ICICI Bank Limited
Earnings Conference Call – Quarter ended June 30, 2018 (Q1-2019)
July 27, 2018

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. Welcome to the ICICI Bank Q1-2019 Earnings Conference Call. As a reminder, all participant lines will be 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 call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sandeep Bakhshi – Chief Operating Officer, Designate of ICICI Bank. Thank you and over to you, sir.

Sandeep Bakhshi: Good evening to all of you and welcome to the ICICI Bank Earnings Call to discuss the Q1-2019 results. Joining us today on this call are our Executive Directors – Vishakha, Anup and Vijay; President Corporate Centre – Sandeep Batra; CFO – Rakesh and our Head of Investor Relations - Anindya.

We will begin the call by addressing some of the ongoing issues. We will then speak about strategic priorities for the Bank based on the initial few weeks one has spent in this new role. Post which Rakesh will brief on the performance of the Bank during the quarter. Before we start, we would like to refer you to the statement in our press release and presentation that discusses the risks & uncertainties of forward looking statements.

Starting with some of the key developments during the quarter: The Board at its Meeting dated June 18, 2018 appointed me as Wholetime Director and Chief Operating Officer designate of ICICI Bank. While Ms. Chanda Kochhar, MD & CEO, is on leave, one will be reporting to the Board. The management team is fully empowered to lead the Bank under the supervision of the Board. Further, the Board of ICICI Prudential Life Insurance Company has appointed Mr. N. S. Kannan as the MD & CEO of the company for a period of five years.

There have been a few other changes in the Board of the Bank. Our previous Chairman, Mr. M. K. Sharma's term ended on June 30, 2018. The Board of Directors have appointed Mr. Girish Chandra Chaturvedi as non-executive Chairman effective from July 1, 2018 for a period of three years, subject to shareholder approval. He is a retired IAS officer and during his tenure with the government, he has held several key positions as Secretary, Ministry of Petroleum and Natural Gas, Additional Secretary and Joint Secretary, Department of Financial Services, Chairman of Pension Fund Regulatory & Development Authority and Government nominee on the boards of Canara Bank, Bank of Baroda, IDBI Bank, IDFC Ltd., GIC Re, New India Assurance etc. We are happy to have him onboard and look forward to his valuable guidance.

As you are aware, the Board of Directors have instituted an enquiry headed by former Supreme Court judge Mr. B. N. Srikrishna to examine and enquire into the whistle blower complaint regarding conflict of interest and other related matters of the MD & CEO. The scope of enquiry is comprehensive and includes all relevant matters.

In recent times, you would have seen media coverage on ICICI Bank centred around NPAs and recognition of stress in earlier years. We thought we should put this in context. In the period from 2010-2012, the Indian economy saw a strong investment phase, and banks like ICICI Bank which were involved in project finance participated in financing this investment activity. These loans subsequently faced significant stress due to many reasons, including a global slowdown and commodity cycles. The regulatory approach also evolved. In 2015, RBI articulated an objective of early and conservative recognition of stress and conducted an asset quality review of Indian banks. The gross NPAs of the Indian banking system increased from 1.9 trillion Rupees at March 31, 2013, as per RBI data, to an estimated 3.6 trillion Rupees at September 30, 2015, which was an increase of about 1.7 trillion Rupees over a period of two and a half years.

Thereafter, in a span of just six months, gross NPAs increased by 2.5 trillion Rupees, to 6.1 trillion Rupees at March 31, 2016. Also, up to year-end fiscal 2015, a loan could be restructured without being classified as non-performing. However, accounts restructured after April 1, 2015 were required to be classified as non-performing, except for restructuring of project loans on account of delay in commencement of operations. The manner in which borrower accounts are dealt with, monitored and classified by banks has evolved. The classification of assets including assets under various RBI schemes as non-performing has been accelerated within the banking system. Various banks including ICICI Bank have undergone annual regulatory assessments and have been required to report divergences in asset classification and provisions assessed by the regulator based on thresholds prescribed in the guidelines. For the year ended March 31, 2017, no such reporting was required to be made by ICICI Bank.

As mentioned in our release dated June 22, 2018, the Bank had in March 2018 become aware of a whistle blower complaint, which alleged that there were irregularities in the conduct of some borrower accounts, resulting in incorrect asset classification in the past, and as per our understanding, these alleged actions pertain to the period when both the regulatory approach and the approach of banks was evolving. ICICI Bank has had a robust whistle blower policy since 2003 which treats all whistle blower complaints with utmost seriousness and takes suitable actions where needed. The Audit Committee oversees comprehensive investigation of such complaints with the help of internal audit and external expertise, if required. In this case, an enquiry was instituted as per the whistle blower policy of the Bank under the supervision of the Audit Committee and an interim report was submitted to the regulator. The findings of the interim report had no material impact on the financial statements for the year ended March 31, 2018. The Bank, at the direction of the Audit Committee and with the assistance of external counsel, is continuing to analyze all of the allegations made by the whistleblower.

As a Bank with operations and securities listings in multiple jurisdictions, the Bank regularly engages with regulators on various matters. It is fair to assume that the regulators such as RBI, SEBI, SEC would be looking into some of these matters. Even before this complaint, the Bank has been responding to requests for information from the SEC investigatory staff regarding an enquiry relating to the timing and amount of the Bank's loan impairment provisions taken under U.S. GAAP. The Bank evaluates loans for impairment under U.S. GAAP for the purpose of preparing the annual footnote reconciling the Bank's Indian GAAP financial statements to U.S. GAAP. The Bank has voluntarily complied with all requests of the U.S. SEC investigatory staff for information and interviews related to the Bank's U.S. GAAP loan impairment process. The Bank has always and will continue to fully co-operate with the regulatory and law-enforcement authorities. Since discussions with regulators are confidential, we will not be able to comment further on any ongoing discussion.

We would like to take this opportunity to mention that the day-to-day functioning of the Bank has been insulated from these events and there has been no material impact of the developments in the last few months on the business of the Bank. One has also met regulators and a few government officials who have reasserted their belief in ICICI Bank and its franchise. There is a passion and desire in all of us to take the Bank forward.

On one's return to the Bank after a hiatus of eight years, one has spent time with the senior management to discuss the Bank's performance and the strategy going forward.

We believe we are at the tail-end of the NPA cycle. Our gross non-performing loans were Rs. 534.65 billion at June 30, 2018 with a provision coverage ratio of 54.1%, excluding technical/ prudential write-offs. Going forward, we expect the additions to non-performing loans to be significantly lower. We will have to closely monitor the BB and below portfolio of 246.29 billion Rupees that we have disclosed this quarter and the impact of the Revised Framework for Resolution of Stressed Assets issued by the RBI in February 2018.

The ICICI Group is a unique franchise with a presence across customer segments, products and geographies, excellent technology capabilities and a diverse talent pool. Our objective is to bring all our capabilities together to be the trusted partner in serving our customers and become their banker of choice. We would focus on decongesting some of the processes in order to improve efficiencies and empowering our teams to deliver these objectives.

Our focus will be on risk calibrated profitable growth. The core operating profits of the Bank continue to remain strong; however, provisions in FY2019 are expected to remain elevated.

The Bank's priorities would include:

- Growing our retail portfolio with a focus on enhancing our customer service proposition. In the last two years, retail loans as a percentage of total loans have increased from 42.4% at March 2016 to 57.5% at June 2018.
- Focus on lending to higher rated and well established corporates. As a Bank we are not going to shrivel up and vacate the space when there is an opportunity to work with corporates who have emerged strong in the last 4-5 years.

  We have earlier disclosed the proportion of incremental lending rated A- and above in the corporate segment.
- At an overall portfolio level, we have seen the book gradually migrating towards the A- and above rating category. The

proportion of A- and above rated loans to total loans increased from about 52% at March 2016 to about 63% at June 2018.

- Closely monitoring the provisioning requirement.
- The Bank has been through an asset quality cycle in corporate lending. Multiple factors have led to challenges in project completion in the last few years. Going forward we will remain cautious in lending to projects under implementation.
- Focus on growing our core operating profits.

We look forward to building the business performance and shareholder value with support from all our stakeholders.

I will now hand the call over to Rakesh.

Rakesh Jha: Thank you, Sandeep. Good evening to all of you. I will talk about our performance on growth and credit quality during Q1 of 2019. I will then talk about the P&L details and capital.

A. Growth

The domestic loan growth was 15.1% year-on-year as of June 30, 2018 driven by a 20.0% year-on-year growth in the retail business. Within the retail portfolio, the mortgage loan portfolio grew by 16%, auto loans by 13%, business banking by 41% and rural lending by 16% year-on-year. Commercial vehicle and equipment loans grew by 19% year-on-year. The unsecured credit card and personal loan portfolio grew by 41% year-on-year, off a relatively small base, to 326.46 billion Rupees and was about 6.3% of the overall loan book as of June 30, 2018. We continue to grow the unsecured credit card and personal loan portfolio primarily driven by a focus on cross-sell to our existing customers.

Growth in the SME portfolio was 17.1% year-on-year at June 30, 2018 compared to a growth of 14.7% at March 31, 2018. The SME portfolio constituted 4.6% of total loans as of June 30, 2018.

We saw continued growth in domestic corporate loans. Excluding net NPAs, restructured loans and loans internally rated below investment grade in key sectors at June 30, 2018, growth in the domestic corporate portfolio was 16% year-on-year.

The net advances of the overseas branches decreased by 9.7% year-on-year in Rupee terms and 14.9% year-on-year in US dollar terms at June 30, 2018. The international loan portfolio has now reduced to 12.5% of our total loans.

As a result of the above, the overall loan portfolio grew by 11.3% year-on-year at June 30, 2018.

Coming to the funding side: CASA deposits grew by 16.1% year-on-year to 2.8 trillion Rupees at June 30, 2018. On a daily average basis, the average savings account deposits increased by 77.67 billion Rupees and the average current account deposits increased by 14.36 billion Rupees during the quarter compared to Q4 of 2018. The CASA ratio, on a daily average basis was 46.1% in Q1 of 2019 compared to 45.9% in Q4 of 2018. Total deposits grew by 12.5% year-on-year to 5.5 trillion Rupees as of June 30, 2018.

B. Credit Quality

During Q1 of 2019, the gross NPA additions were 40.36 billion Rupees. The retail portfolio had gross NPA additions of 11.20 billion Rupees and recoveries & upgrades of 4.28 billion Rupees. There were gross NPA additions of 3.36 billion Rupees in the kisan credit cards portfolio due to the impact of farm loan waivers. At June 30, 2018, the kisan credit card portfolio aggregated about 160 billion Rupees, which was about 3.1% of the total loan portfolio.

Of the corporate and SME gross NPA additions of 29.16 billion Rupees, 18.23 billion Rupees were from: standard restructured loans; the drilldown list; fund based and non-fund based outstanding of borrowers under fully implemented RBI schemes; non-fund based outstanding to non-performing and restructured accounts; and increase in outstanding due to exchange rate movement in accounts classified as non-performing in prior periods. The balance slippage was 10.93 billion Rupees. There were a few slippages from the builder finance portfolio. At June 30, 2018, the builder finance portfolio aggregated about 133 billion Rupees, about 2.6% of the total loan portfolio.

The aggregate deletions from NPA due to recoveries and upgrades were 20.36 billion Rupees in Q1 of 2019, including the impact of resolution of a steel company under the IBC. The gross NPAs written-off during the quarter aggregated 25.98 billion Rupees.

The Bank's net non-performing asset ratio decreased from 4.77% as of March 31, 2018 to 4.19% as of June 30, 2018.

The provision coverage ratio on non-performing loans, excluding cumulative technical/ prudential write-offs, increased by 640 bps sequentially to 54.1% as of June 30, 2018 compared to 47.7% as of March 31, 2018. Including cumulative technical/ prudential write-offs, the provision coverage ratio on non-performing loans improved to 66.1% as of June 30, 2018 from 60.5% as of March 31, 2018.

During Q1 of 2018, RBI had directed banks to initiate insolvency resolution process for 12 accounts. At June 30, 2018, the Bank had outstanding loans & non-fund facilities amounting to 40.59 billion Rupees & 1.81 billion Rupees respectively to such accounts. The provisions held against the outstanding loans increased from 52.6% at March 31, 2018 to 87.9% at June 30, 2018. The increase in provision coverage reflects ageing based provisions, additional provisions during the quarter as per RBI guidelines and resolution of a steel account. The Bank has made 100% provision on another steel account due to ageing of the non-performing loan even though recoveries are expected in the coming quarters.

Further, during Q2 of 2018, RBI had directed banks to initiate the insolvency resolution process for certain accounts by December 31, 2017, if a resolution plan was not implemented by December 13, 2017. At June 30, 2018, the Bank had outstanding loans & non-fund facilities amounting to 92.92 billion Rupees & 7.73 billion Rupees respectively to such accounts. The provisions held against the outstanding loans increased from 47.8% at March 31, 2018 to 60.7% at June 30, 2018.

All of the above loans are classified as non-performing. The Bank made additional provisions amounting to about 7.00 billion Rupees during Q1 of 2019 on the above NCLT cases and is in compliance with the RBI requirement of a minimum 50% provision on the secured portion of debt by June 30, 2018.

As given in slide 29 of the presentation, the total non-fund based outstanding to borrowers classified as non-performing was 29.29 billion Rupees as of June 30, 2018.

The net standard restructured loans were at 14.13 billion Rupees. The non-fund based outstanding to companies in the restructured portfolio was 3.58 billion Rupees as of June 30, 2018.

Standards loans under the remaining RBI schemes, namely, 5/25 and S4A which have been fully implemented were 18.95 billion Rupees, as of June 30, 2018. In addition, non-fund based outstanding to borrowers under S4A, other than standard restructured cases, aggregated 14.63 billion Rupees as of June 30, 2018.

Moving on to the drilldown list, the aggregate fund based limits and non-fund based outstanding to companies that were internally rated below investment grade in the key sectors and promoter entities, that is, the drilldown list, was 44.01 billion Rupees as of June 30, 2018 compared to 47.28 billion as of March 31, 2018. On slide 59 of the presentation, we have provided the movement in these exposures during Q1 of 2019.

There was a net increase in exposure of 0.03 billion Rupees.

There were net rating downgrades of exposures of 2.19 billion Rupees during the quarter.

There was a reduction of 5.49 billion Rupees due to classification of certain borrowers as non-performing.

As of June 30, 2018, the fund-based and non-fund based outstanding to standard borrowers rated BB and below was 246.29 billion Rupees. This included gross standard restructured loans, the drilldown list, fund based and non-fund based outstanding of borrowers under fully implemented RBI schemes, and non-fund based outstanding to non-performing and restructured accounts, excluding overlaps, of 124.91 billion Rupees as of June 30, 2018 compared to 133.65 billion as of March 31, 2018. The balance 121.38 billion Rupees of fund-based and non-fund based outstanding to borrowers rated BB and below included 54.50 billion Rupees related to cases with an outstanding greater than 1.00 billion Rupees and 66.88 billion Rupees related to cases with an outstanding of less than 1.00 billion Rupees.

On slide 30 of the investor presentation, we have provided additional disclosures on our power sector exposure. Our total exposure to the power sector was about 466.25 billion Rupees at June 30, 2018. Of the total power sector exposure, about 30% was either non-performing, restructured, part of the drilldown list or under a RBI resolution scheme. Of the balance 70% of the exposure, 50% each was to public sector and private sector companies. Our exposure to public sector companies included about 21.46 billion Rupees to state electricity boards. Also, of the balance 70% of the exposure, excluding state electricity boards, about 80% was rated A- & above. Most of the projects under implementation have been classified as non-performing and the exposure to the balance would not be significant at all. We have been cautious in lending to the renewable sector and the exposure is to borrowers which belong to strong promoter groups.

C. P&L Details

The core operating profit (profit before provisions and tax, excluding treasury income) grew by 16.6% to 50.42 billion Rupees in Q1 of 2019 from 43.26 billion Rupees in Q1 of 2018.

The net interest margin was at 3.19% in Q1 of 2019 compared to 3.24% in Q4 of 2018 and 3.27% in Q1 of 2018. Net interest margin was positively impacted by higher interest collection from non-performing loans. The domestic NIM was at 3.54% in Q1 of 2019 compared to 3.67% in Q4 of 2018 and 3.62% in Q1 of 2018. International margins improved to 0.30% in Q1 of 2019 compared to 0.04% in Q4 of 2018.

Total non-interest income was 38.52 billion Rupees in Q1 of 2019 compared to 33.88 billion Rupees in Q1 of 2018.

Fee income grew by 15.9% year-on-year to 27.54 billion Rupees in Q1 of 2019. Retail fee income grew by 18.4% and constituted about 75% of overall fees in Q1 of 2019.

Other income was 3.32 billion Rupees in Q1 of 2019 compared to 1.53 billion Rupees in Q1 of 2018. Other income included dividend income of 3.17 billion Rupees in Q1 of 2019.

On Costs: The Bank's operating expenses increased by 9.3% year-on-year in Q1 of 2019. Contribution to retiral benefits were lower in Q1 of 2019 compared to the corresponding quarter last year due to increase in G-sec yields. The cost-to-income ratio was 41.6% in Q1 of 2019 compared to 42.3% in Q1 of 2018. The Bank had 83,595 employees at June 30, 2018.

Treasury income was 7.66 billion Rupees in Q1 of 2019 compared to 8.58 billion Rupees in Q1 of 2018. Treasury income in Q1 of 2019 includes gains of 11.10 billion Rupees from sale of 2% stake in ICICI Life. Mark-to-market losses on G-sec and fixed income portfolio aggregated 2.19 billion Rupees in Q1 of 2019. While RBI had allowed the banks to spread such provisioning for mark-to-market losses over up to four quarters, the Bank provided for this loss in Q1 of 2019 itself.

Provisions were 59.71 billion Rupees in Q1 of 2019 compared to 66.26 billion Rupees in Q4 of 2018 and 26.09 billion in Q1 of 2018. The Bank made additional provisions of about 7.00 billion Rupees during the quarter on cases referred to the NCLT. The Bank has made 100% provision on one steel account due to ageing of the non-performing loan.

The Bank had a net loss of 1.20 billion Rupees in Q1 of 2019 compared to a net profit 26.05 billion Rupees in Q1 of 2018.

D. Subsidiaries

The performance of subsidiaries is covered in slides 38-45 in the investor presentation.

The consolidated profit after tax was 0.05 billion Rupees in Q1 of 2019 compared to 11.42 billion Rupees in Q4 of 2018 and 26.05 billion Rupees in Q1 of 2018.

E. Capital

The Bank had a standalone Tier 1 capital adequacy ratio of 15.84% and total standalone capital adequacy ratio of 18.35%. The Bank's consolidated Tier 1 capital adequacy ratio and the total consolidated capital adequacy ratio were 15.41% and 17.80% respectively.

We will now be happy to take your questions.

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

Mahrukh Adajania: My first question is on the movement of the drilldown list. There has been very little slippage from the drilldown list this quarter. What is your view going ahead? Is most of the recognition from the drilldown list done or at some point of time most of it will still slip? And my second question is, not only ICICI but even Bank of Baroda reported huge slippage from existing NPLs. I saw the notes on foreign exchange movement, could you quantify how much of it is because of foreign exchange and what has really driven this? Another related question, there is a lot of non-fund exposure associated with various categories of stressed loans, will that also slip anytime soon, over the next three to four quarters, will most of it eventually slip?

Rakesh Jha: On the first question on the drilldown list, in the previous quarter's call we had mentioned that the drilldown list is a list of internally rated BB and below cases in key sectors. So, clearly there is some risk in this portfolio. If you look at the portfolio, it has come down significantly to about Rs. 40 billion now. The drilldown list has one large steel exposure and one large power sector exposure. While we believe that they should remain performing, but one should assume that a BB and below portfolio does have some inherent risk. On the addition to NPLs during the quarter, there was a significant movement in the Rupee during the quarter, which depreciated by about Rs. 3. As you are aware, we have dollar non-performing loans in our overseas branches and some dollar loans given from the domestic book which have turned non-performing over the past years. The impact of the movement in exchange rate was close to Rs. 10 billion during the current quarter. So, of the NPA additions of about Rs. 40 billion, nearly Rs. 10 billion would have been due to the movement in exchange rate. In terms of the non-fund exposure, the risk of the non-fund exposure is similar to the balance sheet exposure. In particular, like we have highlighted in the past, the non-fund outstanding to existing non-performing loans is particularly risky because these borrowers are already classified as non-performing. It would be fair to assume that at some stage the non-fund outstanding could devolve and become fund-based non-performing.

Mahrukh Adajania: And just one thing on BB and below portfolio. You have given that about Rs. 55 billion of the BB and below portfolio was to borrowers with outstanding greater than Rs. 1 million whereas about Rs. 66 was to borrowers with outstanding less than Rs. 1 billion. But this is the first time that it has been disclosed. What has been the trend in slippages in this portfolio? Is there a lot of risk associated even with the granular accounts? What, in your experience, has been the slippage ratio of your non-drilldown or non-restructured BB and below portfolio?

Rakesh Jha: Going forward, we will give you the trend in this portfolio and the slippages that we see from this portfolio. In the past, the reason we had given the drilldown list was because there were lumpy exposures in those key sectors of iron & steel, power, mining, cement and rigs. With respect to borrowers with an outstanding less than Rs. 1 billion the slippage experience may not be as high as what we have seen on the drilldown list. But we would not want to comment specifically whether it would end up being different based on size.

So, that is why we have given the aggregate exposure to BB and below rated borrowers and pointed out that a lot of it is granular in terms of exposure.

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

Kunal Shah: Sir, again to touch upon the question on the BB and below loans. Would the probability of default of this portfolio be significantly different from the restructured loans and drilldown list? Is it just for disclosure purpose that you have highlighted the BB and below portfolio while these loans could very well be standard accounts going forward as well?

Rakesh Jha: We have made the BB & below disclosure based on our internal ratings. If you look at the aggregate below investment grade loans of the Bank, it includes the non-performing loans and the non-fund based outstanding to the non-performing loans. They, of course, are at a much higher risk. Then you have the restructured loans and loans under RBI resolution schemes, where the terms have already been changed. Thus, there are various categories of loans which are rated BB and below and there is a relatively higher risk on the portfolio. But as I said, a lot of the portfolio is indeed granular with individual exposures of less than Rs. 1 billion.

Kunal Shah: With respect to borrowers which are rated BB and below and have an outstanding greater than Rs. 1 billion, is there a concentration within sectors apart from the key sectors which we have been highlighting earlier?

Rakesh Jha: On the earnings call for the December quarter results, we had mentioned that excluding NPAs, restructured loans, loans under RBI schemes and the drilldown list, the maximum single party BB and below rated outstanding was below Rs. 6 billion. This does not consider one sugar borrower which was classified as non-performing in Q3-2018 and subsequently resolved and upgraded to the standard category during Q4-2018. But other than that one particular account, all the other exposures are less than Rs. 6 billion in outstanding, even in the borrowers with outstanding greater than Rs. 1 billion of Rs. 54.5 billion.

Kunal Shah: And no specific concentration across any particular sector?

Rakesh Jha: These are spread across sectors, other than sectors mentioned in the drilldown list, there would be borrowers in the construction, roads and other sectors.

Kunal Shah: Sir, real-estate and everything would fall into this portfolio? And commercial real-estate also?

Rakesh Jha: This is the aggregate portfolio of the Bank, including the builder loans and developer loans, whatever is internally rated BB and below would be included here.

Kunal Shah: And lastly in terms of this increase in the coverage, you highlighted that you have made 100% provision on one of the steel accounts which is there in NCLT. But still looking at the overall exposure to NCLT, the coverage of 88% seems to be quite high looking at the way the bids have come in. So, is it purely on account of ageing related provision or are you seeing a relatively higher loss given default as well resulting in an increase in coverage?

Rakesh Jha: Provisioning are made as per RBI guidelines. As I had mentioned, on this particular loan, we had to make a 100% provision based on the ageing of the loan, as per RBI guidelines. It is not based on any expectation per se. As I said, we do expect to recover on that account as well.

Kunal Shah: Yes, so one reason would be an increase on account of RBI guidelines, but besides that also would we have increased provisioning just to take care of the loss given default based on bids received? Increase in provision coverage from 50% to 88%, would it be purely on account of RBI's requirement?

Rakesh Jha: Yes, purely on account of RBI requirement. There was this one large steel account which went into the 100% provisioning bucket. And of course, we also saw the resolution of Bhushan Steel, which went out of the base itself.

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

Vishal Goyal: Sandeep, the first question is actually on loan growth. For the system as a whole, the non-retail part is also starting to grow while for us the corporate book is still growing at about 5%. I am talking of the domestic corporate portfolio. When do we see this increasing for us?

Vishakha Mulye: If you look at it, Vishal, the corporate loan book is a combination of our performing book, the non-performing book as well as the exposures that we would have earmarked to reduce as we go forward. It is also a function of the provisions that we have made against the corporate book. So, the growth of 5% that you are seeing for the domestic corporate portfolio is after considering all that, and therefore if you actually keep out the drilldown list, the restructured loans and the NPLs, our corporate book has grown by about 16%.

Vishal Goyal: That is fair. The other question I have is on builder loans and Kisan Credit Cards. Just some color on what is happening there and what should we expect in terms of NPL from these two books going forward?

Rakesh Jha: On the kisan credit card, we gave the portfolio size, and as you are aware, kisan credit card portfolio of banks sees somewhat higher addition to NPLs in the June and December quarters, because a half yearly interest payment cycle is observed. The increase that we have seen is largely coming from the impact of farm loan waiver. The addition to NPLs in the kisan credit card portfolio was Rs. 3.4 billion for the quarter. Going forward, as I said, it is cyclical, so the September quarter would turn out to be lower than this quarter, in terms of additions to NPLs, and in the December quarter again we will see somewhat higher additions. However, the additions may not be more than what we have already seen in the June quarter. We are closely monitoring the portfolio and doing whatever best we can do in terms of collection. This is a portfolio where yields have been quite good over the years, so there will be some losses which come in at some point of time. Otherwise on the portfolio, in general, we are quite comfortable given the returns which are there, of course, the risk will play out as it has played out in the current quarter and we do expect higher addition to be there in the December quarter as well.

On the builder loans, as I said, a few accounts did slip into the NPL category in the current quarter. We have been cautious in this segment for some time and have not really seen the portfolio increasing in the last six quarters or so. Even if we are doing incremental lending, we are looking at doing lease rental discounting and other products which are lower risk category. On the existing portfolio, there are a few accounts which are BB and below, but those numbers are not large, both on an individual basis and on aggregate basis. I do not think that we would really be overly worried on that. But yes, it is a portfolio that we are closely monitoring.

Vishal Goyal: And lastly, there was this issue around the use of third-party valuer for valuing the properties which are used as collateral. What is your experience on that? While your book is not that big on SME, but I am sure you also do loan against property and business banking, so what is your experience there?

Anup Bagchi: Our experience has been okay, we have not had any sort of bad experience around this. Also, on the loan against property and the business banking portfolio, our ticket sizes are small and we have thus not had any issues around this. As per our policy, we are generally careful about large property in a small market. This issue actually is more of an HFC issue; housing finance companies have had this third-party valuer issue, it is not as much a banking issue.

Vishal Goyal: But the issue has been highlighted by banks.

Anup Bagchi: They may have had their specific experiences around this, but our experience has been okay.

Moderator: Thank you. Our next question is from the line of Nagraj Chandrasekar from Laburnum Capital. Please go ahead.

Nagraj Chandrasekar: Two questions. First, we have been hearing from a number of banks, that the industry as a whole is seeing some degree of NIM compression. A lot of bank managements have expressed hope that they may be able to push up pricing in certain verticals in the next couple of quarters. I was just curious to know what your outlook on that is, do you see pricing moving up on some set of loans, and if so where would the industry be able to exert that kind of pricing power? Secondly, you talked about the builder loans that you do, isn't it a case that a lot of the 10/90 financing that happens technically as mortgage financing, are effectively builder financing? Especially given the new laws because if the builder cannot complete the project and if the person does not get his/her house, banks do not get paid. So, effectively, a large portion of your mortgage book is taking on builder risk as well. What do you think about that?

Anup Bagchi: Our exposure to 10/90 is virtually nil, we do not do that kind of lending in any large way at all and are thus completely isolated from that kind of risk. Also, the point that you have made is very-very valid, people do have exposure like that and run the risk that you are saying. On NIM compression, I will request Rakesh to comment.

Rakesh Jha: On NIM compression, the funding cost as you said has gone up for banks since December last year. We are seeing banks increasing retail deposit rates and the rates on the wholesale side have gone up as well. Banks have also increased their MCLR during this period varying from 20 to 30 basis points. We have seen some pass on of this happening on to the lending side on both retail and corporate segments. Going forward, depending on how the funding cost moves, we believe that banks, in general, will pass on that increase in funding cost to the lending side. There can always be some lead and lag which will happen, because if you look at the current MCLR regime and compare it with the earlier base rate regime: in the base rate regime, the reset of the lending rate used to happen immediately or in the following month for bulk of the floating rate portfolio. However, under the MCLR regime, most of the lending that banks do is on a six month or a one-year reset. So, as the MCLR increases, the impact of that on the lending portfolio takes that six months to 12 months to flow through completely. So, that is the lag which could come in. But otherwise our belief is that, in general, banks will be able to pass on the increased funding cost on to the lending side. But yes, I do not think banks will be passing on more than the funding cost increase, so one cannot expect an expansion to come in, but maintenance of NIM we believe is the base case.

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

Suresh Ganapathy: I have three questions. One is, what is your outstanding SR book right now?

Rakesh Jha: We did not do any sale to ARCs during the quarter. I will just tell you the number, it would be the same as where we were in March. It is Rs. 34.38 billion which is virtually the same as at March.

Suresh Ganapathy: And any reasons for the delay in publishing of the annual report?

Rakesh Jha: Our AGM is scheduled for September 12th, so we would be releasing the annual report next week in line with our normal schedule. Of course, there have been changes at the Board level with the new

Chairman coming in, which is why it would have been delayed than usual.

Suresh Ganapathy: And finally, this is a challenge that we all have, of course the banks are going to transition to IFRS next year. Any indication of what would be the sustainable credit cost for ICICI and any specific ROE targets that you guys have got over the next couple of years that you plan to reach?

Rakesh Jha: On IFRS, I guess, once we have the final details, one can have a better sense on how the credit cost will move. But in general, IFRS requires provisions to be done on an expected credit loss basis. Based on the past experience, that has to be taken. But I guess we will have to just wait for the final guidelines on that from RBI to be able to comment on this. In general we would expect credit cost to start normalising once we move over to IFRS, which as of now is scheduled for April 1, 2019.

Suresh Ganapathy: So, will the normalization be in double-digits or triple-digits?

Rakesh Jha: Even if it is triple-digit it will be low triple-digit for sure. But we have not given any specific numbers there.

Suresh Ganapathy: And finally on the ROE target?

Rakesh Jha: On the previous call we had talked about a 15% consolidated ROE by June 2020. And then as we get to that, beyond that we will see. Ideally we would want to have 17%-18% ROE. But as a first step, we had talked about 15% ROE by June 2020.

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

Krishnan ASV: I just wanted to understand, you articulated vision 2020 with your March 2018 results. Since then, there has been a change in the management, in the Board. Are you reassessing the vision 2020 or should we consider that there is a buy-in from the new management and the new Board? That is number one. Number two, is ICICI Bank looking at tweaking its internal process controls given that there have been a few frequent whistleblower complaints now? Is there a reassessment of what can be done there, I mean could you just run us past what you have done with your process controls?

Rakesh Jha: In terms of the vision, we talked about our objectives for 2020. The objectives included a 15% ROE target, increasing the provision coverage on NPLs, maintaining growth in CASA deposits, leadership in technology. So, all of that continues to be the objective for the Bank. The views are quite the same as we talked about in the previous results call.

Krishnan ASV: And about the second question around the process controls, given the frequency with which ICICI Bank has been burdened with whistleblower complaints now?

Rakesh Jha: So, we do have a pretty good whistleblower process at the bank. As and when anything a complaint is raised, it is addressed by the Audit Committee in a comprehensive manner. Yes, there have been these two whistleblower complaints which have come about in the last few months and our Audit Committee is overseeing the investigation of such complaints with the help of internal audit and external expertise, if required.

Sandeep Batra: We have had this whistleblower mechanism since 2003 and each quarter our Audit Committee looks at every whistleblower complaint. In case there is any process improvement which needs to be done at the Bank level, we do that. We will treat these complaints in a very similar fashion, and if any process improvements are required, we will certainly do.

Moderator: Thank you. Our next question is from the line of Mayank Bukrediwala from Goldman Sachs. Please go ahead.

Mayank Bukrediwala: Hi, this is Rahul Jain here. I have got two, three questions. First one is, again going back to BB and below. So, there are Rs. 66.8 billion of loans where the borrower has an outstanding of less than Rs. 1 billion or so, this when looked in the context of the SME portfolio works out to about 30% odd. Am I looking at it correctly?

Rakesh Jha: Not really, because even in the corporate portfolio, there will be exposures which are below Rs. 1 billion. There would be builder loans also which will be less than Rs. 1 billion. Rs. 66.8 billion is an aggregate number, I don't think you should divide it by a particular business group number and then reach a conclusion.

Rahul Jain: So, essentially what I am trying to understand is, how has the proportion of BB and below rated loans moved in the SME portfolio? How has the quality been of the remaining portfolio? I am just trying to get a qualitative color on that.

Rakesh Jha: On SME, in the past, we have had higher level of NPLs and we have talked about it. As we mentioned in the last couple of quarters, the view, going forward, is of a much more stable quality of the SME portfolio. We have been growing the portfolio at around 17% to 18%. We would expect the portfolio to be quite stable. Of course, the nature of business in SME is such that there will always be some loans which will be just above investment grade or below investment grade, but overall on the portfolio we are quite comfortable on the SME side.

Rahul Jain: Have you given the outstanding NPL on SME book?

Rakesh Jha: We have not disclosed that the number separately.

Rahul Jain: Is it possible to get a breakup or maybe the DSA cost which might be included in non-employee opex?

Rakesh Jha: We have not given that separately, but maybe going forward we will look at it.

Rahul Jain: The other one is a qualitative question, it was good to see an increase in LLP this quarter. Now what is your thought process? How are we looking at LLP going forward in this year? Are we going to have a similar run-rate? Any particular PCR target that we are targeting by end of this year? Any color on that would be appreciated. Thanks.

Rakesh Jha: We had said that over a two-year period, by March 2020, we would want to have a 70% provision coverage ratio. And we had also said that we will start seeing an improvement in the provision coverage ratio as the NPL additions slowdown somewhat from the earlier period and we start seeing recoveries; we saw one in June quarter in one of the large outstanding NPAs. Directionally, the provision coverage ratio would improve from here on. And the number that we have talked about is 70% in two years' time, but you will see a lot of that increase happening in the near-term quarters itself.

Moderator: Thank you. Our next question is from the line of Sandeep Baid from Quest Investments. Please go ahead.

Sandeep Baid: Continuing on the provision coverage ratio, you mentioned 70%. Is this including write-offs or excluding write-offs? The reason I am asking is because I think Sandeep mentioned earlier in his remarks that provisions will remain elevated in FY19. Now, if you look at your provision coverage ratio, it is around 66% including write-offs. Going forward you will have some write-backs as well on the provisions, given that you have made 100% provision on the steel asset. So, just wanted some more color as to why we are saying that provisions will remain elevated going forward as well?

Rakesh Jha: So, on the coverage actually what will happen is that over the next two years we would expect and hope that a lot of these loans will get resolved. At the time of the resolution, these write-offs which are technical in nature will either result in actual write-offs or will result in a write-back. So, the two ratios would start converging a lot more going forward. The reason we said the provisions would remain elevated, an example of that was seen in the current quarter itself. Ageing based provisions on NPAs are made as per RBI guidelines based on the time for which a loan is classified as an NPA. If the resolutions are delayed by a few quarters, some of these loans will get into the next bucket in terms of the provision requirement - like we saw in one of the large steel accounts in the June quarter. So, that is the reason why we expect provisions to remain high. And, of course there will also be resolutions that we see from NCLT, some of which would also require incrementally provisions. We have mentioned earlier as well that while the provision numbers will remain elevated in FY2019, the NPL additions should come off.

Sandeep Baid: And my second question was on your core operating profit. Is there an internal target in terms of the rate at which we want to grow our core operating profit going forward, for the next two, three years?

Rakesh Jha: We have not put out any specific target on the core operating profit as of now. But as Sandeep mentioned, it is the core metric that we will be looking at on a going forward basis. And going forward, we will see if we want to kind of put out any specific target on that.

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

Nilanjan Karfa: Just a quick one, is the increase in retail NPL primarily linked to the agri piece?

Rakesh Jha: Yes.

Nilanjan Karfa: And in the last quarter also, i.e. Q4, the home finance subsidiary had a very large slippage. Could you clarify what was that?

Rakesh Jha: We had a couple of loans to builders which slipped in the last financial year. In this quarter, there were no large incremental slippages.

Moderator: Thank you. Our next question is from the line of Dhaval Gala from Aditya Birla Sun Life Asset Management Co. Please go ahead.

Dhaval Gala: I just wanted to know your sense on slippages for financial year 2019.

Rakesh Jha: I think we have said earlier. We would expect slippages to clearly be lower than what we have seen in the previous couple of years. However, it is very difficult to say how the trend will be on a quarter-on-quarter basis. But on an aggregate basis, we would expect slippages to clearly be lower. We have not quantified the numbers.

Dhaval Gala: This question was with a perspective that we have now started reporting the BB and below book, could you tell us how much of this would be under stress? How should one read into your disclosure of the outstanding book which is excluding the various classifications?

Rakesh Jha: What we have put out is how we look at it internally. These are loans which are below investment grade, so they are at a relatively higher risk in terms of probability of default compared to the investment grade portfolio. It is very difficult to then start differentiating in terms of the individual loans in this category. The one challenge which has been there in the past for the Bank has been the lumpiness of these BB and below exposures. And by giving this data we are trying to say that if you look at the additional BB loans that we have put out, more than half of that is less than Rs. 1 billion. And even the BB and below portfolio where the borrower has an outstanding of more than Rs. 1 billion, other than this one sugar company which got upgraded into this category last quarter, the outstanding is less than Rs. 6 billion. We have also discussed in the past that incrementally, over the last year or two, the Bank has been focusing on moving away from lumpy lending. So, that is the context of it. In terms of slippages from this portfolio, we have put out the outstanding at June 30, 2018 and we will disclose this consistently on a quarter-on-quarter basis like we used to do for the drilldown list. I am sure with that, you will have a sense on how it moves.

Dhaval Gala: Last question on this piece was, if you look at our slide number 28, it is fairly difficult to gauge how much of A- and above loans has slipped in the past to say BB and below. So, if you could give us some quarterly trends on how much addition happened in this book and how much reduction happened through upgrades or NPA classification?

Rakesh Jha: Ultimately, we can get into each rating category and the transition matrix for that. But I can give you a qualitative view that in the past, A- and above internally rated loans have seen very low amount of slippages. There have been some borrowers, for example, where there have been instances of fraud, which can happen to any rating category. But other than that, we have been extremely positive about the A- and above rating category. Also, these are internal ratings, so in that sense, it is extremely consistent with the way we look at it. This is the portfolio that we are looking to grow across our corporate businesses. We will of course do some lending below this category also as long as we get the returns for that and as long as it is not lumpy. So, that is how we are looking at it. And I think I can assure you that the experience of the A- and above portfolio has been quite good, even in the current cycle. Lot of our project finance loans, for example, or the commodity side of it would have been in the investment grade category itself, i.e. in the BBB bucket, and they were lumpy. Over time, it has slipped into the BB and below bucket. This is how the portfolio has moved in the past.

Dhaval Gala: Because it was difficult to understand this 28% in the BBB rating bucket. So, at least I am not able to gauge. Maybe in the next quarter, you could give us the movement between the numbers for BBB+ or anything BB and above, their addition/deletion during the quarter and how the experience was, say, versus last year same time?

Rakesh Jha: Anyway, the stock of that number will be there, outstanding stock, and the NPA amount also will be there. So, one will be able to gauge from there, but we will consider what additional information we can give for it.

Dhaval Gala: And just last question. What would be outstanding provisions which you would be carrying on all accounts not classified as NPA but classified under stressed loans categories, like the drilldown list, the S4As, the SDRs and anything on the non-fund-based?

Rakesh Jha: These loans which are there are largely now classified, actually all of them are classified as NPAs itself. So, the provision that you see, bulk of it is now as a part of the NPA provision, and then we have the outstanding general provision on standard assets which we have given separately as about Rs. 26 billion. Other than that, provisions will not really be there.

Dhaval Gala: And from the point of view of IFRS implementation, if it is supposed to be done, hypothetically, from 1st April 2019, would it be fair to assume that your ROE number exceeds 15% in next year first quarter itself?

Rakesh Jha: We will have to see what the guidelines are, how it will play out. There are too many moving factors to comment on that. Once we have the final guidelines from RBI then we can comment. It will be appropriate to say that indeed it will result in a lot of normalisation on the earnings itself. But the specific number is difficult to comment upon right now.

Moderator: Thank you. Our next question is from the line of Ameya Sathe from Tata Mutual Fund. Please go ahead.

Ameya Sathe: On the long-term revenue trajectory for the Bank, say two years, three years down the line, considering that the retail book is now almost 58% vis-à-vis 37% in FY2013, plus higher proportion of A- and above rated corporate loans. So, is it fair to say that the ROA of 1.3 – 1.4% is more realistic compared to the 1.6% that we achieved in FY2013, FY2014?

Rakesh Jha: We have talked about an ROE target of 15% which we are looking to achieve by June 2020. And then in the interim, of course, there will be some changes that will come about because of IFRS. So, difficult to comment on a specific number. But in terms of the composition, we would indeed expect that the credit cost through the cycle on the portfolio that we are building currently on retail, corporate and SME to be lower than what we have seen in the past. That is something we can say. The specific ROE numbers, we will have to just wait and see.

Ameya Sathe: Any thoughts on subsidiary stake sales, do we need to do any more stake sale in this year?

Rakesh Jha: There is nothing specific that we are looking at doing in the current year from a subsidiary stake sale perspective. We had done the 2% stake sale in ICICI Prudential Life Insurance which we would have been required to do at some stage, given the public float requirement which is there for the company. But the stake that we have in these companies, we would always want to maintain the flexibility of selling if we want it to. However, there is no plan as such on this.

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

MB Mahesh: Just a couple of questions. Back again to the same slide on the rating, you have indicated that the total outstanding loan book is about Rs. 5.1 trillion and you said 9% of it is BB and below. You have an outstanding stock of net NPL which is about Rs. 242 billion which essentially means that the book which is rated BB and below, excluding net NPLs, is about Rs. 223 billion. The corporate and SME book which you have reported in next slide is about Rs. 246 billion and this includes fund and non-fund-based exposure. If you just kind of subtract the two it is about Rs. 23 billion which translates into non-fund-based exposure, whereas in that slide you have reported about

Rs. 48 billion as non-fund-based exposure; just trying to reconcile these two numbers that you have reported over there.

Rakesh Jha: We could do that reconciliation offline, but those numbers are accurate. And this is BB and below, unrated is a separate category. And we have given the non-fund outstanding also, we could reconcile it.

MB Mahesh: But it does not add up, Sir. If I look at 9% of the Rs. 5,163 billion of net advances that you reported in that slide, minus the net NPA, that is the one which is yet to be recognized as stress, right?

Rakesh Jha: Yes. But that is what I am saying because it is a decimal number.

MB Mahesh: The difference is actually double and the problem with that is there is this Rs. 246 billion which will have non-fund-based exposure which is sitting in other sectors as well.

Rakesh Jha: Mahesh, if I can just reconfirm to you, Rs. 246.29 billion is fund and non-fund-based outstanding for all BB and below. And if you take the fund based of this plus the NPA that we have reported, is the BB and below in the table. We would separately reconcile if you would want to do that.

MB Mahesh: So, just kind of adding to this question, how is the rating done? You have just indicated in the table that the retail book is being taken at a product level and added to the respective buckets. Where do you put critical sectors like housing in your portfolio, or is everything rated A and above? The reason I am asking this question is because your total outstanding retail book has grown from 47% to 58% from the time you have made this presentation, which is about 12 percentage points, that is almost equivalent to an increase in A rated and above.

Rakesh Jha: Yes, all of these are based on the internal ratings that the Bank has, past data and our experience of the probability of default for each of the rating categories. So, based on that, the risk team matches the retail portfolio on to the respective internal rating categories to have a consistency in overall portfolio rating. Each of the portfolios which are there on the retail side will get mapped to a particular rating category. In the retail portfolio, for example, mortgage of course will be in the AA- and above, and a personal loan/ credit card would typically be in the BBB kind of a category. So, it will be spread across the rating category based on the analysis that the risk team does on the probability of default on that portfolio.

MB Mahesh: Just one clarification from Vishakha, you have indicated that a part of the portfolio will run down while a part of the portfolio is kind of growing. Can you broadly tell us what is this mix between the books, because we are just trying to see when does the overall loan book start to grow on the corporate side at a rate which is closer to the industry?

Rakesh Jha: I will take that Mahesh. In terms of numbers, what will happen is that in this current year, we will see the resolutions and provisions still coming in. So, you will see the much more normalizsed growth on the corporate side which Vishakha referred to at about 15% to 16%, starting to reflect in the overall numbers of the Bank from the next financial year. Overall loan growth will get closer to the performing book growth in the next financial year. This year it will still lag the growth that we see in the performing loan book.

MB Mahesh: Then I have to ask one question, Rakesh, what will be the total NCLT exposure that you would have in your portfolio, outside the NCLT 1 and 2, the RBI defined 1 and 2 list?

Rakesh Jha: We have not given that number separately, but that is not a very large number because all the large cases were anyway kind of directed by RBI. We will have some cases, but I do not have the number ready with me, it will not be a large number.

Moderator: Thank you. Our next question is from the line of Manish Agarwal from Phillip Capital. Please go ahead.

Manish Agarwal: Can you give us your SMA1 and SMA2 book?

Rakesh Jha: To look at the portfolio from a stress point of view, we have given the aggregate BB and below portfolio. We have not separately given SMA category of the portfolio.

Manish Agarwal: Say, to get some sense on this BB, out of the funded BB and below book, what would be SMA1 and SMA2? Can you give some sense on that, because it will be very helpful for us?

Rakesh Jha: We have not disclosed that separately, we can look at it on a going forward basis. So, what we have done is we have given the entire BB and below portfolio. At a particular point in time, some loans can be in SMA1 or SMA2 bucket, or they may not be in any of those buckets, so that would not make much of a difference in the portfolio. So, we have given the aggregate portfolio.

Moderator: Thank you. Our next question is from the line of Anand Laddha from HDFC Mutual Fund. Please go ahead.

Anand Laddha: A couple of questions from my side. Just wanted to understand, there have been talks of an inter-creditor agreement among banks, just wanted to understand the status of ICICI Bank. And if ICICI Bank is part of the same, then what sort of resolution do we expect in the coming quarters or in the coming six to 12 months? Also, if you can share your outlook on margins. This quarter there has been resolution of one large steel account, if you can quantify what proportion of interest income has been recognised in this quarter because of this resolution?

Vishakha Mulye: Yes, we have got our approvals, so we will sign the inter-creditor agreement. We think it is a good step because, on February 12th, RBI had actually withdrawn all the circulars, including the JLF circular.

So, at the moment there is no framework for resolving the [cases] within the banking system, particularly in the absence of a common documentation between banks. We thus think it is a good step and I think the first of the cases that are being discussed right now are the cases which will probably be referred to the NCLT. I think this is a good system and you will find a lot of resolutions attempted under this as we go forward.

Rakesh Jha: On the margins in the current quarter we did see higher interest collection from non-performing loans which would have positively impacted margins by about 10 basis points. And that is something which may not repeat every quarter. As a result, there would be pressure on the overall margin downwards. But on a core basis, as I mentioned earlier, we believe that as the funding cost increases, we should be able to pass it on to the lending side. So, it will just be that the collection of interest from NPLs could be lower going forward because we had a large collection in the current quarter which benefited margins by 10 basis points.

Anand Laddha: If you can quantify what could be the amount?

Rakesh Jha: About 10 basis points is the positive impact in the current quarter on interest collection from NPLs. And that number has varied in the past, in some quarters a couple of basis points and in some as high as 12 to 14 basis points also.

Anand Laddha: And one last question, in the drilldown exposure there is still an iron and steel exposure. What we understand is that there has been a rating upgrade for a large steel company in Q1. Do we expect this account to be BB or better rated corporate in our case also?

Rakesh Jha: It is currently BB rated, so it would go out of the drilldown list if it gets upgraded to BBB-. That is something which our independent risk team evaluates on a regular basis and it is very difficult to comment on that. They will do their evaluation like they do for any other loan.

And if at any stage they believe it should be investment grade, it will get upgraded. We cannot comment on the timing of that upgrade, or if at all that upgrade will happen.

Anand Ladha: But it is not linked to any external upgrade of the account?

Rakesh Jha: No, these are all internal ratings by the independent risk team of the Bank.

Anand Ladha: And just to understand, the steel exposure account which you had in the drilldown, there are a couple of accounts or there is just one account?

Rakesh Jha: No, steel exposure is more than one account, but a very large part is to one of the borrowers.

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

Sandeep Bakhshi: Thank you so much.

Moderator: Thank you. On behalf of ICICI Bank, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.