"Axis Bank Q3 FY18 Results Conference Call"

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Moderator: Good evening ladies and gentlemen and welcome to the Axis Bank Conference Call to discuss the Q3 FY2018 results. As a reminder, all participant lines will be in the listen-only mode. Please note that this conference is being recorded. Participation in the conference call is by invitation only. Axis Bank reserves the right to block access to any person to whom an invitation is not 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.

Axis Bank team is represented by Mr. Jairam Sridharan – Chief Financial Officer. There will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone telephone.

On behalf of Axis Bank, I once again welcome all the participants to the Axis Bank conference call. I now hand the conference over to Mr. Jairam Sridharan to begin with the presentation. Thank you, and over to you, sir.

Jairam Sridharan: Thank you, Karuna. Ladies and gentlemen, thank you for joining this call and I wish you a good evening. I welcome you to our conference call for presentation on the Bank's performance for the third quarter of the financial year 2018. On this call along with me are Mr. V. Srinivasan – Deputy Managing Director of the Bank; Mr. Rajiv Anand – Executive Director (Retail Banking) and Mr. Siddharth Rath – Group Executive (Corporate and Transaction Banking). At the end of this presentation, we would be glad to respond to your questions. For some parts of this call, we expect to refer to slides in our quarterly investor presentation, so you might want to keep the presentation handy.

Let me start with the key highlights of the quarter:

Loan growth during the quarter was strong. There was pickup which was visible across all segments. Our retail franchise continued to deliver in terms of a healthy loan growth, fee growth and average CASA growth. Our leadership in the digital space continued with a number one rank in mobile banking spends and volumes as per the latest RBI data and being among the top players in UPI transactions as per the publicly available information. Our capital position is stronger post the recent capital raise with the Tier-I standing at 14.13% and a book value per share at Rs 256, up 12% YoY. Operating performance has been steady. Core operating profit growth was healthy and moderation in operating expenses growth is along expected lines.

Asset quality performance improved sequentially with slippages declining 50% sequentially. Gross and net NPA ratios both declined compared to Q2 levels. Corporate slippages predominantly came from the BB and below pool and provision coverage ratio improved to

66%. And finally, subsidiary contribution has been increasing steadily. I shall dwell on some of these highlights in greater detail as we go along.

Let me begin with some brief comments and our perspective on the macro situation as it looks to us for Indian banking today:

The economic growth recovered slightly in the second quarter rising to 6.1% YoY on a GVA basis from 5.6% in the first quarter mainly on the back of recovery in manufacturing that offset some weakness in agriculture and services. Market rates of course firmed up noticeably during the quarter as liquidity conditions tightened. Further rate cuts at this point look unlikely and the focus has now shifted to the upcoming budget. We remain cautiously optimistic in this environment. Continued gradual improvement in growth coupled with tighter liquidity conditions are likely to boost bank credit growth. Continued government spending on infra will help boost CAPEX and the bank recap package is likely to allow for a more dynamic industry. In addition, the deepening of digital transaction does allow better data harvesting and new opportunities in areas that were previously out of reach of banks.

With this macro backdrop, let me now discuss the Bank's performance:

Banking system non-food credit growth continued its upward trajectory from the multi-decade lows witnessed in the March quarter and stood at almost 12% for the latest fortnight, partly aided of course by the low base of last year. Axis Bank's loan growth in this context continues to remain healthy and stood at 21% YoY above our guidance of 5% points over industry growth. Loan growth was largely driven by 29% rise in retail and a 27% rise in SME loans. Corporate loan growth further picked up to 12% in the third quarter, up from 10% in the second quarter with working capital loans growing quite strong at 49% YoY. The overall deposit growth of the Bank during the quarter stood at 10% YoY which has been partly influenced by the high base of last year. On the average balances basis, deposit growth was healthy. CASA deposits on a cumulative daily average basis for the quarter grew 21% YoY and comprised 46% of total deposits. Savings account and current account balances on a cumulative daily average basis grew by 18% and 26% YoY respectively. On a period end basis, savings account and current account balances grew by 11% YoY and 21% YoY respectively. Overall, CASA balances grew 14% YoY and our CASA share and deposits stood at 49% at the end of the quarter. CASA and retail term deposits continue to form a strong base and stood at 84% of total deposits, up 228 basis points YoY. Term deposits grew by 7% YoY. Growth in retail term deposits was higher at 12% while wholesale term deposits declined by 3%.

Let me move to the Bank's Earnings Profile where I would request you to refer to Slide #14 of the earnings presentation:

Net profit grew 25% YoY and 68% sequentially to Rs 726 crores. Net interest income for the quarter grew by 9% YoY. Net interest margin for the quarter was 3.38% with domestic NIM at

3.60%. Year-to-date, the Bank's NIM have compressed by 19 basis points compared to the whole year NIM of FY17.

Slide #16 in the presentation represents this NIM waterfall showing the 19 basis points compression. This compression remains in line with our expectations and we reiterate our full year NIM guidance which is an expectation of 20 basis point compression on a full year basis. Cost of funds during the quarter stood at 5.08% compared to 5.18% in the second quarter of this financial year and 5.51% in the third quarter last year. Fee income growth was healthy at 24% YoY and constituted 31% of operating revenue. I will reiterate that some of the fee income growth is also a contingent and coming off of some base effect from the third quarter last year particularly in retail fees. Retail fees continues to be an area of strength with a growth of 35% in this quarter, and retail fees constituted 49% of the total fee income. Corporate banking fees in the quarter grew by 2% YoY.

Trading income stood at Rs 200 crores, down 87% YoY. Operating expenses growth for the quarter moderated to 12% year-on-year. The cost to average assets for the Bank was flat at 2.17% for the quarter. Operating profit for the quarter stood at Rs 3,854 crores, down 17% YoY driven by the fall in trading income. Core operating profits rose 17% YoY. Provisions and contingencies for the quarter were Rs 2,811 crores, down 26% YoY and 10% QoQ. For a detailed provisions breakup, kindly refer to slide 68 in the earnings presentation. The Bank's provision coverage ratio improved during the quarter and stood at 66%.

Let me now discuss our performance in the key business segments starting with retail:

The strong retail franchise continues to drive our financial performance. If you refer to Slide #23 of the earnings presentation, the share of the retail loans in the overall loan mix continues to remain on an upward trajectory and stood at 46% at the end of the third quarter. Retail loan book remains well diversified with nearly all major segments contributing significantly. The share of home loans and overall retail book has steadily come down from 54% in financial year 13 to 42% at the end of the third quarter while the share of personal loans, credit cards, auto loans and small business banking has inched up to 26% from 19% during the same period.

If you flip over to the next slide, you will observe that the growth in the third quarter was led by credit cards, personal loans and auto loans that grew by 46%, 44% and 34%, respectively. Our identified new engines of growth like small business banking and education loans continue to see strong momentum. In personal loans and auto loans, we continue to see traction on acquisition from digital channel and branches.

Slide #25 of the presentation highlights the growth trend in retail fees over the last few years. At the same time, retail fees have increasingly become more granular and annuity based. The share of fees from cards has been steadily inching up from 26% at the end of FY13 to 39% at the end of 9MFY18. Card fees grew strongly by 37% YoY during the quarter, also partly influenced by low base in the third quarter last year.

Internal customers continue to be the mainstay of the Bank's strategy for sourcing retail loans. 72% of sourcing in the third quarter was from existing customers. 96% of the Bank's credit cards and 76% of personal loan originations in the quarter were from existing customers of the Bank. 51% of overall sourcing happened through our branches. Given our internal sourcing strategy, we believe that branches remain essential for new customer acquisition and hence we continue to make investments in developing an extensive branch network. We opened 104 branches during the quarter. However, the new branches continue to get smaller in size.

Axis Bank continues to rank among the most valuable brands in India ranking in the top 10 in this year. Our leadership position and transactions on the payment space also continues. Digital payments have always been a key strategic thrust for the Bank particularly over the last couple of years. We have emerged over this period as the leading partnership driven innovator on different payments use cases. The Bank has partnered with marquee names like Google, IRCTC, LIC, Uber, Ola, IOCL, BPCL, Future Group, Reliance Digital etc. to drive acceptance of payments on the UPI platform.

If you refer to Slide #30, you will notice that the Bank has a strong market share across almost all digital and new technology payment products. Our market position in the mobile banking space improved during the quarter and the Bank now tops the market share table both in terms of transaction value and transaction volumes as per the latest RBI data. Mobile banking spends on the third quarter reported a growth of 71% on a YoY basis, led by a 219% growth in transaction volumes predominantly on account of the surge in UPI transactions. The Bank has 4.2 million credit cards in force at the end of the quarter making us the fourth largest credit card issuer in the country with a market share of 11%. Credit card spends in the third quarter increased by 59% year-on-year to Rs 11,725 crores and debit card spends grew by 4% year-on-year to Rs 8,722 crores.

The Bank is the second largest acquirer of point-of-sale terminals in the country with an installed base of 4.7 lakhs point-of-sales terminal. We also continue to witness strong traction in the adoption of digital channel by customers. Please refer to slide 34 in the earnings presentation. You will notice here that 56% of the Bank's active customers are digitally active. 38% of our mobile banking customers actually use only the mobile app to bank with us. Mobile banking logins are now almost 5 times that of internet banking logins. The total number of debit and credit card transactions at POS terminals and e-commerce channels continue to be much higher than the total transactions witnessed on ATM, a phenomenon that only started a few quarters ago. Overall, digital transaction volume increased by 15% on a YoY basis while branch transaction continued to trend downwards.

If you flip over to Slide #36 and #37, these highlight our capabilities and strong positioning in the Unified Payment Interface (UPI) space. We were among the first four banks to go live on NPCI's UPI ecosystem with the launch of Axis Pay, UPI app that has seen tremendous response with over 6.5 million virtual payment addresses being created across various apps. In the third quarter of FY18, Axis Bank processed over 95 million UPI transactions amongst the highest in the industry with a 29% market share. We currently have 9.5 million registered customer base. During the quarter, the Bank also launched instant international payment services using Ripple's enterprise block chain technology. Axis Bank is the first financial institution in India to offer Ripple enabled frictionless payments experience in this space. This will make international remittances faster and more transparent for the Bank's retail and corporate customers while ensuring security and improving overall efficiencies.

The acquisition of Freecharge, which was completed in the second quarter has since settled down. We continue to believe that the Freecharge unique value proposition in the digital payments space and the strength of its acquisition engine would help build the Axis franchise further and create significant value for the Bank in the future. All post acquisition activities at Freecharge remain on track. All topline metrics since acquisition have improved materially with total payment volume up 42% and monthtly active users increasing by 24% since our acquisition was completed.

In the corporate segment, our focus in recent years has been on four areas; reduce concentration risk, build a higher rated lending book, increase the share of working capital loans, and transaction banking revenues and prepare for a move towards deeper bond market through our DCM franchise. In line with these focus areas, you will notice on slide 43 through 47 that corporate credit growth has been led by transaction and working capital oriented businesses. The working capital loan book grew strongly at 49% YoY while term loan book grew by 1% YoY. Incremental sanctions have been to better-rated corporates with 85% of these rated A or better. At present, 74% of the outstanding standard corporate exposure is to companies rated A or better which compares to 65% a year ago. The Bank's exposure to top 20 borrowers as a percentage of Tier-1 capital has been steadily declining and stood at 107% at the end of Q3 compared to 287% at the end of FY11.

The Bank's debt and capital markets platform continues to be a market leader. The Bank's share in the Indian bond market for the quarter stood at 20.3% compared to 19.6% for the same period last year. Axis Bank continues to top the Bloomberg league table for corporate bonds for the tenth consecutive year and we have been awarded “Best Bond Adviser – Domestic, India” at the Asset Triple A Country Awards of 2017. We believe that our leadership here positions up very well to benefit from the growth in the corporate bonds market.

In the SME segment, the focus has been to drive growth while ensuring quality of the book. Our SME loan growth improved during the quarter and stood at 27% YoY, partly aided by the low base at the end of December 2016. The growth was broad based as term loans and working capital loans both grew by 20% and 29% YoY respectively. Share of working capital to overall SME loan book currently stands at 78%. The GST related uncertainty seems to have abated with improved growth visible in the segment. Our focus here remains on building a highly rated SME book, presently, 87% of the outstanding standard exposure is to clients rated SME 3 or better.

Let me move now to asset quality:

Gross slippages for the quarter declined to Rs 4,428 crores from Rs 8,936 crores reported in the second quarter. Net slippages stood at Rs 420 crores in the third quarter. Gross slippages in the corporate segment stood at Rs 2,980 crores while that in retail and SME stood at Rs 934 crores and Rs 513 crores, respectively. Net slippage before write-off in retail and SME stood at Rs 599 crores and Rs 166 crores respectively. As on 31st December 2017, the Bank's gross NPA and net NPA levels reduced to 5.28% and 2.56% from 5.90% and 3.12% as on 30th September 2017.

Recoveries upgrades during this quarter were at Rs 4,008 crores while write-off were at Rs 2,822 crores. During the third quarter, the Bank recovered substantial amount in cash from an account in the IT-ITES sector and also upgraded one account in the steel sector. These two accounts were part of the 9 accounts that were reclassified by the Bank in Q2FY18.

If you refer to Slide #52, you will notice that during the quarter, 93% of corporate slippages came from the low rated BB and below pool. The outstanding amount of the BB and below pool at the end of this quarter includes the outstanding amount of the steel account upgraded during the third quarter as mentioned before.

Moving on to Slide #53, as on 31st December 2017, the Bank’s total loan amount outstanding against the IBC accounts mentioned in the two lists referred by RBI has declined by 14% compared to the amount outstanding as on 30th September 2017. The Bank has also made incremental provision of Rs 237 crores against these accounts during the quarter taking the total provisioning towards the select accounts to Rs 4,123 crores resulting in an increase in the provision coverage of these accounts to 68%. Credit cost for the quarter and for 9MFY18 stood at 233 basis points and 250 basis points respectively. We expect credit cost to remain in the guided range of 220-260 basis points for fiscal 2018 and starts trending towards the long term normalized levels by the second half of financial year 2019. The Bank increased provision coverage ratio by 600 basis points during the quarter to 66%. As mentioned before, we expect to maintain PCR in the 60%-65% range on a steady basis.

Let us now touch upon capital levels and shareholder returns:

During the quarter, the Bank raised equity capital of Rs. 8,680 crores through a preferential allotment to strengthen CET1 ratio while supporting future growth plan. Our total capital adequacy ratio including 9-month FY18 profits continues to be healthy at 18% with a Tier-1 capital adequacy ratio of 14.13%. This compares with the Tier-1 ratio of 12.36 at the end of 30th September and 12.99 as of 31st December 2016.

Slide #58 of the presentation lays out the impact of various items on our Tier-1 ratio over the nine months of fiscal 2018. Fresh equity capital raised contributed 173 basis points. Seasonal one-off items consumed 24 basis points, growth consumed 43 basis points of Tier-1, fresh additional Tier-1 bonds contributed 70 basis points and profits contributed 50 basis points making for a net accretion of 226 basis points of capital for 9MFY18. Risk weighted assets for the Bank at the end of this quarter stood at Rs 497,344 crores. The proportion of RWA as a percentage of total assets improved to 77% during the third quarter compared to 78% at the end of the second quarter. Return ratios have seen moderation due to higher impact of provision cost and an increase in the net worth post the capital raised in the third quarter. Annualized ROE and ROA for 9 months FY18 stood at 6.38% and 0.53% respectively. We expect these ratios to improve as the Bank leverages the capital for future growth and we expect to see normalization in credit cost.

Moving on to the performance of our key subsidiaries:

The Bank subsidiaries have started to scale to a level where they are now able complements to the Bank's overall strategy. They are also starting to contribute materially towards creating dependable, alternative revenue pools for the bank. Axis Finance is a fast growing NBFC and complements the Bank's strategy by offering financial solutions to retail and wholesale customers who have unique financing requirements. The loan book grew here by 82% YoY in the first 9 months. Revenues in these 9 months grew by 27% to Rs 529 crores while PAT grew 32% to Rs 155 crores for the same period. Axis Capital is the institutional equities and investment banking franchise of the Bank and has been the leader in equity and equity linked deals over the last decade. Axis Capital executed 15 transactions during the third quarter, including 7 IPOs, 2 QIPs, and one mega buyback deal among others taking the total deal count to 33 for the first 9 months of the fiscal. Out of the 15 IPOs of more than Rs 100 crores that came out in the third quarter, Axis Capital was associated with 7 and it successfully co-managed the two mega IPOs in the insurance sector. Revenues in the 9 months grew by 28% to Rs 262 crores and PAT grew by 37% to Rs 121 crores for the same period.

Axis Securities is one of the fastest growing stock brokerage firms in India and currently ranks among the top 3 brokerages in the country in terms of the client base. The cumulative client base rose 39% in the first 9 months of the fiscal to 1.73 million. Total revenues in 9 months grew by 30% to Rs 676 crores with a 21% increase in broking revenue, while PAT grew by 33% YoY to Rs 40 crores for the same period. Axis AMC, our mutual fund business continues to perform well. The AMC reported 50% YoY growth in average AUM for the first 9 months of the fiscal led by 23% YoY rise in number of client folios. Revenues for the 9 months grew strongly by 44% YoY and profit after taxes for the same period grew by 8% YoY.

Invoicemart, this is the subsidiary we have not spoken about in the past. Axis Bank in partnership with m-Junction was one of three entities allowed by the Reserve Bank of India to set up the trade receivables discounting system (TReDS), an electronic platform for facilitating cash flows for MSMEs. Our digital invoice discounting platform Invoicemart for MSMEs has done exceptionally well since its inception a few months ago with a market share of nearly 50% amongst the three TReDS platform active today. We currently have more than 250 participants on the platform including multiple financiers and clocked more than Rs 200 crores in finance throughput by e-discounting nearly 7,500 invoices.

As I close, allow me to re-summarize the key themes of the quarter:

Loan growth momentum has picked up across all segments. Retail franchise remained strong with a steady CASA and robust retail loan and fee growth. OPEX growth has moderated and core operating performance remains healthy. Key asset quality metrics have all moderated during the quarter and provision coverage has increased.

With that, I come to the end of my comments and we at this point of time will be glad to take your questions.

Moderator: Thank you very much sir. Ladies and gentlemen, we will now begin with the question and answer session. The first question is from the line of Mahrukh Adajania from IDFC Securities. Please go ahead.

Mahrukh Adajania: Just in terms of your BB portfolio, there has been a gross increase of around Rs 30 billion, of which Rs 10 billion is explained by the upgrade of the account. So excluding that, also there is around a Rs 20 billion increase in the BB portfolio at the gross level right if you do not consider slippages.

Jairam Sridharan: No, Mahrukh. The BB portfolio was around Rs 15,800 crores at the end of last quarter. At the end of this quarter, it is Rs 16,100 crores or thereabouts. So there is an increase of about Rs 300 crores. We know that there is roughly Rs 1,100 crores addition to the pool in this quarter in the form of an upgrade that happened which was not part of the base last time, but is part of it this time. So what has happened is that the upgrade from NPA pool increased BB and below by about Rs 1,100 crores. There were downgrades which were roughly in line with what we have seen in prior quarters, and balance changes of existing BB accounts that give or take about Rs 2,000 crores and the rest is slippages out of BB and below. So that is the broad maths, roughly Rs 2,000 crores downgrade plus balance movement which adds to the pool. Rs 1,100 crores roughly of the upgrade of the steel account which adds to the pool that gives around Rs 3,200 crores of addition, about Rs. 2,800 crores of slippages out of the pool, so with a net flow of about Rs 300-400 crores.

Mahrukh Adajania: Got it, so you are saying that the Rs 2,000 crores of downgrades that is the normal run rate in the past 3 quarters?

Jairam Sridharan: Correct, in the last 4-5 quarters, we have seen about Rs 2,000 crores to Rs 2,500 crores of downgrades. This is broadly in line with that.

Mahrukh Adajania: And any specific sectors or it is a broad based thing?

Jairam Sridharan: Power has been among the larger ones, but I would not say that it is dominated by, but certainly power sector contribution is about a third of that.

Mahrukh Adajania: Got it. And in terms of security receipts, what is the outstanding number this quarter and have you sold any assets to the ARCs and what asset like, was it standard or fresh slippages or existing NPLs, if there was a sale?

Jairam Sridharan: We have not sold anything to ARCs in this quarter and the SR pool is about Rs 3,000 crores, unchanged from prior quarters.

Mahrukh Adajania: Okay. So other than the two upgrades also, the recoveries was strong?

V. Srinivasan: Yes. We have sold assets in the market place. There are funds who are interested in buying assets and those are the things which have happened.

Mahrukh Adajania: But those would be NPLs?

Jairam Sridharan: NPLs.

Mahrukh Adajania: Alright. And the reduction in the NCLT list, where you talked about 4 accounts, those were all NPLs and would this be a systemized thing?

Jairam Sridharan: Yes, they were all NPLs for us. There are four accounts that have reduced, one which was a sale transaction for us. There are other 3 accounts which were part of the second list where RBI has said that if you find resolution by the 13th of December, they don't need to go to IBC, otherwise they need to go to IBC. There are 3 accounts in which some resolutions have been found by the lenders and that is why they don't show up in our IBC list anymore.

Mahrukh Adajania: And the amount of NPLs that you sold in the market that would be the balance, right, means Rs 2,000 crores or so, from the recovery and upgrades. Is that the right way to look at it?

Jairam Sridharan: It is a little bit less than that Mahrukh.

Moderator: Thank you. The next question is from the line of Vishal Goel from UBS Securities. Please go ahead.

Vishal Goel: Sir, the question is this downgrades into the BB and below list which I think you also mentioned it has been around Rs 2,000 crores to Rs 3,000 crores range, what is the visibility over here? I don't know whether it is already matured list or if you keep seeing this kind of downgrades, then you know these provisions can continue.

Jairam Sridharan: I think it has now been about 5 quarters that we have seen roughly the same range. At this point of time, I must admit we are not seeing, there is no evidence at hand right now to say that this is immediately going to start reducing; however, if you look at the overall pool of BBB which is essentially the source from where the downgrades are happening, that BBB pool is now starting to come off. There is a chart in our presentation where we show the overall split of the corporate book and you will see that BBB pool which used to be 24% of our standard asset is now down to 17%. So as the BBB pool itself has come down, at this point of time you start thinking that okay, maybe the downgrade from BBB to BB is starting to wind down.

Vishal Goel: Okay. And just some understanding on how we think about provisioning going forward, so we have this Rs 16,000 crores of BB and below. Let us assume that if it remains static for the time being, now how should we expect, like the resolution or recognition of this. Should we expect it to happen over next 1 or 2 quarters, either below the line or above the line in P&L or should we expect a 3 to 4 quarter drawn out provisioning?

Jairam Sridharan: I am not sure I fully understand your question, but let me take a shot at it. See, BB and below is the pool of stressed assets. The first before provisioning is sort of recognition or actualization of stress into NPA. That NPA formation is likely to happen over the next 2 to 4 quarters or thereabouts. And by that time you see much of this downgrades, their conversion into NPAs etc., you should start seeing a reversion towards long term means in that time period. And as our philosophy with respect to provision has been to pay as we go i.e. as you see the downgrades you will simultaneously see the provisions coming as well. So you will see the provisions ratio around that 60%-65% kind of mark making sure that all these downgrades and further slippages from that are immediately accounted for in the P&L.

Vishal Goel: And one related question to this only. Do you think IFRS is happening in March or April, or you think it is getting delayed?

V. Srinivasan: Let us keep that aside, it is very difficult to comment. It is already too late. So little longer it takes, the tougher it is to be implemented by April 2018.

Moderator: Thank you. The next question is from the line of Manish Karva from Deutsche Bank. Please go ahead.

Manish Karva: So, this NPLs that you have sold to various funds, this is on cash basis and I assume there is no recourse to you?

V. Srinivasan: All on cash, no recourse.

Manish Karva: Okay. And whatever provision that needed to be made is done, it is a part of the provisions that you would have done?

Jairam Sridharan: Of course.

Manish Karva: And second do you hold any contingency provision?

Jairam Sridharan: At this point of time, no. All the contingency provision has been used up over the last few quarters.

Manish Karva: And lastly, now the watch list is going to wind down by next quarter. So a fair assumption would be that whatever is pending in the watch list will probably become NPLs, since it is time we haven't found much of a resolution in the remaining portion?

Jairam Sridharan: No. Actually the way to think about it is we have about Rs 5,300 crores of watch list left, if some part of it becomes NPL in the next quarter, the watch list will reduce by that amount. Whatever is remaining, we will start treating it as sort of business as usual pool, and stop the separate watch list disclosure that we have. The accounts will still remain. The accounts will take whatever time they take to either get resolved or become normalized. But the outstanding amount of Watch list at this point of time is immaterially small in the context of Rs 6.5 lakh crores balance sheet, that separately tracking it does not seem to be entirely productive. So we would wind down the watch list as a construct at the end of next quarter. But those accounts themselves will remain.

Manish Karva: Okay. And then a similar question to watch list, you gave a breakup of your watch list in terms of which sectors they are in, what will be the top 3, 4 sectors of the BBB loans that you have?

Jairam Sridharan: Very similar.

Manish Karva: Very similar as in, power will have disproportionately higher share of BBB as well?

Jairam Sridharan: No. Power in BB and below is about 35% odd. So power, iron and steel, infra are going to dominate the BB and below listed ones.

Manish Karva: Okay. And three of them put together would be what 60%-70% around?

Jairam Sridharan: Around 60%, yes.

Moderator: Thank you. The next question is from the line of Nilanjan Karfa from Jefferies. Please go ahead.

Nilanjan Karfa: Question on the margin trajectory. How do you see it panning out over the course of next 12 months?

Jairam Sridharan: Broadly, we think we may have bottomed as far as margins are concerned at the risk of making too strong a comment here. I will say that there are two or three things that are working in favor of margins. Of course, we continue to see margin compression through most of this year and we are at about 19 basis point compression compared to full year last year. We had guided for a 20 basis points compression in full year. We should be comfortably within that range at the end of this year. There are three things happening in the market. One is of course the tightness of liquidity which creates a little bit of pricing power for banks, so you should see that in the next quarter. The second is the improvement in our asset quality numbers which as they progress, you will start seeing a higher proportion of assets becoming interest earning and the third is of course our recent capital raise. All three of these are NIM expansive and you might start seeing all of that cumulative effect coming to play in the next quarter and see certainly stabilization of NIM and hopefully a little bit of an increase.

Nilanjan Karfa: Sorry, I missed the second point that you mentioned. Where will you start accruing margins?

Jairam Sridharan: Second was the reduction in the proportion of noninterest earning assets. So if your net NPAs plus SDR etc. come down, which currently are not earning any interest, the negative margin pool reduces as a proportion, which is NIM expansive.

Nilanjan Karfa: For the first time, we are now seeing an absolute gross NPL kind of come down. Is that a permanent inflection point that we have seen or do you think we might see a bump up in future?

Jairam Sridharan: We are cautiously optimistic.

Nilanjan Karfa: Couple of data points if you could provide. Like last quarter, could give a broad breakup of the power sector distribution?

Jairam Sridharan: Power sector distribution, there has been a few different sort of moving pieces on that, Nilanjan. The overall pool itself has come down because of few accounts have paid down. The overall pool is now down to roughly Rs 16,000 crores. So the pay down has been Rs 1000 plus crores during the course of the quarter. The BB and below pool is about 36% and BBB is about 30%.

Nilanjan Karfa: Right and could you have the non-fund exposure to the IBC list and as well as the BB and below?

Jairam Sridharan: It is very small. It is couple of Rs 100 crores.

Nilanjan Karfa: And in the BB and below?

Jairam Sridharan: BB and below, the non-fund based exposure would be roughly of the order of Rs 5,000 crores.

Moderator: Thank you. The next question is from the line of Adarsh Parasrampuria from Nomura. Please go ahead.

Adarsh Parasrampuria: This question on, you sold some of these loans right, if you can just talk about this like indications of some haircuts that you would have taken.

V. Srinivasan: See, the haircuts are clearly there when we have an NPA, and when we are going through a process, we have a fair idea of what we believe is fair value and what is expected. So some of these things we took a call at rather than go through the process, if we are getting fair value which we believe is wherever in the market place, I think we just did that. So broadly if you look at one of the large loans which we sold, I think the haircut was close to 40%.

Adarsh Parasrampuria May be this is one of the steel names. But as you go beyond the steel names, right, what would be your expectation of haircut? In steel, because of the environment things have changed, but otherwise what is your expectation as we get more closer to seeing some of these in the March-June quarter?

V. Srinivasan: If you look at what has happened in one of the cement accounts, there was no haircut; in textile, there will be much larger haircut. So I think it is very difficult to say as a pool what you expect. Like I said steel we have had some haircut, some other sectors maybe haircuts could be probably higher. Construction, haircuts could be much larger. So it is sector specific.

Adarsh Parasrampuria: And just from a write-off perspective, you all have been writing-off a lot of loans. So what is the recoverability pool from that? Some of this could be accounting related. So you think that the way you report, your provision is the right way, and you all are comfortable with that or the write off pool will eventually have a much larger haircut?

Jairam Sridharan: See, we have talked about this a little bit in the past. So the way we think about it is all accounts that go into NPL, we assess them for LGD buckets and there will be some low LGD bucket, there will be some mid LGD bucket and there will be some high LGD bucket and we try to slope our provisioning accordingly. On an overall basis, we expect LGD somewhere around 60% and hence we would like to keep provision coverage in the 60%-65% kind of range. Now this takes into account both the low LGD account as well as the very high LGD accounts. In those very high LGD accounts, we have gone ahead and made 100% provision, we go ahead and do prudential write-off of them so that we can take the taxation benefit of doing that write-off. So yes, our belief is when you actually look at LGD and compare that LGD to provision coverage because you are using the high haircut accounts for LGD calculation, you should also take into account the high provision we have made on some of those accounts in the form of 100% provisioning and hence prudential write-off. Hence we believe that the 66% of PCR calculation this quarter includes all those accounts where we have made 100% provision that is the right way to actually look at things.

Adarsh Parasrampuria: So broadly on coverage, relatively where you would like to remain for some time?

Jairam Sridharan: We have said in the past that our sweet spot we believe is somewhere in the 60%-65% kind of range. Last quarter we have fallen into the bottom of our comfort level range which is at 60%. This quarter, we have shored up coverage and we have sort of exceeded the ceiling a little bit, we have gone to 66%, but broadly we plan to be in the 60-65% range on a steady basis.

Adarsh Parasrampuria: And last question is given the amount of A plus accounts being built in the corporate book and the retail proportion in the overall book, while you expect to get to normalization in the second half of next year, just taking a 2 to 3 year view, given the construct to the loan, is it very natural to expect undershooting to happen after that in terms of credit cost given the kind of book being built now?

Jairam Sridharan: There is a factual statement that you can make which is that the last 15-16 years credit cost charge that we show in our earnings presentation, if you were to deaverage that chart by corporate, retail and SME you would indeed see that through the cycle 17-year average credit cost for retail would be the lowest and SME and corporate would be roughly similar at a slightly higher level. And hence if your book composition moves in such a way that retail is seen higher going forward, then there is a reason to be cautiously optimistic about what is go-to-average as far as credit costs are concerned. But let us wait and watch, how that plays out.

Moderator: Thank you. The next question is from the line of Kunal Shah from Edelweiss Securities. Please go ahead.

Kunal Shah: Sir, if we look at the waterfall for NIMs, the impact of interest reversal is hardly 3 odd basis points. So maybe maximum of it is also come from RBI's divergence this time. So how has been the servicing? Maybe prior to that obviously it was more kind of a servicing account and maybe on a receipt basis we would have accrued interest. But post this classification of NPL, have we seen the change in the behavior of the borrower in terms of the payment on this RBI divergence accounts apart from 2 which have got upgraded?

V. Srinivasan: No change. I think the accounts irrespective of classification because of RBI divergence, the accounts who are paying, they continue to pay. So an account if it gets downgraded by one bank, it doesn't mean that it will stop paying everyone.

Kunal Shah: Okay. So maybe even if we look at it in terms of the unwinding, so unwinding has not been the major cause for the decline in the margin which has been there in the first 9 months. It has been broadly on account of decline in yields, which could be either loan mix or competition. So do we see this continuing for a while and the pressure on the overall yields to continue?

Jairam Sridharan: No. I think your assertion is right that the margin compression over the 9 months in this financial year are driven by yield compression, not by increased credit risk in any sense or any of the credit risk matrix. I said during my opening comments that we have seen 19 basis point of compression compared to last year. Our full year guidance is about 20 basis points. We remain fairly confident that we will be well within that range.

V. Srinivasan: I think what Jairam said earlier was a proportion of noninterest earning assets is coming down and I think that is what is going to help the NIMs, which is what he said.

Moderator: Thank you. The next question is from the line of Nitin Agarwal from Motilal Oswal. Please go ahead.

Nitin Agarwal: I have one question on the working capital loans. So that piece is like growing at a very rapid rate for us. So what sort of working capital loan mix are we looking at in the corporate portfolio and how much of this growth is coming by way of like organic and how much of it is, any buyouts there?

V. Srinivasan: There are no buyouts as such. I think we try and get into good working capital consortiums and the utilizations will depend on market conditions and that is what we are seeing happening. So there is no inorganic. I do not know what you mean by organic. Everything is organic. We approach the corporate and get into the working capital consortium by offering him whatever we believe has value for them.

Nitin Agarwal: So this is like more coming in by way of refinancing or are you seeing signs of fresh demand also in this space?

V. Srinivasan: Both. I think it is difficult to say that I will take over someone else and the other bank will be moved out of consortium. It does not happen that way. Every corporate has an increase in working capital needs year-on-year and we try and fill up that gap as and when possible.

Nitin Agarwal: And related to this, do you think there will be any margin implication from this change in the loan mix in this space - moving from a term loan altogether towards working capital in the long-term?

V. Srinivasan: It may give you a steadier asset base. If you have more and more working capital lines, at any point of time I think, the amount it will be get drawn down, and you are a lot more confident in terms of utilization and asset buildup.

Nitin Agarwal: And secondly on the watch list like which is dominated by power assets at 67% of total watch list, is it possible to share like the composition of under construction and operational assets and what sort of LGDs one can work with in this space?

Jairam Sridharan: You are talking about one-thirds of Rs 5,000 crore book, breaking that even further in terms of LGDs, we could do it, but I think it is too small.

V. Srinivasan: All large power projects are operational right now.

Nitin Agarwal: Right. You said that of the total BB and below, nearly 35% belongs to power. So right, which is almost like Rs 5,000 odd crores.

Jairam Sridharan: So yes, the information we shared, if you remember in a slide last quarter on what the composition is in terms of under construction versus fully constructed etc., which is materially the same, nothing much has changed on that front in this quarter.

Moderator: Thank you. The next question is from the line of Arash Arethna from India Infoline. Please go ahead.

Arash Arethna: Just wanted to know if you could tell us a little bit more about the slippages in retail and SME and why they are higher than usual and any particular products or reasons that are attributable for this?

Jairam Sridharan: Nothing very specific. I think it is just a little bit more visible, now that corporate slippages are a little bit lower. But there is no big event like the Agri event that happened in the first quarter of this year or anything of that sort. We haven't seen anything of that nature. So this is sort of a broad distribution right now as you know we have a very broad suite of products in retail. There is no particular concentration of the slippages that we saw in the third quarter.

Moderator: We move to the next question that is from the line of Ravikant Bhatt from Emkay Global. Please go ahead.

Ravikant Bhatt: Just a couple of questions. One is on the operating expenses (opex). Now, if one were to look at broadly how the employee and non employee expenses have grown over the last few years, clearly the non-employee opex has accelerated and if one were to look at the 9 months period, your non-employee opex growth has been almost twice that of employee OPEX. If one were to look at the opex, the pace overall has come down which you also noted in your presentation at the outset. So if you could just give an indication how we can expect this line to move?

Jairam Sridharan: So the big thing that I note here is that third quarter was a quarter in which on a growth basis, we saw a reduction in our employee base, a fairly material reduction in our employee base. This is the first and in the last multiple quarters that we have seen a material reduction in the employee base and as you can imagine that translates into much slower staff opex compared to what it has been in the past. Clearly, some of the benefits of digitization at the frontend as well as more particularly digitization of the back office are starting to have an impact and you are seeing that in the form of reduction in staff opex. As far as non-staff opex is concerned, that does tend to depend a lot on business volume and throughput and you are seeing that growth. Overall, if you see opex, we started the year at a YoY growth of roughly 20% which reduced to 19% in the first quarter, 14% in the second quarter and is now at 12% in the third quarter. So clearly from a trajectory perspective, overall opex is continuing to come down and the jobs are getting more and more efficient.

Ravikant Bhatt: Okay, fair enough. And the second question is again on the loan growth, the working capital thing which you have articulated. If you could just list, maybe 2 or 3 factors which might be driving the working capital demand? Whether it is commodity inflation or rising capacity utilization and where this is exactly coming from. Or is it just that you are gaining market share?

V. Srinivasan: It is just gaining market share. It is basically taking share away from other banks, let us leave it there. Because what we are seeing is that, any incremental working capital we participate, out of the overall utilization we tend to get a much higher share because of our competitiveness and our customer service.

Ravikant Bhatt: Sure. And just a related question. If you could just elaborate if TReDS would have any relation to the future performance on the loan growth. If there is anything, any number that you could share over there?

V. Srinivasan: TReDS has not got anything to do with our loan growth. Clearly, TReDS is basically receivable financing for MSMEs and whatever receivables they have, that goes on a platform where other financiers including Axis Bank can finance. So that is not something which will have any impact on our loan growth. I think that is an independent platform. It is neutral to Axis Bank.

Jairam Sridharan: What we hope to do is as service providers for MSME, we would want to make that market of MSME receivables discounting and if we are able to do that, then it will become the platform of choice and you become the aggregator of a lot of information and data on the kind of transactions that are happening out there and over time you can actually figure out how to monetize that data. But this is not at this point of time meant to be SME loan growth enabler at this stage. It will take a while for it to get there.

Moderator: Thank you. The next question is from the line of Sreesankar R from Prabhudas Lilladher. Please go ahead.

Sreesankar R: Most of the questions got answered, but a quick one or two things. You mentioned from your presentation about the personal loans etc. sourcing from your own clients is dropping. Do you think that there is probably going to lead to some kind of a risk in your credit that you are giving in the personal loan side?

Jairam Sridharan: We continue to believe that sourcing from our internal customer base is indeed the best form of sourcing that we can do. There is a sort of marginal decline from 78% to 76% on a quarter-on-quarter basis if you look at the percentage of personal loans that are sourced from internal customers, but that increased delta has also gone towards a preselected white list of companies in the country whose employees that we have created personal loan products for. So it is not a sort of open market in the traditional sense. It is sourcing from a white list of companies whose salaried employees we sell to.

Sreesankar R: Okay. That is helpful. Your corporate loans have seen an increase of roughly around 12%. That is again you mentioned about it is working capital led. So the increase which is probably you have seen in lot of commodities. Is it the gain coming from the inability of the PSU banks to lend in the incremental credit requirement or where are these gains coming from?

V. Srinivasan: As I said, it is to some extent gain in market share from other banks which could be primarily PSU banks because overall if you look at the credit expansion, it is clearly not to the degree which you are talking of for increase in working capital loans.

Sreesankar R: Okay and finally one, Jairam, in your opening remarks, you did mention that your credit cost you expect to start reducing in the second half of FY19, correct?

Jairam Sridharan: I said that we expect credit cost normalization by the second half of FY19 and by normalization, I was indicating a reversion on a run rate basis to a long term average of about 100 basis points of annualized credit cost.

Moderator: Thank you. The next question is from the line of Prakhar Sharma from CLSA. Please go ahead.

Prakhar Sharma: I just needed a couple of data points. One, the BB and below rated number, that is a fund based number, right? Would you have the non-fund based exposure to these corporates as well?

Jairam Sridharan Yes, that is our fund-based number and this question had come up earlier in the call. The non-funded exposure to BB and below is roughly Rs 5,000 crores.

Prakhar Sharma: Okay. Sure. And sorry if I missed it, but have you given the numbers on the 5:25 and the SDR?

Jairam Sridharan: No, we didn't give out specific number. If you look at the entire pool of SDR, CDR, S4A, 5:25 and that all sort of different restructuring dispensation, that whole pool is something like Rs 6,985 crores.

Prakhar Sharma: Okay. Because what I remember is, if this steel account would have got added to the 5:25 construct, so that number last quarter itself was touching somewhere like Rs 6,000 crores on a net basis adjusted for the overlaps maybe. Would that have gone up?

V. Srinivasan: The last quarter number for outstanding under various restructuring dispensations was around Rs.7,300 crores, the same is now around Rs.6,985 crore, after taking into consideration the upgrades and excluding fresh slippages into NPA.

Prakhar Sharma: Okay. Even as you classified the steel account as NPL in Q2?

V. Srinivasan: The steel account is classified under 5:25 from December 15. However the restructuring dispensations outstanding amount represents standard accounts as at the end of period.

Moderator: Thank you. The next question is from the line of Krishnan ASV from SBICAP Securities Limited. Please go ahead.

Krishnan ASV: Two things from my side, number one could we be at a stage for a while now where your Axis Bank's MCLR actually begins to trend up, but base rate needs to necessarily adjust lower. I mean that could happen for the rest of the system as well. But do you envisage that happening with Axis Bank given that base rate on an average cost basis would adjust lower for a while longer, but your MCLRs may actually start trending up?

Jairam Sridharan: It is logical, what you are saying is logical, it is possible.

Krishnan ASV: Right. And so then what happens. I mean in terms of the regulators demand on what a bank can do in terms of your ability to coerce borrower?

V. Srinivasan: I mean how the regulator would react to that, we are the wrong people to ask.

Krishnan ASV: So that is one. Number two is more to do with recent inputs that have come from different regulators to you to the Bank as an institution. Could you just elaborate on what actions you have been taking place?

Jairam Sridharan: There have been conversations that we have had with some regulators in terms of investigations that they requested the Bank to take on. All those are progressing well and we are in constant touch with the regulators on that and at this point of time, there is nothing to report to the broad-investing public.

Moderator: Thank you. The next question is from the line of MB Mahesh from Kotak Securities. Please go ahead.

MB Mahesh: Just 2-3 questions. One, just a reconfirmation on the asset sales of NPLs, you did an all cash transaction in this quarter?

Jairam Sridharan: Yes.

MB Mahesh: And just trying to understand the broad logic behind given the fact that you are in the fag-end of this entire resolution of those accounts, what kind of drove you to this decision given that the expression of interest on some of these accounts were pretty good?

V. Srinivasan: We know what a sustainable debt is. What we believe is sustainable and we know what approximately would be the haircut and if we are getting fair value based on that, we believe it is the right thing to sell.

MB Mahesh: Sir just a second question, this is probably to Rajiv. The portfolio on the retail side, if you could just broadly give us some colour between the average yield of the portfolio and the yield at which you are placing the underlying assets at? And second, in the underlying growth that you are seeing in the retail side, how much would be driven by new to credit customers probably in the personal loans and housing loans side or is it essentially refinancing which is driving this? Or are you seeing a genuine pickup in underlying transactions on various asset classes? Thanks.

Rajiv Anand: So let me take the second question first because the entire focus as far as retail is concerned is to granulize the business and to focus towards serving existing customers. So therefore over 51% of the sourcing is from branches and approximately about 72% odd sourcing is to our existing customer base. And I think that is something that we will continue to focus on, especially given the fact that we continue to have strong customer acquisition on the savings account side both from the open market as well as from our salary franchise. The first one I didn't quite understand.

Jairam Sridharan: On the first one, if you were looking to see whether the average retail that we are on-boarding today is net accretive or depletive of the gross yields, I would say that on a net basis, the new retail book is accretive to margins and yields are higher than total portfolio yields by about 80 basis points.

MB Mahesh: Thanks for this. But just a question again on the first one. So I was just trying to understand, are lot of these new to credit customers? Or are you seeing a fair amount of refinancing opportunities coming in as they are onboarding as your savings account customers?

Rajiv Anand: So particularly on our personal loan and credit cards, we do get a significant component of new to credit; however, the composition of refinance, particularly would be a larger component for the home loan side as opposed to personal loans and credit cards.

MB Mahesh: Would that number be greater than 50?

Rajiv Anand: No.

MB Mahesh: For refinancing?

Rajiv Anand: No.

Moderator: Thank you. The next question is from the line of Jay Mundra from B&K Securities. Please go ahead.

Jay Mundra: Sir, first thing on the warrant. So I wanted to understand we have issued a warrant, the pricing I believe is Rs 565. But if you can specify the time limit for the exercise of the warrant?

Jairam Sridharan: 18 months was the time limit, expires in June 2019.

Jay Mundra: Sure. And sir second question on retail slippages. Did I hear it correct that when you said Rs 900 crores of retail slippages are more or less the usual run rate because it does not include any unusual thing from any other product or geographies?

Jairam Sridharan: There isn't any unusual, though there are seasonality elements in retail always, but no, there isn't anything particularly unusual.

Jay Mundra: So because if I translate this on the base, then it is somewhere around 2% on annualized basis?

Jairam Sridharan: You need to keep in mind the seasonality elements, don't just annualize by multiplying by four.

Moderator: Thank you. The next question is from the line of Siddharth Gandhi from Singhania Securities. Please go ahead.

Siddharth Gandhi: Can you give the modified duration of the investment book between HFT, AFS and HTM?

Jairam Sridharan: There is a table in the earnings presentation towards the very end which has some information on it.

Siddharth Gandhi: We used to carry the modified duration information as well, that is why asked.

Jairam Sridharan: It a little bit of that. But beyond that, we are not offering any more information any longer.

Moderator: Thank you. The next question is from the line of Pranav Gupta from HDFC Securities. Please go ahead.

Pranav Gupta: So just two questions. Firstly if I look at deposits and borrowings combined, they are flat sequentially, but interest expenses have gone up about 4%. So any particular reason for that?

Jairam Sridharan: It must be related to the mix. I haven't actually thought about it. It must be a mix thing of what particular is borrowed and what is originated must be some version of that**.**

V. Srinivasan: Try to look at the average assets and average deposits.

Jairam Sridharan: Srini is raising another important point. Make sure that you are not looking just at the quarter end numbers, but average through the quarters for comparison, which you might not have readily available, but that must be the other thing that will make a difference.

Pranav Gupta: Alright. And secondly, again I believe you look at the average concept here. But if you look at SA deposit growth for this quarter, it has been flat and for other banks offering differential rates, it has been higher. So could you attribute this to losing slight market share to these banks or how should we look at it?

Jairam Sridharan: See, if you look at the market, the overall market growth, we have comfortably outpaced on SA growth. If you look at the largest banks that have actually declared results so far, you will see that our SA growth is actually higher both on a month end basis as well as on a quarterly average basis higher. So yes, there are some sort of high rate banks, whose annualized growth would be higher on a smaller base, but with comparable peers, we feel fairly comfortable with where we are, and we have been gaining market share and continue to be steady there.

Pranav Gupta: Yes. So actually that is what I was asking, I actually was talking about banks which were offering differential rates. So would it be fair to assume that there was a slight loss in market share to those banks?

Rajiv Anand: I think you got to look at growth in terms of retail term deposits plus the savings and then accordingly sort of look at it in that context .Because if you see the customer behavior as well, some of that customer behavior is in a sense term deposit rate sort of kind of behavior and so therefore when you look at the market share shifts in that context, it is not as stark as the point that you are trying to make.

Jairam Sridharan: And just to make a simple mathematical assertion which I am 100% sure you are fully aware of, you know the high rate banks are gaining market share. We are gaining market share as well. Someone else is losing market share. Overall is adding up to one. So it is not like we are losing market share to them.

Moderator: Thank you. The next question is from the line of Abhishek Minda from Goldman Sachs. Please go ahead.

Abhishek Minda: So I have two questions on the asset quality side. Number one, we already had provision of close to 55% on the NCLT accounts. Any specific reason you have moved that up to close to 63%-65% level?

Jairam Sridharan: No specific reason. I mean we just need to make our own assessment of what is the security we have and where do we think some of these accounts are headed and you just need to do the prudent thing and when you have the ability, make sure that you put some money away. So no, there is no specific reason.

Abhishek Minda: Okay. Thanks for that. And secondly you saw upgradation of one of the steel accounts and the recovery in the IT space. So of the remaining 7 accounts, like how do we see the upgradations going forward like any color on that front will be really helpful.

Jairam Sridharan: We should see some more coming in this quarter.

Moderator: Thank you. We take the last question from the line of Nilanjan Karfa from Jefferies. Please go ahead.

Nilanjan Karfa: Sir, I just want to get a color on the SME and related to the GST impact because we are growing that book pretty fast. So have you kind of seen a higher transaction volume from your SME clients and if you could be a little more specific about which sectors are you actually seeing an improvement?

V. Srinivasan: I think on SME, I think Jairam said in his initial remarks that if you look at the base effect, what happened last year because of demonetization, you saw the SME book shrink through Q3. The number you are seeing on year-on-year growth is really overstating the growth. So if you look at quarter-on-quarter sequentially, the growth is around Rs 2,000 crores which I would believe could be the normal run rate going forward, once the GST disruption broadly is over.

Nilanjan Karfa: But have you witnessed any change in the behavior of these customers?

Jairam Sridharan: Yes. The overall utilization of working capital limits after hitting a bottom in June-July have increased, but I wouldn't overstate it to say that it is phenomenally high. But yes, certainly much better off from the bottom hit in June-July.

Nilanjan Karfa: And the second question, I think Rajiv just mentioned in one of the earlier questions, did he mention that the incremental new to bank retail customers the yields are 80 basis points higher than the portfolio?

Jairam Sridharan: Not incremental. Total book.

Nilanjan Karfa: The entire book or just the retail part?

Jairam Sridharan: No, you are comparing retail to overall, right?

Nilanjan Karfa: I am comparing retail to retail.

Jairam Sridharan: Retail to retail, if you are comparing over time, then over time yields have come off. Yields have declined in the retail, just as they have declined in every other part of the business on a YoY basis, they have not come down too much because they have had a mix shift within retail towards products like personal loans, credit cards etc. with a higher yield product. So on a product to product basis, yields have come down in every product. However because our big shift has moved us towards higher yielding product, our overall yields in retail have fallen much less than some of the other businesses.

Moderator: Thank you. Ladies and gentlemen, with this I now hand the conference over to Mr. Jairam Sridharan for his closing comments. Over to you sir.

Jairam Sridharan: Thank you very much everybody for participating actually in this conversation. We look forward to continuing our conversation with you guys as we deem fit. As of now, have a very good evening and thank you very much.

Moderator: Thank you very much, sir. Ladies and gentlemen, on behalf of Axis Bank that concludes this conference call. Thank you for joining us and you may now disconnect your lines.