A SCHEDULED COMMERCIAL BANK

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To,

National Stock Exchange of India Ltd. Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (East), Mumbai 400051, Maharashtra. **NSE Symbol: AUBANK**	**BSE Limited** Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400001, Maharashtra. **Scrip Code: 540611**

Dear Sir/Madam,

Sub: Transcript of Conference Call for Financial Result for the Quarter & Financial Year ended on March 31, 2023

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), we submit herewith the transcript of the conference call held on Tuesday, April 25, 2023 for the Financial Results of the Bank for the Quarter & Financial Year ended on March 31, 2023.

In compliance of Regulation 46 of the Listing Regulations, the transcript is also made available on the Bank's website at https://www.aubank.in/investors/quarterly-reports.

This is for your information and records.

Thanking You,

Yours faithfully,
For AU SMALL FINANCE BANK LIMITED

Manmohan Parnami

Digitally signed by Manmohan Parnami
Date: 2023.05.02 20:41:54 +05'30'

Manmohan Parnami
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Encl: As above

"AU Small Finance Bank Q4-FY23 Earnings Conference Call"

April 25, 2023

MANAGEMENT: **MR. SANJAY AGARWAL – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER, AU SMALL FINANCE BANK**
MR. UTTAM TIBREWAL – EXECUTIVE DIRECTOR, AU SMALL FINANCE BANK
MR. DEEPAK JAIN – CHIEF RISK OFFICER, AU SMALL FINANCE BANK
MR. YOGESH JAIN – CHIEF OF STAFF, AU SMALL FINANCE BANK
MR. VIMAL JAIN – CHIEF FINANCIAL OFFICER, AU SMALL FINANCE BANK
MR. BHASKAR VITTAL KARKERA – CHIEF OF WHEELS, AU SMALL FINANCE BANK

MR. RISHI DHARIWAL – GROUP HEAD LIABILITY, AU SMALL FINANCE BANK
MR VIVEK TRIPATHI – HEAD OF COMMERCIAL BANKING
MR. PRINCE TIWARI – HEAD (FIG & IR), AU SMALL FINANCE BANK

Moderator: Ladies and gentlemen, good day, and welcome to the AU Small Finance Bank Q4 FY'23 Earnings Conference Call.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the 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. Prince Tiwari – Head of FIG and IR. Thank you. And over to you, sir.

Prince Tiwari: Good evening, everyone and welcome to AU Small Finance Bank Earnings Call for the Fourth Quarter of FY'23. We thank you all for joining the call today.

The format for today's call will be very similar to last few quarters where we will start with Opening Remarks from Senior Management for the first 20-25 minutes of the call and we'll follow that with 30 to 35 minutes of Questions and Answers from all the Analysts and Investors.

To start the call, we'll have our M.D. and CEO – Mr. Sanjay Agarwal, share his thoughts on FY23 Overall Performance and Outlook for the Bank. He will be followed by our ED – Mr. Uttam Tibrewal, who will share his thoughts on Operating Highlights for the Quarter and the Financial Year. Besides them, we also have few senior members of our management team on the call today to answer any questions that you may have.

For the benefit of everyone, and so that we can take everyone's questions, we would humbly request everyone to keep the number of questions per participant restricted to two and join back in the queue in case you have further questions.

With that, I will now request our M.D. and CEO – Mr. Sanjay Agarwal to share his thoughts on the Bank Performance and Outlook.

Sanjay Agarwal: So, thanks, Prince. Hi, everyone. Good evening. Namaskar.

I'm very happy to speak to you on this call today as we recently celebrated 28 years of our existence, and six year of Banking. It has been an incredible journey, and a wonderful experience to build a Bank like AU. I met so many of you last year during the roadshow while raising capital, where we got tremendous support, affection, acceptance not only of our business model, but also for me as an individual.

Today, I'm happy to share that we have fulfilled all our promises made last year during the roadshow despite many headwinds like inflation-led high interest rate cycles, liquidity issues, and unnecessary negative perception around us.

We promised to grow our business around 30%. And our numbers speak like this: Our deposits grew by 32%, now standing at Rs.69,000 crores-plus. Our assets after securitization grew by 26% standing at Rs.59,000 crores, plus with pristine asset quality.

We delivered sustainable and superior ROAs and ROEs at 1.8 and 15.4 respectively, without any one-off income from treasury or PSLC and of course, despite high interest rates.

Our tech outlook remains very strong. Key highlights being upgrade of our core Banking system, enhancing data center capacity and scaling our digital propositions further with the launch of innovative product like credit cards and current account.

We actually serve 38 lakh plus customers, 1,000 plus touch points in 21 states and 3 UTs by winning team of around 20,000 (Correct – 28,000) people

My reappointment as M.D. and CEO and my colleague Uttam as executive director for full three year reinforces that we are working on the right path, the strong compliances, robust governance and sustainable business model. I'm really thankful for you for this.

The past couple of years have been personally trying for me as a season entrepreneur of 28 years as we have been the subject for numerous unfounded, unfavorable rumours causing unnecessary commotions and diversions I hope that now we can all move forward with focus on our performance. I would like to thank all my shareholders for their patience, unwavering support and being there with us through thick and thin.

Another feather in our cap is receiving of AD - I license on our foundation day. It not only completes our product offering to the existing customers, but will also help acquire newer segment of customers. I am thankful to the regulators for validating and strengthening the small finance bank platform by not only giving us the AD-1 license but also to another two SFB friends so that product offering at SFB platforms are complete and at par.

Coming to India:

We remain on a very different trajectory as a country of optimistic, determined and hardworking people. We at AU are very excited to participate in India story of 1.4 billion people, with economy expected to grow at 7% in the next 10 years by providing excellent product and services to build India.

With a market share of just 0.4% in both deposits and assets, the opportunities are immense, and sky is the limit.

Our business model is well settled. We will remain in identified market segments, like urban markets for garnering deposits, and for lending the core and the rural markets.

Our focus is to build sustainable low cost granular deposit franchise, where the challenge as of now is around interest rates. But, we will continue to manage with strong emphasis on CASA and granular deposits, especially on a current account proposition. Last year, we grew current account deposits by 43%, bringing our CASA ratio to 38% and CASA plus retail deposit base at 69%. This helped contain our cost of money at similar level to last year at 5.96%.

In FY24, our margins may be impacted as the cost of money is higher and the peak is not over yet. Further, our loan book has been fixed rate, which also gets impacted in a rising interest rate scenario, although the share is coming down and now stands at 66% versus 74% a year ago. The share of Commercial Banking, Affordable Housing books are increasing which are important franchise business, but with lower yield. However, these businesses have lower credit cost and lower OPEX and thus has similar ROA as per our other retail businesses.

Further, our margins will be protected by continuous investment in strengthening current account propositions, transition banking, focus on data and its capabilities, automation of credit and process reengineering.

As we are investing to build capabilities, the cost-to-income level can be high. Moving ahead, we expect the advantage of scale to start kicking in, and by the year end, our investments in investor lending, video Banking, unsecured lending and cross sell will start positively impacting the P&L. There will be more pool of revenues from AD- 1 license, wealth product, etc., Credit card business is also expected to break even in the next one year.

Further, we've brought our strength at the board level by injecting three independent directors last year, out of which, two are women directors. We are now 10 members strong board with eight independent directors.

But talk about my own focus area. I think very importantly, as a CEO, I'm very excited for my next tenure. My area of focus is to build brands, which will eventually help us in deepening trust in the entire ecosystem, strengthen our deposit franchise, invest in innovation, data first and digital culture with emphasis on understanding customer which we call UYC and to build a strong HR practices.

Tech and innovation remain my top focus areas. You know, I'm not a techie myself, but I'm investing a lot of my time these days in tech discussion with IT team partners and ecosystem stakeholders.

We are working across all aspects of technology, be it core technology stack digitization, automation, data analytics and digital customer facing propositions.

This quarter, we made significant progress in strengthening our core technology stack. We upgrade our core Banking system to the latest version, and we are also upgrading capacity of our data centers.

In Wheels business, which is the oldest one, we are implementing Salesforce's LOS along with underwriting tool by FICO to enable straight through processing of vehicle loans. When we started this journey from our oldest business, we envisage implementing similar processes for all the loans in the Bank.

Another step towards operational excellence is to automate processes using robotic process automation and AI.

I personally believe that in next 10 years, every Indian will have a digital footprint and that will generate large datasets. And as Bank's are the golden source of data, those with capabilities to leverage data to personalize customer experience will stand as winners.

At AU, we're enhancing our understanding of customer through in-house and alternative source of data for the long-term vision to have a customer data as good and as vast as what Google has, keeping in view all required norms around privacy and data protection.

On the digital front, we continue to deliver innovative products and upgrade existing offerings. We have recently launched a Digital Current Account'/ Proposition, Swipe Up Card, Credit Card Upgrade Program and Industry-First Offering around Bill Payments over Video Banking.

Our digital insurance and wealth proposition have also started gaining traction and this year we would further enhance and scale this and will be soon launching "Merchant App."

We are also enhancing our digital payment stack with more powerful propositions around UPI, BBPS, Fastag etc. So, we have been preparing ourselves to leverage the opportunities available through the emerging public digital infrastructure in India. We are live on the account aggregator. We are one of the first few Banks to be live on the OCEN platform and we are in discussion with ONDC team to implement Innovative use case around digital commerce. We are also working with an RBI Innovation Hub Fintech to enable financial inclusion.

We remain on a journey to build one of the best tech-led retail Banking franchise for this country. To execute our vision, we have strengthened our tech team, are working with leading global tech companies, be it Amazon, Salesforce, Accenture, Adobe, Oracle and NPCI etc., All these tech partners have been engaging well with us and I'm personally meeting their global leadership to further strengthen our relationship and to explore areas of innovation.

Another area of focus for me is to build strong HR practices because I feel people are the greatest asset. I'm happy to share that our senior team is quite stable with an average vintage of seven years, well balanced and is driving the business with a lot of passion, purpose and pace.

On the hiring front, we are seeing a great traction on people wanting to join us. Our recent HR practice are getting acknowledged, policies like menstrual leave for women employees and AU forever pass, is among the first in the Industry inspired by a philosophy of Badlaav Humse Hai.

I'm delighted to share with you that we have received a "Retail Banker International Asia Trailblazer Award" for our HR Practices, as just a "Great Place to Work," third in a row and are one of the top 25 organizations in the BFSI segment.

Among the many awards that we received last year, the prime one is to be adjudged as the "Best Small Finance Bank of the Country" by Financial Express and Business Today. We are really humbled and grateful to all of you who have been a critical part of this journey.

In the end, I can assure you that we are more committed to build one of the finest institutions of the world. I believe that building a Bank may take at least 10 years to understand all the nuances of this platform.

I'm very happy to say that the way we have progressed in last six years despite so many real and unreal challenges that we face, navigated and sailed over. There's a time for consolidation to build a long inning. Like the batsman gets more confident with every passing over, similarly, we are getting more confident with every passing year at this Banking platform.

We continue to lay foundation of building a sustainable, well-governed, pan India Bank with a mindset of playing a long inning. We are building ourselves to take advantage of the India Opportunity over the next decade. We have figured out approach by offering the right product in the right market, deposits from urban, assets in core, offered by the right team, with the right tech, working on the right path, building practices and processes which are standardized, scalable and sustainable.

Thank you so much for listening to me. Let me hand over to Uttam for the "Operational Highlights."

Uttam Tibrewal: Thank you, Sanjay. Namaskar and a very good evening to everyone I hope you all are in good health.

FY23 witnessed resurgence of demand across various Industries. The domestic consumption on the rise along with increased on-ground activity and a positive outlook for India's GDP growth. Our expectations of FY23 may remain well on track.

As we conclude Q4FY23 I am pleased to report that AU Small Finance Bank has delivered a consistently strong and stable performance across all our businesses throughout the quarter and also the entire fiscal year.

From build out of our digital properties to deposit growth to CASA growth and improve granularity in the consistent loan growth with ever strengthening asset quality, we have diligently focused on excelling in every aspect of our customer-centric business. Notably, we have managed to keep our gross NPA below Rs.1,000 crores thereby bringing down our GNPA to 1.66% and net NPA to 0.42% on the back of strong collection efforts, while still true to our philosophy of deep customer engagement and proactive problem solving, Having recently completed our sixth year as a small finance bank and 28 years as an institution, I'm proud to say that we have built a winning team of over 28,000 plus employees, dedicated to transforming our organization into an institution that commands the components of regulators, the love and turf of its customers and the backing of its investors.

I am pleased to share that Bank customer base has grown to over 38 lakhs in FY23 representing a growth of 40% over last fiscal year. During FY23 we added 108 new touch points to expand our distribution to a total of 1,027 touch points and serving our customers physically from 711 unit locations across 21 states and 3 union territories.

Similarly, our digital distribution has also seen strong traction, with our AU0101 App saw 90% growth in user base registration to 19 lakh customers, with more than 10 lakhs active users in March 2023.

Our video Banking channel has evolved into a comprehensive and self-sufficient digital franchise offering 400-plus services and handling over 1,000 customers calls per day.

On the other hand, our acquisition of savings from customers via the video Banking channel grew 100% during the year with 2.9 lakh plus customers having over Rs.1,150 crores of deposits and 15% of customers also holding an additional product from the Bank.

I'm excited to inform you that we have started acquiring current accounts using video Banking starting April 2023 and we are confident to get a similar success on this journey too.

For credit cards, the journey of our sourcing through video Banking started in October 2022. And in less than six months we issued over one lakh credit cards via this channel. Our overall credit card proposition now goes more than five lakh cards and a monthly issuance reached 50,000 plus cards and monthly spends reaching 1,000 crores in March 2023.

Also, in line with our commitment to innovation and customer centricity, we introduced “Swipe Up,” an industry-first instant card upgrade program, featuring a digital compare and purchase journey.

On the merchant side, I am pleased to inform that we have reached the milestone of 10 lac UPI QR codes with UPI QR transactions doubling over the past year, reaching 40 lakhs in March '23, not only payments but our QR based lending solution has also seen a good start with close to 200 crores in merchant lending till Q4 FY23.

Also, in Q4FY23, we disbursed Rs.146 crores in personal loans totally to total disbursement of Rs.804 crores till date, all through the AU0101 Digital Platform.

The success in digital acquisition and engagement is also attributed to the growth in brand awareness with over 31 crores brand impressions and more than 1.6 crores website visits in Q4FY23. Not only did the branch search volume increased by 30% percent in the fiscal year but the website traffic has also grown by 2.7 times year-on-year with 50% lift in organic traffic, translating to growing brand affinity towards the Bank.

We have also witnessed 200% growth in number of digital customers reaching our website to explore products and enable services.

Moving on our business numbers – Despite micro uncertainty and significant competition in the deposit market, we have shown consistently strong performance in our deposit franchise throughout the year. In Q4FY23 the total deposits for the Bank were Rs.69,365 crores, a growth of 32% year-on-year, with the Bank having 25.6 lakh deposit customers as of March '23 compared to 19.8 lakh customers in the previous year, representing a growth of 28% year-on-year.

In this fiscal year, we have prioritized customer engagement and deepening to transition our customer's accounts to their primary accounts.

Our focus on customer satisfaction, better product proposition and continued engagement with the customers has led to an impressive 70% of current account and 57% of saving account customers regularly transacting with us. On an average, our transacting customers transact 33 transactions per month in savings account and 69 transactions in current account.

Similarly, our product per customer ratio improved to 1.61 for savings account customers (exclusing Dormant and BSBDA account) and 2 product per customer for our current account customers.

We've also found that engaged customers generate a lift in average monthly balance by two to eight times than those who are not engaged.

As I have mentioned earlier, another important area of focus for us has been our current account deposits which have resulted in remarkable growth of 43% year-on-year reaching Rs.3,680 crores on March '23 as compared to Rs.2,570 crores in March '22. This helped us optimize our cost of deposits for the full year.

The overall CASA deposits grew by 36% year-on-year from Rs.19,608 crores to Rs.26,660 crores, helping in improving our CASA ratio from 37.3% as on March '22 to Rs.38.4% as on March '23. The increase in CASA ratio is a remarkable achievement in an environment where there was notable competition for deposits across the Banking system.

After the resounding success of our first premium Banking offering, AU Royale, we are excited to announce the launch of the "AU IVY" program, one of a kind product in the industry. This is an invite only to super HNI category product and we look forward to receive the same affection and acceptance from all.

Our strategy of focusing on urban markets for liability products has been successful and we opened 58 new branches in urban and metro markets in FY23. We have already seen few branches which are less than one year old ramping up the deposits to Rs.50-100 crores, reflecting the positive response we have received from high quality retail customers in urban markets.

Our strategy of asset cross selling to our liability customers has proven effective in engaging our customers base and deepen the relationship. Cross sell of asset products to branch Banking customers increased by 25% to Rs.2,500 crores in FY23 compared to Rs.2,000 crores in FY'22.

Credit cards, personal loans and Business Banking are among the key assets for liability customers and we will keep ramping up our efforts here.

Gold loan is another area where we are focusing in branch Banking and currently offering this product from ~~50~~, (Correct - 350) locations. We are in the process of scaling up our gold loan business and we'll keep you updating as we progress.

On Bancassurance, our partnership with HDFC Life, ICICI Prudential, Future Generali, Aditya Birla, Care and Chola, has helped us to drive customer affinity and engage customers for life, general and health insurance. Through these partnerships, we sold and renewed over 5.9 lakhs insurance policies in FY23 for a premium upwards of Rs.640 crores.

Last year, we applied greater focus on wealth management and have completely digitalized our wealth journey, making it paperless and signatureless, resulting in a seamless and superior customer experience. As a result the number of customers having SIP has doubled from 23,000 to 56,900 in March '23. Consequently, our mutual fund AUM has increased by 62% from Rs.103 crores in March '22 to Rs.167 crores in March '23.

We have also started distributing PMS offerings to serve our HNI customers through our partnership with Motilal Oswal Financial Services. We have acquired over 31,000 3 in 1 trading accounts taking the total number of such accounts to more than 90,000.

Now, let me turn to our asset business:

Starting with wheels, for Q4 FY23 the vehicle industry sold a total of 48 lakhs units, registering a year-on-year growth of 7%.

Coming to the full year, commercial vehicle segment saw a year-on-year growth of 27% while tractor, personal vehicles and two wheeler segments also exhibited good growth registering growth of 19%, 12% and 5% respectively.

Keeping up these industry trends, we disbursed Rs.3,716 crores, a 1.34% increase from Q4FY22 with an IRR of 14.44% marking a year-on-year increase of 101 bps.

In addition, we achieve the highest quarterly disbursal for used vehicles financing at Rs.1,750 crores in Q4. Our average ticket size and disbursements was around 5.03 lakhs and around 3 lakhs at portfolio level excluding 2 wheelers.

As of 31st March '23 the total portfolio have reached to Rs.22,833 crores through 8.43 lakh live loans, comprising 52% new vehicles, 36% used and refinance vehicles, 10% tractors and 2% two wheelers. The portfolio's commercial segment contributed to 46% while the personal segment contributed 44% and tractors contributed 10%. Our Wheels business asset quality further improved with gross NPA at 2.25%.

Moving on to our secured business loans:

In Q4FY23 we saw our highest ever quarterly disbursals of Rs.2,300 crores in SBL segment. Yearly disbursals stood at Rs.6,717 crores with year-on-year growth of 39%, with an average ticket size of 11.6 lakhs and across 60,000 loans. The total SBL portfolio stood at 19,509 crores, an annual increase of 18% with portfolio IRR of 15% and GNPA at 2.5% across 2.5 lakh live customers.

With the increasing number of MSMEs and rapid formalization in the sector, we believe the size of the pie will keep expanding. As AU has been serving the segment for last 15 years, we have built a sustainable business model to serve the majority of our customers in rural and semi-urban areas. We are well equipped to penetrate existing markets and venture into new ones.

Moving on to our home loan businesses:

As a relatively younger book, the portfolio of housing book grew by 63% year-on-year to Rs.4,283 crores across 42,400 loans, with an average ticket size of 11.81 lakhs and an IRR of 11.8%. In Q4FY23, we disbursed Rs.722 crores taking the total annual disbursement to Rs.2,200 crores. Currently, home loans are available at ~240 branches of the Bank and we have scope to expand coverage to all our touch points in due course to encourage retail cross sell. Our GNPA was stable at 0.33%. And it is noteworthy that much of our Affordable Housing book is also eligible for long term refinance from NHB.

Moving on to Commercial Banking:

Commercial Banking disbursed Rs.2,848 crores in Q4FY23, of which Business Banking and Agri Banking accounted for 63% of business. The total Commercial Banking portfolio grew by 56% from FY22 reaching to Rs.13,006 crores and now accounts for 22% of Bank gross advances, Gross NPA of Commercial Banking has reduced from 0.84% as of 31st March 2022 to 0.38% as of 31st March 2023, which further validates our underwriting approach and customer selection.

The Business Banking portfolio reached Rs.4,938 crores as of March 2023, showing a year-on-year growth of 70% with disbursements of Rs.1,005 crores during the quarter.

The Agri Banking business reached Rs.3,964 crores portfolio mark, showing a year-on-year growth of 75% with disbursements of Rs.800 crores during the quarter. This growth was a result of several factors including expanding our footprints in new geographies, like Uttar Pradesh, East India and Southern markets. Newer product initiatives and increased synergies with branch Banking.

Furthermore, our NBFC funding book has reached Rs.2,551 crores mark showing a year-on-year growth of 25% with disbursement of 601 crores during the quarter. Our REG book has reached Rs.1,224 crores portfolio mark showing a year-on-year growth of 57%, with disbursement of Rs.442 crores during the quarter.

To sum up:

Looking ahead, the strong credit demand will keep the pressure on deposit rates, and we will need to manage our cost of funds, thus growing our current account business will remain a key focus. Our focus in liabilities business remains on acquiring low cost, granular individuals, small business and transacting customers and building a predictable, scalable and sustainable deposit franchise.

On our asset businesses:

Focus will be on bringing efficiency, productivity and automation & digitization and leveraging existing customer base through cross selling. We are grateful for the authorized dealer Category-I license granted by the regulator, which completes our suite of Banking products for CASA and Commercial Banking customers. We will now be able to offer Forex services for our existing customers as well as acquire new customers for cross border, trade, remittances and guarantees.

Looking back at 28 years of our journey, I am reminded of a tree which starts with a simple seed, grows into a sapling and needs adequate nurturing and care before growing into a fully grown tree. In the past six years of our Banking journey, we have tried to lay a strong foundation to build a forever Bank. And our efforts towards offering customer focus services and products have become visible. We have successfully transformed into a primary Bank for a sizable part of our customer base, which is testified with growing active users on AU0101 and increase in customer transactions. We look forward to continuing this journey and serving our customers with even greater dedication and commitment in the years to come and I look forward to sharing more with you in the coming quarters.

Thank you. I am now handing over to moderator for taking the call forward. Please take good care.

Moderator: We will now begin the question-and-answer session. We have a first question from the line of Bhavesh Kanani from ASK Investment Managers. Please go ahead.

Bhavesh Kanani: I have two questions. One, when we look at the ROA profile for this year, and when we think about the key trends likely next year, one would expect that NIM would be under a little bit of pressure, provisions which have been pretty low this year can be addressed for going up, and all the while we will continue to spend heavily on strengthening our franchisee. So, is it right to expect that the ROA for next year could be lower than where we've ended this year, your thoughts on this? And if you can help us understand the lower effective tax rate for this quarter?

Prince Tiwari: This is Prince here. So, maybe I'll start and then probably Sanjay ji can add. So, as you rightly said, for the last two years if you see, overall, our margins have actually expanded quite well. And we have got the benefit of the tailwind on the cost of funds given the lower liquidity post-pandemic. And even as of today, as we have mentioned in the presentation, we have managed to maintain our overall cost of funds for the last financial year in FY23 at the same level of FY22. Of course, there will be some amount of catching up, that's going to happen with a lag, that's happening in the entire industry and that will happen with us as well. So, you're absolutely right, that there will be some amount of pickup in the cost of funds in the next financial year. And you also mentioned rightly that we have also been using this tailwind to invest in our future capabilities and businesses. Like if you look at the entire tech investments that we have done, coming out of lower cost of funds or higher margins and lower credit cost, we have used that money to upfront invest in our capability. And we are now nearing somewhere near the end of that investment phase. Of course, we'll probably have next 12 to 18 months still to go. But the returns have also started crystallizing. So, by the end of this financial year, you will see us monetizing some of the key initiatives around video Banking, around our entire merchant lending, UPI QR code, or unsecured lending, personal loans, cross selling that we have been piloting, or even towards some amount of distribution capability around the insurance side as we have added some new partners. And then obviously, we have AD1 coming up. Of course, it'll take some time for us to implement it. But at least by the end of the year, we are hoping that we'll be live up and running. And there'll be some amount of benefits will start accruing. And then obviously, we have the credit card coming up sometime in FY25, when we're looking for the credit card business to break even. So, all in all, there are some of the investments that we had made during the last few years, which will start yielding positive results beginning end of FY24. So, honestly, while we may have some costs inch up, but we are not too worried around ROA trajectory, the ROA trajectory will definitely be maintained and probably you might see some positive impact by the end of FY25 for all the things that I mentioned. And even on the cost of funds, if you look at, currently we are in a pause mode. We obviously saw very heavy or very strong march in terms of competitive intensity. But of course, we are beginning FY24 with slightly pause, regulators have put a pause on it, the 10-year yields if you look at they are at about 7.10. So, while there will be an intense pressure, as Uttam ji also said in his speech, we are looking to add current accounts, we are also trying to see how we can play with the mix, we securitized some of the portfolios last year to get advantage. So, keeping all of those factors in mind, will the margin be impacted? The answer is yes. Would it be really, really large? I would not really think so, I think it will be somewhere in the range of historically where we were between pre-COVID to now. And however the ROA trajectory definitely is not going to be compromised.

Sanjay Agarwal: Bhavesh, my simple answer is this that NIM will get pressurized maybe around 30 bps- 40 bps in this year, because already we are starting our cost of money around 6.4 instead of 5.96, the cost of money for last whole year right. So, there will be a pressure on NIMs that is clearly there because it is not easy to also transfer the entire pressure on the borrowers because there is a lot much competition also there. But Banks are generally not meant to only build their profits from NIMs, we have the other pools. And like last year there was no pool income from PSLC or from any kind of investment, right? But we should hope that there will be other pools like maybe insurance income can inch up this year, we'll have AD1, we'll start monetizing our QR business, next year it will be credit card. So, overall as Prince narrated that we would be able to save our ROA. I think the data is around 2%. If we earn 2% ROA in these few years of our journey, it will be good enough for us, but maybe around 1.8% to 2% range, we are hoping that we will click that kind of ROA next year too.

Bhavesh Kanani: Just a small clarification on the effective tax rate being at 20%

Vimal Jain: So, for effective tax rate. We have received one refund and assessment order in our favor in this quarter. So, that income has been considered here as a reversal of income tax. So, that's why this reduced tax rate.

Moderator: We have a next question from the line of Renish Bhuva from ICICI Securities. Please go ahead.

Renish Bhuva: Just two questions from my side. So, one is on the vehicle book, I mean, so, after a long, six, seven quarters, we have seen the absolute decline in the book despite there is an industry tailwind. So, just trying to get a sense what is happening there?

Prince Tiwari: Before Bhaskar ji answers, let me just clarify. The vehicle book hasn't really declined, in fact, it has gone up. But yes, we have also securitized some business this year, or this quarter. And because of that you are seeing in the absolute terms only on gross advances. If you look at the overall Wheels book, then the growth has been upwards of about 32%.

Sanjay Agarwal: You need to add these securitized book in the overall to figure out the growth.

Bhaskar V Karkera: Nothing changes on Wheels. It's just a matter of the securitized book. Otherwise, all products in the market that we have, the things that we do, we continue to do, and we continue to do the same strategy of balancing the product and the way the Bank needs it.

Renish Bhuva: So, let me put it this way. So, we have not lost our market share in Q4 in Wheels business?

Bhaskar V. Karkera: No, we've not lost market share.

Sanjay Agarwal: Rather, we would have gained, right, Bhaskar ji.

Bhaskar V Karkera: Because used we do more. So, market share, when they talk about, they talk about the new vehicles over and then we play the game of that. So, that's the reference point, but in and around the same market share.

Renish Bhuva: Secondly, again, continuation of what Bhavesh was trying to highlight is that in FY22, given the likely NIM trajectory, and also this year, the credit cost was lower, which should ideally normalize in FY24. So, when we'll have two major components which should drive ROA lower, one would be in contraction and the credit cost normalizing. So, how confident we are that we'll be able to sort of sustain this 1.8% ROA in FY24 as well?

Sanjay Agarwal: My take on the credit ~~card~~ cost is a little different. I strongly believe that this year also we will have the benefit, because of the top asset quality around us. You're seeing how we are getting it now is, I think pre-COVID also is better than that, right, so 1.66% net NPAs 0.4%. And I think every day when we are going on the ground, we are seeing a lot much optimism around credit growth, credit compliance, repayment. So, I don't think that credit costs can surprise us in this year, or even get to the normal level. And, again, I want to say you that somehow, I'm able to figure out in last six years that sometimes some pool has helped you, some time the other factor helps you or sometimes there's negativity or some other things. So, this year, it may be because of NIM getting pressured, but it can be helped out because of a good asset quality, the other income from other pools like AD1, or maybe monetization of our QR, business, and all those things. So, it's mixed bag, and we need to carefully craft our journey. This year also to be very honest FY22-23, people were challenging us that we won't able to give this kind of ROA, but in the end, we are able to deliver that, right. So, let's hope for best and see how the market also plays out in next maybe two quarters because there is a pause on interest rate as of now, right. And we are seeing it like bonds are coming down at 7.10 today. So, I think we need to believe more in hope and see we will play our inning well, that's our sense.

Moderator: We have a next question from the line of Shubhranshu Mishra from PhillipCapital. Please go ahead.

Shubhranshu Mishra: Two questions. The first one is on the Wheels. If we can split the book into various asset classes of what comprises of how much proportion, what would be LCV, HCV, cars, tractors so on and so forth? The second question is on the initial comments Sanjay ji made about breakeven of the credit card business in FY25. This seems very aggressive compared to any other Bank in India, there is no Bank, which can claim a break even in credit card business in flat three years, generally takes around five to seven years, the largest of the Banks in India have done it in as much time. So, given the fact that you've pointed out the average credit limit, and the new to Bank customers and new to credit card customers, I think we are going very aggressive on those parameters to really have the breakeven faster and play to the gallery. Is that a fair comment to make on the credit card, if you can explain this?

Sanjay Agarwal: Should I answer you the latter one first. I hope you would have gone through our credit card presentation done to really explain our strategy around it. So, as you know we are more of a selfemployed kind of lenders, and we know how to lend in core markets over the years. So, we are not playing to the galleries to be very honest, because credit card as a business is very lucrative, post our all digitization across country, and now it's a first product to be very honest for the payments, and the oldest one. That data which we are getting every month, and we have seen… as you would have read on our presentation also, that our average spend is around now Rs.20,000 per card per month, ~~84%~~ (correct - 93%) is active, we are giving around ~~50%~~ (correct - 36%) cards to our existing customer base. And we haven't done so much of investment to be very honest if recovery happens in five to seven years. And I'm saying with a lot of responsibility that our credit card will become profitable in Q3 of FY25 based on our whole growth plan and the business plan in place. And Mayank and team is doing fantastic job. And adherence to the data is superb there, right? So, you can be touch with our IR team, they can be in touch with the Mayank and team and figure out our strategy there. But I'm absolutely confident that we are very rational there, we are very confident there, we are doing everything in the way we want to build our franchise, which is a sustainable, and which is to be forever. So, we don't have any room to make mistakes, to be very honest, right. So, I think there you will find us in maybe second or maybe third quarters in FY25 making us breakeven, right? So, this is the credit card commentary. Bhaskar ji, can you comment on the Wheels data?

Bhaskar V Karkera: From a split point of view, that personal car is about 40%. We do a car taxi which is about 12%. Our truck, which is the heavy commercial, which you asked about is less than five, our LCV is around 4%, we do close to a tractor of 10%, we have 4% of construction equipment. So, this is how we get spread and we have over 2% of two wheelers. So, that's the story from the 2 to 22wheeler that we generally have as a split on the book today.

Sanjay Agarwal: One more data point, here. Just to comment on your playing for the galleries, so this book is being handled and build by our ex-CRO, whose name is Mayank, right. And he does not belong to a business or does not belong to a particular kind of mindset, right, he belongs to a risk mindset. And he's building this business from last two and a half years. And he's strong in his credit compliance, strong in his overall approach to do this business. So, I hope he will make a surprise next year.

Shubhranshu Mishra: What is the total tech investment that we have done in credit cards, which is why it's breaking even so far?

Prince Tiwari: So, we have given that details on our P&L slide, right. So, that comes to about for this particular year to about Rs.156 crores for the last quarter, that's a total investment, but of which 70% has been on credit cards, so that will be about Rs.100 crores. There's also a corresponding income that we have shown in our other income breakup, which has also been about Rs.100 crores. So, for the full year, I think we would have invested about 250-odd crores on credit cards and we have a fee income of about Rs.100 crores against that. And of course, there's NII. Just to get into further details of this, may be a good idea for us to get you a meeting with Mayank to answer further questions specifically on credit cards. FYI, we have also given on slide number 31, specifically, the overall ROA impact of all our digital initiatives, including credit card.

Moderator: We have a next question from the line of Ratik Gupta from Guardian Asset Management. Please go ahead.

Ratik Gupta: My question is on the breakup of the fixed and floating rate book. So, currently, as we have 66% in the floating rate, and assuming that the repo rate will remain the same, so do we hope that the fixed rate breakup will go high or do we have a projection on what will be the sort of breakup between the fixed and the floating rate book?

Prince Tiwari: What we have given and what we generally talk about is the mix on the overall asset level. So, you'd see we have like four broad businesses on the asset side. Of course, you have Wheels and SBL, which are predominantly fixed rate books, and then you have home loans and commercial vehicles, which are predominantly variable rate books, right. So, the overall composition of these books have already been given. And we broadly think that we'll probably try to maintain somewhere around this mix, where retail assets, which is home loans, plus SBL, plus Wheels would be anywhere around 60% to 65% and probably Commercial Banking can be anywhere between 20% to 25%.

Sanjay Agarwal: I think what I'm able to understand your question is that how we will reduce our fixed rate book, right? So, I would say when once we started a Bank, right, 100% was fixed rate. Now, in six years we have reached ~~64%~~ (correct - 66 %) as fixed rate and ~~36%~~ (correct - 34%) as our variable rate. And as our retail book largely from home loan and Commercial Banking is going up, I expect my fixed rate book to touch down nearly 50% in the next three years. So, there is no room that my fixed rate book will go up from here, because I'm able to build my Business Banking book, Agri Banking, NBFC, real estate, housing book, and all are actually growing faster than my fixed book, which is largely SBL and wheel. So, from here onwards, you will see a drop in our fixed rate ratio in asset very gradually, and in next three years, we'll touch down 50%, that's our overall assessment.

Ratik Gupta: Second question is on the borrowing and the deposit ratio. So, if you see the borrowing have reduced. So, are we looking forward to be reduced borrowings and focus on deposits for increasing our capital , the liability side?

Prince Tiwari: So, I think around the CD ratio, if you see obviously last quarter was very good on deposit growth. And to that extent, the CD ratio is currently at about 84. And which is basically, what is reflecting on the overall borrowing percentage lower. But historically, also, if you see our borrowings have always remained anywhere around 7% to 8%. And bulk of it is refinance. That gives us the –

Sanjay Agarwal: Long term without your CRR and SLR.

Prince Tiwari: It's part of our strategy of diversifying liability business, and the cost of funds, because refinance gives me that leverage in terms of a lower cost against our priority sector assets. At the same time, we don't have to maintain CRR and SLR on that book. So, you would see our borrowing somewhere around the ratios that we are, broadly.

Moderator: We have a next question from the line of Kunal Shah from Citigroup. Please go ahead.

Kunal Shah: So, the question is on the fee income side. So, lot many levers now available be it in terms of the increasing contribution of credit card plus distribution and AD1 license would also help. So, where do we see fee income to assets settle, what would be maybe our aspirational ratio for fee income to assets and when do we expect to achieve that over… how many years?

Prince Tiwari: If you see our entire other income or fee income ratio to assets, for the current year, it has been anywhere around 1.3%. And at a core other income, it has been about 1.4%. So, obviously, this was a year when we didn't have any one-off in terms of income, there was no treasury gains, there was no PSLC fee income, right. So, this is a pure and pure core operating fee income at about 1.4% of assets. Now, if you move forward from here, and for some of the levers that you talked about, definitely it should go up. Now, the question is, at what level and to what extent? We'll have to see honestly. As things materialize, but in a longer term, I don't think it should be any different from where most of the commercial Banks are today as we go.

Sanjay Agarwal: Just to add on to Prince narrative that I strongly believe that there is a change in insurance payout also from the recent circular from IRDA, right, so that will add up to the other income space. And we are also growing our insurance very well; last year, we done around Rs.600 crores premium, this year, we might be doing Rs.800 crores. We have started building a very wealthy proposition also. It's a small start, but we got some kind of income from there also. Our trade income which is without AD1 license also we got some decent amount and is getting traction. AD1 will start kicking from Q3, Q4. It's difficult to ascertain as of now. In my opinion, it will take two to three years to really get to the real level of that income. But I think overall I would say that we as a Bank being an SFB we didn't have much options also in our initial years. But we are now settling down as a Bank and we are getting traction from everywhere, right? So, the fee income from our asset liability is stabilized. Insurance income will get more onto the balance sheet now. We're expecting wealth to settle down this year. We are expecting AD1 to settle down. Of course, our credit card income, all those things, the monetization of QR code business is around the corner now, something will start from this Q3, Q4, and definitely from next year, it will be coming up at a decent level on our balance sheet, and in next 18, 24 months, it will get a decent shape also. So, I think I think we need to be a little patient with us now. I think time has come where we'll start commenting very specifically, that how much percentage it wil, be on our balance sheet side. So, that's the overall sense we are getting internally.

Kunal Shah: Secondly, with respect to yield, maybe you highlighted in terms of 30, 40 bps pressure on NIMs, and if I have to look at it in terms of the cost of funds, given that now it's stabilizing, there will be some catch up. But given the pause in the rates, looking at the maturity of advances, how much could be the improvement on the yield side, which we could see, which was, I think, maybe we have not witnessed it over the last three quarters. So, just spending as it is and looking at the maturity, what could be the -?

Sanjay Agarwal: I think if you go and see our asset built up, the mix has changed a lot, like Commercial Banking book and housing book is now coming up the size. And there the yield is not high, actually, you need to play on NIM and of course, you need to play on ROA, right. Because there's a lower OPEX, there is a lower credit cost. So, I strongly believe that there is an incremental hike in our wheel business, we are able to pass on some kind of hike there, we are able to pass on some hike on our SBL business, there is some hike in even housing, even personal loan space. But because we are also building a book like Commercial Banking, in overall yield on book, it doesn't reflect, right. So, that is why there might be pressure on NIM because you will see that our cost of money going up and yields are not there on the overall asset. But you will see the lower OPEX and lower credit costs in times to come. So, there is a change in our business model also. And that's why I narrated in my speech that generally a bank takes 10 years to build, right and we have just done our six years without noises, right. So, I think in another four years, all these things will settle down and you will see that we are able to comment specifi cally on our NIMs and all those things, which is so essential for you people to forcast our future, right.

Kunal Shah: So, with change in mix, no repricing benefit at all from current level of 13.4%-odd in yields?

Prince Tiwari: I don't want to commend to be very honest, but 5-10 basis doesn't help us, so it wouldn’t be like 30-40 bps.

Moderator: We have a next question from the line of Param Subramanian from Nomura. Please go ahead.

P Subramanian: So, I was looking at the slide 35, where we are showing the deposit mix split between individuals, corporates, etc., So, if you look at it quarter-on- quarter, there is an increase, five percentage points from government and corporate while the individual deposits has come down. So, just wanted to understand how sticky is this deposit flow that we're seeing more on the bulk side from government and corporates?

Rishi Dhariwal: Across the year, the deposits between the government and retail have actually moved more towards retail. Only in the last quarter because, we continue to focus on getting more and more granular retail, so the composition between the individuals and corporate sort of looks a bit slightly lower than the Q3, and we managed to win a couple of good government deals. These are transacting accounts that we have, we won mandates from the government departments as well as businesses, where we have transacting accounts from them, and that is what has helped us to sort of get that number over there. So, these are not bulk deposits, but these are project accounts, where the transactions are happening through us. We registered on PFMS for a state government project. We registered on the PFMS for a central government project. We have the nodal account with us. So, even the government account money which is there actually are transacting accounts and it is a long term sticky relationship that we have over there.

P Subramanian: Cost here is higher than what we see for the individual deposits?

Yogesh Jain: So, just to add this, government account on your question, cost is absolutely less actually than my individual or corporate because this is transacting account in saving, so, cost is lesser than my individual and this is what Rishi ji mentioned that this is a nodal account and in normal course of business, we get these accounts from central or state governments. That is why you can see that government proportion is a little bit high. And in terms of corporate also these are very small corporates, these are not big corporates, again, again kind of Rs.5-10 crores kind of category, which we get a small corporate. So, otherwise, we are on course.

Prince Tiwari: If I can just add to that Param, like what Rishi was also articulating, if you look at a year-on-year trajectory, then it is exactly same rather, right. In fact, it has come down on the government side and corporate is 14% itself. So, as Rishi was saying, throughout the year, we have focused a lot on current account, we have focused a lot on savings account, and that has helped us to even manage the cost without necessary looking for bulk deposits. But definitely in the last quarter, there was a competitive intensity, some amount of as Yogesh ji and Rishi ji mentioned, we did get some savings balance money in some of the transacting accounts that we won, and that's the impact.

P Subramanian: So, what I understand is mix will reverse back to something that we've seen in the last few quarters going ahead, right?

Prince Tiwari: Our endeavor will be to grow individual and retail money, which is what we have always talked about, and that's the ratio that we track, which is basically CASA plus retail, CASA plus retail for us is around 69%, that was same as last quarter at 69%, and in March '22, that was 67%.

P Subramanian: Sanjay sir if you could give some insight into how you're seeing loan growth going ahead, you closed this year at 26% - 27% on the gross advances side that you've reported, but going ahead, how you are seeing the demand environment and the growth outlook for AU say for the next couple of years?

Sanjay Agarwal: As I narrated in my call that there is a lot much optimism in every sector, be it wheel, be it SBL be it housing, be it Commercial Banking. I think it's not about how much really we can grow. The answer is we are looking at this how much we really want to grow. So, I think last year also we commented that we want to be in the range of 28% - 30% and that we achieved if you add on our asset securitization, we are near to that rate only. And so we really want to build more on rationality, we really want to build more on sustainability and being in industry for so many years, I strongly believe that sometime the bad books are built in good times. So, I want to be really cautious here because deposits is also not available at will, right? We have to put lot much effort there. And as you're talking about that, whether we choose or we have a right to choose, it's not there, right. If government money is coming at a savings account, whether it's 3,000 or 4,000 or 2,000 crores, I need to pick up right. We being in a small finance bank, are early in our journey. So, we don't have choices. But in the end, if you see our overall data profile, which says that our CASA is 38%, our retail is ~~70~~(Correct -69%), our cost of money is around ~~5.95~~ (Correct -5.96%). And then of course, we are building lot much around digital, we are building a lot much around the other aspect. Then, holistically, you see the Bank going very strong, and then, of course, our overall asset rationality around growth, and then, of course, the asset quality. So, that makes me more comfortable that, we have the business model, which is sustainable, which is scalable, and that's the way we really want to be in this business.

Moderator: We have the next question from the line of Nitin Agarwal from Motilal Oswal. Please go ahead.

Nitin Agarwal: So, on the deposit side, we have done very well and you indicated that as an SFB, we have to take any good deposit that's coming our way. But the excess liquidity on the balance sheet is looking quite high. So, if you can quantify that number? And now looking at the potential margin compression, and also the SBU profitability showing that additional investments are not adding anything to ROA. So, what would be your approach on this point, like would we look to reduce this excess liquidity or will you continue to raise deposits at this space?

Sanjay Agarwal: I would say that whatever way we have done in last six years, whether it's our deposit built up strategy, asset built up strategy, the quality around it, the cost around it, the people around it, the tech around it, like I'm very happy to see that our credit card business becoming profitable next year. We already started monetizing our QR code business, we have already started building our video Banking as an option to branch Banking, right. So, I don't have a choice but not to invest to be very honest. Because we are looking to build this Bank for the next maybe 100 years, right? And tech is essential, whole tech innovation is essential. You will be left out. So, we need to invest with NPCI. we need to invest with Amazon, we need to invest with Salesforce, we need to invest with Visa and FICO right? Those are coming from everywhere now. So, I don't think that for a one year or two year to make my balance sheet very smarter, or my ROAs and ROEs very attractive, I should not do investment, right. So, we will keep doing investment because that's the need of the hour and that's the way the Bank should be built on. Because we are also earning very healthy ROE and ROA; our ROEs are in north of 15% in spite of raising so much of capital last year, right? And you will see that ROEs coming back maybe in next two years, whatever you expect. But I think then then it will be more sustainable because it will be tech-led ROEs and ROAs. So, that's one thing. Second, to the other question, because the excess liquidity, it will be temporarily parked, because of money we only got in last week, or maybe last two weeks of March and we already have deployed it. And again, we are not in a position that we had a lot many choices to say no, right? We say no to many things. But if deposit is coming in current account or deposit is coming in savings at 4.5% - 5%, then we need to accept, because we are a Banker on a street, which is available for customers to do Banking. So, I think there also the access is not hitting us so much, because optically on March it looks very heavy, but it's around 128%. But as of now when I am speaking into you on 25th of this month, it already got resolved. So, that's the sense. It's a very dynamic platform, very operational platform, many things we need to accept as we do our business on a regular course, but very confident and very excited that our six year has gone without much of disturbance around us, other than the perception right? And whether deposit franchise, asset franchise, digital franchise, our governance, overall aspect of Banking, we're ticking every box out of it.

Prince Tiwari: And just to add, one point like as was said obviously LCR has already normalized and for the last quarter as well, we had reported the average LCR was 128%, right. And again, being a small finance bank, relatively newer Bank compared to some of the existing guys, we do have to keep some excess liquidity, I mean, the regulation requires us to keep 100%, there is some amount of board mandate as well given the kind of vintage that we have.

Vimal Jain: So, if you see the slide number 31, even that excess liquidity we are not losing money, so at least it's a slightly in positive side. So, we are keeping the excess liquidity for keeping our balance sheet strong and not losing any money.

Moderator: We have a next question from the line of Ashlesh Sonje from Kotak Securities. Please go ahead.

Ashlesh Sonje: First question is on the SBL book. If I include the securitized book, that segment has grown about 7% QoQ which is a healthy number. What run rate do you expect for this growth in the near future?

Sanjay Agarwal: SBL book should grow in the range of 20% - 22% year-on-year, right, plus/minus 1% - 2% here and there because we have got a scale now, it's north of Rs.20,000 crores. So, I think it will go around 20% - 22% range every year.

Ashlesh Sonje: Secondly, you mentioned that you're taken some hikes already on interest rates on the new regulations in both SBL and Wheels. Can you quantify roughly a weighted average number or something, the hike which you have taken on new origination?

Sanjay Agarwal: In the incremental capacity, you have data. Incrementally in one year term, how much incremental you have passed on to the borrowers?

Bhaskar V Karkera: Yes, if you look at the entire year, we have gone up by 80 bps over what it was last quarter of last year versus this quarter it's up by 1%. So, incrementally on a sequential YoY, but if we look at during the year we have passed on upwards of 80 basis in Wheels.

Sanjay Agarwal: SBL, we have largely remained in the same course.

Ashlesh Sonje: Any idea about what would be the sequential overall increase during fourth quarter in the Wheels segment?

Prince Tiwari: So, it's around 10-12 bps.

Moderator: We have a next question from the line of Pankaj Agarwal from Ambit Capital. Please go ahead.

Pankaj Agarwal: What's the reason behind more securitizing in this quarter?

Sanjay Agarwal: Again, about optimizing your cost I think we have raised securitization at 100 bps lower than the cost of overall incremental money in March.

Pankaj Agarwal: So, at what rate the securitizing is happening right now?

Prince Tiwari: As we said, during the Q4, we securitized 3,000 crores, as we have disclosed and the average rate there would be about 100 bps lower than where we would normally raise term deposits. So, obviously, it gives you a longer term funding, which is matched, so, helps us to optimize our mix on the liability side, and also helps us on the overall liability, how much growth that we can do and, focus on retail business rather than chasing deposits.

Pankaj Agarwal: The reason I'm asking is that any Bank who's buying this portfolio might be at least demanding 7% - 7.5%, right. So, you're saying that your incremental daily rates are more around 8% - 8.5%?

Prince Tiwari: So, this is more priority sector loans. Typically, you know that larger Banks are short on priority sector, and while there is a PSLC market, they always prefer buying the portfolio because it goes directly into their investment book and stays with them for next three years. So, to that extent, they are willing to pay a bit of a subsidized cost or a premium on that.

Moderator: We have a next question from the line of Nidhesh Jain from Investec. Please go ahead.

Nidhesh Jain: So, firstly, how should we think about cost-to-income ratio in FY24 and beyond, will it remain at the same level?

Prince Tiwari: Maybe I'll start in, Sanjay ji can add. So, on the cost-to-income side, as you have seen that Q1, obviously, we went up to 65%. But, we have done well to manage the cost overall for the full year at about 63%, where we had initially talked about 60% to 63%. And, as we have been saying earlier in the call that there are many more profit pools, which are just around the corner. So, we have been investing, and that's part of the reason why our cost-to-income has been higher. So, this year, obviously, the cost-to-income should broadly be in the range at where we are. But as we move into FY25, and as I said, some of the investments start tapering off, and some of the revenue pool starts kicking in, including AD1, and credit cards and other things, hopefully, you will start seeing a gradual decline in cost-to-income for us.

Sanjay Agarwal: My take on the subject is that we are focusing more and more on this. But as you know we are investing a lot in our tech and our distribution and to build this Bank in a very sustainable and the kind of forever mindset, right. So, the best case for your own Excel would be that it would be 60%. But it won't go above 64%. So, I think that's the range. But ideally, we should be around 60% to 63%. That's the way I'm thinking. But it's too long a call, a full one year, right, we are just in April. So, anything can happen, but for your own calculation, it can be done like this.

Nidhesh Jain: Secondly, do we plan to scale up consumer loans, personal loans, Affordable Housing or any other lending products over the next couple of years?

Sanjay Agarwal: Not really. I think we have done enough on our products side; we are running around 15 - 16 type of loans, starting from Wheels, then SBL and all those things. We want to focus on our unsecured book, but it has to come through credit card or we want to really see how our QR code business can build up that and also how our data analytics helps us to give a cross sell option to our existing customers. And all three are shaping up well. As I think Uttam told you that we have done 800 crores of disbursements in our cross sell PL book, we have done around 200 crores on our QR code business, we have done around ~~1,000~~correct - 1400) crores around credit card. So, all our shaping well, and I think we want to be really like that only for next couple of years and then we'll see how we want to progress there.

Moderator: We'll take a last question from the line of Sameer Bhise from JM Financial. Please go ahead.

Sameer Bhise: As we mature in our investments over the next 12, 18 months, and with the kind of credit quality that we've demonstrated over a large part of our history, what would you see as a steady state ROA as the business matures in the next three to five years, or will we be happy with the current range of 1.8% to 2% just from a construct perspective given that we have a large granular asset book, liability franchise which is improving on the right side, and probably the curve of high investments will be over. So, just wanted to get Sanjay ji thoughts on that.

Sanjay Agarwal: I think a good question, and thank you for understanding us, because we are doing lot many investment to really build future, right? And if you ask me about my three to five time horizon, and if the interest rates doesn't go off the rack, right, and it remains in one range, I strongly believe that this kind of interest rates are not sustainable, right, for any kind of a country, so, it will come down. Because, ROA depends on NIMs and other incomes and credit costs, and all those things. So, I strongly believe in the next three to five years, the way we are building ourselves, and as of now will be complete in terms of our product offering once AD1 start coming in. So, anything north of 2% ROA, will be sustainable, because we do retail, right, and we do high yield assets, our cost of money can be managed, and you know that our ability to collect and manage our asset quality is always there, and by bringing lot many tech led innovations, will manage our OPEX also. So, all will start kicking in from next year itself, right? So, for next two, three years, if things remain strong, we can surprise many people in terms of our performance. So, that's my sense. But anything above 2% is quite achievable given what we have done in the last six years.

Moderator: I now hand the conference over to the management for closing comments. Over to you.

Prince Tiwari: Thank you everyone for joining the call and for your questions and for all your support. Look forward to interacting more. In case you have any further questions, kindly reach out to the IR team? This is Prince signing off from AU management side. Thank you so much.

Moderator: On behalf of AU Small Finance Bank, that concludes this conference. Thank you for joining us and you may now disconnect your lines.