



## **Earnings Call for the quarter ended 30<sup>th</sup> June,2014**

Good afternoon investors and analysts.

At the outset I thank you all for attending this conference call.

I am glad to inform that our board has adopted the Unaudited Financial Results for the first quarter ended 30.06.2014 today and the details have been already updated in our website.

Before going into the details of quarterly results, I wish to say a few words about our recently completed QIP issue which received overwhelming response from both FIIs and DIIs. The issue was to raise Rs.350 crs in Equity Capital for which share holders' approval was received in the AGM last year. The issue was oversubscribed by 3.38 times aggregating to Rs.1181.39 crs. Out of the Rs.1181 Crs worth of bids received, the FIIs' interest was for Rs.766 Cr and DIIs had requested for Rs.415 Cr. The shares were placed at an issue price Rs.75.05 per share (including the share premium of Rs 74.05 per share). The issue was opened on 14<sup>th</sup> July evening and closed on 15<sup>th</sup> July, morning. On 22.07.2014, our QIP Management Committee of directors completed the allotment. As you all know, our present FII investment ceiling is 35% and hence we could allot Rs 115 crores only to FIIs despite their huge demand worth Rs 766 crores and we allotted the balance of Rs 235 crores to DIIs comprising mutual funds, insurance companies and PE firms. We immensely thank the Investors for their overwhelming interest in the bank. At this juncture, I am pleased to inform that our Board, considering the immense interest shown by FIIs in our shares, has decided to enhance the FII limit from 35% at present to 40% however subject to the approval of our shareholders and RBI.

Now Let me get into the details of the quarterly results:

It was a tough quarter for us on both growth and asset quality front. As discussed in the previous Q4 results analyst call, we had higher NPA slippages and sale to ARCs. Advances growth remained muted as discussed. We expect credit growth to pick up from Q4 FY 2015 onwards.

In this quarter, the Bank earned Rs.172.69 cr in Operating Profit and Rs.99.49 crs in Net Profit translating into a growth rate of 7% and 10% respectively over the corresponding period. Our Net NPA has marginally increased to 1.28% sequentially from 1.23% and 0.63% in the corresponding quarter.

The total Deposits as on 30<sup>th</sup> June 2014, increased by Rs.1867 crs over the corresponding period from Rs.20516 cr to Rs.22383 cr, thereby registering a growth of 9% y-o-y basis. CASA has increased by Rs.741 cr from Rs.3318 cr to Rs.4059 cr, thereby registering a growth of 22% y-o-y basis. The growth in savings bank deposits was of the order of 24%. The share of CASA in total deposits increased from 16.17% in June 2013 to 18.14% in June 2014.

In the one year period, the Advances portfolio increased by 5% from Rs.15388 crores to Rs.16153 crores. As discussed in the earlier quarter conference call, we were not chasing business growth in the first quarter too. While, the headline growth was 5% only, considering the facts that jewel loan portfolio decreased by Rs.717 crs, the total non jewel loan portfolio increased by Rs.1482 crs or 9%.

Going by the discussions we have with our borrowers, we have observed that the sentiments are slowly turning positive though it has not yet turned into action. We expect the policy initiatives taken by the new Government will spur growth from the Q4 FY 2015 onwards and we hopefully expect to achieve a growth of 10% - 12% in Advances for the current financial year as forecasted during FY 13-14 annual results con call.

The total interest income has increased by Rs.19 crs from Rs.624 crs in last year to Rs.643 crs in Q1 this year. Similarly the interest expenses has enhanced by Rs.20 crs from Rs.437 crs in last year to Rs.457 crs in Q1 this year. Accordingly, we could maintain the Net Interest Income at the same level of Rs.187 cr as in last year. Cost of Deposits for the June quarter decreased to 8.25% from 8.43% which is 18 basis points lower than last year. Likewise, yield on advances for the June quarter stood at 13.00% Vs 13.45% last year. The Yield on Investments has increased by 15 bps from 7.30% in last June to 7.45%. Net Interest Margin decreased by 2 basis points to 3.32% from 3.34% sequentially and by 23 bps from 3.55% in the corresponding quarter. We have consistently maintained the average NIM around 3.30% for the last 20 quarters.

The other income has increased by 40% from Rs.78.90 crs in the last Q1 to Rs.110.70 in Q1 FY 2015. The main contribution for the increase has come from the recoveries in written off accounts amounting to Rs.23.39 crs including write back from ARC sale. Also, there was an increase of Rs.6.24 crs in Exchange Profit from Rs.4.80 cr in the last Q1 to Rs.11.04 crs in current year Q1. Turning to operating expenditure, I would like to say that it has grown by 19% from Rs.104.68 crs to Rs.124.74 crs. The staff cost rose by 15% from Rs.45.54 crs to Rs.52.24 crs while other expenses like Rent, Electricity, Insurance, Depreciation, etc. have grown proportional to the growth and incremental business. We opened only one branch this quarter and planning to open 75 branches in the remaining part of the Current financial year so as to achieve 500 branches by the year end.

The operating profit has increased by 7% from Rs.161.57 crs in last Q1 to Rs.172.69 crs in current year Q1. The operating profit last year was Rs.162 cr, Rs.141 crs, Rs.135 crs and Rs.144 crs for Q1, Q2, Q3 & Q4 respectively.

For Q1 FY 2015, the total provisions marginally increased by 3% from Rs.71.28 cr to Rs.73.20 cr. Tax provision for Q1 FY 2015 decreased from Rs.50.75 cr to Rs.30.50 cr due to increase in provision for Bad Debts to the tune of Rs.24 crs and bad debts written off to the tune of Rs.36 crs. The provision for tax as a % to pre-tax profit was 23%.

In the last financial year, the PAT for Q1, Q2, Q3 & Q4 were Rs.90 crs, Rs.84 crs, Rs.89 crs & Rs.83 crs respectively. The PAT for Q1 FY 2015 was Rs.99.49 crs which is 10% up as compared to Q1 last year and 19% up sequentially.



Return of Assets for Q1 FY 2015 stood at 1.58% as against 1.55% in corresponding quarter and 1.44% in the sequential quarter. The Return on equity was at 19.40% for Q1 FY 2015. As you all know, the bank has raised Rs.350 crs in equity capital by way of QIP issue and hence there will be a 100 – 150 bps dip in ROE this year.

Cost to income ratio for the first quarter stands at 41.94%, slightly increased from 39.32% in Q1 last year and on sequential basis the same has decreased from 46.66%. During the quarter we have opened only one branch and hence the cost income ratio got reduced to 42%. We expect cost to income ratio to be around 45% for the year as a whole.

Coming to NPA, as explained during the previous quarter results, two major accounts in Iron & Steel sector amounting to Rs.163 crs and one account from Breweries sector amount to Rs.75 crs turned NPA in this quarter, of which 2 accounts aggregating to Rs.126.35 crs were sold to ARC in the same quarter. One big account which slipped to NPA in Q4 FY 2014 to the tune of Rs.104 crs has been sold to ARC. We have sold NPAs aggregating to Rs.252.40 cr (net of provisions) were assigned to Asset Reconstruction Companies for an aggregate consideration of Rs.309.85 crs. With this, the Gross NPA at the end of Q1 stood at Rs.308.30 crs which is 1.91% of Gross Advances Vs 1.81% in the sequential quarter. The Net NPA stood at Rs.204.38 crs which is 1.28% of Net Advances Vs 1.23% in the sequential quarter Q4 FY 2014. The Provision Coverage Ratio stood at 61.11% compared to 61.74% on 31.03.2014. As repeated again and again, all these accounts are adequately collateralized & we are confident of at-least 75% - 80% recovery maintaining the past record.

There is no large value accounts exceeding Rs.50 crs lying under stressed accounts category except for one account in Paper Industry which we have discussed in last quarter to the tune of Rs.67 crs. In this account, the promoter has arranged for capital infusion from relatives and we hope the account will survive. Hopefully we have almost touched the bottom of NPA cycle and hope recovery of NPA from the III quarter of current financial year 2014-15. We have recovered Rs.6.36 crs in TW account from a Pharmaceutical account (Orchid) in the current quarter, which is not included in Q1 FY 2015.

On the Restructure front, I would like to add that no accounts have been restructured in Q1 FY 2015 and the restructured standard advances currently stands at Rs.261 cr, representing 1.62% of total advances. During the first quarter June 2014, accounts amounting to Rs.6.29 cr successfully completed 2 years of moratorium period and were removed from "Restructure category".

To sum up;

We have almost touched the bottom and improvements should be visible from Q3 / Q4.

Hopefully, credit growth should start from Q4 and we expect 10% - 12% growth for advances this year. We expect half of SR redemption should happen before the year end and the balance next year.



We should be maintaining ROA, ROE, Cost to Income Ratio for the year around track record.

Incremental slippages are expected to fall in Q2 & Q3 compared to Q1 and improvements should be visible from Q4 onwards.

With this I conclude with thanks to all of you and over to you for questions.

**Moderator:** Thank you very much Sir. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Vinay Arya from ENR Advisors. Please go ahead.

**Vinay Arya:** Thanks for taking my question. Do you have any restructuring pipeline for the next quarter?

**S. Sundar:** As we have told that even in the stressed account category too, there are no accounts in the pipeline. I do not expect any increase in the list of category.

**Vinay Arya:** In our agricultural portfolio, what would be the approximate exposure to Andhra Pradesh?

**S. Sundar:** In our agriculture exposure, the main advance by way of agricultural gold loans only. We have small exposure in Andhra Pradesh, much of the exposure comes from Tamil Nadu.

**Vinay Arya:** In terms of percentage do you see it would be insignificant; if you could keep put a percentage to it, if it is significant?

**S. Sundar:** It could be 5% of the total agriculture loans.

**Vinay Arya:** In our mix of advances, do we expect any major change in the next 2-3 years as per the strategy of the bank?

**S. Sundar:** As of now, we have a diversified portfolio with various industries. We expect the same portfolio mix will continue. We will not try to concentrate more in any particular industry going forward.

**Vinay Arya:** Thank you so much Sir.

**Moderator:** Thank you. The next question is from the line of Jignesh Shial from IDBI Capital. Please go ahead.

- Jignesh Shial:** Thanks for taking my question. The outstanding borrowing number?
- S. Sundar:** Traditionally, we used to not have borrowings at all. So whatever the money market funds, we used to take, other than that there is no long-term borrowing.
- Jignesh Shial:** What would be the outstanding number right now, the quantum?
- S. Sundar:** Please repeat. It is not clear.
- Jignesh Shial:** What I am asking is, if I am correct, in Q4 it was around Rs.300 Crores, it should be the same number or could be little higher than that Rs.305 Crores?
- S. Sundar:** It is not much high as I told you. The amount shown under borrowings heads are by way of Refinances only.
- Jignesh Shial:** Can I have your provision breakup also if possible?
- S. Sundar:** We have made total provisions of Rs.73 Crores, in that Rs.44 Crores towards NPA, Rs.30.50 Crores towards provision for taxation, for standard assets it was less Rs.1 Crore and investment depreciation for shifting about Rs.1 Crore, provision towards un-hedged exposure Rs.0.46 crores and reversal of provision towards restructure to the tune of Rs.1.83 crs, totally it come to Rs.73 Crores.
- Jignesh Shial:** You already highlighted about your slippages and all, so I just wanted to clarify, you had one account of close to Rs.163 Crores which belongs to the steel sector right?
- S. Sundar:** In Q4 last year, we said there was one steel account for Rs.104 Crores that has been sold to ARC for Rs.104 Crores in Q1 FY 2015.
- Jignesh Shial:** So, during the current quarter, the quantum of slippages whatever has happened. So, what majorly it has contributed then?
- S. Sundar:** There are two major accounts in iron and steel for Rs.163 Crores and Rs.75 Crores in brewery.
- Jignesh Shial:** Rs.104 Crores is different which slipped in the last quarter and that you have sold to ARC.
- S. Sundar:** Even in the Rs.163 crores that went now to NPA, we have sold to ARC about Rs.50 Crores. The breweries account of Rs.75cr also has been sold to ARC. For the current quarter, these

two accounts and the last one Rs.104 Crores they have all been sold to ARC during this quarter.

**Jignesh Shial:** You have already clarified that in the agri portfolio in Andhra would be less than 5%. As per the presentation, now your total branch network is 51 that include the total Andhra. Can I get breakup of Telangana and Seemandhra? Is it possible?

**S. Sundar:** We shall give it, but most of the branches are in Coastal Andhra only, Seemandhra, may be you know could be in 60% to 40%.

**Jignesh Shial:** 60% would be Seemandhra, 40% would be Telangana.

**S. Sundar:** 40% in Telangana.

**Jignesh Shial:** Whatever agri portfolio is there, it is majorly agri gold loans only?

**S. Sundar:** Mostly our agriculture loans comprises agri gold loan only.

**Jignesh Shial:** So, there is a decline in jewel loans which we are seeing, is it purely towards personal gold loans right, agri gold loans are doing fine right now?

**S. Sundar:** I should clarify here. Last year Reserve Bank came out with a circular that non-agri gold loans less than rupees one lakh, though it can be paid as a bullet payment including interest, you can recognise the interest only on recovery. Also, we have to follow up with the borrowers and many accounts we have to get it closed in the process. That was the main reason for reduction of close to about Rs700-odd Crores in gold loan portfolio.

**Jignesh Shial:** But that would not be agri, the circular?

**S. Sundar:** They were all non-agri. Agriculture loan there was no change in the normal guidelines from the Reserve Bank. These are all only in the non-agri gold loan.

**Jignesh Shial:** So non-agri gold loan close to Rs.700 Crores has been repaid, because of the regulation change.

**S. Sundar:** Yes

**Jignesh Shial:** That is it from my side. Thanks a lot Sir.



- Moderator:** Thank you. The next question is from the line of Ajitesh Nair from Premji Invest. Please go ahead.
- Ajitesh Nair:** In your opening remarks, you had mentioned about the movement in your restructured accounts, what was the fresh restructuring in the quarter and how much was updated?
- S. Sundar:** I told there was no addition to the restructured portfolio during Q1 FY 2015. For the year ended March 2014, it was Rs.275 Crores and out of that Rs.6 Crores went out of restructured portfolio having completed two years and the outstanding balance. At the end of Q1 FY 2015, the restructured standard category is Rs.261 Crores that translates into 1.62% of my total advances.
- Ajitesh Nair:** I missed the number again Sir. How much was upgraded after two years of satisfactory performance?
- S. Sundar:** That is Rs.6 Crores.
- Ajitesh Nair:** Your jewel loans now that the most of the regulations have hopefully settled down, the non-agri jewel loans which are down 50% YoY for us. How do you see this fairing now from hereon?
- S. Sundar:** Now that the RBI has reversed that earlier instructions and they have asked the banks to fix the limits for the collecting of bullet payment and now the same has been back on track as like earlier.
- Ajitesh Nair:** Have the disbursements now picked up for this portfolio?
- S. Sundar:** It has not yet picked up. Hopefully there should be some improvement.
- Ajitesh Nair:** You also mentioned in your opening remarks that you have recovered some amount from already slipped accounts. You mentioned certain amount but you have not recognised in Q1, how much is that amount?
- S. Sundar:** Recovery in the NPAs from one technically written-off account for Q1 FY 2015 about Rs.30 Crores. Also, we got Rs.6.36 Crores subsequent to June 30 and that should get reflected only in Q2 FY 2015.
- Ajitesh Nair:** None from the last two quarters of slippages. We have not recovered anything from there yet, it just been sold to ARC?

- S. Sundar:** We have recovered Rs.38 Crores for the quarter from technically written off accounts.
- Ajitesh Nair:** How much would that Sir, Rs.38 Crores?
- S. Sundar:** Yes – Rs.38 Crores. Out of that, Rs.28 Crores came from one TW account given to ARC and another Rs10 Crores by way of cash recoveries from other accounts.
- Ajitesh Nair:** Finally on the margin side, 3.32% this quarter, how much of the impact do you think because of interest rate reversal due to slippages?
- S. Sundar:** On account of interest reversal, it is only about Rs.6 Crores or so, not much and as I told you earlier, CASA are also picking up and we should be able to maintain the margin around 3.30% that has been traditionally maintained by us.
- Ajitesh Nair:** Just to clarify 3.3% for this year versus 3.5% for last year?
- S. Sundar:** More depends on the interest rate scenario. As we go by what has been indicated by the RBI Governor yesterday, the rates are set to increase perhaps margin should expand, because advances get repriced immediately and we find that there is not much of scope to interest to come down immediately, but when in a decreasing scenario, you will find there will be margin compression when advances immediately get repriced at a lower rate where deposits take a slightly longer time, before they get ready priced. It mostly depends upon the interest rate scenario, but we can maintain the margin around 3.20% to 3.70%.
- Ajitesh Nair:** All the best.
- Moderator:** Thank you. The next question is from the line of Sanket Chheda from Equirus Securities. Please go ahead.
- Yash Mehta:** This is Yash Mehta from Equirus. I just wanted to know during the last conference you said that if the environment improves, we could see growth in advance from 16% to 18% so, is there an upside risk to the 10-12%, advance growth or that is your realistic target?
- S. Sundar:** Conservatively, we have to put 10% - 12%. Now the policy initiatives are getting announced and they are coming to play may be in the third quarter. From fourth quarter onwards, we should see the result coming in. That is why we put it conservatively at about 10%-12%. In my view from Q3 onwards it will be able to fully assess as to how much we can go faster. Right now, we have conservative estimate at 10-12%.



- Yash Mehta:** In terms of the slippages that could happen, could you just summarise the comments again, you made a comment about account exceeding Rs.50 Crores, you have one account, could you just repeat?
- S. Sundar:** The same has been informed in the last earnings call also. This is in the paper industry. It is about Rs.65 Crores of liability and we told it is also in the specific category, but promoters are raising funds and hopefully we feel that it should not find its way into NPA; it will survive; that is what we are hopefully expecting.
- Yash Mehta:** In terms of the slippages runrate should we return back to the Rs.50 Crores odd slippages every year, should that happen from the next quarter itself?
- S. Sundar:** Next year onwards it will start coming down. With the environment economic conditions improving and then it should be slowing further down.
- Yash Mehta:** Your margin commentary side, it should be maintain at 3.3% or maintain at the FY2014 level?
- S. Sundar:** We shall be able to maintain the margin around 3.30% for FY 2015.
- Yash Mehta:** Can you provide details on the key account slippages?
- S. Sundar:** Two accounts in the iron and steel industry for Rs.163 Crores and there was one account from the brewery sector for Rs.75 Crores. Of this, one account representing around Rs.60 to Rs.65 Crores and the breweries account for Rs.75 cr - have been sold to ARC during this quarter itself and another one big account which went to NPA in Q4 FY 2014 also sold to ARC.
- Yash Mehta:** For what value?
- S. Sundar:** Rs104 Crores
- Yash Mehta:** No other ARC sale from SMA-II category, because three accounts were earlier in SMA-II?
- S. Sundar:** Yes they are in SMA II category.
- Yash Mehta:** That is from my side.
- Moderator:** Thank you. The next question is from the line of Vikas Sharda from NT Asset. Please go ahead.

- Vikas Sharda:** Good evening Mr. Sundar. One question on this loan sold to ARC. I think you mentioned also in your opening remarks what is the cumulative exposure to ARCs and what is the consideration for those loans?
- S. Sundar:** It would be about 320 Crores totally.
- Vikas Sharda:** 320 Crores is the total exposure.
- S. Sundar:** Yes – Total exposure is Rs.320 crores as on date and during Q1 we sold, as told in the remarks, about 310 Crores.
- Vikas Sharda:** If you could just touch upon the thought process behind selling these loans means how do you choose which NPAs to sell to ARC and I mean and what kind of basically better recoveries would you expect from them compared to you are doing it yourselves?
- S. Sundar:** The assets that are sold to ARC - 50% is expected to be realised during the current year and another 50% we are expecting in the next year.
- Vikas Sharda:** My question is more that like suppose if you have the number of NPAs and how do you choose which bank to really to sell to ARC and which one to recover yourselves in that sense?
- S. Sundar:** The thing is when you find in all our accounts are fully collateralised and if the amounts are small, we can also easily follow it up and recover. Even big amounts also, we can recover but it takes slightly longer time whereas we will be concentrating more on the regular banking and so even the RBI has advocated that banks to follow the ARC route for the recovery of NPAs. Accordingly some of the large accounts were sold to ARCs to cut down the time delays. As I told you, this is the one way we found it was better. As I told you 50% will be recovered this year.
- Vikas Sharda:** Thank you.
- Moderator:** Thank you. The next question is from the line of Mona Khetan from Elara. Please go ahead.
- Mona Khetan:** Good evening. Sir most of my questions have been answered. Just want to reconfirm on a couple of things. Firstly this quarter we have sold, in all, 230 Crores of assets to Asset Reconstruction Companies right.
- S. Sundar:** No, we sold 310 Crores ARCs during this quarter.

- Mona Khetan:** This quarter, okay.
- S. Sundar:** The total amount of exposure is about 320 as on date. 310 Crores we have sold during this quarter.
- Mona Khetan:** This quarter but then you mentioned there was 126 Crores from this quarter slippages versus and there was another 104 Crores from last quarter's steel account. This adds up to 230 where is the rest of the 70 coming from?
- S. Sundar:** Some of the accounts other than Rs126 one. One fell due in Q3, for 70 Crores was also sold in, Q4 for 104 Crores, now 126 Crores. If you add up all that it comes to 310 Crores.
- Mona Khetan:** Alright Sir 310 this quarter and cumulatively how much of assets in our books have been sold to ARC?
- S. Sundar:** 320 Crores or so.
- Mona Khetan:** 320 Crores and on the other question that I had was on the provisioning line in your P&L what is provisions for NPA this quarter roughly could you repeat again?
- S. Sundar:** We made a provision of Rs.44 Crores for NPA this year.
- Mona Khetan:** Rs.44 Crores this quarter and Sir you mentioned of a paper industry account, which you seem concerned. What is the size of this account in the total exposure we have? You mentioned of a paper industry account that is seeing concerned that is not yet reflected in the restructured or NPA?
- S. Sundar:** I was talking about the paper mill that is about Rs.65 Crores or so. We said these were stressed accounts but the promoters were infusing the funds as capital. So we hopefully think that will survive. This will not give us any more problems.
- Mona Khetan:** Thank you. That is from my side.
- Moderator:** Thank you. The next question is from the line of Gaurang Ved who is an investor. Please go ahead.
- Gaurang Ved:** Thanks for the opportunity. Sir just want to know your thought process on FII limit front because we already reached the 35% mark and what we are proposing right now it is just from 35% to 40% so just on why we are not proposing something like 49% or so because

we are just increasing it by 5% and looking at the interest that limit will be maybe reached again in quarter time or so. So just want to know you thought process on the same?

**S. Sundar:** 49% is the total under automatic route that comprises FII and portfolio foreign investment, NRI all put together including FDI also. So accordingly FII limit has been increased to 40%. NRI also they can go up to 10%. Now NRI is low. Keeping cushion for all that we have increased to 40% for the FII.

**Gaurang Ved:** Okay let us say, by the end of next quarter or may be in the next two quarter FII is 40%, if that limit is breached, so are we planning to increase it beyond that or we will stick with 40% mark?

**S. Sundar:** We all decided that call has to be taken by the board and depending upon the situation.

**Gaurang Ved:** Thanks a lot Sir.

**Moderator:** Thank you. The next question is from the line of Rishendra Goswami from Locus. Please go ahead.

**Rishendra Goswami:** Can I get the total amount of securities that is outstanding on your balance sheet. What are the outstanding security receipts on your balance sheet as of June end?

**S. Sundar:** That is what I said about 320 Crores.

**Rishendra Goswami:** 320 Crores the total value of securities.

**S. Sundar:** Yes.

**Rishendra Goswami:** Thank you. That is all.

**Moderator:** The next question is from the line of Shreyas Bhukhanwala from Sushil Finance. Please go ahead.

**Shreyas Bhukhanwala:** Good evening Sir. Couple of questions one is how do we see the credit cost panning out for FY 2015?

**S. Sundar:** Traditionally, our credit cost takes into account the amounts received on the write-off accounts. It is close to around 25-30 bps on average. Last year it was 58 bps. For this quarter the credit cost was 6 bps and year before the credit cost was 24 basis points. Before that it was 14 basis points. In 2011 it was 41 basis points. On average my credit cost does

not exceed about 25-30 bps and it would be close to that maximum at the most around 50 basis points.

**Shreyas Bhukhanwala:** 50 basis points maximum.

**S. Sundar:** Last year it was 58 basis points and I think around 50 basis points or whatever.

**Shreyas Bhukhanwala:** Sorry but can you just help me with the breakup of other income that is 39 Crores which is...?

**S. Sundar:** Our fee income we normally give in three categories. The core fee income category the commission, exchange, brokerage that has grown by 22% that the amount is Rs.49.50 Crores, treasury income was Rs22.3 Crores showing an increase of 75% over last year and all other income including recoveries from written off accounts amounting to Rs38.9 Crores.

**Shreyas Bhukhanwala:** Sir of this 39 Crores can you just help me with the major breakup Sir?

**S. Sundar:** I told you out of Rs.39 crores, Rs.38 crores by way of recoveries technically written off accounts. In that Rs.38 crores, Rs.28 crores sold to ARCs and the balance by our own recoveries.

**Shreyas Bhukhanwala:** Once again on the slippages front can we assume around 50-70 Crores quarterly slippage is roughly for the next two quarters?

**S. Sundar:** From now onwards there should be improvement, slippage should drop. It should go back to our normal standards going forward. It could be at the most about 60 Crores or so.

**Shreyas Bhukhanwala:** 60 Crores every quarter.

**S. Sundar:** Not every quarter. It is slowly tapered down. As I told you in Q2 it will fall, Q3 it will fall further, Q4 it will fall further. On an average basis you can take about some 25-30 Crores per quarter. That is net of recovery and it is net addition to gross NPA.

**Shreyas Bhukhanwala:** Thanks a lot.

**Moderator:** Thank you. The next question is from the line of Utkarsh Maheshwari from Reliance. Please go ahead.

**Utkarsh Maheshwari:** Good afternoon Sir. Just coming back to the question of what we sold to ARCs. You sold closed to 300 Crores in this quarter right?

**S. Sundar:** 310 Crores.

**Utkarsh Maheshwari:** Basically when we see at the NPA level, I mean the total NPA stands at something like 308 Crores, right, so probably if this would have not happened the NPA may move to much higher levels?

**S. Sundar:** Naturally on sale to ARC, NPA levels come down in terms of recovery.

**Utkarsh Maheshwari:** But do you have any further. I mean basically for this quarter it might have some kind of one of a kind of thing wherein you have 310 Crores coming at one go, do we have any kind of foreseeable accounts wherein we see that you will be looking forward to offload in the coming quarters?

**S. Sundar:** As I told you, the small accounts we take on ourselves to recover, which we take the help of ARC because it takes time and even on stressed accounts exceeding 50 Crores are not many, except one what the paper industry.

**Utkarsh Maheshwari:** In case of any negative surprise which can come only from the Rs.65 Crores accounts, which is there in the paper industry right. If at all, it is addition to the further list of to be sold to ARC?

**S. Sundar:** Some big accounts in the existing category we may sell, otherwise the new accounts are not there for sale to ARC.

**Utkarsh Maheshwari:** Do we have any exposure to aviation as the sector...?

**S. Sundar:** Aviation, no NPA for us.

**Utkarsh Maheshwari:** I mean the sectoral deployment does not say that aviation as the exposure, if you can just...

**S. Sundar:** Whatever the major exposures we have already given. Other than that there are only minor things here and there, it is not mentioned up.

**Utkarsh Maheshwari:** Thanks a lot.

**Moderator:** Thank you. The next question is from the line of Mona Khetan from Elara from Reliance. Please go ahead.

**Mona Khetan:** Good evening just a quick follow-up question. So you mentioned that you have sold assets to ARC was 320 Crores cumulatively and also that you have security receipts to the tune of

320 Crores again in your balance sheet. So is it fair to assume that we have hardly taken any haircut on the asset sold?

**S. Sundar:** 310 was sold with the book value of 252 Crores. We did not sell anything in loss.

**Mona Khetan:** So for 320 Crores, you are saying net of provisioning the value is 250 Crores but you are saying the security receipt issue to the tune of 310 Crores right?

**S. Sundar:** Of the Rs 310 crores,, in no account we had the haircut except in the brewery account for about 75 there are about 4 Crores down other than that we have recovered everything in full. We have taken the securitisation receipts for full value.

**Mona Khetan:** Thank you.

**Moderator:** Thank you. The next question is from the line of Sanket Chheda from Equirus Securities. Please go ahead.

**Sanket Chheda:** Sir just wanted to know the reason for the drop in other expenses that has taken place on a year-on-year as well as quarterly basis?

**S. Sundar:** You are talking about other expense? In the current quarter we have opened only one branch and as such the cost to income ratio has come down and the increase in the operating expenses where the employee cost is 45 Crores in last year and it was 52 Crores in Q1 FY 2015. Other operating expense is around 59 Crores in last year and now it has come to 72 Crores in Q1 FY 2015.

**Sanket Chheda:** Sir I am looking on a sequential basis if the fourth quarter the other expenses were 79 Crores versus that it was 73 in Q1 FY 2015?

**S. Sundar:** As I told you the last year we had opened more number of branches and accordingly the expense was also higher. If you see on the first quarter in the current year we have not opened any branch, but as we have repeatedly been telling that the increase in operating expenditure due to opening of branches is taken as an investment cost. With regards to cost-income ratio though it is 42% for the current quarter, we told you that we would be maintaining not exceeding 45% for the whole year, as I told in the opening remarks.

**Sanket Chheda:** CASA has seen an improvement lately, so any target that we set for CASA?

**S. Sundar:** We have opened more branches. We have been giving targets. We are taking all measures to improve the CASA including cash management for corporate.



- Sanket Chheda:** Sir any particular level in mind?
- S. Sundar:** My CASA increased by 22% for this quarter and particularly savings account they increased by 24%.
- Sanket Chheda:** Thank you Sir.
- Moderator:** Thank you. As there are no further questions, I now hand the conference over to Mr. Ravi Singh for his closing comments.
- Ravi Singh:** On behalf of Ambit Capital, I thank everyone for joining us on this call. Have a good day.
- S. Sundar:** Thank you Mr. Ravi. I thank all the investors and analysts for their active participation on the earnings call. I thank them all once again.
- Moderator:** Thank you very much. Ladies and gentlemen, on behalf of Ambit Capital that concludes this conference. Thank you for joining us. You may now disconnect your lines.