingencies on MFI, say something like par 30% that you'll probably carry or maybe some sort of contingency that you carry on MFI on a steady-state basis? Or probably go into FY '26, wherein you probably have utilized a certain set of contingent provisioning as earlier participants have asked and probably then again, we are thinking about how FY '26 in terms of how it plays out?

Jaideep Iyer: So Prakhar, what we intend to do or what we mean by saying low baggage is that normally, we would provide 25% on the slippage in that quarter. That is not the intent for Q4. The intent for Q4 is to provide, like we did in Q3, a significantly higher provisioning so that the net NPA that we carry forward for next quarter or next financial year is as low as possible.

And in my judgment, should not be more than 10% to 15%. So that's the intent for which we may end up utilizing the contingency that we have created on both cards and MFI. Incrementally, from next year, should we build up contingency, that's something that we will look at over a period of time.

R. Subramaniakumar: The policy decision will be taken after that Q4 is decided. And as we speak today, we wanted to carry as low a baggage or almost nil baggage for the next financial year. That's intent -- you would have seen it now. So far, whatever that baggage we carried to the previous quarter is also taken into consideration. And plus the first slippage also coverage is around somewhere 85%. That is -- the intent is that we don't want to move on with that whole baggage so that the performance indicates your returns.

Jaideep Iyer: And sorry, I have got the answer to the question on the CGFMU that was asked if the caller is still on the call. Basically, CGFMU covers income generation activities where agriculture is not covered. So whatever portfolio we have where agriculture is end used, there we cannot take CGFMU. So what Mr. Kumar said was that wherever we should and can take is where we have taken.

Moderator: Ladies and gentlemen, we will take the last question for today, which is from the line of Aditya Bagdia from Buoyant Capital.

Aditya Bagdia: If you can give any color on the recovery efforts and increased collection staff being deployed for the MFI pool. Also, if you can share any highlights on the sourcing in RBL Finserv versus other BCs? Any sense on which portfolio is seeing highest stress in proportion?

Kingshuk Guha: So as far as collection efficiencies are concerned, what we have done is over the last 2 quarters, we've reduced the ACR, as in the number of accounts per loan officer for collection. We've almost now brought it down to about a range of 400 to 420, which was somewhere around 550-plus as far as ACR is concerned. So that obviously is helping in the SMA buckets and the zero bucket.

And for the recovery buckets, so basically 90-plus and the written-off pool, we have put in a separate set of people for recoveries. This has been in effect for the last 2 months now. And we've already started to see some green shoots and better recovery numbers in the month of December itself. So roughly about 1,100 to 1,200 people have been deployed only for 90-plus and technically writtenoff pool.

And I think in this coming quarter also, we will see an uptick in this number. As far as sourcing between RFL and the rest of the BCs is concerned, basically, the rule engine is the same. We are flattish over the last 2 months. In any case, the RFL book is 90% of the portfolio. So that's not much of a difference between the quality of sourcing, etcetera, because rule engine remains the same for all BCs.

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

R. Subramaniakumar: Thank you very much.

Moderator: Thank you, sir.

R. Subramaniakumar: Yes, thanks to all of you.