South Indian Bank Q3 2014 Earnings Call 16 Jan'14

Operator

Good afternoon, ladies and gentlemen. Welcome to the conference call of South Indian Bank 3Q FY '14 Results hosted by SBICAP Securities. We have with us today the senior management team from the Bank represented by Dr. V.A. Joseph, Managing Director and CEO of the Bank. At this moment, all participants' lines are in listen-only mode. Later, we will conduct a question-and-answer session. Please note this conference is recorded. I would now like to hand over the floor to Dr. Joseph. Please go ahead, sir.

V.A. Joseph, Managing Director and Chief Executive Officer

Good afternoon to everybody. As against the first quarter net profit of 115 crores, and second quarter net profit of 127 crores, the Bank would declare a net profit of 141 crores for the third quarter of the financial year 2013-'14, registering a growth of 10.18%. The total business of the Bank has increased by 9,808 crores [ph] from 58,489 crore to 78,369 crore on a year-on-year basis, registering a growth of 14.43%. While the deposits has gone up by 5,705 crore from 38,940 crore to 44,645 crore, registering a growth of 14.65%. The advances has increased by 4,174 crore from 29,550 crore to 33,724 crores, registering a growth of 14.13%. CASA of the Bank also has increased by 1,490 crore from 7,958 crore to 9,448 crore, registering a growth of 18.72%. The Bank earned a total income of INR3,984.36 crores during the nine months as against INR3,482.85 crore for the corresponding period of previous year, registering a growth of 14.40%.

Operating profit of the Bank has increased by INR35.09 crore during the nine months from 642.50 crore to 677.59 crore, registering a growth of 5.46%. Net interest margin stood at 3.02, due to extensive measures taken on NPA recovery, the gross NPA has come down from 1.92% to 1.66% and net NPA from 1.39% to 1.18% as on 31st December, 2003. During this quarter, the Bank aims to bring down the gross NPA to below 1.50, and then net NPA below 1%. Annualized basic earnings per share increased to INR3.82 during the nine months of the current fiscal as against INR3.80 for the corresponding period of previous year. Book value per share increased from INR22.13 as on 31st December, '12 to INR25.15 as at 31st December, 2013. The Capital Adequacy Ratio of the Bank stood at 12.35 under BASEL II standards as on 31st December, against the regulatory requirement of 9%.

The cost income ratio during the quarter has tightly gone up from 46.77% to 47.97%. This is mainly because during this quarter, 24 new branches have been opened. Normally, we open the branches till the end of the financial year, this time to focus more on business growth, it was decided to open all the branches what we planned by this quarter itself, that is why there has been a slight increase in the cost income ratio which will not be happening in the subsequent quarter.

As on date Bank has 799 branches, and one branch is planned to be opened on 1st of February and on the occasion of the Founders Day celebration. And we are also crossed now 920 ATMs, the remaining 80 ATMs will be opened in the next three months to take the total number of ATMs to 1,000.

Along with me, I have Mr. Abraham Thariyan, Executive Director, who will be answering your questions on administration and on the deposit front. And also, I have with me Mr. Cheryan Varkey, who is Executive Director, who will be answering your questions on credit matters, credit and recovery. And also, we have our CFO, Mr. Gireesh, who will be answering questions pertaining to accounts. And also Mr. Murali, who will be answering your queries on treasury matters from Bombay.

Questions And Answers

Operator

Sir, shall we begin the question-and-answer session, then?

V.A. Joseph, Managing Director and Chief Executive Officer

Yeah, we can start.

Operator

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. (). The (Technical Difficulty) Jignesh Shial from IDBI Capital. Please go ahead.

Jignesh Shial, Analyst

Hello? Hello?

C. P. Gireesh, Chief Financial Officer

Hello.

Jignesh Shial, Analyst

Yeah, hi. Thanks for taking my question, sir. Just had a question on your NPA provisioning on your NPA advances. Now, if I see in Q3 this quarter, you had a reversal of 10.7 crores and the depreciation provision is also been reversed to 3.6 crores. Can you please elaborate, I mean, what kind of reversal is it and how come it has appeared?

C. P. Gireesh, Chief Financial Officer

On NPA, as MD was indicating, those percentage has come down in absolute terms also it has come down some 492, sorry, 614 crores in September to 554 crores in December. And the basis of provision requirement has come down.

Jignesh Shial, Analyst

Okay. Okay. It's basically since the NPA has been reducing accordingly whatever the provisions has been there you have reversed it, keeping your coverage ratio at 55%.

C. P. Gireesh, Chief Financial Officer

Yeah.

Jignesh Shial, Analyst

Yeah? Okay. And this investment depreciation, what kind of reversal is that?

V.A. Joseph, Managing Director and Chief Executive Officer

Yeah, investment depreciation, the overall depreciation on AFS and HFT book has come down. And we have taken the (Technical Difficulty).

Jignesh Shial, Analyst

Okay.

V.A. Joseph, Managing Director and Chief Executive Officer

And the other requirement (Technical Difficulty) already been booked till December.

Jignesh Shial, Analyst

Okay.

V.A. Joseph, Managing Director and Chief Executive Officer

(Technical Difficulty) remain.

Jignesh Shial, Analyst

How much that quantum would be, sir, one-fourth?

V.A. Joseph, Managing Director and Chief Executive Officer

Around 15 crores, we have already provided.

Jignesh Shial, Analyst

Fifteen, 15.

V.A. Joseph, Managing Director and Chief Executive Officer

Yeah.

Jignesh Shial, Analyst

Okay. That is three-four, so, 5 crores would be approx to just to impending?

V.A. Joseph, Managing Director and Chief Executive Officer

75% of the total requirement as on December 31, -- December '13.

Jignesh Shial, Analyst

Okay. 15 crore is provided which is 75%, right?

V.A. Joseph, Managing Director and Chief Executive Officer

Yes.

Jignesh Shial, Analyst

Okay. And can I get the breakup of your gross NPA in this quarter? How much is the addition reduction and write-offs?

V.A. Joseph, Managing Director and Chief Executive Officer
C. P. Gireesh, Chief Financial Officer

Yeah.

You mean movement.

Jignesh Shial, Analyst

Yeah, movement. Yeah, sorry.

C. P. Gireesh, Chief Financial Officer

NPA fresh additions were 103 crores.

Jignesh Shial, Analyst

Okay.

C. P. Gireesh, Chief Financial Officer

And recovery plus upgradation is 163 crores.

Jignesh Shial, Analyst

Okay. And is there any write-offs in this 163?

C. P. Gireesh, Chief Financial Officer

No, its only recovery.

Jignesh Shial, Analyst

No write-offs, right? Have you -- I mean, have you sold off any assets to ARCs or something?

C. P. Gireesh, Chief Financial Officer

No.

Jignesh Shial, Analyst

It's purely a recovery.

C. P. Gireesh, Chief Financial Officer

Yeah. Recovery and upgradation.

Jignesh Shial, Analyst

Okay, okay there is an upgradations also. Okay. And lastly, this 103 crores, is it from one particular ground or it's across different sectors?

C. P. Gireesh, Chief Financial Officer

Basically across different sectors excepting for one account of around 50 crores.

Jignesh Shial, Analyst

50. Okay, 50 crores is from one and the rest is from different. And how much is your restructured book right now outstanding?

C. P. Gireesh, Chief Financial Officer

Restructured outstanding is 1,513.

Jignesh Shial, Analyst

1,513. I mean -- okay and what has been added during this quarter, this restructuring?

C. P. Gireesh, Chief Financial Officer

During the quarter, restructured addition was around 165 crores.

Jignesh Shial, Analyst

165 crores. Is there any specific pipeline in this restructuring or there is (Technical Difficulty) right now?

C. P. Gireesh, Chief Financial Officer

There are three things (Technical Difficulty) for Q4.

Jignesh Shial, Analyst

Yeah, for Q3 [ph].

C. P. Gireesh, Chief Financial Officer

Our plan is to take none.

Jignesh Shial, Analyst

None, right. Okay, okay. Thanks a lot, sir. Thanks for taking questions.

Operator

Thank you. The next question comes from Rohan Mandora, Equirus Securities. Please go ahead.

Rohan Mandora, Analyst

Good afternoon, sir. Thank you for taking my question. During this quarter, if we look at the composition of the advances, we see considerable amount of increase in the infrastructure segment? So just wanted to get some sense --

V.A. Joseph, Managing Director and Chief Executive Officer

Could you repeat.

Rohan Mandora, Analyst

Hello?

V.A. Joseph, Managing Director and Chief Executive Officer

Repeat a bit loud.

Rohan Mandora, Analyst

Yeah. During the quarter, if we look at the increase in the segment wise composition of the loan growth, there has been a considerable growth in the infrastructure segment. So, just wanted to understand from what -- wanted to get some sense on, where is this growth coming from, which part of -- what kind of lending have we done here?

V.A. Joseph, Managing Director and Chief Executive Officer

There's not basically large lending has happened.

Rohan Mandora, Analyst

Sorry.

C. P. Gireesh, Chief Financial Officer

The part is, part drawal that was already sanctioned.

Rohan Mandora, Analyst

Okay.

C. P. Gireesh, Chief Financial Officer

And part is, in the intra there were drawal and federal funding. I mean, to put it other way around, now fresh infra large accounts have been sanctioned, excepting for one or two small education loans which now gets classified on the head [ph] infra. Education --

Rohan Mandora, Analyst

Okay. And so the existing loans which have been given have they been towards the power sector or towards which segment, if you could just clarify on that?

C. P. Gireesh, Chief Financial Officer

What is it?

Rohan Mandora, Analyst

The existing customers wherein the additional disbursements has been done in the infra segment to which sub-segment is it power, road or how is that?

C. P. Gireesh, Chief Financial Officer

It was none either in the power --

Rohan Mandora, Analyst

Okay.

C. P. Gireesh, Chief Financial Officer

-- or in the road.

Rohan Mandora, Analyst

Okay.

C. P. Gireesh, Chief Financial Officer

Existing sanction from drawal have to happen that has happened.

Rohan Mandora, Analyst

Okay.

C. P. Gireesh, Chief Financial Officer

And then, couple of fresh that has been given is from the educational institutions but small amount.

Rohan Mandora, Analyst

Okay. And sir, can I get the outstanding savings deposit and current's deposit amount?

C. P. Gireesh, Chief Financial Officer

Actually outstanding under the savings and current account would be around 7,770 crores [ph] for SB and current accounts 1,750 crores, so totally it's around 9,500 crores.

Rohan Mandora, Analyst

Okay. Sir can you repeat the current account amount?

C. P. Gireesh, Chief Financial Officer

It is total cost [ph] and that constitutes 21% of the total deposit, 21.818.

Rohan Mandora, Analyst

Okay. Sir, the current account figure was not clear, if you could just repeat that?

C. P. Gireesh, Chief Financial Officer

The current account is 1,756.

Rohan Mandora, Analyst

1,756, okay; and sir, for the FY '15, what kind of a market scenario do we see, what kind of loan growth would we be targeting, any sense on that? In which segments will this come from, because like if we see during the quarter --?

C. P. Gireesh, Chief Financial Officer

You're asking for the next year 2014-15?

Rohan Mandora, Analyst

Yes. Yes.

C. P. Gireesh, Chief Financial Officer

Yeah. We hope we should be able to grow at around 20%.

Rohan Mandora, Analyst

20%. Okay. And any target segments in that?

C. P. Gireesh, Chief Financial Officer

As of now we're targeting the retail segment.

Rohan Mandora, Analyst

Retail segment.

C. P. Gireesh, Chief Financial Officer

And in case overall economy have an uptick and then things like brighter, obviously we may be looking at a corporate also.

Rohan Mandora, Analyst

Okay. Fine sir. Thanks. Thanks a lot.

Operator

Thank you sir. The next question comes from Sri Karthik from Espirito Santo. Please go ahead.

Sai Kiran, Analyst

Hi, sir. This is Sai Kiran, just quickly couple of questions, how do you see asset quality planning out in the next couple of quarters, we have seen at least good improvement in the current quarter and also if you can just explain many kind of updates from the restructuring as we'll that it needs to?

C. P. Gireesh, Chief Financial Officer

MD has already in his opening remarks made the comment that for the coming quarter for March 2014 we are targeting a growth NPA of around 1, below 1.5%. And net of 1% or below. Already, behalf at this two accounts lined up for aggredation inside the value and aggressive measures are also on the Sarfaesi front and other legal front and OTS exercise for recovery on medium and small account as well. So recovery is being given a focus, we were giving focused attention on recovery during Q3 which has given us some results and the tempo which we maintained for Q4 also. With that, we hope asset quality overall should be getting improved.

On restructures numbers are already been given. As of -- can I go ahead?

Sai Kiran, Analyst

Yeah. Yeah. Go ahead, sir.

C. P. Gireesh, Chief Financial Officer

As on date, we have no restructuring in the pipeline.

Sai Kiran, Analyst

Okay. And sir, out of this current outstanding restructuring, what will be the break-up between standard restructuring and NPA restructuring, sir?

C. P. Gireesh, Chief Financial Officer

One second.

Sai Kiran, Analyst

Sure.

C. P. Gireesh, Chief Financial Officer

NPA restructure will be around 85 crores.

Sai Kiran, Analyst

Okay, if there are --

C. P. Gireesh, Chief Financial Officer

-- out of 1,513 crores. Got it?

Sai Kiran, Analyst

Yeah. Got it, sir. And sir, just any -- historically have we sold any loans to the ARCs and then by any chance we are owning any kind of security received sir?

C. P. Gireesh, Chief Financial Officer

ARC, whatever we have -- whatever has been sold was on a cash basis.

Sai Kiran, Analyst

Okay. There are no securities receipts which we will be owning at this point of time? Hello.

C. P. Gireesh, Chief Financial Officer

Yeah.

Sai Kiran, Analyst

And sir any update on NAFED because, for what the overall banking system, there revolves a meaningful exposure and there are sort of sell out on a public auction and share among the -- concerned about five banks. And for the profit that they are generating, including recovery from the advance that they have given, they have agreed to set apart certain percentage over the next about four or five years. So that this liabilities can be extinguished or our amounts can be met. How far it is workable is being is being examined but then this is a broad proposal that is now alive. So, in the current scenario, is it a fair to assume that there will be no incremental provision for needed on this account and then more or less it is there in the numbers, sir?

C. P. Gireesh, Chief Financial Officer

Are you talking about NAFED?

Sai Kiran, Analyst

Yes sir.

C. P. Gireesh, Chief Financial Officer

NAFED, it is 100% provided.

Sai Kiran, Analyst

Yeah. Okay. Okay. Fair enough. And sir, last question from my side. On the gold loans actually the RBI came out with the newer regulations for NBFC check list. Do you see that is and what I can say increase in competitive scenario and then changing the profitability metrics for the overall loans in the banking system. Any thoughts there sir?

V.A. Joseph, Managing Director and Chief Executive Officer

Competition obviously is there. But then we hope we will be having our own space as far as gold loan is concerned.

Sai Kiran, Analyst

Okay. Okay. And sir, on the NRI deposit, have we raised any FCNR deposits which RBI have given us a special permission sir?

V.A. Joseph, Managing Director and Chief Executive Officer

Yeah. We have around, a couple of millions around 6 million or $7 million have come under the RBI swap window of 3.5%. Our -- more growth was on the NRI front in rupee front, where we had a year-on-year growth of around 37%.

Sai Kiran, Analyst

That's right.

V.A. Joseph, Managing Director and Chief Executive Officer

Yeah.

Sai Kiran, Analyst

Given the overall NRI deposit numbers and then if possible the break up, sir?

V.A. Joseph, Managing Director and Chief Executive Officer

Yeah. The break up is like, we have a total NRI deposit is 8,000 crores --

Sai Kiran, Analyst

Okay.

V.A. Joseph, Managing Director and Chief Executive Officer

-- of it around 1,750 crores is NRE SB.

Sai Kiran, Analyst

Okay.

V.A. Joseph, Managing Director and Chief Executive Officer

Yeah. FCNR could be around 400 crores, and the remaining NRE term deposits. Some small portion of which is a very low cost old NRE term deposits.

Sai Kiran, Analyst

-- which were at the lower rate, sir?

V.A. Joseph, Managing Director and Chief Executive Officer

-- which were at the lower rate of less than 3%.

Sai Kiran, Analyst

Excellent. That's it from my side. Thank you very much.

Operator

Thank you. Next question comes from Sohail Halai from MOSL. Please go ahead.

Sohail Halai, Analyst

Yeah. Very good afternoon, sir. Sir, I just wanted to understand that out of the recoveries and upgrades of around 160 crores that we had during the quarter. How much was it on account of restructuring?

V.A. Joseph, Managing Director and Chief Executive Officer

Not account of restructuring.

Sohail Halai, Analyst

So there was no account that got upgraded because of the restructuring during the quarter?

V.A. Joseph, Managing Director and Chief Executive Officer

No.

Sohail Halai, Analyst

Okay. And so of this 165 crores can you give me a broad flavor like that how many accounts are actually restructured during the quarter?

V.A. Joseph, Managing Director and Chief Executive Officer

Sorry.

Sohail Halai, Analyst

(technical difficulty)

V.A. Joseph, Managing Director and Chief Executive Officer

165.

Sohail Halai, Analyst

Yes, sir.

V.A. Joseph, Managing Director and Chief Executive Officer

Number is six numbers.

Sohail Halai, Analyst

Okay.

V.A. Joseph, Managing Director and Chief Executive Officer

Six.

Sohail Halai, Analyst

Six accounts were restructured during the quarter. And sir you seem to be very confident on the asset quality side in terms of recoveries and upgrades. So can you just throw some light on that like what is the target that you are actually doing on basically upgrades and recoveries for the fourth quarter?

V.A. Joseph, Managing Director and Chief Executive Officer

The targets we have already told that to grow this try to bring it down 1.5.

Sohail Halai, Analyst

Yeah.

V.A. Joseph, Managing Director and Chief Executive Officer

Net one and two accounts have already in the pipeline for aggradation.

Sohail Halai, Analyst

How much that quantum would be of those account put together?

V.A. Joseph, Managing Director and Chief Executive Officer

Together will be constituting around 60 crores.

Sohail Halai, Analyst

Around 60 crores?

V.A. Joseph, Managing Director and Chief Executive Officer

Then contracts will be like 1 crore, 2 crores, 5 crores that sort of accounts are also being targeted, both through (inaudible) from that auction routes, negotiated routes and all those things.

Sohail Halai, Analyst

Okay. And sir in terms of slippages are you looking at any large account or mid corporate account getting slipped into NPA [ph] in subsequent quarters?

V.A. Joseph, Managing Director and Chief Executive Officer

As of now there are no large account was in that sort of concern.

Sohail Halai, Analyst

Okay. And sir you mentioned that 165 crores were added during the quarter, but if I see the restructured loan books, so there are hardly any additions. So did we receive any bonds form the SEBs?

V.A. Joseph, Managing Director and Chief Executive Officer

Sorry. Could you repeat?

Sohail Halai, Analyst

Did you receive any bond from the SEB during the quarter?

V.A. Joseph, Managing Director and Chief Executive Officer

Yeah, 150 crores, SEB bonds have been removed from the loan book, restructured, loan book.

Sohail Halai, Analyst

Okay, okay. And what is the remaining SEB restructured book, in a overall restructured loan remaining?

V.A. Joseph, Managing Director and Chief Executive Officer

Remaining restructured SEBs will be around 800 crores, 800, 900 crores.

Sohail Halai, Analyst

800 crores?

V.A. Joseph, Managing Director and Chief Executive Officer

Yeah.

Sohail Halai, Analyst

And we received 150 crores, so any further bond that we would be receiving in fourth quarter?

V.A. Joseph, Managing Director and Chief Executive Officer

No.

Sohail Halai, Analyst

Okay. And sir in terms of margins, the margin that disclosed of 3.02 that is for nine-month FY '14 right?

V.A. Joseph, Managing Director and Chief Executive Officer

Yeah.

Sohail Halai, Analyst

So sir, if I derive the numbers, then our sequential margins seems to have drop by around 50 -- 20 basis points. So could you elaborate on that?

V.A. Joseph, Managing Director and Chief Executive Officer

Margin having dropped.

Sohail Halai, Analyst

Sir, basically in our first quarter our margins were 2.93; the second quarter margins were 3.06 and the third quarter is 3.02. So if I derive the numbers from the nine month margins so it seems to have dropped by around 15 basis points. Do you have the quarterly numbers of margins?

V.A. Joseph, Managing Director and Chief Executive Officer

Yeah. Quarterly numbers; first quarter is 2.93 --

Sohail Halai, Analyst

Okay.

V.A. Joseph, Managing Director and Chief Executive Officer

-- second quarter 3.12.

Sohail Halai, Analyst

3.12.

V.A. Joseph, Managing Director and Chief Executive Officer

Yeah. And the third quarter is 3.02.

Sohail Halai, Analyst

3.02. So there is a 10 basis -- kind of a decline in bps. Okay. And sir, similarly can I get the third quarter FY '13 number as well?

V.A. Joseph, Managing Director and Chief Executive Officer

Last quarter, I don't have at this moment. I can come back to you later.

Sohail Halai, Analyst

Okay. And sir, couple of question on the PSL, like, what is the PSL book in our, basically balance sheet right now?

V.A. Joseph, Managing Director and Chief Executive Officer

On what account?

Sohail Halai, Analyst

Sir, PSL how much have been via priority sector lending?

V.A. Joseph, Managing Director and Chief Executive Officer

Priority sector as of now, 33%.

Sohail Halai, Analyst

Sorry, sir?

V.A. Joseph, Managing Director and Chief Executive Officer

33%.

Sohail Halai, Analyst

33%?

V.A. Joseph, Managing Director and Chief Executive Officer

Yeah.

Sohail Halai, Analyst

So we would be achieving 40% by end of this year, right?

V.A. Joseph, Managing Director and Chief Executive Officer

40, may not be, better end possible we may be ending up around 36-37.

Sohail Halai, Analyst

Okay. And, sir, last year this number was 31% if I am not wrong?

V.A. Joseph, Managing Director and Chief Executive Officer

You are right.

Sohail Halai, Analyst

So, there would be RIDF call as well right, draw down, so that would happen in this fourth quarter?

V.A. Joseph, Managing Director and Chief Executive Officer

Repeat.

Sohail Halai, Analyst

Sir, RIDF basically on account of non-achieval [ph] of BSL?

V.A. Joseph, Managing Director and Chief Executive Officer

I mean they make the demand as and when they have some necessity because we can say how much demand can come during the quarter.

Sohail Halai, Analyst

Okay. And sir, finally on last thing on risk weighted asset, what is the risk weighted assets on our balance sheet right now?

V.A. Joseph, Managing Director and Chief Executive Officer

One second. RWA is 25,922.

Sohail Halai, Analyst

Okay sir. Thanks a lot sir.

Operator

Thank you. The next question comes from the Pradeep Agrawal from Emkay Global. Please go ahead.

Pradeep Agrawal, Analyst

Yeah. Hi, sir. My question pertains to the recent guidelines on the gold loan for banks where in they have put in a cap of 1 lakh on the ticket size. So if you could elaborate, is it with respect to all loans or only loans with on which we have to take bullet payments?

V.A. Joseph, Managing Director and Chief Executive Officer

Yeah, that guideline of one lakh ceiling pertains only to bullet prepayment type.

Sohail Halai, Analyst

Okay, so what percentage of our portfolio will have that kind of bullet payment? Any ballpark number?

V.A. Joseph, Managing Director and Chief Executive Officer

At present around 80%, 82% is --

Sohail Halai, Analyst

So, 80% is bullet payment?

V.A. Joseph, Managing Director and Chief Executive Officer

Yeah.

Sohail Halai, Analyst

So, if I look at a portfolio were the ticket size is more than one lakh will be approximately how much?

C. P. Gireesh, Chief Financial Officer

Around 18%, 20%.

Sohail Halai, Analyst

18%, 20%. So you see -- okay, so do you see that impact on our golden portfolio or any decline form here on for the next two, three quarter?

V.A. Joseph, Managing Director and Chief Executive Officer

There need not be any great impact on the portfolio per se.

Sohail Halai, Analyst

No, but if you have to realign your, more than one lakh LTV portfolio with the new guidelines. So, I believe there has to be some impact --

V.A. Joseph, Managing Director and Chief Executive Officer

(Technical Difficulty) can be done.

Sohail Halai, Analyst

Sorry.

V.A. Joseph, Managing Director and Chief Executive Officer

Murali says, bullet repayment can be done.

Sohail Halai, Analyst

Okay.

V.A. Joseph, Managing Director and Chief Executive Officer

Yes, anyway we are --

Sohail Halai, Analyst

Okay fine. And if I have to take the break up of gold loan in terms of retail and agri what would be that?

V.A. Joseph, Managing Director and Chief Executive Officer

Agri will be around 1,000 crores of (inaudible).

Sohail Halai, Analyst

Okay, okay, okay. And coming to your investment book if you can give me the break up of your investment --

V.A. Joseph, Managing Director and Chief Executive Officer

Murali?

N. A. Murali, General Manager

Yeah, yes, yes. Total investments comes to 13,423 out of which SLR is 11,025, non-SLR bonds and debentures (Technical Difficulty) RIDF 1,506. SLR portfolio is 11,025 out of which AFS and HFT comes to 947, HTM comes to 10,078 total 11,025, which works out to 25% of the NDT [ph].

Sohail Halai, Analyst

Okay, if you can give me the break up this AFS book, how much you said?

N. A. Murali, General Manager

Sorry.

Sohail Halai, Analyst

AFS book how much you said, total AFS book?

N. A. Murali, General Manager

(inaudible) 947.

Sohail Halai, Analyst

947 and duration of which will be?

N. A. Murali, General Manager

3.5, yeah I -- these last quarter total (Technical Difficulty) around eight crores or 947 crores because, the valuation on that time was all the ten year at 9.12 now as of now the markets have come down to 8.9 to (Technical Difficulty) down. So, this cash will be worked out during the next quarter.

Sohail Halai, Analyst

Okay, okay, okay. And thirdly if you can give me your yield on investments?

N. A. Murali, General Manager

Yield on investments as on 31/12/2013, it is 7.14 I think this is including RIDF, Mr. Gireesh?

C. P. Gireesh, Chief Financial Officer

Yeah, it is.

V.A. Joseph, Managing Director and Chief Executive Officer

So including RIDF only isn't it? 7.14 and again 7.17 in September 2013.

Sohail Halai, Analyst

7 point?

V.A. Joseph, Managing Director and Chief Executive Officer

14.

Sohail Halai, Analyst

14. Now in last quarter what's at September 30?

V.A. Joseph, Managing Director and Chief Executive Officer

7.17.

Sohail Halai, Analyst

7.17. Okay, fine. Okay thank you so much. That's it from my side.

Operator

Thank you, sir. Next question comes from Mangesh Kulkarni from Almondz Global Securities. Please go ahead.

Mangesh Kulkarni, Analyst

Sir, thank you for taking my question. I just wanted to ask you about the increase in cost-to-income ratio, you had -like you have mentioned about the addition of 24 new branches, plus we are also aggressively putting advertisements on the business channels and all these things. So what was the expenses in this and whether it will be continuation going forward?

V.A. Joseph, Managing Director and Chief Executive Officer

No, we have been as far as advertisement expenditure is a separate concern, we are having with a consistent policy and it has been the -- we just been going which is approved budgeted limits which have been all through the years, there had not been any major variations on those kind of expenditure.

Mangesh Kulkarni, Analyst

Okay, okay. And sir, in terms of restructuring, we have mentioned about this 150 crores reduction because of the SEB bonds issue. Any other upgradation in the restructured book because of the satisfactory performance?

V.A. Joseph, Managing Director and Chief Executive Officer

Upgradations, you mean to say is sub-planted?

Mangesh Kulkarni, Analyst

Yeah, yeah.

V.A. Joseph, Managing Director and Chief Executive Officer

No.

Mangesh Kulkarni, Analyst

Okay, sir, okay. Thank you very much.

Operator

Thank you, sir. Our next question comes from Gegarwalia [ph] from OHM Group. Please go ahead.

Unidentified Participant

Thank you sir for the opportunity. Sir first question is on gold loan. Sir what would be the LT?

V.A. Joseph, Managing Director and Chief Executive Officer

What would be the?

Unidentified Participant

Loan-to-value, approximately?

V.A. Joseph, Managing Director and Chief Executive Officer

We keep around 70, 71 depending on the product we have.

Unidentified Participant

70, 71 and what would the duration, outstanding duration?

V.A. Joseph, Managing Director and Chief Executive Officer

Hardly it will be around 7, 8 months (inaudible)

Unidentified Participant

(technical difficulty) outstanding, okay. And just one other, the data point, I'm not very sure if I heard it correctly. The low cost NRE TD I think, is it somewhat closer to 6,000 crores?

V.A. Joseph, Managing Director and Chief Executive Officer

Is to total our proceeds fees is around 8,000 crores.

Unidentified Participant

Right.

V.A. Joseph, Managing Director and Chief Executive Officer
C. P. Gireesh, Chief Financial Officer

8,000 crores of which around 1,750 crores is NRI savings line? Okay.

(technical difficulty) would be around 400.

Unidentified Participant

I see; NRI is 400.

C. P. Gireesh, Chief Financial Officer

And around 50 crores is roughly low-cost term deposits of below 3%.

Unidentified Participant

How much? How much?

C. P. Gireesh, Chief Financial Officer

40 crores -- 50 crores.

Unidentified Participant

50 crores only. Okay. Okay. Not issues. Thank you.

C. P. Gireesh, Chief Financial Officer

It's a refuelled long-term term deposits which are yet to be matured.

Unidentified Participant

Okay. The low-cost one that only 50 to 60 crores?

C. P. Gireesh, Chief Financial Officer

Yeah. And our NRE SB figure has also -- NRE SB figure has gone up by around 22% this year from last March on wards.

Unidentified Participant

Okay. Great. Okay. Thank you, sir.

Operator

Thank you. Next question comes from Kajal Gandhi from ICICIdirect. Please go ahead.

Kajal Gandhi, Analyst

Sir, most of questions answered, but one thing, can you share your view on your CASA. What is the outlook on that?

C. P. Gireesh, Chief Financial Officer

CASA growth you are talking about?

Kajal Gandhi, Analyst

Yeah.

C. P. Gireesh, Chief Financial Officer

CASA growth --

Kajal Gandhi, Analyst

And also percent --

C. P. Gireesh, Chief Financial Officer

Pardon?

Kajal Gandhi, Analyst

-- and also percentage that you are looking at?

C. P. Gireesh, Chief Financial Officer

Yeah. CASA, the growth has been roughly 15% still now is during the last -- from March onwards.

Kajal Gandhi, Analyst

Sir, what is the outlook --?

C. P. Gireesh, Chief Financial Officer

And we have -- even today it is roughly working out around 21% of our total deposits and we expects to be around (technical difficulty) by next near.

Kajal Gandhi, Analyst

25%. So, but then the growth that is -- we have seen overtime it has not been able to pick up so much. So what will drive it?

C. P. Gireesh, Chief Financial Officer

No. I should say on SB front or especially on NRE SB front it has been very good this year and we have -- in a large we have -- installing point-of-sale machines through which we -- say, good current account balances. We have already installed around 800 to -- POS machines already now and we are further withdrawing our NRI deposits because we have conducted various NRI meets all over the Gulf and there have been a very good response. I think we should be able to go concentrate more on NRI deposits especially in the SB side.

Kajal Gandhi, Analyst

Sir, when you said NRI deposits it is 22% of the total deposit base?

C. P. Gireesh, Chief Financial Officer

It is -- NII deposits could be roughly, yeah, 20 to -- it could be around 25% of our core deposit actually.

Kajal Gandhi, Analyst

25% of total deposit.

C. P. Gireesh, Chief Financial Officer

Core deposit, core deposit.

Kajal Gandhi, Analyst

Core deposit. Sir, how much -- sir you just now shared the NRE number also, what how much was that?

C. P. Gireesh, Chief Financial Officer

Yeah, (Technical Difficulty).

Kajal Gandhi, Analyst

Pardon?

C. P. Gireesh, Chief Financial Officer

NRE, I'm talking all these things about NRE deposits, because NRO is a comparatively very small figure.

Kajal Gandhi, Analyst

Okay. Okay. Thank you sir.

C. P. Gireesh, Chief Financial Officer

And FCNR I told you it's around 400 crores.

Kajal Gandhi, Analyst

Yeah. Okay sir. Thanks. Sir, of this 400 crore how much are engaged in this quarter alone?

C. P. Gireesh, Chief Financial Officer

It is around $5 million to $6 million when we came through the RBI 3.5% route, that is around 30 crores to 40 crores (inaudible).

Kajal Gandhi, Analyst

Okay. Thank you.

C. P. Gireesh, Chief Financial Officer

So it will become more reprices through the Gulf. So they are more comfortable with ruppee deposits and they're hardly reflecting [ph].

Kajal Gandhi, Analyst

Okay, thank you.

Operator

Thank you. The next question comes from Sohail Halai from MOSL. Please go ahead.

Sohail Halai, Analyst

Just coming back to the asset quality (inaudible), in terms of recoveries and upgrades, you may had around 160 crores of upgrades and recovery this quarter. So can you tell me how many accounts was updated like any large account that got updated during the quarter?

V.A. Joseph, Managing Director and Chief Executive Officer

The one large account, normal, maybe around, two, three crores below ten.

Sohail Halai, Analyst

So that one large account would be -- of how much?

V.A. Joseph, Managing Director and Chief Executive Officer

Around 100 crores.

Sohail Halai, Analyst
Around 100 crores, okay. And sir, in terms of a loan growth target for this year, what is the target that we are actually --

V.A. Joseph, Managing Director and Chief Executive Officer

(Technical Difficulty).

Kajal Gandhi, Analyst

This FY '14.

V.A. Joseph, Managing Director and Chief Executive Officer

15%.

Sohail Halai, Analyst

Sorry.

C. P. Gireesh, Chief Financial Officer

15.

Sohail Halai, Analyst

15, okay. And sir finally last thing from my side, basically in terms of teir one that we had reported that would be excluding nine month profit sale?

V.A. Joseph, Managing Director and Chief Executive Officer

Yeah, that is excluding current year profit.

Sohail Halai, Analyst

So how much would it would be including current year profits?

V.A. Joseph, Managing Director and Chief Executive Officer

It is included then roughly 1% it will go up TRI [ph].

Sohail Halai, Analyst

Sure. Thanks a lot sir.

V.A. Joseph, Managing Director and Chief Executive Officer
Thank you.

Operator

Thank you. The next question comes from Rohan Mandora from Equirus Securities. Please go ahead.

Rohan Mandora, Analyst

Sir, just one more thing. If we look at the loan book split between Corporate, SME, and Agri, SME, Agri and Retail, if we look comparisons of 2Q and 3Q, there has been quite a fluctuation that has happened. So just wanted to understand if there is some reclassification which has happened there?

V.A. Joseph, Managing Director and Chief Executive Officer

It's not basically happened?

C. P. Gireesh, Chief Financial Officer

Not basically reclassification, we have given some more granularity.

V.A. Joseph, Managing Director and Chief Executive Officer

Yeah, because like if we see the split between corporate, retail and agri. In Q1, it was around 176 billion [ph] in corporate, then it came down to 134, then it again went up to 163 and for SME and Agri it was 67 billion [ph] It came down to, it increased to 103 and came down to 91. So, there was --

C. P. Gireesh, Chief Financial Officer

Our classification was based on the regulator retail concept of RBI.

Rohan Mandora, Analyst

Okay.

V.A. Joseph, Managing Director and Chief Executive Officer

And we have brought in granularity at this moment. For this quarter, we have taken classification based on individual account wise.

Rohan Mandora, Analyst

Okay. Okay, thanks, sir. And one more question was on the commercial real estate exposure. If you could just shed some light on what kind of exposure do we have, what kind of accounts that we have holding in that.

V.A. Joseph, Managing Director and Chief Executive Officer

Hardly anything there.

Rohan Mandora, Analyst

Is it more towards, I mean, --

V.A. Joseph, Managing Director and Chief Executive Officer

Our commercial real estate exposure in absolute term will be around 100, 130 crores out of the loan portfolio of around 33,000 crores.

Rohan Mandora, Analyst

No, during this quarter, it was gone up to around 469 crores.

V.A. Joseph, Managing Director and Chief Executive Officer

Commercial real estate.

Rohan Mandora, Analyst

Yeah, commercial real estate as for the (technical difficulty)

V.A. Joseph, Managing Director and Chief Executive Officer

(inaudible) get back to you tomorrow.

Rohan Mandora, Analyst

Yeah, yeah and I'll just check that again, sir.

V.A. Joseph, Managing Director and Chief Executive Officer

Okay.

Operator

So, shall we move on to the next question or?

Rohan Mandora, Analyst

Yeah, I'm done, thanks.

Operator

Okay, thank you. Next question comes from Sudhakar Prabhu from Span Capital. Please go ahead.

Sudhakar Prabhu, Analyst

Yeah, good afternoon, sir. I've had a couple of questions. Once If I look at your current quarter result, your advances growth has been 15%, but in spite of 15% growth in advances the net interest income growth has been flat. So, how do you justify this, even if you look at your operating profit, it has de-grown by 8%. So, how would you explain this?

C. P. Gireesh, Chief Financial Officer

If the net interest margins in the year beginning itself we had given the guidance that the net NIM will be around 3 percentage. And we've, we could not pass on the entire post increases to our customers and that is why the NIM was come down a little bit.

Sudhakar Prabhu, Analyst

Okay.

C. P. Gireesh, Chief Financial Officer

And our strategy for this year is not to increase the risk in the loan book by attracting more risky customers into our profile. And that is why on pricing front we are giving some way, so that the NIM can be maintained above 3 percentage.

Sudhakar Prabhu, Analyst

And sir, you mentioned that next year you are expecting a growth of 20% in advances and deposit. So what would drive growth for you, would it be largely retail asset or you think it would be more of mix of SME and corporate?

C. P. Gireesh, Chief Financial Officer

Ultimately it could be a mix but as been said today (technical difficulty) usage rate, better rate is available on the corporate front or an appetite is there in the corporate front.

Sudhakar Prabhu, Analyst

Great and what would be outlook on NIMs, do you think NIMs can improve from the current 3% level to 3.2, 3.25 next year?

C. P. Gireesh, Chief Financial Officer

(inaudible)

V.A. Joseph, Managing Director and Chief Executive Officer

Unless the macroeconomic conditions improve further, it'd be difficult to improve our NIMs.

Sudhakar Prabhu, Analyst

So it would be more or less around 3% level is my understanding right?

V.A. Joseph, Managing Director and Chief Executive Officer

Yeah. Right.

Sudhakar Prabhu, Analyst

Okay. And you already have 800 branches, so what is your branch addition plans for next one or two years? You think you will take it the 1,000 in next two to three years or --?

V.A. Joseph, Managing Director and Chief Executive Officer

(technical difficulty) 50 branches per year at least for the couple of years coming.

Sudhakar Prabhu, Analyst

Sir, your voice is breaking, sir.

V.A. Joseph, Managing Director and Chief Executive Officer

Five, Zero; 50 branches for the next couple of years.

Sudhakar Prabhu, Analyst

Okay.

V.A. Joseph, Managing Director and Chief Executive Officer

Got it?

Sudhakar Prabhu, Analyst

Yes. And lastly on your coverage ratio, your coverage ratio around 55% is comparitively low, compared to most of other banks. So do you plan to take it to 70%, 75% or you think 55% is comfortable level for you?

V.A. Joseph, Managing Director and Chief Executive Officer

And we hope we will be improving on 55 and hope to be closer to 60% by the end of this year.

Sudhakar Prabhu, Analyst

By end of FY '14, you say, right.

V.A. Joseph, Managing Director and Chief Executive Officer

(technical difficulty)

Sudhakar Prabhu, Analyst

Right. Thank you and all the best sir.

Operator

Thank you. The next question comes from Adarsh P from PL India. Please go ahead.

Adarsh Parasurampuria, Analyst

Yeah. Just wanted to recheck on your RIDF deposits, how much is that number?

C. P. Gireesh, Chief Financial Officer

Around 1% -- (technical difficulty) 1,500 you take.

Adarsh Parasurampuria, Analyst

1,500. And what would have been this number is, was it about close to about 1,000 crores at the end of last year. So we've seen a 500 crore increase in that book?

C. P. Gireesh, Chief Financial Officer

Yes, likely for the 2013-14, the demand was on the higher side.

Adarsh Parasurampuria, Analyst

What was the demand?

C. P. Gireesh, Chief Financial Officer

Demand around 700 crore.

Adarsh Parasurampuria, Analyst

Okay. And could you just give some flavor on for which year of shortfall is this demand, because the way, I understand RIDF works is that you have a demand for the shortfall of earlier years. So the improvement that we may be seeing in RIDF now will probably get reflected in over RIDF calls or demands only after a year or two.

So I just wanted to understand that the 700 crore demand relates to shortfall of which period?

C. P. Gireesh, Chief Financial Officer

RIDF, now the demand is pending for three, four years demands are there, but, only when the projects are there -projects are being conceived by state government, then only the demand will come.

Adarsh Parasurampuria, Analyst

Correct, correct. So is it like safe to say that our RIDF calls or demand will continue to remain high and go down only in a lag of two to three years as a PSL compliance improves?

C. P. Gireesh, Chief Financial Officer

No, it is not exactly proportion to that. But it is based on the activities done by the state government.

Adarsh Parasurampuria, Analyst

And my second question was -- to the fee income part, some parts of fee income has being doing well. So just can you throw some color on transaction related fees, technology fees, what is happening there forex, so things have improved on the fee side? So I just wanted to get some color.

V.A. Joseph, Managing Director and Chief Executive Officer

Yeah, actually there has been a good increase in the other income. It was some 66 crores of last quarter. This just goes to 84 crores from 2012-13 to 2013-14 Q3 there have been an increase by 28% growth was there.

Adarsh Parasurampuria, Analyst

Sir, just wanted to understand what was the jump in transaction (Technical Difficulty).

V.A. Joseph, Managing Director and Chief Executive Officer

No, it's just basically some transaction related items like acquiring charges and techno products; everywhere we had seen a good increase and even the treasury side also, there had been a good increase in the profit of -- profit on sale of investments and Forex.

Adarsh Parasurampuria, Analyst

(technical difficulty)

V.A. Joseph, Managing Director and Chief Executive Officer

There is nothing bulk like that, it's actually, it's a consistent growth. It will be further growing for the next quarter.

Adarsh Parasurampuria, Analyst

All right. Thanks and that's all. Thank you.

V.A. Joseph, Managing Director and Chief Executive Officer

Yeah, today incidentally, we have -- even today, we have introduced today -- we have launched a digital pass book for the bank which is, where also we are taking some charges nominal charge but we have a substantial growth in the number of digital passbook also will be there, today, it was launched, which is as per the -- this is a technology product by which our -- on the mobile, we can see the whole pass book for one year including the latest figures of the savings bank or current account.

They are very nominal fee but at the same time, that will also will increase our other income and also, we had been increasing our ATMs substantially and there had been acquiring that has been very good. And at the same time, we are -- ours is one of the very few banks which has got a centralized monitoring system by which all the 24 hours, there is a monitoring team which can look at the ATM operations from the security side.

Adarsh Parasurampuria, Analyst

Thank you, sir.

V.A. Joseph, Managing Director and Chief Executive Officer

Yeah.

Operator

Thank you, sir. The next question comes from Mr. Pradeep Agrawal from Emkay Global. Please go ahead.

Pradeep Agrawal, Analyst

Sir, as you mentioned that, one account of 50 crores slipped in the quarter. So just wanted to understand, this was from which sector?

V.A. Joseph, Managing Director and Chief Executive Officer

It is from the trading only.

Pradeep Agrawal, Analyst

Trading only? Okay. And sorry --

V.A. Joseph, Managing Director and Chief Executive Officer

Trading cum export.

Pradeep Agrawal, Analyst

Trade and exports? Okay. And the account which got upgraded of 100 crores, was it related to last quarter only? The shipping and road sector account which limited in the last quarter?

V.A. Joseph, Managing Director and Chief Executive Officer

Yeah.

Pradeep Agrawal, Analyst

So this was shipping account?

V.A. Joseph, Managing Director and Chief Executive Officer

Sorry.

Pradeep Agrawal, Analyst

Sorry.

V.A. Joseph, Managing Director and Chief Executive Officer

I didn't get your question last part.

Pradeep Agrawal, Analyst

This upgradation of 100 crores which was into one account -- belongs to which sector?

V.A. Joseph, Managing Director and Chief Executive Officer

It just slipped in the last quarter.

Pradeep Agrawal, Analyst

Slipped in the last quarter. So two accounts slipped in the last quarter, one was from road and one was from shipping. So this is from?

V.A. Joseph, Managing Director and Chief Executive Officer

Shipping.

Pradeep Agrawal, Analyst

Shipping? Okay, fine. And secondly, on your deposit side, what would be the bulk deposit proportion?

V.A. Joseph, Managing Director and Chief Executive Officer

Bulk deposit proportion actually has come down drastically by (technical difficulty) figures. Actually, the total figure has come down to around 17% now.

Pradeep Agrawal, Analyst

17%. Okay. More or less in line with last quarter, I believe, last quarter also we were about 7,725 crores.

V.A. Joseph, Managing Director and Chief Executive Officer

Yes. When comparing to March it has substantially come down by almost 10%.

Pradeep Agrawal, Analyst

Right. Correct. Okay, fine. That is from my side. Thank you.

Operator

Thank you. There are no further questions. Now, I hand over the floor to Dr. Joseph for closing comments. Go ahead, sir.

V.A. Joseph, Managing Director and Chief Executive Officer

Yeah. I'm extremely thankful to all the participants and also like to mention that today Mr. Salim Gangadharan, former Chief General Manager of Reserve Bank of India has joined the Board as a member of the Board of Directors to strengthen the bank in the days to come. And once again, thanks all of you for your active participation. Thank you very much.

Operator

Thank you, sir. Ladies and gentlemen, this concludes your conference for today. Thank you for your participation and for using Door Sabha's Conference Call service. You may disconnect your lines now. Thank you and have a good evening, everyone.