Operator: Ladies and gentlemen, good evening and welcome to IndusInd Bank Ltd. Q2 FY27 earnings conference call. As a reminder, all participant lines will be in 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 call, please signal the operator by pressing star and then zero on your touchtone phone. Everyone is requested to kindly limit their questions to a maximum of two per person. I now hand the conference over to Mr. Rajiv Anand, Managing Director and CEO of IndusInd Bank Ltd. Thank you, and over to you, Mr. Anand.

Rajiv Anand – MD & CEO: Good evening, everyone, and thank you for joining us today. I am joined by our EDs, Jagdeep and Ganesh, our CFO, Viral, and our Head of Investor Relations and Strategy, Indrajit. I will start with the operating environment and then cover our progress on the bank's strategic priorities.

During the quarter, global markets faced renewed geopolitical tensions and higher energy prices. India's growth momentum, by contrast, stayed resilient, backed by strong economic activity and sound macroeconomic fundamentals. Banking system liquidity improved meaningfully, helped by FCNR(B) deposit flows, and credit demand continues to strengthen. Together, these conditions have created a constructive environment for the banking industry.

Against this backdrop, the bank has delivered a healthy operating profit performance. Growth momentum picked up, and we maintained a prudent approach to risk and liquidity. We also made further progress on our strategic priorities, with better asset quality, a stronger balance sheet mix, and higher profitability. These results show the benefits of the disciplined action we have taken over the last several quarters. I will now cover the key highlights of Q2 FY27, followed by business-specific progress and financial performance.

Retail deposits grew sharply during the quarter, helped by FCNR(B) mobilization, and asset growth picked up across both retail and corporate segments. As a result, deposits and advances have returned to double-digit growth at 10% and 11% year-on-year, respectively, compared with a decline last year.

Under the RBI swap window, we mobilized 3.51 billion dollars of FCNR(B) deposits. This implies a market share of 2.75%, well above our natural market share of about 1.5% on overall deposits. It is also meaningful relative to our own size at 6.3% of our Q2 average deposit book and was supported by a relatively higher share of retail and non-leveraged deposits, reinforcing the quality of our funding profile.

On the asset side, retail growth was robust at 12% quarter-on-quarter overall and 4% quarter-on-quarter excluding FCNR(B)-related lending. Disbursements accelerated across vehicle, rural, and traditional retail. The wholesale book maintained its momentum, growing 10% quarter-on-quarter, while the portfolios under the mid-market and SME segments also witnessed healthy 13% quarter-on-quarter growth.

Asset quality improved across all subsegments. Annualized gross slippage fell to 1.8% from 2.1% quarter-on-quarter and 3% year-on-year. Our continued focus on recoveries ensured a larger improvement in net slippages, which fell to 1.1% from 1.5% quarter-on-quarter and 2.5%

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year-on-year. The outstanding stress book has declined, with gross and net NPAs improving to 2.73% and 0.83%, respectively. Residual stress indicators remain negligible. Net security receipts are at 0.03%, and SMA 1 and 2 combined is at 0.05%.

We resumed expanding our physical distribution footprint, adding 124 outlets, primarily within BFIL. With business momentum picking up, we plan to add about 100 bank branches in H2, expanding into underpenetrated geographies and reaccelerating growth in select markets where expansion has previously moderated.

In parallel, we strengthened our frontline capacity by adding around 4,300 employees at the overall bank level, largely in sourcing roles. These investments in distribution reach and sales capacity position us well to support future growth.

Our generative AI initiatives continue to see strong employee adoption. More than 50% of our employees now use AI chatbots, and over half of the active users use them daily with satisfactory outcomes. AI-assisted productivity is steadily becoming a part of day-to-day work across the organization.

We have also expanded our conversational AI program, with 6 voice bot programs launched and a further 12 customer and employee journeys identified within the roadmap. These programs are helping validate use cases, user adoption patterns, and operational benefits while creating a pipeline for broader deployment.

We had set an ambition of a 1% exit ROA for this year, and we are making clear progress. Q2 ROA improved to 0.87% compared to a normalized 0.63% in Q1, despite temporary margin pressures from FCNR(B) mobilization.

Pre-provision operating profit rose to 2,874 crores, up 15% on the normalized previous quarter. Robust business growth and healthy fee income drove the increase, while disciplined balance sheet management contained the margin impact of FCNR(B)-related liquidity. Provisions declined 12% quarter-on-quarter and 54% year-on-year, reflecting sustained improvement in asset quality and lower fresh stress.

As a result, profit after tax rose to 1,242 crores. This is up 51% quarter-on-quarter on a normalized previous quarter, against a loss a year ago. Capital adequacy remains healthy, with CET1 at 15.55% and overall capital at 16.59%, giving us ample capacity to support growth.

I will now take you through the individual businesses, starting with retail followed by wholesale. Viral will then cover the financial summary.

On retail deposits, our deposit franchise is anchored by a wide distribution network, strong segment-led propositions, a comprehensive product suite, and a capable workforce. Over the last few quarters, we have further strengthened our liability franchise through targeted senior- and middle-level leadership hires, greater integration across branches, affluent and NRI banking teams, and enhancements to digital onboarding and acquisition journeys.

During the quarter, we mobilized 3.5 billion dollars of FCNR(B) deposits under the RBI swap scheme. This shows the strength of our NRI franchise and our ability to seize market opportunities

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through sharp execution. We have used these inflows prudently to improve the quality of our liabilities.

Part of the proceeds replaced high-cost bulk funding, which brought CDs down to 3.3% of deposits from 5.9% quarter-on-quarter. Our deposit mix continues to improve. On an end-of-period basis, retail deposits as defined under LCR grew 11% quarter-on-quarter and rose to 50% of total deposits.

Customer acquisition gained momentum, with nearly 3.6 lakh new-to-bank accounts opened during the quarter, up 12% quarter-on-quarter, supported by a stronger customer proposition and more productive distribution. Cost of deposits was 5.96% compared to 5.93% quarter-on-quarter. While both savings and term deposit costs repriced downwards, the marginal increase came from a lower CASA mix due to the FCNR(B) mobilization.

The FCNR(B) window gave a strong boost to our affluent and NRI banking. These segments now hold around 1 lakh 5 thousand crores of deposits, up 23% quarter-on-quarter. We also added SIP offerings to our approved product suite, giving clients access to more sophisticated investment solutions and strengthening our wealth proposition.

We continue to strengthen our customer proposition through selective launches and partnerships: a partnership with Navi UPI to strengthen digital payments; a partnership with JP Morgan Payments to launch an expedited cross-border remittance solution; and new customer features, Secure Deposit and SafeBuddy on Indie, to enhance security and trust.

Going forward, we will focus on improving CASA, increasing the retail deposit share, and optimizing the cost of deposits. We will do this through deeper engagement with retail, affluent, NRI, senior citizen, and SME customers, supported by digital, AI, and data capabilities.

Moving to retail assets, let me start with vehicle finance. Our vehicle finance portfolio crossed the 1 lakh crore milestone this quarter. The book now stands at 1 lakh 651 crores, up 5% year-on-year and 1% quarter-on-quarter. Disbursements picked up to 11,968 crores, up 17% year-on-year and 10% quarter-on-quarter.

As we said on earlier calls, we had been cautious on tractors and two-wheelers. Excluding these two segments, vehicle disbursements grew even stronger at 24% year-on-year and 14% quarter-on-quarter. The disbursement growth was driven by commercial vehicles, which grew 32% year-on-year and 17% quarter-on-quarter, and passenger vehicles, at 13% year-on-year and 12% quarter-on-quarter.

Asset quality remains stable, backed by disciplined underwriting and collections. Annualized net slippage fell to 1.67%, down 34 basis points quarter-on-quarter and 30 basis points year-on-year, and the overdue book stayed within our operating range.

Looking ahead, festive demand and seasonality should support growth in the second half. We, however, remain watchful of macroeconomic trends, especially around fuel prices, affordability considerations, and monsoon-related developments across markets. Our focus remains on profitable growth, gaining market share in our chosen segments, and deepening customer relationships through cross-sell across the wider retail bank.

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Our rural banking franchise continues to improve across the board in both disbursements and asset quality. The microloan business returned to growth after nearly 8 quarters of decline. The portfolio grew 8% quarter-on-quarter to 17,571 crores, on disbursements of 6,548 crores, up 25% quarter-on-quarter.

Asset quality improved further, reinforcing our confidence in the underwriting changes made last year. Annualized net slippage on microfinance loans fell to 2.2% from 3.4% quarter-on-quarter and 14.1% year-on-year. The 31-to-90 DPD fell to 0.4% from 0.6% quarter-on-quarter and 3.2% year-on-year.

Around 89% of the portfolio is now covered under the CGSMU guarantee scheme, including disbursements whose cover is currently being processed. Beyond microfinance, our diversification initiatives continue to scale. The merchant finance portfolio grew 20% year-on-year and 7% quarter-on-quarter to 8,694 crores, serving nano retailers across more than 550 cities.

Merchant finance now contributes 33% of loans originated by BFIL versus 25% year-on-year. Affordable housing grew 18% year-on-year, while KCC and other rural loans remained stable quarter-on-quarter. Rural banking remains an important franchise both for profitability and priority sector...

Rajiv Gupta: ...lending. Having strengthened underwriting and operating processes in the microfinance business, we have resumed growth in a calibrated manner and expect to build on this momentum as we enter the seasonally strong second half.

At the same time, we continue to monitor potential risks from drought conditions in a few states, fuel and inflation trends across the next state elections, and we will calibrate our growth strategy accordingly.

Building on the momentum of the first quarter, traditional consumer banking assets witnessed further acceleration in growth during the quarter. Excluding FCNR(B)-related loans, the consumer loan book grew 7% quarter-on-quarter to 59,776 crores, led by healthy traction in secured retail and MSME.

We continue to scale our secured retail and MSME franchises while maintaining a selective approach towards unsecured lending. Our home loan book grew 39% year-on-year and 12% quarter-on-quarter to 7,733 crores. Within SME, small business banking grew 10% quarter-on-quarter to 10,523 crores. Loan against property grew 7% quarter-on-quarter to 14,407 crores. Both reflect encouraging traction in our focus segments.

On the unsecured side, origination trends improved, but we continue to put portfolio quality and risk-adjusted returns ahead of volume. As a result, the credit card portfolio declined 3% quarter-on-quarter and the PL portfolio declined 2% quarter-on-quarter. With new originations improving, we expect both CC and PL books to return to growth in the next few quarters.

Asset quality improved further during the quarter, with annualized net slippage of 3.3% versus 3.7% year-on-year and 3.5% quarter-on-quarter. Over the last several quarters, we have strengthened our leadership team and invested in distribution, analytics, and technology. That work is now

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showing in better momentum across our focus businesses.

Mortgages, gold loans, LAP, and small businesses are contributing a growing share of incremental growth and diversifying the loan portfolio. These businesses are central to our strategy of building a more granular, balanced, and resilient universal bank.

Coming to the wholesale bank, the wholesale bank sustained last quarter's momentum, with the loan book growing 10% quarter-on-quarter and year-on-year. The commercial and mid-market group grew fastest, at 13% quarter-on-quarter. Corporate and institutional banking both grew 8% quarter-on-quarter.

Growth was well diversified across sectors, including NBFCs, metals, transport, automobiles, digital services, and gems and jewelry. Customer acquisition strengthened, with new-to-bank credit relationships up 43% quarter-on-quarter. This was supported by continued expansion in commercial and mid-market, supply chain finance, and corporate banking.

Fee momentum stayed healthy. Wholesale bank fees rose to 446 crores, up 37% year-on-year and 9% quarter-on-quarter, with transaction banking contributing 52% of the fees. Transaction banking continues to scale and deepen client relationships.

We saw healthy momentum in trade finance, cash management, capital markets, and government banking businesses, which support growth both in fees and liabilities. The share of customers rated A and above in the wholesale portfolio was at 76%, remaining steady on a quarter-on-quarter basis.

Asset quality remains robust. Annualized gross slippage fell to 0.07%, and net slippage was negative because recoveries and upgrades exceeded fresh slippages.

Going forward, we will focus on scaling commercial and mid-market, supply chain finance, and transaction banking, and deepening relationships across corporate, institutional, and government clients. We will drive higher penetration of trade and cash management and capital market solutions, strengthen our self-funding relationships, and stay disciplined on risk. This will support sustainable growth and higher fee intensity.

Let me now hand over to Viral to take you through the financial performance.

Viral: Sure. Thank you, Rajiv. As usual, I will start with the balance sheet and then move to the profit and loss account.

On the balance sheet, excluding FCNR(B)-related advances, the average advances book grew 6% quarter-on-quarter, driven by better momentum in both retail and wholesale. Including the FCNR(B)-related loans, average advances grew 9% sequentially.

Average deposits grew 7% quarter-on-quarter, supported by FCNR(B) mobilization, while we continued to reduce certain wholesale deposit balances. The average credit-deposit ratio was 84% compared to 83% in Q1 FY27. Average borrowings rose to 9% of total liabilities, up from 8% quarter-on-quarter, mainly because of the FCNR(B)-related foreign currency borrowings.

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On P&L, net interest income was 4,569 crores, which is up 4% quarter-on-quarter on a normalized basis. Net interest margin was 3.23% compared with a normalized 3.35% in the previous quarter. The 12-basis-point moderation was mainly due to FCNR(B) mobilization. About half came from the FCNR(B) deposit-related balance sheet expansion, and the rest came from other changes in the balance sheet.

Non-interest income was 2,248 crores, up 26% quarter-on-quarter, supported by strong business momentum and healthy treasury income. Operating expenses were 3,943 crores, up 7% quarter-on-quarter. This increase reflects higher business volumes, growth-related spending, and marketing and brand-building initiatives.

As a result, pre-provision operating profit was 2,874 crores, up 15% quarter-on-quarter on the normalized previous quarter. Provisions and contingencies were 1,223 crores, down 54% year-on-year and 12% quarter-on-quarter, and that was driven by lower net slippages. In line with our policy, we wrote off loans of 1,671 crores during the quarter.

Moving on to asset quality, GNPA and NNPA both improved quarter-on-quarter to 2.73% and 0.83%, respectively, with the PCR at 70%. Net slippages have improved sequentially, with a decline across segments. Segment-wise NPA movements are presented on slide 24 of the presentation.

The SMA 1 and 2 book was 5 basis points, compared with 12 basis points quarter-on-quarter. Net security receipts fell to 3 basis points from 7 basis points quarter-on-quarter. Restructured advances have also fallen to 4 basis points from 5 basis points quarter-on-quarter.

On profitability and capital, our profit after tax was 1,242 crores, compared with a normalized 824 crores in the previous quarter. The normalized ROA therefore improved to 0.87% from 0.63%, and that reflects continuing progress in profitability and asset quality.

The bank's capital and liquidity remained healthy, with CET1 at 15.55%, CRAR at 16.59%, and the LCR at 127%. Let me now hand back to Rajiv for his closing comments.

Rajiv Gupta: Q2 reflects the growing strength of the franchise and the progress we have made in rebuilding momentum across the bank. Growth has strengthened, profitability has improved, asset quality trends remain encouraging, and our funding profile is becoming more granular and resilient.

These outcomes are underpinned by the work we have done over the past year to strengthen our leadership team, enhance governance and risk standards, and invest in technology and operating capabilities.

It is particularly encouraging to see our retail growth engines gaining traction. Secured retail, MSME, and microfinance are contributing to stronger business momentum, while our liability franchise continues to improve through a higher share of granular retail deposits and reduced reliance on wholesale funding.

As we enter the second half, our priorities remain clear: accelerating high-quality growth, strengthening our deposit franchise, deepening transaction banking and fee income, and continuing the normalization of credit costs.

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We will continue to leverage technology, data, and AI to enhance customer experience, productivity, and scalability. The work of strengthening the franchise is translating into results.

With stronger fundamentals, healthy capital and liquidity, and momentum building across the business, we are entering the second half with confidence and a clear focus on delivering sustainable growth, stronger profitability, and improved returns over time.

With this, we can now open the line for questions. Thank you, and over to you.

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to please use handsets while asking a question. Everyone is requested to kindly limit their questions to a maximum of two per person.

Ladies and gentlemen, we will now wait for a moment while the question queue assembles. Our first question comes from the line of Riken Shah with IIFL Capital. Please go ahead.

Riken Shah – IIFL Capital: Hi, good evening, and thanks for the opportunity. I had 6 questions; I will space them out. First, on the loan side, the average growth momentum has clearly improved, and so has the disbursement in vehicle and MFI loans.

The question is that while you have mentioned growing loans in line with the system in the past, it is still trailing system loan growth, which presumably is running ahead of your expectations. I just wanted to get a sense of the growth outlook here. That is my first question.

Rajiv Gupta: No, let's take them one at a time. Six is a lot of questions, so otherwise I will forget. I hope you understand that what you are looking at is year-on-year growth.

The 2 quarters in the year ended March 31, 2026, saw the book actually decline. Therefore, if you look at it on a YTD basis, the book grew about 4% or 5% in Q1, and you have seen the growth in this quarter. I think there is a bit of a base effect that is playing out, which should adjust itself in the second half of the year.

Riken Shah – IIFL Capital: Got it, fair. As the momentum builds, you feel confident that you can grow by the end of the year or next year largely in line with or faster than the system, right?

Rajiv Gupta: I think we have been saying that our expectation is that we will grow in line with the market. The momentum that we have seen in the first half of the year gives us confidence that we should be able to meet those expectations.

Riken Shah – IIFL Capital: Got it, thanks. The second one is on certificates of deposit. You have clearly paid them down due to FCNR, but even the SA deposits have declined 5% quarter-on-quarter. Was there some bulk component in there that you also allowed to run down, or was it some retail SA that declined?

Rajiv Gupta: One of the things that has happened there is that we have a very successful dollar savings account product in Gift City, which is used by NRIs. Therefore, we did see some money

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move out of our savings accounts into FCNR(B) for obvious reasons, and to some degree that decline is reflected there.

Riken Shah – IIFL Capital: So it is some cannibalization of your NRE deposits, which would have come back as FCNR, got it. The third one is on short-term foreign currency loans, which have gone up, presumably to fund the FCNR leverage. I was curious to know the cost and duration of this loan, and whether the interest rate on this loan was hedged.

Viral: [pause] Are you talking about the borrowing, or are you talking about the lending leg?

Riken Shah – IIFL Capital: The borrowings, the short-term foreign currency borrowing to fund the FCNR leverage, presumably.

Viral: As of now, it is not fully hedged on a tenor basis, but that is typical treasury optimization, which we will do over a period of time. It is not an absolute match-funded position. However, the borrowing is towards funding the leveraged loan book.

Riken Shah – IIFL Capital: Got it. Given the way SOFR and the dollar rates have moved, should this result in some treasury losses down the road?

Rajiv Gupta: No. The entire portfolio is managed within our NOOP limits and so on. Therefore, any gaps that we are running on the FX side are well within the risk limits that we have approved by the board.

Riken Shah – IIFL Capital: Got it. The only reason to ask this question is that most other banks would not have taken any interest rate risk on providing this leverage. I was wondering whether this is something that may come and hurt us in the coming quarters or not really.

Rajiv Gupta: Not really.

Riken Shah – IIFL Capital: Okay, got it. The fourth question is on bancassurance income. It was 960 crores in FY26, almost 15% of total fee income. Based on your early assessments, assuming there is no watering down, what do you think could be the eventual [trails off]

Riken Shah – IIFL Capital: ...impact from this draft IRDAI norm?

Rajiv Gupta: I think, like the rest of the industry, the impact to us, given the fact that we have 2 pieces here—one is the policies that we sell through the branches, and the other is the credit life scheme—on an as-is basis, the impact will be material.

However, I think it is too early to talk about how much the impact will be because we are not clear on what the final commission structure will be, whether it will be passed on to the end consumer, and whether that will have an impact on volumes. It is too early to make all these calls.

Remember that as a bank, we are a multi-product player serving our customers. Therefore, we do have the ability—there may be some leads and lags—but given the very large distribution franchise that we have, we do have the ability to perhaps move our efforts such that the overall impact on our P&L is minimized.

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Riken Shah – IIFL Capital: Okay, got it. The next one is on ECL. In the past, you guided that the one-time transition impact is about 1.5% to 1.7% of loans, pre-tax. So that is roughly 5,500 crores. Is that correct? Also, could you comment now on how the recurring credit cost impact will look for us from next year?

Management: Firstly, that amount is not correct. It is more like 1.1% of assets. On a recurring basis, it is not si—sorry, 1.1% of loans. Sorry, 1.1% of loans. On a recurring basis, between 5 and 6 basis points is what we will see.

Riken Shah – IIFL Capital: This 1.1% is post-tax or pre-tax of loans?

Management: Pre-tax. Pre-tax.

Riken Shah – IIFL Capital: Pre-tax, okay. Five to six on a recurring basis, got it. The second-last question is on CET1. We have seen almost 40 basis points of consumption in this quarter, and we are at 15.5% now. How do you think about a potential capital raise? Is that something that can happen in FY27, or is it still some time away?

Rajiv Gupta: There is an enabling provision in place. We will look at a capital raise at an appropriate time.

Riken Shah – IIFL Capital: Okay, Rajiv. The last is a data-keeping question. If you could spell out the loan book mix by different rates—EBLR and MCLR—on the total book, I see that you have given it for wholesale, but the overall book would be helpful.

Management: Let me spell that out. 45% of the loan book is floating. Of that, 63% is repo-linked, and the remainder is across MCLR, T-bill, and other EBLR.

Riken Shah – IIFL Capital: Okay, got it. Perfect. Thank you so much.

Operator: Thank you. Our next question comes from the line of Kunal Shah with Citi. Please go ahead.

Kunal Shah – Citi: Hi. Firstly, overall in terms of margins, I think you indicated 6 basis points was the impact on account of FCNR. Was that correct when we look at the 12-basis-point decline, adjusting for the IT refund?

Management: It is slightly higher. It will be between 7 and 8 basis points. However, the challenge with FCNR is the pool that has gone into the funding mix of the bank. To fully isolate and say that this is FCNR is a very complex [inaudible].

Rajiv Gupta: Kunal, before you get to the question, there are 2 parts to this. One is the absolute funding rate itself that we are paying to customers. Then there is the swap cost to cover the interest component. The positive is the CRR-SLR impact that we do not have to maintain on these balances and the PSL benefit that we will get on this next year.

Putting it all together, just looking at whether it is 6 or 7 is, to my mind, inappropriate.

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Kunal Shah – Citi: Got it. When we look at it in terms of cost of deposits, there is no doubt that the quarter-on-quarter increase would be on account of a lower CASA. We have used FCNR to repay some of the bulk deposits, so there would have been a benefit, perhaps for a limited period in Q2, and largely it will reflect in Q3.

Now I think CASA would also be there on a base, not on an average basis but at least on a period-end basis. Going forward, in terms of cost of deposits, assuming there is no rate hike on the deposit side, how should we see the movement in the cost of deposits? Should it now be contained, or should we see it improving given that the bulk deposit repayment benefit will flow through?

Rajiv Gupta: [pause] If I look at it over the next 6 months, there are a couple of things that are already playing out from a macro perspective. One has to keep in mind that it looks likely that we will get more rate hikes between now and the end of March.

Second, to manage liquidity and rupee liquidity, we are already seeing currency leakage in the second half of the year, and we are seeing liquidity tighten. Therefore, there are a lot of moving parts in this space, and we will have to wait and watch the impact.

Kunal Shah – Citi: Okay, got it. In terms of the fee side, does this 1.35% include any component of FCNR-related advances fee or processing fee? How much would the core fee be if we were to look at it for this quarter? The jump is quite significant. Are there any elements that are one-off in the fee income?

Management: We do not have a fee component there. There was a collateral or sort of benefit from the whole FCNR scheme prevailing at that period, but that is about 40-50 crores of higher FX sales income. That is not a very large chunk, so there is no fee linked to the lending or anything of that sort.

We do have a couple of smaller one-offs. We had some AFS and HTM sales, with 48-50 crores from there, but both put together are 100 crores. A lot of the delta you are seeing is client-based fee income going up.

Kunal Shah – Citi: Okay. Trading is also quite high, perhaps almost 360-odd crores, even in this environment where yields have hardened. You said that you booked some gains during the quarter. Is that leading to this treasury income?

Management: It is only 48 crores. When you say treasury income, you are including FX sales there, presumably. That is not trading; that is pretty much business as usual. We do that all the time.

Kunal Shah – Citi: So what you said earlier, the 48-50-odd crores on forex, is that still classified in trading and others?

Management: Yes, it is FX sales.

Kunal Shah – Citi: So the 100-crore delta is still, yes, the 100-crore component you indicated is still there in trading and others.

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Management: Correct, correct, absolutely.

Rajiv Gupta: Yes, but remember that our treasury teams have done a great job managing volatility at this point in time, both on the FX side as well as on the fixed-income side. We do believe that as markets continue to remain volatile, they will give us opportunities to create some of these incomes.

Kunal Shah – Citi: The only question was that when we look at retail and wholesale, the core fee of 1.35% is still sustainable. There is no one-off element there?

Management: Yes, your analysis is correct. Sorry, what you said is correct.

Kunal Shah – Citi: Okay, got it. Thanks, that answers all the questions. Thank you.

Operator: Thank you. Our next question comes from the line of Chintan with Autonomous. Please go ahead.

Chintan – Autonomous: Hi, thank you. Can I come back to the fee income strength? Could you expand on which areas are showing improvement and where we can get this sustainability? That would be my first question.

Rajiv Gupta: It is across both retail and wholesale. On the retail side, we are seeing increased disbursements of traditional retail assets, so that is giving us processing fees. Distribution on the insurance side, including credit life, and simple things like locker fees and similar items are also contributing on the retail side.

We have done a lot of work in terms of optimizing some of the charges to our customers, and that is certainly benefiting us. On the wholesale side, work has happened on transaction banking, cash management, trade, and some of the capital market transactions that we have done, in addition to credit fees that we have received there as well.

The improvement is across both retail and wholesale, and it is granular in nature.

Chintan – Autonomous: That is heartening to hear. The second question would be on NIMs going forward. Even if we take your estimate of the 7-8 basis points of FCNR adjustment impact on NIM, there is underlying pressure on NIMs, perhaps because of the loan mix and the CASA mix.

As you look forward to the next 6-12 months, how do you see the drivers? There will probably still be some FCNR impact next quarter as well, but how should we think about NIMs? What will predominantly drive them, apart from rates?

Management: It will be both sides of the balance sheet. We would typically see higher retail growth happening in the second half. Q3 and Q4 will be higher for both vehicles and the retail asset book, so that gives us the kicker on yields on assets and loans. That helps us recoup some of that.

Of course, optimization on the liability side, including the delta effect of the CD book, gives us the entire corridor. It is across the balance sheet. However, we would look at recouping the decline that we have seen over the next 2 quarters.

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Chintan – Autonomous: So it is mainly the loan mix shift that you are thinking about?

Management: And obviously the deposit side. If we continue working on CASA, we are pushing hard on that, so all of those factors will contribute.

Chintan – Autonomous: Okay, excellent. Thank you.

Operator: Thank you. Our next question comes from the line of Piran Engineer with Citic Securities International. Please go ahead.

Piran Engineer – Citic Securities International: Hi, team. Thanks for taking my question, and congratulations on the steady turnaround. Firstly, on our trajectory to 1% ROA, a couple of quarters back you mentioned that when we were roughly 40–50 basis points, half would come from credit cost and half from PPOP.

Now it seems like the credit cost part has played out. Is there more scope for further improvement coming from the credit cost front?

Management: First of all, you are absolutely right. We have talked about the journey, and that is how it has played out. Of the 80-basis-point improvement, almost 50-60 basis points on an ROA basis has been credit cost, 15-20 basis points has been expenses, and the remainder has been income.

Exactly as we had thought would happen, you are seeing traction now on the income side. Fee income, as you saw, is already up, and hopefully we sustain that and now recover the NIM and recoup the 12 basis points that you have seen.

On credit costs, we do see further opportunity because across all our ratios, the absolute credit cost is still coming down. We are growing the balance sheet and, therefore, the credit cost to assets will further decline.

However, frankly, that is not the big driver that we are looking at going forward. That delta will continue flowing through, but not at the same scale and proportion that you have seen over the last 2–3 quarters.

Piran Engineer – Citic Securities International: Understood. Secondly, going back to one of the earlier questions on SA, you mentioned that SA is down 5%, mainly because NRIs are indirectly putting money in FCNR. If I adjust for that, would the SA book still have grown meaningfully? If not, what is really our strategy on CASA, because it has been weak for a few quarters now?

Rajiv Gupta: [pause] If you take that piece out, SA would have been flat. There is still obviously work to do. You have seen some of the commentary that I just provided. The number of accounts that we are opening has increased significantly. The number of accounts we are opening is now up 50% on a quarter-on-quarter basis, and we think that momentum will only grow as we go forward.

Therefore, we are building on the granular [inaudible] [trails off]

Rajiv Gupta: ...it will take time, but it is certainly work in progress.

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Chintan – Autonomous: Okay, but how do we explain this? We are adding more customers to the franchise, so it should still add an absolute value to SA, right? However, if I look at the last 4 quarters, it is still at around that {? 85 87000 crore ?} range.

Rajiv Gupta: I think retail, if you look at absolute retail on the rupee side, is growing to the point that both you and I are referring to regarding the new accounts.

Because some of the money is going into FCNR(B), we have seen some outflows. We have also seen some outflows on the government side. I am sure you know that the government is also becoming more efficient, and therefore we have seen some outflows on that side.

However, it is also relatively higher priced, so it has minimal impact on PPOP. Therefore, the focus in the second half of the year is to grow SA on a much more granular basis. The first phase is to open the account, the second is to get funding into it, and the third phase is to cross-sell into these accounts. That is the journey we are pursuing.

Chintan – Autonomous: Got it. Can I squeeze in a third question?

Rajiv Gupta: Please.

Chintan – Autonomous: Just lastly, on loan yields, they are down 25 basis points quarter-on-quarter. In a quarter where the retail share has increased, interest reversals should be lower because slippages are lower. What has really happened here? Have we given discounts to better-quality customers...

Rajiv Gupta: Just to comment on that, the FCNR(B) leverage is playing out there, so that obviously impacts the overall yield of the loan book. However, yes, that is [cut off]

Management: What you are comparing is not a like-for-like number. There was a 26-basis-point decline including everything; otherwise, adjusted, there was a 19-basis-point decline from Q1 to Q2.

Chintan – Autonomous: Okay, but even 19 basis points is fairly large, right?

Management: I am not disputing the answer. I am just correcting the factual comparison.

Chintan – Autonomous: Okay, then why is it 19? Let me rephrase my question.

Rajiv Gupta: That is the same explanation I was giving; you were just correcting the math.

Chintan – Autonomous: Adjusted for FCNR(B), you are saying that your loan yields are stable.

Rajiv Gupta: They are marginally lower because of the mix. We have grown wholesale faster than some of the retail segments. However, the larger impact that you are seeing is really the FCNR(B) leverage playing through.

Chintan – Autonomous: Okay, got it. That answers my question. Thanks, and all the best.

Rajiv Gupta: Thank you.

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Operator: Thank you. Our next question comes from the line of Antariksha with ICICI Prudential. Please go ahead.

Antariksha – ICICI Prudential: Hi, I am audible, right?

Rajiv Gupta: Yes.

Antariksha – ICICI Prudential: I have 2 questions. One is on your microfinance book. I can see that growth is now back, and the second half is generally stronger. I wanted some idea about where you are finding this growth, how much is coming from customers who are entering for the first time, how much is from existing customers, and where you see this going forward. Also, if you can separately talk about the traditional group loans and the other activities you are doing in rural.

Rajiv Gupta: On the first 2 points, on the microcredit side, roughly 73% of our borrowers have a 3-year vintage with us, and almost 51-52% of borrowers have a single facility with BFIL or IndusInd Bank Ltd.

Growth is now consistent across the country. We are getting good growth. However, as we pointed out earlier, there are certain pockets where we are seeing the impact of drought being announced in states such as Karnataka, Maharashtra, and Andhra.

We will continue to focus on growth, but we will be very calibrated and keep adjusting according to the situation on the ground. As of now, the quality of the portfolio continues to be extremely strong, but we will have to watch some of these factors that might play out in the next quarter or couple of quarters.

We are very watchful, but we continue to remain optimistic that as long as the macroeconomic conditions hold, we should see consistent growth in this business.

Antariksha – ICICI Prudential: Sorry, just to add one point: what is the share of new-to-credit now in the incremental disbursements? Has it gone up?

Rajiv Gupta: We will come back to you, but I do not think that number has increased significantly.

Antariksha – ICICI Prudential: Okay, got it. Apart from group loans, are the same factors true in microbanking, merchant banking, and the other rural activities? Could drought also have an impact there?

Rajiv Gupta: Merchant customers are slightly above the microcredit customers. They are more in the semi-urban areas and in certain larger geographies in which we operate. Again, as of now, we continue to see good credit performance and we are watchful of that space. Even through the cycle last year, we continued to remain within a range in terms of our credit performance there.

Antariksha – ICICI Prudential: Sure, got it. Very lastly, on the ticket size, the segments in retail that are also high-yield—for example, credit cards or perhaps tractors, which have a much higher yield—have also been declining for different reasons, some specific to you and some applicable to the entire system.

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If you have any comments on where we are in that cycle individually, because those are also important parts of the NIM journey when we talk about mix shift, the segments within retail and SME that have disproportionately higher yields—do you have any outlook on that?

Rajiv Gupta: On unsecured lending, as we said, we have been taking risk actions and being thoughtful in the way we grow our business, adjusted for risk-adjusted returns. In that segment, we have started seeing an uptick in disbursements, and we are hopeful that this should start translating into book growth in the coming quarters.

On credit cards, as you are aware, the entire system itself is seeing very muted growth. We have taken our own share of risk actions. Our new card acquisition is meaningfully up in the quarter, and we continue to remain focused on finding pockets where we can onboard more low-risk customers.

In terms of business banking and SME, our LAP and small business banking are all segments where we have started seeing growth, and you will continue to see that hold over the next few quarters.

Therefore, for most of the high-yield segments on the retail side, growth is either continuing to sustain, or in some of the unsecured pockets we are slowly increasing disbursements. You will start seeing that translate into book growth in the coming quarters.

Antariksha – ICICI Prudential: Sure, thank you. That is all from me.

Operator: Thank you. Our next question comes from the line of Jay Prakash Mundra with ICICI Securities. Please go ahead.

Jay Prakash Mundra – ICICI Securities: Hi, good evening, and thanks for the opportunity. You had shared that we want to exit FY27 at 1% ROA, and we are successfully on course for that. Do we want to share any exit FY28 or full-year FY28 ROA ambition?

Rajiv Gupta: This bank has historically delivered ROAs in the vicinity of 175–180 basis points. Our medium-term ambition is to get there. How soon we can get there is a matter of execution.

Jay Prakash Mundra – ICICI Securities: The risk appetite has also changed compared with the previous trajectory. If you have any FY28 exit or full-year FY28 view, given that perhaps the interest rate cycle is favorable from an NIM perspective and asset quality is now stabilizing, with slippages and so on, it would be helpful.

Rajiv Gupta: As I said, if our medium-term ambition is to get to 175–180 basis points, and you are seeing our calibrated approach to building the business, you can break it up and figure it out. However, I do not have any comment on next year.

Jay Prakash Mundra – ICICI Securities: Okay, sure. Secondly, treasury and forex are a decent part of fee income. If I do the DuPont analysis, it is roughly around 25 basis points of ROA and has been reasonably consistent. Is this a core number? Is it recurring? How should we look at trading, forex trading, and other income in the fee line item?

Rajiv Gupta: A large chunk of that is really FX sales, which is not trading by nature. It is more flow-based because you are selling it to clients, so it is client-based income. The pure trading

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component is much smaller. For example, this quarter, the trading component was roughly 70 crores of trading income. That hopefully gives you some perspective.

Jay Prakash Mundra – ICICI Securities: Sure. Lastly, on cost of deposits, there are a lot of moving parts, and the rate cycle has also hardened. Do you suspect that the overall cost of deposits should remain stable, or do you think it has bottomed?

Rajiv Gupta: Ultimately, banking is a marginal-cost business. Therefore, in an environment where rate hikes happen and liquidity tightens, the cost of deposits will go up. Correspondingly, either through proportionality or in general, lending rates will also go up. There may be some lead-lag effects around it.

Jay Prakash Mundra – ICICI Securities: Thank you so much, and all the very best.

Rajiv Gupta: Thank you.

Operator: Thank you. Our next question comes from the line of Abhishek Murarka with HSBC. Please go ahead.

Abhishek Murarka – HSBC: Hi, good evening, and congratulations on the quarter. Rajiv, how do you expect deposit rates to trend from here for SA and TD, from a system perspective and based on your own approach over the next 2 or 3 quarters?

Rajiv Gupta: The first point I want to make is that the FCNR(B) inflows have not come proportionately to all banks. Therefore, some banks have excess liquidity—I will use the word "excess" in the broadest sense of the term—while some banks that have not received these inflows are already beginning to see liquidity tighten.

The macro environment is such that we do expect rate hikes to happen and liquidity to tighten, either because of RBI actions or because of seasonal increases in currency in circulation and second-half demand. Therefore, it is fair to expect that some uptick in deposit rates is likely in the second half of the year.

Abhishek Murarka – HSBC: How much additional liquidity are you carrying today...

Operator: Abhishek, sorry to interrupt. Your line is not clear; you are breaking up. Please rejoin the line.

Abhishek Murarka – HSBC: Is it better now?

Operator: Yes.

Abhishek Murarka – HSBC: Sorry about that. I was asking how much additional liquidity you are carrying today that can be deployed while meeting all the reserve requirements and so on.

Rajiv Gupta: Do not look at it like that. We do not carry additional liquidity. For example, we have paid down some of our high-cost deposits and CDs. As and when we think there are sufficient deployment opportunities, we can always go back to the market and replenish some of this.

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However, given the focus on granular growth, that will take time to build. You do not want to push growth just because you have liquidity.

Abhishek Murarka – HSBC: Is it correct to conclude that you would have to respond to other market participants if they were to increase their TD or SA rates?

Rajiv Gupta: Perhaps with some lead-lag effect. Ultimately, we are a relatively smaller player, so ensuring our relative competitiveness from a pricing perspective is important.

Abhishek Murarka – HSBC: Sure, got it. The second question is more of a data point. Is the drop in Tier 1 because profits are not included in that, or is it something else—the 55-basis-point drop quarter-on-quarter?

Rajiv Gupta: I think that is a factor of balance sheet growth. You have seen loan growth pick up sharply in this quarter. Balance sheet growth was 5-6%, and that obviously consumes capital.

Abhishek Murarka – HSBC: Yes, but RWA growth was still much lower than asset growth...

Management: The intensity or density is still at 73% of the asset, so that has not changed. It is proportionate to what we had. There was some increase in marketplace and some increase, roughly 13 basis points, coming from some other change. Otherwise, it is balance sheet growth.

Abhishek Murarka – HSBC: Okay. I will clarify that offline. Thanks a lot, and all the best.

Operator: 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. Rajiv Anand for closing comments.

Rajiv Anand: Thank you for your interest in IndusInd Bank Ltd. Let me take this opportunity to wish you and your families a very happy Diwali and season's greetings to all of you. Thank you very much.

Operator: Thank you. On behalf of IndusInd Bank Ltd., that concludes this conference. Thank you all for joining us. You may now disconnect your lines.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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