"Equitas Small Finance Bank Limited Q2 FY2023 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the earnings call of Equitas Small Finance Bank Limited's financial performance for Q2 FY2023. We have with us today Mr. P.N. Vasudevan - MD and CEO, Mr. Sridharan N – CFO, Mr. Murali Vaidyanathan – Senior President and Country Head, Branch Banking, Liabilities, Product, and Wealth, Mr. Rohit Phadke – Senior President and Head Assets, Mr. Natrajan M – President & Head Treasury, Mr. Dheeraj Mohan – Head Strategy, Mr. Rahul Rajagopalan – DVP Strategy and IR, and Ms. Srimathy Raghunathan - CFO - Equitas Holdings Limited.

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 telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. P.N. Vasudevan. Thank you and over to you Sir!

P. N. Vasudevan: Thank you. Good afternoon to all of you. Hope you all had a great Diwali. There are many macro environmental headwinds in the system. While the India growth story has remained resilient so far, we need to see how long our domestic consumption factor of our economy is going to help us grow against the global recessionary trends.

Banking industries credit growth is almost double of the deposit growth in the last few months. There is hardly any bank reporting a single-digit credit growth rate. This is putting pressure on liquidity and we already see interest rates in the deposit market hardened over the last couple of months.

The credit demand story is quite similar in the informal economy, which is where Equitas largely operates. Be it commercial vehicle finance, small business loans or affordable housing finance, we see demand remaining very strong in all these areas.

Against this backdrop, we have seen a 20% year-on-year growth in advances. The growth is even across all our product lines. On asset quality, we continue to see improvement, and our restructured loan behavior has stabilized. The credit cost has normalized to almost Rs.75 Crore quarterly run rate in the second quarter, and we hope to maintain this for the rest of the year. If all goes to plan, we should contain our credit cost to 1.5% for the full year as guided in the beginning of the year.

On the PCR front, the bank has a stringent provision policy in place, which we have shared with you in an earlier presentation. Apart from our credit cost guidance, we had also guided that our loan growth would be about 30% for the year. While we have built a strong foundation in the bank in terms of a well-diversified loan portfolio to deliver a sustainable

30% annual growth; however, for the current year, we had a slow start, and we believe a 25% loan growth for this year looks more realistic now.

The deposit growth has been in line with asset growth. The bank's liquidity position remains comfortable. However, the rise in incremental cost of funds is a concern possibly for the next 2, 3 quarters. Our retail deposit growth continues to strengthen, and as credit growth picks up, we will tap into bulk deposits and wholesale funding options as required. Murali and Natarajan will walk you through this in more detail. This year, we have been working tirelessly in upgrading our technology backbone for the asset businesses. As you know, we are very strong digitally on our liabilities business. In fact, already nearly about 9% of our savings balances come from accounts which are sourced digitally.

This year, our focus has been to try and improve our technology backbone for the asset business. Three loan origination systems are being worked upon, out of which one has gone live. This should help improve productivity and reduce disbursement turnaround times. Apart from this, we are also in the process of building a customer app for our borrowers to help improve their overall experience with the bank. Some of the other large technology interventions being planned are a state-of-the-art CRM platform for which we have signed up with Microsoft. Our future-ready super app structure to be built on native platform for mobile banking applications and various other smaller projects to help us scale up digitally.

On the amalgamation of the holding company with the bank, we are on track against the earlier estimate of completing this by the financial year-end, we may be able to complete it a couple of months earlier, and we will be happy to welcome shareholders of the holding company to the bank.

To conclude, we have created a bank with a very well-diversified retail loan product mix, strong granular liability franchise, putting the ability to put digital to work, and a high-quality management team. We believe that these are the foundation stones required for building a very strong, stable, sustainable and scalable differentiated banking franchise in the country and take us closer to our long-term vision of creating consistent returns for all our stakeholders. Thanking you once again, and now I am handing it over to Rohit.

Rohit Phadke: Thank you, Vasu sir, and good evening, friends. The last quarter, advances grew by 20% year-on-year and 5% quarter-on-quarter. Disbursements grew by 22% year-on-year and 19% quarter-on-quarter. We see strong demand for credit across segments. Collection efficiency in every business has shown a marked improvement. X bucket collection efficiency was 99.3% in small business loans, 97% in vehicle finance and 98.9% in micro finance. The 1 to 90 bucket has come down to 8.9% in September from 10.3% in June.

In small business loans, our focus is on increasing the volume of non-Tamil Nadu business. Our digital loan origination system has been piloted in 5 branches, and we intend to take this across the country in the coming months. Vehicle finance has shown strong growth riding on the back of increased CV sales. Used car was a new product that we launched a year and half back, and it is already clocking about 50 Crores in disbursement month-on-month. We intend to scale up the volumes in used cars.

The microfinance portfolio has shown strong recovery. The 1 to 90 DPD bucket has come down to 5.8% from 8.5% in June. The overdue has come down from 13.2% to 10.9% in microfinance. Advances have degrown in the microfinance book by 9% year-on-year, and we intend to grow the book this quarter. Affordable home loan disbursements have increased to about Rs. 100 Crores a month, and the scale up for this business is progressing as per plan.

Last quarter has seen good growth across various retail segments. CVs have grown by 19% year-on-year across all categories, passenger vehicles by 10% and even 2-wheelers have grown by 9% year-on-year. Data from CIBIL shows a strong demand for credit in small business loans. As per the ICRA report, affordable housing finance has grown by 22% year-on-year. In microfinance, the gross loan portfolio has grown by 24% year-on-year to Rs. 2.93 lakh Crores. Overall, all segments are displaying a strong demand for credit, and we feel that this will continue in the coming quarters, which will help in achieving a 25% growth and annualized credit cost of 1.5%. Thank you. I am handing over the mic to Murali.

Murali Vaidyanathan: Thanks, Rohit. Good evening friends. Just to continue where we left the last time, we were speaking about the segments, products, markets and most importantly, our relationship management on the digital side, and on the digital side, we were talking about acquisition and digitally enabled solutions what we were doing. So let me give you some brief insights into that.

So on growth side, I think we are seeing a fundamental shift of 3 segments. Mass segment, which we acquired through digital, is growing their balances and booking a small retail TD, so which means there is a duration of customer enhanced at a mass level itself. So digital is actually helping us to cross-sell TD of smaller tickets, which earlier never used to happen. So this is one fundamental shift, and it is good. Timing-wise, the rate-wise, it makes, I think, very attractive.

Second proposition, what we do through relationship management, we have virtual relationship managers as well as physical relationship managers at the branches. So virtual relationship management today has crossed 1 lakh customers and that portfolio is growing

healthy, and we are seeing many of the customers are migrated up towards the program as well as relationship management team, and this plus relationship management team put together is showing us a growth of 25% to 30% of the portfolio, and for the first time, Elite, our premium program, today close to 20,000 families, 40,000 customers and Rs. 10,000 Crores of book size. I think this is one of the very first, I think, in this space to have happened, and we are very proud of that. This shows up program proposition, relationship management and the customer life cycle management, which we are doing, and our continued focus on individual sourced savings account is one of the key things. Today, we have close to 87%, 88% of the savings account customers who are individuals. I think this is one secondary thing, which is actually priming up the product holding as well as product proposition towards better penetration at a family level, and extension of this is, we have actually sourced close to 1,200 corporates, which means corp sale segment, as a one, which we created some time back, is now getting in a full factor. All these 3 things actually help us to actually get the customer proposition and relationship management right. NR is another segment which is showing good growth. We should have grown 40% to 50%, but the good thing is post the new scheme, which is announced by RBI, we could leverage that and we could see the deposit mobilized through that actually helping us, and we have customers from 20 different countries, is one good unique point.

Now on the digital side, earlier we used to talk about a number of accounts sourced. Today, thanks to our V-KYC and end-to-end fulfillment team, which we have created, today we have on, a month-on-month sourcing, we could do at least 40% of the customer V-KYC of the same month, and the book is inching up towards 1000 Crores, which is a very healthy sign for two reasons: one is the demography of the customers what we get through B2C, our own product and B2B,B2C through our fintech partners, both are showing the equal trajectory of demography mass coming in; and then second important part is product proposition is getting sold, and last quarter, we did launch our 3-in-1 with HDFC Securities, which showed encouraging signs, and expansion into broking accounts has actually facilitated opening close to 50,000 accounts in this period, and importantly, all our new propositions acceptance is good. The expansion of this, we have our prepaid running very good through our fintech partners, Micro ATM, and as well as issuance business, which is showing an encouraging sign.

Last but not the least, our TPP penetration or insurance fee-based revenue and the mutual fund fee-based revenue, again, is showing a good trajectory. This shows our customers are not only saving simply, they expand the horizon towards investment and they also are keen in trading. So I think this trajectory of cross-sell is really helping us, and with regard to fundamental shift, I think as we move on, we will have people getting into more and more RTD and BTD in coming days, and more on this subject, we will take it later. Let me pass it on the Nat to give us some treasury views and market update.

Natarajan M: Good evening, friends. Globally, the central banks are facing deadlock with high inflation and low growth. In some cases, there are even threats of recession. Central banks have been hiking rates across the globe at each meeting to tame inflation, which is well above target level in rest of the countries. The upcoming FOMC, which is going to happen in a couple of days, the market is expecting another rate hike of 75 basis points to control inflation, taking the Fed fund rates to the new range of 3.75% to 4%, and market is also edgily looking for Fed guidance for further action.

China is also having low growth coupled with lockdown to contain the new concern about COVID cases. So all it points out is on the commodity side, it has a repercussion. Commodity prices are under pressure, mainly on account of recession fears and lower demand. Russia and Ukraine war has rattled the global supply chain. So realignment of supply chain will take a while to meet global demand. So the outlook for global economy, as Vasu mentioned, is somewhat bleak.

Near at home, domestic economy, India is likely to grow in the range of 6.7% to 6.9% in the current fiscal, well below RBI growth projection of 7.2%, and our inflation latest print at 7.41% in September. Again, well above RBI tolerance level of 6%. So while India has fared better in a relative sense, inflation continues to be sticky, which entails that RBI will be forced to hike rates.

Banking system deposits grew by 9.6% year-on-year and credit growth was up 17.9%. As Vasu mentioned, it is almost double. So system liquidity is just about adequate on the back of high credit demand across sectors. GST collections have been robust. FX reserves there is a depletion by close to $112 billion. RBI has been pulling down some of the reserves at $640 billion, mainly to control volatility in rupee. Rupee depreciation is an area of concern for India due to higher CAD and higher FI outflow, but that is how the global economy functions, and as long as we have sufficient reserves, which RBI assures us, it should be okay. In the upcoming meeting, we do expect RBI to hike rates by another 25 to 35 basis points to counter inflation and rupee depreciation.

Coming to Treasury performance for Equitas in Q2, it was another quarter of stable performance by Treasury. Yields inching up we continue to keep the low duration in our investment portfolio so as to reduce the impact of an adverse MTM. When yield spiked, we will utilize the opportunity to add to HTM portfolio because RBI has made some room available to fill for all banks, so we use that opportunity to fill HTM portfolio to some extent.

Also, IPO markets provided some opportunities to augment our income during the quarter. On wholesale funding, we do have sufficient loan assets to generate liquidity by way of both refinance from term lending institutions as well as IBPC.

Sridharan N: Thank you, Natarajan. Good afternoon to everyone. Our net interest income came at Rs. 610 Crores as compared to Rs. 484 Crores during the same quarter last year, registering a growth of 26% YoY. Other income came at Rs. 115 Crores as compared to Rs. 106 Crores in the same quarter last year, a growth of 8% YoY. Net income grew 23% YoY and came at Rs. 725 Crores for the quarter as compared to Rs. 590 Crores during the same quarter last year.

Coming to Opex, the total operating expenditure came at Rs. 483 Crores as compared to Rs. 391 Crores during the same quarter previous year. On a sequential basis, Opex increased by 9% adjusting for one-off in the previous quarter. This was largely driven by employee costs due to employee addition. The increases is related to business costs like increased commission and brokerage, higher branding and technical expense. Going forward, we expect our cost-to-income ratio should be in the range of 60% to 63% in the medium-term.

Pre-provisioning operating profit, PPOP, came at Rs. 242 Crores as compared to Rs. 199 Crores during the same quarter previous year, registering a growth of 22% YoY. PPOP as a percentage of assets expanded YoY to 3.33% from 3.14%. Profit after tax for the quarter came at Rs. 116 Crores as against Rs. 41 Crores during the same period last year.

Now moving on to asset quality, provisions and restructuring. The outstanding restructure pool stands at Rs. 986 Crores. Segment-wise breakup of restructuring has been provided in the presentation. The bank carries a total provision of Rs. 611 Crores, which includes NPA provision of Rs. 439 Crores, provision on restructured standard assets of Rs. 95 Crores, provision on standard assets of Rs. 68 Crores and additional provision on standard assets for Rs. 9 Crores.

The GNPA, including IBPC sold came at 3.82% in Q2FY23 as compared to 3.95% in Q1FY23 and 4.64% in Q2FY22. NNPA came at 1.93% in Q2FY23 as compared to 2.07% in Q1FY23 and 2.37% in Q2FY22. Slippages for the quarter was at Rs. 314 Crores, and slippages in Q2FY23 were relatively higher because we have stopped making intra-month slippages and upgradations, and on a like-to-like basis, the slippages for Q1FY23 would have been at Rs. 338 Crores.

Annualized credit cost is at 1.62%, excluding the onetime impact at 1.35%. The provision coverage ratio stands at 50.49%. As of September 30, 2022, the total CRAR is at 23.08%, where the Tier 1 at 22.55% and Tier 2 at 0.53%.

With this, I would like to hand over the mic to operator, and we will be happy to take questions from your end. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. We have the first question from the line of Shreepal Doshi from Equirus Securities. Please go ahead.

Shreepal Doshi: My first question is with respect to the employee cost. So if you look at even after adjusting for the reversals that we had done during the last quarter, which was, I suppose, close to 30 Crore, the growth on employee cost has been much higher on a sequential basis. I suppose we have hired 1000 employees during the quarter. So I wanted to understand that what functions have these employees been hired also, do we expect any moderation in the run rate on the employee cost?

Dheeraj Mohan: Shreepal, Dheeraj here. So I will take the second part first. So what we have envisaged for the year is to have the employee expense grow by about 18%. So we are currently at that run rate in the first half, and as you know, a large part of the employee expense gets incurred in the first half because one does wage revision, which happened in Q1 and Q2, and also a lot of people get added for meeting current year's targets. So we do not expect employee costs to grow at the same speed in which it has grown in this current year, but maintain the current annualized growth rate of about 18-odd percent.

Just to give a breakup of the 1,000 people, yes, so on the branch banking or the franchise, which comes under Murali, it is about 280-odd people, and the remaining is largely spread across assets, and we will have about 100-odd people in the support staff. So they are largely sales. So they are, again, front-end branch teams only, where we have recruited. So the breakup of 1,000, in a nutshell, is largely on the field side. It should start translating in disbursements. So if you see vehicle finance, for example, where we have added about 200, 300 people, you will start seeing disbursements pick up. Same with housing, which we have told, I think, in the first quarter, you have seen some of those movements happening, and again, 200-odd people in the liability side.

Shreepal Doshi: So basically on the business side is where we have added, not on the collection side, broadly.

Dheeraj Mohan: No. collections is broadly what we did last year. So that team will remain stable and only replacement will happen there. The addition of 1,000 is not largely towards collection, because collection pressure, as you see in the numbers, has started to come down and we are now broadly close to normal. So largely replacement is happening there.

Shreepal Doshi: The second question was on the restructured book. So while that book has been coming off, I just wanted to understand from the Rs. 1,700 Crores restructured gross book that we originally had, now that has come down to close to Rs. 990 Crores. So how much of that has been sort of written off? And what would be the repayment that would have got closed like of these cases?

Dheeraj Mohan: So total is is about Rs. 250 Crores is what we have done total write-off, and the remaining is run down. So Rs. 1,000 Crores plus Rs. 250 Crores and the balance would run down from the book.

Shreepal Doshi: All right. All right, and we already have Rs. 250 Crores of NPA from the 990 Crores of restructured book, which is outstanding?

Dheeraj Mohan: Yes correct.

Shreepal Doshi: Any like color if you could give how much more could slip to NPA from the standard restructured book that we have? And also, one last question was that with respect to slippages that we have had during the quarter, what would be from the restructured pool and what would be the nature of it, as in what book would it have come from?

Dheeraj Mohan: Roughly about Rs. 100 Crores of gross slippages is from the restructured book.

Shreepal Doshi: So from the 340 Crores, 100 Crores is from the restructured book.

Rohit Phadke: So see, if you look at the restructured book, last time also, we have said that, actually, we should not differentiate now between the restructured and normal book because most of the restructured book is behaving now like a normal book. So we do not see much flows now into NPA, and that is the reason why we are saying that an annualized credit cost of 1.5% is possible. Going forward, you will find the credit costs coming down quarter-after-quarter.

Shreepal Doshi: Alright Sir, got it. Thank you so much I will come in the queue for more questions. Thank you and good luck for the next quarter.

Moderator: Thank you. We have our next question from the line of Renish Bhuva from ICICI. Please go ahead.

Renish Bhuva: So just one question on the growth. So last quarter, you were guiding at 30%, and when we look at the disbursement growth of 19% sequentially plus when we look at the employee addition of 1000 people, of that around 800 is towards sales, and in your opening remarks also, you did mention about the credit demand remaining strong at the ground level. So what is leading to cutting down growth aspiration for this year?

Rohit Phadke: See, in each business, we have been planning some fundamental changes in the sense of how we operate. For instance, in the small business loan, we want to see our volumes outside Tamil Nadu grow, and we have been adding manpower and beefing our organizing structures there. So we feel that if there is some delay in our execution, we do not want to promise and not deliver that. So that is why we are saying that we will be comfortable with the 25% growth.

Similarly, in vehicle finance, too, we have gone across the country now. So there, we are seeing better growth. Similarly, we want to do that in small business loans and small business loans is 38% of the book, a larger portfolio. That is what we expect, and that is why we are being conservative in giving you a 25% estimate.

Renish Bhuva: So maybe in some pockets, we are calibrating the growth to realize the process or to make underwriting better, is that the correct way to look at it?

Rohit Phadke: I think the way to look at it is in some pockets, we want to increase growth and those pockets are outside Tamil Nadu, and we are building a structure to ensure that our non-Tamil Nadu volumes grow up. So I do not think we are calibrating volumes in any place because now I think the market is looking up, the credit demand is good and cash flows with customers have also improved. So this is a time, I think, to really gung rather than, our general cautiousness regarding credit appraisal is clear, so we are not doing away with that.

Renish Bhuva: So my next question is to Murali. On the deposit side, if we look at the share of retail TD, it has sort of fell from a peak of 80% to 68% now, and despite the system at large is still not that aggressive on the deposit side. So when that aggression comes from the larger peers, how are we going to maintain the retail TD base and grow the balance sheet?

Murali Vaidyanathan: See, in this growth what you are seeing as Rs. 1 Crores to Rs. 10 Crores, see, ideally, it should have been Rs. 2 Crores to Rs. 10 Crores, that would have reduced to Rs. 5 Crores, okay, up to 2 Crores is retail, and what we have done in terms of present tweaking is, if you see the earlier part of the savings account, up to Rs. 2 Crores, we used to pay 7% on savings account. Say, a person after crossing the Rs. 2 Crores will automatically move into TD. So there were a set of people who were holding up to Rs. 2 Crores in savings account and they continue to hold at this point of time. So this 23% assuming you move it towards Rs. 2 Crores to 10 Crores, it will look like more like 15%, 16%. So this is predominantly HNI segment, and as I said, where we have gone aggressive and opened investment account for 3 in 1, we are getting those traders account also coming. So you will have a blip on Rs. 2 Crores to 5 Crores savings account growing and RTD coming down to that proportion. But on a book level, as I said, 88%, 89% of my SA is individual, today, on RTD, same 80% to

85% is individuals as well as individual plus family and proprietorship plus individual. This is how the structure is built.

So this categorization is done just to make you understand the bucket level. So if you carve out this Rs. 1 Crore to Rs. 10 Crores as Rs. 2 Crores to Rs. 10 Crores as a bucket, you will actually have same 80% levels of retail people who are holding it.

Now coming to your second question of when everybody is even, how are you going to grow it, we have a substantial amount of customers now at this point of time, unlike 2 years back. So the only option is cross-sell and enhanced duration, and that work has started, and to complement that, we have relationship management structure at every possible end.

Renish Bhuva: Okay Sir, thank you.

Moderator: Thank you. We have a next question from the line of Savi Jain from 2Point2 Capital Advisors LLP. Please go ahead.

Savi Jain: Just on the cost side, you have given guidance of 18% on employee expenses. What is the guidance on the other expenses?

Dheeraj Mohan: So other expenses should be close to about 25%, and on an overall Opex, net of digital, we should be between the range of 20% to 23% for the year.

Savi Jain: So this cost to income guidance that I think one of your colleagues gave 60% to 63%, that is what do you mean by medium-term? Is that likely to be achieved in a year?

Dheeraj Mohan: Yes, we should see this in the year. So if you have a cost to income of close to 63%, it would then translate to an Opex of 22%, 23%. So we should see that for the year.

Savi Jain: For the full year?

Dheeraj Mohan: Correct.

Savi Jain: And this employee addition, there was Rs. 20 Crores QoQ increase in employee costs. Now I think the 1,000 employees would have received only maybe half of the quarter's salary, so I want to understand how this should increase further, right, next quarter?

Dheeraj Mohan: Yes. So the employee cost jump in the first 2 quarters would be largely because of incentives being paid out, and a large part is due to recruitment for the year, and so you will have that wage revision also which will happen. In the next 2 quarters, you will typically not see this run rate of employee costs growing.

Savi Jain: No. What I am saying is that just the 1,000 employees that you added in this quarter, they would have received only on an average half of the quarter's salary.

Murali Vaidyanathan: See, while they would have received half the salary, there are 2 things which we do. One is planning at the time of resignation. So there will be overlap of 40% of the employees who stay and handover also. So these are all portfolios need to be handed over, right? So, at this point of time, put together, they would have consumed 4 months or 5 months of salary. It is not exactly 6 months. As you visualize a branch, there is a RM who has decided to put on his papers, then we will recruit a person. This person has to handover in the next 45 days. So technically, 45 plus 45, which otherwise would have been only 45, 90 days happens. So this overlap is what has taken us partly through this drive, balance is like what Dheeraj said, where we had all our incentive, statutory bonuses and everything paid out.

Savi Jain: There is a decline in employees next quarter because there is an overlap this quarter, is that what you are saying?

Murali Vaidyanathan: Yes. Yes, and normally, what happens if you see attrition also peaks in this industry post the appraisal first quarter because many people start shifting and then there is an overlap that happens, and these are all front-end roles.

P. N. Vasudevan: This is Vasu here. See, basically, the employee cost in the first quarter will always shoot up because we give the increment in the first quarter for the full year. So always April salary will be higher than the March salary by approximately 10%, and that will remain kind of steady over the rest of the year. As far as this new employees who are recruited in the second quarter, so if you see, the number of employees has gone up almost about 1,000 in the second quarter. You are right that they will obviously come for a full quarter salary in the third quarter, and to that extent, we should see an increase in the salary cost of the third quarter compared to the second quarter. But how much will be that increase? Because it is 1,000 employees part salary increase on a base of about 18,000, 19,000 employees, so it is not a significant change that you should be seeing, and there will be further recruitments in the third and fourth quarter also as we build for growth and build for the next year, because third quarter we will still be building for growth for this year, and in the fourth quarter, we will be starting to add people for the next year. So there will be a certain number of employee growth again coming.

By and large, as Dheeraj explained, almost 95% of the new recruitments are all at the field level. There will be hardly 5% staff who are really recruited at the head office level in functions like risk, for IT and other functions. So it is almost largely on sales. This year, the recruitments are almost largely on the sales, be it liability sales or asset sales. Collections, as Dheeraj mentioned, is kind of steady now. So the number of people getting added on

collections is not going up much. So that is the picture. I think you should see more employees coming in, in the third and fourth quarter, and to that extent, the employee costs should go up. But how much it will go up and all that, it should not go up very sharply because we are talking of a base already of 19,000 employees drawing certain level of salaries, and an addition of maybe 500 to 1000 people, that will be the incremental change in cost that you should be seeing going forward.

Savi Jain: So I mean, what still basically happens is that while the growth might have just come down, the opex guidance has gone up. So will we be able to achieve this 2% ROA exit that we had earlier guided for?

P. N. Vasudevan: We have not been guiding on ROA at all. So I do not think we will start guiding on that just now either. But yes, as a model, we have always been saying that Equitas' model is something we should be geared for a 2% ROA, assuming that there are no heavy headwinds from the market, and we did reach that position. I mean, during the demonetization, if you remember, 2017-2018, we did go down significantly because of demonetization's impact on microfinance. But once that effect started wearing out, then by the third quarter of 2019-2020, we were already over the 2% ROA level. December 2019, if you see our ROA would be over 2%. But then again, the Corona came and it has had a headwind effect on the portfolio of the bank. But with things settling down now, yes, as a model, definitely, I think that is what we are geared for.

Savi Jain: Thank you.

Moderator: Thank you. We have our next question from the line of Jai Mundhra from Batlivala & Karani Securities India Private Limited. Please go ahead.

Jai Mundhra: Sir, if you can talk about the slippages change that has happened in the quarter on monthly netting off, because my understanding was that RBI has asked this change many quarters ago, and most of the banks would have already implemented. So what was done in this quarter, particularly on this slippages netting off?

P. N. Vasudevan: See, basically, till last quarter, whatever NPA comes up on a daily basis, they get recognized as an NPA at the end of each day in the system, and then during the month, if they get upgraded as standard, then at the end of the month, they were being netted off. The gross slippage and the upgrades were being netted off till last quarter because our system capability was not there. Now that has been built up, and so from the second quarter, what we are doing is when an account goes into NPA on a daily basis within the month also, the gross slippage gets added up, and if they get upgraded during the month, the upgrade also gets recognized. So if we had done it on the same basis as the first quarter, then against Rs.

296 Crores of gross slippage in the first quarter, the equivalent number would have been around Rs. 236 Crores for the second quarter, and in the second quarter, if you see the numbers we have put out now under the new method is Rs. 314 Crores. But again, the upgrade also you see, there is a sharp uptick in the upgrade to Rs. 136 Crores from about Rs. 51 Crores, basically because those are upgrades, which happened within that month itself. Answer to your question is on a like-to-like basis, the slippage would have been around Rs. 236 Crores.

Jai Mundhra: Is there any more changes, sir? Or you are now fully compliant on RBI daily NPA? Or this is across all products and for overall bank, right, so no more changes on this front?

P. N. Vasudevan: Yes. See, our daily NPA, there is no change at all. I mean, we went on a daily NPA recognition mode, I think, more than 3 or 4 years back which means that recognizing an NPA, upgrading an NPA and provisioning it basis IRAC norms, all that we went live on a daily basis for quite some time back. 3, 4 years back. This one is only the method of calculating gross slippage, which we have now upgraded through our system improvement on a daily basis. But as you know, this does not have any effect on provisions at all.

Jai Mundhra: Second question is, sir, on tying up between slippages and credit cost. So if I see slippages outside restructuring book, right? If I remove Rs. 100 Crores from this Rs. 300-odd Crores of gross slippages, let us say, Rs. 200 Crores as a normalized slippages outside restructuring book, and again, there, you are saying 75 Crores of provisioning. I mean, both these numbers, is that the right understanding? And how would you tie that up that, on a growing book, maybe Rs. 200 plus and then Rs. 75 Crores of credit cost?

Dheeraj M: Yes. So the Rs. 75 Crores of credit cost is removing the Rs. 15 Crores additionally we had to make in Q2 because of the RBI FAQ. So if the FAQ had not come out, we would not have to make that Rs. 15 Crores additional provision. So the 75 Crores includes the restructured provision or the slippages from the restructured and nonrestructured book.

Jai Mundhra: You think that after this one-off Rs. 15 Crores, this you have already achieved, let us say, the steady state or the normalized level of credit cost?

Dheeraj M: Correct. Yes.

Jai Mundhra: What was this FAQ there? I went through that, if you can exactly say that what was this that changed the provisioning requirement?

Sridharan N: The FAQ had 2 impacts. One is that the residual debt expose has been defined into borrower level, not at the loan level, and the second thing is that whatever the standard

provision which we have been providing on a run-down basis, it has been kept at the original level. That is the 2 FAQ issued in August 2022.

Jai Mundhra: Sure. Understood, and the next question is to Murali, sir. So if I look at the cost of deposits, right? Now there is a very small difference between the cost of SA and your cost of TD, very small difference between the two, and there is a dip or is a very flattish SA balances in this quarter. So how should one look at the cost of SA and cost of TD from going-ahead perspective? And do you think that this very miniscule difference between SA cost and TD cost, I mean, how would this play out?

Murali Vaidyanathan: See, SA is a layered product. Correct? Let us take the structure. Rs. 1 to 1 lakh, you get 3.5%. Rs. 1 lakh to 5 lakh, you get 5%, and then Rs. 5 lakh to 5 Crores, you get 7%. Let us assume these are the 3 buckets. On contrary to TD, what happens, is every first rupee what you get in is blocked at the same contract rate. So how do we used to manage cost of funds, we will say how you expand your entry-level bucket that is 0 to 1 lakh from point A to point B. So this year, the important thing that has happened is the trajectory has moved up between Rs. 0 to 1 lakh bucket, Rs. 1 lakh to 5 lakh bucket, and then to Rs. 5 lakh to 2 Crore bucket is the third. In that sequence only has grown. Now the differential between Rs. 5 lakhs to 2 Crore bucket and TD is minimal. Whereas in both the other buckets, it is maximum. So that is why we said in the initial remarks itself, there will be a tendency for people to keep at a Rs. 0 to 1 lakh bucket, keeping only 2 months or 1.5 months' salary and moving into RTD. So it is the next bucket. So we are rather than seeing it as RTD at this point of time, are you locking a customer for a duration and benefiting more important opportunity than anything else.

So as we go forward, anything between Rs. 1 to 5 lakh bucket is far more conducive because the temptation for the consumer as well as the bank to move into TD is high, and this will continue to play out this way, at least for the next 2, 3 quarters since the interest rates are going up. At one point of time, see, for example, senior citizen is at 8% today. So there is no reason for that person to keep money at 5% even if he has 5 lakhs. So I think these are the flexibilities in the arbitrage market offers to the consumer. Until the point of time you are growing consumer and getting consumer and enhancing the relationship value, it is all the same. It will have a cost of fund impact maybe for the short term. But over a period of time, it evens out.

Jai Mundhra: Great, and any comment on the flattish SA balances this quarter?

Murali Vaidyanathan: No, actually, people have moved into our RTD, one. Second thing, we have actually let gone Rs. 500 Crores worth of savings account which were not LCR-friendly for us. So there is a specific regulation, which we have internally based on our own appetite and it is a very

complicated equation. Individuals are different some institutions are different from financial institutions. So we let go few of the savings account consciously. So Rs. 500 Crores of SA, which were not NCR friendly, we allowed it to let go, and this in the last meeting itself, we have discussed this. Finally, the money has to be deployed, right? It is not only for top line. So there are a set of customers there. If you keep the money with you, 100% needs to be kept as a reserve ratio. So we exited those sort of relationships and few of them have come back as BTD also, non-callable. So it made LCR friendly deposits for us.

Jai Mundhra: Thank you.

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

Ashlesh Sonje: Sir, first question is on the restructured book. So if I look specifically at the vehicle finance book, about 6% of that book is still restructured because there is an improvement because 8% of that book was restructured as of last quarter. So how are you looking at the delinquency performance of this book now? And along with that, if you can give the 31 to 90 DPD book in your key segments, MFI, vehicle finance?

Rohit Phadke: See, the breakup of the restructure is given in the presentation as well, right?

Ashlesh Sonje: Sorry, I meant non-restructured, non-NPA of 31 to 90. If you can give that as well.

Rohit Phadke: I can give you the overall book.

Ashlesh Sonje: Yes, I think we have that in the presentation at about 3.4...

Rohit Phadke: 3.5% is our non-restructured 31 to 90. So, if you want the overall OD book, 1 to 30 bucket, we have 4.25%. In 31 to 60, we have 2.97%. In 60 to 90, 1.7%. In 1 to 90 DPD, 8.9%, and in 90-plus, we have 3.92%. This is the overall OD book.

Ashlesh Sonje: Sir, the other question on the delinquency performance of your restructured vehicle finance book.

Rohit Phadke: So to give you a flavor. See, what is happening in the market is that, you realize freight rates have gone up, market availability is there, and the operator is also able to pass on the increasing cost through higher freight rates because of the load availability. So because of this, the cash flow of operators have inched. When we look at our loss on sale, we realized that in quarter 4, it was 43%. In quarter 1, it came down to 38%, and in the last quarter, it has further come down to 36%, and going forward, my expectation is that the loss on sale will come down to about 30%-32%. So if you take both the consideration that the cash

flows are improving, markets are improving as well as the resale prices of vehicles are improving and because of the loss on sales is improving, the delinquencies in the vehicle finance book will improve. So the restructured book will not have such a great impact as it has had in the past.

Ashlesh Sonje: Just lastly, if you can qualitatively talk about the liability side, on the deposit side, if you are seeing any pressures on deposits running off and any increased effort that needs to be put to acquire new deposits given the increased competition in the market?

Murali Vaidyanathan: I think there is no running off. Is there a shift from savings account to time deposit happening? Yes. Are we acquiring enough customers in the market? Yes. Are we able to penetrate them through all the other peripheral products? Yes.

So the only fundamental shift is the idle money is getting into time deposits. In fact, our front-end RMs are encouraged to do that because that is the right thing for us to do for the customer. We believe our core value is customer first. I think there is no point in allowing money also to idle beyond the point, while it may sound very odd, but that is a reality. So if you see any customer having above certain threshold, our RMs meet them and move them into the relevant buckets, give the duration, and this is how we build trust, right? So I do not see any money running away. Other than the set of customers, which I told in the last question also, where they were LCR unfriendly, we went to those consumers and converted a few into the bulk TD and few allowed them to go, because it was suiting our pattern of banking. Otherwise, at the retail level, we continue to get the support of senior citizens. We are continuing to get the 52% of our book is employed professionals. As I said, 1,200 corporates have already opened accounts. NRAs are supporting. Is there a shift happening between the pockets? Yes, from SA to TD, and we are very open towards that.

Moderator: Thank you Sir. We have our next question from the line of Nihar Shah from New Mark Capital. Please go ahead.

Nihar Shah: Just going to ask a question again on the cost-to-income ratio. We have, over time, sort of talked about operating leverage and maybe getting to 55%, somewhere in the mid 50% cost-to-income ratio on a steady-state basis. Now this 65%, 66% has been pretty sticky over the last 3, 4 years, some of it might be related to COVID slowdown and other factors. But this year as well, you probably look like you end up somewhere in the mid-60s just like last year. Is there any change to your thought process on how you think about a steady state cost to income for your model? And what is driving this level of stickiness in cost-to-income?

P. N. Vasudevan: Yes. So I think we have explained earlier also that Equitas model is basically a fixed cost model, and I do not think we have too much of our cost on a variable basis. So we do not

have, for example, an off-roll team, everybody is on roll, and we do not outsource our collections. Collections are all done by the bank staff, and we also do not source through DS. Practically, our DS sourcing, I mean, it will be extremely small. We source directly through our own teams. Of course, we generate leads from new commercial vehicle dealers that is for the new commercial, but most of our other businesses, sourcing are done directly.

So you see that we have explained this in the past also that our model is basically a fixed cost model lastly, and so the cost gets incurred whatever happens on the business side. So when there is a robust growth in business, you would see our cost to income coming down. But if at some point, the growth is not there because of whatever reason, then the cost to income is bound to see an uptick, and that is what we are seeing currently. The cost to income did go down. In my memory, the lowest that we went down to 56%. Again, it was pre-COVID quarter. It went down to 56% or 56.5%. Because that is the time when after the demonetization impact had worn-off and before Corona was visible in the market, we are back to our normal growth rate levels of 30% plus, and so our cost to income actually went down to nearly that 56-odd percent. But after that, what has happened is our growth has come down. The 2 years of Corona, 2020-2021 and 2021-2022, our growth rate was only about 15% per annum, and the cost does not go down, but the growth rate goes down to as low as, say, 15%, then the cost to income starts showing the effect. It is not just cost to income, but also other ratios like cost to advances, etc. All of that will show a similar trend. So while we would say that 55% to 57% cost to income is a reasonable expectation to have for Equitas, but that presupposes a consistent growth of about 30% on a year-on-year basis, and if at any time you see the rate of growth coming down less than that, then you are bound to see the cost to income going up, which is where we are today. So this year, we might end up with about, as we mentioned earlier, 25% plus growth rate, which means that our cost to income, we do not expect it to go down into the mid-50s or slightly over the mid-50s instead, we do expect it to be around the early 60s. That is where we expect it to be. So going forward, if next year, our growth rate comes back to our normal levels pre-COVID of 30% plus, then we should see the cost to income again inching below the 60% level. So that is our model, and that is how the whole thing is structured, and at any time, you would see a very strong correlation between our cost income and our growth.

Nihar Shah: Thank you so much.

Moderator: Thank you. We have our next question from the line of Sameer Bhise from JM Financial Institutional Securities. Please go ahead.

Sameer Bhise: Just wanted to understand more about this slower growth anticipation ahead given that you expect demand environment has been pretty robust. What is driving this cut in growth expectation? Is it some product category? Or is it pricing which you think is not

commensurate with your return expectations or competition? Just wanted to get a sense more on this, especially given that we continue to add cost items, especially on employees, so what is driving this growth reduction?

P. N. Vasudevan: Yes. So we did guide for 30% in the beginning of the year, and now we are giving a revised guidance of 25% for the year. This is basically because we have gone through half year, 6 months have gone by, and we have registered a 20% growth, and while 30% growth from here does look a little stretched, 25% looks a lot more reasonable. So we did not want to stick to the 30% of the earlier guidance, and we thought it is better that we toned down the expectation for the year. If there could be a possible surprise on the upside, so be it. But at least we wanted to kind of moderate the expectation for the rest of the year.

But again, if you see the other question that you asked is that the demand looked robust and all the fundamentals look strong, you are right. Actually, everything does look good. The demand does look good, and our own comfort on collection is quite comfortable on collections now. Our credit cost guidance is something that we are still sticking to, and that is something that we still expect to deliver as per our original guidance. So everything is in place. Everything looks good. But as Rohit mentioned sometime earlier to someone else on the same question, there has been some level of delay in execution of certain plans. Especially our focus on the non-TN areas, part of the 30% growth was supposed to be contributed by regions outside of South, and there has been some slowdown in the execution in terms of recruitment of certain state level teams and things like that. So there has been a delay in execution at some level in these areas, and that is where we see that the first half growth is only at 20%, and now, of course, we will try to catch up. We will try to ensure that we improve the execution and catch up lost time, but we do not think we should give a guidance, which we may not touch in the next 6 months. It is better we thought that we gave a guidance that we will definitely touch, maybe exceed, but definitely not fall short.

Sameer Bhise: Especially, is it related to, say, and slower pickup in the SBL book? Or you would say it is broadly across products?

P. N. Vasudevan: See, vehicle finance has been doing quite well. So that I do not think should see any issue from growth perspective. As far as the small business loans are concerned, the housing finance, which we have carved out now, earlier that used to be part of small business loans, and now we are showing housing finance separately that also registers a good growth. So that should hopefully continue to grow quite strongly. Page #16, gives you the disbursement percentage growth. There, you can see that the microfinance at 4% and small business loans at 15% are the ones which actually reduce the overall growth of the bank.

Microfinance, yes, we are very cautious. I think we will continue to remain cautious in microfinance. There is a change in RBI rules for microfinance that came into effect from 1st of October, and it requires certain system changes. Basically, the change in rules are that the loans that a bank can give to a microfinance borrower is now dependent on his total borrowing from the industry, and what is his EMI that he has got to pay back to all the lenders, and what will be the EMI as a percentage of their income. So there is certain new rules that RBI has levied on those areas, in microfinance lending, and it has to come into effect from 1st October, but we were actually able to implement that from 1st September, and so there is some level of impact because of that.

But even otherwise, we do want to remain cautious in microfinance. We do not want really jump too hard on that given that it is fundamentally still an unsecured form of lending. So microfinance, it is at 4%, is a drag on the growth, but small business and agri loans, which is like 15%, that is where Rohit was talking of, the improvement, the contribution to have come from non-TN areas, which has taken longer than what we were hoping for, and that is where that should pick up in the second half, and because of that picking up, that is where we believe that our 20% September level should go to 25% by March.

Sameer Bhise: That is all from my side. Thank you and all the best.

Moderator: Thank you. We have our next question from the line of Anand Dama from Emkay Global. Please go ahead.

Anand Dama: Sir, firstly, on the management tenure. So basically, sir, you had said that we would be looking for a new MD, and I believe we have also formed a committee as such. So any progress over there?

P. N. Vasudevan: That is work in progress. So as of now, we do not have any concrete things to share. So we will share as and when something happens. But it is a work in progress.

Anand Dama: But what is the thought process of the appointed committee in terms of looking for the person to replace you? So are you looking for a very long banking career and anything on that you could talk about?

P. N. Vasudevan: You know that I would not be able to talk about it. You know it and you are just putting me up. We cannot really say anything. It is obviously something that will be held in confidence at the committee level. There is no way that we will be able to share details of what exactly we are looking at or what we are doing. You know it. You know that I would not be able to answer that question, and so I will also have to say that I am sorry, I would not be able to

give any further details. But definitely take it that we are on the job and it is a work in progress.

Anand Dama: Sure, and just secondly, that you have cut down the credit growth target that is fair on your side. But how about the deposit growth? Do you see that there is going to be a challenge over there as well given that most banks are now looking to raise the deposit rates and try and challenge on the deposit front? So what is the outlook over there?

P. N. Vasudevan: See, deposit growth, we do not see that as a challenge. If at all we dropped down on our growth, overall growth, largely be from a credit pickup and not from a deposit pickup. We do not see a challenge in that, and yes, the more deposit that you want to mobilize could have an impact on cost. That is always a possibility because if you are hungrier for money, then there are times when you may have to pay a little bit more to generate that liquidity. So it might be a trade-off from a cost perspective. But as you have seen in our results, second quarter results also, as a bank, Equitas, we do not really have so much of stress in terms of our margins and yields. So that is not really a major challenge. So we do not think, I mean, we do not see any issue as far as deposit is concerned. If at all, we have pruned down our growth expectation by the 5%, it is largely from the credit side.

Anand Dama: Thanks a lot sir.

Moderator: Thank you. We have our next question from the line of Abhishek Murarka from HSBC. Please go ahead.

Abhishek Murarka: So a couple of questions. One, from a NIM perspective, what is the outlook? The deposit costs are going to rise up, and on the asset side, the repricing is going to be relatively slower because of a large amount of fixed rate book. So do we expect NIM to continue to moderate?

P. N. Vasudevan: See, our NIM currently is about 9%, and if you see the last 4 quarters, it is hovering around that 9% to 9.1%. But in the 4 quarters, if you look at the background, our yield has more or less remained the same. Our cost of funds has remained reasonably same. I mean marginally down a bit and up a bit, and the NIM has also remained steady, and that is from the picture that you are seeing in our presentation. Now if you want to go a little bit behind the picture into the banking operations itself, what, I mean, you may not know this, but what is happening in the bank is that the contribution to business from the existing products is more or less steady in terms of percentages compared to 2, 3, 4 quarters back.

So we have not really changed our product mix. In the last maybe 3, 4 quarters, there is really no significant change in the product mix. The product mix has remained more or less

steady. It means that everything remains kind of uniform or kind of same. Now the question is the next 3 quarters, 4 quarters or 6 quarters, what do we expect this to be, it will be actually based on any change that might happen in our product mix. So that is what might lead to certain changes in the NIM. So you see housing finance is growing, and housing finance is a product with a lower yield. In vehicle finance, the new vehicle finance is growing, and the new vehicle finance is a product, which is at a lower yield than used commercial vehicles, and similarly, microfinance, the growth rate is not as high, and microfinance does have a higher yield, but the growth rate is not as high. So you are seeing in the presentation that we have set out itself, you are seeing the indications of some small changes in the product mix contribution to the total portfolio. Now it has not played out any way in the last 3, 4 quarters on NIM, largely because the changes are too minor. But going forward in the next few quarters, yes, these changes might start reflecting a little bit more, which means there should be some level of change that you should see in the yield and corresponding NIM also.

Then the question will be that whether that will put pressure on the spread of the bank. But I think that is where we will be toggling it internally between drop in yield, as well as the reduction in the Opex because some of the yield drop comes from products which are having a higher ticket size. So once you are doing more business of ticket sales which are larger, the operating costs should, to the extent, to that marginal extent, should see some support from our operating cost, and then over a period of maybe 6 to 9 months to 12 months, there should be a marginal change that we should see on the credit cost also, because they are supposed to be of a better credit profile.

So while you might see some level of dip in the NIM over the next maybe 4 quarters or so, but as a bank, we are geared to kind of manage that by ensuring that the product mix changes will be very gradual and the product mix change that happened gradually should be reasonably supported on a real-time basis through Opex and credit cost benefit.

Abhishek Murarka: Again, related to NIM, why are we carrying a 200% LCR? Most large banks are at 120% or so, but I am sure, we can come down to 150%. So that will also help NIM. So anything in particular why we are maintaining such a high level of LCR?

P. N. Vasudevan: Yes. Actually, when you have a 200% LCR, it actually does not mean that you are sitting on a high level of excess liquidity, which is parked in government securities. Even I used to think like that. I am also learning nowadays from Nat. So it is really not that high LCR means lots of money sloshing around in the system, being parked with RBI, no. It actually depends on the quality of the type of deposit that you have. There is another role, which is SLR.

Now as a bank, you are supposed to maintain a minimum SLR of 18% at all points in time. We know that 18% is sacrosanct, and if you have to maintain 18% SLR, you always want to have a buffer. You do not want to be at 18% exactly. So you will want to keep it at maybe 18.5% or somewhere in that range. Now if you keep SLR at 18.5%, let us say, or maybe even 19% let us say, then what would be your LCR? If that LCR is more than 100%, you are actually quite comfortable. The question is and Murali, if you remember mentioned, that we gave up nearly about Rs. 500 Crores of savings in the quarter because they are not LCR-friendly, and obviously, it is difficult to explain in a call like this, what is LCR, what is LCR-unfriendly and all that, it is impossible to explain on a call like this.

But very, very briefly, I will tell you that there are some deposits which are very LCR-unfriendly, and if you have that kind of money, then your LCR is not showing a high percentage, but your SLR will be very high, so you may end up with 25% or 23% SLR, which will give you that 100% or 120% LCR, which is actually a strain or a drain on the bank. For any bank for that matter, any of you looking at the liquidity of any bank for that matter. So the question that all of you should ask banks is what is their SLR? If they say my SLR is 18% or 18.5% or even 19%, then you should go back home saying that they are very efficient bank, they are managing their liability well. But if the SLR, say, 22% or 23% or 24%, that actually the one which indicated that they have a high level of liquidity, which is all put in government security and a drag on the financials. The LCR is more like a gate criteria. If the LCR is more than 100% or 110%, you are comfortable. You do not really care. If the LCR is 200%, it makes no difference. If it is 250%, also, there is no issue at all. But if your SLR is 18.5% or 19%, you are actually perfectly fine.

So in our case, the question you have to ask is that you have 200% LCR, which is very good, but what is your SLR? And that I do not know, what is the SLR? Our SLR, Nat says, is around 20%, which means that we are not absolutely efficient, but we are marginally inefficient. If my SLR has been 19% and LCR 200%, it means that you are taking deposits which are extremely LCR-friendly. In our case, we are maybe slightly away from that, but not very far. So that is the question you have to ask.

Abhishek Murarka: Finally, just a very quick question coming back to cost. But you said 60% to 63% in the medium-term, what is medium-term? Is it FY2025 target or just the timing?

P. N. Vasudevan: Medium-term, long-term, what Dheeraj mentioned, do not take it from a timing perspective, and take it from a growth perspective. So suppose we are able to come back to a 30% growth, let us say, 6 months from today, that is the time that we are talking about. If we take, let us say, another 1 year or another 1.5 years to come to a 30% growth level, then it is actually a 1- to 1.5-year time frame. So from a time frame, it is actually very closely linked to our growth rate. So it is not basically about 6 months, 12 months or 18 months.

Abhishek Murarka: See, the question I was trying to figure out is when do we hit that 30%? This year we understand 25%. But next year, do we think we can get to 30%?

P. N. Vasudevan: See, let me be very frank with you. This year is something we are very keen to hit the 30%. We were very keen. So you can take it that it is a failure on our part that we are now talking of 25%. But otherwise, there is no reason why we should not have hit the 30% because there is no corona, there is no disturbance. From 1st April of this year, there has been no dynamics in the market which has been negative. Our portfolio, touchwood has been doing well, the rest of the year, our portfolio quality should remain very good, and our vehicles has been doing well.

So basically, some little bit of execution challenges and that is pulled our growth rate a little bit down. So if you ask me, when we will hit the 30%, I mean, I would allow to say that we would like to hit it 6 months from today, 9 months from today. I really want to say that, and that is our objective. That is clearly our objective and our goal. So just give me some time, we will tell you when.

Abhishek Murarka: Sure, thank you Vasu all the best.

Moderator: Thank you. Ladies and gentlemen, due to time constraints, that was the last question for today. I would now like to hand the conference over to Mr. P. N. Vasudevan for his closing comments. Over to you, sir.

P. N. Vasudevan: Yes. Thank you. Thank you, all of you. Thanks for being on the call and do keep working with us, and any questions, doubts you have, please keep asking us. Happy to provide you, and wishing you all the very best. Thank you. Bye-bye.

Moderator: Thank You. On behalf of Equitas Small Finance Bank Limited, we conclude today's conference. Thank you for joining us. You may now disconnect your lines.