

Transcript**Conference Call of South Indian Bank**

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Presentation Session

Moderator:

Good morning ladies and gentlemen. I am Daniel, moderator for this conference. Welcome to the conference call of South Indian Bank 4QFY12 results. At this moment, all participants are in listen only mode. Later, we will conduct a question and answer session. At that time, if you have a question, please press * and 1 on your telephone keypad. Please note this conference is being recorded. I would now like to hand over the floor to Mr. Clyton Fernandes. Go ahead sir.

Clyton Fernandes:

Good morning everybody. A warm welcome to all of you on behalf of Anand Rathi Financial Services. We are hosting South Indian Bank's fourth quarter conference call today to discuss their results. We have very distinguished members of the management today with us, we have Dr. V. A. Joseph, who is the MD and CEO of South Indian Bank, we also have Mr. A. G. Varghese, General Manager, Credit, we have Mr. K. S. Krishnan, the Chief Financial Officer, we have Mr. Abraham Tharian who is the Executive Director and last, but not the least we have Mr. M. S. Mani, General Manager, Treasury. Initially Mr. Joseph will make a brief presentation on the bank's 4Q results, followed by which the management will answer questions from all of you. I will now hand over the call to Dr. Joseph. Over to you sir.

Dr. V. A. Joseph:

Good morning to all of you. I have great pleasure to inform you that the South Indian Bank has declared the highest ever net profit of Rs.401.66 crore and the board has recommended a dividend of 60% as against 50% last year. The gross NPA has come down to 0.97%, net NPA has come down to 0.28%. Net profit for the financial year 2011-'12 increased to 401.66 crores as against 292.56 crores for the previous year registering a growth of 37%. Net profit for the quarter ended March 31st 2012 is up by 49.17% at Rs.121.96 crores against Rs.81.76 crore during the last quarter of previous year. The total business of the bank has increased by Rs.13,616 crores from Rs.50,520 crore to Rs.64,136 crores on year on basis registering a growth of 26.95%. While the deposits has gone up by Rs.6,780 crores from Rs.29,721 to Rs.36,501 crore registering a growth of 22.81%, the advances has increased by Rs.6,836 crores from Rs.20,799 crores to Rs.27,635 crores registering a growth of 32.87%. CASA of the bank has increased by Rs.775 crores from Rs.6404 crores to Rs.7179 crores registering a growth of 12.11%. The bank earned a total income of Rs.3830 crores during 2011-'12 against 2643 crores for the previous year registering a growth of 44.91%. The net interest margin has increased from 3.06% as on 31/03/2011 to 3.10 as on 31/03/2012. Annualized earnings per share increased from Rs.2.59 as on 31st March 2011 to 3.55 as on 31st March 2012. The book value per share increased from Rs.16.33 as on 31st March 2011 to (inaudible) as on 31st March 2012. Capital adequacy ratio of the bank stood at 14% Basel 2 standards against the regulatory requirement of 9%. Provisioning coverage stood at 71.36% as on 31st March 2012. In view of the good capital adequacy ratio, the bank has decided to raise only 400 crores during the year and the mode of raising this will be decided at a later date. The bank is planning to increase the number of branches

and ATMs to 750 each by the end of this financial year. I have with me Mr. Abraham Tharian, Executive Director who will be answer your questions on matters other than advances and Mr. A. G. Varghese, General Manager will be answering your questions on advances and Mr. Krishnan, Chief Financial Officer will answer your questions on accounts and Mr. Mani will answer your questions on Treasury. And if you have any questions to MD specifically, you can ask me, I will be very happy to answer.

Question and Answer Session

Moderator:

Thank you sir. Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press * and 1 on your telephone keypad and wait for your turn to ask the question. If you would like to withdraw your request, you may do so by pressing * and 1 again.

The first question comes from Ms. Ruchi Choudhary from Edelweiss. Go ahead.

Nilesh Palek:

Hello? Sir, this is Nilesh Palek here. Just wanted the, what is the outstanding NRE term deposits that we have today, as on 31st March 2012?

Management:

As far as for NRE term deposits concerned, the total amount is coming to 1300 crores that is for NRE term deposits I am talking about.

Nilesh Palek:

Okay. And sir, what was the number in...

Management:

There had been a reduction of, by around 700 crores in the high cost deposits during the period because term deposits itself low cost and high cost because fresh deposits increased and (audio disturbance) 700 crores in NRE term deposits.

Nilesh Palek:

Sorry, sir, I didn't follow this.

Management:

That is 700 crores has been the increase of transfer of NRE deposits from the low cost to high cost deposits.

Nilesh Palek:

Okay.

Management:

So, roughly it will work out to around 30 crores of additional what is concerned, but interestingly the SB NRE has not gone down at all, it has only gone up.

Nilesh Palek:

Sir, when you say transfer, does that mean...

Management:

That is on due date they get matured into a higher cost, because premature closures have been comparatively very few, and the fresh ones as well as the ones on due date they get transferred to a higher cost from the 4.4% to, it is going to around 9%.

Nilesh Palek:

Okay. And sir, what about the NRO TD sir, how much is that sir?

Management:

NRO had not been much of an increase, there had been only a decrease in the NRO deposits.

Nilesh Palek:

Okay. And sir, post the deregulation of the NRE, what is, we have obviously seen the increase in the numbers, but between accounts, NRE term deposits, NRO, and FCNR, how has been the movement, in terms of what the...

- Management:** 1253 crores is the NRE SB, which has increased to 1357 by March, it has only increased, NRE SB and NRE term deposits, 1000 crores has come down to 348 as far as low cost of the NRE term deposits, that is why I said there has been a reduction by 700 crores. But high cost, that is the fresh deposits has come to 1035 crores. And NRO is almost the same, NRO SB is the same, practically there is no change at all. So, in short, our total NRI deposits, all put together, it was 3907 crores, which has gone up to 4,730 crores, so almost 800 crores increase has been there during the last one year and out of it, 700 crores has been transferred from low cost to high cost. And the cost of it works out to roughly 30 crores.
- Nilesh Palek:** Sir, on the other hand, when you look at the advances composition, you have given a sectoral breakup in terms of Agri, MSME, now when I compare this with the December quarter presentation, Agri actually is surprisingly seen a drop from about 2500 to about 2000 crores, same is the case with MSME. Just wanted to understand has there been a reclassification or something?
- A. G. Varghese:** Sir, I am Varghese, I will answer that question. Agricultural advances are mainly short term advances and also it has a seasonal nature and whenever there is a cash crop, which is coming in, they used to repay it and hence they used to close the short term agricultural advances. And during this, there has been a closure of such short term advances. Actually there was no reclassification of the advances; it was only repayment of the short term agricultural advances, which have been availed of by the agriculturists.
- Nilesh Palek:** Okay. Same is the case with MSME sir?
- A. G. Varghese:** In the case of MSME also there has been small fall because of the closure of a few advances.
- Nilesh Palek:** Okay. Sir, in terms of our priority sector, requirements, despite agri kind of coming off, we are okay on that front sir?
- Management:** Yeah, of course, our present total priority sector advances stands at 25.35%, there has been a small fall in the overall percentage in the priority sector, this is because the faster advance growth in the general categories, and also we were not able to pick up as much acceleration in agriculture and other priority sector advances, but we have put in place and we have apprised all our regional heads and it has been decided to incentivize next year for priority sector target achievements.
- Nilesh Palek:** Sir and what is the outstanding gold loan portfolio and what was it in December sir, if you can...
- Management:** 6800 crores as on March and there has been a growth of about 300 crores from December.
- Nilesh Palek:** Okay, this is shown in others, right? Or...
- Management:** Of course.
- Nilesh Palek:** Okay. Sir, in the agriculture, there is no... there is nothing... no part of gold loan has been kind of clubbed...everything is shown in others.

- Management:** In fact in the last quarter, we have placed before you in emphatical terms that we have strictly advised our branch managers to ensure end use of the funds given to the agricultural advances. And hence there has been a slow growth in the agricultural advances, and we wanted to fall in the national, the priorities and giving accentuation to actual user.
- Nilesh Palek:** Okay. Sir, just one last question on staff expenses. It has seen a significant jump on Q-on-Q basis, so just wanted to get your thoughts on it.
- Management:** The employee cost for December was 89 crores and for the March quarter it was 128 crores, almost 39 crores increase. This is on account of actuarial valuation, for the three quarters we did not take actuarial valuation, this quarter, last quarter, we took actuarial valuation and the additional incremental liability we had to provide was 22 crores. And 100 employees who had opted for VRS, they were not given pension. The management, as a gesture of goodwill, offered them pension, for which we had to provide for 10 crores additional, 22 plus 10, 32. Another, we have an incentive scheme; we have provided additionally 5 crores, totaling 39 crores we had to pay additional.
- Nilesh Palek:** Okay. Sir, in terms of now going forward, this 22 crores that you mentioned are because of the actuarial valuation...
- Management:** Not repeated in the next year.
- Nilesh Palek:** Okay...unless you see further increase...
- Management:** Then there will be increase.
- Nilesh Palek:** And, sir this actuarial valuation increase would have been largely on account of dearness allowance going up sir?
- Management:** Dearness allowance, on account of dearness allowance increase, we had to pay 3 crores extra.
- Management:** And as per the new pension scheme, the liabilities on account of pension will not be there.
- Management:** New entrants are not eligible for pension; they come under new pension scheme.
- Nilesh Palek:** Right. Okay fine. Sir, this was helpful. Thank you very much.
- Moderator:** Thank you sir. The next question comes from Rahul Vekaria from Access Mutual Fund. Go ahead sir.
- Rahul Vekaria:** Congratulations on a good set of numbers. Sir, most of my questions have been answered in the previous question, but I just missed the outstanding number amount of gold loan, is it 2600, or 6000, I just...
- Management:** 6800 crores.
- Rahul Vekaria:** Sir, so just to get a understanding, our advances has YOY gone up by 33%, it is close to around 67000 crores, so out of incremental growth, what percentage would be coming from gold loan sir?

- Management:** In fact gold loan, overall percentage is only little less than 25% right now.
- Rahul Vekaria:** Sir, from the incremental disbursements I just wanted to understand what percentage would be towards gold loans?
- Management:** I will give the numbers, in fact the previous year it was around 5700 crores, it has grown by almost 1000 crores.
- Rahul Vekaria:** Okay. And sir, going ahead do we have any internal number as a percentage of book, which we want to be under in respect to (not clear) towards gold loans or is it at a...
- Management:** We have internally fixed 30% as the overall ceiling of the total advances as gold loan and now we have a gap of about 5%, right now we are little less than 25% of the overall advances.
- Rahul Vekaria:** Right. The reason I asked is because...
- Management:** We are opening 6 corporate branches where the faster accelerated growth of advances will also take place that will give us enough leeway for giving enough gold loans in the future also.
- Rahul Vekaria:** Alright. The reason I was asking this is because what I want to understand is, we are on a margin of around 6% in gold loans?
- Management:** In fact the average yield on gold loan is around 13.5 to 14% and hence going by that yes, you are right in saying that about 6% margin is there.
- Rahul Vekaria:** Right sir. So if going ahead we are to say that we have some around 5% leeway in the gold book and so where do you see the growth coming from and how would we be able to maintain our margins in the same manner?
- Management:** You will kindly notice that this 30% is based on the total overall outstanding of the advances. So as the advances grow, we will have enough space for movement of growth of gold loans also.
- Rahul Vekaria:** So maintaining margins will not be a problem from the current 3.1.
- Management:** It is absolutely no issue at all.
- Rahul Vekaria:** Great. And sir, secondly coming to our CASA, continuously it is coming at a down trend, so does it bother us, because last previous YOY it was 21.5 and now it is around 19.7, so I understand we are increasing the number of branches to 750, so is that a reason behind it?
- Management:** Actually I should say that there had been a, the money which should have come to the NRE SB is now going to NRE FD because of the higher interest benefits they are getting now. But inspite of that I should say that we had a growth of 13.73% in savings bank and there had been a quantum increase of business to the extent of 714 crores in savings bank. This year and last year we have opened 50 branches and 50 franchisees from which we are trying to get more savings bank accounts and I think CASA we are going to give a lot of thrust this year also. I think with a lower base of

current account we should be able to do well on current account also and we have started point of sale machines, which will help us to increase our current accounts. We have rationalized our current account charges to make it very, very attractive for the higher balances and all put together, and our customer services has been very good and our techno products are very good, we have started a mobile banking also this year. So everything put together I think the thrust will continue to be good and we will have a reasonable growth. In spite of a major reduction in the flow to the savings bank, still we could make this 13.73%.

Rahul Vekaria:

Right. So sir would it be fair to say that the NIMs would be, they are almost like bottomed out because now we might now see any further increase in rates and so, this is what, we can only see a increase in the margins from here on considering that CASA would now, as you say would...

Management:

Appreciate the fact that the NIM has only improved during the last one year and we should be able to, we will be happy in case we are able to contain, we should be able to have that between 3% to 3.05 and things like that. That is the pattern...we are only planning that as yet.

Rahul Vekaria:

Right. And sir, last one question is, going ahead where do you see the growth coming from, as in which sectors would you be happy to lend money to and where do you see the demand coming?

Management:

In fact in my...

Rahul Vekaria:

The reason I asked is because we are seeing a good nice lucky side in the economy and the activities are not going that strong and your collection efficiencies have been affected, so that is where that was coming from actually.

Management:

Our overall advances is targeted to grow to 33000 plus and of which I have presented that we are going to open or we have opened six corporate branches, which each will have minimum 500 crores by the end of the next financial year. And we also expect very top class, AAA rated or AA rated accounts alone will be taken up in such corporate branches, which are located in the metros of the country. And about 3000 crores we are likely to get out of it and we are likely to get a growth rate as we have witnessed in the last year in the gold loan also and in the general cases there will be an overall need of at least 10% to 12% growth in the existing advances also and hence we will be easily able to achieve 33,600 crores, which is the targeted advances for the next year.

Rahul Vekaria:

And certainly sir the RBI regulations on NBFCs would have helped the bank.

Management:

I want to place on record that we have been in the gold loan business right from the beginning inception of the bank, for 82 years we have been in the gold loan business and have been improving the gold loan business right from the beginning and this will continue. Not because that there has been some restrictions in the NBFCs, and we have been continuing with this pattern right from the beginning.

Rahul Vekaria:

Great sir. And sir on the asset quality front, everything looks good, I mean the slippages and the restructures, I don't have your number yet, so that's why this.

Management:

I can give you. As far as the restructured accounts are concerned, there had been 12 new restructured accounts involving about 514 crores this year. Total cumulative

balance to 215 numbers and in crores, 1021 crores. Of which NPAs are 25.69 and standard are 996. Slippage in the restructured account this year was only 3.58 crores.

Rahul Vekaria: Great sir, good enough. So sir the outstanding restructured amount would be?

Management: 1021.

Rahul Vekaria: Great sir. Sir congratulations again and all the best sir. Thanks.

Management: Thank you.

Moderator: Thank you sir. The next question comes from Madan Narayanaswamy from TVS Capitals. Go ahead sir.

Madan Narayanaswamy: Hi, this is Madan from TVS Capitals. I have a couple of questions. The first one is, it would be great if you can provide breakdown of gross and net NPAs of MSME segment and gold loans. So, this is my first question. And second question would be what are your targets for no frills account that you see under financial inclusion.

Management: I will answer the second question first. We have been able to garner sufficient number of savings bank accounts including no frill accounts. Last year total increase in numbers was around 6 lakhs of savings bank accounts. So this year also we should be able to do it without any problem. We are planning 6.5 lakhs in additional numbers of savings bank accounts this year.

Madan Narayanaswamy: Okay additional 6 lakhs accounts.

Management: Yeah.

Madan Narayanaswamy: Okay, from 12 lakh it will become 18 now.

Management: No, already we are having, our total savings bank accounts are around 36 lakhs and last year's accretion was 6 lakhs, this year also we would like to have a 6 lakhs of increase and we do not think it is a major issue for us because of our large network of branches. Our thrust on student accounts and no frill accounts, etc, the numbers goes up, and also our customer service and techno products have been very superior.

Madan Narayanaswamy: Okay, great.

Management: I will answer to the NPA position, gross NPA is 267 crores only registering a growth of about 36 crores from the last year. And the net NPA is 76.51 registering a growth of 16.49; we have not added two major accounts, which were under the CDR package, which is the Bharti Shipping and the other Ankur Trucks. We would have ended up with a lesser gross NPA and net NPA and we are quite confident that Bharti Shipping, it has happened because we failed to get on time before the auditors signed the balance sheet, the minutes of the meeting of the CDR and we are likely to get in a week's time and this quarter we may be able to restore this 50 crore Bharti Shipyard back to our standard asset. And hence we are expecting that we will have a lesser gross and net NPA by the end of this quarter. As far as our gold loan NPAs are concerned, absolutely no NPAs are there in the gold loan. I think I have answered it.

Madan Narayanaswamy: Yeah, thanks.

Moderator: Thank you sir. The next question comes from Mr. Amit Ganatra from Religare AMC. Go ahead sir.

Amit Ganatra: I would like the movement on NPAs, additional slippages, recoveries, upgradations and write offs.

Management: As far as the gross NPA is concerned, it is 267 crores. There has been a growth of 36 crores in the gross NPA from previous year and the upgradation and...

Amit Ganatra: I think net addition.

Management: Net addition, I will come back to you. It was 230 opening and ending up additions 171.51, and upgradation 44.96, plus recoveries 87 crores, leaving a net gross NPA of 267 crores. Got the point?

Amit Ganatra: And you mentioned that you have done...how much of restructuring did you mention earlier...540 crores of restructuring, which was done...

Management: That is restructured account, out of which only NPA is 25.69 crores.

Amit Ganatra: Right. And Bharti Shipyard you mentioned 50 crores impact.

Management: 50 crores, which was because there was a delay in getting the minutes of the CDR package.

Amit Ganatra: Right. So this 50 crores can be reversed.

Management: It will be restored to the original standard level.

Amit Ganatra: Okay. And one more question, I am sorry to once again ask this question because you tried to explain in detail in the opening remark, I mean, during the opening stages itself. See, basically the concern earlier was that large portion of your NRE deposits, which were basically getting a lower rate, would get re priced at a higher rate. So now just wanted to understand that how much of that shifting from a lower rate to a higher rate has already happened and what is the risk which still lies in terms of future shifting?

Management: As far as NRE deposits what remains to be transferred is only 300 crores more.

Amit Ganatra: So this 300 crores basically is carrying a lower rate right now?

Management: Lower rate now. 348 crores, this is all what has to be moved to the higher rate on due date, on maturity.

Amit Ganatra: And how much has already moved?

Management: It is what I said, around 700 crores.

Amit Ganatra: 700 crores has already moved.

- Management:** Yeah, over a period of time.
- Amit Ganatra:** Yeah. So now basically this 700 crores is carrying 9% rate?
- Management:** Roughly 9%, yes, roughly, maximum is 9%.
- Amit Ganatra:** So when you said this 348 crores, this does not include the NRE savings bank because there you are assuming that it will continue.
- Management:** It will continue, it has been increasing only actually. And after the policy changes have come in October, there had been an increase in savings bank because basically we should say that our NRE deposits are basically of the common man and we have 350,000 NRI clients. So it is a family maintained business and for family maintenance purpose they send the money, so they will continue to be there and it will increase as the clientele increases.
- Amit Ganatra:** Alright. Thank you.
- Moderator:** Thank you sir. The next question comes from Jignesh Shajal from Equirus Securities. Go ahead sir.
- Jignesh Shajal:** Yeah, good morning sir. Thanks for taking my question. I had a couple of questions with me. First of all, in this tax part there is a deferred tax in this quarter, can you just elaborate what was this deferred tax in this quarter?
- Management:** Sir, as far as deferred tax is concerned, this quarter we have a deferred tax minus of (inaudible), it is a deferred tax booking of 16 crores and some of the assets that is provisioned like restructured advances, which were not reckoned as a deferred tax item up to last quarter. We have recognized during this quarter and that is why there is a jump of 16 crores additional recognition of deferred tax.
- Jignesh Shajal:** Okay.
- Management:** You need to have the component of deferred tax also?
- Jignesh Shajal:** Yeah, please, if you can give me.
- Management:** There is provision for standard assets, provision for advances, and investment provisions.
- Jignesh Shajal:** Okay.
- Management:** Then we have a deferred tax liability component of special reserve created under section 36(1) (viii) of the Income Tax Act, 10 crores.
- Jignesh Shajal:** Okay. And the other question would be on your fee based income, how do you see the growth in the next year or so, how fee based income growth you are actually planning out, and the other question would be what is the component of your miscellaneous income, basically, what it comprises of?
- Management:** First of all I should say we are very bullish as far as our other income is concerned because there had been an impressive growth from 196 crores to 247 crores this

year, which works out more than 25%, and the major components of this have been, I should say, one is we have introduced last year the retail gold, which we started only by October, in six months we could do very well on that, and other one major area is basically (not clear) business, commission exchange and brokerage we had an increase of around 3 to 4 crores. We had a foreign exchange increase, merchant business has substantially increased by which we have around 10 to 15 crores we had increase on that. Our ATM business has increased substantially because 174 more ATMs we opened last year, making it around 650 ATMs by this time and we plan to increase it to 800 ATMs by end of this year and our acquiring business has been substantial because we opened a large number of offsite ATMs in all airports and major public places and our total increase in acquiring business has gone up to 20 crores on that. And our other techno products also has taken up very well and insurance business has picked up very well. So, all put together I think we are on the right track and we are giving a lot of concentration on this type of business, we have upgraded our department also, our marketing department, and the number of staff in the marketing has been increased. I think we should be able to do with the continued same pace the next year also especially with regard to retail gold and similar things.

Jignesh Shajal:

And what would be the component of this miscellaneous income then?

Management:

Miscellaneous income it is 568 lakhs, it is 5 crores, mostly connected with... one second... that is incidental charges, inspection charges, document charges, locker charges, then life insurance, folio charges, ATM charges, all those things comes under the miscellaneous, under the general group what we have made.

Jignesh Shajal:

Okay. And what would be, how much structure of your advances would be re priced in next 12 months, I mean, how much would be the floating one and how much would be the fixed rates kind of advances and what would be the total tenure of the advances as well as deposits, if you can just...

Management:

Sir, as I have already presented, our gross advances have to grow to 33600 crores...

Jignesh Shajal:

No, not the gross. I am telling the maturity of this advances, how many years will be the average (not clear) advances? I got your numbers on the advance booked.

Management:

Our term loans is little less than 50% whereas the demand loans are little over 50%.

Jignesh Shajal:

And what will be the duration of term loans, average duration?

Management:

Average duration ranges from 3 years to 5-1/2 to 6 years.

Jignesh Shajal:

Okay, and for average tenure for your deposits would be around?

Management:

Average tenure of the deposit is roughly 2 years.

Jignesh Shajal:

Okay. And just a last question, on your CD ratio there is a spike up to 75%, if my calculations are going fine, just wanted to know what's your outlook over the CD ratio, where you are seeing it at next two or three years now?

Management:

We will continue to maintain the same kind of a CD ratio, with increased plans for further capital raising etc, we should be able to do it with sufficient comfort and this year steadily we have been concentrating to maintain it between 72% to 75%, like

last past few years, so because of that we had been, a good scope, additional benefits we could leverage out of that, with that interest income.

Jignesh Shajal:

Okay. And on your CASA part, now it is around 20%, is it fine to assume that could be remaining at the similar pace going forward as well, 20% around, CASA...

Management:

It might increase, our plan is to make it to 23% at least by end of this year, especially with CASA, in the CASA current account portion, I think with a lower base, we should be able to do substantially increased business now with more corporate branches being opened and more metro branches being opened, etc. We should be able to do well on that. So, by end of this year definitely we are more optimistic about increasing our CASA percentages.

Jignesh Shajal:

Okay. And just lastly, since most of your NRE is getting converted into high cost now and still you are able to maintain your new margins at 3.1%, so what would be your outlook for the next year now since the...if the rates are supposed to fall, the lending rates and all. So what is your outlook for the next year at least, as far as the NIM is concerned?

Management:

As you are aware, even the last year there had been an increase in deposit rates all throughout the year, but inspite of that we were able to maintain more than 3% NIM and we should be able to do that this year also. We are very closely monitoring it, our pricing our product also in such a way that, and concentration on CASA, we should be able to maintain this 3% at least during this year.

Jignesh Shajal:

Okay. Thanks a lot sir, that's it from my side. Thank you.

Moderator:

Thank you sir. The next question comes from Sri Karthick from Esperito Fanto. Go ahead sir.

Sai Kiran:

Hi sir, this is Sai Kiran. Just quickly, what is the bulk deposit number as of FY12?

Management:

Bulk deposits basically, I should say that it is roughly 25%.

Sai Kiran:

25% of the overall deposits?

Management:

Overall deposit of the bank.

Sai Kiran:

Okay. And how much of this can get re priced in the next 6 months or so.

Management:

Roughly 50% of it will get re priced next year, because these are all basically short term deposits.

Sai Kiran:

So the average duration is somewhere around 1 month?

Management:

Average duration will be around 6 months to 9 months, etc., to 1 year, sorry.

Sai Kiran:

Fair enough.

Management:

We don't take long term bulk deposits; we concentrate more on long term on the retail side.

- Sai Kiran:** What would be the average cost, is it a fair assumption to check the cost of this bulk deposit as one year CDs or numbers?
- Management:** Yeah, it is more or less the same, yes.
- Sai Kiran:** Okay, fair enough. And secondly sir, actually the CASA has seen a significant shrinkage in the past few quarters inspite of incremental branch additions. I, of course, understand that NRE deposit deregulation also has impacted us to some extent on the fly, but overall how do you see this panning out and what are the key drivers, which one needs to look at especially on the CASA momentum going forward?
- Management:** First of all, I told you that on the NRI side, although there has been a shift from fresh deposits going more to the term deposits because we are getting a higher rate than the savings bank rates as of now, which was not there earlier, still because of the common man, he has to have some amount of savings bank account for the family maintenance, for which he sends the money. So we are increasing our tie up arrangements, we are able to increase our NRI base, so all these things, we should be able to have that NRI savings bank account increasing inspite of all these kind of limitations what we have faced during the last three months. In addition to that, with a larger number of branches, larger network of branches, in the urban, semi-urban, and all those places put together we have reasonably stabilized with the previous 100 branches that we have opened during the last two years and with 50 more opening this year, I think, we should be able to do well on the CASA side.
- Sai Kiran:** Two followup questions sir, one, any thoughts on increasing or adding more services to the NRI banking especially for the high end side, cross filling and other things, or specialized services. And the second thing is if you can help us understand how the new branches of 100 or so, which got opened in the last couple of years, how has been the CASA momentum, that will be of help.
- Management:** Two things, with regards to the NRI side, I should say, with the Wealth Management, we are planning for the higher end group, second is, as you are aware, we are managing an Exchange House in Dubai, called the Hadi Exchange, where all the officials are our people deputed staff. They are opening larger number of branches, so along with it we should be increasing, it is a very good window as far as we are concerned in the UAE, and we are also increasing our network and tie up arrangements in other places like Saudi Arabia and Doha where we conducted NRI meets etc last year. Our MD and CEO addressed the NRI clients there, so we should be, we are, on a long term process we have been concentrating on this area and our NRI department also is given a lot of thrust on the marketing side of it. So everything put together, I think, we should be able to have a good growth this year inspite of all this. And European side also, we are trying to concentrate more this year. But quite a lot of money comes from, especially in Kerala, from Germany, Switzerland, and Ireland, and places like that. So when the new branches is, I should say, that larger CASA targets have been given to them and we have an incentive scheme every year where, this is one of the banks, which has been doing very successfully the incentive scheme, which is where the beneficiaries are, right from the sub staff to the senior management team, and there the maximum concentration this year is given for CASA growth, because this is basically on a liability side and on the liability side this year more marks are given for the current account, more than current account the savings bank accounts and savings bank amounts. So, I think with around 6000 odd staff and who have been extremely cooperative and

participating in our pattern of growth, we should be able to do well in these areas also, especially in the new branches where we have to increase our bases more rapidly.

Sai Kiran: Any thoughts on, maybe probably a rate check on the SB deposits, considering we have got lower proportion?

Management: I didn't get you, could you repeat it once again?

Sai Kiran: Any thoughts on increasing the rates on the SB deposits considering the...

Management: No, we do not have any plans as of now, and I think most of the banks have practical decision, I think upgrading our service is the best way to attract clients not by increasing the savings bank rates of interest.

Sai Kiran: And just couple of data questions, sir. What could be our revaluation reserves in the net worth as of March 2012?

Management: 145 crores.

Sai Kiran: Fair enough and then sir on the second thing actually in the loan breakup there is around 1500 crores odd NBFC loans, can you just elaborate what could be the nature of these NBFCs, sir?

Management: Can you kindly repeat the question again?

Sai Kiran: In the advances breakup on slide 32 there is NBFCs outstanding above 5 crores is around 1517 crores, what could be the nature of these NBFCs?

Management: This includes governmental NBFCs like HDFC and the like and also the private NBFCs, which includes the deposit taking and non-deposit taking.

Sai Kiran: Anything on the MFIs or gold loans in this

Management: MFI exposure is less than 300 crores right now.

Sai Kiran: Okay and this MFIs will be based out of Andhra or outside Andhra, sir?

Management: Not necessarily, mainly in Andhra, but we have very good MFIs in Kerala and Tamilnadu. Tamilnadu and Kerala are typically very nicely managed.

Sai Kiran: Sir, can I assume that out of this 300 crores majority will be outside Andhra?

Management: In fact 50% will be outside Andhra and 50% in Andhra.

Sai Kiran: Fair enough and anything on the gold loans if you can comment, sir, gold loan NBFC?

Management: Gold loan NBFCs we have on our books Manapuram and Muthoot Group. In two accounts we have the collateral security of landed properties in the other we have the security of this gold loan receivables and the DP is calculated based on the safe

margins and based on the certificate of an outside chartered accountant every quarter.

Sai Kiran: Fair enough, that's it from my side, thanks a lot.

Management: Thank you.

Moderator: Thank you, sir. The next question comes from Amit Ganatra from Religare AMC. Go ahead, sir.

Amit Ganatra: Sir, actually observing your movement in risk weighted assets, now from third quarter to fourth quarter your risk weighted assets have actually gone down whereas your advances book has grown significantly can you just explain what is the reason for this?

Management: It is not very clear, could you just...?

Amit Ganatra: See, I was looking at your movement of risk weighted assets, there is a slide in the presentation whereby you have provided your risk weighted assets, right, every quarter. Now, that risk weighted assets at the end of December were 17069 crores, it has gone down to...

Management: Yeah, it is on account of mitigating effect of gold loans.

Amit Ganatra: Means? I did not get it?

Management: Risk weighted assets in respect of gold loans it gets reduced based on Basel 2 guidelines.

Amit Ganatra: Right, so basically 17000 crores became lesser to 16957 crores.

Management: Yeah, when we take loan to value there may not be any risk weight on gold loan.

Amit Ganatra: But your advances book went up by almost 2000 crores.

Management: 2000 crores, this is on account of gold loan mainly and on this gold loans on the entire gold portfolio we need not assign any risk weight at all.

Amit Ganatra: So, 30% of the portfolio basically is getting almost zero risk weight, is it?

Management: Yes.

Moderator: Thank you, sir. The next question comes from Aadesh Mehta from Ambit Capital. Go ahead, sir.

Aadesh Mehta: Aadesh Mehta from Ambit Capital, sir just I would like to have your guidance on the asset quality in terms of this (audio disturbance), is there anything in the pipeline for restructuring? Hello?

Management: We will be trying to maintain the asset quality at the present level, little less than 0.3%.

- Aadesh Mehta:* Hello, I am not able to hear you, hello?
- Management:* Yeah, we propose to maintain our assets health keeping a net NPA little less than 0.3%.
- Aadesh Mehta:* Okay sir.
- Management:* And the gross NPA little less than 1%.
- Aadesh Mehta:* Okay sir and in terms of restructuring are there any accounts in the pipeline?
- Management:* No, absolutely no such restructuring accounts are on the pipeline, whatever things have to be restructured we have already done, we have not identified any further so far.
- Aadesh Mehta:* Okay and what would be the provisioning coverage ratio you would be intending to maintain in the future?
- Management:* Above 70% definitely we will be maintaining.
- Aadesh Mehta:* Okay sir and sir, one question on, like just wanted some data points, sir out of our total NPAs of around 267 crores how much would be belonging to doubtful tree and lost categories?
- Management:* One second please, the total outstanding in the substandard assets is 93.66 crores, doubtful is 53 crores and lost assets is 119.
- Aadesh Mehta:* Okay and sir, can you repeat the movement of NPAs again sir, like I was not able to catch those numbers?
- Management:* We will give you, we will give you.
- Aadesh Mehta:* Yeah, the addition was like around 172 crores.
- Management:* I will give you, please, one second please. Gross NPA at the beginning of the financial year is 230 crores, additions 171 crores, upgradation 45 crores, recoveries 87 crores, write off 2.65 and this will give after addition and subtractions 167 crores. Am I clear?
- Aadesh Mehta:* Yes sir, that was very helpful. Thank you, sir.
- Moderator:* Thank you, sir. The next question comes from Jothi Khatri from Systematic Shares. Go ahead, ma'am.
- Jothi Khatri:* Yeah sir. Sir, I just want to understand you know, how the pricing of this NRE deposits would happen in FY13?
- Management:* Could you repeat once again the last words?
- Jothi Khatri:* I am saying, how do you see the pricing of this NRE or the NRO deposits happening in FY13?

Management:

It is going to continue to be little expensive this year especially considering the fact of the rupee depreciations, etc, government will be trying to make it as attractive as possible, in the process the cost may continue to be at these rates at least for some time, but then we have also other deposits, earlier the trend has been that there has been a reduction taking place in cost of other deposits of resident deposits we have already reduced the resident deposits cost especially after April we have already reduced it, just like any other bank we have reduced it also. So, NRE factor will be little more time, it has to be little more, it will continue to be little high, that is my personal view.

Jothi Khatri:

Okay sir, just you said that you are expecting the margins to be at around 3% plus, so I just want to understand in terms of percentage of the deposits that are expected to get re priced in this FY13 bulk deposits and plus the other term deposits and how the pricing of the advances will be done, I mean, and considering the fact that you said that NRE deposits will remain at the current levels, so don't you think this 3% margin assumption is little optimistic?

Management:

No, on the contrary we find that we should be able to do it better than even last year because of two reasons, one is we had 80 plus three year old deposits which we started on the 80th year of the bank which was a 11% deposit taking into consideration the cost of the deposit plus little premium which we started paying during 2, 3 months at that time. All these deposits are getting due during the month of April and May, by mid of June it should be totally over. It is around 1300 crores plus another scheme which is also of a similar nature which put together around 2000 crores of deposits will be getting matured and this is getting re priced at much lower rate of 9.5% to 10%, that to 11%, so in fact we are going to have a big benefit of 1% on this 1000 crores which will take care of quite a lot of the additional burden we have on the NRE deposits because that amounts are comparatively much lower and so because of these reasons and from the cost of deposit side we do not see any major increase.

Jothi Khatri:

Okay, so all you mean is that...

Management:

See, in advances you must have seen that there has been a growth of about 190 basis points from the previous year in the yield on advances and our base rate still continues to be 10.5, which is one of the lowest in the industry and we do not feel too much pressure on yield coming down.

Jothi Khatri:

Okay, so I mean, any downward re pricing on the assets side will get compensated on the cost side that is what you mean?

Management:

Exactly, exactly.

Management:

This is exactly what happened during last year also, because we were able to maintain the same spread.

Jothi Khatri:

Okay sir, and on the cost to income ratio side, I mean, although there were some one off in this fourth quarter due to change in the actual assumption, but still the cost to income ratio is on the higher end, so what are the reasons for that basically because if I look into your employee expenses per branch it is around 8 to 9 employees, what explains that, why this ratio is higher and you also mentioned that, I mean, the number will be maintained at the current levels, if you can explain more on that?

- Management:** This is mainly on account of employee cost. First thing is around 100 employees who had opted for VRS were not given pension and the management was fair enough to grant them pension during the current year, on account of this we had to provide for around 10 crores and the normal increase in wages accounts for another, during the year 30 crores, for the quarter maybe 7-1/2 crores, 8 crores and on account of actuarial valuation we used to estimate only for the three quarters and for the last quarter the employee benefits are actuarially determined and the incremental liability is provided for. On account of this we have to provide for around 22 crores additionally during this present quarter. On account of all this cost income ratio is high. Next quarter this may not be repeated.
- Management:** Additionally I should say that the branches which we have opened within a year or two it gets into profits, so ultimately the business growth is very much there in the branches which have been, all have shown good results and then additionally the number of people who have been recruited last this year has been around 1000 people, so those kind of things at least temporarily at least for some time there could be reasons for this kind of an increase, but it will be, if you see the graph as far as our cost of per branch business and per branch profit and per employee business and per employee profit I think it has been gradually coming up in a very steady way, we should be able to reach 100 crores business per branch by end of this year.
- Jothi Khatri:** Hello?
- Management:** Yeah, can you hear me?
- Jothi Khatri:** Yeah, your voice was not audible; yeah I am able to hear you.
- Management:** Yeah, the per branch business has been steadily been increasing and we are expecting a per branch business of 100 crores by end of this year.
- Jothi Khatri:** Okay sir, I got your point that the breakeven in the new branches will happen and that will contribute in terms of higher business, but I mean, still what numbers you will be looking at on the cost to income ratio?
- Management:** 45% is what we are looking at.
- Jothi Khatri:** Okay and sir, any assessment done on the Basel 3, what are the initial thoughts, how much capital, I mean, would you need any capital going ahead considering the growth will be higher on the asset side?
- Management:** At present we will be requiring 400 crores although the capital adequacy is comfortable level at 14% for the current year the growth expected we maybe maintaining around 13%, but to be comfortable we may be raising 400 crores.
- Jothi Khatri:** Okay, sir any time line decided for that?
- Management:** In the current year.
- Jothi Khatri:** Okay, that's for the current fiscal, I mean, any roadmap or any internal calculations done, how much will be the capital that you will be needing over the period of next 5 to 6 years considering the fact that in '15 and '16 the capital will...

- Management:** On the implementation of Basel 3 in 2017-'18 we maybe requiring additional 1400 crores over a period of next five years even after considering plough back of profits.
- Jothi Khatri:** Okay and sir, lastly on this gold loan side, how much is the LTV there?
- Management:** Madam, the LTV is around 70% to 72%,
- Jothi Khatri:** Okay and how growth will happen in this segment, it will be the, I mean, what growth we have seen in the last fiscal it will continue to grow at these rates?
- Management:** Of course I have already answered this question in the previous presentation, I would say that presently we have little less than 25% of the overall advances as gold loan and our board of directors have fixed a ceiling of 30% in the overall advances as the ceiling on gold loans and if the advances grow at a rate above 25% anybody can guess that there will be enough gap for us to grow in the gold loan also as we have witnessed in the previous three years.
- Jothi Khatri:** No, the basic objective was to understand that already there has been from the RBI side the restrictions or the new regulations have come to curb the lending to this segment, so do you sense any such kind of regulations coming in for the banks as well having a high proportion of the gold loans?
- Management:** Of course not, the reason is very simple, the banking sector is highly regulated and the risk management put in place in every bank is very good and therefore we don't perceive any kind of interference by the regulators in this regard.
- Jothi Khatri:** Okay yeah, fine, thanks.
- Moderator:** Thank you, ma'am. The next question comes from Rahul Vekaria from Access Mutual Fund. Go ahead, sir.
- Rahul Vekaria:** I have two quick questions, what is the tenure of the gold loan?
- Management:** It is from 7 to 8 months, even though we give it for maximum 12 months the average turnover period is 6 to 7 months only.
- Rahul Vekaria:** Maximum we give for 12 months?
- Management:** Yeah, we give for one year, but many of the gold loans are taken for agriculture crop loan and for the ad hoc requirements and hence it is being redeemed during 6 to 7 months.
- Rahul Vekaria:** And what will be the average ticket size?
- Management:** Ticket size will be Rs.65000 average.
- Rahul Vekaria:** So, what percentage if we could get a number would be like towards single exposure greater than one lakh or say five lakhs?
- Management:** Very, very negligible, average is 65000.
- Rahul Vekaria:** It is spread around the average; there is not much change...

- Management:* Not much.
- Rahul Vekaria:* Great and the second quick thing is in the others of 13000 crores of advances, 7000 is explained by gold loans and what would be the 5000 explained by, the balance?
- Management:* Yeah, about 2800 crores is by bills advances and small advances, which are granted by the branch managers and others at the lower level. Advances against banks own deposits for non-priority sector.
- Rahul Vekaria:* Sir, any unsecured book we have, what will the amount, like towards the personal loan or credit card?
- Management:* No, it is very small portfolio of less than 8% in our books for the unsecured portion.
- Rahul Vekaria:* 8%, that will be your credit card and personal loans?
- Management:* (Inaudible) has fixed to 20%.
- Rahul Vekaria:* Sorry sir, I couldn't...
- Management:* We have no credit cards.
- Rahul Vekaria:* Okay thanks, that is it from my side.
- Moderator:* Thank you, sir. The next question comes from Akhil Dhawan from Locus. Go ahead, sir.
- Akhil Dhawan:* It is a little repetitive, what is the total gold loan portfolio now?
- Management:* Can you kindly be a bit louder?
- Akhil Dhawan:* I was asking what is the total gold loan exposure for the bank.
- Management:* 6800 crores.
- Akhil Dhawan:* Does this also include the gold loans given out to NBFC or it is just the direct lending?
- Management:* Yeah, not to NBFCs, this is direct gold loan lending to individuals.
- Akhil Dhawan:* Got it and so this is sitting in your other loans I guess, right?
- Management:* Yeah, because the gold loan NBFCs we calculate based on the NBFs under second method of lending based on the receivables alone and we have no buyouts portfolio.
- Akhil Dhawan:* I see, so actually what I was trying to understand is this 68000 crores I guess is sitting in the other loans bucket in the presentation?
- Management:* Yeah, of course.
- Akhil Dhawan:* And you said there is another 2800 crores which is sitting in bills?

- Management:* Bills.
- Akhil Dhawan:* Yeah, what is the rest?
- Management:* Rest is advances against banks own deposits and other non-priority sectors, which is sanctioned by the lower functionaries at the branch level.
- Akhil Dhawan:* Okay, so this is more like loans...
- Management:* They are very small, small loans.
- Akhil Dhawan:* Right, got it. Okay fine and so sir, I mean, in terms of your total retail loans do you do other kind of retail loans outside gold?
- Management:* We have 1500 crores as home loans against housing loans; we have been not very active in the personal loan segments.
- Akhil Dhawan:* Right, so housing and gold would be the only two retail categories then?
- Management:* That is all.
- Akhil Dhawan:* And within housing this is all traditional housing or this is (inaudible).
- Management:* See, we have well defined rules and the systems and procedures thereby we have not much NPAs in that segment also.
- Akhil Dhawan:* Right, right. No, within housing I was just asking if this is all traditional mortgages or there is some loan against property also in...
- Management:* Only traditional mortgage.
- Akhil Dhawan:* I got it and on the wholesale side sir of your lending, do you have any exposure to power or infra sector?
- Management:* Of course we have a small exposure to the infra and power, I will come back to it with the numbers.
- Akhil Dhawan:* Oh sure, it will be great if you could just share that number with us and then you just mentioned that you are targeting about 45% of cost to income ratio, this target is to be achieved within what timeframe?
- Management:* Another one year.
- Akhil Dhawan:* So, that is for the FY13?
- Management:* FY12-'13.
- Akhil Dhawan:* Okay, got it and just one more question on your business mix, I know that you mentioned about your aspiration to reach about 1.25 lakh crores of business by 2015, so if you were to break it down between deposits and advances, (audio disturbance) what do you expect your overall loan book to be?

- Management:** First of all our total business we are planning 78,000 crores for this year with a projected increase of 21.70% growth and for the next year 28% to reach one lakh crores, 100,000 crores by 2014, that we are planning. Of which deposit next year is going to be 44,400 crores by 31st of March next year and 58,500 by 2014 and advances 33,600 and the next year 41,500. Total will be coming to 78,000 in total business and one lakh in the next year.
- Akhil Dhawan:** Got it and...
- Management:** As far as infra loads are concerned it is around 1600 crores only total.
- Akhil Dhawan:** 1600 crores and this include all your power and infra, etc.
- Management:** Power, roads, all other infrastructural projects.
- Akhil Dhawan:** Okay and I mean, is this more of a working capital type loan or is this a term loan?
- Management:** Mainly term loans.
- Akhil Dhawan:** Okay and these typically have been given out for new projects or existing projects?
- Management:** Basically they are for new projects and also discoms we have a few exposure with government guarantee and without government guarantee.
- Akhil Dhawan:** I got it, great and sir just to understand a little more on the advances you have mentioned you are reaching about 41,500 crores by 2014, how do you see the loan book mix at that point in time?
- Management:** In the sense that it is retail and wholesale, something like that?
- Akhil Dhawan:** Yeah, in terms of whatever you mix?
- Management:** See, we are basically into the retail lending and definitely we want to have more share in the retail lending rather than in the wholesale lending.
- Akhil Dhawan:** Got it, but any sense of what that mix is going to be?
- Management:** We are aiming at 60:40.
- Akhil Dhawan:** 60% retail?
- Management:** Yeah, retail and 40% probably not more than that.
- Akhil Dhawan:** And retail by then again is going to be comprising mostly of your gold and mortgage?
- Management:** MSME, retail trade.
- Akhil Dhawan:** Okay, MSME also gets clubbed there?
- Management:** Regulatory retail trades and the like.

- Akshil Dhanwan:* Right, which would be some small working capital type loans?
- Management:* Small working capital type of thing, little less than one crore.
- Akshil Dhanwan:* Got it, okay. Thank you, sir.
- Management:* Thank you.
- Moderator:* Thank you, sir. The next question comes from Mihir Ajmera from Enam Holding. Go ahead, sir.
- Mihir Ajmera:* Hi, thanks. Just had two questions, one I just wanted to clarify priority sector, sir, you mentioned you are at 35%?
- Management:* No, 25.35%.
- Mihir Ajmera:* Versus the regulatory requirement of 40%.
- Management:* 30% we are definitely a little less than that.
- Mihir Ajmera:* No but could you give me the individual breakups on agri or the micro and...?
- Management:* We will give you. Agriculture is 2008 crores; MSME is 1765, housing 1200 crores, education 100 crores, SHG and micro credits 165 crores, total priority sector 5236 crores.
- Mihir Ajmera:* No, but what kind of penalties are you expecting because of this, because this is a significant shortfall?
- Management:* In fact there is no penalty as such we are required to deposit in the RIDF bonds.
- Mihir Ajmera:* Yeah, that's why I meant.
- Management:* Yeah, but it is not a penalty, it is a requirement that you should deposit that much money which is deficient from the 40% to the actual achievement in the RIDF.
- Mihir Ajmera:* So, what is the shortfall in the agri and the weaker sections portion?
- Management:* This agricultural and weaker section it is close to 10% against the 18% requirement. We were very much conscious about the asset quality; we never go left and right for the advances for the sake of getting priority sector alone.
- Mihir Ajmera:* Sure, of course, so the agri is 10 versus the requirement of 18 and what about the weaker sections?
- Management:* Weaker sections, as such that is inclusive, what I can say is the micro credit.
- Mihir Ajmera:* Okay.
- Management:* What you want to know is the micro credit; weaker section is the DRI and the other, which is much less than 0.1% of our gross advances.

- Mihir Ajmera:* Okay and just the second question, this 540 crores of restructuring that you mentioned, how much of it was done during this quarter?
- Management:* During this year we have done 12, 540.
- Mihir Ajmera:* Yeah, in the fourth quarter how much was this, sir?
- Management:* Let me see, I will give you, I have.
- Mihir Ajmera:* Okay, no problem. Just one question more I had on the risk weighted assets.
- Management:* Yeah, what is the question?
- Mihir Ajmera:* Yeah, so on risk weighted assets you clarified on an earlier question that because of the gold loan book which doesn't carry risk weight, your risk weight assets have gone down quarter over quarter, but was there a change in the regulation on gold loans last quarter for Basel 2?
- Management:* This is not basically on the change in regulation, but we are taking the higher cuts in a more prudent way than the RBI envisaged in the document, so we have got an additional clarification from RBI that we are taking a more conscious cuts than envisaged by the RBI. Based on that we have taken the mitigant in a more prudent way than we were earlier taking it, that is why the risk weight has drastically come down during this quarter.
- Mihir Ajmera:* So, now your risk weight on gold is zero?
- Management:* Almost zero.
- Mihir Ajmera:* And what was this earlier?
- Management:* As far as our case is concerned since we are taking sufficient margin that is why it comes to a zero risk weight...
- Mihir Ajmera:* And what was it earlier in the previous quarter?
- Management:* 25%.
- Mihir Ajmera:* Okay and this is after prior approval from RBI?
- Management:* Yeah, sure.
- Mihir Ajmera:* Right and if you could at some point tell me the restructuring number for the fourth quarter?
- Management:* Restructured accounts, this discoms at Ajmer, Jodhpur and Jaipur which are backed by the government guarantees were restructured during this quarter which comes to about 400 crores.
- Mihir Ajmera:* Okay, so the bulk of the 540 crores was done during this quarter?

- Management:** This quarter, but they are backed by the government guarantee.
- Mibir Ajmera:** Okay, fine. Thank you, sir.
- Moderator:** Thank you, sir. The next question comes from Jothi Kumar from Spark Capital. Go ahead, ma'am.
- Jothi Kumar:** Thank you, sir most of my questions have been answered, just a couple of things, earlier in the call you mentioned that you are opening 5 or 6 corporate branches which would be adding up about 500 odd crores by the end of the year, so...
- Management:** Each.
- Jothi Kumar:** So, effectively you are saying 3000 crores would be coming from these centers alone, is that a fair assumption? Is this the 3000 crores of the incremental 6000....?
- Management:** Yes, 3000 crores because we have a cluster of branches in these metro cities, we have been operating there, we have very good connections there and we target only AAA rated or the best rated customers in the metro and the minimum value of assets to be picked up at this branches is fixed tentatively at 50 crores and above.
- Jothi Kumar:** Okay, no what I was trying to get to is, is it fair to assume that 40% to 50% of the incremental growth for the next year will be coming from AA and AAA rated companies?
- Management:** No, we are targeting that, we assume that it has to come. Maybe we will compromise on the interest rate; we will be competitive in the interest rate also.
- Jothi Kumar:** I mean, just from a strategic perspective, you are almost probably at the lowest end of the band with respect to risk weighted assets to total assets across the banking sector and here also you are trying to target a AAA or a AA rated customer where your capital consumption is fairly low and you are also saying that you will become fairly competitive in terms of offering rates, what is this that you see in this business which you believe should add significant value to you going forward, I mean, is it fee income that you want to crop up or any other additional benefits, any other color that you want?
- Management:** You have rightly pointed out. We also have an eye on the non-interest income business of these corporates also apart from the interest yield and finally at the end of the day when we look at, we will have a safe margin.
- Jothi Kumar:** Okay, sir and just to confirm you said you will add 50 odd branches in the next year, right?
- Management:** Yes, all over India.
- Jothi Kumar:** And what would be the total headcount at the end of the year?
- Management:** It will be 750 branches and total number of staff will be around 7000.
- Jothi Kumar:** Okay sir, that's it, thanks.

- Management:** And incidentally the age profile has come down drastically and 50% of the people working in our bank are in the age group of 20 to 30.
- Jothi Kumar:** Okay sir, that's it from my side, thanks.
- Moderator:** Thank you, sir. The next question comes from Sri Karthick from Esperito Fanto. Go ahead, sir.
- Sri Karthick:** All my questions have been answered, no more questions. Thanks.
- Management:** Thank you.
- Moderator:** Thank you, sir. The next question comes from Sohil Halai from Motilal Oswal.
- Sobit Halai:** Yeah hi, good afternoon sir. Sir, just a couple of questions, can I get the movement of NPAs on a quarterly basis?
- Management:** Quarterly basis I do not have right now with me, you can take my mobile number I will, either you can leave your mobile number I will give you or you can take my mobile number I will give you in a short while.
- Sobit Halai:** Sir, if you could just give your number I will just give you a call?
- Management:** 9946354823.
- Sobit Halai:** Okay and sir you mentioned there were couple of large accounts that actually slipped, one was Bharti of around 50 crores, the other one was?
- Management:** It was not slipping really it was a CDR package for which we have already approved the package. Minutes of the meeting, because in the public sector banks it takes a longer time for them to get the administrative sanction for this approvals and hence the minutes of the meeting is delayed to get it circulated and hence our auditors said that in the fairness of things they cannot sign it even though on the view that it is a standard asset and hence we had to compromise and say that we also agree with you, but with the hope that this quarter we will be able to restore it to the standard asset.
- Sobit Halai:** Sir, this would get converted into standard asset this quarter, but it will also show you in the restructured book, right?
- Management:** It is CDR package is not restructured; it is under CDR package only.
- Sobit Halai:** Okay, but it will come in your restructuring assets, right?
- Management:** It will come under the overall, but a separate treatment is given for that.
- Sobit Halai:** Okay and sir what would that quantum be?
- Management:** Exactly 50 crores.
- Sobit Halai:** And sir in our breakup of advances, the other portion if I exclude the gold loans has grown very substantially so has there been any declassification in that?

- Management:** You see, in fact I answered it, there has not been reclassification during this quarter.
- Sobil Halai:** Yeah, but if I see it on the December over March quarter, the book has actually nearly doubled from 3300 to 6430, so what would explain that then?
- Management:** Which portfolio are you talking about?
- Sobil Halai:** Sir, if I take others and I exclude the gold loans from that, then the book was at the end of the December was 3090, that has increased to 6430 this quarter.
- Management:** Of course, corporate advances have also come there and also the bills portfolio must have grown.
- Sobil Halai:** Okay, but is it such a substantial increase quarter-on-quarter?
- Management:** There has been a growth of about 500 crores in the bills advances and advances against deposits also have grown about 1000 crores it has grown and zone deposits.
- Sobil Halai:** Okay and sir, can I have your breakup for interest expenses for the full year, like interest on deposit, interest on borrowings?
- Management:** Coming back.
- Sobil Halai:** Yeah, sure.
- Management:** Interest on deposits 2519 crores.
- Sobil Halai:** And borrowings and others?
- Management:** Borrowings and others 18 crores. Other tier 2 bonds 25 crores. Total 2562.
- Sobil Halai:** Okay and sir, fee income growth this year actually has been very good, so have we derived any rental charges and because of that it is showing this year and that would actually taper off down from next year?
- Management:** No, the gold sale is the only thing which you should say as a product which has increased and the other one is with regard to the ATM acquiring charges, these are the major ones which has increased. In addition the normal guarantee fees and processing fees, etc those are the normal things, so gold is one new product and also the acquiring thing.
- Sobil Halai:** Okay, and sir my final question regarding the restructuring, the restructuring that we did for 400 crores, was it Rajasthan SIB or how is it?
- Management:** That is Rajasthan discoms.
- Sobil Halai:** Okay and any further restructuring pipeline from the SIB side, like (not clear) something?
- Management:** No, we have not even one small account identified for restructuring.

- Sobil Halai:** Okay sir, I will get back to you for the movement of NPA quarterly for (not clear) later on?
- Management:** Yeah, quarter-wise we will give you.
- Sobil Halai:** Okay sir, thanks a lot.
- Moderator:** Thank you, sir. The next question comes from Jothi Khatri from Systematic Shares. Go ahead, ma'am.
- Jothi Khatri:** Yeah, sir one followup question on this pricing of this NRE deposits, I mean, you said that almost it will remain at the same levels, so are you assuming that the rupee will continue to remain at the current levels and what if the rupee goes down to 48 or below that levels how the pricing might happen then?
- Management:** It is not direct contact with the pricing, I am only trying to say in a scenario where the rupee has been depreciating government may make policies which will make it more attractive for inward remittances too so for which liberalizations on NRE deposits, shifting from NRO to NRE which has recently been taken, yesterday it has been announced, so, so many new things will be coming up. So, unless FIIs inflow comes in, in a larger way, rupee will continue to be on a weaker wicket, so this is going to happen. So, as on today because of these reasons we have to be giving more attractive rates of interest to NRE to get those kinds of deposits. But the general scenario on resident deposits a reduction is slowly taking place, almost all the banks have reduced their term deposit rates, we have also reduced the term deposit rates on majority of our term deposit, of course then there is a NRE to resident there is some regulation with regard to, you cannot give a better rate than the resident deposit rates for Norse, all those issues are there. So, everything is little interconnected, but still I do not think it will further go up, but the substantial coming down of the NRE cost is not going to be immediate, that is my personal view.
- Jothi Khatri:** Okay and one last thing on this effective tax rate for the quarter was around 19%, was this because of this deferred tax asset?
- Management:** It is on account of deferred tax asset, the average tax works out to almost 30%.
- Jothi Khatri:** Okay and what run rate we can expect there going ahead?
- Management:** Going ahead we have already recomputed deferred tax assets and deferred tax liabilities there may not be any change next quarter.
- Jothi Khatri:** So, at around 34% levels?
- Management:** Yeah.
- Jothi Khatri:** Okay and what was the interest reversal done on the NPA accounts and presently the restructured assets for the full fiscal?
- Management:** In fact restructured, we have to have the sacrifice for the restructuring, no. We should have the sacrifice booked for the restructured accounts.

- Jothi Khatri:* Okay, but I think some of the bankers are also mentioning that as the duration of the loans has increased and if the payment is delayed then there will be interest reversal at above NRI level as well, so...
- Management:* Account continues to be standard there is question of interest reversal. If we sacrifice the bank has to provide for.
- Jothi Khatri:* Okay, so what is the interest reversal done on the NPAs?
- Management:* See, interest reversal in fact it is, I will tell you. I have to do a bit arithmetical calculation; I will come back to you, because right now I do not have the numbers with me. Can you leave your mobile number I will take it down and call you back?
- Jothi Khatri:* I got your number, it is 9946354823.
- Management:* In one hour I will give you.
- Jothi Khatri:* Yeah, sure.
- Moderator:* Thank you ma'am. There are no further questions. Now I hand over the floor to Mr. Clyton Fernandes for closing comments. Go ahead, sir.
- Clyton Fernandes:* Thank you, Daniel. I would like to thank all the participants who logged in today for this conference call, I would also like to especially thank Dr. Joseph and his entire management team for being very patient with us and answering all our queries. Thank you very much sir and we would like to wish you all the best for your future results.
- Management:* Thank you so much.
- Moderator:* Ladies and gentlemen, this concludes your conference call 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 pleasant day.

Note:

- 1.This document has been edited to improve readability.
2. Blanks in this transcript represent inaudible or incomprehensible words.