Axis Bank's Q4 FY23 Media Conference Call

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MANAGEMENT: MR. AMITABH CHAUDHRY - MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

MR. RAJIV ANAND - DEPUTY MANAGING DIRECTOR

MR. PUNEET SHARMA - CHIEF FINANCIAL OFFICER

MR. RAVI NARAYANAN – GROUP EXECUTIVE AND HEAD- RETAIL LIABILITIES, BRANCH BANKING AND PRODUCTS

MR. SUMIT BALI - GROUP EXECUTIVE AND HEAD-RETAIL LENDING

MR. ARJUN CHOWDHRY – GROUP EXECUTIVE AND HEAD – AFFLUENT BANKING, NRI, CARDS AND PAYMENTS

Moderator: Ladies and gentlemen, good day, and welcome to the Axis Bank Conference Call to discuss the Bank's financial results for the quarter and year ended as on 31st March 2023. 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 after the presentation concludes. 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; Mr. Rajiv Anand, Deputy Managing Director; and Mr. Puneet Sharma, CFO. I now hand the conference over to Mr. Amitabh Chaudhry, MD and CEO. Thank you, and over to you, sir.

Amitabh Chaudhry: Thank you, Neerav. Good evening and welcome, everyone.

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. 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 this financial year FY24.

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

Now let me discuss each one of these in further detail:

A. As far as, embedding a performance driven culture is concern

1. Improving profitability metrics:

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

To that effect, we have taken a non-recurring one-time charge reported as exceptional item, details of which would be provided by Puneet subsequently. From here on, I will focus on standalone Axis numbers only and exceptional items have been kept out of this.

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

Let me highlight the key trends for Q4.

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

2. **We also lifted the growth trajectory and consistently gained market share:**

- *On 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 will be sustained.

- ✓ 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.

- *As far as Customer acquisition and Deposit Quality is concerned:*

  - ✓ 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 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 Savings portfolio.

- **We saw all round growth across businesses. We saw market leading growth in our focus segments.**

  - ✓ Retail disbursements stood at new lifetime highs for the quarter and the fiscal year as a whole. Retail loans grew 22% YOY and 14% QOQ.
  - ✓ 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 constitutes 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. We have a

reasonably good pipeline of transactions and are confident that the momentum will continue into FY24.

3. Our third pillar has been fostering a winning mindset:

As I said when we talked about embedding a performance driven culture, improving profitability metrics, lifting the growth trajectory and consistently gaining market share and third fostering a winning mindset. We are winning more, and this is reflected in multiple external recognitions we received this quarter.

- 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.

- 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. On strengthening the core:

1. We have now a very 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. We are also building next generation technology architecture, for wholesale digital banking:

- I have spoken a bit about NEO already. Let me give some more color 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 optimization benefits from NEO. Business outcomes have seen 3X growth in transactions along with 2X growth in throughput over last year.

C. As far as building for the future is concerned:

1. On Digital Banking performance;

- 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. Our bank-wide programs to build distinctiveness continue to grow strength to strength.

Bharat Banking growing from strength to strength;

- On Bharat Bank engine is humming with disbursals growing by 37%, book by 26% and deposits by 15% in FY23.

- The distribution footprint has now 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 our PSL portfolio.

- We 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.

On Citibank Consumer business integration:

We closed the transaction on 1st March 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 this 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 organisation 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:

We, at Axis Bank, remain confident on the growth opportunities in the Indian economy. We remain "watchful" over consumer demand and the global macros. 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. Our performance at a glance for Q4FY23 and full year FY23 is as follows.

Q4FY23 PAT excluding exceptional items is 6,625 crores, up 61% YOY. Consolidated annualized ROA at 2.18% consolidated annualized ROE at 21.58%, driven by strong all round operating performance. For the full year FY23 excluding exceptional items PAT stood at 21,933 crores, up 68% YOY. The consolidated ROA at 1.82%, improving 53 bps YOY. The consolidated ROE excluding exceptional items at

18.84%, up 517 bps YOY. Our subsidies contribute 46 bps to our ROE. Our full year NIM was 4.02%, improved 55 bps YOY. NII grew 30% YOY, fee income grew 25% YOY, core operating profit grew 40% YOY. For Q4FY23 our net interest income was up 33% YOY and 2% QOQ, net interest margin at 4.22%, up 73 bps YOY. Q4FY23 fees was up 24% YOY and 14% sequentially. Core operating profit was up 46% YOY and 3% sequentially.

We have delivered healthy loan growth across all our business segments. Our domestic advances were up 23% YOY, 13% QOQ. Our CBD book was up 23% YOY, 13% QOQ. Our domestic corporate loans were up 24% YOY, 11% QOQ, our retail book was up 22% YOY, 14% QOQ.

Our small business banking business grew 50% YOY and 12% QOQ. Rural loans grew 26% YOY and 19% QOQ. The mid-corporate book was up 38% YOY and 10% QOQ. Aggregate small business banking plus our SME book, plus our mid corporate book advances stand at one lakh 72,216 crores, 20% of the total loan book up by 629 bps in the last 3 years. Our personal loans grew 21% YOY, 8% sequentially, credit card advances grew 97% YOY, 53% sequentially. We have delivered a steady growth in granular deposits and our deposit quality is improving. On an MEB basis, total deposits grew 15% YOY, 12% sequentially, SA grew 23% YOY, 18% sequentially, CA grew 17% YOY and 18% sequentially. Term deposits grew 11% YOY, 6% sequentially. Overall, CASA grew 21% YOY and 18% QOQ. CASA ratio at 47% was up 215 bps YOY and 261 bps QOQ, best amongst private sector banks.

On quarterly average basis total deposits grew 11% YOY and 6% QOQ. SA grew 13% YOY and 4% QOQ, CA grew 15% YOY 9% QOQ, term deposits grew 10% YOY and 6% QOQ. It is important to know that our average LCR for Q4FY23 was 129%, 13% higher QOQ and YOY. We are well capitalized with the self-sustaining capital structure and we carry adequate liquidity buffers. The overall capital Adequacy ratio was 17.64% with the CET-1 ratio of 14.02%. COVID provisions of 5,012 crores not in card provide us the capital cushion of 51 bps. Our net CET-1 accretion excluding exceptional items for the FY23 was 69 bps.

We have retained our strong position in payments and digital banking, 18% market share in UPI transactions and 17% in UPI P2M acquiring by throughput. Mobile banking market share stood at 17%, Axis Mobile and Axis Pay has 7.8 million non-Axis Bank customers. 95+ digital partnerships across platforms and ecosystems, 11 million customers on WhatsApp Banking. NEO by Axis Bank won three prestigious awards in Q4. Axis Bank now is ranked second in NEFT market share. Axis Mobile remains the world's highest rated mobile banking app on Google Play Store with a rating of 4.8 with 12 million active monthly users. We have done the highest ever credit cards issued in the quarter at 1.13 million. In Q4, spends are at an all-time high, up 57% YOY, spends market share stands at 10%. Our asset quality has improved consistently. GNPA at 2.2%, declined 80 bps YOY, 36 bps QOQ, net NPA at 39 bps, declined 34 bps YOY, 8 bps QOQ. PCR remains at a healthy 81%.

On an aggregated basis our coverage ratio, which is defined as all provisions by GNPA is at 145%. Q4FY23 gross slippage ratio annualized at 1.76%, declined 62 bps YOY, 27 bps sequentially, net slippage ratio at 0.38%, declined 55 bps QOQ. Q4Y23 credit cost annualized was 0.22%, declined 10 bps YOY and 43 bps QOQ.

Domestic subsidiaries continue to deliver steady performance with an FY23 profit of 1,304 crores with a return on investment for the bank at 50%. Axis Finance FY23 PAT grew 30% YOY to 475 crores, asset quality remains stable. Capital adequacy ratio healthy at 20.5. Axis AMC FY23 PAT grew 16% YOY to 415 crores. Axis Capital FY23 PAT stood at 142 crores. Axis Securities FY23 PAT at 203 crores.

The Bank is the legal owner of Citibank India Consumer Business effective 1st March 2023. Hence our reported numbers for FY23 and Q4 are not strictly comparable with respective prior periods. Charged to the P&L emanating from prudent accounting choices, aggregating to Rs. 12,490 crores comprised full amortization of intangibles and goodwill which is equal to the value of the purchase consideration paid/ payable for the acquisition of the Citi India Consumer Business. It also includes the impact of policy harmonization on operating expenses and provisions and one time stamp duty on acquisition. These are non-recurring onetime items 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 AFR. Thank you. We conclude our comments. We will be happy to take questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press * and 1 on their touch-tone telephone. Participants are requested to use handsets while asking a question. An operator will take your name and announce your turn for in the question queue.

The first question is from the line of Ankur Mishra from ET Now. Please go ahead.

Ankur Mishra: Good Evening Mr. Chaudhry. Am I audible?

Amitabh Chaudhry: Yes, You are.

Ankur Mishra: My question is regarding home loans. Do you believe that you need to push a bit more in terms of home loans as if you leave the Citi portfolio, the growth has been around 5% which looks little less compared to peers?

Puneet Sharma: Thank you for that question. We provided details of the sequential and annual growth of all of our advances on slide #89 of our investor presentation. Our QOQ advances growth is 7%, not 5%. At the headline level basis our retail loans have grown 7% on a QOQ basis, our SME loans have grown at 13% on a QOQ basis and our corporate loans have grown at 6% on a QOQ basis, excluding the Citi acquisition. We actually believe our growth on a sequential quarter basis have been strong and reflective of the strength of our franchise.

Ankur Mishra: Okay and what is the status of corporate credit on ground? As you mentioned about the corporate credit which has been picking up and grown 14%, and correct me if I am wrong, will this momentum continue?

Puneet Sharma: Corporate credit, as you rightly said, has been quite strong. It is quite broad based as well. We are seeing demand both on the term loan side as well as working capital. We are seeing demand for private CAPEX. There is a lot of private CAPEX that is happening across sectors, iron and steel, for example. There are large corporates who are venturing into new businesses. A large corporate is getting into paints, for example. There is a lot of corporate activity and we are certainly participating in that. As I look out over the next 6 to 12 months we do believe that the pipeline is quite robust and the kind of demand that we have seen in Q4, we expect to continue to see that momentum flow through into the current year as well.

Ankur Mishra: The last question is on the term deposit, particularly the retail ones, which has shown a growth of 6% I can see. What is your plan there? Why do you think it has been little slower compared to other segments?

Ravi Narayanan: Thanks for that question. As has been explained in the past, we have had efforts on the structural side in terms of the term deposits. All of that has been playing out. But specifically, if were to look at some of the components of the retail term deposits on the individual term deposit side, we have had very robust growth and that is indicative of the efforts that we are making. These structural playouts should conclude through this year. Therefore, as we start accelerating our push on the term deposit side, the past as well as the present, which is the stock and the flow should start correcting itself and we are very confident that the term deposits will be stronger.

Ankur Mishra: Okay. Thank you so much.

Moderator: Next question is from the line of Mayur Shetty from The Times of India. Please go ahead.

Mayur Shetty: I wanted to understand this one-time charge. It is more than the purchase consideration or around the purchase consideration. How is it treated in accounting terms? Is it like an expenditure that you got to make and what would it do to your ratios in future? Now, that the book is much bigger from the next quarter will the ratio suddenly show an improvement.

Puneet Sharma: Thank you for the question. Effectively what we have said is 12,490 crores which is the charge that we have taken to the P&L, has three components. The first component is the full amortization of the purchase consideration. Just to recap, the deal was structured as a matched balance sheet transaction and therefore the entire purchase consideration was intangibles and goodwill. We made a prudent choice to create 100% amortization of the intangibles and goodwill upfront. That is a dominant part of the 12,490 crores. There are two other components which is Axis provisioning policies were more conservative than Citi policies. Therefore, when the business came over, we had to align provisioning policies to Axis policies. There was a charge, a one-time charge to the P&L on that account and the last piece is there was a stamp duty on acquisition which is a one-time charge that has been debited to the P&L. All of these are operating expenses. We have provided you a bridge on slide #88 of our investor presentation. That should explain the breakdown by expense head of the exceptional items. To the last question you asked would they impact our ratios, we have clearly communicated all of our numbers excluding the exceptional item. An exceptional item by nature should not be included in any ratio current or future. Therefore, there would be no vitiation of reported ratios on a go-forward basis.

Moderator: The next question is from the line of Ashish from PTI.

Ashish Agashe: You mentioned about a 4% deposit growth in the Citi customers since Jan 31. So, two things, from a number of accounts perspective how is it because you have seen some attrition in the run up to the closure of the transaction. So how has that been?

Sumit Bali: I will address both parts. On the deposits part first, yes, we have seen, you may recall, we had earlier mentioned about 39,900 crores worth of total deposits which came over. That number has gone up to about 41.5. That is the actual growth in the balances which we have seen which is a very encouraging sign as we pointed out. On customer acquisition we have also seen some good early traction. Do recall that it as of now represents only one month but even in that first month we have seen some pretty good traction. That has been on two accounts. One, we have seen existing Citi customers taking very well to the new set of products which Axis has brought to them. We have also seen our erstwhile Suvidha Corporate customers picking up the volumes, based on two things. One is of course the team has gone back with a lot more conviction. Also, the fact that the geographic expansion and being a part of the larger product suite has been met with some pretty good reception from the corporates. We are seeing that number picking up. We believe these are early days and we think this number will pick up even further from there.

Ashish Agashe: The growth in credit card and personal loans, the unsecured side, the high growth, is there some Citi sort of influence in that number or is it more organic? Secondly, if it is organic, then there are quite a lot of concerns expressed over the unsecured lending book right now. What is the policy on this, in the sense that is there like a cap about which as a percentage of the….

Arjun Chowdhry: Thanks for the question. So, I will take it in two parts. It has been a quarter, which has been very strong. If we look at the standalone numbers on credit card for Axis portfolio, YOY growth is about 42%, QOQ growth is in double digit 10% to 11%, combined basis with Citi, the YOY growth is 97% and QOQ is 53%. So, I have given you both the numbers, both the franchises are kicked in solidly. So, we expect this business to grow. Personal loan is largely an Axis performance which is about 21% YOY and about 8% QOQ. That has been again a strong year-ended performance. Q4 has been a strong quarter for all retail assets. As far as you are concerned the quality of the unsecured portfolio is concerned, we do not see much risk there. It is in line with our risk appetite. We are not seeing any material change in that. These are by nature unsecured and high margin products. So, we are fine with the way the portfolio is as of now.

Ashish Agashe: Final question. A few quarters ago you said that you are not getting corporate loans at the price on a risk adjusted basis you would want them to be at actually but right now you are reporting higher numbers and are also saying about their pipeline being strong. So, what has changed? Is it just demand alone or how is it on the pricing front because the ratings of the corporate remain broadly the same as well so are you able to extract more pricing for the same loan because of higher demand, how is it?

Rajiv Anand: So, any exposure that we take to a corporate has to meet our two hurdles internally. One is our underwriting hurdle. We have not diluted that in any manner. Secondly, it has to meet our RAROC pricing hurdle. Therefore, if you are seeing that the book growth on the corporate side has been strong, it is fair to assume that both these hurdles are being ticked off and we do believe that as we go forward, we are not really too worried about the credit environment at this point in time. The pricing environment is quite conducive at this point for us to be able to continue to support credit growth.

Moderator: Next question is from the line of Manojit Saha from Business Standard.

Manojit Saha: My first question is that you said the number of credit cards we have added in the last financial year was something above 4 million, right? 4.2 or 4.3?

Amitabh Chaudhry: 4.2 million, yes.

Manojit Saha: Wanted to understand would your run rate increase with the Citi acquisition, credit card run rate? So basically, trying to know what could be the monthly card addition now after the Citi acquisition. That is one question. The other question is that I think your margins have swelled by about 70 bps YOY. With deposits are getting repriced what kind of impact you will see on the margins?

Arjun Chowdhry: I will address the part on your question on credit card growth and then I will request Puneet to address the part on margins. Clearly yes, the idea and the objective is to increase our trajectory by using the whole set of partnerships which came over with the Citi portfolio to expand that portfolio from where it was in an earlier constrained manner into now a geographically unconstrained manner and invest in that to grow with that. The objective is clearly to grow the run rate on both credit card acquisition and also given that there was a premium base which came in and was a good complementary fit to what Axis has; it also is to increase credit card spending and credit cards outstanding. It is a key part of the business priorities which we have set out for the combined business going forward.

Manojit Saha: Because you were saying that since Citi was constrained within some geographies so you will be growing the card much more as compared to Citi. It will not only maintain Citi's run rate but the run rate will be farther. Can you quantify how much growth you are expecting following this merger in the card business?

Arjun Chowdhry: Yes, it is a little difficult to quantify it Manojit at this point of time because it is still early days. But clearly the answer to the first part of your question is yes because Citi was constrained in terms of the geographies it could operate in even for its credit card business and now those constraints have got removed so obviously with the portfolio, with the set of customers and without those constraints which existed earlier, it will be a faster run rate than it was in the past.

Manojit Saha: Second part was on the margins?

Puneet Sharma: On the margins yes, we did improve our margins on a Q423 versus Q422 by 73 bps. But if you look at a full year basis which is FY23 holistically, we have improved our NIMs by close to 55 bps. This is a function of three things. It is a function of the pricing discipline we have brought to our products; it is a function of the asset mix change that we have delivered, it is a function of the RIDF reduction that we have delivered on, it is a function of the improved quality of our deposit franchise and yes aided partially by asset repricing which is at the tail ending offset by depositary pricing. What I want to leave with you for your consideration is, it is not just repo rate repricing that has delivered on NIMs for us, there are many functional levers that we have worked on to get to this.

Manojit Saha: so, I was asking that now the deposit repricing is not complete while the asset price repricing is almost over. So, now deposit repricing will take a go on for another say 4 months-5 months-6 months. Will there be an impact because of the deposit repricing on your margins?

Puneet Sharma: We do not offer forward guidance on our margins but again, just to reiterate what I would say is our margins are 42 bps above our structural guidance on a reported basis. We have a significant cushion to our margins and we still believe depending on where rates move, we have enough ability on our P&L to deliver our aspirational ROE.

Manojit Saha: Also, if you can tell us how much of your loans are in MCLR and EBLR and how much of it fixed and floating?

Puneet Sharma: We offer that data as part of our investor presentation. It is on slide #25 of our investor presentation. A detailed breakup is provided. 41% of our loans are repo linked and on a cumulative basis 68% of our loans are floating. The tenor wise MCLR breakup is available for you to kindly refer to on slide #25 of the investor presentation as I referred.

Moderator: Next question is from the line of Siddhi Nayak from Reuters.

Siddhi Nayak: I just wanted to understand that you have said that your corporate loan growth has been, it is expected to grow strong. I wanted to understand how much of it is fresh loans and how much of it is mixed finances?

Rajiv Anand: I think it is fair to say that it is a mix of both but like I have been mentioning that fresh private CAPEX has well and truly started. I mean one could argue that it should be much stronger than what it is today but I think it is fair to say that the private CAPEX cycle has well and truly started. One of the things I also want to mention is over the last 2 to 3 years corporate balance sheets have significantly improved, their cash flows have also improved. So therefore, we are also seeing that many of the corporates who are increasing capacities etc. are not necessarily coming to the banking system to borrow because they are using their internal accruals to support private CAPEX. But the fact that capacities are increasing, especially in an environment where overall capacity utilizations are now in excess of 75%, I think it is fair to say that private CAPEX will continue into '23-24.

Siddhi Nayak: My other question was on credit cards. So, for Q4 I think the number is 1.13 million or something. Do you guys have a target for the entire fiscal, how many cards would you plan to issue?

Arjun Chowdhry: Yes, we do. Obviously, like I mentioned earlier we have some fairly robust and healthy plans to grow the base but now on a combined basis. But I am afraid it won't be possible for us to give any forward-looking numbers at this point but please rest assured that it is a fairly healthy, we believe it will grow at a fairly healthy clip now with the combined portfolio behind us.

Moderator: The next question is from the line of Vishwanath Nair from BQ Prime.

Vishwanath Nair: I want to actually take it forward from the question at the beginning with regard to the retail portfolio. When I am looking at the investor presentation, it says excluding your Citi portfolio your home loan book grew about 5% YOY and 2% QOQ. I am just curious to understand this strategy of even if you take out the Citi portfolio, still your personal loans and credit cards are mostly pushing the growth on the retail front. I just want to understand what goes beyond behind this strategy. Is it probably because of the rise in interest rate scenario that you are seeing some kind of a slowdown on the home loan front?

Sumit Bali: Let me just take you through the last year. Last year in the first two to three quarters the whole journey was about looking at NIMs and that is reflected in our strong NIM growth over the period. Home loan being a low NIM product we were in a situation where we had a certain volume only to be done. Once the pricing improved, we have seen that home loan business grow in Q4. In fact, we ended the Q4 with our highest ever retail disbursement and that is the momentum we carry forward next year. About 40% of our growth on the home loan book has happened in Q4 and that is the kind of momentum we have going forward.

Puneet Sharma: Vishwanath, if If I can supplement what Sumit just said I request you to kindly look at the data we provide on slide #35 of my investor presentation. Two points for your consideration. The unsecured disbursement is only 20% of my total disbursement so if your question is around are we adding more risk to the book? That should address the fact that we have been at the 20%-24% unsecured disbursement to total disbursement ratio for the last four quarters. The last piece I would present for your consideration is even after the growth in the unsecured book about 78% of our retail book continues to be secured. It is a very well secured book that we currently done.

Vishwanath Nair: Just to add to this, on the loan front I am not entirely sure how much the Citi if you take the credit card out of the picture, whether this consumer portfolio that you have acquired have added to your book because it largely seems like it is still a very Axis led book, right?

Puneet Sharma: Vishwanath I think your observation; so thank you for the question. My request again to the observation you make is please reference this to the fact that the Citi asset's portfolio is about 3.5% of the cumulative Axis Bank portfolio.

Vishwanath Nair: It is not about the comparison of size. I am just talking about the boost you could have provided to the advance in portfolio, that is all?

Puneet Sharma: That's right. It is 3.5% of advances. Yes, you are absolutely right. The biggest boost on a product specific basis comes to credit cards, which was a rationale for the initial acquisition itself. So, we would agree with that conclusion you are drawing.

Vishwanath Nair: Lastly, I just wanted to bring up this question about corporate credit growth and Rajiv have spoken a lot about it. But is there anything that probably worries you in terms of….this euphoria period is usually where a lot of mistakes end up happening in the system. As you look at the pipeline in front of you, what you are looking at, what do you see?

Rajiv Anand: Vishi, where is the euphoria? If you look at lending to large corporates, we have just got to 10%. There is no euphoria at this point in time as far as corporate loans are concerned. I think what we are seeing first and foremost please understand that corporate balance sheets itself are in the best shaped that we have seen in the last decade. Therefore, as a lender we are very happy to see the situation that corporate balance sheets are in. Banks have not lent to corporates over the last 3 to 4 years. This is the first phase where we are beginning to see credit growth come in and I think there is adequate demand from multiple sectors. It is not just one sector with where we are seeing demand; it is across multiple sectors, across multiple size of companies. And as long as consumption demand continues to hold up where we see no reason why we should not be able to grow at 6% next year, add another 5% inflation you are talking about 11% nominal. I think the country will need significantly more credit than 10% growth as we go forward.

Moderator: The next question is from the line of Falaknaaz Syed from Deccan Chronicle.

Falaknaaz Syed: I wanted to understand these gross slippages during the quarter was 3,375 crores. Of that how much were retail slippages?

Puneet Sharma: About 80% of the slippages were retail slippages. But please appreciate that gross slippages is not the variable that we should be focused on. We have recoveries and write-backs in the same quarter and we also classify accounts that were standard when the slippage took place. 35% of the gross slippages for the quarter comes from these two components.

Falaknaaz Syed: You wrote-off NPAs aggregating to 2,429 crores. So, in that how much was retail, retail NPAs?

Puneet Sharma: We do not provide a write off breakup ever as part of our communication. As I have previously said all retail write offs are rule based so there is no discretion. The way our write offs work is the portfolio achieves a certain milestone and if that milestone is achieved it is written off. A number for a quarter actually does not mean much.

Falaknaaz Syed: Sequentially we can conclude that the retail slippages are rising?

Puneet Sharma: I do not think that is a fair conclusion to draw that retail slippages are rising because like I said I would focus on net slippages. Slippages net of recovery from the written off pool. If you look at our reported net slippages post recovery from written off pool, it was a cumulative negative value of 147 crores. So, credit quality is holding up well.

Rajiv Anand: I think if your question is that is the credit quality holding up, I can assure you that we keep doing benchmarking of our portfolio vis-à-vis the peer private bank players and it continues to remain very healthy and possibly in the best in the industry.

Moderator: Next question is from the line of Preeti Singh from Bloomberg.

Preeti Singh: Actually, I took myself off the list because everyone is asked all the questions but since you have added me on maybe everything looks really robust. What can be some pain points going forward this year whether it is in terms of geopolitics or the weather anything that is causing concern at this point?

Amitabh Chaudhry: As I said in my opening remarks, we believe that the Indian economy is alive and kicking and doing quite well. We believe that if things continue to move in the pace at which they are India is potentially sitting at a decade of continued solid positive growth but there are obviously as usual some risk out there. We are watching the global macros; we are watching how the interest rates play out. We are watching some of the geopolitical situation and how they could play out in the marketplace and how they could ultimately impact the Indian economy and Indian exports and Indian exchange rate. Our view is that the interest rate hike cycle has come to an end or coming to an end and we are going to see a prolonged scenario where the interest rates will kind of remain in the same zone for some time. While that brings stability, at the same time we have to remain watchful. We are quite positive about the Indian economy. I think Axis Bank has created a platform which allows it to capitalize on this opportunity extremely well. I think our numbers and how the numbers have moved over the last four to six quarters are reflective of that. So, looking forward to continuing to gain market share and delivering on some of the promises we have been making for some time.

Moderator: Thank you. Ladies and gentlemen due to paucity of time we will take the last question from the line of Vishwanath Nair from BQ Prime.

Vishwanath Nair: I am back but Rajiv the point that I was trying to make earlier was yes, your headline number is limited and yes large profits are not borrowing as much from the bank but then the mid profit segment is growing pretty fast. My point was on the overall portfolio, is there anything that you are watching out for?

Rajiv Anand: Vishi, once again obviously we look at the portfolio on a continuous basis. We are not seeing any signs of early delinquency in any of the corporate portfolios, SME upwards.

Moderator: Thank you very much. I now hand the conference over to Mr. Puneet Sharma for closing comments.

Puneet Sharma: Thank you Neerav. Thank you everyone for taking the time off to meet with us this evening and if there are any further follow-on questions, we will be happy to take them. Have a good evening, stay safe. Thank you.

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