ICICI Bank Limited
Earnings Conference Call – Quarter ended June 30, 2016 (Q1-2017)
July 29, 2016

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Moderator Ladies and Gentlemen, Good Day and Welcome to ICICI Bank's Q1-2017 Earnings Conference Call. As a remainder, all participant lines are in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference please signal an operator by pressing '*' and then '0' on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mrs. Chanda Kochhar – Managing Director and CEO of ICICI Bank. Thank you and over to you, ma'am.

Chanda Kochhar: Thank you. Good evening to all of you. I will make brief opening remarks and then Kannan will take you through the details of the results.

The Bank achieved robust growth in its loan portfolio and maintained its strong funding profile during Q1 of 2017. The retail portfolio grew by 22.1% year-on-year and now constitutes 46.4% of total loans. The overall domestic loan growth was 16.9% year-on-year. Current and savings account deposits grew by 17.9% year-on-year. The CASA

ratio was 45.1%, and retail deposits were about 77% of our total deposits at June 30, 2016.

At the beginning of this financial year, we, in consultation with McKinsey & Company, focused on reviewing certain parts of our organisation structure. Two key areas of focus for us are scaling up innovations and sustaining digital leadership across segments; and strengthening credit and risk management. Accordingly, we have made the following key changes in the organisation structure of the Bank:

1. First, we have formed a dedicated Technology and Digital Group, led by a Chief Technology and Digital Officer, integrating all technology functions in the Bank across retail, wholesale and SME businesses. The key functions of this Group include further strengthening our digital channels, business intelligence and use of analytics, and developing strategic partnerships to maintain our leadership in digital banking. As part of this group, we have created an Innovation Lab which will focus on prototyping, incubating and piloting strategic digital projects. We had earlier introduced 'ICICI Appathon' to tap into the talent in developers, technopreneurs and technology startups in our country and across the globe. We are delighted that the Appathon generated interesting ideas which we believe will enable development of breakthrough solutions, making mobile banking simpler than ever before.
2. Second, we have formed a dedicated Credit Monitoring Group, distinct from the client relationship and risk management teams, to further enhance and strengthen the monitoring of the corporate and SME portfolio. This group is responsible for day-to-day monitoring of the portfolio, as well as providing structured inputs for proactive portfolio monitoring, leveraging analytics and developing predictive models and parameters for early warning signals.

As you would have seen, ICICI Prudential Life Insurance Company has filed a draft red herring prospectus with the Securities and Exchange Board of India for a public offer of equity shares of ICICI Life, representing approximately 12.65% of its equity share capital, through an offer for sale by the Bank.

On the previous analyst call, I had summarised the Bank's strategic priorities for FY2017 in the 4 x 4 Agenda covering Portfolio Quality and Enhancing Franchise.

On Portfolio Quality

1. Proactive monitoring of loan portfolios across businesses;
2. Improvement in credit mix driven by focus on retail lending and lending to higher rated corporates;
3. Concentration risk reduction; and
4. Resolution of stress cases through measures like asset sales by borrowers and change in management; and working with various stakeholders to ensure that the companies are able to operate at an optimal level and generate cash flows.

On Enhancing Franchise

1. Sustaining the robust funding profile;
2. Maintaining digital leadership and a strong customer franchise;
3. Continued focus on cost efficiency; and
4. Focus on capital efficiency and further unlocking of value in subsidiaries.

Our growth in the first quarter and the various steps we have taken are in line with these strategic priorities. We are re-orienting our balance sheet towards lower risk and a more granular portfolio. We believe that we are well positioned to leverage on growth opportunities in the coming years given our strong deposit franchise, robust capital levels

and potential for value unlocking in our subsidiaries. We will continue to make investments to further strengthen our franchise.

I will now hand the call over to Kannan.

N. S. Kannan: I will talk about our performance on: Growth; Credit Quality; P&L Details; Subsidiaries; and Capital.

Growth

Within the overall retail growth of 22%, the mortgage and auto loan portfolios grew by 21% and 17% year-on-year respectively. Growth in the business banking and rural lending segments was 15% and 24% year-on-year respectively. Commercial vehicles and equipment loans grew by 21% year-on-year. The unsecured credit card and personal loan portfolio grew by 43% year-on-year to 166.93 billion Rupees and was about 3.7% of the overall loan book as of June 30, 2016. The Bank continues to grow the unsecured credit card and personal loan portfolio primarily driven by a focus on cross-sell.

Growth in the domestic corporate portfolio improved from 7.2% year-on-year as of March 31, 2016 to 11.2% year-on-year as of June 30, 2016. The Bank continues to focus on lending to higher rated corporates and apply its revised concentration risk management framework to incremental lending. The SME portfolio grew by 2.1% year-on-year and constitutes 4.0% of total loans. The year-on-year growth in SME portfolio was lower due to higher repayments during the quarter. We expect the growth in SME portfolio to improve in the coming quarters.

In rupee terms, the net advances of the overseas branches decreased by 1.5% year-on-year as of June 30, 2016. In US dollar terms, the net advances of overseas branches decreased by 7.1% year-on-year as of June 30, 2016.

Coming to the funding side: on a period-end basis, we saw an addition of 39.85 billion Rupees to savings deposits during the quarter. The Bank continued to maintain healthy CASA ratios on a period-end basis as well as daily average basis. On a daily average basis, the CASA ratio was 41.7% in Q1 of 2017. Total deposits grew by 15.3% year-on-year to 4.24 trillion Rupees as of June 30, 2016.

We continue to make investments to strengthen our retail franchise. We have a network of 4,451 branches and 14,073 ATMs, and best-in-class digital and mobile platforms, with a number of new innovations. iMobile received the highest overall score in the 2016 India Mobile Banking Functionality Benchmark study conducted by Forrester.

Credit Quality

During the first quarter, the gross additions to NPAs, including slippages from the restructured portfolio, were 82.49 billion Rupees compared to 70.03 billion Rupees in the preceding quarter. Slippages from the restructured portfolio were 13.21 billion Rupees in Q1 of 2017 compared to 27.24 billion Rupees in the preceding quarter. About 77% of the gross additions to NPAs for the wholesale and SME businesses in Q1 of 2017 were on account of slippages from companies internally rated below investment grade in key sectors, the details of which the Bank had disclosed in the previous quarter, and slippages from the restructured portfolio. Of the remaining additions, about 30% are expected to be upgraded during the current year itself.

The retail portfolio had gross NPA additions of 6.44 billion Rupees and recoveries & upgrades of 4.25 billion Rupees during Q1 of 2017 which is in line with normal business trends.

During the quarter, aggregate deletions from NPA due to recoveries and upgrades were 7.92 billion Rupees. The Bank sold gross NPAs amounting to 46.83 billion Rupees. The net NPAs sold amounted to 22.32 billion Rupees during the quarter. The gross shortfall amounting to 5.26 billion Rupees on such sales is amortised over four quarters. Accordingly, during Q1 of 2017, the Bank has recognised a loss of 1.32 billion Rupees. Further, the Bank has made a gain of 1.53 billion Rupees on sale of NPAs to ARCs which is set aside towards the security receipts received on such sale.

The Bank's net non-performing asset ratio was 3.01% at June 30, 2016 compared to 2.67% at March 31, 2016. The gross non-performing asset ratio was 5.28% at June 30, 2016 compared to 5.21% at March 31, 2016. The provisioning coverage ratio on non-performing loans, including cumulative technical/prudential write-offs, was 57.1%.

The net restructured loans reduced to 72.41 billion Rupees as of June 30, 2016 from 85.73 billion Rupees as of March 31, 2016.

As of June 30, 2016, the Bank had outstanding SDR loans of about 26.39 billion Rupees, comprising primarily loans already classified as non-performing or restructured.

The aggregate net NPAs and net restructured loans increased by 6.79 billion Rupees from 218.70 billion Rupees as of March 31, 2016 to 225.49 billion Rupees as of June 30, 2016.

During Q1 of 2017, the Bank did not implement refinancing under the 5/25 scheme for any loan. The outstanding portfolio of performing loans for which refinancing under the 5/25 scheme has been implemented was about 27.13 billion Rupees as of June 30, 2016.

There are uncertainties in respect of certain sectors due to the weak global economic environment, sharp downturn in the commodity cycle, gradual nature of the domestic economic recovery and high leverage. The key sectors in this context are power, iron & steel, mining, cement and rigs. The Bank's aggregate exposure to these sectors decreased from 15.8% of its total exposure at March 31, 2011 to 13.3% of its total exposure at March 31, 2016 and further decreased to 12.7% of its total exposure at June 30, 2016.

The Bank had reported its exposure, comprising both fund based limits and non-fund based outstanding at March 31, 2016 to companies in these sectors that were internally rated below investment grade across the domestic corporate, SME and international branches portfolios; and to promoter entities internally rated below investment grade where the underlying partly relates to these sectors. On slide 28 of the presentation, we have provided the movement in these exposures between March 31, 2016 and June 30, 2016. The aggregate fund based limits and non-fund based outstanding to companies, excluding those classified as non-performing or restructured, that were internally rated below investment grade in these sectors and promoter entities, decreased from 440.65 billion Rupees as of March 31, 2016 to 387.23 billion as of June 30, 2016 reflecting the following:

- There was a net reduction in exposure relative to the March level of 3.65 billion Rupees, and net upgrades of ratings of borrowers of 4.19 billion Rupees, together aggregating to 7.84 billion Rupees.
- Loans classified as non-performing during the quarter were 45.59 billion Rupees. Please refer slide 28 for further details.

Provisions for Q1 of 2017 were at 25.15 billion Rupees compared to 9.56 billion Rupees in Q1 of 2016 and 33.26 billion Rupees, excluding collective contingency and related reserve, in Q4 of 2016. Further,

during Q1 of 2017, there was a drawdown of 8.65 billion Rupees from the collective contingency and related reserve.

We continue to work with borrowers for asset sales, deleveraging and reduction of exposures. Our focus will be on maximising the Bank's economic recovery and finding optimal solutions. It may take time for some of the solutions to be implemented, particularly where mergers or acquisitions are involved. In the interim, the accounting treatment and classification based on applicable regulatory norms may get adversely impacted. We may also consider invocation of Strategic Debt Restructuring in additional accounts, to protect the interests of the Bank while resolution plans are being implemented. As we had mentioned earlier, it is expected that NPA additions and credit costs will continue to be at elevated levels in FY2017.

P&L Details

Net interest income was 51.59 billion Rupees in Q1 of 2017. The net interest margin was at 3.16% in Q1 of 2017 compared to 3.37% in the preceding quarter. The domestic NIM was at 3.45% in Q1 of 2017 compared to 3.73% in the preceding quarter. International margins were at 1.65% in Q1 of 2017 compared to 1.62% in the preceding quarter. As we had indicated earlier, the yield on advances for Q1 of 2017 was impacted by the non-accrual of income on the higher level of additions to non-performing assets. Going forward, the yield on advances would continue to be impacted by non-accrual of income on non-performing assets and implementation of resolution plans for stressed borrowers. There was no meaningful interest on income tax refund in Q1 of 2017 compared to about 1 billion Rupees in the corresponding quarter last year and 0.7 billion Rupees in the preceding quarter.

Total non-interest income increased by 14.7% year-on-year to 34.29 billion Rupees in Q1 of 2017.

- Fee income was 21.56 billion Rupees. Retail fees grew by 11.3% year-on-year and constituted about 68.6% of overall fees in Q1 of 2017.
- Treasury recorded a profit of 7.68 billion Rupees compared to 2.07 billion Rupees in the corresponding quarter last year.
- Other income was 5.05 billion Rupees. The dividend from subsidiaries was 2.91 billion Rupees and the Bank had exchange rate gains of 2.06 billion Rupees relating to overseas operations in Q1 of 2017.

On Costs: The Bank's cost-to-income ratio was at 39.3% in the first quarter of fiscal 2017. Operating expenses increased by 10.0% year-on-year. Employee expenses increased marginally by 1.9% year-on-year. Non-employee expenses increased by 15.5% year-on-year in Q1 of 2017 primarily on account of the larger distribution network and higher retail lending volumes. We would continue to focus on cost efficiency, while investing in the franchise as required.

The Bank's standalone profit before provisions and tax was 52.15 billion Rupees in Q1 of 2017 compared to 50.38 billion Rupees in the corresponding quarter last year and 71.08 billion Rupees in preceding quarter. As you would recall, in the preceding quarter, we had gains of about 21.31 billion Rupees from stake sales in our life and general insurance subsidiaries.

I have already discussed the provisions for the quarter.

The Bank's standalone profit before tax was 27.00 billion Rupees in Q1 of 2017 compared to 1.82 billion Rupees in the preceding quarter and 40.82 billion Rupees in the corresponding quarter last year.

The Bank's standalone profit after tax was 22.32 billion Rupees in Q1 of 2017 compared to 7.02 billion Rupees in the preceding quarter and 29.76 billion Rupees in the corresponding quarter last year.

Subsidiaries

ICICI Life's retail weighted received premium increased by 11.1% from 8.43 billion Rupees in Q1 of 2016 to 9.36 billion Rupees in Q1 of 2017. The profit after tax for ICICI Life for Q1 of 2017 was 4.05 billion Rupees compared to 3.97 billion Rupees in Q1 of 2016.

The profit after tax of ICICI General increased by 12.9% from 1.16 billion Rupees in Q1 of 2016 to 1.31 billion Rupees in Q1 of 2017. The profit before tax grew by 19.3% year-on-year. The gross written premium of ICICI General grew by 39.3% on a year-on-year basis to 29.55 billion Rupees in Q1 of 2017 compared to about 16.7% year-on-year growth for the industry. The company continues to retain its market leadership among the private sector players and had a market share of about 10.5% in Q1 of 2017.

The profit after tax for ICICI AMC increased by 22.5% year-on-year from 0.80 billion Rupees in Q1 of 2016 to 0.98 billion Rupees in Q1 of 2017. With assets under management of over 2.0 trillion Rupees, ICICI AMC continues to be the largest mutual fund in India. The profit after tax for ICICI Securities was at 0.69 billion Rupees in Q1 of 2017 compared to 0.61 billion Rupees in Q1 of 2016.

Let me move on to the performance of our overseas banking subsidiaries.

The Bank's total equity investment in ICICI Bank UK and ICICI Bank Canada has reduced from 11.0% of its net worth at March 31, 2010 to 4.7% at June 30, 2016.

As per IFRS financials, ICICI Bank Canada's total assets were 6.83 billion Canadian Dollars as of June 30, 2016 and loans and advances were 5.77 billion Canadian Dollars as of June 30, 2016. The profit

after tax for Q1 of 2017 was CAD 0.9 million compared to CAD 7.8 million in Q1 of 2016. The lower profits were primarily on account of higher provisions on existing impaired loans. The capital adequacy ratio of ICICI Bank Canada was 22.5% at June 30, 2016.

ICICI Bank UK's total assets were 4.05 billion US Dollars as of June 30, 2016. Loans and advances were 2.69 billion US Dollars as of June 30, 2016. The sequential decrease in loans and advances of about 460 million US Dollars was on account of lower disbursements in Q1 of 2017 given the uncertainties in the operating environment and limited lending opportunities. Profit after tax in Q1 of 2017 was 0.5 million US Dollars, at a similar level compared to Q1 of 2016. ICICI Bank UK continued to make additional provisions for existing impaired loans. The capital adequacy ratio was 17.9% as of June 30, 2016. The Bank will monitor the developments relating to the United Kingdom's exit from the European Union. ICICI Bank UK had hedged all its currency exposures and there was no meaningful immediate impact of sterling depreciation. The impact on the loan and investment portfolio and profitability, going forward, would depend on the business environment in the UK and the policies that evolve in relation to the exit from the EU.

The consolidated profit before tax was 34.60 billion Rupees in Q1 of 2017 compared to 47.34 billion Rupees in the corresponding quarter last year and 2.85 billion Rupees in the preceding quarter. The consolidated profit after tax was 25.16 billion Rupees in Q1 of 2017 compared to 32.32 billion Rupees in the corresponding quarter last year and 4.07 billion Rupees in the preceding quarter.

Capital

The Bank had a Tier 1 capital adequacy ratio of 13.02% and total standalone capital adequacy ratio of 16.45%, including profits for Q1 of 2017. The Bank's consolidated Tier 1 capital adequacy ratio and

the total consolidated capital adequacy ratio, including profits for Q1 of 2017, were 13.06% and 16.44 % respectively. The capital ratios are significantly higher than regulatory requirements.

The Bank's pre-provisioning earnings, strong capital position and value created in its subsidiaries give the Bank the ability to absorb the impact of a challenging environment while driving growth in identified areas of opportunity.

To sum up, during Q1 of 2017, the Bank

1. achieved continued healthy loan growth driven by the retail portfolio, and focused on lending to higher rated corporates, in line with its capital allocation and risk management framework;
2. focused on resolution and recovery in the corporate segment;
3. sustained its robust funding profile;
4. maintained cost efficiency; and
5. continued to maintain healthy capital adequacy ratios.

We will now be happy to take your questions.

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

Mahrukh Adajania: Just a couple of questions. Firstly, in the notes to account on ARC and your presentation, it is mentioned that there was a loss on sale and there was a gain on sale, can you please explain?

N. S. Kannan: Yes. The gross loss of Rs. 5.26 billion is being amortised over a period of four quarters. Accordingly, one-fourth of that was taken in the June quarter. There was also a gain on some of the loans which we sold. As per the RBI guidelines, the gains cannot be booked and need to be set aside as a reserve against the security receipts that we received.

The amount one gets in cash can be booked. A larger part has come in the form of security receipts for which the gain has to be kept as a reserve against SRs. Such gain was about Rs. 1.53 billion.

Mahrukh Adajania: And the other question I had is that you have given breakdown of slippage into restructured and what slipped from the below investment grade, would there be any overlap in that?

N. S. Kannan: No, as we had said earlier, there was no overlap between about Rs. 440 billion and about Rs. 85 billion at March 2016. Those are two separate numbers and slippages for the quarter were also separate.

Mahrukh Adajania: And was there any conversion of debt to fixed assets during the quarter?

Rakesh Jha: In some of the cases, we indeed have done debt asset swaps over the last 12 months.

Mahrukh Adajania: And just one last question, on this whatever slipped outside the below investment grade list, what sector, so those were those small usual slippages or were there any other sectors, were there any large corporates there?

N. S. Kannan: No, there is no sectoral pattern. Further, as I said in my presentation, about 30% of that we believe we will upgrade during the year itself.

Moderator: Thank you. Our next question is from the line of Nilesh Parikh from Edelweiss Securities. Please go ahead.

Nilesh Parikh: So the question is, you mentioned that we will be looking at on a case-to-case basis to invoke SDR along with when we have some of the resolutions which we have taken. Just wanted to understand that if there has been, the jury is still out about the success of the SDR mechanism. So just wanted to understand the thought process behind this?

N. S. Kannan: Yes. What I had mentioned was that in some of the cases the resolution may take time because of the various external dependencies and the approvals required. So in the meanwhile if bankers will have to protect the interest, in selective cases, we may invoke the SDR, because SDR gives the ability for standstill while protecting the interests of the banks and ensuring that the ownership does not go anywhere else. The objective would be to ensure that there is an orderly resolution as we go along.

Nilesh Parikh: Fair to assume that in those cases, maybe an S4A may not work?

N. S. Kannan: Let me put it this way. On the SDR, to answer your previous question also, that we have seen some success, I would not say that success is debatable. It is just that this whole SDR mechanism has been in place for a few quarters, so we will have to wait and see how it plays out. But in a large case, we have had full success in terms of implementing SDR. So we do hope that if we use it selectively, we should be able to implement it.

As far as S4A is concerned, the way it gets implemented is quite different from SDR. There have to be certain checks and balances in terms of ensuring that at least 50% of the debt is sustainable that too based on the immediate or the immediate future cashflows. We believe that the banking system may use S4A going forward, but it will be limited to very few cases.

Nilesh Parikh: The other thing is, you spoke about some of the resolutions which are work in progress. Some of these deals are in public domain and obviously there is a timeframe that has to go through the entire regulatory channel, but some quantum would help in terms of what is the extent that could be, or maybe in the near future actually get upgraded because of this or come out of the Watchlist?

N. S. Kannan: We can only assure you that in each of the cases which we have put out in that list, we are working towards resolution. In some of the

cases, there could be M&A solution, some could be asset sale solutions. It could be other solutions as well. There are dedicated teams focused on this. Over a period of time we hope to resolve those things. It is difficult to predict, how much time it will take and what will be upgraded given the external dependencies and the approvals required.

Nilesh Parikh: Just one final question. So when I look at the five sectors that you mentioned, there is exposure to steel which has come off by about Rs. 2,000 crores. Has that slipped to NPL category? The other question is that if you have sold some assets from the steel sector and if they were part of the watchlist, would you now consider the SR which you would have received as a part of the exposure?

Rakesh Jha: During the quarter we have sold existing NPAs which were there as of March itself. We would not have sold down anything from any of the drilldown exposures.

N. S. Kannan: Yes, those specific sectors below the investment grade, the list we had put out does not include NPLs.

Nilesh Parikh: Sure. So the reduction, fair to assume, is on account of slippages, right?

N. S. Kannan: Yes, the movement we have given on the slide.

Chanda Kochhar: There are three reasons for those reductions, as was mentioned by Kannan also. One is that there is actual reduction in exposure. The second is improvement in credit rating resulting in movement of certain cases to investment grade and third of course is slippage to NPA.

Moderator: Thank you. The next question is from the line of Vikas Kapadia from Anived PMS. Please go ahead.

Vikas Kapadia: Sir, two questions. If I look at the interest on advances, it is up 5% on a year-on-year basis, if you could give us some sense how much it is due to income reversal or yield changes and when do we see yield on advances growing faster or near double-digits for the Bank? Secondly on retail, is there enough room in mortgages and vehicle loans for us to grow and still maintain our credit standards? And with retail growing much faster, what is the cost inflation we would expect at operating level in the remaining quarters of the current fiscal?

Rakesh Jha: In terms of the margins and the yield on interest earning assets, indeed the impact that we are seeing is coming because of the non-accrual of income on the NPAs which have got added in the last two or three quarters. So that impact is something which will be there through this year. As Kannan mentioned earlier, we still expect to see a continued level of elevated addition to NPAs and credit costs. To that extent, the non-accrual impact will be there through the year and the reduction in margin that we have seen is kind of largely coming from that. Further, when you compare the June quarter margins to March quarter, there was also an absence of interest on income tax refund, which would have accounted for about 6 basis points of decline. The balance would largely be on account of non-accrual of income.

N. S. Kannan: So for your second question on retail, yes, we continue to grow in retail which is a very granular business. And based on our own assessment and all the parameters we monitor, we do not think at all that there is stress in terms of the credit quality. Our retail portfolio growth was about 22 compared to system retail loan growth of around 19% based on the statistics put out by RBI. We do not think that there is any aggressive strategy which we are pursuing for grabbing of market share or anything. In general, the market has been growing and we have been a significant part of the market and credit quality is very stable in the retail business across the segments.

Vikas Kapadia: And lastly, the cost inflation at the operating level, given that retail would continue to remain the focus area and grow faster?

Rakesh Jha: We have said that during the year there will be cost increase coming because of that, because of the branch expansion, ATM expansion and the other investments in the retail franchise. So for the current quarter, the overall expense increase was about 10%, but for the year we would expect that number to be somewhat higher than that.

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

Adarsh P: Wanted to check what's the breakup of the provisions?

Rakesh Jha: In terms of the provision, the large part would be for NPAs actually. There is no addition to the general provision on standard assets because there have been some reversals there with slippages to NPAs from the restructured book. So, overall, the provisions are largely for the non-performing assets.

Adarsh P: So the other way is, could you give the movement of the NPA provisions, because I believe the write-offs are pretty large, Rs. 6,615 crore, of which there will be some ARC receipts. So I just wanted to understand, some part will be a P&L provision, the other would be some write-backs from the contingency and others. So if you can just give me the gross number of NPA provisions?

Rakesh Jha: So if you look at the write-off and sales in terms of the movement of NPA slide that we have on Slide 17, as you said that includes the sale of NPAs also that we have done. In terms of the aggregate write-offs for the quarter that would be about Rs. 44 billion. This will also include write-offs relating to sale of NPAs to ARC. At the time of sale, the existing provision gets written-off.

Adarsh P: The total P&L provisioning was Rs. 25 billion and then we would have had Rs. 8.65 billion as a write-back from the contingency reserve. I think there will be more provisions towards NPA, right? So just wanted to know that gross number.

Rakesh Jha: Provision for the P&L charge you are saying?

Adarsh P: Not the P&L charge, the addition to the NPA provision that we would have had from various sources.

Anindya Banerjee: But there are no sources, there is provision made in the P&L and there is utilization of the reserve.

Adarsh P: No, I was saying that you had a Rs. 134 billion NPA provision at the end of fourth quarter and if you had a Rs. 44 billion of write-offs you would have ended up closer to about Rs. 89 billion. And this quarter we have ended with Rs. 121 billion, so it means we will probably be having a higher than Rs. 35 billion of total NPA provisions, right?

Rakesh Jha: So, Rs. 25 billion is the net provision number for the quarter, plus we have Rs. 8.65 billion of utilization from the CCRR. Aggregate provisions, as I said, it is largely almost entirely against the NPAs.

Adarsh P: The second question is relating to the below investment grade book. When I see the mining part of it, it has come off. Most of us are aware that these are two large mining accounts. I wanted to understand the status there and how should one expect write-offs to pan out in these couple of accounts?

Rakesh Jha: As Kannan mentioned during his speech that we are looking at each of these accounts in terms of how we can move towards resolution. And we expect that during the current year, we should be able to take some concrete steps in each of these cases in terms of moving towards resolution. Now whether the resolution gets completed this year or it kind of spills into next year is going to be a function of various things. And the mining loans that you are referring to would be no different than each of the other loans in this category of drilldown that we have given.

Adarsh P: And sir my last question is on margins. So we have seen a 20 bps contraction like what you had guided from the 4Q levels. Do we expect

that now broadly we should have a stable trajectory or if slippages keep increasing, margins from 1Q level also keeps sliding down?

Rakesh Jha: So it is something which we will have to see. It will be a function of what is the kind of NPA additions that we see during the rest of the year. And as we are saying, the impact will almost entirely be because of non-accrual of income. On the other aspects in terms of cost of funds and incremental lending, I think we are pretty confident that we will be able to maintain our margins or improve. But the non-accrual of income is something which will still impact us through the year, so we will have to see how that kind of pans out during the year.

N. S. Kannan: And as a part of the recovery strategy, there would also be endeavour to collect interest in NPL accounts as well.

Adarsh P: And in the third quarter when we had some higher slippages, we did not see a NIM impact and it came through in the fourth, and probably in the first quarter. So would you say that the NIM impact that we are seeing now in this quarter already takes into consideration the slippages that we had in this quarter, or it will come with a lag as well?

Rakesh Jha: So what does happen is that with the loans that slip into NPA, at the point of slippage into NPA there could be accrued amount of interest and some interest possibly collected in cash. Depending on what is the amount of accrued interest, there could be reversals. That is why on a quarter-on-quarter basis the numbers can move up or down. I would say that largely the impact would have been taken into consideration in the current quarter of the additions that we had in this quarter and that we had in the March quarter.

Moderator: Thank you. We will take the next question from the line of Cyrus Dadabhoy from Anand Rathi. Please go ahead.

Cyrus Dadabhoy: Just wanted some colour on the overall loan growth target and drivers for corporate lending in the domestic book? And my second question would be some guidance on credit costs and NIM for the year? Thanks.

N. S. Kannan: On loan growth, the retail portfolio will continue to lead the loan growth for the Bank. Currently it is growing at around 22%. Going forward, we do believe that the loan growth of around this level or slightly higher may be sustainable. Within retail, mortgage will continue to be a large proportion of retail mix. And from a percentage perspective, obviously, the unsecured loan credit card will show a higher percentage growth because of the low base.

On the corporate side, as we have said on the earlier call, the endeavour has been to improve the growth to double-digits, maybe mid-teens or so has been the objective. That is what is playing out as we speak now. The larger disbursements have been relating to working capital demand, including higher rated corporates, PSUs. SME, as I mentioned, there have been some repayments because of which the growth was muted. If you see the previous quarter, we were growing SME at around 10%. The endeavour would be to pick up the growth from here on in the SME segment. We have also very consciously granularised the portfolio over a period of time.

International, the outlook is somewhat muted. So the growth rate of international would be lesser, flattish to low single digit percentage growth. So that is how we are looking at the different components of the loan book.

Cyrus Dadabhoy: And guidance on credit costs and NIM, overall?

Rakesh Jha: We have not given any specific number on the credit cost for the year, other than stating that it will continue to be at elevated levels. On NIM, as I said, the core business is doing pretty well on the retail lending side, on the incremental corporate lending and the funding side, including CASA where we have seen robust growth. However, the non-accrual of interest income on addition to NPAs, that I think will still impact us rest of the year. So again, we have not given any specific number for the year.

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

Suresh Ganapathy: Just a couple of questions. On this Rs. 27 billion of 5/25 refinancing that you have done, are these all perfectly normal standard assets or a part of restructured assets will also be a part of this?

Anindya Banerjee: So, Suresh, this will be the outstanding number we have talked about, not done during the period, so it is an outstanding number. The flexible restructuring of Rs. 27.13 billion will be part of the standard portfolio.

Suresh Ganapathy: And the restructured assets are not a part of this, so the about Rs. 72 billion restructured assets, Rs. 27 billion will not be a part of that, right?

Anindya Banerjee: That is correct.

Suresh Ganapathy: Now any fresh restructuring you have done this quarter?

Rakesh Jha: There is one case of about Rs. 600 million.

Suresh Ganapathy: And then just finally, from an outlook perspective, if I look at just roughly the numbers, Rs. 82 billion you said is slippages and Rs. 45 billion actually has come from this watchlist, so that is roughly from a proportion perspective of 55%. My worry here, Kannan, is that 45% is actually coming from your non-watchlist accounts; it is a pretty large number. I mean, how should we read this, because there seems to be a portfolio outside watchlist also which is contributing heavily to the NPL scenario at this point in time?

N. S. Kannan: Yes. Suresh, let me just explain it. When we said that bulk of the NPL will come from a particular portfolio, we said that that will come from this Rs. 440 billion which we had laid out as well as the Rs. 85 billion of restructured. So those were the two areas from which we said bulk of the NPL will come. We have not called it a watchlist really, what we had said was that we look at those five sectors plus promoter entities,

which we believe are undergoing stress and out of that we took a clinical cut of whatever is below investment grade. That is how that Rs. 440 billion was arrived at. We had said the bulk of the NPL will come from, we said will come from A) the Rs. 440 billion; and B) the Rs. 85 billion from restructured. If we look at our total slippages of Rs. 82.49 billion for the quarter, you will have to keep out the retail slippages of about Rs. 6.5 billion which is there on a quarterly basis and that gets upgraded also. When we looked at the balance Rs. 76 billion, about 77% of that has come out of below investment grade rated companies in key sectors and restructured portfolio. So we always said that the bulk of it will come in, it does not mean that 100% will come from that. At the same time, bulk, we believe that 77% has really come out of that. And also in the remaining slippages, we did not see any sectoral pattern. And as I said earlier, of the remaining slippages, for about 30% we have clear visibility of that getting upgraded in the current year itself.

Rakesh Jha: And just one thing on the portfolio that we are tracking in terms of the drilldown exposure on Slide 27. We have also listed down that there is about Rs. 20 billion of non-fund based exposure to borrowers already classified as NPA, which we are closely monitoring for potential devolvement. So that is also a part of the overall drilldown, this non fund exposure that we have to in existing NPA and the restructured portfolio which is there. These are the buckets from where the bulk of the additions would come from the corporate and the SME segment. The retail numbers are pretty normal in terms of what we have been seeing.

N. S. Kannan: And we did not see any real pattern of that normal run rate getting changed in the quarter on the retail side.

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

Manish Karwa: So firstly on NIMs, like this quarter, domestic NIMs was down 30 basis points. Would you say that it is largely because of non-accrual apart from the 6 basis points of the income tax refund that you did not get? But apart from that, everything is from non-accrual or there is genuine pressure on the basic business as well?

N. S. Kannan: No, it is mainly non-accrual and the income tax refund. We do not see any pressure more than what it was earlier on the business side. And funding cost, liquidity is very comfortable, the deposit rates are very benign. So we do not see any pressure on the funding or the lending side otherwise.

Manish Karwa: And this is non-accrual or you have also made some more reversals as well?

N. S. Kannan: I think Rakesh mentioned it earlier on the NPL accounting, so that is really apart from the interest which is collected in cash, whatever is accrued in respect of the NPL slippage gets reversed.

Manish Karwa: And second, the asset sale that we have done, we have done at 15:85, as in 15% cash and 85 SRs?

N. S. Kannan: Yes, that is correct.

Manish Karwa: So this will include what, all sectors or any one or two particular sector that you would have sold?

Rakesh Jha: This would be actually a set of loans across sectors; there are no specific sectors.

Manish Karwa: And lastly, you used Rs. 8.65 billion of contingency provision, which means that Rs. 28 billion of contingency provision is still pending, which you may use probably when more NPLs get recognized over the course of the year?

Rakesh Jha: Yes. So the collective contingency and related reserve is essentially held against the exposures that we list down in the drilldown list which

is there on Slide 27. So as and when we see slippages from that portfolio into NPA or restructuring or any provision requirement, which comes about, that is when this provision will get realized.

Manish Karwa: So this Rs. 36 billion is against the watchlist only, right?

Rakesh Jha: On the rest of the portfolio within these sectors, we really do not believe that there should be any pressure.

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

Nilanjan Karfa: On Slide 27, could you clarify what is meant by all those number on point four? I mean, there is already an exposure outstanding of Rs. 20 billion, and then what is Rs. 33 billion?

Rakesh Jha: So, Rs. 20 billion is the number that we had given in March also which pertains to exposure to borrowers which are already NPA, and which we are closely monitoring for potential devolvement. In addition to that, there is Rs. 13 billion of more non-fund-based outstanding to borrowers which are already NPA. So that is the only difference. The aggregate number is Rs. 33 billion, which includes the Rs. 20 billion mentioned in the first part of the sentence.

Nilanjan Karfa: So basically it means that of the Rs. 33 billion, Rs. 13 billion is already classified as an NPA?

Rakesh Jha: No, all these are non-fund based, so there is therefore no question of classifying them in the loan book, it is just that we have highlighted saying that there is Rs. 13 billion, other than this Rs. 20 billion of non-fund based exposure, to those cases the fund based of which has been classified as NPA.

Nilanjan Karfa: And so therefore what do you think is the chance of devolvement of the entire Rs. 33 billion?

Rakesh Jha: We keep monitoring this, since the fund based exposure has become NPL, we closely monitor the non-fund based for any potential development. That is why last time we had put out this number as a separate footnote.

Nilanjan Karfa: And so related to this only, so when we talk about this watchlist, funded side you have given us a limit based, you have included the limits. So how is the limit conversion happening on the non-funded side? It will be actually good to understand vis-à-vis the outstanding non-fund, what is the limit that we have to some of these entities?

Rakesh Jha: So, in terms of the drilldown that we have given, that already includes the non-fund based outstanding. I do not think that during the quarter we would have seen any meaningful change in that number.

Nilanjan Karfa: Not in the outstanding, I am talking about the limit?

Rakesh Jha: I think that we should focus on the aggregate number because the risk which is there pertains to both the fund and the non-fund part of the book.

Nilanjan Karfa: No, Rakesh, I understand. What I am saying is we have added, obviously we have added apples and oranges, but on the oranges we have taken what I can see, what I cannot see is the limits. And there will be conversions from the limits to outstanding on the non-funded side as well.

Rakesh Jha: See, we really do not expect anything meaningful to kind of convert from an unutilized limit on these cases, because we are actively monitoring it and we would not really be releasing fresh limits for most of almost all these borrowers. So that should not be a concern.

Nilanjan Karfa: Sorry, what do you mean by monitoring? If something has to go bad, it will go bad, how do you protect?

Rakesh Jha: This is the unutilised limit which is there. The non-fund based outstanding which is there, if you have given a performance guarantee, a financial guarantee or issued an LC, that is something we cannot do anything about in terms of managing the risk on that, it is already outstanding with us. The unutilised limit which is there, firstly, it would not be a large number for these cases; and even if it is there, we would really be, in most of these cases, cancelling those limits or not allowing the borrower to utilise those unutilised non-fund based limits or even fund based limits.

Nilanjan Karfa: Secondly, could you clarify what is our accrual basis on this watchlist? Is it accrual or is it cash basis right now?

Rakesh Jha: It is accrual.

Nilanjan Karfa: Can I get some understanding about if you start doing this on a cash basis, at least one of the other new banks has been doing it for a while now, would you consider that as a prudent measure?

N. S. Kannan: Yes, but again you are really talking about if it remains unpaid for 90 days, it becomes NPL. I do not think one can keep on accruing forever. And also, that is why we have given you a comfort of giving this aggregate number on a quarter-on-quarter basis, so you also can see that we are not adding to the numbers in this list. The endeavor would be to collect interest in every single case.

Nilanjan Karfa: And if I can quickly ask a third question. When I look at the total exposure for the Bank and split it by at least the 10 top sectors that have been put out, there has been a significant decline on a sequential basis. Unfortunately, you do not provide YoY, I do not have exposure percentage on a YoY basis. It kind of highlights what you are doing in terms of maybe following a concentration risk or something. My worry is, are you losing out on choosing risk probably at this right time?

Rakesh Jha: If you look at on Slide 23 where we have given the sector wise exposures, you would find that the decline in exposures between

March and June has largely been in the banks sector. We had a very high level of liquidity at March 31st. Some of that would have been lying as balances with banks in domestic and overseas business for that particular day or two. So that is the amount which has reduced between March and June. Otherwise, we continue to grow well on the retail side. And even on the corporate side, you would have seen that this quarter our growth has picked up to double digits, and we have a healthy pipeline of business. We are confident with the entire framework that we have put around the concentration risk and other tightening that we have done to be able to grow in the corporate. So I do not see that is a concern. The specific movement in the quarter is more related to the banks sector which you see has come down from being 8% of total to about 6% of the total.

Nilanjan Karfa: By the way, what is the services finance, is it like microfinance?

Rakesh Jha: That will include all financial entities, so it will include non-bank finance companies, it will include housing finance companies, it will also include MFI.

Nilanjan Karfa: Will that also include our exposure to our own subsidiary into this?

Rakesh Jha: At the Bank, yes.

Nilanjan Karfa: Will that be a large portion?

Rakesh Jha: No, not really. We would have funding to our subsidiaries, but that will not be a large portion.

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

MB Mahesh: Hi. I just have a few questions. One, just on the movement of the SRs. If I remember correctly, Kannan, did you indicate that the reduction on the gross NPA was about Rs. 53 billion due to sale to ARC?

N. S. Kannan: Yes.

MB Mahesh: The net NPA reduction was Rs. 22.32 billion.

N. S. Kannan: yes

MB Mahesh: And it was sold at a loss of Rs. 5.26 billion?

N. S. Kannan: The gross loss was Rs. 5.26 billion and there was a profit on some of these assets which we are not permitted to take into the P&L.

MB Mahesh: Perfect. This Rs. 22.32 billion minus Rs. 5.26 billion reaches to a number like Rs. 17 billion. So that is the actual value of the sale?

N. S. Kannan: No. In the sense that, like I mentioned that there will be some assets which will have a positive also. So actual value of the sale would be adjusted for that, but that cannot go into the P&L.

MB Mahesh: I am just trying to understand that the worst case scenario is that the number could be about Rs. 18.00 billion. Just trying to understand, if Rs. 17.00 billion against the gross amount of about Rs. 53 billion, so the asset sale was at about 30%?

N. S. Kannan: Yes.

MB Mahesh: The second question is that, in response to an earlier one, the SDR in the last quarter was indicated that all was restructured. You had about Rs. 29.3 billion and it said all restructured. Today you are saying Rs. 27 billion, which is all standard. So just trying to understand.

Anindya Banerjee: No, we never said. I think that the mention of Rs. 27 billion on standard was with reference to 5/25, not SDR.

Rakesh Jha: Mahesh, they happen to be the same numbers. That is the only thing. The 5/25 refinancing which is there in the books today is Rs. 27 billion, those are not covered as part of restructured is what we had said.

Anindya Banerjee: The SDRs that we have done till date, is largely loans which were already restructured or NPA. There are one or two cases which could

be standard in that, but the bulk of that is either already NPA or restructured.

MB Mahesh: And there was an indication in the last quarter that Rs. 5 billion of SDR and Rs. 7.5 billion of 5/25 was pending?

Rakesh Jha: Yes. So in terms of the SDR, I think that would have largely happened. 5/25, we have not done anything in the current quarter.

MB Mahesh: And last, just two qualitative questions. One, international portfolios NPA if you can provide. And Kannan has indicated last time that the fee income would grow at the double-digit. In FY17 it seems to kind of deteriorated further from levels that we were at. What is happening on this front?

Rakesh Jha: So overseas NPA, we have not given separately, in future we can consider giving that separately, Mahesh. On the fee income, indeed we have seen reasonably good growth on the retail side around 11%and we would expect that growth to clearly increase during the rest of the year. On the corporate side, as we re-orient our overall business, we are continuing to see a decline in the overall fee income which is there on the corporate side. To that extent, the aggregate fee growth, you are right, is kind of running below our expectations currently at about 2%. We are hopeful that we should see an improvement from this level in the coming quarters.

MB Mahesh: The reason I am asking is that, what is driving the maximum slowdown in fee income in that space on the corporate side, because broadly the corporates have not grown, the loan book is still growing. You are seeing some activity in the portfolio.

Rakesh JHa: If we look at, for example, on the corporate side, you would have seen it even in the disclosure we make on the capital, that non-fund based business has not grown in this quarter or over the last year. Hence, clearly some of those revenues have come down. Some of the lending linked fees also have come down incrementally. As we have said, for

the last year or so that we are doing a lot more of high rated clients where opportunities for fees are much more limited. So a part of it is also a result of the re-orientation of the incremental business that we are doing. But even taking that into consideration, I think we are running below our expectations for the year.

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

Krishnan ASV: I have two questions both related to Slides 27 and 28. So on Slide 28, I just wanted to understand the second row item there, the net rating upgrade to investment grade. It is a very small proportion of the Rs. 440 billion today. But just wanted to understand since these are internal ratings, what is really driving these upgrades?

N. S. Kannan: Yes, the company performance. So we are really talking about a couple of cases where the company performance has become better and they are regular in meeting payments. And as you know, the capacity utilisation and other things have improved. On that basis the risk management team had upgraded some internal ratings.

Krishnan ASV: No, I am not looking at the numbers per se, I just wanted to understand the philosophy behind what might be driving these upgrades since these are internal ratings?

N. S. Kannan: Yes, I agree but we go by the rating model, it is a normal process of rating review that happens by the risk management team on that basis.

Krishnan ASV: My second question is on Slide 27. There is a row item around promoter entities that number has inched up a little bit sequentially from the March quarter to the June quarter. I mean, are these exposures usually ring-fenced?

Anindya Banerjee: So, the increase would not really be because of disbursement of any fresh money. Some of these exposures are foreign currency denominated. So currency depreciation would have had some impact.

Krishnan ASV: Sorry, I could not quite understand.

N. S. Kannan: No, what Anindya was saying was that it is, to your question of whether it has ring-fenced, clearly on this list we are extremely careful about lending any further money. On the specific question of promoter entities, he was saying that the movement could be because of the exchange rate fluctuations and not because of lending additional monies to those companies.

Krishnan ASV: So it cannot be that we have incrementally lent fund-based that can be routed to pay one of those other sectors. That cannot quite happen anymore, right?

N. S. Kannan: If it happened, we would have seen it in terms of movement. Clearly that is something which we have not done.

Krishnan ASV: So, that is ring-fenced. Great. Just one last question around the 5/25 in SDR, have we done anything incremental during the quarter in terms of what is the movement of the 5/25 in SDR during the quarter?

N. S. Kannan: 5/25 we have not done during the quarter.

Krishnan ASV: SDR is marginal?

Rakesh Jha: SDR was marginal. Of course there are cases in which banks have invoked SDR which is not yet kind of implemented by banks. There are a few cases, which are there, which we will kind of – we will see as they get implemented.

Moderator: Thank you. The next question is from the line of Pankaj Agarwal from Ambit Capital. Please go ahead.

Pankaj Agarwal: My question was related to your retail loan growth. So if I look at overall banking system is growing at around 19% and NBFCs are growing even at a faster rate. So if I look at the total system, it is growing probably at the fastest rate in the last five-six years. So is there more demand, because definitely economy has slowed down

over the last three-four years or is it just because lenders are more open to lending?

Rakesh Jha: I do not think it is to do with lenders being more open to lending. I think that there is demand which is there. For example, in the housing segment itself, while the amount of the investment kind of thing has come down, genuine demand is there and the amount of lending that banks and HFCs are doing in Tier-II, Tier-III locations, that has sustained well. So that has seen an increase.

On the unsecured side, personal loans and credit cards, I think the way the credit bureau has evolved, that has given banks a lot more confidence to do lending there. So over the last two or three years, you have seen that growing as well.

On the commercial vehicle side, we clearly are seeing an improvement in the underlying business demand this year. So, again, the growth this year will be better than what we saw last year. Car loans, is largely flat in terms of the demand incrementally.

So overall, if you look at each of the underlying businesses within retail, and also the rural part of it, I think there is clearly genuine demand is there. And that is driving growth for the banking system for this segment.

Pankaj Agarwal: Are there any parameters which you are watching just to ensure that risk is not building up in the system and on your own loan book?

Rakesh Jha: One, of course, is very specific to the portfolio; we track the past dues. What is the expected vintage curve that we had and how it is kind of behaving actually in terms of the past dues. So those trends are pretty stable and within our expectations, actually well within our expectations. So there is nothing really to worry from that point of view. But we also look at it from an external perspective. So indeed some of the portfolios, for example, like loan against property where there is a lot of talk about some potential stress there, we are tracking

that portfolio closely. But as of now, we do not really see any worry on the portfolio. The mortgage portfolio, car loans, the unsecured part of it, each one of those segments are doing pretty well in terms of any of the credit parameters that we see.

Moderator: Thank you. The next question is from Gaurav Agarwal from E&R Advisors. Please go ahead.

Gaurav Agarwal: Sir, just a small clarification. Last quarter your outstanding 5/25 refinancing number was about Rs. 42billion. Has come down to Rs. 27.00 billion?

Anindya Banerjee: Yes.

Gaurav Agarwal: So how has the movement being, has it slipped to NPA or is it upgraded?

Anindya Banerjee: It would have slipped to NPA,

Gaurav Agarwal: So it is about Rs. 15 billion. So was it a part of your Watchlist?

Anindya Banerjee: It would have been in the drilldown exposure that we had given.

Moderator: Thank you. The next question is from the line Alpesh Mehta from Motilal Oswal. Please go ahead.

Alpesh Mehta: First question is on the employee expenses, this quarter again it has been in the low single digits. So what is your view on that front, would that come back to the double digits or do you expect it to be at the current levels?

Rakesh Jha: As I said earlier, I think overall expenses you will see a higher trend than the 10% that we had for the current quarter. A part of that increase will also come about in the employee expenses. We would have an increase in average salary for employees of around 8% to 10% and we would be looking at adding employees during the year. In the first quarter itself we have added about 3,500 employees. So it

would be fair to assume that there would be higher increase in the employee expenses in the rest of the year.

Alpesh Mehta: Secondly, about the coverage ratio, over the quarters we have seeing that the coverage ratio is dropping. So, any guidance on that front that we would be comfortable at around 50% or 45%, something like that?

Rakesh Jha: So in terms of the coverage ratio this quarter, as we said earlier, there has been a higher amount of write-offs which have happened for the portfolio and for the loans that we sold down. So to that extent, the coverage ratio has come down. The provision coverage ratio including technical/prudential write-offs was 57.1% at June 30, 2016.

Alpesh Mehta: And what is the share of retail fees as a proportion of overall fees now?

Anindya Banerjee: About 70%.

Alpesh Mehta: And when I look at the top 10 sector exposures, the retail exposure if I reverse calculate the numbers, there is a difference between the retail loans and the retail exposure of almost Rs. 550 billion. What would that be for?

Rakesh Jha: The couple of key reasons would include difference in credit card limits and outstanding and sanctioned home loans where disbursements are construction linked.

Alpesh Mehta: But the products would be the same, there is no additional product in case of a exposure list versus the outstanding?

N. S. Kannan: No, there is no additional product.

Alpesh Mehta: And from dissolution perspective, so we have seen almost 12% reduction from the watchlist. Based on the behaviour of that portfolio, where do you see that number going by end of this year? Would that be around, because we were expecting roughly the large part of the stress to come in the first half of the year? Is it still fair to assume that

out of that watchlist, the major proportion of the stress should be in FY2017 as compared to in FY2018?

N. S. Kannan: We have said that the slippages from this drilldown list will happen over a period of two years. And within two years it could get front ended. So beyond that, as I said, every single case we have been working towards resolution and it depends on when the resolutions materialise or if before that the account slips into NPL. So I am sorry, I have to just repeat what I said earlier, but that is how we are looking at this portfolio, not in terms of dissolution rate or anything like that.

Alpesh Mehta: And lastly, just two more clarifications. One, when we report the top key sector exposures, so for example in the current quarter the iron and steel exposure has come down from Rs. 425 billion to around Rs. 370 billion. So any sale to ARC or anything we will remove from the balance sheet, it will not be included over here, right, SRs will not be included in this exposure?

Anindya Banerjee: Yes, but as we have mentioned, those sales have been out of the opening NPLs which anyway was not part of the drilldown.

Alpesh Mehta: And lastly the entire SDR book is NPLs for us and only Rs. 27 billion of 5/25 is the standard?

Anindya Banerjee: As we said earlier SDRs would largely be either NPL or restructure. There will be one or two accounts which would not be either NPL or restructured. The 5/25 refinancing of about Rs. 27 billion relates to standard accounts.

Moderator: Thank you. Ladies and Gentlemen, that was the last question for today. I would now like to handover the floor back to Ms. Kochhar and Mr. N. S. Kannan for closing comments.

Chanda Kochhar: Well, thank you. I think we explained how we are following our 4 x 4 agenda and how we are on the path of strategic focus that we have identified. I think we have covered a lot of details in the questions.

N. S. Kannan: Thank you.

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