Axis Bank's Q4FY23 Earnings Conference Call

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MANAGEMENT:

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Moderator: Ladies and gentlemen, good day, and welcome to the Axis Bank Conference Call to discuss the Q4FY23 Financial Results. Participation in this conference call is by invitation only. Axis Bank reserves the right to block access to any person to whom an invitation has not been sent. Unauthorized dissemination of the contents or the proceedings of the call is strictly prohibited and prior explicit permission and written approval of Axis Bank is imperative.

As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions at the end of the briefing session. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

On behalf of Axis Bank, I once again welcome all the participants to the conference call. On the call, we have Mr. Amitabh Chaudhry, MD and CEO; and Mr. Puneet Sharma, CFO. I now hand the conference over to Mr. Amitabh Chaudhry. Thank you, and over to you, sir.

Amitabh Chaudhry: Thank you, Neerav. Good evening and welcome everyone. We have on the call Mr. Rajiv Anand, Deputy Managing Director; Mr. Puneet Sharma, CFO; and other members of the leadership team.

We have had a solid year of performance built on our GPS strategy with meaningful upward shift in trajectory on key business parameters every quarter. More importantly, the investments in building blocks that we have made in this period on customer experience, digital capabilities and people give us the confidence in sustaining this performance. We delivered strong growth across our focus segments, completed successful acquisition of Citi and retained our leadership position in specific businesses like credit cards, wealth management and Digital. This has been possible through the collective efforts of our employees and partners who served the needs and aspirations of our customers. We are carrying the confidence and momentum of having checked the boxes on growth, profitability and sustainability over the past year into FY 24.

We continue to stay on course on three core areas of execution of our GPS strategy namely:

A. Embedding a performance driven culture

B. Strengthening the core

C. Building for the future

Let me now discuss each one of these in further detail:

A. Embedding a performance driven culture

1. Improving profitability metrics:

During the quarter, we completed the acquisition of the Citibank India Consumer Business, a landmark in the Indian banking industry.

This was a large and complex transaction, including cards, wealth, deposits and assets businesses, which we have completed in an accelerated time line within 7 months after the CCI's approval.

To that effect, we have taken non-recurring one-time charges reported as exceptional items, details of which would be provided by Puneet subsequently.

Our consolidated annualized ROE (excluding exceptional items) for Q4FY23 stood at 21.58%, up 500 bps YOY and 177 bps QOQ. We also delivered our aspirational Consolidated ROE (excluding exceptional items) of 18.84% on a full year basis.

Let me highlight the key trends for Q4.

- Net interest income grew by 33% YOY and 2% QOQ. Net interest margins improved 73 bps YOY.
- Core operating profit grew by 46% YOY and 3% QOQ.
- PAT (excluding exceptional items) stood at Rs 6,625 crores was up 61% YOY and 13% QOQ.

2. **Lifted the growth trajectory and consistently gained market share:**

- ***Deposits and Advances***

  - ✓ The domestic loan book grew by 23% YOY & 13% QOQ and deposits grew by 15% YOY and 12% QOQ with CASA ratio at 47% up 215 bps YOY and 261 bps QOQ respectively and Retail term deposits up 5% QOQ. We continue to grow faster than industry. The foundation we have built on customer centricity, rigour and rhythm to improve in these core business areas has meant a smooth upward growth trend that we feel confident to sustain.
  - ✓ In credit cards, we were among the largest issuer (on net basis). Our card issuances for Q4FY23 stood at new quarterly highs of 1.13 mn taking the full year FY23 card issuances to 4.2 mn, up 8% YOY.
  - ✓ We gained significant incremental market share of 26% in FY23 on merchant acquiring business. We launched "Digital Dukaan" a comprehensive digital offering for the merchant community.
  - ✓ We are now ranked 2nd in the NEFT volumes market share (up from 4th)

- ***Customer acquisition and Deposit Quality***

  - ✓ Our customer acquisition remains strong. In Q4, we added ~3 million new customer accounts, a growth of 23% YOY and 3% QOQ, taking the total no of accounts opened in FY23 to new highs of 10.8 mn, up 26% YOY.
  - ✓ We have strengthened our Corporate Salary proposition significantly. We saw 33% YOY growth in new salary labels acquired and 20% YOY growth in salary account acquisitions in FY23.
  - ✓ Our premiumization strategy and the recent acquisition of Citi portfolio has resulted in ~870 bps YoY increase in share of premium segment in Retail SA portfolio.
  - ✓ Deposit quality has improved with outflow rates lower by 550bps on a YOY basis

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- ***All round growth across businesses. Market leading growth in our focus segments***
  - ✓ Retail disbursements stood at new life time highs for the quarter and the fiscal year as a whole. Retail loans grew 22% YOY and 14% QOQ. The Bharat loan portfolio grew by 26% YOY and 19% QOQ respectively. Unsecured Personal loans and Credit Card advances grew faster at 21% YOY and 97% YOY, respectively.
  - ✓ MSME segment continues to remain a key growth driver for the Bank. The Mid Corporate book grew 38% YOY and 10% QOQ. The combined portfolio mid-corporate, SMEs and small businesses grew 32% YOY and now constitute 20% of the loan book, up ~ 629 bps in last 3 years.
  - ✓ Domestic corporate loans grew 24%YOY and 11% QOQ. We have seen a healthy pick-up in demand for corporate loans. Demand is seen across capital structure and as One Axis, we are serving them through our range of products - working capital and term loans, bonds and equity. Importantly, this growth has come without any dilution of our risk guardrails. We have a reasonably good pipeline of transactions and are confident that the momentum will continue into FY24.

3. Fostering a winning mindset

We are winning more, and this is reflected in multiple external recognitions we received this quarter.

- NEO, possibly, the most advanced Wholesale digital banking platform in India, continues to receive positive reviews from clients. During the quarter, the Bank won the Best BFSI Customer Experience award for Neo API Banking Suite and the Best BFSI MSME Support award for Neo Connect at the prestigious Dun & Bradstreet BFSI & Fintech Summit 2023. Project NEO also won the ET BFSI Excellence Award for Customer Engagement Initiative of the year.
- We were ranked in the Top 10 of the Kincentric Best Employers in India survey and we were certified a Great Place to Work for the second consecutive year. Business Today has recognized us as the Top 7 Best Companies to Work for owing to our employee-friendly policies. These accolades demonstrate the impact of investment we have made on people and reflect the positive culture change in the Bank.

B. Strengthening the core:

1. Strong balance sheet with self-sustaining capital structure

- Our balance sheet remains resilient. Our asset quality is now among the best in class with net NPA of 0.39%, high provision coverage of 81% and standard asset coverage of 1.42%.
- We have net accreted CET1 capital (excluding the impact of exceptional items) of 69 bps in FY23.

2. Building next generation technology architecture, for wholesale digital banking

- I have spoken a bit about NEO already. Let me give some more colour on it. The outcomes in FY23 demonstrate a strong product market fit with our API led Cash Management and Trade proposition finding good acceptance.
- Over 200 corporate clients are now experiencing the technology driven working capital optimisation benefits from NEO. Business outcomes have seen 3X growth in transactions along with 2X growth in throughput over last year.
- In FY24 we have a strong pipeline of demand for Neo from our customers. We expect significant uptick in adoption and subsequent monetization of this platform. We have built the #1 rated consumer banking digital app in the world. Simply put, with NEO we aspire to replicate that success in wholesale bank.

C. Building for the future

1. Digital Banking performance continues to be strong

- I have spoken about the next wave of digital capabilities that we are building in Axis 2.0. This is fully functional with over 20 products across liabilities, loans, investment products, insurance, and forex accounting for up to 5% to 85% of incremental sales for these products.
- If you take a view of Axis 2.0 balance sheet during the year – we grew CASA balances by 92% YOY, retail TD inflows by 89% YOY and retail loans up by 53% YOY.
- We scaled our Account Aggregator linked business significantly through the year and we also launched our Central Bank Digital Currency offering. We continue to enter strategic partnerships to expand our presence in the digital space.

2. Bank-wide programs to build distinctiveness

Bharat Banking growing from strength to strength

- Bharat Bank engine is humming with disbursals growing by 37%, book by 26% and deposits by 15% in FY23.
- The distribution footprint has been expanded to 2,137 Bharat Banking branches, complemented by the 60 thousand plus CSC VLE agents across the country.
- We have launched several new initiatives to strengthen our proposition in these markets-
- A digital co-lending platform has gone live with 5 more partners joining in. It will provide access to new customer segments and augment the PSL portfolio.
- Launched eKYC based CASA platform, enabling deepening of our liability products through partnership ecosystem.

Sparsh, our customer obsession program, is making an impact on our customer experience scores.

- We started the Sparsh build-out from Branches and Wealth Management segment of Burgundy and in the last 12 months, Sparsh has now been taken to all our Service touchpoints, all products and segments in Liabilities, Cards & Payments and to the Commercial Banking Group.
- This is a multi-year journey, and we will continue to invest here with the aim to cover the entire Bank in this Financial Year.

Our subsidiaries continue to create significant value

- The 'One Axis' approach continues to reflect in robust performance of our subsidiaries. The total FY23 PAT of our domestic subsidiaries stood at Rs 1,304 crores.
- Having scaled up the business significantly in the last 4 years, we realigned and strengthened the leadership teams across our capital markets facing subsidiaries during the quarter to drive our next phase of growth.

On Citibank Consumer business integration:

We closed the transaction on 1st Mar 2023, in a smooth transition of business, without any service disruption for customers. Early traction from the Citibank customer base has been quite positive, and that is reflected through deposits from this customer set growing by ~4% since 31st January 2023.

In the past 2 months the senior management of the Bank, has engaged directly with several high value customers who have acknowledged the seamless transition, continuation of highest levels of service and access to Axis Bank's extensive network of branches, and wide product portfolio under the One Axis umbrella.

All the 1600 corporates for Suvidha salary accounts have been contacted and set up in our systems. We are activating them for additional locations of Axis, where Citi was hitherto not present. We have already started incremental onboarding on Axis Bank platform. There is strong interest from the erstwhile Citi Suvidha corporates for our comprehensive product suite.

All the Citi employees are now integrated into the Axis organization structure. They are excited to be a part of the large Axis franchise and are looking forward to building new careers in a fast-growing platform. The business teams have started implementation of 20+ synergy initiatives in Q1FY24 identified across business units as we look to drive revenue and cost benefits.

In Closing:

In the last three years, we have strengthened our balance sheet and lifted the key operating metrics significantly. We are well positioned to take advantage of the trends that are emerging in India: the 'China+1', MSME opportunity; the next-gen public digital infrastructure like account aggregator, OCEN and ONDC; and Bharat being an engine of growth for India.

We, at Axis Bank, remain confident on the growth opportunities in the Indian economy. We remain "watchful" over consumer demand and the global macros. But we feel confident that our franchise will grow at 400 to 600 basis points faster than the industry in the medium to long term. We are working hard in building an "all-weather" institution that will stand the test of time.

I will request Puneet to take over.

Puneet Sharma: Thank you, Amitabh. Good evening and thank you for joining us. We continue to make good progress on our endeavour to be a stronger, consistent and sustainable franchise. We delivered on our aspirational consolidated ROE of 18% excluding exceptional items on a full FY 23 basis. We remain focussed on strengthening our core businesses and ensuring that our balance sheet is resilient across cycles. Amitabh has discussed the business and transformation projects, I will cover the salient features of the financial performance of the Bank for FY 23 and Q4 FY23, focusing on our:

1. Operating performance
2. Capital and liquidity position
3. Growth across our deposit franchise and loan book
4. Asset quality, restructuring and provisioning

The Bank is the legal owner of the Citibank India Consumer Business effective March 1, 2023, hence our reported numbers for FY 23 and Q4FY23 are not strictly comparable with respective prior periods. Charge to P&L emanating from prudent accounting choices aggregating Rs. 12,490 crores comprise (i) full amortization of Intangibles and Goodwill which is equal to the value of the purchase consideration paid/ payable for the acquisition of the Citibank India Consumer Business; (ii) the impact of policy harmonization on operating expenses and provisions; and (iii) one-time stamp duty on acquisition. These are non-recurring and one-time and have been charged to the P&L in Q4FY23 and reported as Exceptional Items. Details are provided by way of note 5 to the published AFR.

Please refer Slide 19 in the investor presentation, which provides a comparative analysis of key performance parameters as reported and without exceptional items. Additionally, slide 89 of the investor presentation provides annual and sequential growth rates with and without the Citibank India Consumer Business for advances and deposits.

In FY 23, our operating performance was strong across NIMs, fee, cost and credit cost lines. For full **FY 23, on a <u>reported</u> basis:**

1. NIM stands at 4.02%, improving 55 bps YOY
2. NII stands at Rs 42,946 crores, YOY growth of 30%
3. Fee stands at Rs 16,216 crores, YOY growth of 25%, granular fee at 93% of total fee
4. Core operating profit stands at Rs 32,291 crores, YOY growth of 40%;
5. Cost to assets stands at 2.25%, increasing by 8 bps YOY
6. Cost to income (excluding exceptional items) stands at 46.1%, improving by 274 bps YOY
7. Credit cost at 0.40%, declining 32 bps YOY
8. PAT (excluding exceptional items) stands at Rs 21,933 crores, increasing 68% YOY
9. GNPA at March 23 was 2.02%, declining 80 bps YOY
10. NNPA at March 23 was 0.39%, declining 34 bps YOY
11. PCR% at March 23 was 81%, improving 613 bps YOY
12. Standard asset coverage ratio of 1.42%, All provisions by GNPA ratio of 145% improving 1329 bps
13. Consolidated ROA% (excluding exceptional items) at 1.82%, improving 53 bps YOY
14. Consolidated ROE% (excluding exceptional items) at 18.84%, improving 517 bps YOY
15. CET-1 accretion net of organic consumption, but excluding Exceptional Items was 69 bps

For Q4FY23, on a reported basis:

- NII for Q4 FY 23 stood at Rs. 11,742 crores, growing 33% YOY and 2% QOQ

- NIM for Q4 FY 23 stood at 4.22%, growing 73 bps YOY. NIM for the quarter was adversely impacted by ~ 6 bps as the Bank maintained ~ 13% higher average LCR in the current quarter as compared to the previous quarter.

- Reported NII and NIM for the quarter include interest on income tax refund aggregating to Rs 85 crores, contributing 3 bps to NIM. The previous quarter included a one-time interest recovery on restructuring of an existing NPA account aggregating Rs 149 crores, contributing approximately 5 bps to the previous quarter NIMs.

- As previously indicated, we saw an increase in deposit costs in Q4 FY23 and we expect deposit costs to increase further in Q1FY24. We have cushion of ~ 40 bps over our guided structural through cycle NIMs and our endeavor will be to retain as much as possible of this cushion.

- We had clearly articulated the drivers for our NIM improvement journey, the progress against the key drivers in this quarter is as follows:

- Improvement in Balance sheet mix: Loans and investments comprised 86% of total assets at March 23, improving 242 bps YOY;

- INR denominated loans comprised 95% of total advances at March 23, improving 340 bps YOY;

- Retail and CBG advances comprised 69% of total advances at March 23, improving 150 bps YOY;

- Low-yielding RIDF bonds declined by Rs 11,089 crores YOY. RIDF comprised 2.3% of our total assets at March 23 compared to 3.5% at March 22. We are PSL compliant across all sub segments and at the headline level in FY 23.

- Composition of liabilities measured through average CASA% improved 66 bps YOY

- Quality of liabilities measured by outflow rate improved ~ 550 bps YOY

- We had strong all round fee performance in the quarter. Our fee income stood at Rs 4,676 crores, growing 24% YOY and 14% QOQ. 93% of the fee is granular.

- Total retail fee grew 31% YOY and 14% QOQ
- Fees from retail cards grew 50% YOY and 9% QOQ
- Fees from retail loans grew 22% YOY and 12% QOQ
- Fees from retail forex exchange and remittances grew 25% YOY and 22% QOQ
- Wholesale lending fee grew 27% QOQ, and treasury fee grew 25% QOQ

- Trading profit for the quarter stood at Rs 83 crores compared to a profit of Rs 428 crores in the previous quarter and profit of Rs 231 crores for same quarter last year. 84% of the corporate bond book is rated AA+ and above and 99% is rated A- and above.

- Operating expenses for the quarter stood at Rs. 7,470 crores, growing 14% YOY and 9% sequentially.
  - The YOY increase in rupee crore expenses can be attributed to the following reasons: (i) 28% linked to volume; (ii) 34% technology and growth related (iii) 16% related to integration expenses and (iv) balance 22% to BAU.
  - Technology and digital spends grew 27% YOY and constituted ~ 8.7% of total operating expenses.
  - Staff costs increased by 15% YOY and declined 5% QOQ. We have added 6,083 people from same period last year mainly to our growth businesses and technology teams. The decline in staff expenses in the quarter is largely attributable to true up of provision for variable pay accrued in earlier quarters of the current year, no longer required. We continue to hold social security code provisions aggregating to Rs 228 crores.
- Cost Income ratio (excluding exceptional items) for Q4FY23 is 45%, improved 553 bps YOY. The sequential change in cost / income ratio can be attributed in a large part to lower trading income and incurring of integration expenses relating to the acquisition in the month of March 2023.
- Operating expenses to average assets stood at 2.25%, higher by 8 bps YOY and 1 bps sequentially. We remain committed to consciously invest in our focus business segments. The lower credit cost over the past few quarters has provided some headroom to run operating costs at a slightly elevated level.
- The acquired Citi business is entirely retail which understandably runs at a higher cost and return ratios. The Citi business is RoE accretive post integration. The cost ratios will remain sticky till the Citi integration phase is over. This doesn't impede our ability to deliver our aspirational RoE.
- Operating profit for Q4 FY23 is Rs 9,168 crores, increasing 42% YOY
- Core operating profit for Q4 FY 23 is Rs 9,084 crores, growing 46% YOY and 3% QOQ.
- Provisions and contingencies for the quarter were Rs 306 crores, declining 69% YOY and 79% QOQ. The Bank has not utilized any of its COVID-19 provisions, this provision is entirely prudent.
- Annualized credit cost for Q4 FY23 is 0.22%, declined 10 bps YOY and 43 bps QOQ
- Profit after tax (excluding exceptional items) stood at Rs 6,625 crores, growing 61% YOY and 13% QOQ
- Consolidated ROA (annualized, excluding exceptional items) for Q4FY23 stood at 2.18%, improving by 64 bps YOY and 18 bps QOQ. Subsidiaries contributed 8 bps this quarter.

- Consolidated ROE (annualized, excluding exceptional items) for Q4FY23 stood at 21.58%, improving by 500 bps YOY and 177 bps QOQ. Subsidiaries contributed 46 bps to the consolidated ROE this quarter

- The cumulative non NPA provisions at March 31, 2023 stood at Rs 11,928 crores, comprising (i) Covid19 related at Rs 5,012 crores; (ii) Restructuring provisions of Rs 812 crores, includes unsecured retail at 100% provision and the rest at first bucket NPA rates, (iii) standard assets provision at higher than regulatory rates of Rs 2,276 crores and (iv) weak assets & other provisions of Rs 3,828 crores.

Our journey to be self-sufficient on capital is progressing well

- The organic Axis business accreted 69 bps of CET-1 for FY23. We consumed 191 bps for the Citibank India Consumer Business Purchase transaction, after accounting for purchase price, harmonization costs and stamp duty.

- We have proposed a dividend rate of 50% or Rs 1 per share in line with the dividend rate declared in FY22.

- Our total capital adequacy ratio including profit but after proposed dividend for FY23 is 17.64% and our CET-1 ratio is 14.02%. The prudent COVID provision translates to a capital cushion of 51 bps over and above the reported capital adequacy.

- Our average LCR ratio of the quarter was ~ 129% as compared to 116% in the previous quarter. Our excess SLR was Rs 75,071 crores.

- The RWA% of the Bank at March 31, 2023 stands at 65%, improving by 75 bps QOQ.

Growth across our liabilities and loan franchise

Amitabh has discussed the progress in customer acquisitions, growth in the liability and loan franchise in his opening remarks. Please refer slides 33 and 34 for details around the quality of our liabilities franchise and slides on our loan franchise

Our CASA ratio on MEB basis was 47%, improving 215 bps YOY and 261 bps QOQ

Our loan book continues to get more granular and witnessed strong sequential growth. The book is well-balanced with retail advances constituting 58% of the overall advances, corporate loans at 31% and CBG at 11%. ~68% of our loans are floating rate. ~42% of our fixed rate book matures in 12 months.

The break-up of the of the floating rate loan book by benchmark type and MCLR re-pricing frequency is set out on Slide 25 of our investor presentation.

Retail book

- Retail advances grew 22% YOY and 14% sequentially, ~ 78% of the book is secured, unsecured disbursements for the quarter constituted 20% of the total disbursements.

- Q4FY23 Retail disbursements for HL grew 43% QOQ, Rural disbursements grew 56% QOQ, Small business banking disbursements grew 57% QOQ and PL disbursements were up 20% QOQ.

- Cards and PL portfolio grew 97% YOY & 21% YOY respectively.

- The credit card spends in Q4FY23 grew 57% YOY and 14% QOQ.

Wholesale Banking Coverage

We are progressing well in our endeavor to build a profitable and sustainable Corporate Bank. Details of rating composition, incremental sanction quality is set out on slide 49.

- Corporate loan book grew 14% YOY and 6% QOQ.
- The offshore wholesale advances are largely trade finance related and primarily driven by our GIFT city branch. 96% of the overseas standard corporate loan book in GIFT city branch is India linked and 92% is rated A- and above.

Commercial banking

- The commercial banking book grew 23% YOY and 13% sequentially. The quality of the CBG franchise we are building and strong relation led approach is reflected through:
  - CBG CA deposits on QAB basis growing by 13% YOY.
  - Overall fees from CBG increased 29% QOQ.
  - 86% of CBG loan book is PSL compliant.

Coming to the performance of our subsidiaries

- Detailed performance of the subsidiaries is set out on Slides 76 to 82 of the investor presentation.

- The domestic subsidiaries reported a total annualized net profit in FY23 of Rs 1,304 crores. This translates into a return on investment of ~ 50%.

- **Axis Finance**: Delivered strong growth as a full-service customer focused franchise offering retail as well as wholesale lending solutions.
  - In FY23, overall AUM grew 35% YOY. Retail book grew 67% YOY and now constitutes 41% of total loans up from 17% two years ago.
  - FY23 PAT grew 30% to Rs 475 crores, ROE of 17.9% and healthy CAR at 20.5%.
  - Strong asset quality with net NPA of 0.36% and negligible restructuring.

- **Axis AMC:** FY23 total investor base stood at 12.9 mn. Its FY23 PAT grew 16% YOY to Rs. 415 crores.
- **Axis Capital:** PAT for FY23 stood at Rs 142 crores
- **Axis Securities**: FY23, new client additions were up 28% YOY, broking revenues were up 9% YOY and PAT stood at Rs 203 crores.

Asset quality, provisioning and restructuring

- The Slippage, GNPA, NNPA and PCR ratios for the Bank, and segmentally for Retail, CBG and Corporate is provided on slide # 69.

- Reported GNPA% improved 36 bps QOQ, Reported NNPA% improved 8 bps QOQ.

- Recoveries from written off accounts for the quarter was Rs 823 crores.

- Reported Net slippage in the quarter adjusted for recoveries from written off pool was negative Rs 147 crores of which retail was Rs 807 crores, CBG was Rs 26 crores and wholesale was negative Rs 980 crores.

- Reported Gross slippages for the quarter, including one-time day 1 impact of Citibank India Consumer Business was Rs 3,375 crores, lower 15% YOY and 11% QOQ. Further, for the quarter ~ 35 % of the reported gross slippages are attributed to linked accounts of borrowers which were standard when classified or have been upgraded in the same quarter.

- Reported Net slippages for the quarter were Rs 676 crores of which Retail was Rs 1179 crores, CBG was Rs 112 crores and WBCG was negative Rs 615 crores.

- Details of BB and below pool and restructuring have been provided on slide 90 of our investor presentation.

- Banks are required to report the Digital Banking Segment as a sub-segment within the existing "Retail Banking Segment" from Q4. This disclosure includes the business and related income sourced through the Digital Banking Units along with other products and services based on the definition of Digital Banking as stated in the RBI circular. Axis 2.0 which we have previously discussed is completely digital and is not comparable to this disclosure.

To summarise, Axis Bank is progressing well to be a stronger, consistent and sustainable franchise:

- Our franchise is strong, resilient and getting more sustainable, visible through (i) organic axis business CET 1 accretion excluding exceptional items of 69 bps in FY 23; (ii) our covid provision buffer of 51 bps of capital, (iii) overall coverage at 145% of GNPA, and (iv) limited covid restructuring at 0.22% of GCA.

- Consistent delivery across our key initiatives and disciplined execution in our focus segments has resulted in our consolidated ROE (annualised excluding exceptional items) for the quarter standing at 21.58%, improving by 500 bps YOY and 177 bps QOQ. We delivered above our aspirational consolidated ROE on a full FY 23 basis.

- Our liability improvement journey is progressing well with our Q4 QAB and MEB CASA ratio of 44% and 47% improving 80 bps and 215 bps respectively on a YOY basis. Our Liability franchise is getting granular and reduction in outflow rates gives us comfort that we have laid a good foundation. Improvements planned over the next 8-9 quarters should deliver results with some inter quarter fluctuations which are normal for a business of our scale and size.

- While we are well placed in the current macro environment, we continue to closely monitor geopolitical environment, inflation both domestic and international, liquidity risks and its impact on cost of funds, resultant policy action and its impact on our business and our clients businesses.

Thank you. We will be glad to take your questions now.

Moderator: We will now begin the question-and-answer session. The first question is from the line of Mahrukh Adajania from Nuvama. Please go ahead.

Mahrukh Adajania: So, my first question is that this would include 1 month of Citi's income, right? I mean Citi's P&L?

Puneet Sharma: Thank you, Mahrukh, for the question. Yes, it would include the Citi P&L for the month of March.

Mahrukh Adajania: And my other 2 questions are, firstly, on operating expenses. Basically, you've given a breakup in the notes to accounts of Rs. 5 billion for provisions and for OPEX on harmonization. That is part of the Rs. 20 billion or Rs. 15 billion Citi-related OPEX over 2 years that you had pointed out?

Puneet Sharma: No, Mahrukh. I think what we have given in the AFR Note 5 is the cumulative exceptional items of Rs. 12,489 crores, of which, we have said operating expenses is Rs. 129.33 crores and stamp duty cost is Rs. 180 crores. This is transaction-related expenses. I had specifically called out in our communication previously that we will incur integration expenses of Rs. 1,500 crores post tax over the next 18-month period. Therefore, the Rs. 12,489 crores does not include integration expenses. Integration expenses are recurring and integration expenses are, therefore, sitting in the operating expenses line on a reported basis this quarter.

Mahrukh Adajania: Got it. And my last question is, so I know that you said that you'll grow 400 to 600 basis points above the sector. But what's your view on sector growth and deposit growth specific to your bank, right? And also, how that translates into branch expansion? Because the HDFC Bank is likely to set up many more branches. Would you want to scale up your branch expansion given that deposits are getting tight in the system?

Amitabh Chaudhry: So, Mahrukh, we don't give guidance for next year. I think what we consistently maintained through our analyst commentary has been that we are very confident that in the medium to long term, given the platform, given where we stand, we can grow 400 to 600 basis points faster than the industry.

As far as the overall credit growth and the deposit growth is concerned, I think you have already seen that the credit growth has come off a little bit. Our projection for next year on the credit side for the system is 12% to 13% and our deposit growth is expected to remain in the same zone as well it is today. So, the numbers speak for themselves. This potentially is not sustainable over a long period of time that we have a deposit growth, which is lower than the credit growth. And as I said, we maintain the stance that we will be able to grow at a certain rate.

Your second question was around branches. As far as branches are concerned, I think we have maintained a pretty consistent stand that we believe that the combination of opening new branches, our mobile app, which for us is the largest brand for us, the fact that we have these business correspondent relationships, the fact that we have expanded our VLE network is a way to reach our customers in different forms, in different ways, and we will continue to build on that strategy.

We are, at this point in time, quite clear that we expect to add up to 500 branches this year. Obviously, we keep calibrating our thought process around it as the year will move on. We would obviously like to get them out of the way as quickly as possible. We do not want to react to what others are doing. We want to do what we believe will be the right way to grow our business and grow our deposits and reach our customers in a particular way. And that's what we will continue to as we move forward. But yes, it is very important to look at what others are doing and keep calibrating our strategy on that basis, and we will continue to do that as we move forward. If there is a change in that strategy, we will obviously let you know.

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

Kunal Shah: So, my question was with respect to yields and on a calculated basis despite whatever you have mentioned with respect to increase in retail plus SME and maybe the lending profile, which we have. Still, there is not much of an increase on a QOQ basis on yields. So, one is in terms of the excess liquidity. But what could be the other reason for that, yes?

Puneet Sharma: Kunal, thank you for your question. What I've clearly called out earlier for your consideration is there is a 6 basis points impact on net interest margins because of the 13% higher average LCR maintained through the quarter. That effectively should explain any bridge that you are trying to work through.

Kunal Shah: But ideally with this lending profile, in fact, yield expansion should have been higher on a QOQ basis, maybe 6 bps plus, no improvement on a calculated basis. So, that still seems to suggest a slightly lower number, yes.

Puneet Sharma: So, Kunal, instead of specifically getting into the competition you are running, my request would be for you to look at what we have disclosed on Slide 25 of our investor presentation. We have clearly said that our loan spreads have expanded by 4 basis points as per our computation on an average basis. And overall, we feel comfortable with the loan yields that we are currently running at for the book that we have.

Kunal Shah: And any reason for running LCR at 129% and excess SLR at Rs. 75,000 crores?

Neeraj Gambhir: If you look at the historical LCR that we have maintained, it has been in the region of 116% to 121%. This quarter was 129%, so about 8% extra. Part of this is explained by the fact that we had to pay for Citibank acquisition of about Rs 12,000 crores, for which we were carrying excess liquidity. Partly, we had a much better outcome on cash flow side depending basis some of the transaction banking-related flows that we received. So, that resulted in a much higher balances in current account and a much higher holdings in government bonds. So, both of these have contributed towards this increase in the LCR of 129%. I think it will normalize over the next 2 quarters.

Kunal Shah: And last question is on write-offs being higher. So, is there anything to do with the acquired Citi portfolio because NPAs are given separately, but any impact of Citi on write-off?

Puneet Sharma: Kunal, the entire Citi portfolio is retail led, and I have a rule-based policy of writing off retail loans that I have discussed with you previously. Given that the portfolio was just acquired a month ago, there would be limited to no impact of the Citi portfolio and our rule-based write-off.

Kunal Shah: Okay. So, Rs. 2,400 crores is entirely Axis Bank standalone?

Puneet Sharma: Across all 3 segments.

Moderator: Next question is from the line of Adarsh from CLSA. Please go ahead.

Adarsh P.: Congrats. First is on OPEX. I just wanted to understand, as you get into FY24, you'll have a full year of higher OPEX business costs running in, you'll add branches as well. And overall, the cost to asset of acquired Citi business would be more. So, just wanted to understand, do you want to recalibrate your guidance of 2%? Or you think over a 3, 4-year period, you will get there?

Puneet Sharma: So, Adarsh, thanks for the question. I think it is very fair. What I have tried to do is if you reference Slide 28 of the investor presentation that we put out. We have given a broad sense of what our cost to assets for Q4 is, which is 2.25%. And then you see a dotted line, which is showing you a number of about 2.40%, this is post annualization of costs booked for 1 month. That should be a fair indication of the annualized impact across integration expenses and cumulative book taken over.

To the second part of your question, yes, we have a guidance out there which said we would expect to get to around 2% by FY25. We will work hard towards normalizing the number, but very clearly, the Citi business is entirely a retail business. Retail businesses run at higher cost ratios. And therefore, there should be a recalibration in all our minds to where that calculation will land at. That's probably how I would respond to your question. We have also said that against FY25 exit, we are saying in the medium term, we stay committed to getting to the 2% cost to assets. It might be slightly later, but that commitment stands.

Adarsh P.: And Puneet just clarifying, the 2.4% number includes both the running cost, which is a higher OPEX business and the one-off integration costs, does that include both or that only includes the running costs?

Puneet Sharma: So, it includes both cases, the best estimate that we have currently.

Adarsh P.: And second thing is on margins. Let's say, we are at ~4.20% with some liquidity buffer. And we will get into the next 2, 4 quarters where cost of fund will catch up with yields, which had moved up earlier. So, just wanted to understand we had earlier indicated a margin bank. We had some fundamental improvement in our business also. So, what's your comfort zone on margin if I want to look 12 months out?

Puneet Sharma: So, Adarsh, I think we stick by the fact that we don't guide what absolute margins are. But let me present a framework, let me help think through the issue. FY23 full year, we have called out is 4.02%. We started on a low number. We ended on a higher number. We report on a quarterly basis, the numbers exist. Our Q4 annualized is 4.22%. And at a full year FY23 NIM of 4.02%, I have delivered a consolidated ROE of 18.84% on a full year basis.

I go back to what I have consistently said. We have a 40 basis point cushion over the structural NIM guidance that we have. We will continue to work on the 5 initiatives that I have spoken to you about on improving our net interest margin. Yes, there will be a lag effect of deposit cost increase. We will endeavor to maintain as much as the cushion that we have built for a sustainable period. We do not guide a specific outlook for 12-month margins.

Amitabh Chaudhry: So, Adarsh, just to supplement what Puneet said, and he has said it, but I just want to emphasize it. We worked very hard to get here. And our endeavor, as Puneet said, would be to ensure that we continue to maintain as much of the cushion as possible. You know all the factors which are working against us. Puneet has talked about the 5 kind of initiatives or potential ways and means we have to mitigate some of the rising cost of deposits. We also have the added benefit of the extra LCR, which we are carrying. Again, we'd not like to guide it, but please understand and appreciate that the endeavor of the management team is to remain in the zone as much as possible. But we know some things are working against us very clearly.

Moderator: The next question is from the line of Abhishek from HSBC. Please go ahead.

Abhishek Murarka: So, in the Analyst Day back in November, I think you had shown a slide where you had shown a movement of lendable deposits versus non-lendable deposits. And the lendable deposits had gone up, I think, 10% in the first half, non-lendable down about 17-odd percent. Can you give an update on how that has trended? Ideally, it would have improved further the mix?

Puneet Sharma: Abhishek, thanks for the question. The other way to look at the same data point is the reduction in outflow rates. As Amitabh called out in his opening remarks, our outflow rates on a Basel reported basis, are down by about 550 basis points. So, if we had an outflow rate of 25% to 26%, our rates would be in the 21% to 22% range now. That itself shows you the improvement in the quality of the deposits. As outflow rates decline, lendable deposits by implication increase.

Abhishek Murarka: Right. No, that's useful. Another thing is on the yield side, again, I had to come back to that. But if you look at just the yields on advances, is there any particular sector where it has become increasingly difficult to pass on yields because your loan mix has moved favorably in the last 4 to 5 quarters due to all the efforts that you've taken, but the yield is not reflecting a commensurate increase. So, is there any sector where you are finding it difficult to pass on the rates or any comment there would be helpful?

Amitabh Chaudhry: No. So, firstly, I am a bit surprised by the comment that there is no commensurate increase in yield. I mean we have worked very hard to increase our NIMs, which have moved from 3.4% to 4.2%, partly obviously one of the reasons I've been able to do it is we have been able to increase our yields and that is reflected. In our case, it has happened faster in comparison to some of the others because we pushed through some of these changes faster than some of the others. So, it can't be timed exactly as maybe to someone you might be comparing us to.

As far as generally, the overall business is concerned, we don't give some guidance on where the yields are falling, where the yields are up. But if you check the market, you know that on the wholesale side, the pricing has been tough for quite some time, it's opened up a little bit now. Mortgage, every bank, every NBFC seems to be going after that segment. The pricing has always been tight there.

And as far as some of the other sectors are concerned, depending on which bank wants to drive growth in which quarter. So, you do sometimes see completion intensity, which is more than what we anticipated. That happens with the market all the time. But on a particular track, we have a certain strategy. We, as I just mentioned in the answer to the previous question, would like to ensure that we remain at a certain level, and we will be very disciplined about maintaining some of those metrics at those levels because we worked very hard over the last 6 to 8 quarters to get them there.

And as I said, we believe the platform which we have allows us to maintain the metrics of those levels. I am not giving you a very specific answer, but I think you need to understand the essence of what we are trying do in Axis Bank.

Abhishek Murarka: Sure. And just one quick question on fee growth. The sequential movements have been very strong. How much of that is durable? And how much would you attribute to a, let's say, year-end effect, typically March would have a bunched-up effect?

Amitabh Chaudhry: First, everything we are doing in Axis is to trying to build a granular business. Nothing is being driven one-off, onetime or pushing it towards end of the quarter or end of the month. Yes, you can have some transactions, some things which worked out and you had a little bit of a spurt. But otherwise, please understand and appreciate, the entire drive over the last 3.5, 4 years is to get everything granular so that we can repeat our numbers QOQ on a predictable basis.

As I said towards the end of my remarks that we are trying to build an all-weather institution that will stand the best of time. By doing this one-off things, you don't create an institution of this nature. So, long answer, but please assume things are granular.

Moderator: Next question is from the line of Saurabh from JPMorgan. Please go ahead.

Saurabh Kumar: So, just firstly, on the sustainability of the credit cost. So, recovery upgrade momentum is quite high this year. How should we think about it going into next year? Would you expect this momentum to start moderating? How do you think about your credit cost for next year?

The second is, can you help us 1-month PPOP and profit of the Citi portfolio? And lastly, in terms of Axis Finance, the growth is very high, building off retail business of a low base. So, what kind of customer segments or retail business is being done back? These are the three ones.

Amitabh Chaudhry: So, let me answer the Axis Finance growth question first. I think yes, Axis Finance has been trying to grow the retail side of the business quite actively. They are into LAP, business loans, and I think they have built a niche for themselves based on some of the technology and the kind of customer end-to-end solutions they have developed. The portfolio quality is pristine at this point in time. They've also developed what they call emerging market business, which is more the SME side of things.

Their overall wholesale business continues to do well. Axis Finance has also sold a pretty decent portfolio through the year because they were getting very good rates, and that is also reflected in the P&L. We are quite positive about how that business is being built. And obviously, Axis Bank is very, very supportive of what they are trying to do. They intend to continue to expand the franchise as we move forward. Actually, they just completed 10 years and is one of the fastest-growing NBFCs if you look at in terms of the growth and profitability in our 10-year history. So, we are very, very happy with what they have achieved.

Saurabh Kumar: On the credit cost?

Amitabh Chaudhry: On the credit cost side, before Puneet kind of jumps in, I would like to make one quick statement, that please understand and appreciate that we have pivoted to better asset quality. I think our numbers are reflecting better asset quality. So, first is that somewhere we need to start getting rewarded for the fact that the asset quality has moved so well. So, the credit costs have gone down. And while I understand and appreciate the question that this current level of credit cost is not sustainable, I would also like you to appreciate that this pivoting which has happened in such a significant manner for Axis Bank will, over a period of time, hopefully reflect consistent lower credit cost in comparison to competition out there because that's exactly what we have done. Puneet?

Puneet Sharma: No, fully agree with Amitabh. Saurabh, thanks for the question. Broadly, the upgrade and recoveries are reflective on the net credit cost number. But if you even look at where our gross credit costs are that we show you a data point, which is over 15 years, and we show you every quarter. The gross credit cost itself has improved meaningfully, which is the point Amitabh was making that the underwriting strength of the franchise has clearly improved.

The last question that you had was Citi PPOP for 1 month. We are operating Citi India Consumer business and Axis Bank as one bank. And therefore, we will report as such. We don't intend to report Citi independently on go forward basis.

Moderator: Next question is from the line of Hardik Shah from Goldman Sachs. Please go ahead.

Rahul Jain: So, I was just circling back to the yields point. So, Amitabh, you said you've got the delta maybe slightly ahead of what others may have got. So, keeping in mind the loan book mix that we have got, which has MCLR and even some of the fixed trade portfolio as that is getting repriced at higher rates. But do you reckon that despite all of it, we have now started reversing the yields, I mean, are we going back on the cycle, given whatever competition that you talked about? Or we still have some room available to kind of maintain or push up this number?

Amitabh Chaudhry: Let me first start by saying we don't give any guidance.

Rahul Jain: No, I am just trying to understand the gist of it.

Amitabh Chaudhry: Yes. I'll try to answer. On one side, we have factors which are working against us, including repricing of deposits and slow deposit growth. On the other side, as Puneet has always mentioned that we have 5 factors at play where there is still some scope left to continue to push for improving our overall NIMs. Over and above that, if you look at within retail and wholesale, the growth, for example, if you combine the mid-corporate, the CBG and the business banking segment that have seen a meaningful increase in overall share in our overall earning assets. So, there is also a kind of a product mix factor at play.

While not giving guidance, we have stated quite vociferously that our intention is to try very hard to be in the zone where we are. Obviously, some factors could play up and result in some of the numbers going here and there. But our intention is to stay there. So, while not giving guidance, we are trying to say that we have factors working on both the sides. Let's see where we end up and we will continue to strive hard to ensure that our metrics continue to reflect all the hard work we have done. We also held by the fact that in the last quarter, our LCR has gone up and there is some play there also.

Rahul Jain: That's helpful, Amitabh. The other question was on just trying to understand the growth trajectory now that the integration may be going on full swing. How should we think about how the growth will look like over the next couple of quarters? When do we expect some delta to start reflecting from the Citi customers in the portfolios where they are significant?

Amitabh Chaudhry: So, we have taken it over as of March 1. We did not have any data before that, where we have got an idea of the customers. As we said, the senior management team has been visiting some of these customers and getting a sense of the customers out there. We have also mentioned that we saw 60-plus synergy initiatives, which could be undertaken by Axis to the combination.

I also mentioned that 20-plus synergy initiatives are already in play in the first quarter and the synergy benefits are obviously around 3 things. They are around deposits; they are around revenues and expenses. So, these things will play out through the year and beyond, because we are also please understand, appreciate going through the transition to LD2 when all the systems, all the cards, every technology will be onboarded on to the Axis platform. So, while changing the wheels of the car, we are obviously pushing through the synergy benefit. There's a separate team which is working on it.

There is a team of senior management people who are in charge of ensuring that the synergy benefits are delivered. So, if you are expecting an uplift, you should start expecting uplift coming through from the second quarter onwards. We are not guiding on what that uplift would be. But I am just telling you that the work is going on as we speak.

Rahul Jain: Just final question maybe to Puneet. On the cost side due to integration or rather the merger cost, the only thing that is now left is the integration cost, right, which is Rs. 1,500 crores over the next 18 months that you have alluded to a couple of times.

Puneet Sharma: Yes, Rahul, all onetime costs with respect to the purchase have been dealt with. The Rs. 1,500 crores is post tax and we will incur that over an 18 months period. That's absolutely right.

Moderator: Next question is from the line of M.B. Mahesh from Kotak Securities. Please go ahead.

M. B. Mahesh: I mean, sorry, I do have a similar question on the yield side. Post the acquisition of Citi, when we look at the next couple of quarters, is the housing yields reflecting the book at which you are carrying today and also for the credit card book and also on the deposit side.

Puneet Sharma: Mahesh, thanks for the question. I didn't fully catch it. Could you just help me with that question again, please?

M. B. Mahesh: I guess we just don't know at what yields were the portfolio acquired at. And when you compare that book with yours, is there room for improvement or would you see some pain as we go forward? When you look at the overall portfolio, both from a housing yield side, the kind of credit card book that you are carrying as well as term deposit and the savings account rate that they were enjoying.

Puneet Sharma: Understood, Mahesh. Thanks for clarifying. Just to set context, the total Citi asset book that came over was approximately Rs. 29,000 crores, that's about 3.5% of the total assets at Axis level. Of that book on a proforma disclosure basis that we did in January, Rs. 9,000-odd crores was credit cards and the balance was mortgages, Auto, CV, etc.

So, first and foremost, on a cumulative number basis, will this move the yield insofar as the non-cards business is on Axis book yields? No. On a disbursement yield basis, I have said, we have decided to operate as one franchise, and therefore, disbursement yields should be consistent. We don't want to have internal competition vis-a-vis the customer. On credit cards, the Citi franchise, obviously, was a superior franchise in terms of both spends on cards and that we hope we will continue to sustain.

M. B. Mahesh: Okay. I'll take this question offline again. But the second question. Amitabh, you had kind of indicated there is a potential slowdown that you are seeing on the growth side. Any possible reason for calling it out this early? Is there a demand slowdown that you are seeing? Or is there any kind of risk that you are seeing out there that you are worried of?

Amitabh Chaudhry: Mahesh, I think the narrative on what is going to happen in the world has changed every one month. I think the comment you are referring to was at a time when people were talking about rapid increase in interest rates globally because of what had been happening. After that, obviously, and this was going through the banking crisis. I think things have improved a little bit, though, again, we don't know. You know what is going on in the U.S. as we speak.

I think the macro remains volatile and in a volatile environment to say everything is going to be gung-ho and things are going to all look up and nothing else can happen, I think it would be a fool hardy on our part. So, what we are really saying is, on one side, we have a platform we can capitalize all the opportunity that comes our way, and we will grow at a certain rate above the industry. But at the same time, it is very, very important for us to be cognizant of some of the risks out there, which could play out and to reunite some of those risks as and when they emerge and to be able to change our path, our way to ensure that we don't get hit by unexpected risks and unexpected losses are the things that return the other way.

I am not expecting Indian economy to go south. I am just saying that if things were to slow down, if interest rates certainly were to rise, we could have potentially a problem in terms of how the risk could play out. So, the comment was set in that context. I think it has somehow been taken to mean that I am saying that there will be a slowdown. We are not seeing a slowdown. I think our numbers in this quarter very clearly reflect that the growth in all our asset classes have done extremely well. Even on the deposit side, I think we compared quite well to some of our peer banks, and we will continue to strive for it. But macro remains volatile, and we are very watchful. That's what I meant.

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

Jai Mundhra: Thanks for the additional disclosure. I had a question on loan growth. So, while I understand that we don't give guidance, and we have the stated aim of growing 400 to 600 basis points ahead of the industry. For FY23, if I exclude Citi, then we are very close to the industry. And this year, probably we had one of the best tailwinds for NIMs. So, I wanted to check as to what were the 2, 3 key constraints, which limited our loan growth to similar to industry level? And to what extent you think they have been addressed.

Amitabh Chaudhry: So, if you look at our numbers for the year, and I'll ask Puneet to supplement, our growth rate on the wholesale side was quite muted for the first 3 quarters because in a very calibrated way we realized, we were not getting the kind of pricing which we want. And we did not want to participate for the sake of participating in whatever transactions which we were coming our way. And we have been stating that quite consistently in the first 3 quarters. And then we saw the pricing kind of opening up. You saw that in the third quarter, we showed some growth in the wholesale side and the fourth quarter has shown even more healthy growth.

So, a large part of our book did not grow that much in the first 2 quarters and it was muted growth in the third quarter. Similarly, on the mortgage side, you would see that we have been quite cautious in the first couple of quarters because of the same reason. We saw intense competition. We saw people were cutting prices. And again, we were quite cautious in terms of just going out there and offering loans at a certain rate, which did not make sense to us.

As things have stabilized, I think we have demonstrated very clearly in this quarter that we can grow faster than the industry. As we have always said, you can't deliver 400 to 600 every year or in the medium to long-term basis, we believe that, that's the kind of growth we can demonstrate over a certain period of time. And that's the growth we are very confident we can deliver as we continue to move forward because we have the platform, we have the reach. We are digitizing extremely fast. We are seeing the impact of our products in the marketplace. We have gained market share across various asset classes. And that's where the confidence comes from. So, that's in nutshell kind of a long-winded answer to your question.

Jai Mundhra: And the second and last question. Sir, if you can talk about the pricing in your fixed rate book, right? So, over the last 12 months, repo rate and EBLR-linked products would have seen a 250 basis point upward revision. And I think MCLR-linked book would have also seen a 150-plus kind of an upward revision.

What kind of upward revision in the yield would have happened for fixed rate book? And what kind of a scope do you see going ahead? Because it looks like that you are now more confident on growing the unsecured book. So, I wanted to understand the scope. I mean so far, what has been the yield rise in the fixed rate book? And how should one look at the yield on this particular book?

Puneet Sharma: Jai, thanks for the question. I'll respond to it in part, obviously, we don't disclose which is what is the yield on fixed rate book. The part that I would request you to consider is something I said earlier in the conversation. 42% of my fixed rate book matures in the next 12 months. That should give you comfort that if there is an uptick, it will get captured in the market space. We are very confident that we are not underpricing ourselves to competition. Therefore, book yield should get captured.

Jai Mundhra: So, if you can specify, sir, a fair range or maybe a broad range within which the fixed rate book would have repriced at least on incremental basis. So, just to understand that is this 40% book gets repriced and what kind of a yield impact one could see if possible?

Puneet Sharma: Yes, I am sorry. We don't put that number outside. I actually wouldn't respond to that.

Moderator: Next question is from the line of Anand Dama from Emkay Global. Please go ahead.

Anand Dama: So, when we look at our SME book that's been growing at a pretty faster pace. This quarter, we have grown almost about 13% QOQ. So, one, what is there basically driving the growth? Which are the segments where we are going? And have we increased the yields on this portfolio in line with the increase in the repo rate?

Rajiv Anand: So, point 1 is that growth in this segment over the last 18 to 24 months has been strong and continues to be so. The portfolio is very well diversified across sectors and geographically. We also managed from a risk perspective the ticket sizes that we do on a per company per corporate basis within this space. And as far as the yields are concerned, this book is linked to repo. So, therefore, the impact of higher rates as a result of the repo rate increases have been passed on.

Anand Dama: So, we have fully passed on the rate hikes or like there has been some back and forth like the customer comes back and basically we review the rate. Or there is competition as well, which basically leads to some kind of cut-off in the yields?

Rajiv Anand: They've been fully passed on.

Anand Dama: Sir, secondly the question is to Amitabh, particularly on the corporate growth front. So, as you said that last year, there were some issues in terms of corporate growth but how do you see the corporate trade you are picking up this year? Can you provide some insights on that.

Rajiv Anand: So, we are seeing demand on the corporate side across multiple sectors, for example, in iron and steel, commercial real estate, infra, roads, and NBFCs. So, demand is quite robust at this point in time. We are also seeing a reasonably strong uptick in terms of private CAPEX. However, not all private CAPEX is being funded by bank loans, given the fact that corporate cash flows continue to remain strong. And corporates have de-levered, they are using their own balance sheet to fund CAPEX as well. So, demand continues to be strong and across multiple sectors.

Moderator: Ladies and gentlemen, we will take that as the last question. I will now hand the conference over to Mr. Puneet Sharma for closing comments.

Puneet Sharma: Thank you, Neerav. Thank you, everyone, for taking the time to speak with us this evening. If there are any questions that we have not been able to take or clarify, we would be happy to engage with you and take them up subsequently. Have a good evening. Stay safe. Thank you.

Moderator: Thank you very much. On behalf of Axis Bank, thank you for joining us, and you may now disconnect your lines. Thank you.