“RBL Bank Limited

Q4 FY '25 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day, and welcome to RBL Bank Limited's Q4 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 evening, ladies and gentlemen and thank you for joining us for a discussion on our bank's financial results for the fourth quarter and full year of financial year 2025. We have uploaded the results along with the presentation on our website and I hope you have had a chance to go through it in detail ahead of this call. I'm as always joined on this call by Mr. Rajeev Ahuja and other members of our management team to address any questions that you may have.

Before we get into the details of the results for the quarter, I want to briefly touch upon the progress of the bank in FY '25. We began the fiscal year on a strong footing supported by encouraging early momentum. However, as the year progressed, distinct developments in our JLG and card businesses impacted the overall performance.

In the Card segment, we managed a critical transition in the portfolio collections associated with our co-brand partner, BFL. At the same time, we witnessed an uptick in delinquencies driven by a mix of challenging macroeconomic conditions and the signs of over leverage within certain pockets of consumer base.

In the JLG segment, we, like the broader industry, encountered headwinds stemming from the borrower over leverage, which notably impacted the collection efficiencies after mid-last year. However, I am pleased to share that the portfolio has since shown meaningful stabilization and is steadily trending towards normalization. Encouragingly, both the JLG and cards portfolios, are now on a much firmer ground.

We have also maintained a prudent and a forward-looking provisioning strategy, ensuring the portfolio is comprehensively safeguarded as we enter fiscal 2026 positioned with the clarity, confidence and clean slate. I will walk you through a few key data points on this shortly. We commenced FY '25 with a clear resolve to scale our secured retail businesses, and I'm pleased to report that we have made a meaningful strides both qualitatively and quantitatively.

On the qualitative front, we have sharpened our focus on the quality of origination. The targeted mix of advances and the acquisition channels we prioritize, each of which I will elaborate on shortly. Quantitatively, we accelerated the growth in segments where we had already built momentum. Mortgages, including home loans, working capital and tractors, while stabilizing scale up in the newer lines such as gold loans.

Our wholesale banking franchise continued to deliver quality growth and within that, the Commercial Banking segment has been scaling as per our plan. Together, these efforts have enabled us to navigate the challenging second half of FY '25 without any adverse impact on our capital position.

Let us now delve into the specifics. At the beginning of the year, we laid out a clear strategy to drive the granularity of our balance sheet. I'm pleased to share the progress we have made on this front. The granular retail deposit as a percentage of the total deposits as of FY '25 are at 50%. The term deposits less than INR3 crores plus CASA was at 65%. The secured retail advances are at 32% versus 25% in March '24.

Our mortgage portfolio, comprising home loans and loan against property grew by 34% Y-o-Y. The commercial banking advances registered a growth of 29% Y-O-Y. The deposit quality has continued showing healthy trends. Our granular deposit growth has continued to see good growth in FY '25, despite headwinds of higher competitive intensity and tighter liquidity conditions for most of the year. Retail deposits grew 16%, while the overall deposits grew 7%.

Similarly, our average CASA balance grew 12% Y-o-Y. The retail secured segment was identified as a focused growth area and the bank has begun achieving meaningful scale, while maintaining disciplined underwriting and enhancing portfolio quality. In FY '25, we saw growth in secured retail of 43% Y-o-Y. We remain confident that this portfolio will continue to perform well and is on track to achieve the full profitability by FY '26.

Now coming to the unsecured segment. We have been cautious in this segment. We have seen a slower growth in both JLG loans and credit cards in FY '25. The JLG segment registered a decline both year-on-year and sequentially. As many of you may recall, we proactively implemented enhanced credit guardrails, including MFIN Guardrails 2 as early as November that is well ahead of most of the players in the industry.

In the Credit Cards, including personal loans, growth was lower 3% Y-o-Y as well as sequentially. We are happy to say that the asset quality trends in both these segments is trending to normalized levels. Our strategy in credit card business is to build a strong franchise by acquiring good quality customers, those with the potential for deeper, multiproduct engagement with the bank. Even here, we are firmly prioritizing quality over quantity.

As per the JLG portfolio, we have consciously reduced our exposure, shrinking the book by 23% over FY '24. The portfolio now stands at INR5,752 crores down from INR7,511 crores in FY '24. With a stronger underwriting framework in place and the signs of macro level normalization, we expect a continued improvement in book quality.

Moreover, the broader adoption of the guardrails across the industry should meaningfully mitigate overleveraging risk going forward. We have started increasing the share of the book under CGFMU coverage, which will hold us in good stead during times of crisis, if any, in the future. Over the past 3 years, including FY '25, the bank has significantly improved its performance under priority sector lending, enabling us to meet the regulatory targets and avoid incremental RIDF allocation.

Our erstwhile RIDF investments made for historical PSL shortfall continue to come off the balance sheet, freeing up the funding that can now be deployed towards regular lending activities, naturally at better yields. Let us also briefly touch upon the asset quality in these segments. I'm pleased to report that in credit cards, the net slippage in Q4 was INR444 crores as compared to INR533 crores last quarter.

In JLG, as was informed earlier, the Q4 slippage was elevated, but sequentially getting better with improving trend on collection efficiencies. The net slippages were at INR439 crores in Q4 as against INR521 crores last quarter. This was expected given high SMA-1 and SMA-2 balances that we had seen as of December 31, 2024. Our collection efficiency and recoveries have been better in Q4 over Q3.

We saw a good improvement in the early bucket collection efficiency and ended March month at 99%, including Karnataka, up from 98.4% as of December '24. We expect the slippages to decline meaningfully in Q1 with a return to pre-stress levels anticipated from Q2 FY '26 onwards.

Additionally, resolution rates from the delinquent buckets are expected to improve and we foresee recovery momentum from NPAs sustaining through FY '26. Disbursals in JLG have also started seeing improvements in Q4 and with approximately with INR350 crores of disbursals for the month of March.

As I said earlier, this is with the new guardrails, which we implemented in Q3 itself. As a risk mitigation for the JLG loans, we continue to increase the coverage of CGFMU for incremental disbursals in this segment. This quarter, we have applied for the coverage of 90% of the disbursals in Q4, and we expect this trend to continue in FY '26.

Let me also spend a few minutes on the provisioning that we have taken in this quarter. As you are aware, in credit cards, we already have a fairly aggressive provisioning policy, wherein we take 70% provisioning at NPA stage and 100% provisioning on 120 days past due. This ensures that we really don't carry any baggage in the portfolio.

In the JLG business, we normally take 25% provisioning each quarter on NPAs, but we have now taken 100% provisioning on the NPA as at March 31, 2025. This means we have a nil net NPA in the JLG business as at 31st March 2025. We have also taken 75% provision amounting to INR283 crores on SMA-0, 1 and 2 as at March 31, 2025, of INR378 crores. To enable this, we have reversed the contingent provisions that we were carrying on December '24, which was built to meet these episodic situations.

This provisioning really allows us to focus on profitable growth in our chosen segments with clarity. As I mentioned earlier, we remain comfortable with asset quality at the bank level, particularly in our secured retail and wholesale banking portfolios, where the credit performance continues to be strong.

Now how does this translate into our growth outlook for FY '26?

We are entering the year with a clear focus on building resilient balance sheet, one that supports sustainable growth, while maintaining discipline and risk selection and capital efficiency.

On the lending side, we expect the secured retail businesses to grow at a healthy 25% to 30%, driven by the continued improvement in execution, stronger sourcing and better cross-sell outcomes. What's particularly encouraging is that the traction isn't just in the loan. We are seeing meaningful gains in liabilities and other products as well, especially in the mortgages and BBG, where our branches have started playing a much more active role.

The off-us opportunity for the branches is becoming real, supported by the preapproved offers and a sharper customer targeting. In the wholesale, we expect a steady and improved growth from the present 6% level in FY '25 to 10% to 12% going forward. Given our size and the market opportunity, we believe there is still a significant headroom, and our teams are well positioned to capture it. We will continue to be conscious of the risk reward in this segment to ensure a profitable growth with cross-sell.

On the unsecured side, credit cards will remain a key lever, not just for book growth, but for acquiring franchise customers, deepening engagement and improving profitability with a greater predictability in the credit outcomes. In JLG, we are taking a cautious approach, while we have seen improving collection efficiencies, certain states like Karnataka continue to be below average, though the trend is moving in the right direction.

Our normalized disbursement run rate of INR600 crores to INR800 crores per month is currently closer to INR350 crores, and we expect this to improve progressively targeting a return to INR600 crores by second half of the year. Accordingly, the JLG will grow slower than the bank average, and we aim to keep its share in 6% to 7.5% zone. It stands at 6.2% as of FY '25, down from 9% as of FY '24.

On the deposit front, we saw encouraging momentum in Q4, and we expect this to sustain to FY '26 as system liquidity improves. Our strategy here is very deliberate. We are not just chasing headline CASA numbers. Instead, we are focused on increasing granularity, expanding our customer base and deepening the transaction intensity both in retail and wholesale. The idea is to build stickier, more stable deposits and manage cost of funds efficiently relative to the market benchmarks.

You would have noticed that we have taken deposit rate actions already. We have reduced the savings account and term deposit rates. Of course, while floating rate loans will re-price downwards relatively quickly, the cost benefit from lower deposit rates will come with a lag. This timing mismatch will create some pressure on the margins in the first half of the year. However, we have already taken steps like lowering savings account rates to mitigate this impact. And our relatively larger fixed rate loan book will help cushion the effect.

Our effective savings rate will come down from approximately 6.4% in March to approximately 5.6% in May, when the rate cuts become effective. Lastly, we are conscious that our shift away from the certain high-yielding segments, while deliberate and prudent will reflect in the margin profile for FY '26, but we believe this is the right approach. It strengthens the core and sets us up for a long-term quality-led growth.

On capital. We entered the year with a total capital adequacy of 15.54% and CET of 14.06% based on the expected growth of 16% to 18%, we expect to remain above 13% on CET1 capital for FY '26.

In summary, we expect the slippages trend in unsecured segments to keep improving. Notably, we have already taken substantial provisions in the JLG SMA book, positioning ourselves prudently. Our secured retail and wholesale portfolios continue to perform exceptionally well with 8 consecutive quarters of near 0 credit cost. What is encouraging is that, the growth in this segments is also picking up steadily.

Our cross-sell proposition is beginning to deliver. Branches are contributing meaningfully. And we are reshaping our front line approach to be a customer first, not the product first. This shift is gradual, but real and gaining momentum. At the same time, we remain grounded on our assessment of the macro environment.

With the global uncertainty and elevated household leverage we have been cautious in unsecured segments. Consumption may remain muted, and we are aligning our growth strategy accordingly. The evolving monetary environment with improving liquidity and easing rates will offer some offset to the growth challenges, and we intend to use that space wisely.

On the cost side, we remain sharply focused on optimizing spend, consolidating teams where we see synergies and enhancing service delivery across customer touch points. Business-wise, our priority remains scale in secured segments, deepening customer engagement via branches and delivering breakeven in retail assets during FY '26, unlocking operating leverage.

During the quarter, we also took steps to strengthen our leadership with Mr. Narendra Agrawal, joining us as President to lead the branch banking and retail liability franchise and Mr. Pari coming in as a Chief Operations Officer. These appointments reflect our commitment to building strong execution depth as we prepare to step into the next phase of growth.

This year, we made a significant strides in technology, including migration to a new, state-of-art data center to bolster scalability, security, resilience. This was further complemented by scaling our core systems to support future growth. In Q4, after rigorous testing, we also launched our all new integrated mobile banking app with best-in-class features designed to deliver a seamless and intuitive experience through our customers.

Let me close this with what I have said even before. The growth matters, but only when it is profitable, and comes from areas where the risk is acceptable and opportunities visible. We are staying disciplined and focused on the 4 Cs that will drive sustained lift that is cost of deposit, cost of operations, cross-sell and cost of credit. I will request Mr. Jaideep to take you through the financial parameters in further details.

Jaideep Iyer: Thank you, Mr. Kumar, and good afternoon, everyone. I'll briefly touch upon some of the specific aspects of our financial performance. On advances, we grew net advances by 10% year-on-year and 2% sequentially to INR92,618 crores, and retail advances grew 13% year-on-year to INR55,703 crores. The retail wholesale mix now stands at 60:40. Business loans and housing loans grew at 34% year-on-year and 9% sequentially. These are areas of focus of growth for us.

Total retail grew at 13% year-on-year, largely driven by a de-growth in unsecured segments of 8% year-on-year. Wholesale advances grew 6% in fiscal '25 and 5% sequentially in Q4 FY '25. Commercial Banking within that grew at 29% year-on-year and 9% sequentially, again, an area of focus within wholesale banking.

Our total deposit grew 7% year-on-year and 4% sequentially to INR110,944 crores. CASA ratio stands at 34.1%. While the total deposits grew at 7% year-on-year, the granular deposits, which is where the focus is, grew at 16% year-on-year and 3% sequentially and now stands at INR55,213 crores, which is roughly 50% of our total deposits.

Our branch banking led deposits is around 62% of total deposits. And we are trying to continuously improve the product holding ratio with our customers in the portfolio. The credit-to-deposit ratio was 83.5%, and our LCR for the quarter on a daily average basis stood at 133%. Our NII was down 2% year-on-year and 1% sequentially to INR1,563 crores. NII growth was impacted on 2 counts: lower disbursals in the JLG portfolio as well as higher slippages causing interest rate reversals.

Our cost of deposits was 4bps down sequentially to 6.53%, and cost of funds was also lower 4 bps to 6.59% for the quarter. NIM was roughly flat sequentially at 4.9% for the quarter. Our total other income was INR1,000 crores for the quarter, 14% higher year-on-year. Happy to report that the core fee income grew 17% year-on-year and 11% sequentially to INR968 crores.

Our total net income was up 4% year-on-year to INR2,563 crores. Despite pressure on margins, we've been able to offset some impact through better fee income performance. Total income for the year as a result grew at 13% for the year to INR10,270 crores. Our opex, given cost conscious control that we've been exercising has grown at about 7% year-on-year and 2% sequentially to INR1,702 crores.

Our cost to income stood at 66.4% this quarter as against 62.5% last quarter and 64.2% same time last year. Cost-to-income ratio for the full year was 64.7% as against 66.6% for the full year in FY '24. Full year opex growth was at 10%. We have consistently brought down our opex growth, and this effort will continue. As a result, our pre-operating profit -- pre-provisioning operating profit was INR861 crores for the quarter. And for the full year, it was INR3,617 crores, up at 19% year-on-year.

Our total business for the first time crossed INR2 lakh crores, which is loans plus deposits, and is now at INR203,562 crores. On a consolidated basis, our PAT for the quarter was at INR87 crores and full year PAT was at INR717 crores. On cards, we have forged a few new co-brand partnerships, which is expected to diversify our offerings and strengthen the client profile. We remain focused on deepening customer relationships and increasing wallet share through meaningful engagement on this portfolio.

On asset quality, we touched on the trend of slippages earlier. In terms of NPA, the gross NPA was at 2.6% and net NPA was at 0.29%. Net NPA is sequentially lower from 0.53% in December, primarily because we have taken significantly accelerated provisioning on the JLG book. The JLG book, the net NPA is actually nil as at March '25. Consequently, the PCR also improved to 89% versus 82% last quarter. And the restructured book stood at 0.29% as we continue to see pay-downs by our customers.

Just a little bit flavor on provisioning. We had a total provisioning of INR815 crores for the quarter, of which cards accounted for INR375 crores. But this was offset by the INR206 crores of contingent provisioning, which was lying with -- on the card portfolio, which we have reversed, and we have largely used that to take provisioning on our SMA book of micro finance. So we are now carrying 75% provisioning on our SMA-0, 1 and 2 book on our JLG portfolio.

Our net profit for the quarter was INR69 crores. Lastly, on capital. Our total capital was at 15.54% as Mr. Kumar mentioned, and CET1 was 14.06% as against 15.37% and 13.68%. This increase was largely driven by the lower risk weight on microfinance portfolio. With this, we'll now open the session for Q&A.

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

Jai Mundhra: Thanks for the elaborate opening commentary. I have first a few -- just to get the doubts clear. I just wanted to check that you mentioned that we have utilized the contingent provisions that we were carrying against earlier in card as well as JLG book. That is right, right? I mean so now we are left with the...

R. Subramaniakumar: Yes. Yes.

Jai Mundhra: Yes, sure. And secondly, you said that the savings rate cut effective 1st May, that would bring down your savings rate -- blended savings rate from around 6.4% to 5.6%.

Jaideep Iyer: That's correct.

Jai Mundhra: Sure. Now sir, coming to the questions. On this -- so now we have -- I mean, we have taken a call to consume the contingent provision. Does this signify that we are now looking at near normalized stress level formation in both JLG and credit card portfolio?

R. Subramaniakumar: Yes. We just passed on the commentary last quarter also, we are expecting the normalization to come for the card and this in Q1 and Q2. And from what we have provided for the Q1 in JLG, and we are trending towards normalization from Q2 onwards in JLG as well as for the cards. That's what our initial observations and our belief in assessment is also. Anything else you want to add?

Jaideep Iyer: Yes. No, Jai, I think -- I mean, I'll caveat that by saying that we are still in a fairly complex macro environment. And yes, while we are seeing clearly trending slippages down. But I think the larger reason for the contingency provisioning utilization also was that, we've noticed that in cards, while it's a relatively high credit cost business as compared to, let's say, secured loans, but the volatility on credit cost is not as high as in microfinance.

So during good times, cards maybe operates at about 5% credit cost and bad times, it goes to about 10% to 11%. And we have a fairly aggressive normal NPA provisioning in cards. So --

and plus, we've also seen that despite high credit cost in cards, we don't consume capital. So the business does not make a loss because there is enough income wherewithal.

Whereas in microfinance, the volatility has clearly been higher. We've seen 1% to 2% during good times in terms of credit costs and going as high as 14% to 15% during COVID. And even in the last few quarters, we've been pretty high. So the thinking is that we should -- going forward, of course, one will try and build contingent provisioning again on microfinance.

But cards, we are quite comfortable in terms of being able to absorb the volatility within the P&L. That's the broad rationale.

R. Subramaniakumar: Jai, one of the additional reasons for believing that the JLG is that, we have already entered into CGFMU. If you just see that from the last quarter onwards, we have started covering our entire fresh incremental disbursement at the CGFMU. Even for this quarter of Q4, we already made application by 90%. That, along with the future plan of having the contingency provisions, which we have been building up last 2 years, will stand steadfast in that particular portfolio.

Jai Mundhra: Sure, sure, sir. And did I hear it right that you mentioned that the loan growth and loan growth could be around 16%, 17% at the blended level, and hence the CET1 still be above 13%. Was that the commentary right that I understood.

R. Subramaniakumar: Yes.

Jaideep Iyer: That's correct, Jai.

Jai Mundhra: Okay. And lastly, sir, lastly, the -- we have seen this quarter, there is a very strong growth in the payment fee -- within fee, payment fee has grown reasonably well. While there is a bit of a slowdown in the credit card portfolio as well as acquisition. So was there any one-off or this seasonality or even on Y-o-Y basis, the number looks very strong. If there is any explanation there? Or this is something else.

Jaideep Iyer: Jai, in certain categories, the network actually increased the interchange income. And there was a little bit of a couple of months of catch-up that happened. So about INR15 crores to INR20 crores overstated in that sense. But a step-up on certain categories of interchange has gone up. So that's the reason. Some of it will continue to be staying during the rest of the -- coming -- going forward as well.

Jai Mundhra: Right. And lastly, sir, how do you look at the opex growth for next FY '26? We have managed it very well. And of course, a lot of -- you would have front loaded some of the investments also. Now how should one look at the overall opex for FY '26?

R. Subramaniakumar: See if you look at that opex, we have been in the high range of around 27%, 30%. At that time, we said that, that is a focus area. We'll come down around 10% range, which we have already achieved right now. So hopefully our continued effort will be to maintain in that range only.

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

Piran Engineer: Congrats on the quarter in this environment. Sorry, just following up on the previous question. What are we -- what is our expectation on growth in unsecured PL and credit cards? So micro finance, you said that disbursement normalization will happen in the third quarter. But what about the other unsecured businesses?

Jaideep Iyer: Cards should grow in mid-single digits. As we continue to kind of increase the bar on quality and look at customer franchise. So that's where we would look at.

R. Subramaniakumar: The broad sense is do more with the existing portfolio. That is one of the major focus, which we have been doing it in the cards. With the 5 million customers, what more we can do, which will also provide us enormous opportunity for expanding the depth with the relationship.

Piran Engineer: Got it. Got it. And also when you mentioned in unsecured PL and credit cards, we are trending towards normalized level. And after that, I think you mentioned something, normalization in 1Q, 2Q, did I hear that correctly?

Jaideep Iyer: So we would look at cards normalizing from Q2 onwards, Q2 and normalization also. I mean, I think this is -- we are continuing to be in reasonable uncertain macro environment still with all that's going on. So we would be cautious on this. And therefore, we are also continuing to improve filters on acquisition and portfolio actions. But yes, we would expect normalization from Q2 onwards. You will appreciate that...

Piran Engineer: Okay. Same for MFI, right?

Jaideep Iyer: That's right. Same for MFI...

R. Subramaniakumar: So while the yearly data -- yes, yes, just hold. The yearly data makes us to believe that we'll get normalized. But there are some external macro factors on which you can't make measurement. That is why this cautious approach is being said about us.

Piran Engineer: Okay. Fair enough. And just secondly, in terms of -- you highlighted how much you've cut the savings deposit rate, but what about term deposits, especially on the retail side?

Jaideep Iyer: Yes. We've cut term deposits as well. .

R. Subramaniakumar: We have done both...

Jaideep Iyer: 25 bps on TD, term deposits as well.

R. Subramaniakumar: Yes.

Piran Engineer: Across all tenures?

Jaideep Iyer: So the peak retail rate is down by 25 basis points. The bulk rates in the markets are already down by about 50 basis points.

Piran Engineer: Okay. But the non-peak retail TD rates would be flat? Or have you all cut it across other buckets also?

Jaideep Iyer: There has been rationalization across. But -- if the vast majority of retail deposits come at the peak rate

Piran Engineer: Okay. So majority of them would get re-priced 25 bps incrementally, I mean, for the fresh flows.

Jaideep Iyer: That's correct.

R. Subramaniakumar: Yes. Yes.

Moderator: The next question is from the line of Anand Swaminathan from Bank of America.

Anand Swaminathan: I just wanted to understand the CGFMU mix you mentioned. If you can give some idea about how the ROA economics will work under the CGFMU? Just basically, what would be your net margins and net credit costs and overall ROA compared to what the book makes in a normalized environment.

Jaideep Iyer: So Anand, CGFMU, we pay 1% of the portfolio that is under coverage as insurance cost, so to say. And in terms of post NPA, we kind of apply for credit refund, etcetera, from the -- and it takes about anywhere between...

R. Subramaniakumar: 2 years.

Jaideep Iyer: 18 months to 2 years for us to get the compensation for those NPAs.

Management: No. It starts with the first application. We can go after 24 months. We started in the October month - October last year. We'll get our first claim on '27.

Jaideep Iyer: Yes. So 2 years later, if the...

R. Subramaniakumar: First application.

Jaideep Iyer: Yes. All the document is fine, then we will get the claim back.

Management: We keep applying -- as and when there is an NPA, we keep applying those NPAs. And they will accept those NPAs. Once they accept it, we can also reverse our provisions. So there is a provision available for that. So with that, I think the bank will benefit. So at the 1% cost, we are -- I think last 2 quarters, we've been covering 50% of our disbursement, which we have increased to 90% in the current quarter, which we applied. So we will -- it will get covered.

Jaideep Iyer: So Anand on the ROA, ROA tree, I think I would rather say that we will have to see how this pans out. Upfront, we are taking 1% cost. And hopefully, credit costs gets materially covered, but it will come with a significant lag.

Management: So I think we can -- sorry, I think the maximum claim which we can go on a portfolio is up to 15%. So that's a very large -- any stress which comes out, we would be covered to a large extent.

Anand Swaminathan: Sorry, 15% of what?

Management: 15% of the covered portfolio for every year.

R. Subramaniakumar : Portfolio alone.

Management: Yes. Portfolio alone.

Jaideep Iyer: So if we have INR100 crores portfolio fully covered, we can claim up to INR15 crores on that portfolio.

Anand Swaminathan: So let's say, for example, sir, this cycle, the microfinance loss rate was 7%, 8%, let's say. If a similar cycle plays out, let's say, 3, 4 years down the line, what will be your net loss -- after you have that CGFMU cover to that?

Management: 20% of that...

Management: Yes, it will be -- so if it -- 8% average on a portfolio which we have secured. What we get is upto 15%. Suppose let's assume INR100 crores what Jaideep told, 8% is the NPA. I can claim up to entire 8%, it can come. Because only the first 3% of the INR8 crores -- that is INR24 lakhs. That is the minus. Remaining 7.75 crores will be recovered, provided all the claims get accepted.

Even if I take those there may be some claim rejections. Still we can get bare minimum INR7 crores kind of...

Management: That'll be covered.

Ramesh Ramanathan: Yes, that'll be covered.

Anand Swaminathan: Okay. Then what should be the through cycle, I understand the delay in timing, but what should be the through cycle credit cost is, let's say, 100% of your book is under CGFMU going forward?

Ramesh Ramanathan: That will take some time for us to go because right now out of INR6,000, INR5,000...

Jaideep Iyer: Theoretical answer to that is, it should be close to 0.

Management: Yes.

Anand Swaminathan: So then your ROA improved significantly. You just take 1% cost and your through-cycle credit cost was like, let's say, 4%. And you see a significant improvement in profitability? Or I'm missing something here?

R. Subramaniakumar: You are not missing. You have mentioned it correctly. Theoretically, it is a fully, fully it is covered. But the point what Jaideep made is that, see, we want these things to pan out because it is a new experience for us also. So that is the reason he said that. But theoretically, what you said is right. Yes. It is fully taken care, there will be ROA accretive is very high.

Anand Swaminathan: Okay. Sir, then why not just go and grow it aggressively, why are you saying do you want to keep it under -- I think it seems a very good deal. Why not go back to previous growth levels?

R. Subramaniakumar: See, the point is we have already -- see, I told you that we are going to capture the appetite to the extent of this 7-7.5% of total book. It is a balanced steady growth of the entire balance sheet.

See, I'm not an MFI book alone, no. We have multiple things to be grown. We wanted to balance it out where we get the risk reward, which is taken care. Here, the risk was high. We are trying to protect it through the multiple ways. And as far as the reward is concerned there are multiple products. We are an universal bank. We need to offer all these products to all my liability customers also.

So imagine, one of the best way to protect the liability franchise is to have an asset, retail asset. In the absence of asset-light liabilities, the one which is one of the strategy which we have just adapted for the purpose of growth of the liability because nobody is going to come and put the deposit only for the case of deposit, unless it is rate driven. When you wanted to make that rate-driven concept to go the service-driven concept, you need to have all these products on your shelf.

Management: Just one clarification, Anand. For example, our NPAs are INR8 crores. The claim that we will maximum get is about 72.8% of that amount. So maximum benefit for us on INR8 crores will be about INR5.8 crores as the maximum outlay that we can get back as insurance for CGFMU. The idea wouldn't be to go and -- build the book which is prone to stress that way. But that is how the insurance structure will work.

Anand Swaminathan: Okay. Makes sense. So then basically, your loss rates come down by 30%. That's what it should, roughly.

Management: I think if I run loss rate of 8%. The first -- 2% will be borne by us, and we are paying 1% premium for the...

Anand Swaminathan: Yes. Okay. Then it makes a lot of sense. And a similar question on the credit card book, sir. We have gone through like 2 cycles in the last 4, 5 years. So let's say, I got your answer that you will grow 5%, 6% in this year. But on a normalized basis, where do you see this book growing? What is the right approach, let's say kind of 2, 3 years down the line? Will we go back to like high teens? Or it will still grow in line with the overall book?

Jaideep Iyer: No, I think -- I mean, again, I think it's difficult to foresee these things so far ahead, Anand. But we like the franchise. We like the business. We have a fairly large position in that business. We are somewhere in the fifth to sixth largest player in that segment. And we are at least for the last few months or few quarters and the next few quarters, the focus is to make this portfolio a lot more into franchise customer for multiple products.

And the more we see success there, the more confident we will be to grow this book even more. So I don't think we are saying that we are perpetually going to grow this at 3% to 5%, no. But having achieved the kind of critical size, we have, do we go back to 25% growth you've seen? Answer to that is also, no.

Moderator: We take the next question from the line of Kunal Shah from Citigroup.

Kunal Shah: So firstly, just wanted to understand on the provisioning part. So this INR815-odd crores, that is after the 1% contingency provisioning release of I would believe INR250-odd crores. So would that be right?

Jaideep Iyer: That's correct. INR273 crores as of December end.

Kunal Shah: INR273 crores, exactly. Yes. So when we look at it all put together, you mentioned like INR375 crores was the cards, okay? Then we have created another INR248 crores of the additional provisioning to make like 100% provisioning on the GNPAs and obviously, like INR283 crores, which out of which INR273 crores was the contingency.

So when I have to look at it like INR815 crores there was INR375 crores of card, then almost INR248 crores of additional provisioning, INR10 crores towards the SMA provisioning net of the utilization and balance would have been towards the MFI and the other secured portfolio?

Jaideep Iyer: So the other secured portfolio, nil, I think we've also taken INR180 crores in MFI to move from 85% to 100%.

Management: So there are 2 parts to that Kunal. One is in cards. We had a contingency provision included in that INR273 crore.

Moderator: Sir, I'm sorry to interfere. I mean your voice is too low. Can you come close to the mic and speak, please.

Management: Yes, is this better?

Moderator: Yes, sir.

Kunal Shah: Yes, that I agree. Sir, if I have to look at it, INR815 crores okay, plus almost INR273 crores, which is the total contingency which has got utilized. Okay. So when we look at it, so all put together would have been almost INR1,100 crores, okay.

Jaideep Iyer: That's correct.

Kunal Shah: And so now maybe just running through the math of this INR1,100 crores, credit card would be INR375 crores. I agree there was a release. But otherwise, credit card in this gross number should have been INR375 crores, okay? Then there was additional provisioning of INR248 crores, which was done to make maybe the provisioning 100% on JLG book. Okay. And then INR283-odd crores was the SMA book.

And then balance would be, I would say, other normalized JLG and retail. Retail, you said it's almost 0. So then balance would have been towards the regular JLG provisioning?

R. Subramaniakumar: You explain...

Jaideep Iyer: No, okay, let me just...

Kunal Shah: So I would say like broadly like maybe INR200 crores -- INR200 crores to INR250-odd crores would have been the regular JLG provisioning?

R. Subramaniakumar: Just give a minute.

Jaideep Iyer: How will you define regular JLG provisioning, Kunal? See we've told you the slippages. We are simply saying that we took 85% to 100% all the way on the entire book. The old book as well as the new slippages, okay. That is approximately INR248 crores okay, which is accelerated provisioning.

Kunal Shah: INR248 crores. Okay.

Jaideep Iyer: Then we look at SMA-0, 1, 2 where we have taken INR283 crores on the JLG portfolio. On an outstanding of about INR375 crores, right?

Kunal Shah: Okay. Yes.

Jaideep Iyer: And We've -- our cards full provisioning for the quarter without the noise on contingent would be...

Kunal Shah: INR375 crores, you mentioned.

Jaideep Iyer: Yes, INR375 crores. And then there is a total contingency provisioning release of INR273 crores, which was standing as of December 31.

Kunal Shah: Got it. Got it. And now going forward, if we have to look at it credit cost, how should it settle -- because now on SMA, we have largely provided 75% GNPA, 100% is provided. So then would there be any number which we will be looking as a maybe a normalized provisioning on the MFI portfolio? And credit card also it's coming off. So now how should we look at the -- maybe the credit cost in JLG and credit card and the other part of the portfolio?

Jaideep Iyer: So Kunal, I think we are in a fairly generally uncertain environment. I would caveat my answer by saying that, yes, we have been proactive on JLG and taken a substantial part of the provisioning on the book that will probably slip in Q1, post which we will expect the slippages ceteris paribus to keep coming down Q2, Q3 onwards. And we will have to revert back to 25% per quarter provisioning that is our standard policy on the JLG book.

Similarly, on cards, we have seen slippages come down quite reasonably well between Q3 over Q2 and Q4 over Q3. However, the environment is still a little uncertain. I don't think we will -- the slippages will take some more time to come back to, let's say, if our normalized range is, let's say, give or take INR425 crores, INR430 crores. I think we are a couple of quarters away before we get there.

And in cards, the simple thing is to take 90%, 95% of the slippage of that quarter as credit costs, gross credit cost and then we recover. So simplistically, I would say credit costs clearly going down given the fact that we've had a very high credit cost year. I think we will hesitate to give guidance, but there should be a sharp reduction in credit costs on this portfolio. And on the non-JLG non-card book, retail plus wholesale, we again expect extremely benign outcomes for next year.

Kunal Shah: Yes. So that's what. So maybe non-JLG, non-cards not much JLG largely provided on incremental 25% and credit card incremental net slippage, almost 95% provisioning. So that's the fair assumption of the credit cost?

Jaideep Iyer: That's correct.

Kunal Shah: Okay. Got it. Perfect. And when we look at it, so what was the gross slippage in credit card and MFI this quarter?

Jaideep Iyer: Gross slippage in cards was INR479 crores as compared to INR569 crores last quarter. And microfinance was INR472 crores as compared to INR536 crores last quarter in terms of gross slippages.

Kunal Shah: Okay. And one last question in terms of the growth. So JLG you mentioned would still be in the range of 6% to 7% of the advances. Did I hear that correctly?

Jaideep Iyer: That's correct. Yes.

Kunal Shah: So when we look at it currently being at 6.2%, so now fair to say that JLG will also be growing in line with the overall loan growth, which we have indicated of 16% to 17-odd percent or even higher than that, just to be within that range?

Jaideep Iyer: Yes. I think again, this will evolve. See -- we are -- if I look at the JLG book, there is an argument that the industry will still continue to de-grow potentially. Guardrails has just been put in place for everyone in April. We will have to see how ticket sizes change, what happens when there are 3 lenders.

So again, we are coming out of a very environment, which has been in a fair amount of flux. There are players who are possibly vacating space, we don't know. What we are seeing currently is that this book has a fairly high amount of repayment that happens every month. And our ability to reach a disbursement rate, which is more than repayment is probably 2, 3 months away or 3 to 4 months away.

So that's where we are right now. Simple answer is, yes, this book should grow a little bit. But I don't think this book is growing materially for -- because the first 3, 4, 5 months has to be still watched in terms of how the industry behaves and what kind of impact all the guardrails has on this business.

Kunal Shah: Any initial comments on the guardrail implementation? What are you seeing on the ground? Is there any impact, delays, deferments, which are happening because of this shift moving from 3 -- maybe more lenders to less than 3 lenders?

Jaideep Iyer: So we implemented guardrails in November itself.

R. Subramaniakumar: November.

Jaideep Iyer: The industry is -- I mean, many players did implement guardrails over varying periods of time before March. But the diktat, if I can use that word, is really effective April 1 for everyone to follow. We are quite hopeful that everyone will follow the guardrails, which, therefore, is good for the industry, the leverage will not go up because there is a INR2 lakh cap on leverage. And with 3 lender cap, it becomes a lot more sensible...

Kunal Shah: No, I was asking, maybe any, maybe deterioration in collection efficiency, which we are seeing because of this Guardrail implementation in the initial month in the -- maybe since it's implemented from 1st of April. So in these 3 weeks, any kind of deterioration we had seen?

Jaideep Iyer: No, no, no impact on guardrails on collection at all.

R. Subramaniakumar: Kunal, this Guardrail has be seen from a different angle. The Guardrail is going to change the behavior of my loan officers from what they have been doing it earlier to what they proposed to do. So naturally, that is the only impact the guardrail is going to cause because that the ease of getting a loan sanction would have been definitely -- could be tightened from today because that requires a behavioral change for them to understand what sort of borrowers you have to identify and then reach them out.

That is only transition delay. That's why you saw that I just made a statement that we are doing somewhere around INR300 crores what you saw it. It is much below couple of months before. And we feel that we may reach back to the INR650 crores. If you ask me, will you do the INR850 crores to INR900 crores what we have been doing earlier? That may not happen. It will be slightly lesser than that. In H2, we anticipate that we may go back to the near normal position.

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

Rohan Mandora: This is on cards. As per the slide, the revolve rate has gone up around 25% versus 20% to 23% in the earlier quarter. So just want to check if there's any claim change here or it's just a one-off thing?

R. Subramaniakumar: Bikram?

Bikram Yadav: Usually in this quarter, the last quarter because of tax filing and all, we see at times about 100 to 300 basis points of change in that. So there is no permanent trend change. This is just range bound fluctuation which we see seasonally.

Rohan Mandora: Sure, sir. Second one, sir, on the home loan vehicle finance disbursement in 4Q compared to 3Q, they were lower. And even if you look at the quarterly average for the 9 months it's lower. So is that due to some specific strategy? Or is it competitive behaviour or lack of demand? How should one read into it? But disbursement for other lenders has been pretty good.

Jaideep Iyer: So tractor financing, we do -- yes tractor financing we do see seasonality. And typically, the Q2, Q3 numbers are always higher than Q4 because that's the season for tractors. On housing, we have basically tightened our inflow from an interest rate standpoint. So we are -- 2 things we are putting as some kind of a constraint. One is on yields. And second is on the fact that we need more business from branches. So we are trying to see how the mix is favourable from a risk-reward standpoint and a cost standpoint.

Rohan Mandora: Sure. And sir, third was on the business loans. We have seen a healthy growth in that during the year. So one is, how is the origination mix in that right now? Is it primarily branch driven? And also, if you can touch on 30 days, 90 days levels in that portfolio right now?

Jaideep Iyer: So on business loans, branches are continuously doing more and more, and we are now around somewhere in the 33%, 35% zone of origination from branches. And we are continuously working on how this materially improves. And we are quite hopeful by the time we exit the next fiscal, we should be closer to 50%, if not more. That's on the origination front. Sorry, you had...

R. Subramaniakumar: SMA.

Jaideep Iyer: SMA book on this. Honestly, I'm saying that we don't expect any material credit cost at all. So even if there is -- there is no build-up of any SMA-1, 2 above, normal and all. And as I said in the earlier question, we don't expect any material credit costs in the mortgage business in the foreseeable future.

Rohan Mandora: Sure. And sir, lastly, on your opex guidance of 10% year-on-year growth for '26. Currently still if you look at in many businesses, co-branding or maybe a non-branch led sourcing would still be a meaningful part. So with business growth, these costs will grow. So where are we trying to curtail costs incrementally to be able to contain opex growth at 10%?

Jaideep Iyer: So we are -- I mean, there are many levers here. I think on, let's say, secured businesses, we have yet to reach optimal productivity. So with similar sales and credit teams, we should be doing much more business. So that's one. There are efficiencies in operations, efficiencies in technology that we still have to fully implement.

So it is not that when we are saying there is a 10% cost growth, we are saying that the business is going to grow at that rate. We are talking about efficiencies coming, which is why we are saying, we should hope to control cost rate in that range -- cost growth in that range.

R. Subramaniakumar: The combination of productivity increase and an efficiency improvement, plus moving away to -- towards more sourcing from branches, which is going to be the driver for this.

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

Shailesh Kanani: A couple of data keeping questions. On the wholesale book front, if you can give the rating breakup, A, better; BBB and BB, below?

Jaideep Iyer: Shailesh, we're not carrying that handy. I'll give it to you offline.

Management: 80-odd percent would be A and above.

Jaideep Iyer: Yes, about 80% is A and above. There is no material change in this.

Shailesh Kanani: No material. Okay. Second question on the continuation with respect to opex. We earlier have been alluding that business acquisition cost would kind of come down as we kind of increase the productivity on the branch front. I understand that also includes the collection in the line item disclosure, but have you seen any material change in business acquisition cost? Any decline we have seen in the recent times?

Jaideep Iyer: So Shailesh, we are continuously working on improving this, and we see a lot more scope even including collections, actually. Thanks for bringing that out. In terms of cost of collections coming down for largely the cards business, because the rest of the businesses, that's not a material number.

R. Subramaniakumar: Thanks for bringing up the collection point. I'll tell you when your gross NPA in the retail segment is going to keep on reducing it. By design, the recovery cost is also going to come down in that particular sector. That is also additional factor, which will help us out.

Shailesh Kanani: Just to continue on that, but we would have some written off pool where we would continue to do our efforts for collection, right? Because we've been aggressively writing off. So how would that work then in that case?

R. Subramaniakumar: That will add up to our profit. I suppose you are -- see, in the MFI, if you take a very simple aspect. When your efficiency and the collection goes up, the people are just freed up for doing the collection from the technical write off of the NPA. So it is a question of only diverting the manpower from collection to that of the recovery. And your -- the problem will come and the cost will go up only suppose your collection efficiency is down. That, as indications are a little past.

Jaideep Iyer: And Shailesh, we -- given what has happened in Q3, Q4 we've already deployed collection manpower increase, and that's already there in the numbers in Q4. So I don't think from here on that is going up.

R. Subramaniakumar: No fresh investment.

Shailesh Kanani: Okay. And last question from my side. In the opening remarks, you have said that we are PSL compliant, but we have not bought any PSL certificates, right? So it is organic compliance, right?

Jaideep Iyer: No. No. No. Shailesh we have bought PSLC, but the cost associated with that purchase is not material. It's about INR20 crores, INR30 crores.

Management: It is also not so much. So we have actually -- we buy generally micro in general, which is very minimal, nominal costs.

Moderator: The next question is from the line of Param Subramanian from Investec.

Param: Firstly, on the draft LCR guidelines that have come through, have we done any initial assessment on that, the impact for us?

R. Subramaniakumar: Yes. We have done it. We have a positive impact.

Param: How much would that be?

Jaideep Iyer: Param, we should be positive by about 3% to 4%.

Param: Okay. Got that. Also on capital, so you made that initial comment that even by the end of FY '26, we should be north of 13% CET1. But structurally, how are we looking about, say, capital for the company where are we comfortably operating. Yes.

Jaideep Iyer: So we should be quite comfortable with a threshold of 12.8% to 13% on CET1. So we will not, therefore, need capital for at least the current financial year.

Param: Okay. Fair. Just one last question. So in the P&L going into next year, there are a lot of moving parts with the rate cut. You said there is a EBLR re-pricing pressure. There are the SA rate cuts, there is some operating leverage. So some in substance, I just want to understand how one should be thinking about operating profit, right, going into next year and maybe beyond? Since credit cost has been discussed in detail, but maybe on operating profit. Yes.

Jaideep Iyer: So Param, we also had some one-offs in operating profits in the current fiscal. We -- in Q3, we had some investments which unlock some value. We had some tax benefits, which resulted in some interest income from tax authorities. So broadly, if I kind of exclude that, we should be flat to improving on operating profit. And the reason I'm being conservative here is that we will have -- if I just take the full year of fiscal '26 versus the full year of fiscal '25.

We will have a reasonable reduction of the contribution from cards and micro finance from a book standpoint, which, of course, therefore, puts some amount of pressure on net interest income. Some of that, we claw back through efficiency on cost. And of course, provisioning has been discussed, that should be definitely lower as compared to current year. So in a nutshell, we should be -- we'll be happy with the flattish PPOP on the fiscal '25 outlook.

Param: Okay. You're talking about the absolute number, right?

Jaideep Iyer: Yes.

Moderator: We'll take the next question from the line of Krishnan ASV from HDFC Securities.

Krishnan ASV: So my first question was about these new guardrails and just the bank's approach to these new guardrails. How does your customer selection change on the ground now when there are -- when you face up with borrowers who have more than 3 vendors? Could you just talk us through that a little bit? Number 1.

Number 2 from the cards portfolio, right, on the cards portfolio, there is a certain potential profitability that you would assess for the cards business as we stand today, right? That would be the potential and where we are, you are aware of at the end of FY '25. How long would you think it would take us to get to potential profitability on the cards business?

R. Subramaniakumar: Yes, I will ask Kingshuk to talk about the micro finance, then Card will come back.

Kingshuk Guha: Yes. As far as the new guardrails are concerned, your first question. The first thing that happens is that the approval rate slightly takes a dip because of the guardrails. So till now in the last financial year before the guardrails were implemented, you could go beyond 3 lender as well.

So today, it will get restricted to 3 lenders and a cap of INR2 lakh. So both of these parameters were not there previously. And hence, we take a dip on the approval rate.

So as Mr. Kumar had previously also mentioned in the same call that, what happens is that the selection process or the ease of doing business slightly goes down. And hence, identifying a customer who would possibly be meeting both the criteria is the new norm for the way forward. So other than taking a little bit of a dip on the approval rate, materially, there's not -- nothing much has really changed in the ground.

So the effort to get a customer whose approval would come through has gone up a little bit.

Krishnan ASV: What I mean is if you now encounter a customer who is supposing with 4 lenders, right, how do you decide whether you need to withdraw from this customers? I mean, what are you looking at, at that borrower level?

Kingshuk Guha: So it's a...

Jaideep Iyer: Krishnan, I think existing set of borrowers, I can't do anything. When I'm acquiring a new borrower, we will check if the existing set of lenders is already 3, we cannot lend as simple as that. What?

Rajeev Ahuja: Ongoing monitoring is what he's asking.

Jaideep Iyer: Yes. Are you talking about ongoing monitoring?

Krishnan ASV: Yes. I mean you either become a lender who then withdraws from the borrower so that the borrower goes back to 3 lenders or you remain one of the 3 and somebody else has to withdraw. So I'm saying how do you take that decision is all that I'm trying to...

R. Subramaniakumar: Let me make it one thing clear. He has already borrowed from me. And subsequently, before this guardrail implemented by all the players in the market, he has just borrowed from somebody else. That's the real situation, right? We'll continue to make effort to recover from him and put all the efforts which we have been taking till now, the same efforts will be put in there.

Going forward, any new person whom you are onboarding on ours, be it renewal, be it our -- the same customer comes with the renewal, possibly my system will not approve it, and he will be rejected. If a new customer comes with all these guardrails for not fulfilling, he'll be rejected. Existing customers he's paying correctly, then it is good, we'll continue to collect it.

The existing customer is not collecting it. We'll do all the recovery measures, which we are doing it in respect to any default, hope it's clear?

Jaideep Iyer: Yes, Krishnan, there is -- we didn't understand your withdrawal because once you've given a loan, you have to collect the EMIs. There is no other options.

R. Subramaniakumar: This situation as I explained, 4 different scenario. If I had to withdraw it becomes an NPA. Then I have to do the recovery. It is like a recall in advance. And then the moment I recall it, as per RBI Guidelines it becomes an NPA. So non-standard account, whatever we do is the same way.

I don't think that any borrower has a very large heart to say that I'm exceeding elsewhere, you come and collect it. I mean if it happens, it's would be a good one. It's a nice one. Hope you would have understood that.

Krishnan ASV: Understood. I think probably I didn't explain my question too well, but it's okay. We can take this offline. The other one on cards business. How far are we from potential peak profitability?

Jaideep Iyer: So Krishnan, I think the cards business overall has undergone a lot of change over the last 2 years. Regulatory changes have happened. One can therefore say that what was an optimal profitability 3 years back is now no more the optimal profitability, it's probably a notch lower. We would want to go back to some kind of normalization by the time we exit the current financial year.

But more importantly, instead of looking at again, focusing on what's the card profitability, I think we are trying very hard to kind of change the mindset to look at that as a customer franchise and see what we can do with that customer.

So the way we approach the portfolio as well as new customer acquisition is changing. And I think that is what is making us more excited than just looking at improvement in profitability of that business.

Krishnan ASV: Okay. So just related to this, if you don't mind, Jaideep. I mean I understand this. Obviously, you're trying to now make sure that you are able to sweat this customer through other segments as well through other products as well. So just on that journey, could you just talk us through where we are in terms of what percentage of our customers are relatively more mature in that journey in terms of more products per customer? On the asset side.

Jaideep Iyer: It's very, very early days, less than 2%, 3% of the customers have been sweated in that sense. So we have a long way to go.

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

Anand Dama: Good results compared to what I think was expectation after the third quarter. Sir, number one, is that you've been saying that microfinance is where there will be a contraction? Or basically, the pickup will take some time. Card is where I think you were expecting an normalization to happen. But if we future forward ourselves into next 2 to 3 years, what will be the share of microfinance and cards as a percentage of our overall portfolio?

Jaideep Iyer: Honestly, Anand, we are -- this is probably not the best time for us to start crystal ball gazing over the next 2 to 3 years. I think we will take 1 year at a time. The focus is really over the next year to consolidate these businesses and extract more at least out of the cards business and consolidate on the JLG business. As I mentioned earlier, again, that industry is materially changing. There are new guardrails.

We are -- it's going to shrink. The industry has shrank materially March over, let's say, June last year. So I don't think this is the best time to talk about 2, 3-year time frame. But broadly speaking, I would clearly say that I don't think we are going back to the 35%, 37% mix that we had in these 2 businesses. It should be materially -- settling down materially lower.

Anand Dama: Yes, exactly. I expect that to be lower, but what could be that like? Could it be around 10-odd percent or 10% to 15% in next 2 to 3 years? That's a fair assumption?

Jaideep Iyer: Again, I think, Anand, I would -- as I said, we are wanting to take this one step at a time.

Rajeev Ahuja: Anand, the direction of travel is very clear. We have enough confidence in our other businesses to be able to take this call. And I think the macro environment is very important. So it will continue trending down. I don't think we can give you even a range which is today in our mind 3 years out, 1 year, I think we've already said it will be 6% to 7% of our total business of micro finance. And I think that's why we'll -- let's see what happens in the next 3, 6 months and then we'll be able to revise it.

Anand Dama: And any guidance in terms of margins, how it will shape up over next first half and then second half and so will be the ROA? You may not give the hard numbers, but at least direction.

Jaideep Iyer: So Anand margins, there are too many factors at play. I think we should behave -- we will probably see flattish to lower before it starts moving up.

R. Subramaniakumar: Trending up.

Jaideep Iyer: On margins. I don't think I mean, I think we would -- I mean, directionally, we are seeing PPOP flattish, again, dip and then going up. Consequently, margins as a consequence of margins. Provisioning should be lower. So uncomfortable giving specifics on this, but yes, we should obviously start improving by definition, given where we are.

Anand Dama: Okay. So directionally, next year, I mean, FY '26, we should be better off versus FY '25, right? Because you've done the heavy lifting in terms of credit costs.

R. Subramaniakumar: That we will be better.

Anand Dama: That's definite. Yes.

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

Aditi Naval: So most of my questions are answered. I just had one question on the Karnataka exposure. So first is can you just give a number on what is our share in Karnataka? And also, how do we plan to -- like what is the status right now? And how do we plan to -- like what is the strategy going forward, especially in the Karnataka?

Kingshuk Guha: So Karnataka, our portfolio percentage is slightly lower than 10%. And currently, in the last 2 months, we have improvement in the Karnataka portfolio. Month-on-month, we are improving by almost about 2% to 3% per month. So if you really ask us, Karnataka to come back to its normal collection efficiency, which would be crossing 99%. I think we should see that by the end of this quarter. As a strategy, we have kept our disbursals muted in Karnataka.

We have been not doing any disbursals in the last 2 months. This month, we have started doing a little bit of a disbursal as far as our existing borrowers are concerned. So whoever is taking a second cycle loan, and we've been very cautious about the rural engine as well. So I think quarter 2 onwards, we should see Karnataka coming back to its normal shape.

Moderator: The next question is from the line of Maitri Shah from Sapphire Capital.

Maitri Shah: I just had 2 questions. Previously, in the opening comments, you stated that our secured retail book will grow by like 25% to 30%. Is that correct?

R. Subramaniakumar: Yes. Secured retail we are talking about. Yes.

Maitri Shah: And the wholesale book will grow like from 10% to 12%, right?

R. Subramaniakumar: Fine. That's right.

Maitri Shah: And our loan book will have like a 16% to 17% growth.

R. Subramaniakumar: Correct.

Maitri Shah: So how do we see our ROAs after all these initiatives in provisioning? And with a flattish PPOP how do we see ROA shaping up for FY '26?

R. Subramaniakumar: See, as I said earlier, ROA will be trending upward, and we don't wish to give any specific numbers there, but it is going to trend upward. And if you ask a very simple question in comparison to '25 it will be way away, I mean, far better.

Maitri Shah: And advances growth, how do you see the advances growing?

R. Subramaniakumar: Advances, we just now told. Just we just reiterated the number with our renewed focus on retail secured, which will be in the range of around 20% to 25%, which you said. And in respect of the wholesale, we said around 12%. And overall, it will be in 16%, 17% range.

Maitri Shah: And the NIM, is there a guidance on the NIM...

R. Subramaniakumar: I think it was also told you earlier that the NIM is will be the flattish and it will start trending up as we move forward in the rest of the year.

Moderator: The next question is from the line of Hitaindra Pradhan from Maximal Capital.

Hitaindra Pradhan: All the questions have been answered. Just on the NIM part, are we guiding for a flattish NIM in the coming quarters? Or is it expected to come down because our secured book is rapidly increasing.

Jaideep Iyer: Yes. So I mean, honestly, Hitaindra, I said there are many moving parts on margins. It is very difficult to guide in the short term. I would expect margins to be coming down a bit before clawing back up. And we hope to be in the current range by the time we exit the current year --

coming year. But there are just too many factors on margins. We don't know how many repo cuts will happen with what frequency.

I can just say that the repo cut does result in a faster asset re-pricing and the deposit re-pricing follows. We do have levers on savings account rates which we will exercise judiciously. But again, there will be leads and lags on margins, which will be very difficult to predict, given that this is the first rapid down cycle on rates that we will see where the bank's books are externally benchmarked.

Hitaindra Pradhan: What is your breakup of external benchmark and MCLR and fixed rate book?

Jaideep Iyer: About 45% to 47% is floating between largely externally benchmark and about small percentage to MCLR.

R. Subramaniakumar: Fixed rate is around 45%.

Jaideep Iyer: Yes, fixed rate is about 45%, 47%.

Hitaindra Pradhan: And on MFI, I understand your commentary is that in this particular month in April Guardrail has been implemented. The way I see the comment is, basically, you are seeing some dip in terms of how you would be able to disburse and find the creditworthy borrowers. So there can be a dip in disbursement and growth from an otherwise normalized perspective. But on the credit cost, per se, you are not finding any sort of difference.

So the trend which was happening from February to March was increasing collection efficiency and lowering of even the forward flows, etcetera. So that is continuing in April for you as well as for industry as well. Is that the sort of the right understanding?

R. Subramaniakumar: As far as we are concerned, we have implemented the MFIN Guardrail for November onwards. That's number 1. We expect the industry to fall in line from April. That is an expectation because we do not know how it is going to pan out, that is beyond our realm of assessment. As far as with the revised MFIN, we said that, yes, we saw some disbursement down and which we are very cautious in Q3 and Q4 also.

And that is likely to ramp up and then catch up to three-fourth of what we normally peaked it before the MFIN guardrails are done from H2 onwards. And collection of course Collection of course, we saw some positive trend in this month and the indications and the belief as far as that will continue to be in the same range.

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