



**“CSB Bank Limited  
Q4 FY2021 Earnings Conference Call”**

**May 08, 2021**

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## Transcript

### Q4 FY 21 Conference Call of CSB Bank Limited

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#### *Presentation Session*

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**Moderator:** Good evening ladies and gentlemen, I am Bharathi moderator for the conference call. Welcome to CSB Bank Q4 FY21 earnings conference call hosted by Axis Capital Limited. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing \* and then 0 on your touchstone telephone. Please note that this conference is recorded. I would now like to hand over the floor to Mr. Praveen Agarwal. Thank you and over to you sir.

**Praveen Agarwal:** Thank you Bharathi. Good evening everyone and welcome to this earnings call of CSB Bank. We have with us Mr. C.V.R. Rajendran, MD & CEO; Mr. Pralay Mondal, President Retail, SME, Operations and IT; Mr. B.K. Divakara, CFO and Mr. Ganessan V who is the Head of Credit Monitoring and Recovery. I would request Mr. Rajendran through the brief of the result post which we will open the floor for Q&A. Over to you Mr. Rajendran.

**C.V.R. Rajendran:** Thank you Mr. Praveen. Good Evening Everyone and hope you all are safe. Thank you for joining us today.

We are in a situation where COVID 2.0 is casting a cloud of uncertainty on the country, its polity and its economy. However, I am sure that this phase also will pass and we will be back with a vengeance to the growth path.

At CSB, we were able to counter the impact of pandemic to a great extent with clear focus, prompt response to regulatory cues, coherent business strategy, digital push, technology support, strong processes, emphasis on business continuity planning and above all the dedication of our staff. At this point let me appreciate the struggle put forth by all the Covid warriors in the fields of health, police, defence etc. who are serving the people by risking their lives. As bankers, we also take pride in the role that we played as frontline warriors to support the people and the economy during this difficult situation.

Now let us see the bank specific aspects:

In this Centenary year, I feel that we paid a befitting tribute to the founding fathers of our organization by marked overall improvement in topline, bottom line, asset quality, branch expansion and capital comfort.

### **Top Line Growth:**

As far as topline growth is considered, we had a decent financial year closing in terms of overall business numbers. Where the banking industry as a whole cloaked a growth of approx. 12% in deposits and 6% in advances, we could register an overall yoy business growth of 24% where deposits grew by 21% and advances by 27%.

- Current Deposits have crossed Rs 1000 Cr mark growing at 61% yoy
- Savings Deposits have grown by Rs 1100 crore or 29% yoy
- Overall CASA has grown by 33% and mix has improved to 32% from 29% yoy
- Total deposits have grown by Rs 3350 crore or by 21% yoy
- Net Advances have grown by Rs 3072 crore or by 27% yoy
- Gold loans have grown by Rs 2331 crore or by 61.35% yoy. 76% of the advance growth is contributed by growth in gold loans.
- Agri & MFI vertical business crossed Rs 500 Cr mark
- TW business grew by 120% to reach almost Rs 200 Cr of a book size
- Priority Sector Advances have surged by 45%
- Non fund business grew by approx. 80%
- Total Business has grown by Rs 6421 crore or by 24% yoy. Thus in the centenary year the bank has grown a fourth of the total business it grew in 99 years.
- CRISIL reaffirmed the highest rating on short term deposits and CDs. CD issuance & refinance availment helped us to reduce the overall cost of funds

On a QoQ basis, total deposits grew by 8% and advances by 10%. CASA ratio improved from 30.38% as on 31.12.2020 to 32.19% i.e. an improvement of 181 bps.

### **Bottom Line Growth:**

Now coming to bottom line, I take pride in announcing that we crossed the double century mark in terms of Net Profit this year-Rs 218 Crs- which is supported by improved NII, treasury profits & other income. This could be achieved despite the increase in opex on account of AS 15 provisions, VRS etc, change in the depreciation policy and opening of 101 branches. The practice of accelerated NPA provisioning and standard asset provisioning on account of COVID was maintained during Q4 as well.

- Net Interest Income has grown by Rs 349 crore or by 59% contributed by reduction in cost of deposits, increase in yield on advances and investments and increase in business volumes
- NIM for the year ended improved from 3.74% to 4.81% or by 107 bps

- Treasury Profits has improved substantially over previous year to Rs 125 Cr as bank could make full use of the yield swings to its advantage, apart from making substantial investments in non SLR securities at attractive rates availing LTRO/TLTRO
- Non Treasury Other Income grew by Rs 84 crore or by 44% contributed by increase in processing fees, PSLC commission, bancassurance commission and BG Commission.
- There was an increase in head count by 976 and this together with increase in AS 15 provisions has caused the staff cost to increase by 50% or Rs 165 crore. Pension cost component of AS 15 expenses increased by Rs 79 crore as there were large scale retirements/VRS totaling 193 and change in assumptions by actuary as to mortality (Rs 39 crore impact). Now defined benefit pension optees account for 14% of total workforce, down from 24% previous year. To be exact in number, 776 has come down to 583 at the year end
- Other opex has increased by Rs 29 crore or by 15% as the bank increased its footprints by 101 more branches. Depreciation expenses has increased by Rs 12 crore mainly on account of change in assumptions as to useful life of some fixed asset categories.
- Operating Profit increased by Rs 333 crore or by 119% as increase in income far outweighed increase in expense.
- Our cost income ratio is at 54.31% as against 65.53% as on 31.03.2020
- NPA provisions increased by Rs 60 crore due mainly to migration of accounts to higher provision categories and accelerated provisioning over and above RBI guidelines
- Standard asset provisions have increased by Rs 110 crore as the bank is holding provision of around 25% on its stressed assets starting from one-day default. We are also providing 25% on restructured accounts as against the requirement of 5%
- Overall Net Profit increased from Rs 12.7 crore to Rs 218.4 Cr or by a whopping 1616%.
- The excess provisions held over and above the RBI policy prescriptions amounts to Rs 250 Cr

On a quarterly basis, our NII improved by 10% and other income improved by 90% with nominal treasury profit.

### **Asset Quality:**

Now let us look at the asset quality.

We had reported proforma NPA of Rs 210 Crs as on 31.12.2020. The proforma NPAs have also been appropriately classified as per the RBI guidelines issued following the

final judgement of the Supreme Court. However, we could contain the total gross additions including the Q4 slippages to Rs 188 Crs. Total recoveries in the written off accounts amounts to Rs 75 Cr.

As you know we had, as a prudential measure decided to accelerate the provision for NPA. During the current Financial Year, the bank had further increased the NPA provisioning rates, considering the prevailing uncertainties. The amount of provision for NPA including technical write off created by the bank in excess of the RBI provisioning requirements is Rs 155.86 Crore as on March 31, 2021. The COVID related standard asset provision in excess of the RBI requirement amounts to Rs 89 Cr. As mentioned earlier, we are maintaining a conservative provision of 25% on the entire SMA portfolio including one-day default. Bank's overall collection efficiency stands at 95% on an average.

- Gross NPA decreased YoY by Rs 16 crore or by 4%. Gross NPA percentage decreased by 86 bps to 2.68%
- Net NPA decreased by Rs 48 crore or by 22% while Net NPA percentage fell by 74 bps to 1.17%
- PCR has improved to 85% from 80%. Ex technical write off it has improved from 47% to 57%.

#### **Capital Adequacy:**

The capital position of the Bank continued to be strong as at March 31, 2021.

- Despite significant growth in credit, CRAR could be maintained above 20% (21.37%) thanks to ploughing back of profits and increased standard asset provisions.
- Leverage Ratio also is maintained above 8% (8.11%) despite significant balance sheet growth thanks to accretion in Tier I Capital due to ploughing back of profits.

#### **Branch Expansion:**

Despite the challenges posed by the pandemic, we could achieve a historic milestone of opening 101 branches in this 101st year of bank's existence. Out of this 101 branches, only 9 branches were opened in the home state and 92 branches were opened outside Kerala predominantly in Tamil Nadu, AP & Telangana, Karnataka, Maharashtra and Northern parts of the country. Almost 65 branches were opened towards the end of the FY. The branches were opened in locations with good CASA/Gold/Agri/MSME potential. We will be able to fully tap the potential of these locations in the current FY. In FY 22, we have plans to open 200 branches on a Pan India basis. Our intention is to front load the opening of these new branches to get maximum business during the year.

**Digital Push:**

Now coming to the digital push:

As rightly said, in the midst of every crisis lies an opportunity.

Considering the pandemic condition, moving the customers to alternate channels was the best option available to the banks. The pronounced digital push yielded good results and the digital transactions reached almost 78% of the total transaction numbers. We also launched WhatsApp banking during the year. The introduction of online account opening portal could enhance the customer convenience/experience and resulted in better account opening TAT. We are continuously working on improving the channel activations which are beneficial to the customer as well as the bank on account of reduced transaction costs.

I will stop with this and take some questions. I hope all of you got the investor presentation. Thank you Praveen, over to you.

**Question and Answer Session**

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**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. Ladies and gentlemen if you have a question please press \* and 1 on your telephone keypad. The first question comes from Ms. Mona Kethan from Dolat Capital. Please go ahead.

**Ms. Mona Kethan:** Hello can you hear me?

**C.V.R. Rajendran:** Yes.

**Ms. Mona Kethan:** Hi sir, good evening. First thing, I just wanted to check on growth. So when I look at your segmental growth I see about 14% sequential growth in corporate advances. So if you could throw some light as to where that has come from?

**C.V.R. Rajendran:** Corporate advance is not our focus area; it is only a temporary parking slot for our funds. Most of the corporate advances are given with a six-month call and put option window and were given originally to mostly NBFCs with AA and AAA rating. But due to the comfortable liquidity position and money being available at 4.5-5%, many of the NBFCs have started reducing their bank loan exposures and we are seeing some negative growth in the wholesale banking book on account of this. Of course, we have identified new clientele in other segments. These are accounts with good potential and they seem to be COVID proof, that kind of industries only we have entered. For example auto ancillaries, food processing, dairy, textiles, spinning etc.

**Ms. Mona Kethan:** Okay and what would be the average ticket size and the yields in the incremental loans that we are giving out in these segments.

**C.V.R. Rajendran:** Normally it is above Rs 25 crores and yield should be around 9.5% average. EPC Contractors are also one more major segment, where non-fund based limits are given.

**Ms. Mona Kethan:** Okay so the growth that has come about in this quarter is not from the well-rated NBFCs or HFCs that we were doing previously for getting the corporate growth, is that the right understanding?

**C.V.R. Rajendran:** Originally when we were not having capital we had chosen the AAA rated corporates as an alternative to treasury placements. Today, AAA rated corporates are borrowing at 4.5% to 5% and it does not make sense to lend at such rates as we are paying more than that on our term deposits on liabilities side. Since we are now well capitalized our risk appetite also has improved while we always have an eye on the return on risk capital. 52% of our corporates are A and above rated and almost 37% is rated up to investment grade. So 89% of the portfolio is on investment grade and above.

**Ms. Mona Kethan:** Sure and what explains the sequential rise in your lending yields to say about 30 bps Q-o-Q despite the fact that incrementally a lot of growth has also come from the corporate book which is at much lower yields.

**C.V.R. Rajendran:** Major chunk of our incremental advances in FY 21 has come from gold loans. Gold loans have a portfolio yield of around 12.5% which is above the portfolio yields of corporate or SME book. So naturally the overall yield has improved.

**Ms. Mona Kethan:** Okay so could be a large impact because at least this quarter we are seeing a higher growth from corporate book versus the gold book right?

**C.V.R. Rajendran:** But on a yearly basis if you look at it, it is 61% year on year. In the last quarter per se the growth is not very significant but the impact comes with a lag effect; so naturally gold is the main reason for increase in yield on advances. We had also created a high yielding Non SLR bond portfolio with TLTRO funds which has helped us to improve the overall yield on the treasury side.

**Ms. Mona Kethan:** Okay got it and the slippages of Rs 188 crores that we have reported, that is net of recoveries right?, where we had slippages in previous quarter from the gold book and so on.

**C.V.R. Rajendran:** No, recoveries are accounted separately. Substantial amounts we have recovered on the NPA principal amount. If I remember correct, Rs 65 crores or so.

Substantial amount of interest is also collected from the NPA accounts. That is one reason for the yield going up.

**Ms. Mona Kethan:** Okay. Sir the reason I was checking this is because if you look at your proforma slippages of Q3, it was about Rs 210 crores if I am correct and if I just add the slippages of this quarter and the non-proforma slippages of the previous quarters, it adds up to about Rs 2000 crores.

**C.V.R. Rajendran:** I don't know where from you are getting that 2000 number. My portfolio itself is only Rs 14000 crores. That may be wrong.

**Ms. Mona Kethan:** Sorry, I meant 200 basically.

**C.V.R. Rajendran:** Probably. The proforma NPAs of December consisted of around Rs 125 crores of gold loans. Gold loan NPA in March has come down to Rs 45 crores. That means we have reduced the NPA in gold loans by Rs 80 crores. Apart from that there are upgradations and recoveries in other accounts also. So the overall NPA has come down substantially from the December level to March level. But in spite of the reduction in NPAs, we have not reversed the excess provision- the COVID provision. We could have reversed about Rs 23 crores of provision if you go by the same formula adopted earlier. We have retained this provision in the system as a cushion for the COVID related challenges coming up through the second wave.

**Ms. Mona Kethan:** Okay and just one last data keeping question. I think I missed your opening remarks, what was the SMA book that you mentioned?

**C.V.R. Rajendran:** SMAs are less than Rs 400 crores, could be around Rs 385 crores if I remember correctly...on which we have provided 25%.

**Ms. Mona Kethan:** And this Rs 385 crores is on the entire book

**C.V.R. Rajendran:** Entire book excluding gold loans.

**Ms. Mona Kethan:** Okay, so these are special mention accounts right?

**C.V.R. Rajendran:** Yeah special mention accounts which includes even one-day default. SMA 0 is only up to 30 days. There also we have provided 25%.

**Ms. Mona Kethan:** Okay. I will come back in queue. Thank you so much.

**Moderator:** Thank you madam. Ladies and gentlemen if you have a question please press \* and 1 on your telephone keypad and participants are kindly requested to restrict to two questions in the initial round and may join the queue for further questions. Next question comes from Haresh Kapoor from India Infoline. Please go ahead.



**Haresh Kapoor:** Hope I am audible?

**C.V.R. Rajendran:** Yeah.

**Haresh Kapoor:** Sir there are a couple of things, one is on the near term outlook and I want to get your sense on that. So obviously a lot of work happening on the new products we want to introduce maybe that gets pushed a little bit because of COVID-2 and also in terms of Kerala, they are talking about not really pressing towards the recovery of loan accounts etc. even from the CM there. So just want to get your sense as to how do you look at asset quality behavior in the near term and how do you look at the portfolio buildup for this quarter or maybe a couple of quarters ahead.

**C.V.R. Rajendran:** Throughout 2021- all the 12 months- we had corona problem. It started in March last year and we went through the process. There were lockdowns on a larger scale, there were sensitivities around election, so politicians were not supporting the recovery efforts and courts were not functioning. In spite of all these things only we have recovered more than Rs 185 crores during last year. Considering our portfolio, it is very substantial. The challenges will continue during the current year as well. Of course government will also issue these kind of directions, but I am confident that we will be in a position to maintain the same spirit and recover. We don't go for forceful recovery in any case. We don't have many recovery agents through whom we recover. It is all only persuasions from our own side - we just talk to them, educate the customer about the need for paying the loan on time to maintain a credit history. Also support the customer whenever they need. If they need additional working capital, additional support-we always supported the customer. So our relationship with the borrower is so good and I don't anticipate much of problem in the current year. Of course the realization of assets when we are selling in the COVID situation is much less than what we might have got otherwise. Such challenge is there and we are willing to compromise. So realizable value has been brought down; we have taken the latest valuation and gone ahead with the sale of properties also.

**Haresh Kapoor:** Sure sir. And the near term growth how are we looking at that freshly now? Is there any thoughts around that?

**C.V.R. Rajendran:** Growth is a challenge of course we know that. Complete movements are restricted. But that was what was there last year also. I hope it should not constrain us a lot. NBFCs have not opened their offices, so in a way that's an opportunity for the banks which are keeping the offices open today. Even if it is alternative days fine. Last time our gold loan growth was so good because NBFCs were not at all active in the field. Once the customer comes out of NBFC and comes to a bank, he will not go back to NBFC because the value proposition in a bank is better, the rates are very good. So whatever we gained during that period, we will retain. Probably this pandemic will also help us

acquire more new clients from the higher interest segment which should be good for us. It is a good value proposition for the borrower; it's a win-win situation.

**Haresh Kapoor:** So sir, once more I want to reconfirm the SMA number that you are giving out. That also is for retail or that is just out of Rs 5 crores and COVID...

**C.V.R. Rajendran:** Everything except gold. Gold is not included in SMA.

**Haresh Kapoor:** Sure sir so even retail accounts are part of it?

**C.V.R. Rajendran:** All other accounts except gold is included in the SMA number of Rs 385 Cr.

**Haresh Kapoor:** Sure and the buffer that we have is just Rs 23 crores that we are carrying into next year? That's the extra buffer that we have?

**C.V.R. Rajendran:** The total extra provision over and above the regulatory requirement is about Rs 250 crores. Because of our accelerated provisioning policy, we have more than Rs 150 crores of extra provision and because of the COVID provisioning policy for standard accounts, we have more than Rs 80 crores. You will also get some explanation in the presentation. We are holding Rs 250 crores over and above the regulatory requirements as on date.

**Haresh Kapoor:** Sure sir. Thanks a lot sir, this is it from my end, best of luck.

**Moderator:** Thank you sir. The next question comes from Susmit Patodia from Motilal Oswal. Please go ahead.

**Susmit Patodia:** Hi sir, good evening. Hope everyone is safe. Firstly, I wanted to understand how has this crisis been on employees? Have you had any big challenges? What is the bank doing in terms of effort towards employees?

**C.V.R. Rajendran:** Substantial number of employees are in Kerala, because the branch network of 52% is there. Kerala managed their COVID-1 very well, not much of losses were there, so naturally we have not heard any bad stories during the last round. During the current year we lost two employees. One in Kerala, he was about 59 years old, got into ICU and he could not come back. Another young girl in Delhi; 34 years old marketing officer. These are the two deaths we have seen. We are taking all possible steps to support the people. In Kerala it is not a challenge because we have a lot of medical institutions with banking relationships are there. Even otherwise in Kerala for the public also, hospitalization is not a challenge. But outside Kerala we have limited reach to provide the services but we provide all kinds of support. We have group insurance; we have group medical insurance. In some areas we have provided much more than what is eligible in the insurance also. We provide all necessary support to

the staff both monetarily as well as emotionally to work in this problem. Those who opted for leave during this period, subject to people being available, we have also permitted them to be on leave. We have asked only 50% of the people to come to the office and most of the administrative people are allowed to work from home. So reasonably we have managed well so far.

**Susmit Patodia:** Sir, the second question was last time in the call there was a lot of background noise, so if you can give us an update on that how that effort has gone?

**C.V.R. Rajendran:** Certainly no more noise, now it seems to be silent. That is okay. When the industry level settlement was there, when the people have not got it, naturally they got agitated. But, we had two-three rounds of conversation with them and told them, why we are not able to offer it. We go through the entire presentation, the only area if you compare with the peer banks, where we are weak is on the productivity, even now, though there was a good result. My productivity is hardly 60% of our industry level productivity. So, unless the productivity increases to the industry level, I don't want them to come to the most efficient bank's productivity level, average industry level productivity, when they reach, we will think about the wage revision, that is what we told them. But anyways, the IBA employees today are not the majority. So, even if there is an agitation, it doesn't affect us. But, certainly we would like to address the concern of all the employees and hope that a better industrial climate will prevail going forward.

**Susmit Patodia:** Alright. And my third question sir is, if you can just explain this a little bit more sir, this change in extra provision due to change in the mortality table?

**C.V.R. Rajendran:** Mortality based on some standard tables is an assumption used by actuary in valuation of employee benefits and this year the actuary has changed the standard tables from LIC 1994 table to IALM 2012-14 which had an impact of Rs 38 crore.

**Susmit Patodia:** And sir, what will be the increase in recurring, because of this?

**C.V.R. Rajendran:** It is just one time.

**Susmit Patodia:** Okay. Thank you, sir. I will get back in the queue. Thank you, sir.

**C.V.R. Rajendran:** There are only 583 employees on this defined pension as on date. There were 1800 employees and 1200 have already retired in past few years. Out of this 583, I think 25 people are retiring during this month itself and 200 people are retiring in the next two or three years. So, what will be left out will be hardly about 300 plus employees over the period of the next twenty years. So, pension is not going to be a major challenge for this bank, except that we have to provide for the DA portion of the retirees, but everybody is doing it from the current expenditure. Otherwise, I don't

think pension will continue to be a problem for the years to come. For these 583 employees, we have more than Rs 175 crores or something as a provision, which is again on the higher side, when compared to the peers.

**Susmit Patodia:** Got it. Thank you sir.

**Moderator:** Thank you sir. The next question comes from Mr. Digant Haria from GreenEdge Wealth Services. Please go ahead.

**Digant Haria:** I have few questions from my side. One is that, now that the LTV for gold loans, will revert back to the 75%, like last twelve months we had this special dispensation of 90%, will that have any bearing on the growth that we can do in the next twelve months in the gold loan segment? That is my question number one. And question number two sir is that we had a bit of gold price volatility in the last four months. So, how did the bank deal with the customers in terms of whether there were any auctions or whether we had to call for margins or we could very smoothly sail through, because we never gave such high LTVs. And did we reduce our LTVs this quarter, because of this gold price volatility? Sir, these are the two questions and any insights on these would be appreciated. Thank you.

**C.V.R. Rajendran:** The higher LTV was permitted only after 31<sup>st</sup> March, as RBI has not extended the scheme, it has come to an end for all of us. So, we have gone back to the original way. Now, it is only 68% which we are giving at the maximum. Normally it is 63%. So, at the peak it has gone up to 83% LTV. The portfolio level, loan-to-asset value today is only 78%. Fortunately for us, the gold prices have also started moving up. Again, it has come back to, near to the peak now. So, I don't think there could be big losses. But, we were monitoring the mark to market losses for these gold loans and it was Rs 1.14 crores for the portfolio of Rs 6000 crores during the last week and subsequently the prices have moved up a lot and the mark to market losses should be nil as on date. At individual account level, there could be some accounts where the loan to asset value might have exceeded 90% or even 100% and we have given auction notices to all these people and 90% of the loans will be redeemed. Only 10% of the people will allow the jewel to go into auction. There are lot of sentiments attached to the gold jewelry. Once you sell it in auction, people will not come back to you. So, we give enough time to the people. Our past experience shows that in 2014-2015 despite high volatility, we never lost anything worthwhile, maybe Rs 70 lakhs of rupees or something was the loss which we have seen. At that time the portfolio was Rs 3000 crores. So, it won't cause any major impact on the gold loan portfolio. We have large provisions for the gold loan, whatever be the NPAs. Rs 44 crores was the NPA in March 31<sup>st</sup>, for that we have provided 25%. Out of this 44 crores, at least Rs 10 crores may have been closed by this time, for the remaining auctions are going to happen during the current week. So, you must be seeing in the newspaper, lot of auction notices have come. So, the problem is there for all the banks and financial institutions and NBFCs.

But, as the gold loan prices are being recovered, nobody will incur any worthwhile losses, most of them will be in a position to recover the money.

**Digant Haria:** Right. Thanks sir. Sir, just the auction number, I could not, was it Rs 44 crores or it has happened or it will happen?

**C.V.R. Rajendran:** Rs 44 crores was the NPA on 31<sup>st</sup> March.

**Digant Haria:** Okay sir. Sir, one just follow-up that in gold loans, generally you can charge higher yields on loans if you give higher LTV. So, now if the LTVs come down, do we foresee any change in the product yield for gold loan as a whole, because this Rs 6000 crores of gold loan portfolio will also reprice over the next twelve months at a much lower LTV than last year. So, will the yields change for us to a little lower level?

**C.V.R. Rajendran:** Till April end, we have not linked the LTV to the rate. Only in May first week they introduced a concept of linking LTV to the rate. So, it won't have any impact on the yield which we are having, because when we given a higher LTV, the yield will be much more than what we were charging in the past, because we understood the risk now. That should have a positive impact on the yield and not a negative impact.

**Digant Haria:** Okay sir. Sir, thank you so much for your clear answers. Thank you.

**Moderator:** Thank you sir. The next question comes from Mr. Manav Vijay from Deep Financial Consultants. Please go ahead.

**Manav Vijay:** Thank you very much sir for the opportunity. Am I audible first of all?

**C.V.R. Rajendran:** Yeah, you are audible.

**Manav Vijay:** Sir, my first question is regarding the VRS policy that you had mentioned in quarter three call. So, you had mentioned that you had offered the option to the employees and explained that Rs 80 crores hit is what we should expect in quarter four? So, now you just mentioned that you had couple of rounds with the employees. So, is that option is now off the table and that means those employees will stay with the bank and as and when their retirement comes or they decide to leave, so that natural attrition will continue?

**C.V.R. Rajendran:** We have not made any specific provision for it in the last quarter. We just estimated Rs 80 crores for 232 people who are eligible for it. But, hardly 34 people have opted for that VRS, out of which 32 were given the VRS. So, that doesn't cost us much. The additional ex gratia payment which we paid was about Rs 2 crores, which is accounted in the profit and loss account. VRS was finalized in February and the payouts such as gratuity, PF, annuity purchase for pension etc. has happened in March. So, there won't be any additional impact on it. Of course, their salaries would be saved for the

future. That is the only advantage. Otherwise, it never had any impact on the profit and loss account.

**Manav Vijay:** Sure. My next question would be sir, so after adding almost hundred branches last year, now you intend to add at least 200 branches in this year. And you also mentioned that you want to front load them, so that you can have the benefit for the rest of the year. So, out of this total 200 branches, how many you intend to have as pure gold branches or again it will be a mix of product from those branches?

**C.V.R. Rajendran:** There are no specific gold loan branches. When we open the branches, we take into consideration various factors. There are clusters which are very familiar for MSME, SME as well as gold loans. All these data is available in the public domain. So, we have opened the branches where CASA is the focus, where SME is the focus, where MSME is the focus. And many branches are having focus on the gold loan also. Almost 70% I can say have come up in the gold loan potential areas. It doesn't mean only gold loan they will do. They will do MSME, SME, everything in that area. But gold loan will be picking up much faster. Gold loan doesn't take time to build up. There are branches which have reached 10 crores of gold loan business within two months, when we opened at the right location. So, gold loan can happen immediately. Other businesses take time to build up. CASA will ramp up over a period. MSME, SME will ramp up over a period, because they are all small in ticket size. But gold loan can happen faster. So, there is no specific gold loan branch. Every branch is a full service branch. It's our endeavor that most of the branches should become break even in the first year of the operations. Only in the metro areas, they should break even within eighteen months, that is the timeline. So, accordingly we have focused on the gold loan in the initial stages to break even, then simultaneously they build other businesses also.

**Manav Vijay:** Sure. Sir, my next question would be, so as of now we have current branches of 514. On top of that we are adding roughly 200 branches, which is almost 40% addition. So, now how does that impact our cost to income ratio, let's say for FY22? First of all, would you be adding employees in the same, to the same extent or let's say in those new branches, employees would be lower, because you will have let's say higher digital usage?

**C.V.R. Rajendran:** The new employees are coming at a much lower rate; we don't recruit at the IBA scale now. IBA scale recruitment has stopped five years back. So, new employees are coming at market related productivity linked salaries, just like any other private sector bank. Most of them are sales force, where the payout is much lesser. Of course, over the period they get incentives and they go up faster in their career and they will be making more money, by the time they may be much more productive as well. So, we recruited the people mostly from the market. There may be one or two people going from the existing legacy staff who are about 1400 today. So one or two legacy staff may go there to establish the systems, processes etc., otherwise right from the branch manager to the sales staff, everybody is recruited from the market, either

from the other private sector banks or from the NBFCs or from the other consumer related industries. So, the expenditure in terms of staff cost is not much higher and CAPEX also we have brought down very substantially. For bringing down the capex, one strategy adopted by us is to take the premises that the public sector banks which have gone into a merger mode have closed down on account of having multiple branches in the same location. Some of them are really good, well furnished. We have just taken up the premises along with the infrastructure at the book value and started functioning within a week's time. The strong room is available; the safe deposit vault was available. The furniture was available. The security systems were available. Generator was available. Like that, the full set up was taken over. So, wherever we have taken over these closed branches premises, the branches have come up much faster. One more advantage of branch expansion during the current year is that the landlord's expectations have come down. There are lot of commercial establishments, which are closed. We are able to negotiate for a better rate. Remember, this will be for the next ten years. All our agreements are for five plus five years. So, when we negotiate at this point of time, when there is a distress, particularly for real estate and commercial space, you get it at a much, much competitive price. So, reducing the rent, reducing the CAPEX, reducing the employee cost, helps us to break even at a much, much faster rate. So, I think that strategy is working fine so far.

**Manav Vijay:** We have ended this year FY2021 with 54% kind of cost to income ratio.

**C.V.R. Rajendran:** Cost to income ratio if you see, it was 67% last year, it has come to 54% during the current year.

**Manav Vijay:** Correct. So, since this year you intend to add branches aggressively, so should we expect this?

**C.V.R. Rajendran:** Our target is to bring down to 50% within a short period and 40% over a longer period. That will happen. Anyway, we will review the performance of these hundred branches. Only if this branch expansion is working in the right direction, we will continue to expand, otherwise we may not. The organic growth seems to be much easier than the inorganic growth.

**Moderator:** Rajendran sir, please go ahead.

**C.V.R. Rajendran:** So, we are sure that we will be in a position to break even within twelve months. And if that happens in all the hundred branches, naturally these 200 branches will be put on faster mode, otherwise we will slow down on the branch expansion. At this point of time, our thinking is, acquiring a bank and putting them into our mode of functioning will take time. And the staff cost is killing, particularly if they are on the IBA package. The industry as a whole, nobody has calculated the real cost of pension. The defined pension plan with the DA adjustment requires very large provision than what the industry is holding today. So, taking one more bank, which is where

30,000 people, 40,000 people are already on pension, another 30,000 people are eligible to retire are on pension, for many years we cannot break even. So, we feel organic growth seems to be the right strategy at this point of time, which we are putting in place.

**Manav Vijay:** Sure. Sir, my next question will be regarding your advances growth. So, FY2021 we had roughly Rs 3000 crores of growth in advances, of which roughly Rs 2200 Crs came from the gold loan. Now, next year, since let's say first of all you have come down as far as the LTV is concerned and also you have existing plans on other secured retail assets, so what kind of impact is it going to have first of all on your NIM, if you can explain that? And second sir, so you have started to grow your loan book only last few quarters, till the time, so before that you were actually consolidating. So, now when you start growing your advances, you need deposits as well. And as far as your cost of let's say CASA is concerned, they are actually one of the lowest ones. So, do we intend to offer higher rates on the deposit side to actually fund the advances growth?

**C.V.R. Rajendran:** In fact, let us look at the advances, not that we have not grown in other portfolios. My corporate banking as well as the SME has grown very substantially. But, the growth is not visible, because of our exit policy. In the SME area we had an exit policy, where we identified in the beginning of the year, these are all the accounts from which we will exit for various reasons. And we keep on exiting. The SME portfolio which was around Rs 4000 crores has come down to Rs 2000 crores, because of the exit policies. But, that only protected our portfolio today. We got out of all the bad accounts. In the corporate banking what has happened was, we were having AAA rated companies on a very large scale, which were paying 9% and above, because these loans were tied up when there was a liquidity problem at that time. But, subsequently when the liquidity issue was addressed and when liquidity becomes surplus, these corporate have returned the money in a very big way. More than Rs 1000 crores was returned during the last year by these NBFCs and larger corporate. So, that money got redeployed in other assets. Now there are not many accounts left out at the AAA category, which has the option to repay. I don't think there will be any negative growth on that account. So, the normal growth if it happens also that should be sufficient. And we have recruited large number of new people as the relationship manager, as the underwriting officer, as a risk officer, as product managers and all. They are all settling down and they will be in a position to initiate the business. Many of them are in the field now. In spite of the COVID, we are seeing reasonable amount of flow of new proposals. So, I am sure this time also we will have a decent growth. I cannot give a forward-looking number. We will have a decent growth, subject to the constraints placed by the external environment. But, gold loan may not get affected by all these things. When the LTV has been brought down, it is not only for me, it is for the entire industry it is brought down. So, naturally we must be in a position to grow. And we have good sales force, which will push the sales. We may not record 61%. But, certainly we will have a decent growth. All along we were growing for the past five years, except



one year, where we have grown 17%. All years we have grown by 24% or above in the advances. So, I think our intention is to keep it at that level.

**Manav Vijay:** Sure. Thank you and all the best.

**Moderator:** Thank you, sir. Next question comes from Mr. Mahesh MB from Kotak Securities. Please go ahead.

**Mahesh MB:** Good afternoon sir. Just three questions from my side. This slide that you have on gold loans, the NPA that you have reported there is it the gross NPA or is it the net NPL?

**C.V.R. Rajendran:** It is the gross NPA.

**Mahesh MB:** Gross NPA, okay. And the Rs 188 crores slippages which you have reported for the quarter or let's say on a full year basis, can you just give us how much of it is contributed by gold loans? What is the break-up of slippages?

**C.V.R. Rajendran:** Rs 44 crores is from gold loans and the remaining is from the other segments

**Mahesh MB:** What would be the others sir?

**C.V.R. Rajendran:** Others could be SME, MSME, retail loans.

**Ganesan V:** Let me add sir. Ganesan here.

**Moderator:** Sir, sorry to interrupt you. Mr. Mahesh, your voice is breaking, can you please come to a noise free zone. There is background noise coming from your line. And we request you to ask your question again sir, your voice was not audible.

**Mahesh MB:** Out of 185 crores, Rs 44 crores has come from gold loans, what would the rest be?

**Ganesan V:** Sir, it is mostly from SME accounts only, SME and retail portfolio. No single corporate account has become NPA this financial year. One construction account and one transport operator account are the major accounts in SME NPA. Apart from these, mostly the small ticket accounts in SME portfolio have become NPA.

**Mahesh MB:** One clarification here. These accounts were originated during the year or it has been kind of a historical account?

**Ganesan V:** Please repeat.

**Mahesh MB:** These slippages that you saw in the SME book, that is originated in the last two years or was it some historical account for the bank?

**Mahesh MB:** Sorry, I didn't get the answer.

**C.V.R. Rajendran:** Transport operator is with us for the past five-six years and he was operating omni buses and omni buses are not running at all for the past one year or so. Naturally he could not repay. All the Volvo buses are parked in the parking lot and he has not even renewed the insurance, which we are paying now. And you cannot sell it in this market. So, naturally that account has become an NPA. As Kerala is a tourism spot, many of the hospitality related accounts like resorts, hotels, restaurants, travel agencies, these kinds of accounts have slipped. But, these accounts are with us for quite a long time. They are fully secured accounts. We have collateral securities of land and properties. And maybe we don't want to put so much force now. But, if they revive, they will be in a position to pay, but otherwise we have the legal course to recover this money.

**Mahesh MB:** Perfect. Sir, last question. Yesterday there was a news article that Kerala Government has imposed certain restrictions on recovery in the State. Is this true?

**Ganesan V:** They have given some request to the bankers not to go for the recovery during this COVID-19 second wave period, that is the request. They have not made it mandatory, but this has been the request of the Kerala Government almost for the past one year and all. They have been time and again requesting not to go for the recovery.

**Mahesh MB:** Okay. Thanks a lot. It is true only for Kerala or is it true for all States sir?

**C.V.R. Rajendran:** This is in Kerala. Most of the other States have not issued any such, any guidelines.

**Mahesh MB:** Okay, perfect. Thanks.

**Moderator:** Thank you sir. Next we have a follow up question from Ms. Mona Kethan from Dolat Capital. Please go ahead.

**Mona Kethan:** Hi. Just a few data keeping questions. So, ex of the provisions that you have included in the PCR, how much would be the additional standard asset provision?

**C.V.R. Rajendran:** Ganesan?

**Ganesan V:** Let me reply sir. Approximately Rs 104 crores is the additional standard asset provision that we have made, in addition to the NPA provision.

**Mona Kethan:** Okay. And this includes the one made to the SMA accounts and the restructured accounts?

**Ganesan V:** Yes, of course. All the restructured accounts, which we have provided already 5% and 25% in two categories, but on all those restructured accounts, we have provided 25% across the board for all. And in addition to these, wherever the SMA account is there, for all those SMA accounts, we have provided 25% across the board, right from the SMA zero, right from day one we have provided 25%.

**Mona Kethan:** Sure. And these are part of the Rs 104 crores that you mentioned?

**Ganesan V:** Yes, of course. Correct.

**Mona Kethan:** And how much would be the ECLGS disbursement for us?

**Ganesan V:** Pardon, please?

**Mona Kethan:** Disbursements under the emergency credit line scheme?

**Ganesan V:** Emergency credit line scheme SMA. I don't have the separate data right now readily available with me. Some 3 accounts under ECLS scheme have become NPA.

**C.V.R. Rajendran:** We will provide it.

**Mona Kethan:** Okay. And what would be the restructured book, including those under implementation?

**Ganesan V:** Restructured book, overall madam, we are having the rescheduled book of Rs 65 crores outstanding as on 31<sup>st</sup> March. In this we have got rescheduling done in the previous two years, flood relief rescheduling for the MSME accounts etc are also included. So other than these, as per the Reserve Bank of India guidance, there was one time rescheduling, we have got about only Rs 25 crores. 23 accounts with an amount of Rs 25 crores, it is including standard, sub-standard everything together. This Rs 65 crores is MSME rescheduling and other than this, COVID related rescheduling, it is only personal loans. We have not given rescheduling for any of the corporate accounts. Only some personal loans, around thirteen accounts an amount of around Rs 1.33 crores, we have rescheduled. It is mostly related to salary to the school teachers, whose salary have not been received on time, they want the rescheduling. That is the deferment of the repayment has been done on those cases. Overall, altogether it is only 65 crores.

**Mona Kethan:** Rs 65 crores, including everything.

**Ganesan V:** Including everything, yes, of course.

**Mona Kethan:** Okay. And including what is still under implementation, to be implemented by June, how much would be that amount?

**Ganesan V:** So far nothing is pending for implementation, whatever is there, we have already done it and all. And in June, as per the new circular, we may be getting some application. I am not sure about this. We have not received anything so far.

**Mona Kethan:** Okay. And just one last data point. So, what would be the slippages for full year FY21?

**Ganesan V:** This year?

**Mona Kethan:** Yes, the gross slippages for FY21?

**Ganesan V:** FY21, we have slippage of about Rs 190 crores madam, totally, for the past financial year.

**Mona Kethan:** Okay. Alright. Thank you.

**Moderator:** Thank you, ma'am. Next we have a follow up question from Mr. Susmit Patodia from MOSL. Please go ahead.

**Susmit Patodia:** Sir, hi. Just two questions. One is on this gold loan limit of 40% approved by the board, does that continues to be hard limit, because if the majority of your new branches are in the gold loan heavy area, so would you stick to that level or that limit is flexible?

**C.V.R. Rajendran:** No, as of now there is no need, because recovery is also happening. And actually, the gold has grown negatively after the year end. So, there is no need. And other portfolio is growing. So, if there is a need, we can go back to the board and take an increase in the limit. We won't stop the business anyway.

**Susmit Patodia:** We won't stop the business, okay. And sir, next is this Mr. Sudhin Choksey coming on board, he is like the father of affordable housing industry in India. So, any specific plans there on housing. And currently how much is the housing loan books sir?

**C.V.R. Rajendran:** Pralay, would you like to take it?

**Susmit Patodia:** Hi Pralay, how are you?

**Pralay Mondal:** Good. Yes, I have been in discussion with Mr. Choksey already to get his guidance on this. So we had two discussions and we are building our strategy around it.

Housing loan if you divide into three parts, one is premium housing or housing which is done at a very attractive rate which is difficult for us to do at this stage. B is the housing for the niche sector and the third one which you are talking about is the affordable sectors. What we plan to do is for the low IRR business we are planning to tie up with somebody. Still the announcement is not yet out so we are not discussing that. So we are planning to tie up with somebody for which we will do some kind of a partnership so that we continue to offer them a good product, marketable product and hence they don't have to go to another bank or another HFC for getting their loans because in that case what happens is, you will lose your EMI from the salary account and hence the primary relation shows the salary account those avail for housing loan is very important. So to that extent that will be a defensive strategy and also in the process learn that business. So that's one point. The second part is, we will continue to look at the affordable housing as well as the interest rates, the segments where we can afford to do business at this stage because obviously when we do businesses, little business we cannot really compete at 7% and 6%. So that is something which we will build up the franchise over a period of time, not right now, but we will build it. But as we are talking we also do home loan business, it is not that we are not doing, we do it for our customers but not a very concentrated separate particularized segment etc. we don't do it. The hard part which is doing for on lending kind of businesses; that's another strategy which we will build up over a period of time. For on lending business maybe we will talk to certain organizations HFCs etc. which will take a little bit of time. So overall we are building up a quicker strategy on our entire home loan business either through partnerships or through on-lending or through directly doing affordable housing, all three we will do.

**Susmit Patodia:** And Pralay how much will be the housing loan book today?

**Pralay Mondal:** Right now it is very small. Overall our housing and mortgage together, there is a LAP portfolio also. The housing loan book will be very low and incrementally we do a very minimal kind of business. So that's a very small portfolio right now.

**C.V.R. Rajendran:** Housing Rs 300 crores and LAP could be about Rs 350 crores.

**Pralay Mondal:** Incremental business on housing loans, we don't do much but incremental business on LAP we have started doing a little more aggressively. But obviously we will look at the credit cycle and decide but LAP we started doing a little more aggressively right now.

**Susmit Patodia:** Got it. That's all from my side, best of luck Pralay, best of luck sir.

**Moderator:** Thank you sir. The next question comes from Jehan Madan from Nirmal Bang Securities. Please go ahead.

**Jehan Madan:** Good evening sir. Was there any one off in the employee expense of Rs 180 odd crores or is this a new normal?

**C.V.R. Rajendran:** It is not new normal. We explained earlier, Rs 38 crores we provided as one off on the pension provision. When the employee retires, you buy an annuity but that ensures that he gets a pension account that day for his remaining life time. But when the DA increases, CPI index goes up, we have to pay him dividend. So every time when the DA goes up, we buy a top up annuity also. For example, if there is a one-rupee increase in DA, my annuity cost would be Rs. 154 for a recently retired employee for every one-rupee increase. So that is the only thing which is killing the banks. But this was very high during the last year because the CPI index has gone up very substantially. When the wholesale price was negative, CPI inflation was around 6%. So throughout the last year the CPI index was very high so naturally the DA obligation has gone up. During the current year for the first quarter DA as become negative which means I need not pay any additional amount for this quarter. So if the inflation rate goes down the additional annuity cost will go down. As far as this Rs 38 crores is concerned, that is only one off due to change in mortality assumptions by actuary. That is in the employee's provision which will reduce our future obligations. When the employee retires, when we buy we will be in a position only to buy from the provision without contributing additionally. So there is nothing more. During the current year the one-off will not be there and the DA provision should hopefully be less.

**Jehan Madan:** Okay, so sir broadly if we adjust for this one-off expense, then our ROA for the quarter would be in line with the full year at around 1 odd percent, so for next year also...

**C.V.R. Rajendran:** So in the calculation, in the dotted line we have shown by removing the one-off expenditure. Okay Rs 38 crores is here, Rs 12 crores we have provided additional depreciation because we have reduced the assumption for the useful life of the asset thereby accelerated the depreciation also which has resulted in Rs 12 crores as a one-off. In future it will come down. So the Rs 50 crores if we add what will be the result we have shown by way of dotted line in our presentation.

**Jehan Madan:** Right. So broadly speaking in line with the aggressive branch expansion strategy for the next one year, the return on assets for the bank should be at similar levels as what it was for FY21? Is that assumption right?

**C.V.R. Rajendran:** We don't like to give any forward looking statements but the new branches as we explained should break even in the first year, that is how the branch are built. The capex involved is very low. The furnishing cost is very low; salary structure is also low when compared to the existing employees. So the opex is also on the lower side. If the breakeven happens in the first year, I don't think that will pose much effect on the cost income ratio. You might have seen the cost income ratio which was 103, it came to 67% last year and has already come to 54% during the current year. We will

take it below 50% within a short period and it should be below 40% over a period and that is what we are targeting.

**Jehan Madan:** Okay fine sir, thank you.

**Moderator:** Thank you sir. The next question comes from Navin Bothra from Subh Labh Research. Please go ahead.

**Navin Bothra:** Good evening sir, congratulations for a good set of operating performance. My question is to Mr. Pralay Mondal regarding India state account aggregator services are going to start very shortly, four, five banks are participating in it. What is our strategy because we want to expand our SME and MSME books so what will be our strategy regarding this technology account, aggregator and all these things?

**Pralay Mondal:** No, I didn't get your question. What is this aggregator you are talking about?

**Navin Bothra:** Account aggregator platforms where HDFC Bank, Axis, IndusInd and Kotak is participating for UPI type services giving lounge to products of SME and MSME units

**Pralay Mondal:** Understood, but that at this point of time we are not in the participation mode.

**Navin Bothra:** Okay. My second question is regarding the extending the digital footprint and all these things. I myself is a digital savings account holder of CSB Bank. I think in my area; I am the first one. How are we planning to ramp it up? because video and all these KYC norms have been liberalized by RBI, so are we going to extend it at accelerated speed to build our franchisee?

**Pralay Mondal:** Yes of course. So we will have a full blown digital strategy that will get laid out for us in the next few years. At this point of time.... see digital has four, five parts to it. What you are talking about is primarily account acquisition, whether it is VKYC, whether it is digital account opening and those kind of things. So we are going to launch the VKYC, we are working with the vendor right now, so we will launch VKYC soon, but real digital strategy will be to work on partnership with fintechs and partnership with other players where there is a large data base because we as a bank don't have a large customer base. So one of the critical job will be in the next few years and not right now.... but in the next two years, to build kind of partnership model with other organizations the way we are doing it...I just explained on the home loan side for example and what we do on the insurance side. So similarly we will work with some of the other partners and give banking solutions by which we will be able to on the fly on board customers onto our bank and that can happen through any products. It can be payments, it can be liability it can be assets, it can be fees, whichever way. In the

process we will clear up the digital stack out there. Some of these technologies are available in the cloud or available on plug and play etc. and so all these things are already starting to do but coming to our first question which is on the video KYC and some of the other stuff which we have already started working upon and we will do that. So that goes without saying. The other digital part which is internally whether it is stretched process or having upfront whole bank to the customers on a mobility platforms or through the dealerships, those are the kind of things which should be in place in the next 12 to 13 months.

**Navin Bothra:** In the February concall you had with some select institutions, you talked about the credit card and all these things.... if you can explain it a little it will be helpful.

**Pralay Mondal:** Yes, so we are working on a proposition on that payment system at this point of time. When the time comes we will make the announcement. Credit cards and those kind of businesses as you know are very heavy investment and very high gestation period right now. So we are again working on partnerships saying that it is too early for us to get into full-fledged kind of investments at this stage. So we are again going to work with Fintech as well as other partners.... not with banks other partners where we have a win-win kind of situation. So we are as at the final stage of discussion. Once we are able to sign off those things we will make those announcements.

**Navin Bothra:** Okay sir, thank you very much.

**Moderator:** Thank you sir. Dear participants, if you have a question please press \* and 1 on your telephone keypad. Participants are kindly requested to restrict with two questions in the initial round and may join the queue for further questions. The next question comes from Sanjay Asher. Please go ahead. Mr. Sanjay's line got dropped. The next question comes from Mr. Ashutosh Mehta, an individual investor. Please go ahead.

**Ashutosh Mehta:** Good evening sir. Just a couple of questions on the asset quality. In the gross NPA table you have shown an incremental NPA of Rs 188 crores this quarter. This looks like a quite a granular NPA, not a single account impact. So would this something that would worry you or is this a one-off kind of thing? Follow up on that in the slippage issue slide also you have shown a slippage ratio of about 5.76% for the quarter. Can you just throw some light on this? There is a green dash bar also there which we have not been able to understand.

**C.V.R. Rajendran:** Out of the Rs 188 crores which you are talking about Rs 44 crores had come from gold loan. Normally in gold loan we don't see any NPAs because even though it is a one-year loan normally it is closed within four, five months. This time because of the income not being sustainable, many gold loans have got into NPA. That is for the industry as a whole this problem is there. Many of them are closed, out of Rs 44 crores almost Rs 10 crores is already recovered. Remaining are planned for an



auction during this period. If I knock off this Rs 44 Crs, remaining Rs 144 crores is the NPA, out of which Rs 30 to 40 crores might have happened in the other retail portfolios where collections are happening but collections are happening at a lower rate with a delay. So housing loans, car loans, vehicle loans, two-wheeler loans, small medium enterprises loans, everywhere there are some delays because people are not having their regular income. This is an extraordinary year. So even Rs 140 crores is only 1% of the portfolio so it is not very high. All these loans are secured loans. We are not in unsecured loans business at all. When we talk about SME, all the SME loans are secured. Apart from the primary security by collateral security of buildings or land. Normally.... for example, the amount of NPA was much higher in December and by March we were able to upgrade more than Rs 30-40 crores. So out of this Rs 145 crores a substantial amount could be upgraded during the current year or closed completely. That is possible. Some of them may not be closed, then we have to go through the legal process and recover the money. As there are assets, the chances of recovery are always high. In our case, NPA does not mean an ultimate loss. In all the NPA accounts the recovery possibilities are good. During the current year, we have recovered more than a Rs 195 crores total. So, it is not a small amount when compared to our portfolio of NPA. It is only a process. It takes time but definitely we will be in a position to recover because of the collateral securities available. Even otherwise as per industry standard, 1% of NPA is not very high. 1% slippage is not very high.

**Ashutosh Mehta:** Yeah but I think most of the slippages come in Q4 only.

**C.V.R. Rajendran:** That is because the Supreme Court has placed an order that we cannot declare the account as NPA during the year. First six months the moratorium was there, next six months almost there was restrictions on declaring which we had declared as a proforma NPA earlier. Proforma NPA is nothing but an NPA which could not be declared as per the court order. So if you take that into consideration, March NPA is lower than the December NPA. It is not an easy year, so naturally slippages are bound to happen. Even during the current year, you will see some slippages because the situation is pretty bad. All the businesses have undergone a difficult time; we have to understand that.

**Ashutosh Mehta:** Thank you.

**Moderator:** Thank you sir. That would be the last question for the day. Now I hand over the floor to Mr. Rajendran for closing comments.

**C.V.R. Rajendran:** Thank you for making it on a Saturday. Normally we would like to have it only on a working day, but having it on a Saturday has some advantages. When we have it on a working day, the board members and the all committee are given agenda only on the table because there is sensitivity around the data and they are not able to interact properly. So when we have it on a Saturday the advantage is, we can hand over these results after Friday market hours so they can go through the results and

a meaningful discussion takes place in the board. That is the intention why many of the banks have moved their results to Saturday. This being the first year of turnaround in such a big way and a lot of accounting policy changes are there – we have accounted for additional depreciation, additional provision, accelerated provision, so we wanted to have a reasonable time for our board members to absorb the data and to discuss about it, so we organized it on a Saturday. Probably during the following quarter end, we will try to have it on working days so that you will not be disturbed. Thank you for making it on Saturday and making it a more meaningful interaction. If you have any further questions after seeing the presentation; in the presentation we have explained everything, if you need any further clarification, you can be in touch with us. You can call me directly or any one of our CFO, Mr. Divakar or Mr. Pralay or Mr. Ganesan on the recovery part will be available to you for the discussion. Thank you once again. Thank you Praveen for the excellent arrangements.

**Moderator:** Thank you everyone. 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 pleasant evening.

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