"Axis Bank Q3-FY19 Results Conference Call"

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MANAGEMENT:	**MR. AMITABH CHAUDHRY – MD & CEO** **MR. JAIRAM SRIDHARAN-GROUP EXECUTIVE & CFO** **MR. RAJIV ANAND-EXECUTIVE DIRECTOR WHOLESALE BANKING**

Moderator: Ladies and Gentlemen, Good day and welcome for the Axis Bank Conference call to discuss the Q3 FY19 Results. Participation in the conference call is by invitation only. Axis Bank reserves the right 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 try your explicit permission and written approval of Axis Bank is imperative. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of briefing sessions. Should you need assistance during this conference call, please signal the operator by pressing "*"then "0" on your touchtone telephone. Please note that this conference is being recorded.

On behalf of Axis Bank, I once again all the participants to the conference call. On the call we have Amitabh Chaudhry – MD and CEO, Mr. Jairam Sridharan – CFO and Mr. Rajiv Anand – Executive Director Wholesale Banking. I now hand the conference over to Mr. Jairam Sridharan – CFO, Axis Bank. Thank you and over to you, sir.

Jairam Sridharan: We will start the call with some opening remarks from Amitabh and then we will talk about the third quarter results. Amitabh Chaudhry over to you.

Amitabh Chaudhry: Thank you Jairam. Good evening, and wish you all a very happy new year. We welcome you all to a discussion on Axis Bank's Financial Results for Q3 FY19. I am joined here by my colleagues - Jairam Sridharan, Group Executive & CFO and Rajiv Anand, Executive Director - Wholesale Banking.

Before we get into financial performance or strategy, let me start with a personal note. This is my first interaction with you all as the MD&CEO of Axis Bank. It is an incredible honour and privilege for me to lead Axis, a bank that has built an enviable franchise over the past 25 years. For building this great institution, I would like to thank all my predecessors – Ms. Shikha Sharma, Mr. P.J.Nayak and Mr. Supriyo Gupta.

Over the last 10 years, Axis Bank has gone from strength to strength, growing by 4-5 times on most major parameters - balance sheet size, CASA, advances, number of branches, operating profits etc. We have done exceedingly well in Retail Banking, in Credit Cards, Mobile banking and Digital. We have the strongest Debt Capital Markets franchise in the country and a strong SME business. The Bank has also established its presence through subsidiaries in major businesses that are continguous to banking, such as non-banking finance, retail broking, asset management, and institutional equities & investment banking, where we have one of the best equity capital market franchises in the country, with Axis Capital. Axis is the only Bank with two Fintech companies as subsidiaries, one in the payments space and the other in the digital invoice discounting space. All these businesses complement the parent Bank's strategy to offer our customers a comprehensive offering under one Axis umbrella. The impact is reflected in the Axis brand which has consistently ranked amongst the most valuable brands in India.

Having said this I must also acknowledge that in the recent few years the Bank has faced some headwinds especially on the asset quality front driven by corporate slippages. The Bank's financial performance too has moderated, and corporate loans have grown below our long-term growth rates. An increase in our operational risk has not helped the cause either.

Having joined the Bank in this context over the last couple of months I have been spending time with the various teams at Axis across business units, risk management and operations to understand our current position and to outline the strategic focus of the organization going forward. I am glad to share with you where our thinking on our strategy is at this moment.

We have uploaded a presentation on our website earlier today in which we have attempted to articulate the strategy Axis Bank would like to execute over the next three years. Our strategy for the next three years would pivot around delivery of three important vectors growth, profitability and sustainability.

Let me start with 'Growth':

India continues to be the fastest growing 'large economy' and has been leading global growth over the last few years. The financial sector in our country has been both a key beneficiary and an important enabler of this growth, thus growing itself at a fairly brisk pace, despite the asset quality challenges of the sector. The competitive and market share dynamics of the industry at present continue to favor nimble, well capitalized, digital ready private banks. I believe that Axis Bank as a franchise is uniquely positioned to leverage this opportunity and regain its past momentum on growth and profitability quickly. Our market share is still only 4% on deposits and 4.7% on loans. The developments in the market present us with a tremendous opportunity to improve upon these numbers in short order. Our focus over the next 3 years on the growth vector would be to improve deposit growth materially to fund our strong loan growth aspirations, establish leadership in Payments and Digital capabilities, and to materially scale up our subsidiaries.

The second important vector of our strategy is 'Profitability':

We would continue to focus on growing our core operating profitability, striving to enhance both margins and fee incomes. We intend to make all significant portfolio mix choices based on an assessment of Risk Adjusted Return on Capital, or RAROC. We intend to drive relentless focus on improving our cost efficiency. And of course, most important of all, we intend to reduce the Bank's credit costs sustainably below its long-term averages. These moves, we believe, have sufficient potential to bring us back to return ratios that our stakeholders have been used to in the past.

The third vector of our strategy is 'Sustainability': While delivery of growth and profitability is really important, we intend to focus just as much on the Sustainability of our efforts and outcomes. We are investing in three major areas here – We are strengthening our core, be it Technology, Analytics, Operations or Process; We are investing in our risk management architecture; and finally we are reorienting the organizational structure and building a bench of senior talent, to deliver continued excellence. On this front Rajiv has now taken over charge as ED Wholesale Banking and Mr. Deepak Maheshwari has joined the Bank as the Chief Credit Officer. Deepak is a seasoned banker and brings in a rich experience of over 40 years in credit management, product design and underwriting. The idea is to execute in a rigorous and disciplined manner across the organization, all the time.

An important element in building a sustainable franchise is to embed conservatism in our internal policies and practices. With that in mind, I have been working with the team to identify areas of the Balance Sheet that might require further strengthening. An early step I have taken is to review our corporate portfolio with the team, starting with the largest accounts, to assess if there are signs of stress in these accounts that we need to be aware of. My initial review suggests that most of the accounts that are under any stress are indeed tagged as BB in our system. There are the odd accounts where certain judicial processes might create exposure, if they turn adverse, but in the main, the BB & Below pool seems to cover much of the stressed loans. We are also reviewing other aspects of our balance sheet like Non Fund Based exposures in stressed accounts, our Security Receipts portfolio, non-banking assets etc.

I would like the Bank to hold itself to consistently conservative provisioning policies on NPAs. Axis already employs daily tagging of NPAs across all our portfolios, Wholesale or Retail. Clearly, this is a more conservative policy than the month end tagging that we had before. In the Retail Bank, through an approved internal policy, we deploy a provisioning ladder that is at a higher level, and more conservative than the regulatory requirements. I would like to assess if we could do something similar in the Corporate Bank as well. In this regard, we would like to review our provision coverage policies over next few months, in consultation with our auditors, regulators and the board, and ensure that we are being adequately quick and conservative in provisioning. If we do that, we can also ensure that the transition to Ind AS, as and when it takes place, is much more seamless.

Our goal at Axis Bank is to deliver 18% ROE on a sustainable basis by focusing on these three vectors Growth, Profitability and Sustainability across the Axis Franchise.

I am confident that we will get there sooner rather than later. And I am happy to be here to lead the organization on that journey.

With that, let me hand over to Jairam to take you through the Bank's financial performance in the quarter.

Jairam Sridharan: Thank you very much Amitabh Chaudhry. Ladies and gentlemen good evening it is my pleasure to now take you through the detail financial performance of the Bank during the third quarter. As always do keep the investor presentation handy as we do expect to refer to some slides there. There are five key highlights of our performance this quarter:

1. Asset quality metrics which are progressing well and as per expectation.
2. Provision coverage continues to get strengthened.
3. Growth matrix in the quarter continued to be healthy led by retail.
4. Deposit franchise had a strong quarter once again.
5. Profitability metrics which showed material improvement.

We will discuss each of these in some detail over the new few minutes.

Let me start with 'Asset Quality':

Please refer to the Asset Quality section starting slide 47 in the earnings presentation. Slippages continue to remain at moderate levels. Gross slippages in the quarter were ₹3,746 crores, or 0.70% of Gross Customer Assets, compared to ₹4,428 crores in Q3FY18 and ₹2,777 crores in Q2FY19.

Slippages from the corporate segment were ₹1,887 crores. Corporate Slippages came predominantly from our previously disclosed stress book. Of all corporate slippages in the quarter, 98% came from the BB & Below pool.

Net Slippages in the quarter were ₹2,124 crores, or 0.40% of Gross customer assets. Of this, ₹1,394 crores came from Corporate, ₹237 crores from SME and ₹493 crores from Retail and Agri segments. Net Slippages in Retail are down 18% from Q3 FY18. In the Agri business, Net Slippages are down 30% compared to Q3 FY18.

Divergence – The Bank has received an indicative list from RBI relating to asset quality divergence for the fiscal year ending 31st March 2018. The Bank has been asked to classify 2 accounts as NPA. These accounts had a total outstanding amount of ₹225 crores which constitutes less than 0.7% of last year's slippages of the Bank. Both of these accounts have already been downgraded by the Bank in Q1 FY19. In addition, the Bank has been asked to make additional provisions of ₹99.7 crores on 2 accounts already NPA as of March 2018. This provision has been incorporated in Q3 financials.

NPA ratios for the Bank improved sequentially, with GNPA and Net NPA reducing by 21 bps and 18 bps respectively. We ended the quarter with a GNPA ratio of 5.75% and Net NPA ratio of 2.36%.

From Q2 to Q3, we saw a net reduction of 14% in the standard BB & Below book. If you turn to slide 51, you can see that the BB & Below book now stands at ₹7,645 crores, or 1.4% of gross customer assets, down from 7.3% at peak. As the chart also makes clear, the Bank's BB & Below corporate portfolio has reduced significantly.

A question that many have asked us at various point is: At what size is the BB and below book likely to stabilize? We have seen it come down quite a bit in the last few quarters, but how long more is it going to go.

While we cannot answer that question precisely, we are making a new disclosure to offer the investor community some historical context on this portfolio. If you could please slip to Slide #52 you will see that we have shown there the long-term trend in the size of the BB and below pool at a proportion of corporate lending over the past 11 years. The proportion of BB and below rated exposures was in the stable stage around 2% to 3% of corporate lending book. It then rose sharply to a peak of 12.5% and since then has trended back down and is at 4.2% at the end of the third quarter FY19. You could use this long-term trend to draw some inferences on the trajectory of this pool in the future.

Having observed the rating upgrades and downgrades to and from the BB & Below pool over the last few quarters, we believe the elevated rating downgrade cycle is now complete and future quarters will continue to show business as usual levels of upgrades and downgrades from this pool.

So far, the accounts rated BB & Below have only had standard assets provisioning against them. To account for potential residual risks that remain here, in this quarter we have made an additional contingent provision of ₹600 crores, or ~ 8% of the BB and below rated book.

Including this contingent provision, the total Provisions and contingencies for the quarter were ₹3,055 crores. Of this, Provisions for NPAs were ₹2,755 crores, compared to ₹2,686 crores in Q2 and ₹2,756 crores in Q3 FY18.

The Bank had a write back of MTM provisions on G-sec & bonds book to the extent of ₹321 crores in this quarter. This compares with the total of ₹270 crores of MTM losses that were taken during H1. Those of you who are interested in a detailed break up of Provisions, can find that on slide 55.

The Bank presently has an accumulated PWO portfolio of ₹17,478 crores, of which 82% has been written off in the last 7 quarters. Over the last 12 months, we have recovered 18% of the opening PWO pool.

Our provision coverage on NPAs has increased further this quarter to 75%. Please note that the Contingent Provision made during the quarter is not included in the calculation of this PCR metric.

If you move to slide#53, you can see the credit cost trajectory of the bank over the last few quarters. Credit Costs for the quarter stood at 2.07% on a gross basis, and 1.32% on an adjusted basis, after netting the recoveries from our written off accounts, which shows in the Miscellaneous Income line of the Bank. Net credit of 1.32% for Q3 FY19 is the lowest in last 11 quarters. Please note that the Contingent Provisions created in the quarter are not part of the credit cost calculation, and would be included in credit costs in the quarters that they get utilized to cover credit events.

Let us flip now to slide#54, a slide that should be familiar to a lot of you by now, the Bank's long term credit cost trajectory. We show the trajectories for two metrics – credit costs and credit costs adjusted for recoveries from write-off. The gap between the two credit cost metrics has widened further during the 9MFY19 period to 44 bps. You might recall that this is something we have been predicting over the last few quarters – as the recovery cycle picks up steam, adjusted credit costs are likely to diverge noticeably from credit costs, and the gap will narrow back in the other part of the cycle. With the trends we are currently seeing, and the policies we are contemplating, we expect the Bank's credit costs would stabilize below long term average.

With that, let us move now to the Bank's Profitability metrics.

I request you to refer to the section starting slide 11 in the earnings presentation. Net profit for the quarter increased 131% YOY to ₹1,681 crores. Operating profit grew 43% YOY and the Core operating profit was up 41% YOY. NII for the quarter was ₹5,604 crores, a growth of 18% YOY. Non-interest income for Q3FY19 grew 54% YOY to ₹4,001 crores. This was driven by three major items –

Recoveries: The Bank recovered ₹998 crores this quarter from written off accounts, compared to ₹40 crores in Q3 FY18. You will find this amount rolled up into the Miscellaneous Income line. The bulk of the recoveries came from one large account in the PWO pool, in the Iron & Steel sector, which constituted ₹714 crores. As mentioned before, our trailing 12 month cumulative recovery on PWO pool now stands as 18% of opening pool. Driven by this recovery, total miscellaneous income during the quarter was ₹1,007 crores, compared to ₹148 crores in Q3 FY18.

Fees: Fee income of the Bank grew at 16% YOY. This was led by a healthy 22% growth in Retail fee income. Retail now constitutes 59% of the total fee income. Within Retail, fees from our Cards business grew strongly by 23% YOY and constituted 39% of overall Retail fees in Q3FY19. Corporate Credit fee growth stood flat YOY.

Strategic divestments: The Bank sold its stake in two strategic investments during the quarter. These sales generated a gain of ₹342 crores, which form part of the Trading Income line.

Let us move now to slide#15. You can see here that the Net Interest Margin for the quarter stood at 3.47%, with Domestic NIM at 3.66%. There is a material improvement sequentially. We would like to point out that the NIM in this quarter is higher by 5 bps due to the write-back of interest reversals on one large recovery I mentioned before.

Operating expenses growth for the quarter stood at 18% YOY and that for 9MFY19 stood at 15%. The annualized operating expenses to average assets ratio stood at 2.15%. We remain on track for our goal of Cost to Assets under 2% in 3 years.

If you look at the next slide, slide 16, you see that the yield side of the equation is showing strong signs of increase. The Bank's MCLR has increased by 60 bps in the last four quarters, and 56% of the advances are now MCLR linked. Over the next few months, existing MCLR accounts will continue to be reset at higher levels of new MCLR. This dynamic, along with lower slippages and interest reversals, give us confidence that margins are likely to see good support through this year. As we mentioned at the beginning of the year, we expect NIMs in FY19 to be broadly in line with full year margins last year.

Let me move now to a discussion on **Deposits growth.**

Our Deposit Franchise had a strong quarter. Overall deposit growth for the Bank during Q3 stood at 26% YOY. I would request you to refer to slide 7 in the presentation. On a quarterly average basis, CA, SA and Retail Term Deposits together grew 17%. Within this, SA grew 15%, CA 4%, and RTD grew by 23% YOY on quarterly average basis. CASA and Retail Term Deposits continue to form a strong, stable base of funding for the Bank, and stood at 80% of total deposits. We continue to open branches at a steady rate. We opened 85 branches during the quarter taking our total network to 3,964 domestic branches.

Slide 24 highlights the strong growth of our wealth management business 'Burgundy'. We manage one of the largest wealth management businesses in India with assets under management of ₹129,651 crores as of the end of December 2018.

Let us move now to Digital and Payments, where our strengths and leadership position continue. Let us start with slide 32, on credit cards. The Bank had over 5 million credit cards in force at the end of Q3, making us the 4th largest credit card issuer in the country, with a market share of 12%. In Q3, ~ ₹54,000 crores of card spends went through Axis Bank across our Issuing and Acquiring businesses. Slide 35 highlights the rising contribution from digital channels towards business growth. 50% of all savings accounts opened are sourced through Tab banking compared to 47% a year ago. Also 47% of personals loan disbursements in Q3 were through digital channels as compared to 26% a year back. Slide no. 36 highlights our capabilities and strong positioning in the Unified Payments Interface (UPI) space. During this quarter, we saw 251 million UPI transactions with a total transaction value growing over 6 times YOY to ₹23,699 crores. We currently have registered customer base of over 37 million and a market share of 9%.

In mobile banking, we have witnessed a YOY growth of 99% in transaction value. Last quarter, the Bank's customers undertook transactions worth ₹101,303 crores on the Axis Bank mobile app.

Let me now discuss **loan growth** and the trends we are seeing across our key business segments.

The Bank's strong deposit growth has enabled healthy loan growth. Domestic loan growth for the quarter stood at 18% YOY. The international loan book de-grew by 19%. Our Loan to Deposit ratio at the end of the quarter continues to moderate and stood at 92% as compared to 95% as at end of Q2FY19 and 103% at the end of Q3FY18.

Retail continued to be the key growth driver – growing at 20% YOY, with continued diversification in portfolio mix towards products offering higher risk adjusted returns. If you refer to slide 23, the growth in Retail loans in Q3 was led by Personal Loans, Credit Cards and Auto Loans that grew by 41%, 36% and 33%, respectively.

The Bank's strategy on retail assets continues to be centered around existing customers of the Bank. 83% of retail assets originations in Q3 was from existing customers. 96% of the Bank's credit card and 93% of personal loan originations in the quarter were from existing customers of the bank. The Bank's Retail lending businesses are actively starting to leverage other customers across the Axis Bank group, in particular Freecharge. More on this development when we speak about Freecharge.

SME lending grew by 13% YOY. Term loans and working capital loans grew by 6% and 16% YOY, respectively. Share of working capital to overall SME loan book currently stands at 79%. The focus here remains on building a highly rated, profitable SME book. Presently, 86% of non NPA outstanding exposure is to clients rated SME3 or better.

In the Corporate Bank, domestic loan growth stood at 13%, and the international book de-grew 23% YOY.

Within the Corporate book, our mix has been shifting steadily towards better rated clients, as we have highlighted to you in prior quarters. This shift in strategy shows up as noticeable lowering of our RWA to Assets ratio in this segment.

Which gets us to the Bank's capital position. The RWA to assets ratio of the bank improved to 71% at the end of Q3. Driven by this improvement in RWA intensity over the last few quarters, the Bank's capital consumption during the year continues to be modest. The Bank accreted 9 bps of capital to CET1 during 9MFY19 after incorporating profits of the 9M. In other words, internal accruals during the year have been sufficient to fund business growth during these 9 months and add to CET1 as well. The Bank's CET 1 ratio at the end of Q3FY19 was 11.77%, with a Tier 1 Capital Adequacy ratio of 13.07%, after incorporating profits in the nine months. Our capital position continues to be strong and is sufficiently robust for us to pursue growth opportunities.

Finally, let us take a quick look at our subsidiaries:

In the Strategy Presentation that we have also uploaded today, you will find that one of our core strategies over the next 3 years is to materially scale up our subsidiaries. In that context, you should expect to see us continue to invest in these subs till they get to a scale that is commensurate with the Bank's aspiration.

Axis Finance – Our NBFC business had a growth of 21% YOY and now has a book of ₹7,914 crores. The business continues to deliver great returns with ROE of 18% and NIM of 4.21% for 9MFY19. The Gross NPA ratio of the business stands at 0.36%.

Axis Securities – Axis Securities is one of the fastest growing stock brokerage firms in India, currently ranking 3rd among brokerages in India in terms of total client base. The cumulative client base rose 17% YOY during 9MFY19 to 2.02 million.

Axis Capital - The Institutional Equities and Investment Banking franchise of the Bank has been the leader in Equity and Equity linked deals over the last decade. Overall capital market activity in 9M has been subdued, driven in part by higher volatility. Axis Capital executed 23 transactions during 9MFY19 including 2 IPOs, 1 QIP, 4 OFS, 2 Buyback deals and 9 Advisory deals.

Axis AMC - The Mutual Fund business continues to perform well, with a 11% YOY growth in average AUM to ₹81,622 crores for Q3FY19 led by 40% YOY rise in number of client folios.

Finally, Freecharge: Freecharge is being positioned by the Bank as an engine that generates a large base of new to bank customers that are young and digitally native. If you flip to Slide 65 you will see a new disclosure we are making this quarter regarding Freecharge and what it does for the Axis Bank franchise. As you can see on the slide, Freecharge has a strong customer pyramid, which offers great cross sell potential and customer access for Axis Bank at every stage of the pyramid. Q3 was a great quarter for Freecharge, with strong MAU growth and GMV growth while also successfully completing the migration of all data to India to comply with recent regulatory guidelines. The Quarterly Active user base of Freecharge was approximately 9 Mn in Q3 FY19.

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

- Profit performance of the Bank during the quarter has been strong;
- Asset quality trends have progressed as per expectations;
- Provisioning has been strengthened;
- Core operating performance, on deposits, loans, NIM and Fees have all been strong
- We are executing a clear strategy based on the pillars of Growth-Profitability-Sustainability, with a goal of delivering 18% ROEs sustainably over the next 3 years.

With this, I come to the end of my comments. We would be glad to take your questions now.

Moderator: 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. Please go ahead.

Mahrukh Adajania: Just had a few questions firstly just on the watch list obviously you have given a lot of details, but now the residual sectors are kind of the most sensitive sectors, so what would be the size of your largest 2-3 exposures? and now can we assume that the risk of them becoming NPL is really low?

Jairam Sridharan: You will see on Slide #51 that is BB and below pool, we have shown the industry split, power constitutes 32% of what remains and infra contributes 24%, so almost 56% is coming from just these two sectors. The largest single exposure in BB is the exposure size of about ₹800 crores. There is only one account above ₹500 crores in the BB and above pool and it is this one it is in the power sector**.**

Mahrukh Adajania: So basically, does this mean that the risk associated with these slipping would be low or anyway it does not matter, because they are of smaller size other than this account?

Jairam Sridharan: I mean apart from this account we are talking about, other accounts are in ₹100 crores to ₹200 crores kind of range. So in a business as usual manner, you will continue to see some slippages from there but very easily digestible in any quarter numbers.

Mahrukh Adajania: And just some comments on your retail deposit growth which was very strong, so it is heartening to see that, but what suddenly drove the infrastructure to deliver such good growth after a lull for some time?

Jairam Sridharan: One quick comment on sort of the mix of retail deposits and then Rajiv will jump in and talk a little bit more about the same. You will notice that over the few quarters we have specifically been pointing out that given the rate environment that has been out there and the expectation of customers with respect to interest rates on deposits, we have been shifting our strategy a little bit to say that the Retail term deposits need to play an increasingly active part of our overall deposit strategy. This is what we have been trying to execute and you will see that a lot of deposit growth comes in that space. And as we try to compete not just with our traditional competitors but also competitors who offer much higher interest rates on SA account, the RTD based strategy is something that we have been articulating as an important component of what we are going to do, and that's the thing Rajiv and team, last quarter were able to execute really well. Rajiv anything you would add?

Rajiv Anand: I think the shift has been in terms of the way that we have looked at deposits and this has really worked. Over the last 12 months we have moved from just looking at CASA to a more CASA plus RTD focused sort of deposit strategy and to be able to do that we made shifts in branch head KRAs to look at not just CASA but RTD as well. I am glad to see that like you said the machinery is kicking in nicely.

Mahrukh Adajania: Okay and just last question, your thoughts on insurance now. Whether you would like to manufacture I mean what are your thoughts on manufacturing insurance?

Jairam Sridharan: Nothing has change Mahrukh from what we last spoke. We have a good partnership with Max Life and we have both benefitted quite nicely from that relationship. Of course from a strategic the banks need to evaluate multiple opportunities in terms of participating in the manufacturing part of value chain in some way. So we will evaluate all of those options, but there is nothing eminent that we need to talk about at this point.

Moderator: The next question is from the line of Suresh Ganapathy from Macquarie. Please go ahead.

Suresh Ganapathy: Just quickly I have a question for Amitabh, you know Rajiv was doing a brilliant job in the Retail banking so what was the need to shift him out of retail and move on to the corporate role. And in general can you highlight what are the changes that you have been doing across the organization and across divisions in terms of management recruitment and who is now going to take charge of Retail at the Bank.

Amitabh Chaudhry: Well, Rajiv has done a great job in Retail Bank and I think Rajiv and we both thought that it was a great opportunity for him to move to wholesale. He has played an important role and kind of worked in the market side for quite some time. He wanted a new opportunity and this kind of fitted well with what he wanted to do. We have in our strategy presentation -- that we have uploaded on our website today -- talked about the structure under MD and CEO. If you will see that we have also talked about some key principles there. We have talked about clearly defined product and coverage structure, we have talked about separating underwriting from the product and coverage functions, we have talked about pulling operations and risks out of our relationship functions and all of that. So we have identified those key principles. Post establishment of those key principles we have some positions which are open and as and when those positions are filled, we will announce them. We have identified candidates internally and externally for each of those positions which are listed on that slide. We are very happy with where we stand today in terms of the people who will be working in those positions, but it is prudent to announce them when they actually join us. Please keep looking out for announcements from Axis Bank over the next 60 days and we are confident we will be able to fill up everything by then. So from April 1, we are humming together as one team and obviously trying to achieve the things which we have laid out in our strategy slides.

Suresh Ganapathy: And just one last question for Rajiv even the non-retail term deposits have done very well I mean what is the thought process? I mean this is actually like a wholesale funding, I do not know how well it jells with your Retailization strategy? It's a bulk deposit basically, right?

Rajiv Anand: What we are now looking for and we quickly recognize the fact that ultimately how much we will grow on the lending side will be determined by what kind of deposit growth we are able to get. So there is a consciousness within the organization to be able to generate deposits and I think on the NRTD side what we are seeing is that corporates increasingly are looking at opportunities other than liquid funds to be able to deploy their short and medium term surpluses. And if not from anything else just from asset allocation perspective and also from our treasury team, there is a greater focus on how to get this done especially with customers who may not necessarily have a credit relationship with us and so therefore this is also working well for us on the non-retail side.

Suresh Ganapathy: No but how does it gel with your ALMs because most of your lending would at least be for a tenure of a year or more and these are very short-term deposits?

Rajiv Anand: Typically, these are between three months and one year. So most of the retail deposit we get are the one-year variety but the non-retail is both three months as well as one year.

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

Vishal Goyal: Hi. Congratulations Amitabh and thanks for sharing this detailed strategy presentation. My question actually is on this ROE target of 18%. Just to understand a little bit more deeper in the sense that you mentioned that there is 10, 20 basis point of operating efficiency which you can take out, but on the margin and cost of credit side, whether you bring down your risk of the balance sheet and sacrifice margin and therefore you bring down credit cost, how do you do both basically? You will need both margin expansion and credit cost going down to almost like 70-75 basis point to generate 18% ROE?

Amitabh Chaudhry: So let me try to answer the question. First is that while we have shared just five slides with you. Let me first assure you that there are 100 of slides which are behind this which have kind of led us to share just five with you because a lot of efforts have gone over the last 90 days and developing some of the strategic elements and the choices we want to make to go forward. As far as our balance is concerned, we will be driven by risk adjusted return on capital which is RAROC. So the portfolio choices in wholesale and retail will be driven by that. I shared with you that our share of deposits and loans is still quite low. We see enough opportunities out there in the market place. If you just talk of wholesale, I think we have suffered through the NPL crisis but please understand and appreciate that we have deep relationships across the entire corporate sector. I think there is a huge opportunity out there we need to just tap into those opportunities.

Our products are no less than anybody else in terms of what they can offer, how good they are and how digitally capable they are. So I think we are rejigging the Bank strategy and really asking our relationship management team to go out and ask for our fair shares of the business both on the loan side as well as on the fee income side. With that combination if we go towards high rated corporate and if we can get the other business which we should have got but didn't get and based on the initial conversations I and Rajiv are having with various corporates, we are very confident we will get there. So, meeting our RAROC targets as well as being able to maintain our credit cost in terms of what we have said as a sustainable – to get it below the long term average, we believe should be possible. So that's where we are.

Jairam Sridharan: So Vishal one of the ways to sort of think about this is to say that we need to do all three things -- bring down credit cost, improve our business mix and optimize cost, those are the three levels which will broadly get you there.

Vishal Goyal: The overseas loan book which has declined in this particular quarter, is it only because of the repayment of a particular corporate or something or is it a trend we should expect to continue?

Jairam Sridharan: The big delta came in last quarter and it continues. So yeah there are two or three things that are going on here -- some repayment we are not sort of backfilling with new disbursements, some asset quality stuff where we are making provisions and actually reducing the book as well, so multiple things sort of are coming together there. As a strategy, as we mentioned before, we are very clear that going forward, we want to do international business to the limited extent that we can continue to pursue India linked opportunities, so that is what you should see reflecting. If there is meaningful increase in that opportunity size, you will see us growing it, if we do not, we are not necessarily going to chase as Amitabh mentioned before. RAROC shaped portfolio choices is what we are going to make and if there is not adequate RAROC from that side of business we will continue to de-grow it.

Moderator: The next question is from the line of Prakhar Agarwal from Edelweiss Securities. Please go ahead.

Prakhar: So with respect to the growth now we are seeing deposit growth being equally strong, so maybe at the current level how do we see the overall loan growth picking up and you highlighted maybe we will be targeting both retail as well as on the corporate side, but within corporate, looking at what we had gone through in terms of the NPL any key learnings and the segments which we would focus and the ones we would want to avoid on the corporate side?

Jairam Sridharan: We have already spoken about over the last few quarters the fundamental shift that happened in terms of the credit underwriting. Today about 85% of incremental lending is to single A and above companies. So clearly in terms of incremental lending the change in strategy has already been implemented and that is something that we will continue to focus on. There is also a shift away from term loans to working capital and the third piece is something that Amitabh spoke about is to work much harder at increasing share of wallet with our corporate customers, with the product suite that is available to us so that we are able to deliver a relationship RAROC which in turn will take us to the 18% ROE that Amitabh alluded to.

Amitabh Chaudhry: Prakhar our analysis show that given the size of the Bank at this point in time, we will not sacrifice anything on our credit or risk management standards. And as you know, the appointment of Deepak I think should indicate that too very clearly. We are not going to sacrifice that at all, and we would want to grow at a faster pace than we have demonstrated in the last couple of quarters, that is all that we are saying.

Prakhar: And anything particularly with respect to the fee income and how do we plan to leverage the entire franchise in garnering this income or are we pretty much satisfied in terms of the things which we have today and there is not much in terms of the strategy that we are looking at?

Jairam Sridharan: Top of the house level you are seeing fee income growth coming in quite strong 16% YoY growth in fees. If you look at the Slide #17 that we have put together which shows the way fees are growing and the composition of that fee over the period, you will see that there is a lot of strength that has come in across multiple lines. So, over a two-year period you have seen both the composition as well as the absolute amount of the fees actually increase quite strongly. The big delta between the Axis of a few years ago and the Axis today is that a few years ago we were a very strong fee engine, but one-third of those fees came from corporate credit deal they were bulky and they were deal dependent. The Axis of today has come back to roughly the same fee yield that we have had a few years ago, but now the biggest fee components are cards and retail liabilities, retail lending, transaction banking in corporate etc that are much more granular, more flow-based businesses. From here the predictability of going forward in the sustainability of the fee line is going to be quite strong and that is what we are all working towards.

Prakhar: And lastly in terms of the provisioning coverage where we stand today plus the contingency provisioning which we have created now, how do we look at it in terms of the coverage? Is there a further need to inch it up over the next three to four odd quarters? Or maybe we are almost done and provisioning will be more maybe equally related to the incremental slippages now?

Jairam Sridharan: Amitabh alluded to this in his opening remarks. One of the things that we do want to do is to use the opportunity to go back and look at our provisioning policies particularly on the corporate side and make sure that we are being appropriately conservative and appropriately quick in terms of provisioning. Now that would result in whatever it results in and if we need to take any incremental action in terms of improving coverage even further, we will go ahead and do that. But whatever we do, we will do systematically through a policy which we would be transparent with everybody about, so that there is no sort of management discretion and judgment that are on an ongoing basis placed into this. So if there is anything to kind of come out here, we will talk about it but for now there is nothing to report.

Prakhar: And on subsidiaries scale up, is there any priority with subsidiary or maybe all of them is something which will be the focus area and will plan to scale up each one of them? Is there any priority maybe this is the subsidiary which we are looking at and that would be the focus area in the immediate term and others would be over a longer term?

Amitabh Chaudhry: So Prakhar if you really look at our business there are four or five that stand out which we need to focus on. Axis Finance is one, Axis Mutual Fund, Axis Direct, Axis Capital has always been number one, obviously this year has not been good because of the market and we need to get more value out of the Free Charge subsidiary which we have. The scale will come through two ways I mean very obvious ways. One is organic, we have given the message to the subsidiaries and I think everyone is on board that we need to scale them materially in a form and shape so that they become more relevant in the market place and we start getting disproportionate share of profit from them but that will require sometime. And the second is inorganic way and we will do that if it comes at the right price with a right kind of acquisition target. We will look at both, but for us it will be very important -- if we want to bring 'One Axis' together -- that each of these subsidiaries become top 5 players in the businesses they are in. We will obviously work very hard to get there, but that will take some time.

From what I just mentioned, obviously insurance will also figure in that scheme of things over the next few years but we do not know yet, when and how.

Moderator: We move to the next question from the line of Nilanjan Karfa from Jefferies. Please go ahead.

Nilanjan Karfa: Question to Amitabh and maybe to Deepak as well. See when we look at that strategy that you have alluded to the three things of cost to asset, credit cost and business mix based on RAROC. It is quite easily visible that the credit cost itself on a post-tax basis could basically add let us say about anywhere between 7 to 7.5% odd and we need about 10% increase on a sustainable basis which basically means 20 basis points on cost to asset will add another 1.5% and then business mix will be another 1.5% give or take. The question therefore is where do you see this capital allocation which I think is part of the business mix question? Where is the slack on two accounts -- cost and on capital allocation? I also heard an operational risk getting talked about, is it still existing and what kind of plugging have we done? And in the same context the FX and foreign loans have been degrowing a lot. What is our thought process on the foreign branches and this part of the loan?

Amitabh Chaudhry: You asked so many questions under one question but will try to answer each one of them. Yes, I think in our slides, we have shown to how we will get to 18% obviously at a very macro level and that talks about coming from three levers -- one is obviously reduction in credit cost and second is portfolio decision based on RAROC and third is strategic cost reduction. Some things feed into each other itself but end of the day we believe that if you look at these three and there are obviously lot of sub elements in them, we cannot share everything with investor community at large. We believe that getting to 18% is possible and that is what we want to strive for. You talked about international yes you are absolutely right our overall loan portfolio in the international side has been coming down, we have stopped certain business on the international side in terms of the loan which you are doing. We are very clear as a strategy that whatever we do in our international subs or branches whatever loans they give out have to be linked to our Indian corporate or Indian relationship. Earlier in the past we have had situations where we have done lending outside of that very defined set. Once those rules have been implemented generally we are seeing a reduction in some of the exposure we are taking which did not fall in this set and I expect this loan exposure to continue to trend down over a period of time which is fine with us because we believe that we have enough opportunities in the domestic market. Am I missing anything out which you asked?

Nilanjan Karfa: Operational risk.

Amitabh Chaudhry: Operational risk yes very important element what you want to do so couple of things have been done. Firstly, over the last three years, a lot of operational risk controls have been hard wired into the system. Second, as I have said, one of the important things we are doing is really pulling operations out from business across our entire portfolio of businesses. Third, we are talking about actually creating a very consistent customer experience. Four I mean from a risk management perspective operational risk has been looked at on a very active basis. Fifth, we are creating a separate team which is going to go into specific customer journeys where we believe that the operational risk exists where we have already hard wired it but relook at it and see what more we can do to ensure that the operational risk are minimized even further. It cannot be one-time activity it has to be a continuous process. I think by basically stating to the enterprise and the Bank that it is something important we want to look at, I think just the tone from the top itself will communicate a message down the line there is something which we are very serious about and we will look at it very actively going forward. It is not that we have seen some additional risk, we just want to be prepared and we want to keep investing as we go forward.

Nilanjan Karfa: So there is risk per se which exist today it is just we want to tighten the rope.

Amitabh Chaudhry: Operational risks always exist, but yes if your question is something that has come up which is making us say that? No that is just about making a statement that we have to be very watchful on this count and as I said, sustainability is an important thing we want to do and we have to continue to invest in these area as we go forward, but there is no specific event which is making us make the statement.

Nilanjan Karfa: And a quick question to Jairam you mention the agri slippages are down 30% just wanted to clarify the net slippages that we mention in retail and SME is that ex of agri or including agri?

Jairam Sridharan: No the retail one includes the agri.

Nilanjan Karfa: So it is already included within that.

Jairam Sridharan: Yes.

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

Adarsh P: My question is on the fee line, again in terms of sustainability, the corporate fee kind of contracted for a few quarters, now it is like stable on a YoY basis. Have we come to a point where it can grow now like granular enough that can grow or you still have a period of readjustment of some of those bulky fee lines?

Rajiv Anand: I think we are very confident that we should be able to see that number grow from here. As also just to reiterate once again the whole RAROC framework that Amitabh and I have been talking about is the fact that for every rupee of the balance sheet that we are utilizing there is a focus to push our relationship managers to be able to get at least one rupee of fee against that and so therefore we should be able to see reasonable growth particularly through transaction banking on the corporate side. On the retail side if we look at penetration of insurance and mutual fund etc it is still single digit into our saving accounts pool and so therefore in that sense, the runway to grow there still continues to be fairly high.

Adarsh P: Second question was on again capital and the risk weight asset reduction that all you all are seeing? Just wanted to understand incrementally where is this RWA ratio on a stock level? Can you continue to kind of get this down further because that can help you delay the need to raise capital for growth and we are talking about improving growth aspirations, so can you address that in the context where the RWA assets could move given the way you are predicting your business over the course of next two, three years?

Jairam Sridharan: So as we have seen Adarsh from June 2017 to December 2018, RWA intensity has come down from 80% to 71% and that is a fairly steep move down. Are there anymore legs here? For the last couple of quarters I have been saying that we are almost done with this and there is no further sort of reduction, but every quarter we sort of surprise ourselves and end up doing even a little bit more on that front, but I find it kind of hard to see how this can continue for too much longer from where we are at already. So yes, maybe there is a little bit more to eke out in terms of RWA effectiveness, but I think that story has played out to a large extent.

Adarsh P: So in that context if that lever is not available and we will kind of grow at a faster pace than what we have done we will be looking at a capital raise maybe mid of next year and what are your thresholds and CET1 in that context?

Jairam Sridharan: Nothing much has changed on that front Adarsh from what we have spoken about in the past. We are at 11.77% right now, remember that we have some warrants that are expiring in June which will convert into equity as well and that is another 40 odd basis points. So the starting position is quite comfortable and if profit accretion continues at the steady base then that should be more than sufficient to account for the initial growth that we are talking about. We will continue discussing. If there is anything at some point we will come and talk about it. As of now we find our position quite robust from a funding of growth perspective.

Moderator: We move to the next question from the line of Manish Karwa from Deutsche Bank. Please go ahead.

Manish Karwa: My first question is to Amitabh now in the context of improving efficiency obviously we would be looking at cost growth I just want to check your thoughts on how are we seeing cost growth from here on? Which segment you think we need to really stress and invest upon? And what do you think in terms of distribution and all, are we pretty good and we may not want to put up more distribution there? And is there a absolute cost growth number in mind which you will probably see over the next three to five years?

Amitabh Chaudhry: Well we cannot comment on the number at this stage but I would say that I have mentioned in my opening remarks that some of the areas of investment would be one to strengthen the core which is around technology, analytics, digital and some of those areas, and you also see in the organization structure we are planning to put a person as a head digitization which is reporting to the CEO so obviously we do plan to invest decent amount of money in that area to kind of take Axis Bank to the next level of digitization. Over and above that we are talking about material change in our growth rates on the deposit side and then obviously followed with growth on the advances side. For that we might have to reorient the structure in the branches and also ensure that on the CA side in the wholesale we continue to invest in certain areas. So yes there will be areas we will invest, but at the same time we will look at every other part of the Bank to see where we can take some cost out. What that number would be will depend on what are our overall growth rate. So I cannot give a number, but let me just assure you that looking for every penny in terms of saving will be an important thing we will do, but at the same time we will not hesitate to invest where it makes sense to create the right kind of growth opportunities for us in the future in the long run, so we will do both.

Jairam Sridharan: Manish the strategy presentation specifically talks about the same sort of thematic that we have discussed in the past, to bring down the cost to assets to 2%. So from that perspective for medium term if you are looking for any sort of medium term guidance cost to assets at 2% is broadly what it remains.

Manish Karwa: And just the small second question on the contingent provision that we made. Is it just a one-off provision? Or we would probably want to maintain a certain ratio against this BB and below book and we will continue to make some provisions overtime as well?

Amitabh Chaudhry: I will ask Jairam to add if I miss out anything, but yes right now it is a one-time provision which we have made, but we have also said in the opening remarks that we have conservative provisioning norms on the retail side. We are assessing whether how we can move to a conservative provisioning norms on the wholesale side and if we go through that change subject to approval from the Board, it will mean a permanent change in terms of how we make the provisions which should be driven by template and formula. So it is not kind of subject to some qualitative assessment and if that happens, obviously then we will have provisions happening on that basis.

Jairam Sridharan: One minor point I just want to add, Amitabh has covered the key idea. One thought that I would add to this, we all know that migration to IndAS is eminent if not in a few months maybe in one year but what we want to do as an organization and what Amitabh has been pushing us to do is to get ourselves ready for that migration to be able to make sure that migration process is smooth and seamless. And as you know the key component of IndAS is stage two provisioning which is for assets that are not yet NPA. So we want to make sure that we get to a point where we can make seamless transition, so we will work towards that but there is nothing specific on that to point out at this time and we are assessing all our internal policies that Amitabh pointed out.

Moderator: The next question is from Rahul Jain from Goldman Sachs. Please go ahead.

Rahul Jain: So question to Amitabh. Basically just wanted to pick your brains a bit more on the business mix. If you can just share what kind of ideal business mix you would want to see say over the next three to five years because retail is going to a different asset cycle maybe not for you but for some of the other players outside in the market, corporate is almost at the verge of having seen the worst so what kind of business mix would you want to see which would help you achieve an 18% ROE? that is question number one and question number two is at the management level so while of course you have articulated about the top management but should we expect some more changes to happen let us say at the middle level management now that you are kind of trying to take out some of the operations from the business and all? So those two question and one more housekeeping question that I will squeeze later on?

Amitabh Chaudhry: So as far as the business mix is concerned as we stated Retail has already reached 49% of our portfolio and if you look at our retail franchise on the asset side, a majority of it is still coming from the existing to the Bank customers and we expect to continue with that kind of philosophy as we move forward because we believe there is still a huge opportunity to continue to penetrate that franchise and please also understand and appreciate that apart from number of customers which Axis Bank has, we have some subsidiaries which also have pretty huge set of customer we can tap into over a period of time. So I expect Retail as a business to grow at a slightly faster pace than wholesale as we move forward. We have asked each of the business unit to look at what number they can deliver given their context and what is happening on the asset side of the story. After looking at all of that it appears that Retail will grow at incremental growth rate in comparison to wholesale. So this mix will change and I think this could over a period of time maybe become 55%-45%, something in that range. We do not want to go into more details than that.

As far as organization structure is concerned, yes all positions are identified and hopefully pretty much done. As some of these leaders take new responsibilities and as we are relooking at our structure in wholesale and retail to drive the right kind of growth and the strategy which we have laid out for everyone, we might see some changes in the structure below them. We have a pretty large solid pool of talent within Axis Bank and we very strongly believe that some very good people are there in the system and they will be excited to take on newer and additional responsibilities. So our hope would be to fill first with the Axis Bank people but at the same time there are certain white spaces where we need to find some talent from outside and we will not hesitate to do that as we move forward. So will there be some changes? Yes more in the way we are driving the operational structure not in terms of getting additional people. As far as you mentioned cost yes if we believe that at the end of the day there are departments, functions, people who could be taken out we will not hesitate to. But they can easily newer jobs, newer responsibility within Axis Bank system because we want to get our growth mojo back. So is that something which we are worrying about too much? We are not because we believe that we will be back to growth of the right kind and with that growth our employees will get more opportunities to grow internally and they do not have to worry about whether they need to look at opportunities outside. And we strongly believe in the Axis Bank talent which I have had the opportunity to look at last couple of months and I have been extremely impressed with the same.

Rahul Jain: Maybe just one last quick question on the asset quality bit. So if I want to calculate the addition to BB and below pool it comes to about ₹650 odd crores of additions which I think is one of the lowest that we have seen. So does it mean that you know the downgrade cycle which I think Jairam you earlier talked about all of it has played out and it is going to be a similar number going forward as well? Or are you worrying about any more sector which could give us some surprises going forward?

Jairam Sridharan: Now I think we are at sort of what one might call a business as usual state. I think you will see that sort of upgrades, downgrade on a regular basis we cannot predict exact number but from a movement perspective I think we are broadly there in terms of what some of the movement might be. As Amitabh alluded to in his opening remarks, we continue to look at some of the other stuff like some of the non-fund based exposure within BB, security receipt portfolio, things like that as well as our non-banking assets some of these areas as well as you try to get a sense of where some of the risks might be, but to the core question of upgrade, downgrade ratio have or the downgrade ratio in particular has it gone to normalized level, the answer is yes and we expect it to continue to be there. The upgrades to get out of BB are also normalizing so you are also starting to see some upgrades and we have continued to see them this quarter as well. So it does look like we are reaching to a normalized levels.

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

MB Mahesh: Just a couple of basic questions one if you look at the SME exposure we have seen some level of deterioration in the portfolio, give some color to it. Second just kind of understanding this entire approach on the technical write off or the settlement which is happening any change of opinion given that there has been a change in business heads if you are willing to kind of settle at a lower amount, what is the underlying thought process on these two line items?

Jairam Sridharan: So firstly, SME has there been any deterioration? Not really, I think there is a little bit of seasonality you know how the smaller SMEs tends to have a Q3 seasonal high, but really outside of that there is not much to report here. If I look at trailing 12 months slippage rates in SME, there is nothing much to report there at this point in time. In terms of the book itself, the book continues to look quite robust. The SME 3 or above is still upwards of 85% of the overall book. At this stage we are watching the SME book quite closely particularly some sectors like real estate etc but really there is not much to report in terms of specifics of any new slippage in that segment. There has been no change there in technical write off. As you know, the bank has always been quite aggressive in writing off account very quickly providing a 100% and sort of writing them off. And as we have also mentioned in the past, recoveries from that technical write off will show up in the miscellaneous income line as against getting a write back provision and that creates some of the P&L dynamic that we spoke about during the course of this call, but in terms of where we are with the PWO pool, we are still at a place where 80% plus of the pool is fairly recent NPAs so we continue to expect to see notable amount of recoveries from that book.

MB Mahesh: Just one question on the NPL that you have. What will be outstanding share of non fund based exposure?

Jairam Sridharan: We have roughly ₹2900 crores of non-fund exposure on NPA.

MB Mahesh: And the security receipt book remains the same at about ₹3000 crores?

Jairam Sridharan: Yes.

Moderator: The next question is from the line of Anirvan Sarkar from Principal Asset Management. Please go ahead.

Anirvan Sarkar: Just one question on the ILFS exposure. So has any of the slipped or is it a part of NPA or is it a part of your watch list or is it outside completely? that is the first one. The second one is that the fresh addition to the watch list that happened in this quarter so was that from downgrade of higher rated asset or upgrade of NPA what led to the addition and the third one is that if you could throw some light on the investment gain that you made of ₹342 crores from the state of strategic assets what exactly where they?

Jairam Sridharan: On ILFS, situation is fairly similar to what we spoke about on the previous call total exposure is about ₹800 crores of which is about ₹250 crores is fund based and the rest is non fund based. The fund based exposure, almost of it has turned NPA during this quarter and that has been appropriately provided for. Your second on BB just to clarify we do not have a watch list at this point, the watch list construct was wound down in March of last year. The BB and below or sub investment grade pool that we disclosed the upgrades and downgrades that is what we are discussing with Rahul earlier, the upgrades and downgrades are a normal course of events. The big delta this time has not been from upgrade out of NPA into BB it has more been downgrade from BBB into BB. But you have also seen a lot of upgrades from BB out of it and hence on a net basis you have seen the BB book reduced quite significantly from ₹8,800 crores to ₹7,600 crores, a reduction of 14% quarter-on-quarter basis. So that was your second on your third item or your third question in terms of strategic sales there are two strategic sales that we did both of which were reported in the exchanges we sold a percent of our stake in Max Life and we sold a small stake a small stake in NSDL both of those you can find the full details from our stock exchange notifications overtime.

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

Ravi Singh: My question again on the strategy statement for three years FY20 to 22 on the growth? Will you be in a position to peg some number now or maybe at the end of fourth quarter in terms of aspiration growth whether relative to system growth or somewhere in the high-teens, mid 20s what sort of growth we are looking at? And also given the adjustments and changes in the system in process, is conservatism being the main theme do you think there is a possibility that growth could actually be slower in next 12 to 18 months before it picks up on system in place?

Jairam Sridharan: On you're first one you are right, typically we tend to offer guidance forward looking in the fourth quarter so look forward to having that conversation then. At this point of time we have nothing more to add in terms of specific growth that numbers the targets for the medium term. We look forward to having the conversation with you at the end of fourth quarter. In terms of the conservatism that we spoke about earlier in the call what that means for growth aspiration, the answer is nothing really. The actual aspiration number for growth I would be shocked if we saw the actual growth numbers kind of not move up even as we move towards more conservative trajectory internally in terms of accounting policies, in terms of credit stance, etc. The intention is to say that let us do the right thing in terms of creating the balance sheet, but given the size of the opportunity that is available in the market and the positioning of the Bank right now, we believe that even with that conservative stance, the ability to grow really fast over the next 12 months is quite high and that is what we intend to do.

Moderator: The next question is from the line of Roshan Chutkey from ICICI Prudential. Please go ahead.

Roshan Chutkey: Just wanted to understand this. About 55% of deposits were retail deposits as per your last Q2 LCR disclosure. Given that your CASA plus retail term deposit ratios is about 80%, does it mean that the remaining 25% is bulk and therefore which is attributable to CASA?

Jairam Sridharan: So total deposits are made of CA, SA retail term deposits and non-retail deposit that is the total so when we say CASA plus RTD is 80% of deposits what we made is CA plus SA plus RTD divided by CA plus SA plus RTD plus NRTD equals 80% so that delta is NRTD.

Roshan Chutkey: So I am talking about the retail deposits which you would mention in the LCR which is 55%. If that is 55% and the remaining thing is only CASA right?

Jairam Sridharan: I am not sure I fully understood just to be clear the LCR calculation uses a different definition of retail then what we use here. Here is the business segment definition of retail. There is a different RBI definition of retail that is there. If you are interested in doing a reconciliation between those two numbers, I would request you to reach out to Abhijit and we can over the email offer that clarification.

Roshan Chutkey: The other question is to Amitabh it is a hypothetical question. What are your thoughts on insurance as a business? Is inorganic growth better thing to do than organic or pursuing an organic way of growing insurance business?

Amitabh Chaudhry: So you are asking me as a CEO of Axis Bank.

Roshan Chutkey: As an insurance expert.

Amitabh Chaudhry: So you can take it offline. It is very unfair to rest of the participants.

Roshan Chutkey: You still have 13% of your loan base rate linked what is the nature of this accounts?

Jairam Sridharan: These are the old loans from the base rate regime which are long gestation primarily home loan which was long tenure and the customer never end up converting them into MCLR and they continue to be base rate linked.

Moderator: The next question is from the line of Anurag Jain from Canara HSBC. Please go ahead.

Anurag Jain: Couple of question mainly on the RAROC framework. How do we hope to sort of blend the market imperative, our growth aspirations, and the RAROC ambition that we have so while currently times will be better, but over time how do you hope to do that?

Jairam Sridharan: I do not know whether we can actually answer that question in a pretty sort of one minute sound byte? I think it is really important for us to ensure that we do actually do the tradeoff that you are talking about. There are growth opportunities available in the market, the opportunities are different in different segments. RAROC is a framework that allows you to pick and choose segments and pick and choose pricing in these different segments and the kind of tradeoff we intent to make with RAROC -- let us say 25 different mini business within the Bank each of those businesses at particular size offer a particular RAROC but at a different size might have slightly higher or slightly lower RAROC. It is our job as the management team to try and look at this better of opportunities that are available and grab over the next three-year period a portfolio that optimizes the capital that we have available to us. As you rightly point out that it is not a straight forward task and it is not a unidirectional and so we need to apply our mind on it, but it is something that we are focused on doing and we hope to use the framework as an objective way to make the appropriate trade off in a rational and defensible manner.

Anurag Jain: So basically, we will still be able to meet our growth aspirations as well so fair enough. Another question which probably was briefly alluded to again on the RAROC framework how do you see working capital loans and term loan that is and then how does it imply in terms of the mix of the two?

Jairam Sridharan: So I think the way to look at it is obviously term loans comes with a higher levels of risk. Working capital being of a shorter term, the levels of risk are lower, however yields are lower as well, but I think what is critical is that there are sectors there are companies which are more working capital intensive which also means that there are opportunities to do other businesses which are non-fund based with this customer and so therefore the model really is that as you move towards more working capital you are also improving the quality of the portfolio, but yes there is some sacrifice on yield. But it then becomes an imperative to ensure that there is non-credit fees which is growing with that corporate at one level and not for the portfolio. It may not necessarily happen all simultaneously but that is what is what we work on clearly on a daily basis. And this trade off that you are talking about as to how do I get growth and how do I get profitability is really what brings us to office every day.

Anurag Jain: Have we build in some cash position in the balance sheet I see 8% cash in Bank balance is it a precursor for growth moving forward or just an end of period number?

Jairam Sridharan: This is just end of period money lying in our ATMs and our branches.

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

Jay Mundra: Most of the question have already been answered. Just two data points I need. Last quarter we had mentioned the sum of all RBI, dispensation restructured/all dispensations schemes what is the outstanding number as of third quarter?

Jairam Sridharan: Roughly ₹2,000 crores similar to last quarter nothing has changed there.

Jay Mundra: And the last data point is, last quarter we also mentioned some ₹2800 crores exposure to non-fund exposure to NPA so we have provided 2500 crores which is a non-fund based exposure to watch list to BB and below but what is the NFB exposure to already NPA?

Jairam Sridharan: ₹2900 crores.

Moderator: Ladies and gentlemen this was the last question for today 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 in this call actively over this evening and I hope you have a wonderful evening.

Moderator: 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.