ICICI Bank Limited

Earnings conference call - Quarter ended March 31, 2021 (Q4-2021)

April 24, 2021

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This release does not constitute an offer of securities.

Moderator:

Ladies and gentlemen, good day and welcome to ICICI Bank Q4-2021 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 the conference call, please signal for 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 -- Managing Director and CEO 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 results for Q4 of FY2021. Joining us today on this call are Vishakha, Anup, Sandeep Batra, Rakesh and Anindya.

Thank you all for joining us today. We hope that you are safe and in good health.

The level of economic activity saw an increasing trend from January to March. The Ultra Frequency Index, comprising several high frequency indicators tracked by our Bank's Economic Research Group rose from 106.3 in mid-January to 108.2 in March, indicating activity sustaining above pre-Covid levels. This was on the back of robust industrial activity indicators such as power demand, GST collections, rail freight revenues, e-way bill generation and higher vehicle registrations. Property registrations also continued to increase during the quarter. However, the sharp rise in Covid-19 cases in recent weeks has led to the re-imposition of restrictions in various states and cities which has impacted mobility indicators and economic activity. This is visible in the tapering-off of the Ultra Frequency index which has fallen to 92.3 in the week of April 18th. Going forward, economic activity will depend on the trajectory of the second wave of Covid-19, the progress of the vaccination programme, the intensity of restrictions on movement and the period for which they continue. We would like to thank the medical and health workers' fraternity for their tireless effort in this fight against Covid-19. We express gratitude to our colleagues who continue to serve our customers despite the challenging environment.

At ICICI Bank, we have continued to steadily grow our business and franchise, while maintaining and enhancing the strength of our balance sheet.

1. **Growth in the core operating profit in a risk-calibrated manner through the focused pursuit of target market segments**

Our aim is to achieve risk-calibrated growth in core operating profit through a 360-degree customer centric approach, tapping opportunities across ecosystems, leveraging internal synergies, building partnerships and decongesting processes. The core operating profit increased by 19.8% year-on-year to 85.65 billion Rupees in Q4 of 2021. This is after an estimated impact of 1.75 billion Rupees of the required refund of interest on interest and related amounts charged during the moratorium period, which has been reduced from the interest income. For FY2021, the core operating profit grew by 16.9% year-on-year to 313.51 billion Rupees. Excluding dividend income from subsidiaries, core operating profit grew by 17.9% year-on-year in FY2021. The profit after tax was 44.03 billion Rupees in Q4 of 2021 compared to 12.21 billion Rupees in Q4 last year. For the full year, profit after tax was 161.93 billion Rupees compared to 79.31 billion Rupees in FY2020. In line with applicable guidelines, the Board has recommended a dividend of 2 Rupees per share for FY2021 subject to requisite approvals.

2. Further enhancing our strong deposit franchise

Deposit growth continued to be robust, with total deposits growing at 21.0% year-on-year at March 31, 2021. During the quarter, average current account deposits increased by 33.9% year-on-year and average savings account deposits by 21.2% year-on-year. For FY2021, the growth in average current account deposits was 25.5% year-on-year and the growth in average savings account deposits was 16.7% year-on-year. Term deposits grew by 18.4% year-on-year to 5.0 trillion Rupees at March 31, 2021. The liquidity coverage ratio for the quarter was 138%, reflecting continued significant surplus liquidity. Our cost of deposits continues to be among the lowest in the system. We have focused on tapping into various ecosystems like payments, merchants and corporate ecosystems including the employees, startups, dealers and vendors. Our digital offerings and platforms and efforts towards process decongestion have played an important role in the growth of our deposit franchise.

3. Growing our loan portfolio in a granular manner with a focus on risk and reward

Mortgage disbursements continued to increase this quarter over the previous quarter driven by our efforts to offer a convenient and frictionless experience to customers by digitising the entire underwriting process, with instant loan approvals. Disbursements of commercial vehicles and equipment loans also increased further in Q4 over Q3. The growth in business banking continued to be robust as we continued to leverage our distribution network and our digital platforms such as InstaBIZ and Trade Online. Till April 19, 2021 we have disbursed about 127 billion Rupees under the ECLGS 1.0 scheme and about 15 billion Rupees has been disbursed under the ECLGS 2.0 scheme. Credit card spends increased substantially in Q4 of 2021 over the previous quarter driven by spends across electronics, wellness and jewellery categories. The total Amazon Pay credit cards at March 31, 2021 are about 1.6 million. The growth in the rural portfolio was driven by jewel loans. The retail loan portfolio grew by 19.9% year-on-year and 6.6% sequentially. The growth of the performing domestic corporate portfolio was 13.2% year-on-year and 4.7% sequentially. Overall, the domestic loan portfolio grew by 17.7% year-on-year and 6.1% sequentially. The overseas branches portfolio and within that, the non-India linked corporate portfolio, declined both sequentially and year-on-year, in line with the approach which we have articulated earlier.

4. Leveraging digital across our business

Our micromarket strategy to tap opportunities based on the market potential and 360-degree customer coverage using ICICI STACK have played a significant role in expanding our franchise and deepening relationships with our customers. We continue to strengthen our position in the digital payments ecosystem by building seamless user journeys, facilitating higher transaction throughputs and driving repeat transactions. Our strategy is to participate both directly through our own platforms and partner with third party players in the P2P and P2M space of the UPI ecosystem. We look at this transformation in payments as an opportunity to derive rich data from transactions. In December 2020, we had expanded our state-of-the-art mobile banking app, iMobile, to iMobile Pay which offers payment and banking services to customers of any bank. We have seen over 1.5 million activations of iMobile Pay from non-ICICI Bank customers within four months of its launch. We are seeing high customer engagement through repeat usage of features like Pay2Contact, Scan to Pay and bill payments among others. We have also invested in the merchant ecosystem over the last few quarters and put together a best-in-class payments stack. The monthly transaction value on our merchant acquisition platform, Eazypay, has increased four times in March 2021 over June 2020. We have further strengthened our API stack to ensure that our customers are given best in class payment solutions. This has led to greater fund flows, growth in CASA deposits and cross-sell opportunities.

With our robust digital platforms and strong partnerships, we will continue to enhance our capabilities to compete. We are building a vast data lake to derive insights into customer behaviour, build new use cases to improve our product penetration, increase customer stickiness and improve our net promoter scores. We are also investing in new journeys and innovating existing journeys for higher value transactions through NEFT and RTGS which remain at the core of high value financial transactions.

5. Protecting the balance sheet from potential risks

The gross NPA additions, excluding borrowers in the proforma NPAs as of December 31, 2020, were 55.23 billion Rupees in Q4 of 2021. The proforma NPAs have also been appropriately classified as per the RBI guidelines issued following the final judgement of the Supreme Court. For the full year FY2021, the gross additions to NPA were 161.23 billion Rupees, or about 2.2% of opening customer assets. In addition, excluding NPAs, the total fund based outstanding to all borrowers, including MSME borrowers, under resolution as per various guidelines that are in place, was 39.27 billion Rupees or about 0.5% of the total loan portfolio at March 31, 2021.These are in line with or better than our expectations of NPA additions and loans under resolution.

At December 31, 2020, the Bank held aggregate Covid-19 provisions of 99.84 billion Rupees including contingency provisions of 35.09 billion Rupees for proforma NPAs. During the quarter, the Bank utilized the contingency provision of 35.09 billion Rupees held against proforma NPAs, as these loans have now been classified as per the RBI guidelines. The provisioning coverage on NPAs continued to be robust at 77.7% as of March 31, 2021. Further, the Bank has made additional Covid-19 related provision of 10.00 billion Rupees, and thus at March 31, 2021, the outstanding Covid-19 related provisions were 74.75 billion Rupees.

The performance of the portfolio in the face of the pandemic has demonstrated the robustness of our underwriting and portfolio selection in recent years. Even after taking into account the higher NPA additions due to the pandemic, we have maintained a healthy provisioning coverage, including by making our provisioning policy more conservative. Further, we continue to hold Covid-19 related provisions of 74.75 billion Rupees. While the formation of gross non-performing assets in FY2022 will depend on the trajectory of the second wave of Covid-19, the progress of the vaccination programme and the pandemic-related restrictions and the period for which they continue, the portfolio performance in FY2021 and the strength of the balance sheet give us significant comfort.

6. Maintaining a strong capital base

The capital position of the Bank continued to be strong with a CET-1 ratio of 16.80% at March 31, 2021. Further, the market value of the Bank's investments in listed subsidiaries is about 812 billion Rupees.

Looking ahead, we see many opportunities in the medium term to grow the core operating profit in a risk-calibrated manner. We will calibrate our growth in the near term based on the operating environment and conditions resulting from the second wave of the Covid-19 pandemic. We have a wide physical distribution network and our best-in-class digital platforms provide seamless onboarding and transacting experience for our customers. We continue to innovate, invest in technology and drive analytics to get deeper insights into customer behavior. Our solutions are aligned to provide the full range of banking services and capture the opportunities concentrated around economic ecosystems. Our extensive franchise, focus on digitisation and seamless delivery of products and services to customers with 360-degree coverage and strong balance sheet offer us immense opportunities to grow in a risk calibrated manner. Our approach of 'One Bank, One RoE' with a delayered organization architecture at the leadership level, over the last two years has helped us to leverage internal synergies. We continue to be guided by our philosophy of "Fair to Customer, Fair to Bank" emphasising the need to deliver fair value to customers while creating value for shareholders. We will continue to focus on delivering consistent and predictable returns to our shareholders.

With these opening remarks, I will now hand the call over to Rakesh.

Rakesh Jha:

Thank you, Sandeep. I will talk about balance sheet growth, credit quality, P&L details, capital adequacy, portfolio trends and performance of subsidiaries.

A. Balance sheet growth

The overall loan portfolio grew by 13.7% year-on-year at March 31, 2021. The domestic loan portfolio grew by 17.7% year-on-year and 6.1% sequentially at March 31, 2021. The retail portfolio grew by 19.9% year-on-year and 6.6% sequentially. Within the retail portfolio, the mortgage loan portfolio grew by 21.7% year-on-year, business banking by 40.5%, rural loans by 26.9%, commercial vehicle and equipment loans by 7.6% and the auto loan portfolio by 12.5%. Growth in the personal loan and credit card portfolio was 9.4% year-on-year. This portfolio was 666.56 billion Rupees or 9.1% of the overall loan book at March 31, 2021.

The SME business comprising borrowers with a turnover of less than 2.5 billion Rupees grew by 32.5% year-on-year to 302.84 billion Rupees at March 31, 2021.

The growth of the performing domestic corporate portfolio was 13.2% year-on-year and 4.7% sequentially, driven by disbursements to higher rated corporates and PSUs across various sectors to meet their working capital and capital expenditure requirements.

The overseas loan portfolio declined by 27.9% year-on-year at March 31, 2021. The overseas loan portfolio was 5.1% of the overall loan book at March 31, 2021. We had mentioned in our previous quarter earnings call that we would be progressively exiting our non-India linked exposures in a planned manner. The non-India linked corporate portfolio reduced by 56.0% or about 1.6 billion US Dollars year-on-year and 24.0% or about 391 million US Dollars sequentially, at March 31, 2021.

Coming to the funding side: We continue to focus on growing the daily average CASA balances and retail term deposits. Average savings account deposits increased by 21.2% year-on-year and average current account deposits increased by 33.9% year-on-year during the quarter. For FY2021, the growth in average current account deposits was 25.5% year-on-year and the growth in average savings account deposits was 16.7% year-on-year. Total term deposits grew by 18.4% year-on-year to 5.0 trillion Rupees at March 31, 2021.

B. Credit quality

The gross NPA additions, excluding borrowers in the proforma NPAs as of December 31, 2020, were 55.23 billion Rupees in Q4 of 2021. The gross NPA additions from the retail portfolio, excluding borrowers in the proforma NPAs, were 43.55 billion Rupees. The gross NPA additions from the corporate and SME portfolio, excluding borrowers in the proforma NPAs, were 11.68 billion Rupees, of which 10.67 billion Rupees was from the portfolio rated BB and below as of December 31, 2020. The corporate and SME NPA additions include one account in the construction sector which was rated BB and below at December 31 and was classified as non-performing during Q4 and upgraded in the same quarter post the implementation by all lenders of a resolution plan as per RBI's framework.

Recoveries and upgrades, excluding recoveries from proforma NPAs as of December 31, 2020, write-offs and sale, were 25.60 billion Rupees in the current quarter. There were recoveries and upgrades of 8.20 billion Rupees from the retail portfolio and 17.40 billion Rupees from the corporate and SME portfolio. The gross NPAs written-off during the quarter were 27.45 billion Rupees.

The net non-performing assets were 91.80 billion Rupees at March 31, 2021 compared to 96.32 billion Rupees on a proforma basis at December 31, 2020. The gross NPA ratio declined to 4.96% at March 31, 2021 from to 5.42% on a proforma basis at December 31, 2020 and the net NPA ratio declined to 1.14% at March 31, 2021 from 1.26% on a proforma basis at December 31, 2020. Till the last quarter, we used to report non-fund outstanding to NPAs as a part of the BB and below portfolio. From this quarter, we are excluding it from the BB and below portfolio and reporting it separately. The non-fund based outstanding to borrowers classified as non-performing was 44.05 billion Rupees as of March 31, 2021 compared to 44.07 billion Rupees at December 31, 2020. The Bank holds provisions amounting to 14.92 billion Rupees as of March 31, 2021 on this non-fund based outstanding.

Excluding NPAs, the total fund based outstanding to all borrowers, including MSME borrowers, under resolution as per various guidelines was about 39.27 billion Rupees or about 0.5% of the total loan portfolio at March 31, 2021. Of the above fund based outstanding, 20.12 billion Rupees was from the retail loan portfolio. The Bank holds provisions of 7.16 billion Rupees against these borrowers, which is in excess of the requirement as per RBI guidelines.

The percentage of performing retail EMI products and the credit card portfolio which was overdue was marginally higher compared to pre-Covid levels at March 31, 2021 and about 1.5% higher at December-end and 4% higher at September-end. The percentage of the performing SME and business banking portfolio which was overdue had reached pre-covid levels at September-end and continues to remain so at March-end as well. The percentage of the performing rural portfolio which was overdue at March 31, 2021 was about 2.5% higher than the normal pre-Covid trend compared to about 1.5% higher at December-end and 1% higher at September-end. About 2% of the performing domestic corporate portfolio was overdue at March-end, which was similar compared to December-end and September-end.

C. P&L Details

Net interest income increased by 16.8% year-on-year to 104.31 billion Rupees. Interest on income tax refund was 0.11 billion Rupees this quarter compared to 1.96 billion Rupees in the previous quarter and 0.27 billion Rupees in Q4 of last year. The net interest margin was at 3.84% in Q4 of 2021 compared to 3.67% in the previous quarter and 3.87% in Q4 of last year. The impact of interest on income tax refund and interest collections from NPAs was about 4 basis points this quarter compared to about 11 basis points in the previous quarter and about 4 basis points in Q4 of last year. As per the judgement of the Supreme Court, an estimated amount of 1.75 billion Rupees of the required refund of interest on interest and related amounts accrued on loans during the moratorium period has been reduced from the interest income in Q4 of 2021. The domestic NIM was at 3.94% this quarter compared to 3.78% in Q3 and 4.14% in Q4 last year. International margins were at 0.44%. The cost of deposits was 3.80% in Q4 compared to 3.97% in Q3.

Non-interest income, excluding treasury income, grew by 3.1% year-on-year to 41.37 billion Rupees in Q4 of 2021.

- Fee income increased by 6.0% year-on-year to 38.15 billion Rupees in Q4. Retail fees grew by 9.4% year-on-year and constituted about 77% of the total fees in Q4-2021.
- Dividend income from subsidiaries was 3.57 billion Rupees in Q4 of 2021 compared to 3.38 billion Rupees in Q4 of last year.

On Costs: The Bank's operating expenses increased by 3.6% year-on-year in Q4. The employee expenses decreased by 10.2% year-on-year primarily due to decline in provisions for retirals reflecting the increase in yields on government securities during the quarter compared to the decline in yields in Q4 last year. The Bank had 98,750 employees at March 31, 2021. Non-employee expenses increased by 12.3% year-on-year in Q4 of 2021 due to increase in retail business related costs and technology related expenses partly offset by decrease in advertisement and sales promotion expenses. For FY2021, employee expenses decreased by 2.2% year-on-year and non-employee expenses increased by 0.9% year-on-year. We continue to make investments in technology and to grow our franchise.

The core operating profit increased by 19.8% year-on-year to 85.65 billion Rupees in Q4 of 2021. For FY2021, the core operating profit grew by 16.9% year-on-year to 313.51 billion Rupees. Excluding dividend income from subsidiaries, core operating profit grew by 17.9% year-on-year in FY2021.

There was a treasury loss of 0.25 billion Rupees this quarter compared to a profit of 7.66 billion Rupees in Q3. The loss during the quarter reflects the increase in yields on fixed income and government securities.

The net provisions during the quarter were 28.83 billion. At December 31, 2020, the Bank held aggregate Covid-19 provisions of 99.84 billion Rupees including contingency provisions of 35.09 billion Rupees for proforma NPAs. During the quarter, the Bank utilized the contingency provision of 35.09 billion Rupees held against proforma NPAs, as these loans have now been classified as per the RBI guidelines. The provisioning coverage on NPAs continued to be robust at 77.7% as of March 31, 2021.

Further, the Bank has made additional Covid-19 related provision of 10.00 billion Rupees and thus at March 31, 2021, the outstanding Covid-19 related provisions were 74.75 billion Rupees. At March 31, 2021, the total outstanding Covid-19 related provisions, provisions for non-fund based outstanding to NPAs, general provisions on standard assets and other standard asset provisions were 141.44 billion Rupees or 1.9% of loans.

The total net provisions made during the year were 162.14 billion Rupees. These include Covid-19 related provision made during the year, net of utilisation during the year, of 47.50 billion Rupees; and additional provisions made reflecting our change in our provisioning policy, of about 26 billion Rupees. Excluding the same, the provisions were 88.64 billion Rupees or about 1.35% of average advances in FY2021. In our previous earnings calls, we have mentioned that the normalised credit cost level for our portfolio would be about 1.2-1.3%. Compared to our expected normalized level of credit costs, the provisions, excluding Covid-19 related provisions and the impact of change in provisioning policy, were higher by about 15 basis points or about 10 billion Rupees.

As Sandeep mentioned, the performance of the portfolio in the face of the pandemic has demonstrated the robustness of our underwriting and portfolio selection in recent years. We have high provisioning coverage on NPAs and in addition we continue to hold Covid-19 related provisions of 74.75 billion Rupees, which is about 1% of loans and substantially higher than the provisions in excess of the normalized level in FY2021. We are therefore confident of the strength and resilience of our balance sheet.

The profit before tax was 56.57 billion Rupees in Q4 of 2021 compared to 14.23 billion Rupees in Q4 last year. The tax expense was 12.54 billion in Q4 of 2021 compared to 2.02 billion Rupees in the corresponding quarter last year. The profit after tax was 44.03 billion Rupees in Q4 this year compared to 12.21 billion Rupees in Q4 of last year. The profit after tax was 161.93 billion Rupees in FY2021 compared to 79.31 billion Rupees in FY2020.

The consolidated profit after tax was 48.86 billion Rupees this quarter compared to 54.98 billion Rupees in Q3 and 12.51 billion Rupees in Q4 last year. The consolidated profit after tax was 183.84 billion Rupees in FY2021 compared to 95.66 billion Rupees in FY2020.

D. Capital

The CET1 ratio, was 16.80% at March 31, 2021 compared to 16.79% at December 31, 2020. The Tier 1 ratio was 18.06% and the total capital adequacy ratio was 19.12% at March 31, 2021.

E. Portfolio information

We are focused on growing our loan portfolio in a granular manner with a focus on risk and reward. Our retail is built based on proprietary data and analytics in addition to bureau checks, and well-priced in relation to the risk. Our strong deposit franchise enables us to offer competitive pricing to the selected customer segments. The portfolio level build-up strategy for the retail loan book has been based on utilising the existing customer database for sourcing key retail asset products through cross sell and up-sell. The loan disbursements across various retail products had increased beyond pre-Covid levels in Q4 driven by pickup in economic activity and our efforts towards process decongestions and digitization of underwriting and customer onboarding process. We had calibrated our sourcing towards stronger profiles immediately after the onset of Covid-19 last year and are continuing with the same approach. We have also been cautious in underwriting proposals related to sectors directly impacted by Covid-19. We are prepared for additional calibrated response in view of the second wave of the Covid-19 pandemic and are watching the developments closely. We have given further information on our portfolio in slides 32 to 42 of our investor presentation.

The loan and non-fund based outstanding to corporate and SME borrowers rated BB and below (excluding fund and non-fund based outstanding to NPAs) was 130.98 billion

Rupees at March 31, 2021 compared to 136.54 billion Rupees at December 31, 2020, details of which are given on slide 34 of the investor presentation. Other than two accounts, one each in construction and telecom sectors, the maximum single borrower outstanding in the BB and below portfolio was less than 6 billion Rupees at March 31, 2021.

On slide 35 of the presentation, we have provided the movement in our BB and below portfolio during Q4 of 2021. In Q4 of 2021:

- The rating downgrades from investment grade categories were 11.87 billion Rupees. The downgrades were largely from the infrastructure sector;
- The upgrades and net decrease in outstanding were 14.97 billion Rupees;
- There was a reduction of 10.67 billion Rupees due to slippage of some borrowers to the non-performing category; and
- There were upgrades of 8.21 billion Rupees from NPA to below investment grade categories

  Except a few accounts with aggregate outstanding of about 4 billion Rupees, all corporate and SME borrowers under resolution were rated below investment grade at March 31, 2021. This mainly includes one lease rental discounting account and two projects under implementation account in the commercial real estate sector.

The builder portfolio including construction finance, lease rental discounting, term loans and working capital loans was 226.71 billion Rupees at March 31, 2021 or 3% of our total loan portfolio. As mentioned in our previous calls, our portfolio is granular in nature with the larger exposures being to well-established builders. About 13% of our builder portfolio at March 31, 2021 was either rated BB and below internally or was classified as non-performing.

The total outstanding to NBFCs and HFCs was 645.09 billion Rupees at March 31, 2021 compared to 576.29 billion Rupees at December 31, 2020. The total outstanding loans to NBFCs and HFCs were about 7% of our advances at March 31, 2021. The details are given on slide 41 of the investor presentation. Our exposure is largely to well-rated entities with PSUs, long vintage, entities owned by banks and well-established corporate groups. The sequential increase in the outstanding during the quarter was mainly due to increase in outstanding to government owned NBFCs. The proportion of the NBFC and HFC portfolio internally rated BB and below or non-performing is about 1%.

Coming to our overseas portfolio, excluding exposures to financial institutions and retail lending against deposits, the total corporate fund and non-fund outstanding of overseas branches, net of cash or bank or insurance backed lending, was 4.14 billion US dollars at March 31, 2021 compared to 5.20 billion US dollars at December 31, 2020 and 7.48 billion US dollars at March 31, 2020. 70% of the outstanding at March 31, 2021 was to Indian corporates and their subsidiaries and joint ventures. 16% of the outstanding was to non-India companies with Indian or India-linked operations and activities. The portfolio in this segment is well-rated and the Indian operations of these companies are target customers for the Bank's deposit and transaction banking franchise, and we would continue to pursue risk-calibrated opportunities in this segment. 6% of the outstanding was to companies owned by NRIs or PIOs. 8% of the outstanding was to other non-India companies which is less than 1% of the total portfolio of the Bank.

F. Subsidiaries

The details of the financial performance of subsidiaries is covered in slides 46-47 and 68-73 in the investor presentation.

Value of new business of ICICI Life grew by 25.7% year-on-year to 5.91 billion Rupees in Q4 of 2021 The new business margin increased from 21.7% in fiscal 2020 to 25.1% in fiscal 2021. The new business margin was 23.6% this quarter. The annualized premium equivalent grew by 27.1% year-on-year to 25.09 billion Rupees in Q4 of 2021. The protection based annualised premium equivalent was 10.46 billion Rupees and accounted for 16.2% of the total annualised premium equivalent in FY2021. The new business premium was 130.32 billion Rupees in FY2021.

Gross Direct Premium Income of ICICI General increased by 9.4% year-on-year to 34.78 billion Rupees in Q4 of this year compared to 31.81 billion Rupees in Q4 last year. The combined ratio was 101.8% in Q4 of 2021 compared to 100.1% in Q4 of 2020. The profit after tax grew by 22.6% year-on-year to 3.46 billion Rupees this quarter from 2.82 billion Rupees in Q4 last year.

The profit after tax of ICICI AMC was 3.48 billion Rupees in the current quarter compared to 2.17 billion Rupees in Q4 of last year.

The profit after tax of ICICI Securities, on a consolidated basis, was 3.29 billion Rupees in the current quarter compared to 1.56 billion Rupees in Q4 of last year.

ICICI Bank Canada had a profit after tax of 5.1 million Canadian dollars in the current quarter compared to a loss of 7.5 million Canadian dollars in Q4 of last year and a profit after tax of 5.1 million Canadian dollars in Q3 of 2021. The loan book of ICICI Bank Canada at March 31, 2021 declined by 11.4% year-on-year and 3.1% sequentially.

ICICI Bank UK had a profit after tax of 2.8 million US dollars this quarter compared to a loss of 6.8 million US dollars in Q4 of last year and 2.2 million US dollars in Q3 of 2021. The loan book of ICICI Bank UK at March 31, 2021 declined by 24.7% year-on-year and 10.1% sequentially.

ICICI Home Finance had a profit after tax of 0.15 billion Rupees in the current quarter compared to 0.64 billion Rupees in Q4 of last year. The profit after tax was higher in Q4 of last year due to gains on sell down of loans.

With this we conclude our opening remarks and we will now be happy to take your questions.

Moderator:

Thank you very much. We will now begin the questions-and-answer session. The first question is from the line of Mahrukh Adajania from Elara Capital. Please go ahead.

Mahrukh Adajania:

I have a couple of questions. Firstly, in terms of credit costs, now that you continue to hold good enough COVID provision, can we still expect the credit cost to be in the range of 1.2% to 1.3% in FY2022, despite the second wave of Covid-19?

Rakesh Jha:

Mahrukh, given the current second wave of COVID that we are seeing, I think we will have to just wait and see how this plays out over the next month or two before kind of making firm comments on the credit cost. As I said, we are confident about the portfolio in terms of the underwriting that we have done. We have stuck to stronger profiles in terms of underwriting plus from a balance sheet point of view, the NPAs are well covered. We are carrying surplus provisions of slightly over 1% of loans. All of that does give us confidence. But as we have said earlier also, the pandemic trajectory is something that we cannot predict, and that's something we will have to just see and right now, it's very difficult to comment on that given the situation which is there.

Mahrukh Adajania:

Also, when you give the granular details of BB and below, you no longer include the power sector account. Has that been upgraded now because there has been a decent size of upgrades in the BB and below? You had earlier included a power account in the lumpy BB and below accounts. Now it's only telecom and construction.

Rakesh Jha:

Whatever exceeds a particular size is what we give. There were questions earlier about the lumpiness in that portfolio. So, we give the loans which are above Rs. 6 billion. The sector which is not referred, it could either have been removed or would have gone below Rs. 6 billion. We don't comment on that individually.

Mahrukh Adajania:

Just one last question which is on slippages. Basically, the pre-COVID the retail slippages were around Rs. 20 billion per quarter or under that. After COVID, they have risen to around Rs. 44 billion in Q4-2021. In how many quarters do you expect the retail slippages to go back to the normalized level or somewhere close to the normalized level?

Rakesh Jha:

Mahrukh, there are a few things. One of course, is that our retail portfolio itself has grown significantly over the last two or three years. Further, on the portfolio itself, aside from the pandemic, even prior to that, we had said that we will see some increase in addition to NPAs as the portfolio kind of seasons. So, that impact was anyway expected. Also, on the retail side, it's very important to see both gross additions as well as the gross deletions and upgrades, because that's something which happens on a continuous basis. Right now, again, given the second wave of COVID that we are seeing currently, we'll have to just wait and see how this trajectory unfolds, how the vaccination drive kind of goes ahead, what steps are taken in terms of lockdowns and restrictions. So, all of that we will have to kind of wait and watch for maybe a month or two, before one can comment on a more precise outlook.

Mahrukh Adajania:

What is the employee count?

Rakesh Jha:

It's about 98,750.

Moderator:

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

Suresh:

I had a question for both Anup and Vishakha. More of a qualitative aspect because the retail loan growth is about 20% y-o-y, almost double that of the system. The overall domestic loan book is 18% y-o-y, three times the growth of the system. You have done this at a time which has been exceptionally tough for everyone. So, the worry a lot of people have is ICICI Bank back to its old days of very high growth, especially coming in a pandemic year. Can you give a qualitative assessment both in the retail as well as the corporate book that you are very confident that this is no adverse selection of assets and you're very confident that these are genuine assets taken on board? Is it a market share gain purely, any color on that would be appreciated?

Anup Bagchi:

Suresh, let me go first. Two or three things, one is that our retail asset has been consistently growing. It is not just this year, actually, if you go back a few quarters before that, it has been quite solid, this year also it has been quite solid. I feel that there are a couple of reasons for that; one is that during pandemic, I must say that because of our work on the digital side, we were able to capture opportunities perhaps faster than most others. Particularly if you see on the non-mortgage business, over the last one to one and a half years and ICICI STACK, etc., we have worked very, very hard on making sure that the credit delivery is as seamless as possible, as fast as possible and we have worked hard on the underwriting abilities on the digital footprint so that we make sure that most of the things are pre-approved, and we have tightened the whole process of credit delivery, so that we are able to do the credit delivery faster, better and to good profile customers. So, I would say that market share gain essentially has come on back of that and the book has gone through the stress of COVID. As Rakesh mentioned in his remarks, it has reasonably stood the test of the stress so far. We look at them very closely, particularly on the business loan and SME side, data on the credit summation. So, far they are holding on quite well. On the mortgage side, I must add that again decongestion, the fact of the matter is that we were slightly under penetrated in our own customer base and competitive pricing and the fact that we had used our physical distribution, but more than that on the digital tilt, I would say it did help us in gaining share. Overall I would put 60% weightage on the fact that we had worked on the process of credit delivery, that has helped us in gaining share. I would also put 20% on the fact that the competitive intensity had come down a little bit more so, because in our case, the contrast of the digital nature of our processes vis-à-vis many others who may not have that level of digitization in the processes which makes the whole credit delivery process itself slower. And in times like these, faster credit is also an important capital, which clients are looking at when all things remaining equal. So, that has also helped. And on the MSME side, InstaBIZ and Trade Online and all of it that has also helped in moving the clients towards us. So, I would say that these would be the reasons why we have been able to gain share from the market.

Vishakha Mulye:

So, quickly on the corporate side, if you look at the last three to four years, we have been growing at around 13% to 15% on the domestic performing book, mainly driven by the higher rated corporates as well as PSUs. Therefore, our portfolio is seasoned in terms of the disbursement that we have done in the last three to four years. If you look at it, I think the test was during the last one year when RBI came out with the restructuring guidelines. Our restructured book is less than 1% of our total book. So our portfolio has actually stood the test of the extreme impact of the COVID in the last one year. The incremental addition to NPL has come down and actually has tapered during the last one year. Last quarter also it has been quite low. Again, this is driven mainly by the opportunities which are there in the market in terms of deploying liquidity even in the short term. So, to be frank, I feel quite nice about the portfolio and we'll of course have to watch, as Rakesh spoke about the second wave. But at the moment, we feel very nice about the performing portfolio on the corporate side.

Sandeep Batra:

Suresh, Sandeep Batra here. As Rakesh also mentioned, if you see the rating mix of our loan portfolio, that has changed for the Bank as a whole. I draw your attention to slide 33. If you look at the A-minus and above portfolio, in 2017 it was 56%, it is now 73%. Even if I compare it to a year back, it was about 70%. So, there is clearly a focus on quality. The book what you're really talking about now to what it was in the past is significantly different if you see it from a rating perspective.

Moderator:

Thank you. Next question is from the line of Rohan Mandora from Equirus. Please go ahead.

Rohan Mandora:

If you can share segment wise collection trends seen in April in the retail portfolio. Also a second related question was within the vehicle disbursements that we are doing by value, what percentage of that portfolio would have credit decision-making without any manual intervention, and within that which products will have a higher share? Basically it is all machine learning and AI-driven credit decision making?

Rakesh Jha:

In terms of the retail collection, I think April is just way too early to comment on, even as we see those trends, it is just too early. It is logical to expect that all lenders would have seen some impact of the second wave on the collections and for us it would be no different. But like I said, I think we have to wait for a month or two to really gauge how this plays out and how things evolve. Again from last year, our experience was it is better not to jump to conclusions very soon. We will have to wait and see. On the portfolio, Anup talked about on how we have been focused in terms of our underwriting. So we are confident that it should play out well.

Anup Bagchi:

On the underwriting part, first is that unsecured lending is to better pre-approved customers and through straight through processing. On the business banking and other parts, in addition to complete straight through processing, score cards really help. We have seen that as the ticket sizes come down and as the portfolio which has large numbers coming in, score cards give a much better output than human intervention in credit decisioning with its own flavors of overriding the credit. So, we have seen time and again that scorecard gives you better credit decisioning but you have to keep updating the scorecard with the inputs and the learning that you get from this credit. So basically you have to keep refreshing the scorecards, but it takes away the bias in credit decisioning when you have very large number of cases. On the unsecured side, the beauty is that you can do full straight through processing. For example, on the credit card and personal loan side with the video KYC coming in, it is like complete straight through processing. And when you do it to your own customers, it is even better. We have solid underwriting abilities and credit delivery processes. Artificial intelligence, machine learning is used to figure out patterns and most importantly in getting the feedback of the early warning signal back into credit underwriting processes. The biggest learning essentially comes from cases which become overdue because they are from a pre-delinquency management and the cases which will become overdue because they actually give a lot of feedback about updating scorecard, credit models to ensure that we are going exactly where we would want to go. I would not say that for a larger loan, but for retail essentially the ROA comes from NIM plus fees, less cost of acquisition, less operating expenses, less cost of collection, less credit cost and that is where it flows. We can actually do intervention basis micro market, the customer segment on the yields and fees. Internally also there is a lot of scope on cost of acquisition if we lend to our internal customers, reducing the operating expenses which can be done through digital models and making it straight through and decongesting our processes completely and collection costs by making sure that we do pre-delinquency management and predominantly most of our collections is now digital. It is not physical at all. Thus when we select the profile, the client segment and the product properly, we also manage the credit cost. So, all the seven variables we look at it as one, we don't look at individual variables in isolation. We don't think that's the right way of looking at a business in retail because we have opportunities everywhere. However, as we move up that is on the business loans and SMEs, because the number of cases are small, it is not that much amenable to artificial intelligence and machine learning, but you do get on sectors. There the artificial intelligence and machine learning essentially comes in early warning signals, credit summation, which is the inflows and outflows. So, there's a lot of work that we do on the inflows and outflows and ensure whether there is volatility or whether there is stability, whether it is increasing, decreasing etc., The credit decisioning essentially happens on the scorecard which again gets used when we get input from all these variables back into the model. In case of mortgage, is more difficult because unfortunately the collateral part of the mortgage is not standardized, the title searches are not so much online. Where we have a very large collateral, the value of the collateral that today is not very amenable to full digitization. But the good thing is that even the land titles, etc., are becoming digital as we move on. We have seen for example, in auto VAHAN coming in and there are a lot of stuff which is getting more digital and so our ability to check fraud and other things is improving by the day. We feel that going forward, we are convinced that digital using artificial intelligence and machine learning, using everything which is available digitally but putting it altogether and synthesizing it is the way to go. It reduces internal cost, congestion in the processes and helps us in our ability to pick up good customers at a faster speed.

Moderator:

Thank you. The next question is from the line of Abhishek Murarka from IIFL Capital. Please go ahead.

Abhishek Murarka:

I have one question on the payments disclosure that you have made. So, in debit cards, the value and volume both have fallen and in the last quarter you had mentioned that some inactive cards are being culled. But this quarter the drop in the number of cards is actually quite sharp and same with the volume. The second observation is that in UPI P2M even those volumes and values have fallen, and I would have thought that if UPI is actually cannibalizing some of the card payments, at least volumes would have increased there. So, can you just sort of elaborate on what should be happening on the payment instrument and the payment volume side?

Anup Bagchi:

On the number of debit cards, we are sort of flushing the inactive cards out of the system, which is why you will see that the number of cards would have fallen. As far as share is concerned, the debit card market share has not moved. However, if you look at different payment systems, UPI certainly will over a period of time, put pressure on debit cards because the proposition of UPI is almost as strong as a debit card proposition. So, that is what is going to happen. Between credit cards and other modes of payment we don't think that the cannibalization will be that fast. So, we'll have to look at all payments system and our bet is that we have to keep betting on all payment systems and things which are growing. We have to ensure that we partner, make it open architecture like what we have done. We are sort of very clear that that is the way to go. As you know payments standalone may or may not make you money, for us, it will never make money on a standalone basis fully. But for us, the moment we get more and more digital footprint we are able to put it in the underwriting because it is a behavioral data and the velocity of the data is more important than the static data. Earlier it used to be static data only on demographics, age, etc. It's not that static data is not important, but it is important to keep capturing data with high velocity and the behavioral characteristics that helps us underwrite better. So, we can use the data to underwrite and we are using that data to underwrite. Now we are seeing in FASTag, very good quality data comes in with payments. On the debit card payments, no loss in market share, but UPI will cannibalize, and we feel that it will cannibalize every part to some extent.

Abhishek Murarka:

So, just a very quick follow up. On the UPI P2M and on the previous slide you have given that through Eazypay your transaction values have increased by 4x. But in terms of the value and volume both have fallen, just sort of appears to go in different directions. Any reason for this?

Anup Bagchi:

Eazypay essentially is on the merchant side, where there is a large amount of merchant transactions which happen, almost 2.2 lakh crores a month. On the debit card side, we have to add up all the payment system and then look at the throughput where it is healthily increasing, Abhishek.

Moderator:

Thank you. Next question is from the line of Jai Mundhra from B&K Securities, please go ahead.

Jai Mundhra:

I have a question on mortgage book. So, this is the largest segment for ICICI Bank which is now about 33% of the overall loan book. If I look at the same business that we're doing in the subsidiary, where the GNPA or the stage-3 number is around 6% to 7%. So, wanted to get more clarification, that why is there so divergent asset quality performance between the mortgage business that is done by the Bank and ICICI Home Finance?

Anup Bagchi:

ICICI Home Finance now is completely focused on the affordable segment, so its balance sheet is getting transformed. You see a slightly elevated credit cost and NPA ratios there because of some builder finance and old portfolio, on which we had sort of made provisioning in an accelerated manner. So, ICICI HFC is focusing on the affordable segment. The rest of the mortgage is in the Bank which is as you know is very stable and its asset quality is fine. So, that is why the divergence.

Jai Mundra:

Second question is on the core operating profit side, so you have done an exceptionally good job and we have been consistent in above 15% y-o-y growth. I just wanted to understand the impact of the second wave, while we have some cushion on the provisioning and we have even made adequate provisioning on existing NPA, but if you can highlight any cushion, if I may use that word, or how are you looking at protecting that 15% growth in the core operating earnings amid the second wave. How would you assess the risk of this 15%-plus growth on core operating profit earnings from second wave?

Rakesh Jha:

Again, it is too early to kind of quantify what that impact could be. I think, if you go back to last year, what we had seen that for a period of a few months, the loan demand was lower, the collections were impacted. So, we have to see how it plays out. Our focus is to ensure that we continue to raise low-cost deposits, keep our cost of deposits amongst the best in the industry, which then allows us to do well-rated lending, while earning a good amount of spread as well. So, for us, that is the key focus and then continue to be efficient in terms of expenses and focus on the core fee franchise. But all of this is with the focus on core operating profit. So, it's very difficult to say, how it will get impacted. If things go really bad, of course, we will calibrate our growth also accordingly. So, let's see how it plays out. We are confident about calibrating our approach towards risk-return, growth based on the evolving trajectory of the pandemic. I think in the next month or two, one will have a pretty good sense of that.

Moderator:

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

Adarsh Parasrampuria:

Two questions. First to Vishakha. There is a fairly strong bounce back in corporate profitability after five years. Just wanted to understand that profitability bounce is quite strong given the things that we're doing now, right, at 70% AAA, AA, A, is that a sustainable profitability for the corporate book? I think it looks like 1.8% on pre-tax basis.

Vishakha Mulye:

The most important thing as I said that there are two-three principles that we are following; one is return of capital is the paramount underlying principle and we look at risk calibrated operating profit. If you look at our growth in the last three to four years, as I said, depending upon the market conditions, performing loan book has grown between 10% to 15%. Second driver for the profitability is that we look at not only providing the solution to the corporates but also to the entire ecosystem. Therefore, there are various drivers of the fee income. We try to capture the entire ecosystem of the corporates, including the money in motion within the ecosystem. This further drives addition to the NII that we have, of course providing the solution on the transaction banking side, providing the solution on the forex and derivatives side. We also have been ranked as number one on the Prime league table for the bonds. So depending upon the market condition, we provide solutions to our corporates in terms of underwriting the large bond issuances and then distributing it in the market. Similarly, when it comes to the various segments that I spoke about, there are new segments of the clients that we have started focusing on. In addition to the traditional manufacturing, the other focus area that we have identified is the entire service sector. We are focusing largely on the entire institutional investors, we call it as Financial sponsors, and provide the complete solution to them in terms of not only giving them services at their level. If I take an example of a financial sponsor, not only providing the solution at the AMC level, but at a fund level including the investee company level. So, I think if you look at the overall offering for the corporate that we have created and the franchises that we have built over the last four years with underlying principle of return of capital, I'm quite confident that the franchise is sustainable and delivering the results that we have seen in the past.

Adarsh Parasrampuria:

Second question, broadly I am asking specific numbers. On the retail slippages could you indicate or just quantify what the mortgage slippages could have been? The reason why I'm asking that is that may really not require a 70%, 80% cover, right, which we have in our NPA book. So, if you can just quantify out of the Rs. 125 billion or Rs. 130 billion of slippages, how much is mortgages this year?

Rakesh Jha:

We have not given that break up, but like we said earlier, given that the EMI is high in case of mortgage loans, we do expect some near term impact of the lockdown of last year and the moratorium period which was there. So, the mortgage NPLs would have gone up however we have not given that breakup separately.

Adarsh Parasrampuria:

Rakesh, the only purpose of asking that is unlike unsecured book or even vehicles, the LGD in the portfolio can be quite low, right, so somebody not able to pay EMI for a few months, but eventually, you're not likely to lose 70, 80 cents to a dollar?

Rakesh Jha:

You can assume we have more some more buffer in the coverage ratio than that.

Moderator:

Thank you. The next question is from the line of Saurabh from JP Morgan, please go ahead.

Saurabh:

I had two questions. One is can you indicate what is the technology spends to revenue, if you can just give what this number would have been for the last year and year before last? And secondly, just on the corporate banking, how would the operating profit margins be in fiscal 2021 compared to fiscal 2020?

Rakesh Jha:

We don't disclose the technology spends separately. Again, there is no uniform way of doing that across banks. Like I said earlier, I think in terms of all the investments that are required, we are very happy to make them. If I look at our operating expenses, our capital expenditure, the line item which has been growing for us is indeed the technology expenses and other franchise-related expenses. On the corporate side, there are a couple of things; one, of course is if you look at below the operating margin, the provisions like Vishakha was mentioning earlier, within the last couple of years we have not really seen much NPA additions. So, the provisions pretty much had normalized for that part of the portfolio in the last financial year. On the operating profit, I think what we have been able to do is to kind of maintain that or see some slight improvement despite the increased focus on better rated exposures. So, the way we look at it is, one, of course, is just the corporate part of the business, in which itself, we would have been able to do that. The lower cost of deposits has definitely helped there, as well as the focus that Vishakha talked about on the transaction banking. What has reduced for us, Saurabh, and that would have had some impact on a y-o-y basis, is the loan processing or the credit linked fees which is there because that's something which you don't really get if you're lending primarily to 'A and above' rated clients. But other than that, we would have seen an improvement in other aspects. And more importantly, I think the entire focus for us has been on the ecosystem. So, we don't look at just what we are making from the corporate client or what opportunities are there with the corporate client. Along with the retail team, the corporate team works to look at what all we can do with the employees of the corporate on raising deposits, issuing credit cards, lending. Similarly, on the dealer, vendor, the SME part of the business also works along. So, what we look at is not just the corporate revenue but also the retail and the SME piece in aggregate. That focus has really sharpened over the last I would say 12 months or so, and that is something which is very helpful in maintaining the profitability despite the focus on the higher rated clients.

Moderator:

Thank you. The next question is from the line of Manish Shukla from Citigroup. Please go ahead.

Manish Shukla:

So, first question is on fees. Despite the strong balance sheet growth and probably the base effect of March 2020, fee income growth looks muted. Anything there?

Rakesh Jha:

I think if we look at the trends that we have been seeing, in the first quarter, we were down about 30% y-o-y and from there on, the y-o-y numbers have been improving for us. I think in the last quarter, we were pretty much flat and now we are at about a 6% growth. I think for us maybe on the corporate side, the loan processing fees, that is something which will not have grown or declined a bit, because that is not the focus area for us. Other fee revenues have been doing well, the retail lending linked fees or the other fees post the first half of the year when the decline was there. So, nothing really to worry on that trend. As we have said earlier, I think each of the businesses looks at the core operating profit as the key metric. So, it's a combination of NII, fees and expenses, and we try to optimize the three levers to get the best outcome possible on a risk calibrated basis for the core operating profit.

Manish Shukla:

But Rakesh, retail would be about 75% of fees, right, that at least should have seen a healthy double digit growth given especially the base effect and balance sheet growth?

Rakesh Jha:

It's about 10% y-o-y growth which was there. So, if you look at the various fee items which are there, for example, third-party distribution may not have grown as much as for us, as you will see for other banks, lending linked fees would have definitely grown. So, as I said, it's a quarter-on-quarter kind of a thing. Overall, this is actually pretty much in line with the trend that we were expecting for the quarter.

Manish Shukla:

Despite the steady increase in share of retail and SME assets, cost-to-income has been trending down gradually. Do you think directionally this can still continue?

Rakesh Jha:

So, again, I will not talk about the near-term, but in the medium-term, as we target to grow our risk calibrated core operating profit, one of the drivers will definitely be to grow our revenues faster than expenses. And that is a focus area for us. So, we definitely believe that in the medium to long term, that's something which should happen. We don't have any internal metric or a number that we are targeting there or any timeline for that. But just the focus on the core operating profit, I think expenses is also an important variable to manage that. But we would continue to make investments or make expenses, capital expenditure or revenue for all areas where we believe it will help us in the long-term for franchise, technology distribution, people, all of those expenses, we will make, if required, we will make them upfront as well. So, that's how we look at it, Manish.

Moderator:

Thank you. We'll be able to take one last question from the line of Krishnan from HDFC Securities. Please go ahead.

Krishnan:

I had two questions. One, whether you have any fungibility to move housing loan assets from the home finance portfolio to the Bank portfolio at all. Is that something that has happened in this last year, because most of your retail growth has not come on personal loans or credit cards, but seem to have come on the back of the housing loan portfolio this time around. Just wanted to make sure that it's all organic and there is no fungibility, even if that's something allowed? Number two, wanted to understand just on the credit card portfolio that you have incrementally been building. Obviously the competitive intensity coming off has been a tailwind for you. Just wanted to understand how would you look at raising the receivables on the card portfolio given that one of the big metrics that you should ideally try to maximize, you are about 20% below where the peers seem to be. So if you could just help us understand what are you doing about raising the receivables for card?

Anup Bagchi:

Krishnan, Part-A are HFC assets moving to the bank. Actually if you look at the number, HFC's portfolio is very small, it is about 5% of the mortgage portfolio of ICICI Bank. So, there is nothing material which will move from there to here. It's all organic within ICICI Bank and that is the way one should look at it. Second one is on credit cards. Two, three things. First is that from a credit card perspective, you would have seen that the numbers of credit cards that we are issuing is very healthy. We look at credit card from two angles. Credit card is one of the high frequency usage product and the brand gets reinforced every time you use a credit card and if it is ICICI Bank credit card and you're fetching credit card or using credit card, the brand gets reinforced. It is one of the very few high frequency products. So, we look at credit card also from a liability perspective and make sure that the customer is primary with us. That is one. Second one also is that the credit card is a very profitable portfolio and on credit card you make some money on spends and some money on revolvers. The money that we make on revolvers depends on what kind of revolvers we have. We always like episodic revolvers who are people who revolve from time-to-time but they are not chronic revolvers. That is one mining we continuously keep doing. And that is our approach. Our approach is not just growing the book on the credit card. We would want to have a healthy mix of making customers primary, having not only large spenders also but also episodic revolvers. We don't like chronic revolvers on our books, chronic revolvers in general do badly over a cycle.

Krishnan:

My only point was you and a few other issuers obviously have now mastered or perfected the art of delivering 4.5%, 5%, 6% ROA on the credit card because you have higher set of security in running that. But now it's about where you can take the unit to profitability because everybody can generate a 5% or 4.5% when you give or take 50 basis, 100 basis points, everybody is there and thereabouts in which is a mature player. From a unit profitability perspective, one of the big variables will be receivable per card which is where you have been generally conservative given the kind of episode that happened the last time. I just wanted to understand what can you do about that?

Anup Bagchi:

It's an important question. There we keep experimenting with receivables per card. And we don't look at averages, we look at distribution very closely. When we look at distribution, we also look at the stability of the distribution closely as to how many are episodic, how many are chronic, because chronic revolvers obviously are very profitable for some time and then they just go out of the system. So, that is one experiment that we continuously keep doing within our micro segment of customers. As you know there is no sort of perfect answer, it is a science, but it's also an art and art comes to science and that cycle keeps moving in credit card. Also, the function is we have seen in this COVID time, it hasn't behaved much worse because now over a period of time it is becoming a very important source of credit. And in tough times people do require sometimes one month of serving the extra credit. And that comes by way of credit cards, because they can repay at will. So, that is another behavior change or behavior that we have seen in COVID. So, it is behaving reasonably well. But it's a function of experimentation that we keep doing. We experiment small and we test and learn and then we scale up and then we kill some segments which don't prove to be a winner. So, that's a constant thing. But will we go and aggressively increase our receivable for card without testing? The answer is no.

Moderator:

Thank you very much. We will take that as the last question. I would now like to hand the conference back to the management team for closing comments.

Rakesh Jha:

Thank you everyone for your time this evening. Please stay safe and take care. Thank you.

Moderator:

Thank you very much. On behalf of ICICI Bank Limited, that concludes the conference. Thank you for joining us, ladies, and gentlemen. You may now disconnect your lines.