**ICICI Bank Limited**
**Earnings Conference Call – Quarter ended June 30, 2017 (Q1-2018)**
**July 27, 2017**

*Please note that the transcript has been edited for the purpose of clarity and accuracy.*

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**Moderator**: Good Day, ladies and gentlemen and welcome to the Q1-2018 Earnings Conference Call of ICICI Bank. As a reminder, all participant lines will be in the listen-only mode, and there will be opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Chanda Kochhar, Managing Director and CEO of ICICI Bank. Thank you and over to you, ma'am.

**Chanda Kochhar**: Good evening to all of you.

Our Board has today approved the financial results of ICICI Bank for the quarter ended June 30, 2017.

The Bank continues to make progress on the strategic priorities outlined in our 4 x 4 Agenda covering Portfolio Quality and Enhancing Franchise.

I would like to highlight six key areas:

## I. THE FIRST HIGHLIGHT IS OUR FOCUSED APPROACH TO GROWTH

1. The Bank has been following a focused approach to growth, in line with the objectives of improving the portfolio mix, through lending to retail and higher rated corporate borrowers, and reducing concentration risk.

2. The domestic loan growth was 10.9% year-on-year at June 30, 2017

3. The retail loan growth was 18.6% year-on-year, with healthy growth across all the retail products. The proportion of retail loans in the loan portfolio has increased from 46.4% at June 30, 2016 to 53.3% at June 30, 2017.

4. The SME portfolio grew by 18.4%.

5. In the domestic corporate portfolio, we focused on lending to higher rated corporates and saw healthy growth in this area. At the same time, we are focused on reducing the net advances classified as restructured or non-performing, or included in our drilldown list.

6. The loan portfolio of overseas branch declined by 25.0% on a year-on-year basis, reflecting the above approach to corporate lending as well as the repayment of FCNR deposit linked loans in fiscal 2017. The international loan portfolio has now reduced to 15% of our total loans, in line with our strategy of increasing the proportion of domestic loans in our portfolio.

## II. THE SECOND HIGHLIGHT IS OUR STRONG RETAIL FRANCHISE

1. The strength of our retail franchise is demonstrated by the growth in loans, deposits and fee income.

2. As I mentioned earlier, the retail loan portfolio grew by 18.6% year-on-year and constituted 53.3% of total loans at June 30, 2017.

3. Current and savings account deposits grew by 24.4% year-on-year. The Bank's CASA ratio was 49.0%, and retail business group accounted for 76.1% of our total deposits at June 30, 2017.

4. The retail fee income grew by 17.6% year-on-year in Q1- 2018.

## III. THE THIRD HIGHLIGHT IS THE IMPROVING CORE INCOME AND EXPENSE TRENDS

1. The net interest income grew by 8.4% year-on-year to 55.90 billion Rupees in Q1 of 2018 from 51.59 billion Rupees in Q1 of 2017.

2. Fee income grew by 10.3% year-on-year in Q1-2018, driven by the growth in retail fees as I mentioned earlier.

3. The growth in operating expenses reduced to 12.5% year-on-year, compared to a 16.3% growth in FY2017.

4. The standalone profit after tax was 20.49 billion Rupees for Q1 of 2018 compared to 20.25 billion Rupees in Q4 of 2017 and 22.32 billion Rupees for Q1 of 2017. Profit after tax in Q1 of 2017 had included exchange rate gain related to overseas operations of 2.06 billion Rupees, which is no longer permitted to be accounted as income following the RBI guideline issued in April 2017, and quarterly dividend of 2.04 billion Rupees from ICICI Life, which has

moved to dividend payments on a half-yearly basis following its IPO in September last year.

5. Consolidated profit after tax grew by 25% sequentially from 20.83 billion Rupees for Q4 of 2017 to 26.05 billion Rupees for Q1 of 2018.

## IV. THE FOURTH HIGHLIGHT IS THE IMPROVING ASSET QUALITY TRENDS

1. The gross additions to NPAs were 49.76 billion Rupees, the lowest in the last seven quarters.

2. During the quarter, the process of sale of cement business of a borrower, which was classified as non-performing in the preceding quarter, to a AAA rated company was concluded. Led by ICICI Bank, this is the largest asset resolution in the country so far. As we had indicated along with our Q4 results, part of the cement account has been upgraded due to the transfer of a part of the debt to a AAA rated company. As a result, the recoveries and upgrades were 27.75 billion Rupees in the quarter.

3. As a result, the net additions to gross NPAs were 22.01 billion Rupees.

4. The net NPAs declined during the quarter in absolute terms from 254.51 billion Rupees to 253.06 billion Rupees.

5. The net NPA ratio declined from 4.89% to 4.86%

## V. THE FIFTH HIGHLIGHT IS OUR TECHNOLOGY LEADERSHIP

1. We continue to be at the forefront of offering technology-enabled services to our customers.

2. Our online banking functionality received the highest overall score in the 2017 India Online Banking Functionality Benchmark study conducted by Forrester. Further, our mobile banking application also received the highest overall score in the 2017 India Mobile Banking Functionality Benchmark study conducted by Forrester, for the second year in a row.

3. Debit and credit card transactions continued to grow at a healthy rate. The number and value of debit card transactions at point-of-sale terminals increased year-on-year by 81% and 83% respectively in Q1-2018. Credit card transactions increased year-on-year by 49% and 52% in terms of number and value respectively in Q1-2018.

4. Over 3.3 million Unified Payment Interface (UPI) Virtual Payment Addresses have been created using the Bank's mobile platforms till June 30, 2017.

5. The Bank had acquired over 130,000 merchants till June 30, 2017 on the Bank's 'Eazypay' mobile application for merchants.

6. Digital channels like internet, mobile banking, POS and call centre accounted for about 81% of the savings account transactions in Q1-2018.

## VI. AND THE SIXTH HIGHLIGHT IS THE STRONG VALUE CREATION IN OUR SUBSIDIARIES

1. ICICI Life maintained its market leadership position among private players based on retail weighted received premium with a new business market share of 15.3% in Q1 of 2018 compared to 12.0% in FY2017. The new business margin has been continuously improving from 8.0% in FY2016 to 10.1% in FY2017 and further to 10.7% in Q1 of 2018.

2. ICICI General had a profit after tax of 2.14 billion Rupees in Q1 of 2018. ICICI General has filed a draft red herring prospectus with the Securities and Exchange Board of India for a public offer of equity shares of ICICI General, representing approximately 19.0% of its equity share capital, through an offer for sale of up to 7% by the Bank and 12% by Fairfax.

3. The profit after tax of ICICI AMC increased by 43.9% year-on-year to 1.41 billion Rupees in Q1 of 2018. With average assets under management of about 2.6 trillion Rupees for the quarter, ICICI AMC continues to be the largest mutual fund in India.

4. The profit after tax of ICICI Securities was at 1.15 billion Rupees in Q1 of 2018 compared to 0.69 billion Rupees in Q1 of 2017. ICICI Securities continues to be the largest online retail broking platform in India.

We believe that we are well positioned to leverage the growth opportunities in the coming years given our strong deposit franchise, robust capital levels and significant value in our subsidiaries. We will continue to make investments to further strengthen our franchise and work towards resolution and reduction of stressed exposures.

I will now hand the call over to Kannan.

**N. S. Kannan**: I will talk about our performance on growth and credit quality. I will then talk about the P&L details, subsidiaries and capital.

**A. Growth**

The overall domestic loan growth was 10.9% on a year-on-year basis. Loan growth for the Bank was driven by the retail segment. Within the retail portfolio, the mortgage and auto loan portfolios grew by 17% and 14% year-on-year respectively. Growth in the business banking and rural lending segments was 19% and 22% year-on-year respectively. Commercial vehicle and equipment loans grew by 13% year-on-year. The unsecured credit card and personal loan portfolio grew by 39% year-on-year to 231.80 billion Rupees and was about 5.0% of the overall loan book as of June 30, 2017. We continue to grow the unsecured credit card and personal loan portfolio primarily driven by a focus on cross-sell to our existing customers.

The domestic corporate portfolio decreased by 2.8% year-on-year. We continue to focus on lending to better rated clients and work towards reducing exposures in sectors impacted by the challenging operating environment. If we exclude NPAs, restructured loans and loans to companies included in drilldown exposures, there was a growth in the domestic corporate portfolio. The SME portfolio grew by 18.4% year-on-year and constituted 4.5% of total loans as of June 30, 2017.

The net advances of the overseas branches decreased by 25.0% year-on-year in rupee terms and 22.0% year-on-year in US dollar terms as of June 30, 2017.

Coming to the funding side: total deposits grew by 14.7% year-on-year to 4.86 trillion Rupees as of June 30, 2017. On a period-end basis, current and savings account deposits grew by 24.4% year-on-year. On a daily average basis, current and savings account deposits grew by 25.4% year-on-year in Q1 of 2018. On a daily average basis, the CASA ratio was 45.4% in Q1 of 2018.

**B. Credit Quality**

NPA additions declined in Q1 of 2018 to 49.76 billion Rupees. The gross additions to NPAs of 40.97 billion rupees in the corporate and SME segment in Q1 of 2018 included slippages of 14.76 billion Rupees from restructured loans; slippages of 3.59 billion Rupees out of loans to companies internally rated below investment grade in key sectors; and devolvement of non-fund based exposure of 1.24 billion Rupees relating to accounts classified as non-performing in prior periods. These three categories constituted about 48% of the corporate & SME NPA additions in Q1 of 2018. The balance slippage largely represents one account in the electronics & engineering sector.

The retail portfolio had gross NPA additions of 8.79 billion Rupees and recoveries & upgrades of 3.29 billion Rupees during Q1 of 2018. As of March 31, 2017, loans aggregating 2.23 billion Rupees were not classified as non-performing based on the demonetisation-related dispensation given by RBI. These accounts partly slipped into the non-performing category in Q1 of 2018. Excluding these loans, the additions to retail NPAs were in line with the trends in previous quarters.

During the quarter, aggregate deletions from NPA due to recoveries and upgrades were 27.75 billion Rupees. The Bank sold one SMA-2 loan aggregating to 1.67 billion Rupees to an asset reconstruction company during the quarter.

The Bank's net non-performing asset ratio decreased from 4.89% as of March 31, 2017 to 4.86% as of June 30, 2017.

The net restructured loans were at 23.70 billion Rupees, about 0.5% of net advances, as of June 30, 2017 compared to 42.65 billion Rupees as of March 31, 2017.

While announcing our results for the quarter ended March 31, 2016, we had stated that there were continued 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 identified in this context were power, iron & steel, mining, cement and rigs. The Bank had reported its exposure, comprising both fund based limits and non-fund based outstanding 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. The aggregate fund based limits and non-fund based outstanding to companies 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 190.39 billion Rupees as of March 31, 2017 and subsequently increased to 203.58 billion Rupees as of June 30, 2017. On slide 42 of the presentation, we have provided the movement in these exposures between March 31, 2017 and June 30, 2017.

- There was a net increase in exposure of 2.59 billion Rupees.
- There were rating downgrades of exposures aggregating to 14.20 billion Rupees to 'below investment grade' during the quarter. The downgrades were largely on account of a Supreme Court judgement with respect to an account in the power sector. Of this exposure, 5/25 refinancing had been implemented in respect of loans of about 7.52 billion Rupees prior to March 31, 2017, which was reflected in our disclosures on 5/25 refinancing as of March 31, 2017.
- There was a reduction of 3.59 billion Rupees due to classification of certain borrowers as non-performing.

The Bank continues to work on the balance exposures. However, it may take time for these resolutions given the challenges in the operating and recovery environment. We will continue to focus on

maximising the Bank's economic recovery and finding optimal solutions.

The exposure to companies internally rated below investment grade in key sectors and promoter entities of 203.58 billion Rupees excludes net exposure of 4.55 billion Rupees to a central public sector owned undertaking engaged in gas-based power generation. This has been highlighted in the footnote on slide number 41 and 42 of the presentation.

The exposure to companies internally rated below investment grade in key sectors and promoter entities of 203.58 billion Rupees includes non-fund based outstanding in respect of accounts in this portfolio where the fund based outstanding has been classified as non-performing. Apart from this, the non-fund based outstanding to borrowers classified as non-performing was 21.35 billion Rupees as of June 30, 2017 compared to 19.32 billion Rupees as of March 31, 2017. The aggregate non-fund based outstanding to companies in the restructured portfolio was 5.15 billion Rupees as of June 30, 2017 compared to 16.87 billion Rupees as of March 31, 2017.

As of June 30, 2017, the Bank had outstanding performing loans of 38 billion Rupees where Strategic Debt Restructuring - SDR - had been implemented. In comparison, the Bank had implemented SDR for loans of 52 billion Rupees as of March 31, 2017. The decrease in Q1 of 2018 mainly reflects the end of the standstill period for certain cases where SDR was implemented, resulting in their classification as non-performing. Of the SDR loans of 38 billion Rupees as of June 30, 2017, about 30 billion Rupees were loans already classified as restructured or to companies that were internally rated below investment grade in the key sectors mentioned above.

In addition, SDR had been invoked and was pending implementation for standard loans of 7 billion Rupees as of June 30, 2017 compared

to about 12 billion Rupees as of March 31, 2017. Of this 7 billion Rupees, 0.17 billion Rupees were loans already classified as restructured or to companies that were internally rated below investment grade in the key sectors mentioned above.

The Bank has implemented a change in management outside of the SDR scheme for loans of about 55 billion Rupees. Further, the Bank is also implementing a change in management outside of the SDR scheme for loans of about 1 billion Rupees. All these loans are all already part of the internally rated below investment grade exposures in the key sectors mentioned above.

The outstanding portfolio of standard loans for which refinancing under the 5/25 scheme has been implemented, excluding exposure to a central public sector owned undertaking engaged in gas-based power generation, was about 27 billion Rupees as of June 30, 2017, at a similar level compared to March 31, 2017. Of the above, about 25 billion Rupees were loans to companies that were internally rated below investment grade in the key sectors mentioned above.

As of June 30, 2017, the Bank had outstanding performing loans of 4 billion Rupees where the scheme for sustainable structuring of stressed assets, or S4A, had been implemented compared to 3 billion Rupees at March 31, 2017. Of the S4A loans of 4 billion Rupees as of June 30, 2017, about 1 billion Rupees were loans already classified as restructured or to companies that were internally rated below investment grade in the key sectors mentioned above.

Provisions were 26.09 billion Rupees in Q1 of 2018 compared to 28.98 billion Rupees in the preceding quarter. The provisioning coverage ratio on non-performing loans, including cumulative technical/prudential write-offs was 55.2%.

During the quarter, RBI advised banks to initiate insolvency resolution process in respect of 12 accounts under the provisions of Insolvency and Bankruptcy Code, 2016 and also required banks to make higher provisions for these accounts during the year. RBI has allowed banks to spread this additional provision over three quarters starting Q2 of 2018. The Bank at June 30, 2017 had outstanding loans to these borrowers amounting to 68.89 billion Rupees. The non-fund outstanding to these borrowers were 3.51 billion Rupees. The Bank at June 30, 2017, holds a provision of 28.28 billion Rupees against these outstanding loans, which amounts to 41.04% provision coverage in respect of outstanding loans to these borrowers. The Bank is required to make an additional provision of about 6.47 billion Rupees over the next three quarters as advised by RBI, in addition to the provisions to be made as per the existing RBI guidelines.

On April 18, 2017, RBI through its circular advised that the provisioning rates prescribed as per the prudential norms circular are the regulatory minimum and banks are encouraged to make provisions at higher rates in respect of advances to stressed sectors of the economy and had specifically highlighted the telecom sector. During fiscal 2016, the Bank had identified certain sectors, as having been adversely impacted due to the weak global environment, sharp downturn in the commodity cycle and gradual nature of domestic economic recovery. Accordingly, during Q1 of 2018, the Bank as per its Board approved policy has made an additional general provision amounting to 1.60 billion Rupees on standard loans to borrowers rated below a certain rating threshold in the telecom, power, iron & steel, mining and rigs sectors, other than loans where specific provision has been made in accordance with RBI guidelines. The Bank's exposure to the telecom sector was about 1.5% of its total exposure at June 30, 2017.

**C. P&L Details**

The net interest margin was at 3.27% in Q1 of 2018 compared to 3.57% in Q4 of 2017 and 3.16% in Q1 of 2017. The domestic NIM was at 3.62% in Q1 of 2018 compared to 3.96% in Q4 of 2017 and 3.45% in Q1 of 2017. International margins were at 0.73% in Q1 of 2018 compared to 1.01% in Q4 of 2017 and 1.65% in Q1 of 2017.

There was interest on income tax refund of 1.77 billion Rupees in Q1 of 2018 compared to 2.00 billion Rupees in Q4 of 2017 and 0.01 billion Rupees in Q1 of 2017. As communicated on our previous analyst call in May 2017, margins in Q4 of 2017 were positively impacted by higher collection from NPAs. During Q1 of 2018, the margin was impacted by migration of loans to MCLR linked benchmark, repricing of loans and lower yield on incremental lending.

Total non-interest income was 33.88 billion Rupees in Q1 of 2018 compared to 34.29 billion Rupees in Q1 of 2017.

- Fee income grew by 10.3% year-on-year in Q1 of 2018 with retail fee income growth of 17.6% year-on-year. Growth in retail fees was driven by fees relating to credit cards fees and forex fees. Retail fees constituted 73% of overall fees in Q1 of 2018.

- Treasury recorded a profit of 8.58 billion Rupees in Q1 of 2018 compared to 7.68 billion Rupees in Q1 of 2017.

- Other income was 1.53 billion Rupees in Q1 of 2018 compared to 5.05 billion Rupees in Q1 of 2017. Other income was higher in Q1 of 2017 due to exchange rate gains relating to overseas operations and dividend from ICICI Life as mentioned earlier on the call.

On Costs: the Bank's cost-to-income ratio was at 42.3% in Q1 of 2018. Operating expenses increased by 12.5% year-on-year, compared to a 16.3% growth in fiscal 2017. The Bank added about

1,300 employees during the quarter and had 84,140 employees as of June 30, 2017. We continue to focus on productivity and cost efficiency, and would target further moderation in cost growth during the year.

The Bank's standalone profit before provisions and tax was 51.84 billion Rupees in Q1 of 2018 compared to 51.12 billion Rupees in the preceding quarter and 52.15 billion Rupees in the corresponding quarter last year.

I have already discussed the provisions for the quarter.

The Bank's standalone profit after tax was 20.49 billion Rupees in Q1 of 2018 compared to 20.25 billion Rupees in the preceding quarter and 22.32 billion Rupees in the corresponding quarter last year.

**D. Subsidiaries**

We have discussed the performance of domestic subsidiaries earlier on the call.

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 4.0% at June 30, 2017.

ICICI Bank Canada had a profit after tax of 11.9 million Canadian dollars in Q1 of 2018 compared to 0.9 million Canadian dollars in Q1 of 2017. ICICI Bank Canada's total assets were 6.28 billion Canadian Dollars and loans and advances were 5.53 billion Canadian Dollars as of June 30, 2017. The capital adequacy ratio of ICICI Bank Canada was 21.6% at June 30, 2017.

ICICI Bank UK had a profit after tax of 2.0 million US dollars in Q1 of 2018 compared to 0.5 million US dollars in Q1 of 2017. ICICI Bank

UK's total assets were 3.48 billion US Dollars as of June 30, 2017. Loans and advances were 2.36 billion US Dollars as of June 30, 2017. The capital adequacy ratio of ICICI Bank UK was 17.5% as of June 30, 2017.

As mentioned earlier, the consolidated profit after tax was 26.05 billion Rupees in Q1 of 2018 compared to 25.16 billion Rupees in corresponding quarter last year and 20.83 billion Rupees in the preceding quarter.

**E. Capital**

The Bank had a Tier 1 capital adequacy ratio of 14.80% and total standalone capital adequacy ratio of 17.89%, including profits for Q1 of 2018. The Bank's consolidated Tier 1 capital adequacy ratio and the total consolidated capital adequacy ratio, including profits for Q1 of 2018, were 14.66% and 17.54% respectively. The capital ratios are significantly higher than regulatory requirements.

To sum up, during Q1 of 2018 the Bank:

1. Sustained growth in retail loans;
2. Maintained a healthy funding mix;
3. Continued to focus on selective lending opportunities;
4. Progressed on resolution & recovery in the corporate segment; and
5. Continued to focus on cost efficiency and capital efficiency.

The Bank's pre-provisioning earnings, capital position and value created in its subsidiaries give the Bank the ability to absorb the impact of challenges in the operating and recovery environment for the corporate business while driving growth in identified areas of opportunity.

We will now be happy to take your questions.

**Moderator**: Thank you very much. We will now begin with the Question-and-Answer session. The first question is from the line of Mahrukh Adajania from IDFC Securities. Please go ahead.

**Mahrukh Adajania**: I just wanted to know about the outside watchlist slippage of one engineering account that you highlighted. Most banks are saying that only the domestic portion has slipped and the international portion has not. Will that be the same in your case?

**N.S. Kannan:** Yes.

**Mahrukh Adajania**: Just in terms of outside the watchlist, of course, this time around there was one lumpy slippage but since you also increased the size of your watchlist in the earlier sectors, do you think that now there will be no lumpy slippage outside the watchlist? Are there any accounts on the border line other than in these sectors because otherwise outside watchlist slippage may continue to be a high number?

**N.S. Kannan:** Last time, Mahrukh, if you remember to a specific question we had responded, saying that with respect to individual borrowers, some of them will be below investment grade and outside the drilldown list. We had also mentioned that a couple of them could be lumpy and were names which were kind of talked about in the market. On an overall basis, as we have said on the earlier calls, there would be additions outside of the drilldown and a couple of them could be lumpy cases as well. So that is what we would like to repeat once again.

**Mahrukh Adajania**: In terms of the domestic corporate loan growth, why was that weak?

**N. S. Kannan:** We should really split the domestic corporate loan into two parts – one, the stressed sectors which is separately disclosed, restructured loans and cases where other types of RBI schemes have been implemented. In that whole segment, we did not grow, we just wanted to make sure that the focus is on collections and not further

expanding our exposure. On the balance, we were focusing on working capital lending or any other requirements of the corporates including refinancing some other banks. So that is the desirable segment we focused on. On the desirable segment, we have grown quite decently and given the overall growth in the corporate segment, I think it is something we would be happy with.

**Mahrukh Adajania:** Have you reversed the provision relating to the cement account which was upgraded during the quarter?

**N.S. Kannan:** Yes, to the extent it could be reversed we have done it in the quarter.

**Mahrukh Adajania:** So it would be 15% of the upgrade?

**Rakesh Jha:** It may not be 15%, and would depend on the provision level which we held.

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

**Kunal Shah:** Sir, in terms of the exposure to the NCLT accounts, is everything classified as NPL of this entire Rs. 6,900 crores or is there something standard?

**Rakesh Jha:** More than 95% of the loans outstanding is classified as non-performing. There is one account where we have an exposure which is a performing account with us and where the overdues were less than 90-days at June 30, 2017.

**Kunal Shah:** So that would be hardly like 5% of this Rs. 6,900 crores?

**Rakesh Jha:** Yes.

**Kunal Shah:** Particularly, in terms of the telecom sector, given that RBI is also highlighting this, do you believe that there would be a need to get telecom as well into the drilldown list of stressed sectors because maybe the slippage could also come in from some of those accounts.

What is your view in terms of your overall exposure to few of the corporates on the telecom side?

**N.S. Kannan:** Our own exposure to telecom as I mentioned is quite low at 1.5% of the total exposure. Also, if you look at our approach to the drilldown list, it includes cases in the specified sectors which are below investment grade rating. Even if we include telecom, it would not make any difference to the list. So for us it is a non-issue.

**Kunal Shah:** Because there may not be anything below that?

**N.S. Kannan:** Yes, we have been focused on key players which we believe will succeed.

**Kunal Shah:** In terms of the addition to the drilldown list, would it be fair to assume that it is from accounts where a 5/25 was already implemented because if you see the below investment grade loans in key sectors where a 5/25 refinancing has been implemented the number has gone up from Rs. 17 billion to Rs. 24 billion?

**Rakesh Jha:** As Kannan mentioned earlier, of the increase that we have seen in terms of the Rs.14 billion of downgrade to below investment grade, out of that Rs.7.5 billion was part of loans where 5/25 refinancing had been implemented at March 31, 2017.

**Kunal Shah:** So another 7-odd billion would be something which is outside of maybe when we look at the stress?

**Rakesh Jha:** Yes, that would be from the existing investment grade portfolio of these sectors.

**Moderator:** Thank you. The next question is from the line of Pawan Ahluwalia from Laburnum Capital. Please go ahead.

**Pawan Ahluwalia:** I just wanted to talk about the two exposures that were kind of unanticipated – Rs. 2,500 crore of the engineering account that was not part of the watchlist and the Rs.1,400 crore of addition to the

watchlist. Why were these exposures not included when you were framing the watchlist? They are both kind of widely talked about and there have been all kinds of questions on their viability. It would be interesting for us to just hear your thought process, what is it that made you think these were not necessarily required to mentioned upfront and what sort of turned out differently?

**Rakesh Jha:** A couple of things to start with: I think since the time we disclosed the drilldown list, we have said that it is a list of exposures which are below investment grade in the identified sectors i.e. steel, power, cement, rigs and mining. We have also said from day one that there are exposures in our portfolio which are outside of these five sectors which would be below investment grade. The reason we took these five sectors and disclosed was because these sectors were under stress and we had larger lumpy exposures below investment grade in these sectors. If you look at slippages outside the drilldown list,for example, electronics and engineering, it is not really a sector which is under stress. We, of course had one exposure which was below investment grade. But that is not the criteria that we used and we have always clarified that there will be additions which will come outside of the list of the drilldown loans that we have put out. We have been careful not to use the word "watchlist" around it because it is not an entire listing of all below investment grade loans of the Bank. Coming to the NPA additions during the quarter, Rs. 21 billion was outside the drilldown list, restructured slippages and devolvement of accounts which were classified as non-performing earlier. A substantial part of that was the electronics and engineering company we mentioned about. Further, in terms of the drilldown list itself, we have said that the listing of all our below investment grade loan gets reviewed internally on a quarterly basis and based on the rating upgrade or downgrade, the list actually can either expand or come down. During the quarter we had a couple of accounts which moved from investment grade to below investment grade resulting in an increase of Rs.14 billion and out of that as I mentioned earlier,

about Rs.7.5 billion was already a part of 5/25 refinancing that we had done. Of course, in this particular exposure also, we believe that we should be able to recover. It is just that as per our internal ratings, once it goes below investment grade, we disclose that as a part of our drilldown list.

**Pawan Ahluwalia**: Everyone seems to be calling this a watch list, although, I agree that you have not been calling it a watch list. You revisit this supposed watch list on every call. Would it make sense to have an expanded version of it that gives us a sense of all below investment grade exposures regardless of sectoral classification so that we avoid the whole issue around why is this from outside the watch list or inside the watch list or whatever list?

**Rakesh Jha:** I think the thinking which was there at that point of time clearly was that which are the sectors from where you would end up seeing large amount of slippages potentially. That is what was put out. If you put out an entire listing of all loans, that may not be as helpful. Of course, again, from day one we have been very clear to say that there are a few accounts outside the drilldown list. So these are accounts which are internally closely monitored by us. Of course, it is something which has been there in the portfolio. We take your feedback and we will see what can be done about it but we believe that the way we have been disclosing is quite a consistent and robust way of doing it.

**Moderator**: Thank you. The next question is from the line of Manish Ostwal from Nirmal Bang Securities. Please go ahead.

**Manish Ostwal**: My question on the net interest margin trend in the last few quarters. What is your overall outlook for the FY2018 on the domestic margin side? Secondly, on loan book growth, we have seen the retail book grew by 19% during this quarter and SME at around same level. Do you believe that this kind of growth rate can be maintained in FY2018?

**Rakesh Jha:** I think we had said on the last call in May that there would be some reduction in margin in FY2018 mainly driven by the fact that there is a fair bit of repricing of loans given the sharp reduction in lending rates and MCLR. Margins in Q1 were at a similar level compared to the FY2017 level. In Q4-2017, we had highlighted that there was a higher amount of collection on a couple of non-performing loans which came in as an additional benefit to the margin resulting in a sharp increase in Q4. The June quarter also had benefit of close to 10 basis points coming in from interest on income tax refund, the timing and quantum of which is difficult to predict. However, the key impact would continue to be from the incremental lending and repricing of existing loans, especially in the mortgage portfolio and for better rated corporates. Incrementally, we are also reducing our deposit rate but given that the overall systemic loan growth is quite low, the lending spreads indeed are under pressure and we would see some impact of that going forward in the next couple of quarters as well. As we had said on the call in May, we are confident of maintaining the margins above 3% for the year.

**N.S. Kannan:** To answer your second question on growth, yes, given the retail growth momentum seen so far and our distribution capabilities, we do believe that we can continue to grow anything like 18% to 20% thereabouts. We are quite confident of that. On the SME front, as we have mentioned on the earlier calls, we have sort of recalibrated growth in terms of making the lending more granular and more focus on collateral. On this basis, we do believe that we can maintain the growth rate which we have been able to put out in the quarter.

**Manish Ostwal:** Second question on the fee income side. Last three quarters, we have been growing fee income around 10% YoY. This quarter, we have seen some of the larger private banks show a very strong fee income growth. Do you believe there is a further scope of improvement in the growth rate on the fee income side?

**Rakesh Jha:** Within the overall fee income, retail fee income is now more than 70% and that has been growing at 18% or so. We believe that we should be able to sustain the growth in fee income. On the corporate side, till last year actually we were seeing a decline in the overall corporate fees and that is why the overall fee growth for us was in single digit. We believe this year we should be able to maintain the corporate fee at the same level. So with both of these, we should be able to grow our fee revenues in double-digits for the year. Of course, with the corporate fees not growing at 15%, 20%, the overall growth in fee income will still be around the current level.

**Manish Ostwal**: This Rs.160 crores of additional provision on select sectors, is this a quarterly run rate for the next four quarters or is this done?

**Rakesh Jha:** This is the provision that we have made on the portfolio outstanding in these sectors at June 30, 2017. If there is an increase in the portfolio of these identified sectors, to that extent the incremental provision will be there or if we were to add other sectors to these lists of sectors, then the provision would go up. But on the existing stock, we have taken the incremental provision as per our policy.

**Moderator**: Thank you. The next question is from the line of Amit Premchandani from UTI Mutual Fund. Please go ahead.

**Amit Premchandani**: Can you help us with the sector in which you have enforced the right to enforce a change in management outside SDR of Rs. 55 billion and when is it likely to be effective? Could it also lead to an upgrade of this exposure or should we consider a possibility of the rating downgrade?

**N.S. Kannan:** To answer your first question, it is the mining sector which we have talked about in the past as well. As mentioned in my opening remarks, with respect to our approach to the drilldown list, we will employ all the tools and available options such that we maximize our

recovery. That is the way we will proceed and not just in this exposure but across exposures in the drilldown list.

**Amit Premchandani:** But does this change in management reduce the probability of default of this exposure?

**N.S. Kannan:** We will have to see how the sector itself develops. From our perspective, we have always thought that this is the best option for that asset and that is reason why we are moving on that path.

**Amit Premchandani:** Sir, there is still almost Rs. 40 billion of steel in the watchlist. Given the improvement in the underlying dynamics of the steel sector, when do you see upgrades starting to come in the steel sector for cases which have not yet slipped?

**Rakesh Jha:** In terms of the performance and the cash accruals of some of these companies, clearly one has seen an improvement over the last 12 or 18 months. But given their debt levels and other issues, it would be sometime before we see upgrades of these companies to the investment grade. I think it is sometime away although we are relatively confident about the current set of loans which are there.

**Amit Premchandani:** So you mean that the Rs. 40 billion which has not yet slipped, you are relatively confident about that?

**N.S. Kannan:** Some of that could slip but overall performance of these companies has consistently been improving over the last 12 to 18 months. In the overall portfolio, with respect to steel and power, there would be exposures, for example, which are investment grade but could potentially slip into below investment grade and certain exposures which are below investment grade but could slip into NPA going forward. That potential risk is definitely there because the overall stress in these sectors and the environment still continues.

**Amit Premchandani**: Sir, what could be the impact of PSLC on the overall margin and opex given that drag of priority sector buyouts through PSLC will be eliminated in margins and but reflect in opex?

**Rakesh Jha:** We have not done large amounts of PSLC to really have an impact. In the current quarter actually there is nothing which is there. In terms of our achievement of the overall priority sector targets and sub-targets, depending on whether we invest in PSLC or not over the next two or three quarters, the impact could be there. But as of now in the first quarter there were nothing.

**Amit Premchandani**: What would be the rate at which normally this trading would have happened?

**Rakesh Jha:** I have not really tracked it for the current quarter.

**Moderator**: Thank you. The next question is from the line of Dhaval Gada from Sundaram Mutual Fund. Please go ahead.

**Dhaval Gada**: Just a couple of questions; one, on the loan growth, we have seen a significant reduction in the share of overseas loan book in the past couple of years. Where do you expect the share to stabilise in the next year or so?

**Rakesh Jha:** If we look at the next couple of years, I think given the growth that we are seeing on the domestic side, we expect the retail growth to sustain and at some stage the corporate growth will also pickup from the current level. As a result, the proportion of the overseas book would continue to decline for us over the next couple of years. We do not have any specific target in mind in terms of where it would end up. But directionally it would still reduce from the current level of 15-16%.

**Dhaval Gada**: What proportion of domestic loan book is on MCLR today?

**Rakesh Jha:** About 55% of the floating rate loans are linked to MCLR. So that number has indeed been going up quite a bit in the last couple of quarters.

**Dhaval Gada:** Fixed book if I understand correctly is 25% of the domestic book?

**Rakesh Jha:** It is about 30%.

**Dhaval Gada:** Where do you see the full year effective tax rate to be?

**Rakesh Jha:** The current quarter's effective tax rate is what we would expect for the full year because as per the accounting standards the Bank is required to estimate the effective tax rate for the full year and apply that to the current quarter's profit. So slightly more than 20% is what the current expectation would be based on the income composition. If there is any change in the actual income composition versus what we are assuming, then there could be a change in that rate.

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

**Suresh Ganapathy:** I just wanted to get a qualitative comment on the cases being referred to NCLT and the approach of the Bank, in general. Considering that RBI is saying that 50% should be the bare minimum provision on secured and 100% on unsecured, it looks like RBI is going with a very high loss given default assumption for cases referred to the NCLT. What is your assessment of the eventual loss given default? Secondly, if IBC is going to eventually result in a loss given default of about 60%, it does not necessarily make sense for banks to refer cases to the NCLT under IBC. So just wanted your views on that?

**N. S. Kannan:** Suresh, as regards the provisioning itself, I guess for the assets which we are talking about, it is only a matter of time before they would have gone into 50% provisioning. So it is just about bringing forward the provisioning requirement by probably half a year or one year. I do not think that 50% itself is a much higher number compared to

the existing level of provisioning. We believe that the discipline of having to decide in a time-bound manner will definitely come, thanks to the IBC process. Once a case is admitted, an Insolvency Professional takes over and whenever there is a proposal within 180 days plus the grace period, 75% of the lenders will have to come together and approve the proposal, otherwise it will go into liquidation. So obviously, all of us banks will understand that the best solution, would be especially in operating companies, is to find a solution without allowing the case to go for liquidation. So I think there will be some sense of urgency across banks to put the proposal together and then under the aegis of NCLT go ahead and get the approval for the resolution package. That we believe is the best option rather than not approving any proposal and allowing the company to go for liquidation. Having said that, these are early days, we have seen these cases just being admitted or just the Insolvency Professional taking over. We will have to see how this phase develops. But a time-bound action plan is the essence of this whole thing.

**Suresh Ganapathy:** Apart from these 12-accounts, RBI has asked banks to look at another 50-odd systematically stressed accounts. Some banks have actually given their exposure. Is it possible for ICICI to share details with respect to the 50 accounts in terms of the total exposure, impact and stuff?

**N.S. Kannan:** They have not asked us at all.

**Suresh Ganapathy:** They said that beyond these 12 accounts, there are some other cases which need to be taken up by banks within six months and then get resolved. That has not been communicated to you?

**Rakesh Jha:** That is a part of the circular where they said that banks should look at resolving other non-performing loans over the next six months. If that does not move, then the banks may be required to take them to

NCLT. That was more a generic statement, not specific to identified accounts.

**N.S. Kannan:** Parallelly, Suresh, just before this circular came, RBI itself modified the ground rules for the JLF conduct and reduced the threshold for decision-making to 60% by value from 75% earlier. That itself would have started off better discipline. They subsequently clarified that this voting would be based on banks present and voting at the JLF. So that itself will help resolutions going forward even outside of NCLT.

**Moderator:** Thank you. The next question is from the line of Cyrus Dadabhoy from Anand Rathi. Please go ahead.

**Cyrus Dadabhoy:** Could I understand the impact of IND AS on the P&L in terms of your expected credit cost or some credit cost guidance?

**Rakesh Jha:** We are currently in the process of working on that. We are awaiting final guidelines from RBI on expected credit loss. Directionally, if you look at it, under IND AS, there will be three categories of loans, stage-1, stage-2, and stage-3 loans. Stage-3 loans will typically include all the existing NPAs, restructured loans and loans where we have initiated any of the RBI schemes i.e. SDR, S4A or a change in management and also some of the loans which are a part of our drilldown list. For stage-3 loans, clearly there will be an increase in provisions because the it has to be based on expected losses and there is no phasing of provisions under IND AS as per current RBI guidelines. Stage-2 loans are loans where there has been a significant increase in credit risk since the time of underwriting the loan. These loans will essentially include the SMA-2 loans which are not already a part of stage-3 loans and a part of the SMA-1 loans, so the 30-days plus and 60-days plus overdue loans. For stage-2 loans also one has to take the lifetime expected losses which will be the lifetime probability of default multiplied by the loss given default. We are currently in the process of working on the credit models for working out these numbers. Further, all the expected losses will be on the

exposure at default and not just on the loan portfolio. Clearly a higher amount of provision will be required under IND AS, but the quantification of that is something which we have not yet done. The other thing is that under IND AS, akin to what BASEL has allowed for IFRS-9 migration globally, the impact at the time of transition which is April 1, 2017, as per the current timeline of RBI, the day one impact of that while it has to be considered in the balance sheet for the capital purposes, could be amortised over five years. That is the general expectation. We are awaiting the final or draft guidelines from RBI to kind of conclude on this.

**Cyrus Dadabhoy**: Could I understand the ratio of slippages outside the watch list to the overall slippages?

**Rakesh Jha:** Of the corporate and SME slippages during the quarter, about 52% was outside of the drilldown list and the restructured loans, that was largely contributed by one account in the electronics and engineering sector.

**Cyrus Dadabhoy**: One last qualitative question; sir, I think you said the focus is on making SME more granular as spreads in SME and retail are under pressure. Could I understand what kind of risk profile migration if any is taking place in both your SME and retail portfolio?

**Rakesh Jha:** In the retail portfolio, it is pretty consistent, we are not really looking at any change in the risk profile. We have seen growth both in the secured and unsecured part of the retail portfolio. Of course, growth on in the unsecured retail portfolio has been higher given the lower base, but incrementally, we continue to focus on existing customers of the Bank to originate the personal loans and credit card business. Overall, we are not really looking at any kind of change in the risk profile other than the fact that the unsecured portfolio will grow at a faster pace given that it is still at a lower base and we have a lot of opportunity to cross-sell to existing customers. On the SME front, what we have done over the last two years or slightly more than that

is that we are looking at more granular lending with improved collateral. So that is something which we have implemented over the last couple of years and that is already there reflecting in the incremental portfolio that we are underwriting. Based on that, we are looking at growth of about 15-20% on the SME portfolio.

**Cyrus Dadabhoy**: But is it fair to say that if you are looking at more granular or lower ticket size in SME, turnover of SME clients would be lower and therefore riskier clients maybe higher yielding?

**Rakesh Jha:** The experience has actually been mixed because some of the accounts in the SME segment are also lumpy. It is just that we are looking at smaller size. It is a more granular portfolio with all the other risk parameters and collateral in place. It is not just going into smaller SMEs per se. That is a separate segment which we address through the business banking book, part of our retail portfolio. There we look at granting loans which are of typically less than Rs.10 million in size and very well collateralised loans. Experience there has been pretty good in terms of the return and the credit experience. That portfolio looks at very smaller business entities.

**Cyrus Dadabhoy**: More collateral if you take on a loan is typically commensurate with lower yields, right?

**Rakesh Jha:** Yes.

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

**Vishal Goyal**: My question is on the below investment grade loans outside the drilldown list. Let us assume that at the time of making the drilldown of Rs. 440 billion, the proportion of loans which was outside the drilldown list but below investment grade was 30% or 40%. Since the drilldown list has come down to Rs. 200 billion, should we expect that proportion also to go down or would the proportion have gone up?

**Rakesh Jha:** Vishal, we have not really separately disclosed that number. It is very difficult to talk about it in terms of proportion. What we are saying is that outside the drilldown, there are a few loans which are lumpy and below investment grade. One of them did slip in the current quarter and that is why the outside drilldown list additions was higher and it is possible that of these another two or three accounts that would slip in the coming quarters. So that is what we have kind of said. Beyond that it is very difficult to say.

**Vishal Goyal:** No, sir, the reason I ask, is that two of those accounts are already factored, the one added to the drilldown and one which became NPA. So I am just saying if there were three, four, then two have gone down.

**Rakesh Jha:** The addition to drilldown is coming from five sectors which are there, i.e. power, steel, mining or rigs. As you would appreciate, in the banking business we internally review the credit rating of all our borrowers on a periodic basis and if there is a downgrade as a result of which the account gets classified as below investment grade i.e. BBB- or below, then we disclose it as a part of the drilldown list. The same applies to the power sector exposure which got downgraded during the quarter. Separately, that electronics and engineering company which slipped during the quarter was in a sector which was not covered as a part of the drilldown list. In response to an earlier query as Kannan mentioned that particular group has presence through two separate companies and while one of them slipped in the current quarter the other company would also be outside the sectors that we have covered in the drilldown list. As we have said earlier NPA additions in FY2018 would be significantly lower than last year, of course, part of the decline will come from the fact that last year slippages from the drilldown list were much higher because we were starting off from a very high number of the drilldown exposure. But overall in aggregate also, the NPL additions will be significantly lower in FY2018. Slippages outside of the drilldown list would not, of

course come down from where it was in the last financial year because of the couple of lumpy exposures.

**Vishal Goyal**: Our international NIM actually has gone down to 73 basis points. Did I miss any comment?

**Rakesh Jha:** As we mentioned in the last quarter, we had a fair bit of collections from the non-accruing loans which were mainly NPAs both in domestic and foreign currency in the March quarter. The same was not there in the current quarter, so the margin has come down. Going forward, given that non-accruals do impact the margin more the book is not really growing, the margins would be around the current level for the overseas book. But as we mentioned earlier, the overall proportion of loans in the overseas business will continue to decline, so to that extent, the impact on the overall margin should have that offset as well.

**Vishal Goyal**: On these promoter entities which we have, any update on that one?

**Rakesh Jha:** Of course, last year we had seen some reduction on this exposure. Currently it is a transaction under progress and we are hopeful that it should conclude soon.

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

**Manish Karwa**: My question is on the NCLT-related accounts. While it is a time-bound process, it seems that we may not see much of resolution recovery happening in this financial year and a large part of the resolutions would probably happen only in FY2019. Would it be fair to assume that? Secondly, if some of these accounts were to go under liquidation, it seems that the recovery rates would be very low and you may need some more provisions over time. Just want your comments on that.

**N. S. Kannan:** I think the whole process will start very shortly. I think it will be FY2018 as well as FY2019. Hopefully we will not draw a blank in FY2018 on the resolution, especially in cases where there are operating plants generating some EBITDA. I am sure there will be some coordinated attempts to ensure that it gets resolved to preserve the asset value and to maximise recovery for the lenders. We are quite hopeful in those kind of accounts. To your question on what would be the loss given default in case of liquidation, we donot know at this stage, but we do hope that the banking system willcome together and resolve it before it goes into liquidation.

**Manish Karwa**: On NPLs, we did not have much of agri-related issues like some of the other banks have seen. Is it fair to assume that we did not have issues or is there a likelihood of something coming up in the nextfew quarters?

**Rakesh Jha:** Last quarter there was a dispensation that RBI had given because of demonetisation, as a result slightly more than Rs.2 billion of loans were more than 90-days ovedue and not classified as NPL as of March 31, 2017 under that dispensation. This quarter a part of that would have slipped into the NPL bucket due to which the overall addition is somewhat higher than the usual trend. On the rural portfolio, as of now, we have not really seen any increase in the NPLs much higher than the normal trend. But of course it is a portfoliothat we are closely monitoring. We have seen some increase in the overdues. But as I said, overall, we have not seen an increase in the NPLs and we will be closely monitoring it over the next couple of quarters.

**Manish Karwa**: Did we have any one-offs in fee income as in MDR-related feeswhich came in this quarter which some other banks have also got?

**N.S. Kannan:** No.

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

**Nilanjan Karfa**: When we talk of margin guidance, right, does that factor in any one-offs coming from past NPL accounts or interest reversal or at least some part of it?

**Rakesh Jha:** There will be some NPA addition that will happen, non-accrual will result and we will collect from some of the accounts. It does factor some of those things.

**Nilanjan Karfa**: But if I look at the progression for example, from where we are today to reaching there, is it a fair assumption that in some quarters there will be fairly large slippages and the margins will go down to like 280 or something?

**Rakesh Jha:** I think the way you have to look at it is that in the current quarter there is about 10 basis points of interest on income tax refund which may not happen in a particular quarter or could be a lower number, it is typically very volatile. So that is one thing you should kind of exclude. Then the key impact that we are still factoring is more because of repricing of existing loans. More and more loans are migrating from base rate to MCLR on the mortgage side and for higher rated corporates, and the incremental lending spreads are also quite tight. That is the impact that we are taking in. In terms of NPAs, we are factoring in that the additions in the current year will be significantly lower than last year and that some of the NPL interest collections could happen in one quarter, not in the other, but overall in terms of margin progression it would not be a sudden drop. I think the pressure is more because of the incremental lending spreads and the repricing of existing loan.

**Nilanjan Karfa**: Second question is obviously the asset quality question. When do you believe that the outside watch list exposure will become zero? Could you please quantify the below investment grade loans outside

the drilldown because that leaves an open question every quarter? We keep on expecting something going out which is not part of the watchlist, there is no end to it.

**Rakesh Jha:** Indeed the fact that is that we have disclosed the drilldown list, otherwise you are right, it is difficult to provide an estimate on that. Unless we could give an entire listing of loans, it is difficult to give. I think we are trying our best to communicate how we see things. Just to repeat overall NPL additions for the year will be significantly lower than last year. We will see additions coming in from outside our drilldown list over the next couple of quarters and these are the two or three accounts which we have said are lumpy and outside these four or five sectors. But even with all of that, our incremental NPL addition is expected to be significantly lower than last year.

**Nilanjan Karfa:** Can I rephrase the question? Would you be able to quantify at least in terms of number of assets which are let us say, for example, Rs. 5,000 crore plus for the system which is below investment grade and not a part of the drilldown?

**Rakesh Jha:** Kannan also said, these are a few accounts. I would not exactly have it in my head how many of them would have an exposure of Rs.50 billion across banks, but overall cases where our exposure is lumpy and high, would only be a few accounts. They are not a large number of accounts, but as you know on the corporate side in this quarter the non-drilldown, non-restructured slippage has been because of one account. That contributes to a significant portion of the overall slippage. That is something which will be there for a couple of quarters.

**Nilanjan Karfa:** When will you be comfortable guiding on the credit cost? Would you be comfortable guiding it for FY2019?

**Rakesh Jha:** As of now, the plan would be to shift over to IND AS from April 1, 2018. I think we will have to assess how we could guide on that basis.

But clearly the NPL additions and all of that would be substantially lower in FY2019. In terms of being able to provide a range for the credit cost is something that we could definitely do, giving a precise number has its own challenges from both sides.

**Moderator**: Thank you. The next question is from the line of Chandana Jha from Principal Mutual Fund. Please go ahead.

**Chandana Jha**: My question is on cases being referred to NCLT. Could you share what could be the number of cases outside of these 12 initiated by RBI that is either underway to being referred to NCLT or are already being done? Is the 50% provisioning requirement applicable for these accounts as well?

**Rakesh Jha:** As per RBI's instruction, it is applicable on the 12 accounts which they had advised banks to take to the NCLT. We have only read the media report that you would have read on that. There would be some cases that we would have taken to NCLT or maybe some other banks have taken to NCLT and we have an exposure. We have not disclosed that separately as of June 30, 2017.

**Chandana Jha**: No, I am not referring to your exposure. What I am referring to is could you share what could be the number of accounts outside of these 12 that are being referred or has already been referred to NCLT, is can that be disclosed?

**Rakesh Jha:** I can check on that, but I do not have the number off hand.

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

**Pankaj Agarwal**: Sir, what is the reason behind you running after higher rated corporate for incremental lending? Is it because the yield you are getting on lower rated corporate is not in line with the risk in this segment?

**Rakesh Jha:** The overall approach on the corporate side is linked to what we have talked about over the last couple of years. One, reduce our concentration risk, so we are taking relatively smaller size exposure, especially with respect to the lower rated clients compared to what we had in the past. Second, within the corporate portfolio we would want to increase the exposure that we have to the higher rated clients as a part of our overall strategy.

**Pankaj Agarwal**: Any reason behind the fall in profitability and increase in NPL in the home finance subsidiary as well?

**Rakesh Jha:** There was some increase in NPA that we had with a couple of loan accounts slipping into NPA. These were a couple of corporate builder loans.

**Moderator**: Thank you. Ladies and gentlemen that was the last question. I hand the conference over to the management for closing comments.

**Chanda Kochhar**: Thank you. As we stated initially that we have been focused on our strategic priorities on the "4x4 Agenda" and we highlighted what we saw an improving trend for the quarter. Thank you for all your questions.

**Moderator**: Thank you. Ladies and gentlemen, on behalf of ICICI Bank, that concludes this conference. Thank you for joining us and you may now disconnect your lines.