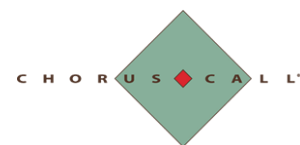




“IDFC First Bank Limited
Q2 FY '26 Earnings Conference Call”
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Moderator: Ladies and gentlemen, good day, and welcome to IDFC First Bank's Q2 FY '26 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal an operator by pressing star and then zero on your touchtone phone.

I now hand the conference over to Mr. Saptarshi Bapari, Head, Investor Relations. Thank you, and over to you, sir.

Saptarshi Bapari: Thanks, Dorwin. Thanks, everyone, for joining this call so late in the evening. First of all, I wish you the best for the upcoming festivities. Today, we have Mr. V. Vaidyanathan, the MD and CEO of the bank and Sudhanshu Jain, our CFO and Corporate Center Head. So we'll have the update from Sudhanshu on the business and financial performance of the bank, followed by some comments from Vaidya, and then we can open the floor for the Q&A. So Sudhanshu, up to you.

Sudhanshu Jain: Yes. Thank you, Saptarshi. Good evening, everyone. Thank you for joining in. I'll start with certain key numbers for the quarter. I'll try to keep it brief. And maybe I'll start with our total customer deposits that has grown at a healthy pace at 23.4% on a Y-o-Y basis. This has now touched about INR 2.69 lakh crores. And the average customer deposits grew by 24% on a Y-o-Y basis.

If we look at retail deposits, that there also the growth has come quite strong, and that has grown at 24% on an average basis and about 21.4% Y-o-Y on an end-of-period basis. The bulk of the deposit growth is also contributed by CASA deposits, which has grown Y-o-Y by 26.8% on an end-of-period basis and by 32% on an average basis. Period end CASA was at 50.1% and the average CASA ratio stood at 48.6% at the current quarter end, and this was 46.3% at the same time last year.

We opened about 25 branches during the current quarter, taking the total branch count to 1,041 branches. If I quickly move on to loans and advances, that also grew by, I would say, at a steady pace. It increased by 19.7% on a Y-o-Y basis to touch INR 2.67 lakh crores. We saw a healthy growth across the Mortgage segment, the Vehicle Loan segment. We saw some growth coming back in Consumer loans. We saw a healthy growth in business banking, wholesale loans and so on.

We did see some increase in disbursements in Q2 over the last quarter. Microfinance portfolio, if I talk about that, however, slightly degrew to INR 7,300 crores from INR 8,300 crores in the previous quarter. Here also, while we have seen some increase in disbursements in Q2, but the runoff were higher, which led to this decrease.

MFI book is now about 2.7% of the total funded assets. Also happy to report that the insurance coverage on the outstanding microfinance portfolio has now touched 77%. If I talk of credit cards, that I'm again happy to report here that the total credit cards issued by the bank have crossed 4 million mark during the current quarter and the book has now touched INR 8,600 crores.

The spends on the credit card were quite healthy and it grew by about 36% in H1 FY26 on a Y-o-Y basis. We also launched a credit card in partnership with Indigo in this quarter.

If I talk about wealth management, then here, the AUM continues to grow at a steady pace, and it grew by 28% to touch about INR55,000 crores. All in all, if I take into account customer deposits and loans and advances, then the total customer business has now touched INR5.35 lakh crores and grew by 21.6% on a Y-o-Y basis.

If I move to asset quality, I would say that we have seen a sequential improvement in NPA and SMA positions. Let me start with NPA numbers to give a perspective. On the NPA numbers, the gross NPA of the bank improved by 11 basis points to 1.86% from 1.97% in the previous quarter. Similarly, net NPA of the bank improved to 0.52% from 0.55% of the previous quarter.

If I talk of the Retail, Rural and the MSME segment, gross NPA improved by 9 basis points to 1.73%. Similarly, net NPA on the Retail, Rural and MSME book improved to 0.63% as compared to 0.66% as of the previous quarter. We continue to maintain a healthy PCR and that stood at 72.2% as of September 30, 2025.

If we now see the flows, then the gross slippage has come off during the current quarter that reduced by roughly 9% and net slippages improved by 13% sequentially. While this was largely on account of MFI, the gross slippage ratio for the other portfolio was lower by 15 bps during the quarter at 3.39%.

In terms of collection efficiency, we see a stable performance at 99.5% for early bucket ex MFI. And for MFI, it marginally improved from 99% to 99.1%. If I talk of SMA positions, then here also, we saw an improvement. The SMA of retail, rural and MSME book improved from 1.01% to 0.90% during the current quarter.

If we see here, excluding microfinance portfolio, the SMA improvement was about 7 basis points. In microfinance portfolio also, we saw significant reduction in the SMA position and that was reduced by 88 basis points. The reduced SMA positions also indicate that the asset quality could be much better in the ensuing quarters.

If I talk about profitability now, we have reported a profit after tax of INR 352 crores and INR 815 crores for H1 of FY26. Net profit grew by 76% on a Y-o-Y basis on account of core income growth and the reduction in provisioning.

On Q-o-Q basis, it degrew, however, by 23.8% due to much higher trading gains in Q1 FY26, which was not there in this quarter. If I further break some of the components of profitability, then NII grew by 6.8% on a Y-o-Y basis and improved from a Y-o-Y 5.1% growth registered in Q1 FY26.

Net interest margin on AUM of the bank reduced by 12 bps on a sequential basis to 5.59% from 5.71% in the previous quarter. This was largely due to the impact of repo changes in Q1 FY26 and asset mix changes, including further decline in the microfinance business, which I talked about.

We feel NIM has largely bottomed out in this quarter. If I talk about cost of funds, that improved by 19 basis points on a sequential basis and cost of deposits also improved by about 16 basis points in the current quarter.

Moving on to fee and other income that grew by 13.2% on a Y-o-Y basis. Growth here also improved from 8.5% Y-o-Y growth shown in Q1 FY26. As I said earlier, trading gains were much lower. That was at INR 56 crores in the current quarter versus INR 495 crores in Q1 FY26.

As a result, total operating income, including trading gains grew by 7.5% in Q2 FY26 and operating expenses grew by about 12.5% in Q2 FY26. If you see the H1 FY26 Y-o-Y opex increase, that is about 11.8%, while the total customer business, as I said, grew by 21.6% in the same period. This clearly indicates operating leverage playing out.

If I now talk about operating profit, happy to report that excluding trading gains, the core operating profit has improved by 4.6% sequentially. And this was largely led by, as I said, improvements in the income levels. If we take into account trading gains, this reduced by 16.0% sequentially on account of the higher treasury income, which we had in Q1 FY26.

Moving on to provisions that reduced by 12.5% Q-o-Q from INR 1,659 crores to INR 1,452 crores. This was primarily on account of lower provisions in microfinance book. Overall, credit cost percentage improved by 45 basis to 2.24% during the quarter. Excluding microfinance, the credit cost for the overall loan book was around 2% in H1 FY26 and broadly stable at numbers which I had reported in the previous quarter as well.

Bank has utilized a microfinance provision buffer of INR 75 crores during the quarter on account of the reduced stress which we have seen in MFI, and we continue to carry about INR 240 crores as a contingency provision here.

Moving on to the last section, which is on capital. The capital adequacy ratio, including profits for H1 FY 26 was at 14.34% with CET1 ratio at 12.27%. If I take into account the conversion of CCPs, which will happen into equity pretty soon, the CRAR and the Tier 1 would be 16.82% and 14.75%, respectively, if computed on the financials as of September 30, 2025. Average LCR deposits were at 115% for the quarter and broadly around our guided range.

With this, I broadly conclude my opening remarks on certain key numbers and hand over to Vaidya for his opening remarks.

V. Vaidyanathan:

Good evening, everybody. Thank you very much for joining us this evening for Q2 FY26 results. The way we broadly look at it, things are getting brighter for quite a period of time. As you know, the credit in the country was going at a pretty tepid pace.

But I think with a lot of releases from the RBI, CRR cut, the 100 basis points of repo cut, even ECB norms, easing of the IPO market, etc. has boosted the flow of funds, and we are hoping that this will start releasing up and opening up credit market more in the country.

At the same time, as all of you know, the government gave the income tax rate and the GST cut and capex is going strong. Some indications that construction numbers are looking good

and cement numbers, electricity, GST E-way bills. So all of these things are beginning to look better.

We are finding that the rural markets consumption is looking a bit better. The urban market, as you know, durable financing, 2-wheeler growth was quite tepid. They were not even growing at 3%, 4%, but during GST cut, it has certainly grown a lot more.

So we have to wait and watch whether this is a onetime bump that's happening or is it more permanent, a quarter or 2 quarters from now, we'll see whether the GST lift can sustain. But nevertheless, our bank and the way we look at it, since we are coming off a relatively low base, we are not exactly indexed to the growth of the Indian market, that's probably more an issue or more to think about if you're a really, really large bank, which we are not.

For example, our own book has grown from about INR 40,000 crores, book meaning the Retail, Rural, MSME book has grown from INR 40,000 crores at the time of merger in 2018 December, in fact, less than that, about INR 35,000 crores. Today, it's already touched about INR 2,10,000 crores. So it's like 5 times. So it's not that the market has grown 5 times during this period. So this is an example of how the base effect does make a difference. So we believe that because of a low base effect, we can grow, we've already grown by 20 odd percent. And if we need to grow more, we can, of course, open more markets, etcetera.

The good thing is that, so where am I focusing upon? I'm really focusing upon building capabilities at the bank because the building capabilities is a fundamental thing because the Indian digital ecosystem is opening up so much, but it's only a good use to us only we can participate in it and leverage that play.

So building capabilities, digitization, building the necessary aesthetics, design, building necessary capabilities within the organization. For example, right now, you'll be happy to note that our bank is now developing the ability to give out 1 million loans a month. That includes about 6 lakh consumer durables, about 1.2 to 1.3 lakh two-wheeler financing, about 1.5 odd lakh credit cards. And imagine giving out close to 1 million loans in a month.

Obviously, human beings cannot be sitting and underwriting a million loans. So, our ability to have the necessary scorecards for underwriting, for fraud management, for collections, these are the current capabilities being built at the bank.

Similarly, the second big focus for me is the ability to bring ourselves together as a universal bank. So when we say universal bank, then at that point of time, while most of you think of us like somebody who's raising current account, savings account and lending out money and giving out 1 million loans a month, that's probably an image of us, which is because that's what you see most of the time and many of you are our customers and then you can comment upon our service levels and all that.

But in parallel, we are building a really good cash management business at the bank that requires capabilities, that requires builds. We are building out a really good wealth management business at the bank. We started off at INR 1,000 crores in 2019. Today, it is INR 50,000 crores. And we believe as India is getting richer or certain class of Indians are getting richer and they all have some investable surplus it becomes a big opportunity. We want to

grow this to INR 2 lakh crore to INR3 lakh crores and we certainly think it's possible the way we're building the foundation blocks.

The third thing we're building as a universal bank is we're still launching out while we are doing well on assets, we're still launching our product after product in the lending side because we don't want to be complacent. We are rolling out gold loans, we're rolling out tractor financing, rural financing, KCC, the list is long. We need to build proper priority sector capabilities at the bank. We need to make sure that credit quality continues to hold and all that.

So basically, these are really the capabilities that we're building in the bank. The third thing that I'm focusing on is being able to structurally build it right. That's very important. For example, even now, our credit deposit ratio is 94%.

Well, 94% is not great. It's actually I'd say, below par. We started at 169% if you add back credit substitutes. But the point is, that it is still 94%. Now we've come a long way, but 94% is 94%. It's not mid-80s.

So therefore, now we are still focusing on building deposit franchise. So we still have about INR 25,000 crores of borrowing that we still need to repay. So as a bank, we are raising money for two purposes. One is we want to grow our loans by 20%. We need money for that. If a loan book is about say, INR 2.5 lakh crores grew by 20%, you need to grow the loan book by INR 50,000 crores.

So we need to raise INR 50,000 crores plus CRR, SLR on top of it. But it doesn't stop there. We need to also raise the money to pay off the bonds, which are still maturing at us. So therefore, this is important. We are not replacing this money with fresh borrowings because then our credit deposit ratio will never gets fixed.

So these are structural things. So that's what I mean by saying that my third big focus area is to build it correctly. For example, borrowing as a composition of total deposits and borrowings. Now we have come down to 8%. I'm really happy about that because we were 48% at the time of merger. So now at 8%, it looks kind of respectable and in league of the big banks.

The fourth example of this, and it's an important example is how do we get deposits. So I'll give you a really material proof of how much progress we have made. The best way to understand the retailization of deposits is the LCR retail deposits because there are two ways of computing what is the amount of retail. One is what the retail branches are originating.

So theoretically, they could also be going to SME originating a INR 20 crores or INR 30 crores account or a INR 10 crores account. So if you, for a minute, leave that aside, on that account, we are 80% but if you leave that aside and you compute the retailization, which is LCR retail, which is what we report and every bank discloses, we were 12% in 2018. So this was a big problem for us because we were basically on 88% of bulk money.

Now we have already reached 65% and which is in the league of the big banks, big banks, meaning the large 4 private sector banks, maybe a little more than them, so probably in that zone. So now we are as retailized on the deposit side as the big banks. We feel happy about

that. On the lending side, we are as retailized, probably more. We are now 80% of the book is retail. So that gives us some stability.

So these are the things that is on my mind that build it right. I told you one is build capabilities. Other thing I'm saying is build it right. Because if you build it right, then we can continue to grow year after, year after year for the next 5 years, 10 years and life can go on.

And if you don't build it right, then somewhere along the way, you have to apply brakes and then it won't be happy even for anybody. So this amount of time that has gone in building this kind of structural things is a really good thing happened in the bank.

The other last example of building it right is capital. So we have raised enough capital now, and that makes us feel very comfortable. And we are pretty sure by the time we come to the market for the next round of capital, the numbers, our ROA, ROE, etcetera, will be smelling quite good, and we can raise from a position of strength.

So the other thing that we are focusing upon is keeping the rank and file of the organization entirely focused on the customer. I really hope many of you are our customers and you might just see how the quality of the app we have built or how quality of digitization we have done, how the customer experience journeys are, how our employees talk to you when they talk to you in branches or from the call center, etcetera.

So, I personally focus a lot on that. I really sometimes get upset if any of our people have not dealt with customers well or they are giving a run around to customers and all that, it really bothers me. And so we focus a lot on that. Very few times, I get upset, but this will be probably the most important reason, which I do, if I do.

So we really focus on customer service, and I'm personally very keen on launching really good products. Now that's the other thing that I focus upon to see that every product that comes to the market, there is something special in it. We have for 6 years or 7 years, built this philosophy that IDFC products are very good, whether it's a savings account or the credit card or whether it is personal credit.

We came out with zero prepayment fee option in personal credit if taken digitally from us and if it's not sourced through DSA because we don't do that for DSA based business because we pay the DSA upfront. And if we give prepayment fee off, then it's a straight loss to the bank. We don't do that.

But come to us digitally and take a loan digitally, no prepayment fee. On savings account, again, we came out with a zero fee offer, etcetera. The point I'm trying to say is that we try to focus a lot on building products. And lastly, I'd say that technology to stay completely cutting of technology. I mean, our senior management is all focused on technology. Everybody understands it, and that helps us building a good bank. So let me just say that we've done all of these things.

Now looking ahead, based on these few things I talked about capabilities, I talked about way of building it. Looking ahead, our own sense is that this microfinance issue is behind us. It's really taken a lot out of us in the last 5 or 6 quarters. Many of you may have almost begun to

lose confidence in us. And I can understand that because you don't see the full visibility of what we can see. We can see next 2 years, 3 years, 5 years, we can see this bank can grow at 20%, but you can't see that.

So I can understand if you felt disturbed over the last 6 quarters when we are going through the microfinance crisis. But if you remember, we always used to tell you during microfinance crisis issue that it is only a microfinance issue. And that is very important. You might have seen our SMA numbers, NPA numbers which we'll talk about later.

Really, we take pride in the fact that for every single business line, we now disclose trailing 5 quarters, please note this trailing 5 quarters, we disclosed the gross NPA, we disclosed the net NPA, we disclosed the SMA 1 and 2 and then trailing 5 quarters, if we're doing wrong somewhere, we'll spot it.

For example, in the mortgages business, you might have seen, I don't have the number off hand, but the numbers had slightly gone up. Yes, I got it right now. It's gone up from 0.39% to 0.54% if you take a 5-quarter trend. I don't think you would find this kind of data, maybe others give, but I can tell you that with this kind of depth of data we feel very clean because we put out everything in public domain. It is for you to judge the good and the bad. We are quite happy to note that the vehicles SMA for 5 quarters in a row is at 0.96%, which is very, very good.

Our MSME number, well, last quarter has gone up from 1.16% to 1.27%, but that's kind of marginal. It's not like very material, but 5 quarters have been stable. And consumer durable is stable at less than 1%. Credit cards is like 1.5%, but for a credit card business, 1.5%, 1.7% is considered quite good. So, we put out this number of SMA, we put out a number of gross NPA. They're all stable. You can see it somewhere in the presentation. Our net NPA numbers are all stable.

So the point I'm trying to say is that our issue was only MFI. We called it out. We are through with it. And we believe that quarter-on-quarter, we don't believe we're going to disappoint you, frankly, because we don't see any red flags.

We should look out, I should say, for red flags because this Trump tariff issue is there and some part of it we should watch out. But really, when we are seeing it right now, it looks stable to us when we've done our internal analysis.

So coming back to the point, it was only a microfinance issue. We've been like 15 years in this business for most of you tracking 15 years, you must have never seen a credit issue from us. And microfinance happened to happen. So this is all I can say that except that, things are looking quite good.

And let me close with the point that we are frankly looking ahead with good optimism. It is our biggest pride that our asset quality has held very well for 15 years. We don't want to spoil that record, and we are very cautious about that.

And now in terms of the key thing for us, in a financial performance sense, is to improve the cost-to-income ratio, which will come. You have to trust me on this, it will come. The reason

why it didn't come in the last 2 years, and it's a pretty open secret, it doesn't require great math to know. The reason it didn't come is that actually our cost itself came down. You can see the cost growth is not more than 12%, 13% now for a book growth of 20%.

So you can see operating leverage is building up positively. But why is the cost-to-income didn't come down? It didn't come down because of the same microfinance issue, we degrew the book from INR13,000 crores to INR7,000 crores. So we lost INR6,000 crores. Imagine you're earning 24% on INR6,000 crores and it's gone, like INR2,000 something crores.

So that kind of income reduction happened from the gross income sense, even net of credit, net of interest cost, still a big amount. So that amount of income got affected. The fee income got affected. So it is more an income level issue that happened to us, not the cost issue. So cost is coming down and next year onwards when the book starts growing and income starts coming back. And if we can maintain our opex less than 30%, which is what we are guiding for, which is what we're trying for.

And if the book grows 18% and opex grows 13%, you can do the math and you can see the operating leverage at play. And by the way, if you take the last year also, the book grew by 20-odd percent but opex grew by only 16%. This year also, book is growing by 20%, opex grew by only 13%. So you should see that the bank is truly coming good on this front.

And cost-to-income will come down. If you do the math on a spreadsheet, you will spot it. We can see it from within. So that's all I have to say, and we'll take it from here some questions.

Moderator: Our first question comes from the line of Akshay Jain from Autonomous.

Akshay Jain: Starting with margins. As you mentioned that margins have bottomed out this quarter. But how should we see margins moving in the next 2 quarters? Like should we place 4Q '26 margins to somewhere near the 6% number of 4Q '25?

Sudhanshu Jain: Yes. Thanks, Akshay, for the question. So in the last call also, we had said that we expect margins to definitely improve in Q3 and Q4. And my sense is by the end of Q4, the margin should be definitely upwards of 5.8%. We are also penciling in one more repo cut when we are giving this guidance.

Akshay Jain: Understood. Okay. And number two, CASA ratio has now touched like around 50% odd. Like should we expect you to use the lever of SA rate cut? Like kind of highest amongst the larger banks on SA, is the SA rate cut on the cards, which should also improve the NIMs?

V. Vaidyanathan: See, that is one lever we can press any day. It's in our hands. Question is I want to press it now, press it 1 year from now, 2 years from now. The reason why I'm using this kind of horizon to you is that our credit deposit ratio is still 94%.

So we don't want to jump it on too fast. We want to raise the deposits. I know if we did it, if we cut the SA rates, we'll get some straightaway benefit to the P&L and everybody will be happy. But I can give you happiness a little later also when we do it.

But for now, we are more focused about building, I told you one of the key things at the top of the mind is always building it right. And one of the items of building it right is bringing credit deposit ratio to mid-80s. So we'll take it as it comes.

Akshay Jain:

On asset quality, while the MFI slippages have halved this quarter, but the non-MFI slippages continue to be around like, what, INR20 billion-odd number? Like any sectoral color on where is this slippages coming from? And how should we look at the non-MFI slippages going ahead?

And even on the MFI, like should we assume that this was the last quarter of pain, everything will be back to normal from next quarter, and we should start seeing growth in the book? And resultantly, like how should we look at credit costs for H2 and FY27?

Sudhanshu Jain:

Akshay, as you rightly said, MFI slippages have drastically come down. And for other than MFI, if you see in terms of slippage ratio, that has, in fact, reduced to 3.39% from 3.54% in the previous quarter. So definitely as you would have noted, the SMA positions have improved at September.

So we definitely feel that this would be on a downward trajectory into Q3, Q4. And our overall guidance on credit cost still stays around that 2.05%, 2.1%, which we had guided in the previous quarter. H1 credit cost, if you put together, it's about 2.45%. So definitely, because we are anticipating a lower stress going forward, the credit cost in H2 will be much lower to that number of 2.05% to 2.1%.

V. Vaidyanathan:

And that is one thing. And sometimes just take this number of 2.1% we say and we say that second half, we are seeing will be better. And frankly, last quarter itself, we told you that our numbers will be better this quarter and which they are. Now we are saying it will be even better next quarter. We watch the numbers. It will be. So rather we feel confident about that.

And we feel Q4 also it will be good. So we are feeling it quite, because at the end of the day, it's very simple, very mathematical. If our SMA is good, credit cost will be low, as simple as that. And our SMA is low. SMA is a feeder bucket for NPA.

Now I just want to make one important point here that we -- when we call out the numbers, we take it as a percentage of loans and advances, okay? Because some institutions report as a percentage of assets. So we feel that if you did that, then our number will come down to maybe 1.4% or 1.5%. Just want to flag it so that you are comparing the right thing.

So when we divide the assets, it's the whole assets, the loans, it's loans and advances. We feel that loans and advances are more representative way because you lose on loans, you don't lose on assets. So just keep a picture in mind when you put the number.

Akshay Jain:

Okay. And on ECL impact, have you done any impact analysis for IDFC? Larger banks have a big provision buffer, which they can use, but IDFC doesn't have that big provision buffer. Like how do we look at ECL implementation?

Sudhanshu Jain:

While I would say it's early to sort of quantify any impact here. But in my view, on quick assessment is that there would be a provisioning increase, which will happen for Stage 1 and

Stage 2 assets vis-a-vis the current standard asset provisioning norms. RBI has also suggested certain floors.

But this could get partly offset by the lower provisioning requirement on Stage 3 assets. As you know, because the bank has been following a very conservative provisioning norms, right? Our PCR is at 72%. Hence, while on an overall basis, there could be some increase on overall provisioning levels on transition, but that, as I said, the quantification we still need some time to sort of give some guidance on that front.

The bank has already started working on transitioning to the ECL framework through, I would say, 3 work streams because it involves data management, it involves model development, it requires finally a system implementation.

One more thing I would want to bring to your notice is along with ECL, there would also be an application of effective interest rate, which comes into force where acquisition costs net of processing fee will be amortized over the residual life of loans. So this would be, I would say, slightly a positive benefit for us. So we have to see both of these things in conjunction. So that's how we are currently looking at the ECL framework.

Akshay Jain: Understood. And lastly, again, on the draft credit risk, so have you done any analysis on the benefits which you'll get from that framework?

V. Vaidyanathan: This should marginally be positive.

Sudhanshu Jain: Yes. So I'm saying like all of these are expected to kick in from April 1, FY27, right? So I just spoke about ECL, even on credit risk RWA, there will be a positive, net positive to our capital ratios. Third thing which I want to bring to the notice is in the RBI Governor's statement, he also did make a mention that the final guidelines, while they have been sort of there for the revised operational risk capital charge, right, that still needs to be notified.

If we go by the maths or the formulas which were given in that proposal, that could be quite positive for us in terms of implementation. And my sense is that could also sort of come in around the same time. So, taking all of this together, maybe ECL and the credit risk RWA and operational risk RWA, I think we will be broadly neutral on the capital front on transition.

Moderator: The next question comes from the line of Param Subramanian from Investec.

Param Subramanian: Just to go back to how we are looking at the exit for this year. So what are we broadly looking at in terms of, so you mentioned on NIM, 5.8% plus. We were talking about 0.9% to 1% ROA by Q4. Does that still stand broadly? And in terms of credit cost, if you could just broadly talk about where we will be looking at by Q4?

V. Vaidyanathan: I'm not sure we can exactly pin 0.9% or 0.1%. We got to see as it comes because there are so many moving parts. But directionally, we can say that the credit cost should come down, margins should go up. So, we are feeling like more positive about next quarter and quarter after that. Sequentially, we feel that Q-o-Q next 2, 3 quarters should look good.

Sudhanshu Jain: And, sorry, just to add, even on the core income, as you would have noted in my NIC, that all has shown an improvement in Q2 vis-a-vis Q1, and we expect that trajectory could continue.

- Param Subramanian:** Sure. Fair. So broadly, you're saying that in terms of credit cost, since you're holding on to that guidance of 2.05% to 2.1%, so which means credit cost in second half should be, say, 1.6%, 1.7% is what you're talking, right, and more or less that level in Q4?
- V. Vaidyanathan:** Yes, you take it at 2.1%. Yes, even last call, we talked about 2.1%. When we do our modeling for Q3 and Q4, we do expect the credit cost to come down. So such that blend-blend it should come down to this number we're talking about. Again, I want to just caution it's percentage of loans and not assets. So yes, I mean, I guess maybe second half should be like 1.8% or so. And I don't know if the blend takes you to 2.1% or so, we can do the math again.
- Param Subramanian:** Fair enough. Very helpful. So now coming back to that point on...
- V. Vaidyanathan:** Which basically means that the credit cost of next quarter should trend downwards, Sudhanshu.
- Sudhanshu Jain:** Yes, yes.
- V. Vaidyanathan:** And then maybe Q4 will flatten out from there. That's where our eyes are when we do the modeling. I just want to put a word of caution so that you do your modeling correctly. Sometimes models can go a little bit off by some basis points here or there. But broadly, what we talked about in that zone, we should be in the zone. I've done business long enough to just say to put that caveat into it to know that because life does throw surprises here or there, some 10 basis points here or there, anything can happen generally speaking.
- Param Subramanian:** Fair enough, Vaidya. So all things being equal, you would think because that's a comment I picked up earlier that you would think that the non-MFI slippage, which actually picked up in Q1 and that is clear, right. That absolute number should start declining from Q3, Q4, right, basis what your SMA...?
- V. Vaidyanathan:** I think you should not focus so much on slippage, etcetera, you should focus more on credit cost because end of the day, it all comes down to credit cost because something slips, something comes back, right, you have a gross, you have a net and all that.
- So net-net, 3 numbers are the best numbers, actually 4, I'd say, SMA, gross NPA, net NPA, credit cost. Within this 4, literally, you will see the credit quality of any book, I guess, and for us also. So you track us for credit cost because end of the day, that's what the profit and loss account. And overall, see, because the thing is that we don't exactly know how much the repo will come. Who knows how much will come down, maybe 25, maybe 50, God knows. So therefore, there are so many moving parts.
- So what you should expect from us, though, is that quarter-on-quarter, our profitability should look better like into next quarter as well into Q4 as well. Just think about it directionally than picking a specific number.
- Param Subramanian:** Fair enough. So now coming back to that question on...
- V. Vaidyanathan:** And also let me add that we still have not, Sudhanshu, I don't know if you mentioned or not, we have not fully utilized this INR315 crores provision that we have created. We used only INR75 crores. So balance is still with us. So we plan to use that up because now microfinance

issue is behind us. So that also will give us that kind of cushion for us going forward. And that's factored in the numbers you were talking about.

Param Subramanian: Fair enough. Vaidya, so now coming back to that question on SA rate cuts. So potentially, so if you see most of your peers, the larger balance sheets, right, like names like IndusInd Bank, YES Bank have actually cut very aggressively on their savings rate, right? Even some of the smaller balance sheets have cut on the savings rate, I'm talking about the midsized banks.

So why can we not use the lever at least to the extent of where the market is, which is at least 50 basis points below you? You would still be a market share gaining entity, which you are very aggressively at this point in time on CASA. So if you could give us a sense around when you will really use this lever because we appreciate the LDR comment that you need to bring it down, but CASA can still grow even at a lower rate, right? So if you could give some color around that?

V. Vaidyanathan: See, listen, you're giving...you are Param, right? You are Param, right?

Param Subramanian: Yes, yes.

V. Vaidyanathan: Yes, Param, I said you're giving Sudhanshu unnecessary handle to beat me up all the time because he's told all the time to cut it. And I'm the only one who is holding up this rate, okay? So let me give you my logic because Sudhanshu will be more in your camp, okay? So my logic, and I'm quite firm about this now.

The reason is very simple. At end of the day, if we do this, let's remember that SA rate is even now coming down, coming to us at like 5-point something, let me call it 5.8% or something, 5.6%.

Sudhanshu Jain: 5.8% Vaidya.

V. Vaidyanathan: Yes. Now that's still cheaper than fixed deposits. It's coming at, say, 7%. So if you cut this and you need money, where will you go, you'll go and raise it on fixed deposit. So you will get a temporary joy because profitability will look up straight away and there will be cheers all around. But you'll go around back to the market and start raising a fixed deposit at higher rates.

So I have a choice to make, whether I make everybody happy today or make people happy tomorrow. So I choose to make people happy tomorrow. So this is how I think about it. And therefore, we are holding back this card. I can use the card any day. What happens if we take 1 year forward, right?

If we did cut the same thing 1 year forward, that joy will appear then, why use up all the cards today. So that's my thinking. My thinking is that you keep the CASA here, fix our loan-to-deposit ratio, the credit deposit ratio under control, bring it to mid-80s. And then when everything is aligned and pay off all the bonds.

So at that point of time, there will come a time today or tomorrow, maybe tomorrow, when our all the bonds will be paid off, the only need for growth will be to fund loans. So that's when the pressure will be less on us to raise money, the credit deposit ratio would be fixed.

Maybe some more branches also would have come that will give us, if you notice, we don't have enough branches today, okay? We have 1,000 branches. And for the kind of deposits we're raising 1,000 is a really high productivity branches for the bank. So maybe we'd like to have some more footprint in the country so that we are much more broad-based in terms of reach.

So in all these things come, then it's the time to cut the rates so that we can do it with peace of mind. Today, if we cut SA rates, I'll be a little on the edge, not knowing which new problem will come next 6 months from then.

I just want to be safe and conservative about this short answer.

Moderator:

Our next question comes from the line of Sameer Bhise from Dymon Asia.

Sameer Bhise:

Congrats on a steady quarter. Just had an observation that if you kind of look at some of the peer banks and where we started this quarter around the previous earnings call, obviously, the margin performance has been quite better than what we thought at that point in time.

But some of the peer banks probably have kind of even reported expansion in margins. So I think how would you kind of look at it on a comparative basis? Obviously, we haven't cut SA rates, but that just gives us additional ammunition. But have we kind of seen relatively slower decline in cost of funds? If you could elaborate on that?

V. Vaidyanathan:

It's very simple, Sameer, very simple. Now we have, for example, we had a choice like many other institutions have done of cutting SA rates by 50 basis points straight off, okay? And cutting term deposit by 50 basis points, they have done that.

Many have done that. So what does that do? That gives straight cash to the P&L. And of course, they go and they fund themselves subsequently through maybe other means in the sense that maybe they fund themselves through term deposits and savings or whatever they do.

Now in our case, instead of exercising that choice of going 50 bps and 50 bps, we have chosen to go 100 bps into term deposit, so if you wake up 1 year from now, the net effect to the P&L is the same because CASA is 50%. So therefore, net effect to the P&L 1 year from now will net-net be the same. But I would still be sitting on this huge, let me say, this lever, which we can press, it is like Indradhanush. I can use it any day I want. Why should use it today only.

So I'm playing the long game. As you know, everything decision you've taken for 5, 8 years have been long, why suddenly become a short-term play. So we are playing long. We say, okay, let the benefit come to the P&L over quarter after quarter, let it take 4 quarters, let it take it? No problem. But at least it will be more firm, I mean, we'll be on steady footing.

So the way others have done it, they've got some upfront, not upfront, sorry, they've done it in the best judgment and in the right way. But they have taken it the SA route, I have taken the FD route. Mine takes 1 year to get new results. They're giving instant benefits. So it's a choice different people have made.

Sameer Bhise:

Got it. Got it. And secondly, just to pick your brains on the ECL plus EIR combined impact. Would it be fair to assume even if the net outcome is, say, marginally negative, it should not be

meaningfully impactful on the ROA, maybe say single-digit basis points. Would that be a fair assumption?

V. Vaidyanathan: Sudhanshu just explained, it's marginally positive for us. That's our assessment on it.

Sameer Bhise: Including the EIR impact.

V. Vaidyanathan: Let Sudhanshu explain.

Sudhanshu Jain: Yes. So as I say, I explained from a capital point of view on transition, it should be marginally positive. In terms of flow, of course, there could be some impact. But as I said, it would, to a great extent, get negative by the year, which sort of comes in.

V. Vaidyanathan: And to your previous point, just to make one comment, Sameer, just to close to put a proper lid to it. The thing is that other organizations, we should remember this very clearly, there are many other organizations have been banks for 20, 30 years or even if they become an NBFC, there are some NBFCs which became banks, but they did not start with a huge book to deal with on the corporate side, infrastructure side. They just became a bank overnight, and then they dealt with it. Our story is different. So therefore, for us, this loan deposit ratio is a big issue.

Number two, having to pay off bonds, even if an NBFC became a bank, they did not have huge bonds to repay off some legacy of somebody -- some other institution. So therefore, I request all shareholders to be patient because this is a different starting point. You're sitting at INR 56,000 or INR60,000 crores of borrowings, which the bank starts with at merger. Nobody else that I know started with that. So I have to pay off every of that INR56,000 crores and I have to pay off few deposits. I still have to pay INR25,000 crores.

So therefore, the strategies that anybody who thinks long, we have to factor for this, we have to pay it off, and that's why we're playing this game differently, saying that bring the deposits in. And again, so because of this reason that we got to pay off, again, loan deposit ratio, I told you mentioned earlier, we got to bring it to the 80s. Maybe others don't have these issues. That's why they SA cuts rate and went ahead with the breathe through it. We'll take our time, but that's how we build institutions.

Moderator: Our next question comes from the line of Zhixuan Gao with Schonfeld.

Gao Zhixuan: Congratulations for the quarter. Just want to understand on the vehicle loans. This quarter, we have done very well, almost 12% quarter-on-quarter growth. What's driving that growth? We buy some portfolio previous quarters is more high single-digit sequential growth?

Sudhanshu Jain: So of course, on 2-wheelers, as you would have seen in the past also, we have been gaining market share there. We have been expanding in that business. So that is definitely giving us more volumes. During the last, I would say, last part of the quarter, we also saw some pent-up demand typically in the last 10 days because of the GST announcements which came in, and that has given us this lift. We expect some bit of this traction could continue in Q3 as well.

V. Vaidyanathan: Sudhanshu uses this word market share by the way. Just to make it clear to you, I tell everybody in the bank never to use these words called market share and all that stuff. We are

small players. So small players don't use these big words, rather not big words, but we don't use these terms internally.

But broadly, I'm commenting because Sudhanshu used that term market share. The reason I don't normally look at that is that we feel that we are relatively a small player and whether on savings or current account or loans also for that matter.

So we think more in terms of the opportunity that is there and the capabilities we build, the digitization we build, the journeys we build, the assisted capabilities we build, we believe that we build all these things, then whatever share comes, comes. That's how we think about it.

Gao Zhixuan: That's very clear. And just a data keeping question. What's our MFI credit cost before the buffer reversal in rupee crores this quarter?

V. Vaidyanathan: Yes, give or take, like I said, our experience through the cycle was like something like about 10-odd percent after the crisis started. Before that, it used to be 1.9%.

Gao Zhixuan: No, sorry, this quarter, the rupee credit cost.

Sudhanshu Jain: We are not calling any, I would say, portfolio specific numbers here.

V. Vaidyanathan: Because then we'll have to go down the path of calling out every account and that involves another level of detail. Frankly, our level of detail is already quite high. But I told you roughly in percentage sense, depending on quarter-to-quarter, sometimes 6%, sometimes 10%, but that is the kind of zone that we experienced in this whole episode.

Gao Zhixuan: Got it. Understand. Sorry I may have missed that for the non-MFI credit cost in percentage this quarter, you were saying how much was that?

Sudhanshu Jain: Yes. So it was broadly stable around the 2% mark, which was even there in the previous quarter. So for H1, the credit cost ex MFI is about 2.03%.

V. Vaidyanathan: And we have been in the zone now for like 13, 14 years. You go back and pull all the records of capital costs also on credit cost and divide the average book of those days, you'll find roughly the same, it used to be more like 2.5-ish percent because those you were lending at 18%. When we were lending at 24-odd percent used to be like 2.5-ish percent and 18% was about 2.5%.

Now of course, our lending yields have come down quite a lot, but we're running at about 2%. That's why we always guide the market like not now, if you remember, if you pick up the first annual report of IDFC First Bank after the merger first 2 in both times and even the latest one, I have again reiterated that we are running a formula of 2-1-2. We run a guardrails in a way that we run a gross of 2, net of 1 and credit cost of 2. That's the broad number we shoot for broadly in the bank. Current numbers are a little less than that you know.

Moderator: Our next question comes from the line of Jai Mundhra from ICICI Securities.

Jai Mundhra: I have a couple of questions. First is on MFI book, right? So I think we have the disbursement is higher format versus last quarter, but the book has run down by around INR1,000 crores. So

how do you see this book shaping up in terms of would you believe this will keep running down? Or you think there is, at some point of time, it will start growing in rupees crores and in percentage of loans?

V. Vaidyanathan:

Our own guess is that by end of this year, it should stabilize, like it should taper off on the low bottom side by end of this year and then grow from there. We want to grow it, just to be clear, we want to grow it because it has many benefits like we talked about. So there should be no doubt, it has private sector, it has weaker section private sector requirement.

It makes money. The industry has learned its lesson. So hopefully, it will -- this lesson will stay learned at least for 5, 6, 8 years more before where the next crisis comes, we don't know. But at least for a reasonable period of time, the members stay on people.

So, we think that we'll want to grow it again once this -- actually, we want to grow it already, except that since the runoff is so fast, it should taper during end of the year and pick up from there.

Sudhanshu Jain:

And just to add, we see the pace of decline to be much lower in Q3 and Q4 and the book to start growing from next year.

Jai Mundhra:

Right. And sir, secondly, on MSME, right? So in your entire INR2.66 lakh crores loan book, I mean, you have given Consumer loan, then there is a Business loan, then there is a Wholesale loan. How -- if you have done any sensitivity of how much could be the SME into export and particularly to US, if you have any? A lot of banks have quantified the absolute crores portfolio, which is there predominantly to US. If you, or you will not be very, or this will be very negligible for you?

V. Vaidyanathan:

See there are two types of businesses we have. One is the Corporate business. And we've seen a list. We have about 5 or 6 clients to whom we have, who do export to the US and are affected. But we saw the list. They are like rated well. We talk to those clients, and they are like they're like fine.

So, and the largest kind of corporates who have cash flow and have a name and have a brand and who also have some amount of domestic markets. So that's on the corporate side. We are fine there. On the rest is some of our customers on the loan against property could also be exposed there. But our loan against property is like people have security, we have the security there.

And we have done the analysis. We feel things are comfortable as of now. We'll have to wait and see. I mean I have to be very careful when I use the word comfortable because the truth will tell after 1 quarter, 2 quarters, 3 quarters, any of our customers are affected. But for now, as far as our eyes can see from whatever we've talked to some of our clients in that segment, sample, etcetera, we've done our work, looks okay.

That leaves the third segment, which is the unsecured MSME segment, like there is a category called BIL business installment loans, where we give EMI-based loans to corporates. We are tracking that segment also closely.

Maybe by next quarter, we will have better color to give you because if any of those customers return their checks more because one of the numbers we track, as you know, is the first EMI bounce, right? On the presentation, how many checks return.

And we call out the number also it's 4.5% for the bank. If that number starts going up, let me call it 5% or 5.5% or something like that, I hope not, then you can also see for yourself that what are the numbers -- I mean, the impact, if any. It is in the numbers but we're hoping for now that things are broadly in zone 3.

Jai Mundhra: No, the SMA 1 plus 2 portfolio that we show that has mortgage vehicle MSME. This MSME corresponds to which line item in Slide 39, which have Retail, Mortgage, Vehicle, Consumer because there is no MSME, just to pardon my ignorance. I mean how should, which is the rupees crores for this MSME corresponding number?

V. Vaidyanathan: No, I think if you see the small print of that, if you read below, it is actually calls out what is, I think it must be calling out what the numbers are. I mean, what the business is attached to that business.

Sudhanshu Jain: And just to further sort of clarify this. So this will essentially include Business Banking segment. This would include business installment loans, which Vaidya talked about. And in our disclosure, it largely corresponds Business Banking, we have given out separately. And there is an other component in the Business finance, which would include largely bill and some of these loans.

V. Vaidyanathan: Normally, we don't take -- just to be clear, normally, we don't take loan against property as part of MSME, though I guess a large part of that business will be our small entrepreneurs. But just as a convention, convention that they say, convention in the industry, if you notice, everybody -- every bank has something called mortgages, where they combine home loan and loan against property as one family as a convention.

So that goes away as mortgages. This MSME is largely something called business banking where the business banking basically give working capital to small entrepreneurs, typically with properties collateral, that's business banking. Then we give something called business installment loans where we give some unsecured credit to our installment based, EMI-based to small entrepreneurs and then some similar connected businesses.

Sudhanshu Jain: And just to add, on the MSME pack per se, we are seeing a credit cost, which is broadly similar to the overall portfolio. So while as Vaidya rightly said, we are watchful of this portfolio, but we would see if any second order impact would come in. On the primary front, most of these MSME more domestic oriented and hence, our assessment is the impact may not be that much.

V. Vaidyanathan: And thanks for flagging, maybe next time investor presentation onwards, we'll give a little more color on what is MSME because there are 4, 5 businesses that are combined to become one family here. So we'll break it up and actually tell you what specifically they are.

- Jai Mundhra:** Sure, sir. And sir, if you have the number separate for current account and savings account, I mean that will give a clear picture because, of course, the CASA as a block is doing very well. But if you have the number separately for current account and savings account?
- V. Vaidyanathan:** We can share now also; our current account is not great. It's one of our weak points. So one of our area for improvement. We have about INR130,000 crores of CASA, right? So how much is CA?
- Sudhanshu Jain:** Current account would be about, I would say, 14% of the total CASA deposits. And as I said, on an average basis, CASA did grow by 32% on a Y-o-Y basis. We have seen even our CA growth to be about 30%. Of course, in terms of the total proportion, our endeavor is to improve the CA in the overall pack.
- Jai Mundhra:** And last question, sir, how much of the business is driven by, let us say, what do you say, partners, right partnership because it looks like that the new guideline, there may be some disruption, not disruption, but you may have to change something when you source business from some other partners under CLP 1 and 2. Is that any risk in terms of the origination or the way you acquire loans through partners? Or that is you are already in compliance with -- I mean, you are already, let us say, up to date with the CLP 1, 2 regulations?
- V. Vaidyanathan:** What CLP?
- Jai Mundhra:** Co-lending, sir.
- V. Vaidyanathan:** No, no, we don't do much of co-lending and all.
- Jai Mundhra:** Sure sir.
- V. Vaidyanathan:** But to your previous question on current account, like I said that we are growing that. And basically building a current account proposition requires lots of builds, lots of solutions, working capital solutions and all that. I'd imagine that we are about INR20- odd thousand crores of current accounts on our book or something like that, somewhere in that zone but it's growing by the way, it's growing, but we'd like it to grow more.
- Jai Mundhra:** Right. And you mentioned that the blended cost of savings account is around 5.8%, right, for this quarter?
- V. Vaidyanathan:** Yes, yes. Is that so?
- Sudhanshu Jain:** Yes, about 5.85%.
- V. Vaidyanathan:** 5.8% something. But still, remember, people who are chasing me down to cut the rate on something remember that this is still cheaper than fixed deposits, by the way. If I cut this, listen, there's no free money in earth, okay? If I cut this, then I would raise money to fixed deposit, and that will come at a higher rate.
- So we are using an optimal mix. And we need to grow our distribution. Like I said, we are very -- I feel we are a little thin on distribution. We need more distribution and then it will give us more confidence, particularly after fixed deposit ratio.

- Jai Mundhra:** Or sir, maybe you can do some hybrid, right, like sweep-in, sweep-out, maybe you can lower the threshold for savings and then have a sweep in product, which is in between types.
- V. Vaidyanathan:** Yes. We'll think about it also. If we do it, we'll call -- you can take some credit for it. But we're thinking about those lines by the way.
- Moderator:** The next question is from the line of Farhaan Wadia from HDFC Securities.
- Farhaan Wadia:** I have one question. If other than the microfinance sector, is there stress in any other sector?
- V. Vaidyanathan:** No, the short answer is no. We are not seeing any. And in this business, we ask ourselves this question all the time, even within internally. So we are very watchful. We are seeing every business trends and signals like we just saw, if you saw the numbers of every product on the SMA, broadly, I think they're all holding up well. So we're not seeing any significant amount, but we'll watch if we see any signal, we'll share with you.
- And any case, you see it immediately in the check bounce percentage in any case. And by the way, just to be clear and honest with everybody here, when we're running a large business of 25 businesses, there are some business where something goes up also, okay? Some credit cost goes up in one business or NP goes up. After running so many businesses, so many cities, villages, locations, scorecards.
- So something goes up also, but something comes down also. But since we're running a large portfolio of 25 business lines, so many cities and all that, they usually tend to knock up with each other. So we share the net number with you. And on the net front, we are directionally looking okay.
- Farhaan Wadia:** Okay fine. So, nothing in any specific factor, right?
- V. Vaidyanathan:** It doesn't mean that in no business credit delinquency goes up. That's not the way. That wouldn't be true. Something goes up, something comes down.
- Moderator:** Our next question comes from the line of Shailesh Kanani from Centrum Broking.
- Shailesh Kanani:** Sir, my question was on Slide 65, where the cost-of-income ratio on the asset side has been a little sticky. So for last 3 years, it is on the upward trajectory. So just wanted to understand reasons for that and any levers for improvement on that front? And on the second part of my question was on credit cards. Credit cards has seen a very sharp improvement in terms of cost to income. So what drives that, if you can highlight that?
- V. Vaidyanathan:** Sudhanshu, you take a first shot, I'll come back.
- Sudhanshu Jain:** Yes. So on the asset side, I would say the cost to income has gone up in the near term because of the income impact which we have seen, right, because of the sharp decline in the MFI book because of, I would say, the repo transmission, which has happened, while on the FD, the benefit will come with some lag.

So directionally, while this may move slightly further into next 1 or 2 quarters, but directionally, we definitely see operating leverage playing out and this to bend down, right, into the next year.

V. Vaidyanathan: Basically, once the microfinance book stops degrowing because the more microfinance degrows, that amount of income goes away because let's break this up. When you say cost to income, it is cost divided by income. So people often think of cost income as cost. No, its cost by income.

So when you divide that by income, income shrank. So that is we know is a well-known issue. So we can't say any more time this microfinance book shrank. So it is not the cost went up, but the income came down.

Shailesh Kanani: Sir just to clarify that. But that is fine for first half FY '26. But what I was trying to understand is that since FY '23, if you see that number, it has been kind of inching up from 52.7% to say, around 56% in FY '25 as well. So just wanted to understand in general.

V. Vaidyanathan: No, no. No, no, let's take very specific take the number. So FY '24 is 53.2%. Right, correct.

Shailesh Kanani: Right.

V. Vaidyanathan: Now in FY '25 is when the microfinance item hit us. So that's when you saw the number jump up from 53.2% to 56.1%. And even in this year, you've been seeing shrink microfinance book shrinking, and that's why the mix is shrinking. So you've seen it go up from 56.1% to 59.1%. So we put out the numbers publicly.

So, we don't leave anything to imagination. So now we believe that once this microfinance issue should be behind us and like Sudhanshu correctly pointed out that 1 year from now or maybe 6, 9 months from now, etcetera, 1 year from now, the fixed deposit would have helped us reprice all the fixed deposit downwards meaningfully. So interest cost should come down.

Number two, the income line, will stop degrowing, rather will start growing. And anyway, it will be a strong operating leverage coming because we are very digitized.

So you may not be aware that we are like 98% or 99%, we have e-KYC, 99% is e-mandate, 99% is e-stamping registration. So we are highly digitized. So when we scale from there, the operating leverage does come to us. So these are 3 factors at play.

The repo hopefully will taper off at that stage. Like I said, the other 2 factors I talked about, which is the microfinance degrowth and all that. On credit card front, well, it's coming very well. It's been like our super successful launch. We are very, very, very happy when we look at the rollout of this business.

And frankly, every single product that we have launched in the bank, I mean, it's just amazing to even think like that, that every single launch at the bank, we've launched just so many products like 25 to 30 since the time the merger happened and every one of them have landed well. Every one of them. Credit card is one of them. Credit card, it's a jewel of the crown, but every product has landed well for us. This has also landed well. That's why the cost income has come down to below 100% in just 4 years. And we believe it will come down to now from

95%, which is what it is today or 96%, it will come down to 75%, we believe, in the next 2 years. I hope it gets there, plus/minus some few hundred basis points.

Shailesh Kanani: Okay. Fair enough.

V. Vaidyanathan: By the way, friends, it's only 745, would you really want to continue or we can sign off? Last question okay.

Moderator: Thank you. Ladies and gentlemen, we will take that as the last question for today. I would now like to hand the conference over to Mr. Vaidyanathan for closing comments. Over to you, sir.

V. Vaidyanathan: We've said enough, so I have nothing more to add. I just want to say that thank you for your support over many years. Our return on equity has been low over the last 5 or 6 years. Our book value per share addition has largely come from a fresh capital raise at a premium to the book rather than by internal accrual of capital. But nevertheless, it did come.

That's how book value per share has gone to 54. So you've been patient with us this while and provided us capital at a good price whenever we raised it. So thanks for that. We think that the same zing and feel that you got about the bank when we were turning around between 2020 to '24, that 3 or 4 years, you've got zing -- that things are turning around.

I believe we'll begin to get the same feeling again once you see this quarter, next quarter, quarter after that, next year. I think next 2, 3 years, you will get the same feeling again. But I can fully understand if you want to watch us for a few more quarters before you get that confidence, but I do believe you'll get it. But thanks so much for being with us all through this.

Moderator: Thank you.

Sudhanshu Jain: Thank you, everyone. Happy Diwali and happy festivities. Thanks, everyone, for joining.

V. Vaidyanathan: Happy, happy festivities, everybody. And thanks once again from all of us at IDFC First Bank from best wishes to all. Thank you.

Moderator: Thank you. Ladies and gentlemen, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.