



“RBL Bank Limited
Q3 FY '26 Earnings Conference Call”
January 17, 2026



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Moderator: Ladies and gentlemen, good day, and welcome to RBL Bank Limited Q3 FY '26 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 third quarter of financial year 2026. We have uploaded the results along with the presentation on our website, and I hope you have had a chance to go through it in detail ahead of this call. As always, I'm joined by Mr. Rajeev Ahuja, Mr. Jaideep Iyer and other members of our management team to address any questions you may have.

Before we get into the details on Q3 operational performance, I would like to briefly touch upon the business trends of the quarter. Our advances grew 14% Y-o-Y and deposits grew 12% Y-o-Y. This was after we reduced our IBPC outstanding from INR4,500 crores to INR1,500 crores.

The CD ratio stands comfortable at 86.1%. The granular deposits, which remain our focus area, grew 15% and constitutes 51.5% of total deposits. On asset side, secured retail assets grew 25% Y-o-Y, while unsecured advances have now stopped degrowing and it grew 1% sequentially. In the wholesale segment, our commercial banking business grew 30% Y-o-Y, driven by calibrated investments in relationships and credit teams across existing markets, along with the selective expansion into the new geographies.

The disbursal in JLG segment has reached monthly run rate of INR700-plus crores, with improvement in early bucket collection efficiency and reduction in slippages and SMA bucket balances.

In credit cards, we achieved over 1 lakh card acquisition in a single month for the first time, post cessation of our new sourcing through our Bajaj partnership. The cards in force grew sequentially after 6 to 7 quarters of reduction. The spends per month are comfortable at a run rate of INR7,000 crores.

The credit card slippages continue to be slightly elevated, and we expect this trend to continue for 2 quarters -- 2 more quarters. On the interest rate front, the bank has absorbed 100 bps of repo rate cut done until June 2025. The rate action taken in savings and the repricing in term deposit rates has resulted in NIM increasing by 12 bps sequentially this quarter.

The bank expects term deposits to reprice further in Q4 FY '26. And together with the improved disbursals in better yielding assets, we expect the margins to be marginally better in next quarter even after 25 bps repo cut in December 2025. We have adopted a calibrated approach to deposit

repricing, including savings account rates and remain confident of continuing this gradual normalization in a measured manner.

During the quarter, we accelerated branch expansion by adding 18 branches and we will sustain this momentum to strengthen our physical footprint and support growth in retail deposits. We have made meaningful progress in leveraging branches as a fulcrum for asset growth with increased branch-led sourcing across gold loans, working capital, secured business loans, home loans and credit cards.

While this remains a work in progress, we are encouraged by the direction of travel and expect the pace of traction to further improve. The disbursal from branches is at a monthly run rate of INR400 crores. The gold loans disbursal has now reached a monthly run rate of INR225 crores to INR250 crores and has the potential to go significantly higher.

Our wholly owned subsidiary, RFL, as a sourcing channel for affordable housing and small business loans is now gaining traction and has the potential to become a meaningful contributor to secured loan sourcing alongside JLG.

Importantly, our retail secured businesses as a cohort have now turned profitable at the operating level. And as scale builds, we expect operating leverage to progressively translate into improved performance.

On the progress of announced capital infusion by Emirates NBD Bank, we received shareholder approval in November 2025 for the overall transaction, including the proposed capital infusion and amalgamation of Emirates NBD's India branches with the bank. Applications have been made for approval with other regulatory authorities, including Reserve Bank of India, Government of India, Competition Commission of India, SEBI, etcetera, and they are in various stages of progress.

In summary, our priorities remain focused on building granular liabilities with a narrower cost of deposit gap versus larger peers, achieving a more balanced retail asset mix with a faster growth in secured products, strengthening branch-led customer acquisition and deposit mobilization, deepening customer relationship through higher product penetration across our large existing customer base and improving operational efficiency in our chosen segments to deliver more predictable outcomes across our P&L.

Overall, we believe we are firmly on the right trajectory with the multiple growth opportunities ahead and right engines well oiled to capture these in a disciplined and a sustainable manner.

Now I will invite Mr. Jaideep Iyer to take you through the financials in greater detail.

Jaideep Iyer:

Thank you, Mr. Kumar, and good afternoon, everyone. Let me briefly touch upon some of the specific aspects of our financial performance. We grew our net advances 14% year-on-year and 3% sequentially to INR1,03,086 crores. Retail advances grew by 10% year-on-year and 1% sequentially to INR60,611 crores. Consequently, the retail wholesale mix is now at 59:41.

As Mr. Kumar mentioned, this is net of the reduction of INR3,000 crores in IBPC in the business loan and housing loan segments. Secured retail advances after the above reduction in IBPC grew 24% year-on-year and 1% sequentially. Adjusted for IBPC, obviously, this has grown faster. Within secured retail, business loans plus housing loans grew 34% year-on-year and 8% sequentially. Tractor finance grew at about 23% year-on-year and 7% sequentially.

The disbursal rate run rate for secured retail is well above INR5,000 crores on a quarterly basis. For context, this number was approximately INR3,000 crores in Q1 of this year. Wholesale banking advances grew at about 21% year-on-year and 5% sequentially. And within wholesale, commercial banking grew at a faster pace at about 30% year-on-year and 7% sequentially.

The disbursal in the JLG segment is at a run rate of INR700 crores per month versus INR550 crores in the previous quarter. The good news is that the early bucket collection efficiency is 99.5%. This is as good as one has got in this segment for a long time. The benefits of this has already been seen in lower sequential slippages, and we expect that trend to continue.

Reiterating what Mr. Kumar said on cards, we've now crossed 1 lakh card acquisition in a month for the first time post the Bajaj Finance sourcing stopped in November 2024. As a result of which our cards in force also grew sequentially. We hopefully, this should now result in the receivables as well growing on this sequentially from the next quarter onwards.

On deposits, our total deposits grew at about 12% year-on-year and 3% sequentially to INR1,19,721 crores. CASA ratio now stands at 30.9%. Our primary focus area being granular deposits, as we have mentioned several times in the past. The focus is on deposits less than INR3 crores, which grew faster at 15% year-on-year and 4% sequentially to INR61,632 crores and now constitutes 51.5% of the total deposits vis-a-vis 51% in the last quarter.

Branch banking-led deposits grew 18% year-on-year and 3% sequentially, accounting for 66% of the total deposits of the bank. Average LCR continues to be healthy at 125%. CD ratio, as Mr. Kumar mentioned, is about 86.1%. We are quite comfortable with the range of 83% to 87% on the CD ratio.

Our cost of deposits for the quarter was down to 6.2% versus 6.26% in Q2. Our savings account cost for the quarter was 11 basis points down sequentially to 5.15%. Similarly, our cost of TDs is down 23 basis points to 7.29% versus 7.52% vis-a-vis last quarter. We've also taken a rate action in savings where we've reduced the peak bucket down to 6% from 6.5%.

We do expect cost of deposits to further decline in Q4 and therefore, should help to marginally improve the margins even though the full impact of the December repo rate cut will come in Q4 of this financial year.

A little bit on our operating performance. Our NII was up 5% year-on-year and more importantly, 7% sequentially to INR1,657 crores. NIM as a consequence, sequentially was up at 4.63% vis-a-vis 4.51%. Other income in this quarter was up 13% year-on-year to INR1,050 crores. And excluding the one-off investment benefit that we had on a listing of a strategic investment we had in Q3 of FY '26. So excluding that, it was up 13% year-on-year.

Core fee income grew 10% year-on-year and 3% sequentially to INR959 crores. Our total net income was up 2% year-on-year and 9 % sequentially to INR2,708 crores. Opex grew less than revenues at 8% year-on-year and 2% sequentially to INR1,795 crores. Our cost-to-income ratio as a consequence is 66.3% versus 70.7% last quarter. PPOP - pre-operating profit was INR912 crores, up 25% sequentially. As a result, our net profit for the quarter was INR214 crores.

We've also taken the gratuity provision due to change in the methodology of about INR30 crores, which is a part of the reason for net profit to be at INR214 crores. On asset quality, in terms of net NPA ratios and GNPA ratios, we are down. GNPA was down 45 basis points quarter-on-quarter to 1.88% and net NPA was down 2 basis points to 0.55%.

Provisioning coverage ratio is healthy at about 71.1%. Our total net slippages in the quarter was INR711 crores, down from INR918 crores in Q1 FY '26 and INR727 crores last quarter. Net slippages in wholesale was negative, which has been the trend for a while, aided by recoveries, negative of INR9 crores. Credit card slippage was INR539 crores. JLG was INR130 crores and the rest of the retail was INR51 crores.

So essentially, our major slippages are pretty much from cards and JLG with a reduction -- reducing -- materially reducing trend in the JLG business. JLG is also further reduced at INR124 crores in line with improving collection efficiencies. We've also seen improvement in resolution rates in bucket 1 and bucket 2. Also, we now have 80-plus percent of our standard JLG portfolio is now covered by CGFMU. Hopefully, that helps us in good stead if and when there is another cycle over the years.

Our net restructured advances is very, very small now at 0.16%. On provisioning, net provision on advances was about INR634 crores, largely dominated by cards with INR491 crores, JLG of about INR60 crores and all other retail put together at about INR70 crores and wholesale was about INR13 crores.

Credit cost as a result for the quarter was 64 basis points. On capital, we continue to be fairly healthy with 14.94% total capital adequacy and CET1 of 13.45%, including the profits for 9 months. We burned about sequentially about 7, 8 basis points, largely due to growth.

With this, we will now open the session for Q&A. Thank you.

Moderator: Thank you very much. The first question is from the line of Rikin Shah from IIFL Capital.

Rikin Shah: I have 4 questions. First one was, I just noticed that the balance with other banks on the balance sheet has jumped to INR12,000 crores, sharp increase both Q-o-Q, Y-o-Y. Partly, it's a function of, I guess, reduction in the CRR, but instead of deploying it elsewhere, it has again gone to other banks. So just wanted to get a sense, will this buildup continue? Or do you intend to deploy that in either GSEC or loans in the coming quarters? That's number one.

The second one is on your provision coverage. It has now come down to 71%. So perhaps it means that the additional SMA loan provisions on MFI book are no longer being carried and it has normalized. So how do you expect PCR to kind of settle in the next 1 year? Is this a level where it will continue? Or would you want to further increase it? So that's number two.

Third one is on asset quality. So the slippages in credit card are elevated and Kumar sir, you mentioned it may remain elevated for the next couple of quarters. I was just curious to understand why has it not normalized yet? What is it keeping at elevated levels and probably longer than what we initially thought?

And lastly, pertaining to the fund infusion. So any initial thoughts how you would be looking to deploy once the capital potentially comes in 1Q FY '27? So those are my 4 questions.

R. Subramaniakumar:

Okay. I'll take a couple of them, and I'll ask Jaideep to get into the mathematical part of it. Okay. The first one with regard to deployment of the funds, as I told in the last time also, we said that we have drawn a broad strategic points for deployment of that, and it is being discussed at the Board level. And we will be able to give the precise way of doing it because we have identified the growth within all the areas, which we have been growing for the last 1 or 2 years.

Second will be some new foray and new areas we'll be entering, which will be in terms of investment part of it in wealth management, expanding our branch footprint and expanding our distributions and some of the new products and services in retail, we'll be able to introduce it. And we have a GIFT City, we wanted to leverage it. These are the various things, which I said earlier, we stand by that, and we are working on the deeper numbers on that.

With regard to the PCR, if you look at it, we are normally comfortable between around 75% to 78%, which is what we have been maintaining it earlier. Maybe in the quarter to come, we will be building up to that extent. And with regard to the bank balance, I'll ask Jaideep to give you the details.

Jaideep Iyer:

Yes. And just to add on PCR, we have Board-approved policies. So obviously, there is not much discretion or changes that happen. So depending on the portfolio, which is going back, there is a certain level of provisioning, which is taken. So it's a little bit of a mathematical outcome than a target. But we've said in the past that we should definitely be 65-plus at most of the times.

On credit cards, yes, we kind of -- if I want to kind of divide the problem, I think we are kind of happy with the book that has been created over the last 18, 24 months, and we've seen progressively better outcomes on that if we look at leading indicators like 6 months on book or 12 months on book.

There are certain pockets of the portfolio, which are exhibiting weakness. And we think that it will take us, as Mr. Kumar mentioned, a couple of more quarters for that to resolve itself. And therefore, conservatively, we are guiding like this. And it's a combination of what underwriting, we had a reasonable jump in growth of cards post-COVID. So part of that could be related to that.

Part of that is also related to some macroeconomic weakness. Some of that is also related to the fact that we are withdrawing from many pockets because we were fairly distributed on cards when we had a partnership with Bajaj, and we are now wanting to kind of focus in more in the top, let's say, 80, 100, 150 locations rather than being far more spread out. So as we withdraw from fringe geographies, there are some impact on collections that happen. So I think it's a combination of that.

The good part is that we are quite confident of where we see this resolutions improving and what is the kind of risk underwriting that has happened over the last 2 years. So there is reasonable predictability on what we are seeing. And hopefully, we'll be able to demonstrate that over the next, let's say, 2 to 3 quarters.

On the balance sheet front -- yes, on the first question, it's actually a single day phenomenon. So if I look at daily averages, I don't think it will be so stark. But some deployment of excess liquidity in a manner, which was more tactical at that point in time is more a consequence of that rather than anything from a structural to trying to read into that.

Rikin Shah: Got it. And just one clarification on the PCR comment. Kumar sir mentioned 75% to 78% being the comfort level, and you did mention 65% plus. So how should we kind of build this going ahead....

Jaideep Iyer: It's a consequence of which goes bad, right? So for example, theoretically, let's say, at some point, let's say, there is a secured retail asset shows some increase theoretically. That will continue at 15%, right? Because the recoverability of that is very high. So we -as we expect -- see, one of the other things that is happening is on the microfinance front, there is a catch-up of provisioning that is happening.

We have got back to a 25% run rate. So we will see a little bit of net NPA increase in microfinance from a legacy portfolio standpoint, whatever went bad in Q2, Q3, et cetera, and Q4, we will have a catch-up provision based on a 25% per month -- per quarter catch-up. So it has nuances around which portfolio at what point in time. I think basis the recoverability, we are quite comfortable with the provisioning guidelines that we have.

So we are very aggressive, as you know, on cards. We are reasonably comfortable with the microfinance portfolio to be taken 100% provisioning over a year. We are -- despite portfolios like tractor, we take 100% provisioning in 2 quarters. So despite it being secured. So I think the -- depending on what portfolio exhibits stress, there can be some ups and downs. But broadly speaking, as I said, plus/minus 70% is where we should be comfortable with.

Moderator: The next question is from the line of Jayant Kharote from Axis Capital.

Jayant Kharote: So 2 questions. One is on the cards business itself. While we do understand that you've taken corrective actions, but the quantum of slippages are -- or at least the provisioning seems to be continuing for much longer than the industry. And a few more quarters, meaning a good 1/3 of the book is not growing. So even with that capital coming in, if a large part of the book doesn't accelerate, how do we see this business, not from next 2, 3 quarters, but next 2-year perspective?

And when do we really start the issuance rate to go back to the earlier levels? That is number one. And specifically, I want to understand why RBL card portfolio lagging the industry over here? I'll come back with the second question.

Jaideep Iyer: I think the way I have described it, I don't think I have much more substance to add here, Jayant. Basically, we are saying that when we look at incremental portfolio that has been underwritten over the last couple of years and the early trends that we are seeing on that, those are coming

quite under control. And there are -- as I mentioned, there are certain pockets of portfolios, which are exhibiting stress, and we expect that to resolve itself over the next 2 quarters.

In terms of coming back to a run rate of issuance of 2 lakhs, 2.5 lakhs, I don't think we are necessarily chasing a specific number here. I think the bigger excitement that we have is how do we underwrite cards that have multiple products looked at cross-sell to the same customer base. So we are hopeful to have a significantly higher overlap between our savings account and card customers over time.

We are more hopeful of underwriting other secured products to the same customer base through more advanced analytical underwriting methods. So I think that is where even the methodology of which how we approach customers, how the customers can do DIY journeys for consuming multiple products, I think that is where the focus is.

I don't think we are looking at cards as a stand-alone product to grow materially beyond -- I mean, we will be very comfortable with a 10 % to 15% growth in the book and 1 lakh to 1.5 lakh. We should get to 1.5 lakh new card acquisition in a few months.

And I think that's a good run rate as long as we are able to bank the customer for more products because one of the -- ironically, one of the risk mitigants in this business is actually to have a more transactional relationship beyond cards with the customer. And that's obvious when you look at performance of card businesses across banks and nonbanks, you will see that difference. And I think we want to progressively move towards multiproduct customer consumption on this rather than a single product business.

Jayant Kharote: Understood. We've very clear actually, 10% to 15% of the book is very clear. And like you said, you're not targeting the 2.5 lakh. So just to add on the asset quality, how many more quarters do you think you'll need for the cards book to stabilize on asset quality?

R. Subramaniakumar: See, I just want this to be addressed in 2 parts of it. I mean the acquisition which we are doing it in last maybe around 6 months' time is behaving normally. In a sense that we are in a position to come back to the quality of acquiring to good state. The existing book, which is just showing the stress after we took over, as Jaideep made it clear earlier, it was operating in all the pin codes. We have shrunk the pin codes.

So naturally, the pin codes where we don't have the muscle to do this activity is just showing a lot of stress there because this is one business where you have to be in the business for retaining the people at the end. And you have to keep on doing the business with all the pin codes to do that.

That stress, we made a very sharp assessment of it, and it will pick out in June, and thereafter, it starts trending down. So we will be by September, if you call it, it may be normalized number what we have been seeing it earlier. So June is what it will pick out. And Bikram, anything more to add?

Bikram Yadav: Yes. So no, sir, I think you have summarized it well. In terms of our customer selection criteria and our distribution strength, we are almost at a well-defined level. And from here onwards, we'll continue to grow at about 10%, 15%.

What we have identified in collection performance is that except the early trends and the new sourcing is behaving as per the plan, except for a particular cohort, most of it is looking predictably coming within our risk appetite zone. And I think in another 2 quarters, we should see it is getting back to the desired levels.

Jayant Kharote: Great. Sir, just to again confirm, by September, if it stabilizes, it means second half of FY '27, we should be looking at a normalized behavior of this book on the card...

R. Subramaniakumar: Yes.

Jayant Kharote: And sir, second question was on the growth after the capital and branch strategy. So if you could just help us with the time lines on both branch expansion, assuming hypothetically, the capital is already in the next 1 or 2 months, how do you lay out the branch expansion strategy over the next 1 or 2 years? And then again, similarly time line on the growth, when do you see growth acceleration?

R. Subramaniakumar: See, our branch expansion strategy is very clearly laid out, and it has been well consumed with the team across. We'll exit March with around 600 branches. And by next March, a year after, it will be around 800. And by third year, we'll be exiting 1,000 branches. It is our own RBL branch bank.

We have already identified 200 high-growth locations across the country, taking into consideration the opportunity for us to make a higher growth rate there in respect of our granularization as our focus. This is apart from the touch points of around 1,300 where we have an RFL, which we have started leveraging it for the last couple of quarters where apart from doing a JLG business, they will be doing all that retail secured businesses also.

So if you -- for a simplistic understanding, you'll say that 1,000 branches will do all your retail asset, retail liability, it is a retail consumer business branch bank. And RFL will be doing your retail asset also. So for the business growth opportunity, you'll be having around 2,400 touch points by end of third year.

Jayant Kharote: Great. And on the time lines for growth and the capital?

R. Subramaniakumar: See the capital is depending on the approval, which is going to come. We don't have a precedence to say precisely that when it is coming because it's the first of its kind. So we made our own assessment based on what the conversation, which is going on with various regulatory authorities whom applications that we made. We feel that maybe in Q1 will be the right time for us to say that approvals will come. Thereafter, the process will follow for getting that infusion to take place.

Jayant Kharote: And post the capital, would you take time to start growing? Or do you think you already have the right plan in place?

R. Subramaniakumar:

Right now, we are already growing at 25% to 30% range. If you see it, my wholesale is growing at 21% and commercial is growing at 30 % and retail secured is growing somewhere around 30%, which all of them put together is somewhere around, what, 70% to 74% because our unsecured and JLG put together is 26%, remaining is this.

This cohort is growing at a range of around 25% given. So with the capital, with an expansion of footprint, naturally, it has to be much above the 25% what you're talking about, another 10%. So the growth is something which is given and assured. With our current growth rate, our run rate will go faster. Instead of getting forced, maybe that we will continuously reaching the boundaries much easier.

Moderator:

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

Kunal Shah:

So 2 questions, particularly now getting on to the credit cost. So given that the pain on the credit card is continuing, now how should we see the credit cost settling? And I heard that maybe the credit card slippages would peak out in maybe June. So do we see a much elevated level even compared to that of 2Q going forward -- 3Q going forward? Or maybe this is the level, which can be sustained? And what would be the overall guidance on the credit cost side?

Jaideep Iyer:

So Kunal, I think on slippages, we are not suggesting that this is going up. I mean we are broadly talking about current range, which are obviously elevated from where it ideally should be. There is no suggestion that we will see anything more than the range that we've been in.

I think on credit costs, maybe it's going to be 2 different halves next year because cards will play a role. So I guess the first half will be somewhat in the current range, maybe a little lower because microfinance is coming under control. But second half should start seeing a significant improvement on credit costs.

Kunal Shah:

Okay. So maybe this kind of a run rate of 2.5%, 2.3% to 2.5% should continue for a few more quarters?

Jaideep Iyer:

No, I would say not a few more quarters. I think -- see, within this, I think microfinance is coming down. We are not seeing any material challenge in any other part of the business, whether it's wholesale or secured retail.

And so if microfinance comes down, we should see some moderation on credit costs. But I'm not getting into precise number guidance here of 10 basis points or 20 basis points, but we should not go beyond this range, clearly. And as and when the card situation improves, which as I'm saying -- as we are saying, should start looking better from September. So second half of next year should start moderating in terms of credit costs quite materially.

Kunal Shah:

Sure. Got it. And second question is with respect to the cost of deposits benefit. Maybe, in fact, when we look at it, it's not coming through much even like this quarter, it's been down just 6-odd basis points. So when do we see this eventually cost of deposits benefit to flow in? When we look at it may be from 6.53%, it's still down to 6.2%.

So maybe when you -- when we look at it, maybe when should a larger part of this benefit flow in? And again, like maybe savings is seeing the benefit. TD, we saw it like 23-odd basis points this quarter. So TD benefit should continue for another 2 quarters given the average maturity?

Jaideep Iyer:

Yes. So Kunal, I think the TD trend is quite clear. The savings account reduction is calibrated consciously. I think where there is a little bit of a challenge is that the CASA ratio on a daily average basis is a little bit of a challenge given the situation in the industry and the fact that we are also reducing SA rates. So if I look at TD rates, I think, yes, that trend will continue because repricing benefits will come over time. And therefore, effective cost of funds reduction will be a little moderated as compared to the TD cost reduction.

Kunal Shah:

Okay. Got it. And one last question on ECL -- maybe if you have again recalibrated the impact and maybe gone into much detail about it, what could be the overall ECL transitioning impact now?

Jaideep Iyer:

So that's a little bit work in progress. I think we are in that 10% zone of net worth. But we are - - RBI guidelines have recently come out, and we are in the process of -- we will also have to potentially start reporting IFRS accounts for consolidation purposes post the consummation of the transaction. So we are working on that with a lot more detailed orientation. And as and when we have visibility, we'll come back, but we should be plus/minus broadly in that 10% zone of net worth.

Moderator:

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

Jai Mundhra:

Just first question on RBI approval. So you mentioned that you have also sought approval for amalgamation of Emirates India branch. And of course, there is an approval pending for the transaction. Are these 2 separate approval or they are like one approval only?

R. Subramaniakumar:

There are 2 different approvals. It has to be -- first one is in respect of consummating the transaction. The second is the amalgamation of the branches into it. And we also made a statement during the intervening period, we also sought the permission for running the 2 entities, which is also the third approval, which has also gone. All the 3 approvals are independent of each other. And they will be considered concurrently because everything has a linkage to every other approval. It is not -- nothing can be given on a stand-alone basis.

Jai Mundhra:

Okay. Sure. No, that is very clear. And second question, sir, on credit card business, so you mentioned about the likely asset quality behavior. But I also wanted to check on the growth side, right?

So if you believe that it will take over 2 quarters for portfolio quality to more stabilize in the interim period, would you see the book outcome to be similar wherein the Q-o-Q or Y-o-Y growth has been negative? Or you think that maybe the recent behavior makes you positive to at least start growing this book? How should one look at the credit card book growth over the next 2 to 4 quarters?

R. Subramaniakumar:

So one important point I, then I'll ask our Bikram to talk about it in detail. The first thing will be that first, it will become Q-o-Q positive, then it will start working on Y-o-Y positive. Next

quarter, it is going to become Q-o-Q positive and the other Y-o-Y positive because with the 10% to 15% range, it will take some time to become Y-o-Y positive. Bikram, you can give further details.

Bikram Yadav: Right. So see, on any mature credit card portfolio, you see erosion of about 20% annually, either voluntarily or involuntarily, which means that to sustain a growth of, say, about 10%, 15%, we have to do new cards equivalent to about 25% to 30% of our current base.

Now immediately after exit of Bajaj, we did a diversification of distribution, which has scaled up to 100,000 cards in December. We'll continue to now scale it up to drive about 10% to 15% growth on a sustainable basis. In month of November and December after, I think, about 12, 15 months, we have seen growth in the portfolio.

Now after the start of -- so this is a point of inflection from where we will sustainably grow 10% to 15% annually, which means that about 5%, 7% to 10% quarter-on-quarter. That is the answer on growth. For driving this growth, we have already developed well-defined distribution within the bank with no dependency on third party, which is giving a sustainable new acquisition on a month-on-month basis. Did I answer your question?

Jai Mundhra: Yes. That helps very much. Then another question, sir, was on IBPC sell-down. I was under the impression that the bank would need more growth even if it comes from IBPC. So why sell down IBPC when 1 or 2 quarters down the line, you may have to again do IBPC only?

R. Subramaniakumar: No, I think it is not a sale of our asset. This is something IBPC, which has been taken by us over a period of time, and we got accumulated to 4,500. Then we said that our own muscle should contribute. So we have started saying that instead of doing lazy banking, we wanted to do hard work banking, which is one of the major reasons for us to share this IBPC.

At one point of the time, you can't depend on the third party, if you want it, you can accumulate it for the growth. Minus this, our people are able to show the growth of around 24% organic, so that now they know that strength, which will go up to, let's say, 30 %, 30% to 35%. That is the idea. It is not our assets sold out to IBPC, it's other way around. We shut or removed our IBPC book, which we bought over a period of time.

Jai Mundhra: Correct sir. Okay. And last question, sir, on LCR. If you can quantify from April beginning, you may have to provide more runoff rates on MIB and there could be some lower runoff rates on wholesale deposits. What could be the net impact because of these changes on your LCR? Would there be release or you may have to provide more liquidity?

R. Subramaniakumar: If I remember right, the task is going to give you a benefit of LCR release because it is going to move away from 100% outflow to the 40 % outflow. And it is providing an opportunity for growth, plus it is going to give you a release of LCR. I don't think there is going to be a problem of LCR.

Jaideep Iyer: Yes, marginal benefit on the net release situation.

Jai Mundhra: Sure. The only thing is that we have to provide more on the mobile and Internet banking, but that will be offset, right, by the lower runoff rate.

R. Subramaniakumar: That's correct.

Jai Mundhra: And congratulations, Jaideep, for your elevation.

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

Piran Engineer: Congrats on the quarter. Just a few questions. Some might be repetitive, but on this credit card slippages, so I understand that the new cohorts are doing better. Do you think it's also an issue with our collections infrastructure?

Like maybe when it was with Bajaj, they have a vast collections infrastructure across multiple products, multiple districts. Obviously, it will be much bigger than us. And now when we move to ours, that is one of the reasons. So it's not just the quality of the customer, but the ability to recover, which has impacted slippages. What do you think of that?

R. Subramaniakumar: Yes. Bikram, you can answer.

Bikram Yadav: Yes. So see, when we have done a very rapid transition in -- somewhere in last financial year, there definitely was a transition impact, which was there. But when we look at our collection outcome today, they are operating almost 5% better than what they used to operate in Bajaj's collection management days.

Our problem is not neither of -- so our problem is not generally at a portfolio quality level. We have identified not -- there's a particular cohort, which is giving us a little bit of a grief. If we were to see the collection performance outside that, we are doing a little better than what we used to do even when Bajaj was there.

So our collection muscle right now is fully developed and fully ready to manage a portfolio of this size with a reasonable growth. But the slippage is coming because of that cohort, which is giving a little bit of grief. Otherwise, we are reasonably in control over the portfolio.

R. Subramaniakumar: Just to summarize the point what you asked about, whether the collection infra is weak when compared to the BFL is a broader point, which you brought about. The collection infra at the end of the day is always the collection agency, which is working on the field, right? The collection agency is going to be with X or it is going to be with Y, is the same set of people.

The supervisory team is what it has been taken over. This infra setup might have taken a little time, but the setup is as strong as that it used to be earlier. There is a broader sense I wanted to give you and give you a comfort that it is not the collection infra. If the collection infra is weak, it is going to be fairly high.

So it isn't so. So the initial setup and absorption period, the moratorium got extended a little because of that. The locations on which we have to work on is much beyond the pin codes where we have been set up our pin code. That creation has taken a little longer time.

Bikram Yadav: And we have accelerated the issuance only after fixing the collection infra issue. So I mean, we have paused our growth plans till the collection infra was 100% in control and was delivering at the original level. So that is the thing that we want to submit.

Piran Engineer: Okay. Got it. Got it. Sir secondly, even our secured retail slippages, are we happy with current levels? Is this built into our profitability metrics, etcetera, like INR167 crores a quarter from a INR35,000 crores book. I mean if I look apples-to-apples with other banks, obviously, it's high, but we do understand that you all have to take higher risk bets because of your cost of funds. Is this in line with your estimates or not is my question?

Jaideep Iyer: No, Piran, so a couple of things. We have a very small agri portfolio, which is -- which had some couple of accounts of about INR15 crores, INR20 crores this quarter. If I divide the book into, let's say, 2, 3 parts, if you look at mortgages, which will include small-LAP, micro LAP, housing, prime housing, prime LAP, all of that put together, I think we are in a relatively negligible slippage situation.

And you should look at net slippage on this because there are certain businesses where because of the guidelines, you do have slippages, but then they get upgraded. So other than a couple of quarters back, we had an issue with our working capital business.

And this time, we had a couple of loans on agri, but these are not anywhere symptomatic of the portfolio. This is anecdotal. And I think we are -- other than tractors, which by definition, goes at about 2%, 2.5% of the portfolio at slippages or credit cost, we are quite comfortable with where we stand on this.

Piran Engineer: Okay. Got it. Got it. And sir, your INR15,000 crores secured business loan book, is that fixed rate floating rate, what's the average tenure like?

Jaideep Iyer: On the business loan, on LAP portfolio?

Piran Engineer: The INR15,000 crores secured business loan, so I presume that is LAP, but I don't know if it works...

Jaideep Iyer: Yes, that's correct. That's correct. So behaviorally, it should be about 4 to 5 years.

Piran Engineer: Okay. And it will obviously be floating rates then?

Jaideep Iyer: Yes, yes. All entire retail is pretty much linked to repo and floating other than cards and microfinance and tractor basically.

Piran Engineer: And gold also?

Jaideep Iyer: Yes. So basically mortgages and working capital.

Piran Engineer: Got it. And sir, lastly, on CASA now, you mentioned industry-wide pressures, but is it just simply that your customers are moving from SA to TD after the rate cuts?

R. Subramaniakumar:

See, we saw that assessment. Some of them have moved from one bucket, the people who are there in the higher bucket has moved partly to that TD. But one thing I want to tell you that NTB, which my team is able to mobilize even after the cut, it just outweighs even that outflow, which we have seen it here.

If you look at it last -- in the last 2, 3 cuts, the total net outflow somewhere around INR200 crores or INR300 crores only for the book of around INR18,000 crores, which is a sign of holding the customers together. So this is also not the one which left the bank, majority of that gone to TD.

Piran Engineer:

Got it. Okay. Yes. left the bank, of course, not because all the other banks have also cut their rates. So you can't go anywhere else. But moving to TD was my question. But yes, that answers my question.

Moderator:

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

Param Subramanian:

Firstly, on -- so I heard Mr. Kumar call out 200 branches per year, if I'm not wrong, for the next 2 years. What does that mean for opex run rate for FY '27 and '28?

R. Subramaniakumar:

See, I'll tell you on an average around what, INR0.5 million is what we do. Opex...

Jaideep Iyer:

So, yes, I think -- so let's say, simplistically, if you look at 200 branches for fiscal '27, we will look at an average rollout impact from a P&L standpoint of 100. And one should assume a INR60 lakh to INR70 lakh operating cost run rate per branch, and therefore, that will translate to INR60 crores to INR70 crores in FY '27.

Naturally, the next INR60 crores to INR70 crores of that full impact will come in fiscal '28. And then fiscal '28, we will add another 100 branches for the year average basis the 200 full year. And so that's how the costs will pan out. But I think the reason we have confidence of visibility is one is, obviously, there will be capital coming in. Second, we will continue to improve profitability on our secured retail.

Third, we expect a material change in cards and microfinance profitability by the time we exit our second half of fiscal '27. So I think when you put all of that together, I think we are quite comfortable in taking these expansion costs because ultimately, we'll have to balance at some level, some level of growth and it's easy to grow loans.

We'll have to obviously -- if we have to grow deposits at a cost, which we are comfortable with because we do have a stated intention to reduce the gap. And along with that, if we impose a 25%, 30% growth in deposits, naturally, we will have to arm the businesses with distribution, and that's the intent.

R. Subramaniakumar:

With the branches a distribution retail asset, we have a very calibrated plan of making the branches to become profitable on the 18th month. That means the branch which is opened in this quarter will become -- before FY '28 will become profit. And once the cycle sets in and with your ability to reduce the cost with your ability to borrow at a cheaper rate, that will get

compensated. But while, of course, when you wanted to expand on the liability side, the footprint has to expand, right?

Param Subramanian: So INR7,200 crores is your annual opex run rate. So you're saying only INR60 crores, INR70 crores extra impact. Did I get that correctly?

Jaideep Iyer: Yes, for branches, yes.

R. Subramaniakumar: For branches, yes.

Param Subramanian: And this is fully loaded. I think -- this is fully loaded branch expansion. So that should be the incremental run rate. Okay. Okay.

Jaideep Iyer: Correct.

R. Subramaniakumar: Correct.

Param Subramanian: Okay. Fair enough. Second question, again, on your margin in this quarter. So on Slide 5, you show these movements, right, between your cost of funds and yield. I can see the LCR is also broadly stable quarter-on-quarter. Your yield is down 13 basis points. Your cost of fund is down by less than that. So how exactly is this NIM expansion? How has it played out over 12 basis points in this quarter?

Jaideep Iyer: So part of that, Param, is CRR cut benefit of about maybe 4 basis points or so.

Param Subramanian: Yes, that I get.

Jaideep Iyer: Yes. Part of that is on a daily average basis, the investment book to advances book was lower than historical trends. Some balance sheet efficiency, some improvement in short-term investments that we had. So it's a mix of factors.

Param Subramanian: No, I thought it should have reflected in your LCR, right? I mean that is flat. Anyway, I will take that offline.

Anshul Chandak: Average LCR of course, is lower than the previous quarter. So we've used liquidity more efficiently this quarter.

Moderator: The next question is from the line of Rakesh Kumar from Valentis Advisors.

Rakesh Kumar: So a question sir on extension of DCCO. So how much is the provision that we are holding on loans outstanding?

Jaideep Iyer: Can you repeat that question. Sorry, we couldn't understand the question. Can you repeat?

Rakesh Kumar: Yes. So with respect to account, so we ended...

Moderator: I am sorry to interrupt you. Mr. Rakesh, your voice is breaking, sir, we are unable to hear you.

Rakesh Kumar: Is it fine now?

- Moderator:** Yes, please go ahead.
- Rakesh Kumar:** Yes. So I was asking the amount of a standard asset provision that we have on the loan that we have where the DCCO has been extended. So what is the provision that we have on those loans?
- Jaideep Iyer:** So total project loans that we have in our book basis the new guidelines that kicked in is about INR4 crores.
- Rakesh Kumar:** Okay.
- Jaideep Iyer:** On standard, yes.
- Rakesh Kumar:** Okay. So what would be the incremental number? So like because of this increase in the DCCO expenses?
- Jaideep Iyer:** Appx. INR1.7 crores is largely incremental because of the DCCO extension.
- Rakesh Kumar:** Okay. Okay. And if you look at the constitution of your retail liability, it has marginally deteriorated from the June numbers. So if you have any color to add here?
- Jaideep Iyer:** In what context, sorry.
- Rakesh Kumar:** Yes. So if I look at your retail liability constitution-wise breakup, which is there in the Slide number 16. And if I look at the number from June, June to December number, so there is like individual and HUF number percentage has come down?
- Jaideep Iyer:** Yes. I guess that necessarily is not good or bad in itself. I think small business, if you look at granular deposits, we are sequentially better. So it could be from small businesses. It could be -- so we would typically not necessarily look at just individual as a constitution, but look at the granularity. And on an individual basis, I think we've kind of seen SA - savings account anyway being a challenge for the industry. So part of the reason would be that. But otherwise, I'm sorry, Narendra, yes.
- Narendra Agrawal:** Yes. Our retail deposit is better, which is CASA and FD less than INR3 crores is growing faster at 16% as compared to the total deposits.
- Jaideep Iyer:** Yes.
- Narendra Agrawal:** And our granular deposit is growing at 15%, which is better than total deposits. Individual is showing lesser because of the SA -- because we cut the rates from 6.5% -- 7.5% to 6%. But on the retail deposit growth and granular deposit growth, we are growing at a faster rate.
- Rakesh Kumar:** Got it. Sir, just third question, lastly, TD has like from the March number, it has fallen by approximately 40 bps to now. Considering that what is the fresh deposit fall that has happened in the system as per the RBI number, what would be the acceleration in the additional fall in the TD cost?

So would it be around 70 bps or 80 bps, assuming that there is a complete pass-through happening in the outstanding TD number also in line with fresh TD number. So like how do you think that would it complete in next 6 months, 9 months or 1 year time?

Jaideep Iyer: I think it should complete in maybe a 9-month kind of a time frame. The typical average maturity of TDs would be in the 9- to 12-month zone on a blended average basis. And the latest cut -- see, I think the issue is that I don't know, maybe we have another 20 basis points to go in terms of incremental TD cuts at least in this cycle. And therefore, I would not go to the extent of 70, 80 bps. I would say 30, 35 bps is what we would have broadly as some more room to go in terms of overall TD cuts, cost of TDs coming down.

Rakesh Kumar: In the next 3 quarters?

Jaideep Iyer: In the next 3 quarters, right.

Rakesh Kumar: Yes. So from the liability side, at least we are safely -- we are very safe on the margin front on the liability side at least?

Jaideep Iyer: Yes. I mean I think -- I guess, in our case, there are multiple plays on margins, right? So I mean we went through a period where there were rapid repo cuts and there was a material reduction in our microfinance and card book contribution to total, right? So now both seem to have bottomed out. And therefore, we are -- it's difficult to predict long term. But clearly, over the next 3 months, maybe even 6 months, we should see margins improve a bit.

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

Shailesh Kanani: I have 2 questions. So first question...

Moderator: I'm sorry, to interrupt, Mr. Kanani, we are unable to hear you, sir. Your voice is breaking.

Shailesh Kanani: Is this better?

Moderator: Yes, please go ahead.

Shailesh Kanani: Yes. So my question is to Mr. Kumar indicated that the retail secured portfolio has begun contributing to the profitability at the cohort level. So can you please provide a product-wise breakup in terms of profitable breakeven and yet to breakeven products?

Jaideep Iyer: Shailesh, I think the prime housing followed by prime LAP, tractors is already profitable. Gold loan is getting to be profitable. I think LAP is profitable. Prime housing is yet to catch up. And small -- affordable housing and small LAP, given that it's a growth area, acquisition costs are still a little higher. Maybe that is just about breaking even.

So 2 things will drive profitability. One is, obviously, there is a back book, which keeps growing and therefore, giving you interest income without cost of acquisition. Second, we are consciously keeping the mix in favor of small business loans and affordable housing, as you will see in the slides that we have presented, which has a faster breakeven time. And third, we continue to

expect productivity gains on origination as well going forward. So I guess it's a combination of all of this in terms of improving profitability.

Shailesh Kanani: So if my understanding right, in terms of yet to breakeven, it is only prime housing is one segment, which is yet to contribute to the breakeven. That understanding right?

Jaideep Iyer: Pretty much, yes.

Bikram Singh Yadav: Yes.

Shailesh Kanani: Okay. Fair enough. Sir, my second point is with respect to wholesale lending. Obviously, macro has helped and this quarter, the numbers were good. But if you can throw some light, say, once the capital comes in, 2 years, 3 years down the line in terms of mix, we have been stable in terms of 60-40. How would that number be in terms of retail and wholesale?

R. Subramaniakumar: Let me tell you, this is a precise number. We'll be able to say once we finalize our strategy along with the Board. And naturally, it is not going to be 60-40. It will be definitely trending towards -- I mean, moderating in respect to the -- in favor of wholesale.

Shailesh Kanani: In favor of wholesale. Okay. Fair enough. Sir, just one question. Sorry to harp again on credit card business, because we have had some misses on that in terms -- especially post our tie-up with Bajaj. Can you shed some more light in the sense, what gives us the confidence that in the next 2 quarters, asset quality would improve?

Because in the past also, we had given similar guidance, but somehow because of the macro and other factors beyond our control, we were not able to kind of deliver on the asset quality on credit cards. So if you can throw some more light?

Jaideep Iyer: Yes. So Shailesh, as we said, I think if we look at portfolio originated over the last couple of years, leading indicators on that portfolio, underwriting changes that we have done and being demonstrated in terms of early bucket, we are seeing other than some patches of cohorts, as we mentioned, we are looking at significant improvement in line with our expectations. So there is a clear visibility on improvement, which we see from September quarter onwards. I think -- sorry, go ahead.

Shailesh Kanani: No, I was just listening. Yes. Okay. So you're pretty confident this time around to deliver in a couple of quarters' time, the betterment in asset quality for credit card, right?

Jaideep Iyer: And I think in terms of profitability, it's not only credit costs. We are also significantly working on cost of collections and cost of business in general, which also got bloated because of higher slippages and higher collection costs. So in terms of overall business outcome, if I dial back 3 years, it was significantly higher on revenue. We are now -- the industry is settling down to a structurally lower revenue business. And that has to be countered with both reduction in cost to assets as well as collection and slippages and credit costs. Sorry, Bikram, do you want to add?

R. Subramaniakumar: Bikram, Shailesh is looking for a confidence from yourself.

Bikram Yadav: Shailesh, after the transition of collection from Bajaj to us, we have done significant investment in collection infrastructure, and we have paused growth from third party till the time we have full handle on collection. So as Jaideep has said, now our distribution muscle is ready. Our refresh rate is ready. Our collection infrastructure is also in place and has been tested on scale.

Our incident of defaults are significantly lesser. I mean, they are right now at, I think, all-time lowest since we started the business. Our resolution rates are back in the required range. Now what is -- what we are dealing with is a particular cohort, which we will, I think, sort over the next 2 quarters of sorts, and then we should be back on in absolute full desired levels.

Moderator: The next question is from the line of Vansh Solanki from RSPN Ventures.

Vansh Solanki: Other than JLG, I just want to know the strategy about the wholesale and other secured retail banking, like how we see the other 2 segments of the bank going forward, not in the next 2, 3 quarters, but I'm talking about after 1, 2 years?

R. Subramaniakumar: You're talking about -- if I understand right, you are asking about the growth of wholesale banking and the growth of retail secured. Is that correct?

Vansh Solanki: Yes, yes, yes.

R. Subramaniakumar: Okay. We have been growing wholesale at around 21%. So that is a minimum base and it can't go below that, and it is going to go up. So near term, it will continue to be in the range of 20%, 25%. Long term, it will be much higher.

In respect of retail, we have been growing at around 30%, 25% to 30%. In near term, it will continue to be the same range. In long term, it will also go up by around another 5% to 10% or more.

Vansh Solanki: Okay. And on the JLG front, will the growth will be as higher as we have in last 1 year, about 4 quarters back. Will it be possible for us to go by that kind of growth in unsecured sector?

R. Subramaniakumar: No, unsecured, we have already come on record to say that. We will not be growing disproportionately high. We reduced it from 36% to 24% -- 26%, which will come down somewhere in the range of around 22% to 25% in that range. If that is what we are looking at it, we will be growing in the range of around 10% to 15%.

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

R. Subramaniakumar: Thank you.

Bikram Singh Yadav: Thank you.