



“Karur Vysya Bank
Q1 FY2019 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to Karur Vysya Bank Q1 FY2019 Earnings Conference Call hosted by Spark Capital Advisors India Private Limited. As a reminder, all participant 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 an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Abhinesh Vijayaraj. Thank you and over to you Sir!

Abhinesh Vijayaraj: Thanks Amin. Good morning everyone. On behalf of Spark Capital, I welcome you to the IQ FY2019 earnings call of Karur Vysya Bank. We have with us today the management team of KVB represented by the MD & CEO Mr. Seshadri, President & COO Mr. Natarajan, General Manager and CFO Mr. Sivarama Prasad and Company Secretary Mr. Srinivasa Rao. I now request Mr. Seshadri to take us through the highlights of the quarter gone by after which we will open the floor for questions. Over to you Sir!

P. R. Seshadri: Thank you very much Abhinesh. Thank you very much for hosting the call. Thank you very much all the folks who dialed in, wonderful to be able to speak to you albeit on the phone. This was an important quarter for us at Karur Vysya Bank. This was a quarter where our transformation process began to gather speed. During this quarter the product set that we are making available to our customers under the new digital platform increased. We now have four products that are live on the digital platform which is essentially home loans, loan against property, unsecured personal loans and the renewal of working capital loans. In addition, we introduced enhancements and ad hoc facilities under the working capital loans under the new platform. During this quarter, the entire system made attempts to adjust the new operating platform that we were introducing within the company. We now have roughly 300 applications a day under the new platform which is very helpful.

We also made very significant progress in the development of additional products under the new platform. We see no delays worthy of mention during this call and we are proceeding as originally planned, which is something that we are reasonably pleased with. During this quarter, business growth from an advances point of view, we grew 13%. As I had mentioned in previous calls, our aim was to go at roughly the market rate and we believe that 13% is probably a little lower but you know that the idea was that we grow at market but we would try and grow our spreads, which is something that we continue to focus on.

The assets plus liabilities grew at roughly 9%. On the liability side, we contained the liability growth insofar as term deposits were concerned by ensuring that we were priced at the lower end of the market and consequently, we did not raise too many deposits by paying for them. We were focusing on current accounts and savings accounts and I am happy to report that during the quarter, we achieved the hallmark of reaching 30% CASA for the portfolio which we think is an important milestone as we try and improve the funding profile of the entity.

Revenues grew 8% in aggregate, 8% on the net interest income side and 8% on the other income side, we are particularly pleased with the other income apiece where the core underlying profit streams from both fees and commissions that we charge on banking products and fees and commissions on other products grew very strongly and grew strong enough to ensure that the absence of profits and trading income were largely covered. The expenses continued to be at an elevated level, as I had been mentioning, this is on account of the fact that we had opened a lot of branches over the last year or so. The branch expansion process I must add has been put on a hiatus. We are not planning to open significant number of branches at this point in time but having said that the branches that were opened during the early part of 2017 and subsequently, the cost associated there with is coming through the P&L so expenses grew approximately 16%. The net result was that the operating profit was largely stagnant up marginally 2% to Rs. 460 Crores and subsequently, we had on account of the fact that we had roughly Rs. 700 Crores of incremental forward flows of NPA offset by recoveries that are coming in largely on account of NCLT settlements.

The net NPA came in at about Rs. 540 Crores and on account of the net NPAs, we had to make provisions on the credit side of approximately Rs. 420 Crores. Given all of that the earnings after tax came in lower at approximately Rs. 40 Crores and whilst the overarching theme of the quarter has been that the underlying business dynamics look good. The adoption of the new technology looks good. The new systems and practices that we have put in place also look good.

During the quarter we put in place a new collection system for our commercial business which has now seen very good adoption at the branches. We are going live with the new recovery management system that will enable us to target the Rs. 3000 and odd Crores of written off stocks that we have on our book, not written off, the non performing stock we have on our book and in addition, we made substantial progress on the sales and other aspects of the entity. So having said all of that this is a quarter of reasonable consolidation and also a quarter wherein we started taking steps towards becoming a bank that is digitally enabled and that addresses the needs of Indians in a manner that they would like those needs to be addressed, while keeping the traditional values of the entity alive.

As undoubtedly most of you will ask, the NPA levels for the quarter were elevated but the good news is that we think our problems associated with the corporate book which we have spent a lot of time talking about are now behind us. During the quarter, the total NPA on account of the corporate book is roughly Rs. 267 Crores and that includes roughly about Rs. 160 Crores coming from the watch list, you will recall that there was a watch list of Rs. 325 Crores. So roughly half of that has flown. I had mentioned in previous calls that half of the watch list was non-funded and some of it was performance guarantees etc., and it is not entirely clear as to when those would be evoked consequently provisions were not been made at this point in time. So half of that has flown, there was also approximately Rs. 200 Crores of impact on account of the 12 February 2018 circular. So during this quarter instead of 200, it came in at about 217 and there were also marginal flows to the extent of approximately Rs. 60 Crores on account of other movement.

So from our point of view we think that the corporate book has played out exactly as we had foretold. We think that the problems that we had forecast are behind us. Our expectation going forward is that the NPA movement on the corporate book would be muted and our expectation actually on a full year basis is that we should be able to have another incremental NPA of roughly about Rs. 275 Crores to cover the corporate book.

With respect to the commercial book many of you would have noted that the NPA levels were higher than what you have been accustomed to be seeing in the previous quarters but this is reflective of the trends that we have been noticing over the last two or three years, so I will just... when you look back through the year 2017-2018 you will notice that the total NPA in Q1 on the commercial side is roughly equal to the NPA that accrues over the following three quarters and the same story applies in 2016 as well so the Q1 NPAs are much, much higher than the NPAs that we see in the subsequent quarters, the reason for that is something that we are still debating. One of the reasons that my team is putting forward is that we do have about 30% or 40% of our branch managers getting transferred and those transfers are effected during the first quarter and perhaps that is impacting ability of the newly transferred branch managers to interact with our commercial customers and their efficacy of collections is a little impaired during the first quarter. Having said that that has been the trend and during the question and answer time, I can provide little bit more details as to how we see this moving forward from the commercial NPA and what our outlook for commercial NPA is?

So at this stage I would like to hand you back to Abhinesh, so that we can open the floor for further questions.

Moderator: Sure. Thank you very much. Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Pranav Gupta from HDFC Securities. Please go ahead.

Pranav Gupta: Hello.

P. R. Seshadri: Hi Pranav, go ahead.

Pranav Gupta: So as you guys alluded to the reasons behind the slippage in commercial going up, I mean you know almost it shot up significantly, so it could not be attributed only to the rejig in branch managers if you can provide some more colour as to which sectors these slippages have come from or any other reason that you see for this, it will be helpful?

P. R. Seshadri: Thanks Pranav. Basically there are two broad things that seem to be running through the elevated levels or slippages on the CBG side. One is the fact that you know commodity prices have been under stress. They have been recovering off late but agricultural commodity prices have been depressed and there is a large book that we carry on the commercial side, which is basically lending to agricultural traders so we are seeing some amount of stress there. The other area of stress that we are noticing is where there are importers who have been importing things like

timber and so on and so forth where earlier they used to rely on LOUs which are no longer available. To some extent those cash flow cycles have been impacted and those areas are areas where we are seeing increased losses on account of where cash flow cycle is not being what they used to be in the past. So those entities are now trying to adjust to the new reality and trying to find alternate source and also trying to re-price their commodity. So that they can now play in the new market place, where the cost of funding is significantly higher what it used to be in the past. So that transition is taking a little bit longer than we thought it would but these are the two broad things that we can see.

I just wanted to spend a little bit more time talking through our own experience on the commercial side. I agree with you that the elevated levels of losses are higher than what we should have seen and this has surprised us as well. So it is not something that we would say that we are very sanguine about. We noticed this in the beginning of the quarter and what we did was, we quickly put together a new collection system, which is a new system by which we can address all our branch managers. We can raise these accounts as soon as they become SMA-0, these pop up on the screen of the branch folks and we can force the branch people to have the conversation with the customer and that is driving down our SMA-0, 1 and 2 numbers. Historically as an entity we have not been very aggressive in collecting at early stage i.e., we have not really been very aggressive in calling customers when they were in SMA-0, we used to wait till they became SMA-1 or may be perhaps even later before we would go and aggressively call on these folks. Now that has changed and that is now driving down our entire stock of SMA-0 and 1 very considerable, so that the piece is in place.

The second piece which I think is more relevant is the fact that in this company the trend on losses that we have seen historically on the commercial side is that Q1 losses are equal to the other three quarters' losses that is been the trend in the last two years. So if you will notice you know we started giving these numbers from the analyst deck of December. In December we had Rs. 59 Crores worth of NPA on CBG. In March we had Rs. 1 Crore. In September, the net NPA accretion was Rs. 34 Crores and in June it was Rs. 97 Crores. So the first quarter was 97 Crores which is roughly equal to the next three quarters put together. Now if you were to ask me why is this strange pattern happening? Unfortunately, I do not have a really good answer. We only have suppositions and the same pattern repeats itself in the prior year. Now is it absolutely certain that the same pattern will repeat itself this year, I mean I cannot really say that I am absolutely certain but you know I draw comfort from the fact that this pattern has happened in the past.

We have also studied this quite intensely. We have gone back into the portfolio unlike the CIG portfolio or the corporate portfolio where you can look at it name by name, this portfolio has tens of thousands of accounts you cannot look at it name by name. So you have to use a tool which is commonly used on the retail side to see how you expect the portfolio to flow in the next nine months or so. So we have done the analysis, if we use the flow rate that has happened during the last three months. So if you were to take April, May June flow rate then the situation would indeed be alarming and the losses would be roughly Rs. 700 Crores, I mean when I say losses I mean NPA accretion.

But if you were to ignore this flow rates because historically these flow rates have been much higher than the flow rates in that succeeding quarters, if you were to ignore this flow rate, then our model shows that the losses would be roughly Rs. 300 Crores. So historically given the fact that the first quarter has been a higher than the prior quarters, we are at this point in time of the view that in the succeeding quarters, the NPA numbers would start dropping. Unfortunately that is the best that I can say at this point in time because we are doing more intense granular work on interrogating this portfolio. We are trying to slice it and dice it and then do the kind of work that requires to be done to get a better handle on this but this is what we have at this point in time.

Pranav Gupta:

Okay great. That was a fairly extensive answer. So if I come to my second question considering that you had a one off last quarter in terms of interest income, you should take that out even otherwise you have seen a drop in NIMS which is largely due to some drop in yields. So if you could provide some more colour on what you see going forward in terms of SMA and retail pricing and given that those are our focus areas and they will typically be higher yielding products. So what is the sense that we get in terms of margins going forward?

P. R. Seshadri:

It is a very good question Pranav and it is an area that we are working on and we need to make more progress frankly. So what has happened with us is that we now have two modes of originating customers, one is using the newer digital tool and the other is using the older mechanisms of acquiring customers. On the digital tool, the risk-based pricing architecture is now fully in place. So the system decides basis the customer's profile basis the customer's cash flow patterns, customer's records with the credit bureaus etc. what the pricing on the loan should be? Now as a consequence of the risk-based pricing today our highest origination yield product is actually retail which is a little surprising for us given the fact that a fair chunk of that product is running at is home loans which for prime customers is priced at about 8.65. So what we are seeing is a (audio cut) 20:59 yield on the retail side which is not being reflected on the commercial side and that we think will get addressed when our new systems on the commercial side go live next month. So the first bit of automated decisioning tools and pricing tools on the commercial business will go live in August. Once that happens we think that the spread on the commercial side will go up.

Now there are two reasons why you are seeing the NIMs slide. One is that our stock of non-interest earning assets is growing quite considerably. So if you were to look at it, we have roughly Rs. 2100 Crores of net NPA which is unfunded. We also have security receipts of roughly Rs. 400 Crores. So you have about Rs. 2,500 Crores of assets which are non-interest bearing and that has grown quite considerably. So if you were to go back let say a year or so that number was much lower and every quarter, we have been unfortunately adding a very considerable amount. So that is in part responsible for the NIM crunch. The origination yield we have given up some both on the corporate side as well as on the CBG side. So, on the commercial side, I think we will start picking up the yield as we go forward. On the corporate side, we have consciously focused on better quality asset, so we have given up a little bit of yield. But net-net, we think that the yield that you are seeing today is something that we should be able to improve going forward. I want to caveat this by saying that we are running a little bit of a basis

risk in the sense there our assets are getting re-priced differently from our liabilities. Unfortunately, we do have a large chunk of assets that are annually re-priceable and that is something that we are working on to see how we can ensure that going forward, we have assets that are re-pricable over the shorter durations.

Now so far the basis risk has not shown into our P&L because we have done a reasonably good job of managing our cost of funding. But going forward, that risk remains but having said all of this, I believe that we are in a sweet spot. I believe that we can increase our spreads. Like we have increased our spreads on the retail side, we should be able to increase our spreads on the commercial side by putting in place the new tools that we have been devising.

Pranav Gupta: Okay great. Just one data keeping question if you can provide the quantum of interest reversals for this quarter and comparable quarter that it will be helpful?

P. R. Seshadri: I am unfortunately not carrying it with me now Pranav.

Sivarama Prasad: I will call you Pranav.

Pranav Gupta: Okay Sir, thank you so much.

P. R. Seshadri: Thank you.

Moderator: Thank you. The next question is from the line of Dhaval Gada from Sundaram Mutual Fund. Please go ahead.

Dhaval Gada: Hi Sir, thanks for the additional disclosures, just a few questions. First, Sir could you just clarify if there was any recovery from the NCLT cases which was routed via the interest income line this quarter?

P. R. Seshadri: Yes there was.

Dhaval Gada: So what was the quantum Sir?

P. R. Seshadri: Rs. 33 Crores.

Dhaval Gada: Sir adjusted for this, would you agree that the margins on an underlined basis were down 10 basis points quarter-on-quarter since last quarter also we had one one-off IT refund I think, so is that a correct?

P. R. Seshadri: We have to adjust for two things Dhaval, you have to adjust for this definitely you also have to adjust for the fact that the non-interest bearing quantum has grown. So when you adjust both we still see some dip. It is not that there is not any but it is a smaller dip than what you are seeing on the face of it.

- Dhaval Gada:** Sir got it. Sir, the second thing is just on margins again I mean could you just quantify what is the average yield that we earn on the commercial book currently and how is this number trended over the last five, six quarter, just trying to understand is there any yield pressure in this segment and if so what the quantum is?
- P. R. Seshadri:** A majority of our book, we have a book of roughly Rs. 15000 Crores, the median interest rate on the book is roughly 12%. So we have a bit above it, we have a bit below it, maybe median is a little lower than 12 I am just speaking of memory right now. There is a high rate book. Are we facing occasional pressures on pricing? Yes. But those are the information that we have tends to be anecdotal in the sense that you know some customer comes and says, I will go away to another lender if you do not reduce my rate, the question is we need to come back to you in details on how many of those loans we actually re-priced during the quarter. That information right now is not available with me. We can actually take a look at it and if you think it is appropriate we will try and see whether we should provide it as a part of our investor deck. You will agree that our investor deck now carries much much more information than it has been in the past.
- Dhaval Gada:** No, I agree Sir. If you can put that would be very, very useful Sir. And just last couple of data keeping questions one what was the risk weighted assets at the end of the quarter and the other is just wanted to reconcile the standard stress pool that we currently have. So we have a Rs. 160 to Rs. 165 Crore of non-fund base exposure which is not yet devolved and is standard and the second is Rs. 52 Crore restructured book standard and the Rs. 76 Crore 525 exposure. Is that the correct assessment?
- P. R. Seshadri:** Yes.
- Dhaval Gada:** Okay.
- Sivarama Prasad:** Dhaval, Pillar III is getting uploaded now...
- Dhaval Gada:** Okay Sir no problem I will take it from there. Just lastly have we quantified the impact of Ind-AS if we were to move, just any assessment on that front?
- P. R. Seshadri:** We are working through that Dhaval.
- Dhaval Gada:** Okay fine Sir. Great, thanks and all the best.
- Moderator:** Thank you. The next question is from the line of Amit Premchandani from UTI Mutual Fund. Please go ahead.
- Amit Premchandani:** Good morning Sir. Thanks for the opportunity. Sir again on the yield front, in your slide in the presentation, slide #17, yield on advances is 985. If you leave aside the impact of the slippages

and non-interest bearing assets, what would be the yield on advances this 985 would correspond to?

P. R. Seshadri: Give us a minute we will just. Would you allow us a few minutes to work that out and come back to you.

Amit Premchandani: Sure Sir.

P. R. Seshadri: We have not got this readily available. So we will just come back to you rather than hazard a guess, give us a few minute. Probably we can go to the next question and come back to this question later.

Amit Premchandani: Sure and Sir on the yield on investment front you see a sharp decline in the yield on investment that you report, it is at 693 now. While if you look at a market rates, they are anywhere between 7.5 to 8. Obviously, there is a lag between the markets and the yield in the portfolio during the duration of four but can we see a sharp increase in the yield on investment next year?

P. R. Seshadri: That would depend upon the maturity profile, I mean that would depend on how much we can, I mean there are two books HTM and AFS. The AFS book obviously yields much more than the HTM book. On the AFS book, we have been hit during this quarter on account of the fact that the shorter end of the yield curve went up very considerable and the yield curve become very, very flat. So our view now is to understand our AFS book and to see how to reposition that AFS book. With respect to the held-to-maturity book to the extent that there is space created in the held-to-maturity book under the SLR regime, we will be putting in new assets there. To that extent yield will pick up, so I do not see it picking up very dramatically in the next two or three quarters because our own ability to trade the held-to-maturity book is very limited.

Amit Premchandani: And Sir in slide#6, you have mentioned the growth rates of various third party fee income products. If you can just quantify the overall fees you generated out of this life, non-life and mutual fund products that will help us understand the growth are coming from what base?

P. R. Seshadri: It is coming from reasonably smallish way and I am happy to tell you on the life insurance side, we have now become one of the larger partners for the entity that we do business with. I hesitate to put the numbers in but from the next quarter onwards, we will think whether we should put those numbers in and disclose it fully because I am not carrying those numbers with me, so we can put it and give it to you.

Amit Premchandani: Even the aggregate third party number you do not have right now?

P. R. Seshadri: The aggregate third party number we do have but we would like to put it into the deck and formally release it if possible.

Amit Premchandani: Sure Sir and finally Sir lastly from my side this Rs. 216 Crore, February circular impact. This was this quarter impact on NPLs?

P. R. Seshadri: Yes, this was this quarter impact.

Amit Premchandani: And this is part of this Rs. 160 Crore watch list also right. There is a large overlap right?

P. R. Seshadri: No the two were in the last call I had mentioned that we have two issues that we are still dealing with, we have Rs. 325 Crores on watch list and Rs. 200 Crores of the February circular impact. So now I am saying that all of that has flown through, the watch list is half unused but that may or may not be used in the near future. The rest on the corporate side we believe that the worst is over, it will be business normal from now on. The NPA levels that we expect are limited and the issues of the past are behind us. That is the message that I would like to convey.

Amit Premchandani: Sir the Rs. 267 Crore was the overall corporate book slippage. If 160 is coming from watch list and 216 from the February circular and there is no overlap and they add up too much more?

P. R. Seshadri: That is because we had about Rs. 180 Crores of recovery..

Amit Premchandani: These are not gross slippages, these are net of recoveries?

P. R. Seshadri: Yes.

Amit Premchandani: So what is the gross slippage in the corporate book?

P. R. Seshadri: You just add those numbers up. We will give you that number just hold on. The gross slippage was Rs. 445 Crores.

Amit Premchandani: Okay and Sir what is the likely trajectory of ROAs by the end of year and what will drive that?

P. R. Seshadri: The biggest driver of ROA as you can see the biggest expense line item that we have right now is provisions, our ROA driver the immediate driver is going to be the trajectory of the provisions. Now there are two types of provisions that we need to take into consideration one is the provisions that are occasioned by the increase in NPA during the quarter. Now we believe that starting from this quarter the NPA levels that we have seen in the last three quarters will probably not be repeated. Our NPA numbers will be significantly lower than what we have been experiencing in the last three quarters. As a consequence, the provisions that we will require on account of the fresh NPA slippages will be much, much lower. Having said that, we may have to make incremental provisions to ensure that the provision coverage ratio goes up a little bit, but we can disclose that separately so that analysts like you have a understanding of what provision has been created on account of what. So if you would look at it, if our NPAs drop to roughly, we have been mentioning that our expectation is that the steady state NPA accretion on an annualized basis should be about 150 basis points for this portfolio and that is what we would like to work towards. Which means that we need roughly 75 basis points of provisions at a 50%

kind of coverage ratio immediately, let us take it as 100 basis points, we need roughly Rs. 500 Crores worth of provision on an annualized basis and our revenue post provision operating income last year was roughly Rs. 1800 Crores so you can do the rest of the math as to what the implied profitability would be. Assuming that we are only providing for incremental NPAs that are taking place, having said that we will have, so if you were to only provide for that, the ROAs are actually readily computable and they would be a reasonable level of ROA but considering the fact that we continue to have provisions that are below what we would like them to be, there may be provisioning requirement of on account of historical NPAs. When you bring that into the equation, you may have a slightly lower ROA.

Amit Premchandani: Okay Sir, that is it from my side.

P. R. Seshadri: Thank you Amit.

Moderator: Thank you. We have the next question from the line of Jai Mundhra from B&K Securities. Please go ahead.

Jai Mundhra: Hi Sir, good afternoon. Sir just question again on the asset quality, so just to get it reconcile, so we had Rs. 325 Crores of watchlist and Rs. 200 Crores of RBI circular-related impaired assets. So that Rs. 200 Crores has already been recognized and there is Rs. 325 Crore portfolio of which half was non-funded and half was funded, so that half funded is totally recognized?

P. R. Seshadri: Correct.

Jai Mundhra: And the non-funded is still remains?

P. R. Seshadri: Correct.

Jai Mundhra: And there is no inflow in this book of gross stress book?

P. R. Seshadri: No inflow, in fact on a gross stress book basis, you can see I mean we hardly have any restructured assets. The book now is clean I mean you can go through the presentation if you.....

Jai Mundhra: So if I were to take whatever is there so Rs. 70 Crores plus Rs. 50 Crores of restructured book which is there right, that is only Rs. 75 Crores plus roughly Rs. 50 Crores. Now in one of your slide, you have mentioned Sir 1.7% of corporate book is SMA-1 and 2?

P. R. Seshadri: Correct.

Jai Mundhra: So that would roughly translate to roughly Rs. 250-odd Crores?

P. R. Seshadri: Yes, give or take, let us say Rs. 275 Crores.

Jai Mundhra: And this would include this 525 and restructuring to some extent?

- P. R. Seshadri:** It includes everything, I do not exactly what the SMA status of the 525 on the restructured is but it includes everything. This is the SMA-1 and 2 put together.
- Jai Mundhra:** Correct, sure and Sir that part is I understood. On SME slippages, Sir have we taken any RBI dispensation of 180 days, is that GST-related issue is creating some elevated slippages there?
- P. R. Seshadri:** Now, you know I was talking about this flow model that we created and did the analysis that takes into account any dispensation. So whilst we have taken dispensation, the model that I talked about which basically looks at... tries to predict the future on the basis of the past experience, is indicating that if you were to have flow rates of the same order magnitude at the last quarter, our NPA will be Rs. 700 Crores for the year that is what the flow rate. It is a tool it is a model that is what the number which gives. Now historically as I have told you, CBG first quarter NPA both for the last year which is 2017-2018 and the prior year 2016-2017 the first quarter number has been equal to the other three quarters put together. Now what is causing that is something that we are still debating. We do not have a full answer, so if I ignore the last quarter and use the prior nine months flow rate and project the NPA forward I get a number of roughly Rs. 300 Crores which is in line with the current NPA that we have shown right. So now can we say with certainty that is what would happen obviously not but there is in our mind we think that there is a reasonable level of confidence that we will end up with an NPA during the rest of the year, which is closer to 300 than to 700.
- Jai Mundhra:** Sure. And Sir just last two questions, one is you have mentioned new branch and individual sales incentive if you can elaborate a little bit I mean what does this pertain to?
- P. R. Seshadri:** Now this actually an important innovation and I am very thankful to you to brought this up. So historically this is a company that has not really stressed its branch staff from a sales perspective and we never had individual sales target nor did we have individual incentives on account of achieving those sales targets. So I am very happy to tell the entire group that we now have a system that I think not many banks will probably have, we on the basis of who does the loan or the bank account opening or the sale of the insurance product, we are able to recognize the sale, we are able to peg it to the individual who did that activity and we are able to report it upwards and since now information is available as to who is doing what in the branches, we have now created a product agnostic incentive structure i.e., we do not really push the branch to sell one product or the other, we want the branch to meet the customer understand from the customer what he or she wants and provide whatever service that the customer needs. Now the product agnostic incentive structure is built on the basis that if we were to sell a product which has higher margins for us, he gets a little bit more point, the amount of points is driven both by the amount of margins that we get and also the difficulty in selling the product. For instance insurance is a more difficult product to sell, so you get a little bit more points so that difficult products are not disincentivized. So a product agnostic incentive structure is in place. Individual incentives are now being paid to employees and this is something that happened in the prior quarter. Earlier there was a branch incentive structure and there was a you know only if the branch met its goals, all the staff in the branch get an incentive payment. The incentive payment is also capped. Now

we have an uncapped incentive payment subject of course to RBI regulations on how these incentive structures have to be run. So I think it is a very important change for us. It gives us the ability to measure productivity from a sales standpoint individual by individual in the branch. Last quarter when we introduced it for the first time out of roughly 5600 employees that we have in the branch, 5400 were recognized as people, who had participated in the incentive structure or at least had made one sale in the branch. So what we are aiming to do is to build the sales culture within the company, we have to get our people to realize that the role of the branch is one where we act as an advisor to our customers and make our products and services available to them, in that in the quest to turn our branches into advisory rooms where you know loans or investments or insurance is made available, this is the first step. We have to do a whole bunch of other things. We need to start getting our people trained on all this products. We need to start giving them more sales-related skills. We also have to ensure that activities in the branches which can be actually centralized are centralized. So that we free up time in the branches so that our employees can focus on customer-related activity. That is something that we are working on. Thank you.

Jai Mundhra:

Sure Sir. And last question Sir I mean so that explains everything, most of it and then this... after doing all of digital and leveraging technology and sort of this more incentive team and branches, how do you see your cost to income shaping up in next one to two years either in the form of let us say reduced opex or maybe better efficiency. So how should one look at the cost to income ratio? Thank you so much.

P. R. Seshadri:

It is a good question. I think from the cost to income ratio, we have been focusing on that very, very aggressively. We have been highlighting to you that we thought that the cost to income ratio should be going up. That was largely on account of two factors, one was the enhanced branch roll out that we did over the last year or so and also the fact that we were investing in the new systems and technologies that you just mentioned. We have got now a very large effort to contain cost. We have gone back to the drawing board and we have re-negotiated cost with almost every provider. Net-net our expectation is that on an annualized basis at least on a budgeting cycle standpoint, our expense growth for the year will be lower than our revenue growth, so that is the aim. So that we have positive jaws and something flows through into the bottom line. We are relooking all our branches and seeing productivity levels of the branches, portfolio of the branches etc., and as of this moment, we have no intention of rapidly growing out our branch structure. So the focus over the next couple of years is going to be to leverage and get more out of these branches, so there should not be too much cost pressure coming in into the business whereas we should get substantial revenue kickers which will then help us improve the bottom line. So we do not see the current cost-related numbers deteriorate very dramatically going forward if anything they will start improving with perhaps a lag of a couple of quarters.

Jai Mundhra:

Sure Sir. Thank you and all the best.

P. R. Seshadri:

Thank you.

Moderator: Thank you. The next question is from the line of Rohan Mandora from Equirus Securities. Please go ahead.

Rohan Mandora: Sir good afternoon and thanks for the opportunity. Sir as I understand it correctly, the credit letter... what we are mentioning is that from the model on the large corporate side we are expecting Rs. 700 Crores of slippage for the full year and on the commercial side it is close to 150 basis point steady state that we expect to reach

P. R. Seshadri: No, on the large corporate side our problems are as far as we can see over and it has come in exactly as we had planned. So we had told you that we had a Rs. 1200 Crore problem. We accounted for every Crore of that rupee. Last quarter we said that we were down to Rs. 325 Crores out of that 1200. Our of that 325 roughly half was funded, other half was unfunded. The funded bits have gone into NPA now. We also said that on account of the 12 February 2018 circular, there was another Rs. 200 Crores or thereabouts that was stressed, which was outside of the 1200 Crores and that has now flown, okay. So as far as we are concerned our corporate book does not have any stress as of this moment, right and our expectation on NPA on the corporate book is that it will be very, very muted going forward. On the commercial book, we have had high levels of NPA during this quarter, Rs. 240 Crores to be exact. Now that I want to reiterate this because this is an important point, seems to be following a trend that we have seen in the past. In the year 2017-2018, our first quarter NPA was Rs. 97 Crores, second quarter was Rs. 34 Crores, third quarter was Rs. 59 Crores, fourth quarter was Rs. 1 Crore. So the first quarter is equal to the other three quarters put together. The 2016-2017 book has the same behavior. So what we are saying is we thereafter when we first looked at this, then we said okay let us look at the portfolio and model it as to what can the loss be. So the model can be done on various parameters, one parameter is if I use the flow rates you know it is a portfolio, portfolio are something called a flow rate. It is like a bucket, how much from the standard bucket moves to SMA-0 which is bucket one and from bucket one how much moves to SMA-I and so on and so forth. So using that model if I use the model of flow, using basis the flow rate that happened in the last quarter, then I get Rs. 700 Crores of commercial losses but we think that is not likely to happen because historically we have not had those kinds of losses. If I use the prior nine months, I get roughly 300 Crores that is what I meant. I hope this clarifies.

Rohan Mandora: Sure Sir and Sir like large corporate side like it is based on rating what percentage of the portfolio would be below BBB rated and what percentage of portfolio would be in some form of project and the implementation where this still is not achieved?

P. R. Seshadri: I am afraid. I do not have that information readily available, can we provide that to you subsequently?

Rohan Mandora: Sure Sir and Sir lastly like in terms of you alluded to during the conversation that mostly the loans are into one-year MCLR, would that be a right assessment?

P. R. Seshadri: A fair proportion of them are linked to one year. Yes, so we do have a basis risk built in on that basis. Yes.

Rohan Mandora: Sure Sir. Thank a lot Sir.

Moderator: Thank you. The next question is from the line of Rakesh Jhunjhunwala from Rare Enterprises. Please go ahead.

Rakesh Jhunjhunwala: Very good afternoon.

P. R. Seshadri: Good afternoon, Sir.

Rakesh Jhunjhunwala: So now I do not have any question that I want to ask, let me pass it. Let the next question be asked.

Moderator: Okay Sir. Thank you. We will take the next question from the line of Dhaval Gada from Sundaram Mutual Fund. Please go ahead.

Dhaval Gada: Thanks for the opportunity again, just a couple of data keeping questions. First, was there I mean was there any portfolio buyout in the retail or commercial segment that we did during the quarter or last year just that and second was on the NCLT cases which are pending, could you just give the updated outstanding that we have to the balance cases and I mean accounts and I mean any provisioning short fall that is there and the last data keeping question was the security receipts, is there any provisioning requirement in FY19 that you envisage? Thanks.

P. R. Seshadri: Thank you Dhaval. We did buy IBPC approximately Rs. 500 Crores during the quarter. Other than that there is nothing else and it is mentioned in the investor report. So that is part on the retail, so if you would expect the retail growth is a little less robust and what it shows in that document. With the respect to NCLT our total provisioning that we are holding is roughly 66% now 65.5%. On the list 1, we are holding roughly 68. On list 2, we are holding 63. So does that answer your question or you are asking for something else?

Dhaval Gada: Sir I was just asking what is the outstanding now in list 1 and list 2 for us and any other cases apart from list 1 and list 2 which are in NCLT, so just the stock of NCLT outstanding for us?

Sivarama Prasad: I will tell you Dhaval. See in the list 1, the outstanding is Rs. 518 Crores and in the list II 396, total 914. For 914, we have around 66% of provision norms.

Dhaval Gada: Okay and anything outside the 2 list which is also an NCLT?

Sivarama Prasad: Outside the list I think there are some cases but you know the corresponding provisions as per the IRAC norms are being done.

Dhaval Gada: And is the amount significant?

- Sivarama Prasad:** No we do not have...
- P. R. Seshadri:** Part of that commercial book Dhaval we can, maybe if this is considered appropriate, we can submit into the investor deck itself.
- Dhaval Gada:** Sure Sir, no problem and just lastly on security receipts any provisioning requirement that you envisage in FY19?
- P. R. Seshadri:** I think the security receipts, we will need to provide. Currently we are holding value is there on page...
- Dhaval Gada:** Yes, I saw that Sir.
- P. R. Seshadri:** So we think that we will need roughly 50% of that will over time required provisioning. I mean there is no reason for us to provide it, the NAV is that the ARCs are giving us high enough for us not to have provisioning but on a prudential basis I think you should go ahead and provide, so that is the position that we have been taking. So that we will have to...
- Dhaval Gada:** Rs. 399 Crore outstanding that is there net as of June, you are saying we need another Rs. 200 Crores over a period of time maybe two years or so?
- P. R. Seshadri:** Correct.
- Dhaval Gada:** Okay. Fine Sir.
- Krishnakumar:** Good afternoon Seshadri. If I could slip in a question you talked about new incentive structure being introduced into the company, so while you talked about the sales happening etc., so how are the people taking it in terms of its complete transformation in terms of culture, so that is one and second so does this kind of increase you are overall cost structure on the staff front or if you kind of built into the current broad expenses that you have on employee, so is it going to be something incremental cost that we should build in?
- P. R. Seshadri:** Mr. Krishnakumar, I think it is a good question. The answer is very simply that how people are taking it is something that we have to wait and watch. Initially, there has not been any strong push back even the... this incentive structure actually covers all staff including clerical staff. So we have not... initially there was some push back from our union but considering that we have sort of discussed with them and they have not really taken a very...they have taken a more pragmatic view of this and they are agreeable to the incentive structure being in place. How people react to it and how they adjust to it is something time will tell. This is now not been in existence for long enough for us to have a conclusive view. What we see on the face of it very encouraging signs, people are actually taking to this well, we have a minute to minute information panel which is available country wide. So people can see what other people are doing who is selling what and so there is an information flow which is creating a sense of

competition. It is creating a sense of excitement at the front end. All of this people are taking positively as of now but you know the jury is still out and we have to figure out how in the long run things pan out.

Krishnakumar: Sure Sir. The cost impact Sir....?

P. R. Seshadri: On the cost side I do not think this is going to be very material cost driver. We think that the total cost at least for this year will come in lower than the cost that we paid out for a less effective sales structure last year. So there was a sales payment that we were making last year. We think that this year we will be paying about the same amount so it is not going to be a material driver of our expense space.

Krishnakumar: Sure Sir. Thanks.

Moderator: Thank you. The next question is from the line of Roshan Chutkey from ICICI Prudential AMC. Please go ahead. It seems there is no response, so we will move for the next question that is from the line of M.B. Mahesh from Kotak. Please go ahead.

M B Mahesh: Good afternoon Sir. Couple of questions from my side, one on the stock of bad loans that you have which is about Rs. 3500 Crores, Rs. 2500 Crores from the corporate loan book. This entire 900 Crores will see some form of resolution by this end of this financial year, is that a fair assumption to make one. Or are there cases where which is still been referred by RBI to be referred to the NCLT process. The second question even if you remove this Rs. 900-odd Crores from the NCLT cases, you are still left with about Rs. 1600 Crores in the corporate loan book which is about a 11% gross NPAs from that book. Any broad thought processes on how are you looking at addressing that part of the portfolio and finally on the reposition that you are doing on let us say SMA assets, how has been the recovery rates that you are seeing off late?

P. R. Seshadri: With respect to the NCLT assets, there are I think two broad streams one where the NCLT processes are underway and they are progressing and there are interested buyers, and there is a price that the lenders are finding acceptable and then there are others where the process is at its infancy, so it is a mix of both. I would think roughly two thirds of the assets will see some resolution quickly. The others will probably drag on a little bit while the court cases and other such issues sort of play out. With respect to the second question, which is what are we seeing by the way of recovery rates on commercial.

M B Mahesh: Just finishing of the first part sorry this Rs.2500 Crores minus Rs.900 odd Crores, which is about Rs.1600 Crores, which is still left in the corporate loan book NPAs what are you doing on that because it is still a 11% gross NPA on that book?

P. R. Seshadri: So we have to work through on that. We are minority lenders in large consortiums very often limited power to force the issue, so to the extent that we can force it we are. As the some of our other problems sort of reduce, the flexibility for us to take alternative approaches will increase.

So we are parking this problem for the moment aside for active followup and seeing what we can do from a recovery standpoint. We are not really doing anything else at this point in time. One of the options available is the sale to a ARC, but that the more we examine it, the less attractive it becomes from a financial standpoint though from an optic standpoint for the balance sheet, etc., etc., for the entity, it is attractive, but financially not particularly rewarding, so we are actively pursuing recovery. We are working with the consortiums as the case may be and as our health improves in a sense that our P&L starts improving, our flexibility of dealing with this will improve and we will slowly start getting this off our balance sheet because having such a large chunk of unfunded non-performing assets on the book is having a negative impact on the rest of the books, so we are aware of that and we are working through it Mahesh.

Now coming to your next question is what are we seeing with respect to recovery on commercial assets, I think it is a good question. Our broad experience is that commercial assets secured by residential or commercial real estate where when we start taking recovery action, which means that we are actually enforcing collateral, we can broadly break it up into two buckets, where we find collateral reasonably easy to sell and where we find it difficult to sell. Collateral values where the collateral was originally priced at let us say Rs.5 Crores or Rs.6 Crores unless that collateral is in large cities like Mumbai or Delhi, we find it quite difficult to actually dispose off that collateral and in those circumstances, getting valuations close to the original value or the value that we had assigned to it at the time of giving the loan becomes a little difficult. I think it is essentially because of two reasons. One is that perhaps at the time of granting the loan, the situation was different and the appraisal exercise ended up with a price, which was not reflective of our forced sale value.

The second problem that we have is the number of buyers for bigger ticket properties in smaller towns and locations are few and very often when those properties are offered, they are not really forthcoming and buying them, so that is the big issue that we are dealing with. So our own experience is the smaller the ticket the easier it is for us to get rid of the property close to a value that we had originally assigned to the property. The bigger the ticket the larger the variants and therefore our focus is now smaller ticket loans and larger numbers of those, which is why the new working capital product on the digital platform will go live next month and we will try and aim for the smaller ticket bits, which are a little bit safer and there also we have a little bit more pricing power.

M B Mahesh:

Thanks a lot Sir. Just one clarification here when we speak to City Union Bank and some of the other banks, which is based out of South, they had indicated that immediately post demonetization, there was a marked decline in your ability to sell because there were no buyers in the market, but over the last one year, there has been some level of improvement. Is that a fair assumption to make or you are saying that look there has not been any change on the underlying environment there?

P. R. Seshadri:

I think anecdotally once or twice people come and tell you I have been able to sell this, but there is no consistent trend that we are seeing and when you sort of put numbers against it, how many

properties did you have that you had to sell. How many did you actually sell? Those numbers are not stacking up. We are not seeing for the higher price properties, we are not seeing a very robust market place.

M B Mahesh: That is it. Thanks a lot for this.

Moderator: Thank you. The next question is from the line of Marsoni Jhoomarwala from ICICI Prudential. Please go ahead.

Roshan: This is Roshan here Sir. Thanks for taking my question, so did you see any GST-related issues in SME slippages this time around?

P. R. Seshadri: I do not think we saw any GST-related issues. As I was mentioning our SME slippages seem to be a little seasonal and that is what we have seen. I do not think I could attribute this to GST. I mean the underlying problem... it is true that our slippages are a little elevated compared to the last year first quarter. So maybe it is on account of GST and I would not sort of make that assertion because I have not tested that theory.

Roshan: What percentage of your GNPA in CB book is greater than Rs.5 Crore loans and in tier 2 and tier 3 cities?

P. R. Seshadri: It is a very specific question. We can give you the answer, but I do not have it right now.

Sivarama Prasad: We will try to work on that and then we will give it to you. Okay?

Roshan: Finally did you take any dispensation in the SME book this time? Sorry, I joined the call late.

P. R. Seshadri: We addressed that multiple times over. So we are not looking at the dispensation or non dispensation, we were trying to give you an answer on what we thought would be the incremental flows over the next three quarters and I do not know if you heard what we had to say.

Sivarama Prasad: Perhaps we can tell you tell this offline because I do not want to repeat the same story.

Roshan: Sure, no problem Sir. Thank you so much.

Moderator: Thank you. The next question is from the line of Praful Kumar from Systematix PMS. Please go ahead.

Praful Kumar: Thanks for the opportunity.

Moderator: Praful we are unable to hear you Sir. Can you be a bit loud please?

Praful Kumar: Sir, can you just talk about the new hires that you have done for the last say three quarters and what role are they playing in the organization?

- P. R. Seshadri:** The one big hire we have had is the chief risk officer. Aside from that we have not hired at the senior most levels very much and quite frankly, what we are trying to do is transform this place from the inside with the people who currently exist within the organization. So we have hired some other supplementary staff. We hired people on the operations side. We have hired sales people and we are now on the lookout for more people, but from a hiring standpoint, we have not really hired very large number of people so far.
- Praful Kumar:** In terms of ESOPS for employees, is there a proper existing plan or you are looking at that as well?
- P. R. Seshadri:** We have an existing plan. Many of your senior people were granted ESOPS, so that plan has been put into operation and we have a commitment from the board that continuing ESOPS will be granted on an annual basis to our senior as well as some other key staff, so as we come through the end of this year and depending upon performance fairly substantially ESOPS will be granted to the senior level staff.
- Praful Kumar:** Thank you. Good luck.
- Moderator:** Thank you. The next question is from the line of Aditya Singhanian from Enam Holdings. Please go ahead.
- Aditya Singhanian:** Thank you. I wanted to check on deposit growth. You have seen a fairly significant increase in loan to deposit ratio over the last 12 months. So what is the comfort level there and what is your thought on pushing deposit growth higher to match loan growth?
- P. R. Seshadri:** Aditya, it is a very good question. We historically we used to be a player that offered higher than market interest rates. Today on occasions our interest rates are lower than big banks like Bank of Baroda and so on and so forth, so we consciously took the decision not to push deposit growth for the reason that we did not have comfort that our assets would grow very rapidly right. For the level of asset growth that we had which is roughly 13% during the quarter, we had ample liquidity and there was no need for us to push time deposit growth. As the asset growth sort of starts stepping up, at that point in time we will have to start opening up on pricing. I think we have a loyal customer base and our ability to generate incremental liability is not something that we have any reason to doubt, so this was a short-term mechanism of focusing on current account savings account try and push the low cost bits up. We succeeded. We have got to about 30%. We are hoping to end the year at something like 32%. If we get there we think that it would be an outstanding achievement and as the asset growth starts perking up, we will start pricing our time deposits appropriately to start getting a larger flow. Right now, our time deposit pricing is driven more by what is the roll over rates. Are the roll over rates varying, so our pricing now is at a level where roll over rates are higher than what they used to be in the past, so we are ensuring that our loyal time deposit customer base do not go away, but we are not attractive enough to drive in the price-seeking depositors and that would be driven on the basis of asset growth, Aditya. I do not know if that answers your question.

- Aditya Singhania:** Sure and just on the fee income growth last year we were seeing fairly high levels of growth on a year over year basis. This is purely season commissions. That has seen a sort of slow down this year to about 12% to 13%, so how should we see the trajectory of fees and commissions for this year and perhaps next year as well?
- P. R. Seshadri:** I think it is a very good question. Fees and commissions, we are quite happy with the current growth rate. I think we will step up from where we are right now. The first quarter was I think a reasonably challenging quarter for us from where parts of the organization attention were diverted to managing the NPA related issues. I think underlying trends on the fees side are good. Will we go back to the 30% growth rate arguably not, but I think that we should aim for about 20% in the early 20s range of growth and I think that is doable. I think on the third party products, we have a lot of runway and while we are starting from a small base, it is not small enough to be insignificant. So today we are on the life insurance side, as I was mentioning earlier, we have now become the single largest, one of the largest let me not say single largest because I do not have access to that information, but one of the largest provider of bank assurance to our life insurance partner and we have come a long way from where we used to be six months ago, so I think this line will continue to be buoyant. There are other streams that we can tap. On the Forex side, I think we have a lot of room. We have grown here from 21%, but on a very low base. I think given the very small share of merchant exports that we have, it gives us the ability to pay the price gain actually because the profit impact of market share on the other lenders will be so much more than it is to me that I can sort of afford to be a price competitor in this area and being a price competitor in this area, drives in CASA volumes. So that is an active strategy that we are following and I think there is a lot of room on that front as well, so net-net I think non-interest income is something that we are reasonably comfortable. We should be able to push this up in the early 20s, if not in the 30s. There will be some amount of cyclicalities because this is not accrual income. You are only eating what you are killing. To that extent cyclicalities may be there, but long-term trend we think are solid.
- Aditya Singhania:** Just a sort of data point over here in the Q1 disclosure you have shown some Rs.44 Crores of sort of other income within the noninterest income line and that is Rs.22 Crores from recoveries from written-off accounts, what is the balance Rs.22 Crores?
- P. R. Seshadri:** There was Rs.12 Crores of PSLC sale and then there was sundry other I mean this sort of between the two is about Rs.34 Crores, right.
- Aditya Singhania:** This recovery from written-off accounts how do you see the trend here, is this is like a one off or...?
- P. R. Seshadri:** No, on the contrary we think that there is going to be a reasonable scheme on the recovery side on this because two things we are doing, one is historically we have not had a system to track and monitor and manage the recovery process, so as I have mentioned in this deck, the new recovery system is going live by the end of the month and once that happens, we will have a reasonable view of where our various recovery actions are and what we need to do where, to force recovery

actions to be taken. Given that, we think that recovery streams from a revenue standpoint will only grow. There are certain inherent limitations because this is recovery from written-offs. Our written-off stock is approximately about Rs.1240 Crores. Some of it is I guess irrecoverable so there is not a very large stock, but over time we will have to move some of our current... as the provision builds up, we will have to start moving some of what we are holding as nonperforming assets into the written-off stock. At that point in time, that will buoy up the stock from which we can recover so both of this put together we think that this number is not a one-off, we should keep getting it, going forward.

Aditya Singhanian: Thank you.

Moderator: Thank you. We will take the next question that is from the line of Anuj Sharma from M3 Investments 12. Please go ahead.

Anuj Sharma: Thank you for elaborating on the incentive structure one more understanding Sir a large part of our staff would IBA linked, which have a relatively high fixed incentive structures. These are not exactly the same incentive structures, how do you rationalize it over a period of time and are the new recruits having a different incentive structure from the old one?

P. R. Seshadri: It is a very good question. Our wage structure is largely IBA. At the highest level, there are people who are not on IBA, but at the junior levels, they are largely IBA and you make a good point that it is technically feasible for us to get employees that have significantly lower cost at the lower levels when you are non-IBA. That step is something that we are debating with the board. We have not taken that step yet, so essentially the incentive structure is over and above the IBA comp. So it is not something that removes the IBA comp, but it is over and above the IBP comp to incent people to be a little bit more innovative, a little bit more salary, but the transition from IBA to non-IBA is something that we have been debating. It is something that we have been talking to consultants about. It is something we have not taken a decision yet, so that is before the board during this quarter actually.

Anuj Sharma: Sir secondly just you highlighted that you have been becoming aggressive on collections and increasing your profits. Does that in any way risk some of your traditional customers especially in the commercial banking because we have been used to relaxed collection method and maybe enjoyed a relaxed... do you see some risks over there? Is there a trade off?

P. R. Seshadri: You are absolutely right there is definitely a trade off. Is there is a risk that we will piss off a few customers most definitely, but unfortunately I do not think we are in a position where we can afford not to, especially now with this new Ind-As or IFRS9 coming in, we cannot really afford to have who are not paying us on due date, so we need to do this carefully. We need to ensure that we do not overdo this. If a customer is a good customer and habitually pays us on the 29th day then perhaps we have to find the wisdom to only go to them near the 27th or the 28th day. Those tools are not available with us as yet. We are in the process of setting up our analytics unit. So that from a collection standpoint, we can fine tune whom we call and when so that some of

this irritation can be avoided, but having said that given the situation that we have just come out of which is very elevated levels of NPA over the last three quarters, the decision from a management standpoint was that we will use our one-size foot tall kind of rule and go and politely talk to all our customers. So we have taken the risk of alienating perhaps some of our customers, but we think that they will stick with us because we have stuck with them for tens of years, so I do not think that will be a deal breaker.

Anuj Sharma: Sir lastly bankers seem to see a lot of growth in the retail segment where do you see credit risk being mispriced systematically in retail especially?

P. R. Seshadri: Retail I think that is a very, very broad question as to where are the credit risks being mispriced. I think in very credit cycle, credit risk is mispriced by definition and one needs to look at true cycle profitability, but that is a luxury that very few entities have because you are very often a price taker and not a price setter. So I am of the view that in many of our asset products, risk is mispriced. That is why we are playing on the retail side in the semi-urban and rural areas in generating much more of our business from those areas and where we are able to get a little bit higher price and we think that as a consequence perhaps our pricing is a little closer to where it should be, so as I was saying our origination yield is higher than our commercial origination yield because we have put risk-based pricing structures on the retail side. We need to do the same thing on the commercial side, so we are addressing that in that fashion, but your question is quite academic and we can perhaps have a longer chat when we meet.

Anuj Sharma: Alright Sir. Thank you.

Moderator: Thank you. Ladies and gentlemen, due to time constraint that was our last question. I now hand the conference over to Mr. Abhinesh Vijayaraj for closing comments. Thank you and over to you Sir!

Abhinesh Vijayaraj: Thank you Amin. On behalf of Spark Capital I thank the investor community for dialing into today's call. I would also like to specifically thank the KVB management team for taking time out and patiently answering all our questions. Good day and thank you.

P. R. Seshadri: Thank you Abhinesh and Thanks all of you.

Moderator: Thank you very much. Ladies and gentlemen on behalf of Spark Capital Advisors that concludes this conference. Thank you for joining us and you may now disconnect your lines.