“Q2 FY11 Results Webcast of IndusInd Bank”

October 11, 2010

Moderator: Good evening, everyone. At the outset, we extend you a very warm welcome to this analyst call. We are connected to IndusInd Bank from where Mr. Romesh Sobti, the Managing Director and CEO along with the top management team will be interacting with you all in a few seconds. While welcoming Mr. Sobti, I have the pleasure in handing over the floor to him. Over to you, sir.

Romesh Sobti: Thank you very much. Good afternoon to you all and welcome to this quarterly con-call. I am going to do some headline reading. We are loading the investor presentation that we do every quarter on our website but I understand that presentation also being mailed to you all but it will be up in the website also very shortly. Just to summarize I think this is the 10th quarter since the management changed to place in the Bank and we are happy to see that the 9th quarter trend lines that we have seen have been maintained and the robustness of growth in our top line and bottom line continues. So the headlines are that trend lines are maintained there is continued expansion of margins and returns. There is improving productivity and we do measure productivity, some new measures of productivity we have put on the table. Both are deposits and loan growth I think will far outstrip the industry growth, I will talk about it later. The quality of the loan book is stable. The capital adequacy has been strengthened to a QIP issue that happened, it was the end of September and we will talk about the level of capital adequacy. So if you look at the trends, I think the highlights are of course that the net interest income has grown by another 58% year on year and the good news is that it is not only year on year but also sequentially and we will talk about the sequential growth on each one of the parameters, so net interest income has grown by 58% year on year and it has also grown quarter on quarter by 12% this is also supported by a growth in the core fee income and I think we have explained several times in the past that we measure core fee as a client based income which is non volatile and we exclude trading gains from the core fee income. So the core fee income has grown by 34% year on year. The operating profit has grown 69% year on year and the net profit has grown by 71%. Net profit sequentially has grown by 12%. The growth and revenues continues to outstrip the growth in cost and one of the vectors that we measure on the cost side is productivity of our staff cost I think, we will talk about that later in this presentation. Overall if you see the dashboards that we present in terms of say 6 vectors by which we measure ourselves which is named return on assets, return on equity, faster income ratio, net NPA and revenue per employee. Year on year of course, there has been a pretty handsome increase for instance the net interest margin is up from 2.86 to 3.41% but sequentially also we have added about 9 basis points to our net interest margin. Concerns are expressed about what will happen in a rising interest rate scenario and we have always maintained that our asset liability mismatch is such that we are more or less agnostic to increase in interest rates or dropping interest rates and the margin expansion really happen because of the growth in CASA on one hand, also I think the yields on the investment book. So NIM is fast to 3.4% mark at 3.41, the return on assets has also improved by 5 basis points sequentially and of course year on year is up from 1.07 to 1.38%. The return on equity is up from about 17.8% to well past the 20% is close to 21% of course the capital came in towards the end of September and if you work on averages but the capital does not, the denominator has not yet been affected by the new capital that we have brought in. Sequentially on ROE, I think ROE is flat sequentially because of the averaging out of the capital base, the cost to income ratio, we have in our meetings with the investor/analyst meeting we have said that aspirationally over the next two years we want to bring it down to 45% and our journey in that way continues. So sequentially, we have dropped our cost to income ratio from 49.5-48% and of course for year on year it has dropped almost a 600 basis points from 54% as I said the book remains stable. We will talk a little bit more about the quality of the loan book and the gross net NPA but the net NPA is down another 2 basis points, of course there are six vectors that we measure is revenue per employee and there also is seen upward growth, so if you were to then go into the balance sheet sides, balance sheets, our deposits have grown by 37% year on year and sequentially by 14% and there is a slide on that, slide 11. Loan growth we have always said our loan growth should be around 30% mark and this quarter it grew 33% therefore our C-D ratio is in the vicinity of less than 75% and our target always has been to give a C-D ratio in mid 70s. Our discussion that deposits are not growing in the system, I have always said that there is sufficient liquidity and banks did not grow their deposit because they did not need them. Now of course deposit growth is happening, the year to year deposits growth has been 37%, so pretty reversed and sequentially 14%. Loan group as I said grew 33% and sequentially it also grew 9%, so both sides of the balance sheets are showing growth rates more or less in line with our targets. The composition of the book is the other thing that we keep talking about and I think the composition of the book has remained flat in terms of the loan book being divided into our vehicle finance or recurring finance book at 42% and our corporate book at 58%. Thus far, the other one is the strong contributor and we have always held that CASA will grow by over a percent every quarter and so it has so we have moved up CASA sequentially from 24.3 to 25.4%. 30% of CASA is now savings bank. In that we come to the core fee income and look at slight 18 if you have those presentations in front of you, the core fee income has grown robustly at 34% and we have always held that our core fee income will outstrip our loan growth and so you say all the lines like trade and remittances, foreign exchange. The trade and remittances is up by 57%. Foreign exchange income from client is up by 50%. Third party distribution, there has been a lot of flux in these markets, on the distribution income, both insurance and mutual funds, in spite of the fact that in second quarter of last year we had a spike in insurance income, in spite of that on that increased base we are showing an increase of 21% and I think the other item of revenue, on core fee revenue which we are very happy about is the investment banking income and we will talk a little bit in more detail that is grown by 71%. So investment banking we have made in the quarter as much as we have made in full year last year. Yields and cost also, yield on advance and cost of deposits also given, year on year if you see our yield on advances fell by 98 basis points and our cost of deposits fell by 120 basis points. Sequentially, of course the yield is down by 8 basis points and the cost of deposits is flat that is a notable feature that in spite of re-pricing of the fixed deposits and the re-pricing has been to the extent of 100 to 150 to 200 basis points in many tenors. Our cost of deposits has been flat which is really an indication of the contribution that CASA can make to your overall cost of deposit. The other one of note is the yield of investments. Yield on investments are added to be grown down and yield on investments are now up from quarter one at 5.9 is now up to 6.16, last year it was 5.82 so there has been a good increase and in the yield on investments and we can talk about the terror of these investments subsequently once we wind up. Provision coverage ratio we have taken it a slightly higher than what we had previously and is now at 71%. Cost of credit we will talk about and we do talk about cost of credit every quarter. The cost of credit during the quarter was 14 basis points, gross and net NPA are down. Gross is now at 1.21% and net is now at 0.36% but we can discuss that a little bit more if you have questions on that. The linguistic profile of our vehicle finance also we disclose every quarter if anything, we are seeing an improvement in most of the vehicle categories in our gross and net NPAs. The capital adequacy as the consequence of the QIP issuance is now past 16% at 16.2% and Tier I is now at 12.17. There is also movement on our branch network; we have said that we will increase our branch network close to 300 mark this year. There is a lot of work in progress but completed branches are now at 238 and ATMs are 544 by the end of October. We will talk about how this is going to progress and how they are said to touch the 300 mark by the end of this fiscal year. Of course the share holding, the promoters have got diluted to around over 19% and this should be 22%. This is in line with the road map that we have given to the central bank. So that is our overall summary. I think rather than talking any more we would want to answer any specific questions that you would have. Thank you, we can open up for questions please.

Moderator: Thank you sir, at this time if you wish to ask a question, please press 01 on your telephone key pad and wait for your name to be announced. If you wish to cancel your request, you can press 02. I repeat 01 to ask a question and 02 to cancel your request. Our first question comes from Mr. Ajitesh from UBS.

Mr. Ajitesh: Congratulations on the quarter sir, I just had one question on the branch expansion strategy. How do we see that spanning out over the next six months and particularly in FY 12? Thank you.

Mr. Kathpalia: Well, the number as of now is 200 currently opened and functional, the next quarter, that is the current quarter Oct-Dec, we will have another 30 and by the end of fiscal, we will cross the 300 mark. The plan is to hit the 600 number over the next three years, which is basically year ended March 2013.

Mr. Ajitesh: Do we have any intermittent target for FY 12?

Mr. Sobti: We have 300 now; I think this year we have asked for 127 licenses, some of them are going to spill over. We are going to sort of pause to review because we have a break even discipline and I think in six months we will review in that if that goes long, the way we wanted to grow and overall this thing has sort of cost agnostics that I think certainly we will add another 150 branches next year.

Mr. Ajitesh: Sure. Thanks.

Moderator: Our next question is from Jai Prakash from Tauras mutual funds.

Mr. Jai Prakash: Good afternoon Sir. Congratulation on good side of number. Sir just two questions from my side I wonder breakup of this 12,000 crore investment book.

Mr. Zaregaonkar: Investment book of 12000 comprises of SLR securities of 7200, exact number is 7179 crores, security available for sale category is around 2820 crores, RIDF exact amount is 1692 crores and we have investment in mutual funds is 1000 crores, in all it is 12000 crores.

Mr. Jai Prakash: Sir just wanted to understand from where the growth is coming from the advances side, if you can just elaborate some numbers.

Mr. Sobti: Growth is distributed between both our consumer finance division and the corporate bank. Consumer finance that I expect over the quarter on book. Last quarter it was 8900crores, it has moved to 9789 crores. It is off course more this quarter and it has been uniform across all segment. Corporate side there is a balance; it has grown from 12600 to 13700 crores.

Mr. Jai Prakash: Okay sir, thank you.

Moderator: Our next question is from Abhishek from Way to Wealth Securities.

Mr. Abhishek: Sir congrats on your numbers. I wanted to understand how are you planning out for cost of deposit for the year, given that it is at the lowest in last few quarters at 5.99%.

Mr. Sobti: There has been a re-pricing of the deposit book and that is true of the industry as a whole.

Mr. Abhishek: How much to the tune of?

Mr. Sobti: Re-pricing in the industry I think varies between 100 and 200 basis point, in the longer run it will be in the vicinity of about 8% now. 8 quarter longer tenor 3 months @ 10.5%. I think that is a hike of almost 150 basis point over the last quarter. Our this thing is flat this quarter and actually has fallen last quarter recently because of the CASA increase. CASA of course there is huge sort of machine that works on the CASA side both on the current and savings side, going forward, certainly we have received POD going up in the this quarter and I think the yield will go up faster because the re-pricing of the loan book has happened only recently there was an increase in the PLR, went on to increase in a big way.

Mr. Abhishek: Sir, can you give me the break up of your NPAs.

Mr. Sobti: There is a detailing given in your, do you have the presentation with you?

Mr. Abhishek: Not as of now sir.

Mr. Zaregaonkar: Our gross NPA now are placed at 286.42 Crores now which are placed at 202.69 crores, secondly works out at 83.73 crores in terms of percentage.

Mr. Abhishek: The gross NPA breakup of addition and all those?

Mr. Zaregaonkar: The opening balance was 275.20 crores at present they are 75.19 crores. The reduction was 63.97 crores. In terms of percentages the gross NPA stand at 1.21 and percentages of net NPA stand at 0.36.

Mr. Abhishek: That is it from my side. Thank you.

Moderator: Our next question is from Darshana Rathod from Indianivesh.

Darshana Rathod: Good evening Sir. The intact expenses, it increased by 86% so we would like to know about your earning expectations for this financial year.

Mr. Sobti: Interest expenses?

Darshana Rathod: No, tax expenses. I am asking that this time in this quarter your tax expenses increased by 86% so what is your earning expectations from this financial year.

Mr. Sobti: That is a guidance we will not give a forecast on that, but you know advance tax figures are reveal so you can make a deduction from there.

Darshana Rathod: Okay, thank you sir.

Moderator: Our next question is from Jigar Walia, from OHM stock broker.

Jigar Walia: Hello good evening sir, congratulations for the great set of numbers once again. My question is that there have been news article about all the government business now going to PSU banks and we have been doing some very very good work on this particular front, so how does that affect us and what is the status on that, does that completely go to PSU banks?

Mr. Chander: Yeah, there is a circular which has been talked about for PSU banks but here you know that circular actually, it is not anything really new in that, even a few years ago there was a clarification on similar grounds where the government had said that the PSU business that they are relating is the RBI agency business, so things like tax collection etc. where Reserve Bank acts as an agent to the government not PSU business, it is government business affectively, they are reviewing the performance of some of the private sector banks to whom this business has already been granted expanding that there self it should stay with the PSU bank. So to us, for example it has no affect because we are not in that business at all.

Jigar Walia: Sir, as far as our deposit for the quarter is concerned, does it include any short term IPO money or any significant chunk of something like that.

Mr. Sobti: There is a core, if you relax in the averages so there is because the IPO pipeline is pretty robust now, last two three months we have seen regular exploring, of course these are transitory money but they get replaced by fresh IPOs. You have got another half a dozen IPOs.

Jigar Walia: Any specific quantum as to what proportion would be like a few thousand crores.

A: Average for the quarter is not more than 150 crores.

Jigar Walia: Okay, Sir one is our core fee income does it include any reimbursement from say Aviva or somebody like ULIPs are not selling traditional products.

Mr. Sobti: This is BAU business without any upfronting we do not disclose, we don't take them in an income closed. Upfronting is going out of transaction right now.

Jigar Walia: Sir how is the outlook on the wholesale business and what percentage of our business is wholesale business, are they will be expected to be little softer the quarter or something like that?

Mr. Chander: Our objective going forward actually is to make sure that the rate of change both between the corporate and consumer finance. The consumer finance rate of change should be slightly faster. So in terms of growth both fundamental growth but we think that the consumer business will be grown slightly faster than the corporate business. The flows are very strong and we do not expect any slow down in terms of the nature of the business.

Jigar Walia: Sir consumer business I believe right now also the festival season and bookings and all have been all time highs. I mean even during Shraad season, consumer and auto sales have been pretty robust and all that so we have visibility multiple quarters from now on or is it like, we need to really look at this thing on a quarter-quarter basis like there could be some slow down happening, or like we have comfortably for a couple of years there is a good growth expected.

Mr. Parthasathy: We have been growing from 2008 quarter after quarter on consumer and there have been some spikes during this particular period also, our growth has been fairly uniform. So you see the last so many cycle of financing, we see a little spike here but it evens out and what he is saying is that quarter on quarter year on year, the trending is that there is growth every quarter and year on year so this spike does not distract from the fact that the next few quarters also we expect robust growth. For example we have 7200 crores in June 2009, 7500 crores in September, 7700 crores in December. March 8200 crores, 8900 crores in June, and 9700 crores in September, therefore you can see a uniform regular growth.

Jigar Walia: Thanks a ton, in case I have some more, I'll join the queue again. Thanks.

Moderator: Thank you, our next question is from Aditi Thapliyal for Execution Noble. Aditi please go ahead, your line is unmuted.

Aditi Thapliyal: Hi, thanks for taking my question, I think you have partially answered one of my questions. So on CASA deposits, the one time float is only to the extent of 150 crores.

Mr. Sobti: Yeah.

Aditi Thapliyal: My second question is on the size of the bulk deposit book if I can have an idea of what is the size of the bulk deposit book right now and what is the maturity structure of this bulk deposit book versus last year.

Mr. Sobti: What was the second part of the question?

Aditi Thapliyal: Or over, versus previous interest rate cycle.

Number of Speakers: Okay, total deposits were 31,000 crores of which the demand deposits, which is really your current and savings bank CASA from banks and others 7900 crores, so if you take out say 8000 out of this 31,000 crores, that is 33,000 of the 23,000, about 7500 is the retail fixed deposit, the balance is bulk. In terms of tenor, actually if you were to do a comparison of our previous year, I don't think there is any change in the nature of that business, yes average maturity. The tenor go from anywhere between 30 days to about 270 days. Average tenor will be 8 to 9 months but usually deposits go slightly less I think closer to six months, but the deposit go from 30 days to 270 days. This profile will not change because these deposits fund our corporate book and the corporate book has a similar maturity profile, so you will not see a tenor change or profile change in the bulk deposit book. In a way it looks like tenor spread between say one year fused, and it is the running amount in the short run and the long run so that you save on interest.

Aditi Thapliyal: Sir your voice is coming from really afar; I don't think it is clear audible.

Mr. Harding: What I was saying that normally on the bulk side of the process, average maturity is between 8 to 9 months, and it is linked to the interest rate. For example last year, there was the issue of arbitrates between the shorter tenor deposit & longer tenor deposit 90 days it was 5 or 5.5. One year 7 or 7.5 so you are arbitrating on the interest spread between the 3 cross now if you see the spread has been spaced, 7 & 7.5% for 1 year so average tenor of the book is linked to interest rate & also it matches the loan book side so normally we maintain a CF^2 between corporate book & bulk deposits.

Aditi Thapliyal: Okay that is useful. So overall, what can we expect from the bank in the coming quarters and in the coming year in terms of branch expansion targets. What could be the implications of your branch addition during this period on the CASA book? The second part is how will the loan book make up change, the third part is how will the fee income franchise mature against the backdrop of what we can obviously see a cap on distribution costs across mutual fund and insurance products. So over a longer horizon assuming over the next three years. What can we expect from the bank on branch expansion? On CASA targets, on overall profile of the loan book and third on the fee income franchise, how does the makeup of that change as the bank adapts to change in regulatory restrictions on costs.

Mr. Kathpalia: We will take the CASA first, linkage to branch expansion. When we have done a branch expansion we have done it with a very thought through process in mind. We are only focusing on the top 20 cities and we are going to open the next 350 branches in the top 20 cities has been a rider for doing a due diligence with BCG and to say where the growth on CASA will happen and what market share can we capture of that growth, we have categorized the branch network into three categories, category A, category B, and category C. Category A branches we have said that it can do 20 crores of CASA in the first year of operations. In category B branches, we have said that we could be able to do about 12 crores and in category C branches will do 6 crores of CASA. Over all over the next three years, we will see that a branch franchise will be about …… if CASA go over a branch network of 650 we will do 6,700 crore of CASA. If you do that our CASA book will be around 24000 crores.

Mr. Sobti: Overall, linkage to the branch network to our CASA story and of course this also linked into the fee story because distribution and CASA are the foundations of our desire to grow our branch expansion. So the CASA story is that in a steady state CASA over a period of say next two to three years, should be in the vicinity of around 35% right and we have taken it up from 14 to 25 and we now expect to take it from 25 to 35 in the next two to two and half years. The contribution of the new branch network would be critical. The branches that we opened last year for instance, 30 we are tracking them to see whether this CASA story is unfolding out. I think almost 80% of them are running on track. The loan book composition we have already mentioned that the loan book composition will be in a steady state going forward. I think the corporate book will be about 65% of our total book and the retail which is consumer finance will be about 45%. Does that answer your question?

Aditi Thapliyal: Yes it does. Thank you.

Moderator: Our next question is from Nitin Kumar from Quant Broking.

Mr. Nitin Kumar: Hi Sir, congratulations on strong results. I have a question on the fee income. Can you briefly touch upon the initiative the bank is taking to boost the fee income particularly the third party fee and the investment banking fee.

Mr. Sobti: I think we will talk of investment banking first, because that is emerging as a good driver and the quarter income as you can see was equal to the full year last year income.

Mr. Chander: Yeah, in the last year we set up a small team of investment bankers essentially looking at the debt side of the business, we don't do any of the equity side, we do debt side essentially some structured finance, structured debt and syndication that gave us a decent revenue in the last year in fact better than what we expected and therefore we have created focus around this business. We find that there is a gap in the market, small areas where we can go in and occupy the space. Essentially related to the mid segment so we are not competing with the big boys or targeting the really large corporate. We are working with the mid segment and the remaining focused on the debt side. As Ramesh had said you have seen that this quarter already we are more than what we had done in the last year and in fact if I look at completed transactions, then the revenue is at least 50% higher than what you are seeing in this quarter. So as we move forward, this is going to be a really critical and very important revenue stream for us, we are bringing more focus into the team. The team size is being expanded but the areas of operation will remain the same, so we will continue to focus on the mid segment and we will continue to remain focused on the debt side of investment banking. The second part was third party.

Mr. Kathpalia: On the distribution income our focus will continue to be on the investment products. On insurance as well as on the investment product which is the basic vanilla mutual fund as well as the structured products. We have a relationship management modeling and we will be launching the HNI offering. On the insurance side, we have a tie up with Aviva on the life insurance side and Chola on the non life side. We have a very healthy mix on the insurance where 40% of our revenues are non-life and 60% of our revenues are life insurance. We continue to maintain that ratio and continue to grow that business. We don't see any risk to that business with the given regulation. We have already counted the regulatory changes.

Mr. Nitin Kumar: Sir, you mentioned that you would like to bring down the cost income ratio to 45% so what is the time line you are looking for the same?

Mr. Sobti: March 2013, our next three year plan ends in March 2013, 45% is our target.

Mr. Nitin Kumar: Okay, that will be from my end sir, thank you.

Moderator: Our next question is from Tabassum from Goldman Sachs India Securities.

Ms. Tabassum: Hi, I have two questions. First in terms of employees cost, you have seen about 21% growth year on year in this quarter now that you are looking at expanding more branches next couple of quarters. Is this cost expected to increase. You are looking at hiring more employees and if you can give some kind of guidance in terms of how you see the employee base more.

Mr. Sobti: Yes, there is an internal vector that we measure which is the staff cost to revenue. It is a little bit over, say revenue multiple on staff cost and if you see that you know we have done a huge amount of hiring in the last two and half years and at the peak say in the quarter two of last year, our staff cost to revenue was about 23.13%. the hiring is continuing the branch expansion is continuing but over this one year, even though you see your staff cost increased by about 21% this has now come down at this quarter. The staff cost to revenue has fallen to 18.9%. So we are seeing a downward trend. This is our target. There is employee productivity that we are now demanding. We have done the hiring. We are demanding more productivity out of our channels. Out of our branch network and out of our back offices. I think the ideal multiple for us in terms of the revenue multiple or staff cost would be in the range of 5.5 to 6 which means that if you reverse it staff cost to revenue should be in the range of around 17%. So that in spite of the hiring's because you know there is a disciplined breakeven that we are pursuing so hiring is very consciously linked to revenue. We are conscious that we are putting money into the branch network but we also demand a break even from the branch network. I think we have discussed in the past.

Ms. Tabassum: Just one more question, in terms of net interest margin clearly you have seen significant improvement. If I look at the industry bank seeing to be increasing the deposit rates, but we are not seeing same confidence while increasing the prime landing rate, we have seen the base rate more up and I am just wondering you know why banks have not been keeping pace in terms of the PLR hikes, and how do you see that going forward and for the impact on margin.

Mr. Sobti: Yeah, that is a good question and I think the desire to increase PLR or base is probably linked to the tenors of the loan book. We for instance have moved both base rates and prime lending rates. We may moved our PLR first by 50 basis points and then by 25 basis points and on September 20th we will raise our base rate also by 50 basis points. It is really surprising we are also surprised why it is not happening. Maybe it is consequence of the fact that loan growth maybe difficult with some bank. I am not sure I would not want to categorize them and of course there was a feeling that if you raise rate then loan growth will be stalled any further. We of course are seeing a robust growth and therefore I think our ability to pass on the pricing is demonstrated and we have fast on pricing. The impact of that pricing increases both in PLR and base rates not yet happened but we would expect that to happen in this quarter. So while we have taken an increase in the deposit cost which was neutralized to the CASA. The lending increases will materialize in the next two quarters.

Ms. Tabassum: Just finally one more question, if I look at your incremental loan deposit ration that sort of slip to 47% but overall base is outstanding is at about 75 is that something one should expect, because your deposit growth was particularly strong this quarter.

Mr. Sobti: Yes this quarter was usual, there has been replacement deposits, but this is a previous quarter I think we showed 14% or something like that, if I recall properly. So we have caught up on that deposit growth which has got bunch in this but our target on C-D ratio is clearly 75% and some quarters we are touching 80% but we seldom will go below 75%. I think the lowest we have seen is 73% so I think this distortion in the balance sheet date if we work on averages then I think the C-D ratio will work out definitely.

Ms. Tabassum: Okay great thank you so much.

Moderator: Next question is from Darshana Rathod from Indianivesh.

Ms. Rathod**:** Hello Sir, this time the question regarding your slippages in your advances book, hello.

Mr. Sobti: Yes, yes, what? So I would like to recommend the details on the slippages from your standard advances as well as from regional trend advances.

Ms. Rathod: Yeah, okay if you look at the presentation there is no restructure loan in the last three quarters.

Mr. Sobti: Sir it shows it is 0.18% in this quarter.

Ms. Rathod: 0.18% in this quarter and I think it was 0.22 last quarter no I think.

Mr. Sobti: Actually reduced last year this time it was 41 basis points now 18 basis points, last quarter which was June 2010 was 21 basis points.

Ms. Rathod: Okay but what was from the standard advances sir?

Mr. Sridhar: Now if you look at the slippages, slippage’s you know we have an increase in overall NPA loss of 75 crores and we have got recovery and up gradation to the tune of 43 crores so the next slippage is 43 crores is the amount of…

Ms. Rathod: Recovery, right.

Mr. Sridhar Up gradation, the balance is on account of income

Ms. Rathod: Okay so what will be your percent in standard advances sir?

Mr. Sridhar: If you take the slippage it will be about 10 business points or so.

Ms. Rathod: Okay 10 business points, okay sir another question in your interest if you look in the last two heads that is interest on balance with RBI's and inter-bank borrowing and others we see the declining trend so could you please sir explanation on the same?

Mr. Sobti: Which line are you referring to?

Ms. Rathod: Your interest income, sir interest on balance with RBI and inter-bank borrowing and other, so was it in the one of the item in the last financial year that was showing the declining trend this time?

Mr. Sobti: Just a second, just we are trying to get the number. Where you drawn this number from?

Ms. Rathod: In interest earned, you have four head if you look at last two heads.

Mr. Zaregaonkar: The drop is because we had some cash accruals against the securitization undertaken 3-4 years back that has totally been liquidated so we no longer keep the deposits with the bank that's why the. You are looking at published this thing format and from there I think you are looking at the drop in the numbers, right.

Ms. Rathod: Perfect so right now are you in inter-bank parole right now.

Mr. Zaregaonkar: No this was deposit case by us with the bank and it got redeemed because the synchronization portfolio has been totally been liquidated. That is why it has come down.

Ms. Rathod: Okay and how about others that is, you know there could be miscellaneous income I am sure that it is 15 million to 1 million so was there any one of item last time?

Mr. Zaregaonkar: There was, I don't think that there is a big amount as such.

Ms. Rathod: It is not but whether any exceptions.

Mr. Zaregaonkar: There may be some interest on income tax refunds and all that.

Moderator: All right no issues. Thank you sir very much. Participants if you wish to ask a question please press 01 on your telephone keypad now and next question is from Jigar Valia from OHM Stock Broker

Mr.Valia: Sir just one follow up question on the cost of credit, sir last quarter we had 22 business points and this quarter is 14, is it okay to assume that for the whole year we will have our cost of credit around 70 business points?

Mr. Sridhar: Around 60 to 70.

Mr.Valia: Around 60 to 70 would be a number also sir I just want to know the accelerated provisioning last quarter was it on corporate fund book?

Mr. Sridhar: Corporate of course already 100% with some accelerated provisioning on the consumer finance by last quarter.

Mr.Valia: Last quarter was on the consumer finance, okay and so this quarter the backdate return of…

Mr. Sridhar: Mainly to reach the 70% target.

Mr.Valia: Okay, thank you sir, thank you.

Moderator: Next question is from Hiren Dasani from Goldman Sachs

Mr. Dasani: Just wanted the breakup of the provision line, 57 crores.

Mr. Zaregaonkar: The 56.71 crores provision comprises of provisions on against NPA 33.12 which includes backdate right off, it includes the standard provision of 8.90 crores and the other provisions is around 6.48 plus 8.21 crores.

Mr. Dasani: What are these related to?

A: This is one is related to our emulation in value of investment as the secured receipts.

Mr. Dasani: Can you repeat that?

A: It is the emulation in value of investment; these are especially the secured receipts.

Mr. Dasani: NPAs sold to Rcell so that is about 8 crore and the remaining 6 crore is?

Mr. Zaregaonkar: Transaction comprises of standard, standard is 8.50 and operational item. We had in past an exposure on Madhepura Mercantile Bank you know that there were some deposits placed and now we have fully provided that exposure.

Mr. Sobti: That was expected advance about 7-8 years ago. This is Madhepura that's big cooperative bank that failed it was in Gujarat there was some residual although this is under restructured repayment program which is monitored by RBI but we felt that we should provide for it so we have fully provided it. We saw co-active provisioning, we don't need to provisioning but we provided for it.

Mr. Dasani: And what would be our total SR book?

A: Is around 30 crores plus.

Mr. Dasani: On which you have provided about 8 crores, okay the other thing is that if you look at the retail deposits now I have some number from the past of probably from your own call was also about 7,500 crores as of March 2010, so are we consciously not I mean you know probably till September corporate deposits were not as expensive as retail so probably we are consciously doing that, what's the game plan there?

Mr. Sobti: I think that was a conscious game plan because we found that bulk deposits were reprising downwards much faster than the retail fixed deposits

Mr. Kathpalia: We were maintaining the book at that level and we were running of a high cost it's a book which we have taken at 9 and 9.5% last year and we are running that off and replacing it by 7% on longer tenors.

Mr. Dasani: But incrementally I mean are you finding retail equivalent rate of corporate or is it still expensive than the corporate?

Mr. Kathpalia: On the longer tenure I think retail will be expensive, on the shorter tenure corporate, we don't do shorter tenure but shorter tenure the rates are on the wholesale deposit and bulk deposits are higher but we don't push the retail deposits in the shorter tenure, we only focus on 270 days, 400 days, and 1000 days.

Mr. Dasani: Okay and would it be fair to assume that we have created some liquidity on the balance sheet in this quarter because I see the increase in the cash and bank balance as well as the investment book.

Mr. Zaregaonkar: Yes that's true because we got the EYD proceeds of around 1172.

Okay great thank you.

Moderator: Next question is from Aparna from DSP Blackrock

Ms. Aparna: Good evening sir, I just have a couple of questions actually, I just wanted to get a sense in your asset book, what sort of exposure you know is currently there roughly to you know the real estate sector, the capital market sector, and to the NBFC's that's one question, second I just wanted to understand concentration in your you know this thing deposit book like top 20 depositors roughly how much proportion of the deposit book would be constituted?

Mr. Sobti: The first I think you look at the sectoral breakup of our corporate book NBFC's is about 4.7% of the asset, real estate is close to about 3%, and capital market exposure is

Mr. Chander: You know our advances to capital market are fairly small, but we have exposure on non funded bases like guarantees and other things that are issued. On our fund bases you know a relevant number I think is close to some 30-34 crores on total.

Ms. Aparna: Okay, okay, thanks and also just to get a sense of the concentration in your deposit book.

Mr. Chander: Top 20 depositors we have a number, don't remember the exact number.

Ms. Sobti: That's the quarterly number that we do measure I think the top 20 contribute about 30%.

Ms. Aparna: 30%, okay fair enough.

Mr. Zaregaonkar: Of the corporate book, sorry not the overall book.

Ms. Aparna: 30% of your deposit book, right. Okay and has this number like being steady over the past few quarters or it has been increasing?

Mr. Chander: In fact it's been decreasing, it used to be very-very high two y ears ago now it's fairly low in fact it's fallen to nearly I think it's fallen by nearly 60% over the last two years.

Ms. Aparna: Okay, thank you sir. Congratulations on a good set of numbers.

Mr. Sobti: Thank you.

Moderator: Next question is from Aditi Thapliyal from Execution Noble.

Q: Hi, thanks for taking my question, just a housekeeping one, what's the employee base as on September?

Mr. Abraham: 6278 to be precise.

Right, thanks, that's it.

Moderator: Thank you ma'am. Our next question is from Sangamesh QVT Financial

Mr. Sangamesh: Hi, congratulations on good set of numbers. I just have question on your NIM margin, if you compare it on a sequential basis your yield on the corporate book has improved a little and if you look at overall yields they are down about 10 basis points. The benefit in cost to deposits is not much basically you know it seems that NIM has moved up on account of the investment income for the yields on investment book. Is that a fair assumption?

Mr. Abraham: And also the CASA.

Mr. Sangamesh: But that's actually captured in cost to deposits if you see cost of deposits in Q1 was 6% and they are 5.99.

Mr. Sobti: I think you for the quarter as a whole what you are saying is absolutely correct because during the quarter the gross yields fell by 8 basis points & COB was flat at about 5.99% but as I said earlier and of course the increase that you saw in the NIM was the function of two things, one of course is the yield on investments and also of course you see there is a cost of deposit and there is a cost of fund. There are also some other non-interest bearing funds in the balance sheet, right so that proportion has also gone up. These two things have therefore contributed. Now going forward I have mentioned that earlier that you know the re-pricing in the loan book has happened the impact of that was that we see early in the month September. We saw a trending in August and September which is of course on the corporate book and I think going forward in this quarter and the next quarter, 3rd and 4th quarters you see the full impact of that on the gross yields.

Mr. Sangamesh: Any reason for the yield on investment being up other than the SLR portfolio moving up in the overall yields?

Mr. Harding: Ya investment yield is already showing an upward trend and it will continue to grow because on the SLR component we hold almost four thousand crore and that would be replace to form 13 of 7.5 to 8 % . So we have the average of 7 % of SLR book as of today. There would be an addition of 30-35% of replacing these. The second part is the RIG holding which we hold of 4 % which will run down. So these would also get replaced. So there would be an upward movement in the yield.

Mr. Sobti: Just one clarification on the computation of the NIM you know because different banks follow different computations we work out the NIM on all assets, interest earning assets and non-interest earning assets.

Mr. Sangamesh: So you look NIM as a % of total asset?

Mr. Sobti: Total asset absolutely, now earning everything so you know if you do comparison we were to look at apple versus apple.

Mr. Sangamesh: So the number you have come up that is about 3.42 is on total assets.

Mr. Sobti: Total assets yes.

Mr. Sangamesh: Right that's it and also equity came in at the end of the quarter how much benefit do you see in margin because of the equity going forward.

Mr. Sobti: That's a very simple and arithmetical calculation the incremental deposit raising at 7.5% on 1200 crores that's straight away I think a benefit of almost 90 crores.

Thank you.

Moderator: Next question is from Rishi from Canara HSBC.

Mr. Rishi: Good evening sir, most of my specific questions have been answered. Sir, I just have one question for some understanding. I understand that you're targeting to increase your cost of percentage from 25% to 30%. I mean when the CASA percentage increases how difficult it is to retain CASA at that level, is it require continuing effort and how does the bank approach these things?

Mr. Kathpalia: There are different strategies for different segments, for a mass banking you have to offer the non brand delivery, for a high network individual you got to offer relationship banking, so I think the stickiness of the client and how you incentivize the channel on basis of the CASA growth make sure that you grow the CASA.

Mr. Rishi: And is it different for like is current account more sticky or saving account more sticky?

Mr. Kathpalia: The underlying product has to be very strong. So the underlying product which you give to the client has to be a very strong. So if you are doing a big deal trade asset guy needs to have a transaction banking product or retailer or good to be a wholesaler distributor may want to have a cash management services give to us, so you have to define which product you want to penetrate in the current account segment to which client and you choose your segment and give him that product.

Mr. Rishi: I understand and is saving continuous to be more sticky or is it current account?

Mr. Kathpalia: If you look at our book I think both are sticking, I think as long as there is an underline but savings account grow over a period of time and you continuously see a growth on the savings account book. If you look at our savings account quarter and quarter, year on here you see very stable growth which continues to happen on a saving account growth.

Mr. Rishi: I understand.

Mr. Sobti: Current account is traditionally expected to be volatile, within the volatility there is stability. The issue is that there could be funds that transit through your account for 15 days or so because the pipeline is such that you continuously maintain balances and it becomes the core you know.

Mr. Rishi: I got, I got sir it's a flux but stable flux if I am getting it correctly. Thank you very much.

Moderator: Thank you Jeff, next question is from Mr. Anand Krishnan from Infina Finance.

Mr. Anand Krishnan: Good evening sir, could you please give me the figure for the restructured asset for the quarter?

Mr. Sridhar: Practically no new assets have been restructured and overall there is a reduction.

All right Sir. Thanks a lot.

Moderator: Next question is from Mr. Amandeep Guraya from Finquest Securities.

Mr. Guraya Good evening sir, sir just two questions if you can give guidance on your advances and deposit growth for 2011-12 and second one your duration on investment portfolio?

Mr. Sobti: Duration on investment portfolio is around 5-1/2 years.

Mr. Guraya: And for EFS portfolio?

Mr. Sobti: EFS is 4 to 5 months.

Mr. Guraya:	4 to 5 months, right, sir your guidance on growth and advances and deposits?
Mr. Sobti:	We have always said that our own growth will be between 25 and 30% and we will maintain a CD ratio of 75%.
	Right Sir. Thanks sir that's all.
Mr. Sobti:	Thank you.
Moderator:	Thank you, participants if you wish to ask a question you can press 01 on your telephone keypad now.
Mr. Abraham:	Just two more questions please.
Moderator:	Sure sir. That is time, there are no further questions from the participants so I like to hand floor back to you sir, over to you.
Mr. Sobti:	All right thank you very much. I think the detailed presentation will be up on the site. It's already up, so you can read all the numbers out there. Thank you very much for joining us.
Moderator:	Thank you participants. Thank you for using Arkadin Event Services; with this we conclude this call. Thank you for your participation and have a nice evening.