"City Union Bank
Q4 FY2019 Earnings Conference Call

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Moderator: Ladies and gentlemen, good day and welcome to the City Union Bank Q4 FY2019 Earnings Conference Call hosted by Ambit Capital. 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. Gaurav Kochar from Ambit Capital. Thank you and over to you Sir!

Gaurav Kochar: Thanks Neerav. Thank you for giving us this opportunity to host this call. From the management side, we have Dr. N. Kamakodi, MD & CEO, and Mr. V. Ramesh, CFO. I would now like to hand over this conference to Dr. N. Kamakodi for his opening remarks. Over to you Sir!

N. Kamakodi: Dear Investors and analysts,

Hearty welcome to the Conference call on annual financial results FY 2018-19 / Q4 FY 19 of City Union Bank. The Board of Directors approved the Audited results today.

I will first brief the year results and our CFO Shri. Ramesh will share with you the numbers. Hope you all have received the presentation.

On the management side, Sri. S. Mahalingam, Part-time Non-executive Chairman completed his term on 03.05.2019 as per the approval given by RBI and one of the Director Prof. V Kamakoti retired on 26.04.2019 after completing his full tenure of 8 years. We place our sincere gratitude for Mr. Mahalingam and Prof. Kamakoti for their able guidance provided during their tenure.

We have received the RBI approval for Sri. R. Mohan, next senior Board member as Part time Non-executive Chairman of the Bank for the next 3 years effective from 04.05.2019. As you all know, Sri. Mohan. R, joined the Bank as unpaid apprentice in 1975, worked in various cadres and retired as Chief General Manager in May 2014. He was inducted as Director to the Board in June 2014 and is in association with the bank for more than 40 years.

The Nomination Committee held on 03.05.2019 has inducted Sri. K. Vaidyanathan into the Board.Shri. K Vaidyanathan is a Fellow member of the Institute of Cost Management Accountants of India and also the Institute of Company Secretaries of India. He has over 40 years of rich domain experience.

Coming to the financials of FY 2019, we once again recap the expectation shared with you for FY 2018-19 that - Operating profit to be flat and we make our best efforts to achieve

i) 18% - 20% of credit growth
ii) Slippage ratio between 1.75% and 2%.
iii) ROA will be around 1.50% - 1.60% and ROE around 15%+

iv) Cost to Income ratio will be at the elevated level as other income like treasury income may not be available this year and we are expecting in the range of 42% - 44%.

v) NPA management and improving NPA recoveries

Against these expectations, we closed FY 18-19 with 17% growth in Business, with same level of growth in Advances & Deposits.

When we started FY 2018-19, we expected better pick up of general economic environment by second half. But in realty things are not yet rosy. Things are not too bad either. We are keeping the fingers crossed and waiting for 'good times'.

We sold excess Micro Enterprises portfolio of Rs. 700 crs through participation certificate and brought equal amount of (Retail-Vehicle) making 'Nil' effect in balance sheet figure for a short term period of 91 days. This resulted in decline in MSME sector exposure and increase in others category to an amount of ` 700 crs. If we have not consider this effect, composition remains by and large same.

Further, as said in our earlier concalls we do not have any exposure to ILFS in any form or companies now in news for wrong reasons.

Our slippage ratio to closing advances for FY 2019 was 1.91% and RoA, ROE and Cost to Income stands at 1.64%, 15%+ and 41.67%. All parameters are closer to the expectations we shared with you during the beginning of FY 2018-19.

We could see some momentum in recovery during the year and the actual recovery of NPA (Live + TW a/c) for FY 18-19 was totaling to Rs.338cr comprising Rs.248cr from live accounts and Rs.90cr of technically written off accounts while the actual recovery for FY 17-18 was totaling to Rs.276 cr comprising Rs.205 cr from live accounts and Rs.71 cr technically written off accounts.

Lot of questions were asked on our stand on RBI circular on SME restructuring. As you all know we had the highest proportion of restructured assets up to10% in 2008-09 when we gave benefit to all eligible borrowers. Yet we had lowest migration to NPA in the following two years.

We had informed all eligible borrowers about new RBI circular and we have to give restructuring if they ask for. There are around 18 MSME borrowers account has been restructured during Q4 FY 19 amounting to Rs.34.98 cr. Many borrowers felt this could work adversely when they go for any expansion in future. Any way the scheme is open up to March 2020. Also an amount of Rs.21.13 has been restructured under GAJA Cyclone Relief which hit Tamil Nadu during Q3 FY 19.

The total tax provision for FY 2018-19 was ` 242 crs making it 26% of PBT vis a vis 25% for FY 2017-18. For Q4 FY 2019 tax provision is at 29% of PBT.

You all know that during Feb 06, 2018 we had a cyber attack on our SWIFT system. Based on the above, we had initiated necessary modifications in our system in addition to initiating steps to recover the lost money. In the mean time on 20.02.2018 RBI issued circular for implementation of certain operational controls. Though we have initiated necessary action as said out in the circular, due to set back by the cyber attackhappened on 6th Feb 2018 and also structural changes brought in at our IBD took time, there was a slight delay in implementing few controls for which a penalty of 3 crs was levied by RBI in the month of March 2019. Further, the Insurance company rejected our claim and we have provided in full for the loss because of the cyber attack. We are contemplating going for arbitration.

We have opened 50 branches/outlets during the year and taking the total branches network/outlets to 650 and our 650th branch was opened at “Keezhakorkai” near Kumbakonam. Of the branches opened during FY 18-19, 10 were banking outlets operated by Business Correspondents.

We do not have the requirement of reporting divergence for FY 2019 as per the report given by RBI which was well within the threshold limits.

We had SRs to the tune of Rs. 374Crs of which top 4 assets contributed 90%. Two of the top 4 were resolved and repayments started coming. We had redemption of Rs.49cr worth SRs in the last year. The largest one got resolution last week and repayments will start from 3rd quarter and will end by year end.

We normally have flat growth in Q1 and net NPA may inch up by 4-5 bps but % of net NPA we expect to start falling towards the second half.

We had one Educational institution with over Rs. 50 crs exposure which come to stressed category last year. They repaid partly by sale of assets and got out of the list. Many private educational institutions have receivables from Govt. for reimbursement of tuition fees for reserved category students. TN Govt. is clearing reimbursement only for half the fees corresponding to educational year 2017-18which is creating stress in operations. If Govt. releases as promised the tuition fee reimbursement for year 2017-18 (half) & 2018-19 that a/c will survive else it could slip into NPA. All inclusive we expect for current financial year also the slippage ratio to closing advances will be between 1.75% to 2% for FY 19-20.

The Board has recommended a cash dividend of 50% (50 paise per share) to shareholders.

To sum up,

FY 18-19 had been a decent year. We expect that for FY 19-20, we make our best efforts to achieve

i) 18% - 20% of credit growth
ii) Slippage ratio between 1.75% to 2%.

iii) ROA will be same at 1.50 – 1.60% and ROE around 15%+

iv) Cost to Income ratio will be in the range of 42%

We will strive to protect profitability growth by proper focus on NPA management by reducing slippage and improve recovery of NPAs by liquidation of collaterals.

Now Mr. Ramesh will explain numbers. Over to Ramesh.

V. Ramesh: Thank you MD sir … I am Ramesh, CFO.

Good evening everybody and thank you for attending the City Union Bank's earnings call of Q4 FY 19 and for FY 2018-19.

Our Board has adopted the Audited Financial Results for FY 2019 today, the details of which have been already updated in our website, published and circulated.

Let us get into the details of the fourth quarter and Yearly results:

The Bank has shown a growth of 15% in Operating profit in Q4 FY 2019 over the corresponding period and for the FY 2018-19 the growth was just 3% due to absence of Treasury Profit.

The Net Profit for Q4 FY 19 & FY 2019 has enhanced by 15% as compared to corresponding period of last year.

The Net NPA has increased by 7 bps sequentially to 1.81% for Q4 FY 19 from 1.74% in Q3 FY 2019.

Coming to the Business growth, our Deposits has increased by Rs.5595 cr from Rs.32853 cr to Rs.38448 cr in FY 2019 thereby registering a growth of 17%.

Similarly, Advances increased by Rs.4826 cr from Rs.28239 cr to Rs.33065 cr translating into 17% growth. Thus the total business grew by 17% to Rs.71513 Cr for FY 2019 from Rs.61091 Cr last year.

CASA has increased by 22% by Rs.1741 cr from Rs.7957 cr to Rs.9698 cr. The share of CASA in total deposits was 25%. While CA increased by 15%, SA improved by 25%.

The Cost of Deposits for FY 19 decreased by 12 bps to 6.17% from 6.29% compared with last year. Cost of Deposits for Q4 FY 19 was 6.27% Vs 6.22% in Q4 last year.

The yield on advances for FY 19 stood at 10.95% as compared with 11.46% in FY 18 due to competition prevailing in the market. For Q4 FY 19 the same has been stood at 11.07% vs 11.19%. The interest yield on Investments has remained flat at 6.95% in both FY 19 & FY 18.

The Net Interest Income for Q4 FY 19 stood at Rs.421 cr as against Rs.368 cr in the corresponding period thereby registering a growth of 14%. The NII for the whole FY 19 grew by 13% from Rs.1430 cr to Rs.1611 cr. The Net Interest Margin for Q4 FY 19 stood at 4.40% vis-à-vis 4.36% in Q4 FY 18 and for the whole FY 2019 NIM stood at 4.32% as compared to 4.42% for FY2018.

The other income of the bank in Q4 FY 19 increased by Rs. 27 crs to Rs.147 cr as compared to Rs.120 cr mainly on account of recovery from TW accounts and few charges. However, for the whole year the same has declined by 3% to Rs.514 crVs Rs.532 cr last year. This was on account of decrease in income due to treasury which was to some extent compensated by recovery from TW accounts.

Operating expenditure has increased by 19% in Q4 FY 19 from Rs.193 cr to Rs.230 cr and whereas for the whole year it rose from Rs.755 cr to Rs.886 cr registering an increase of 17%. The increase was on account of normal increase in expenses like Rent, Electricity etc.,. The telephone expenses increase was attributed to upgradation of lines for networking.

Thus, the Bank has recorded a growth of 15% in Operating profit in Q4 FY 2019 over the corresponding period of 2018. In absolute terms the Operating profit increased from Rs.294 cr to Rs.338 cr. The growth in Operating Profit for FY 19 was 3% higher from Rs.1208 cr to Rs.1240 cr. The operating profit to NII constitutes 77%.

For Q4 FY 2019, the total provisions have increased by 14% from Rs.142 cr to Rs.163 cr. The total provisions for FY 19 decreased by 10% from Rs.616 cr to Rs.557 cr on account of reduction in slippages and non requirement of additional SR provision.

We have provided Rs.72 cr towards taxation in Q4 FY 19 as against Rs.56 cr for the corresponding period on account of improved profit and for FY 2019 the same was Rs.242 cr as against Rs.198 cr last year. Tax provision to PBT in FY 19 was at 26% and for Q4 FY 19 it was 29%.

We have not availed the dispensation provided by RBI in spreading the provision for Mark to Market (MTM) losses on investments held in AFS and HFT category for any of the quarters till date. We have provided the same in the respective quarters.

The details of provision made during the quarter Q4 FY 19 is as follows;

Provision for NPA	81.00cr
Provision for Income Tax	72.00cr
Provision for standard assets	15.30 cr
Provision written back - FITL	-5.63cr
Total	**162.67 cr**

The details of provision made for the FY 19 is as follows;

Provision for NPA	270.00 cr
Provision for Income Tax	242.00 cr
Provision for standard assets	21.50 cr
Provision towards depreciation in Invincl SRs	16.00 cr
For investment shifting	6.51 cr
Provision for others	10.76 cr
All other provisions – written back – FITL & Restructure	-9.63 cr
Total	**557.14 cr**

The Net Profit for the fourth quarter thus has increased by 15% from Rs. 152 cr to Rs. 175 cr. For FY 2019 the same has increased by 15% to Rs.683 cr from Rs.592 cr last year.

Return on Assets for the year ended FY 19 stands higher at 1.64% Vs 1.60% in FY 18 and for Q4 FY 19 the same was 1.63% vs 1.58% last year. The Return on equity marginally decreased at 15.25% for FY 2019 as against 15.37% for FY2018 and 15.06% for Q4 FY 19 vis 15.16% for Q4 FY18.

Cost to income ratio stands increased to 41.67% for FY 19 from 38.46% in FY 18 on account of non availability treasury income and other one time income. Similarly the cost to income ratio stood at 40.48% for Q4 FY 19 as against 39.67% last year Q4 FY 18.

The Gross NPA ratio for Q4 FY 2019 decreased from 3.03% in FY 18 to 2.95% in FY 19. Net NPA to Net advances slightly increased to 1.81% in FY 19 from 1.70% in March 2018.

During the period, based on RBI guidelines and affected borrowers due to ‘Gaja cyclone’ we have restructured 97 accounts amounting to ` 56.11 crs. The outstanding restructured assets to Gross advances stood at 0.17% Vs 0.03% in the corresponding period last year. During the year we have not sold any assets to ARCs.

With this I conclude and over to you for questions.

Thank you all!

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Laxmi Narayan from Catamaran. Please go ahead.

Laxmi Narayan: Good afternoon Sir. I had couple of questions. First in terms of your write offs, I see that the write offs have actually increased by almost 35% for this year. I just wanted to know the key reasons or anything you just chunky that have been written off. Second, what are the numbers of employees, what has been employee addition and has there been any attrition at management level? Third question is regarding your tax you mentioned that for the Q4, it is 29% for the two year it is 26%, last year it was around 25% I believe so what is the tax guidance for future years?

N. Kamakodi: The first question was on write off. It is basically you have two categories of write offs, one where, when you close the account, you write off that balance amount cannot be recovered, but here most of whatever write offs we will do is technical in nature in the sense that whenever we make full provisions, we take a call to write them off to take advantage of the taxation. Coming to the employee’s front, we had about 5320 staff for 2018 which has now become about 5518 making about 200 increases in the headcount vis-à-vis your opening of about 50 branches. Except for the usual retirements, there is no resignation at the senior management level and also no attrition last year due to resignation at the senior management level. We have an attrition rate of about 7% to 10% or so, which mainly happens at the entry-level position. The taxation as you said with these between 25% and 26%, on an annual basis, you look into there is not much difference between this. Those decisions we take up based on the calculations and normally the last two quarters when you make the exact calculation and there could be 1% or 2% this way or that way of the quarterly figures, because only during the year end you get the exact positions on these, so in that basis it is about between 25% and 26% is not something one, which one of the factors that determines is your technical write off what you do also. So by and large shift of 1% or 2% this way or that way could be there on annual basis.

Laxmi Narayan: One other question, in terms of your customer acquisition because I see in the last five years, CASA has actually moved significantly, what has been actual customer accounts growth any number you can actually give for the last year, how did that grow?

N. Kamakodi: Please as we have been maintaining in the talk, do not assume or do not extrapolate anything on the CASA front. We will discuss about all these strategies, all these things when we touch 30% CASA ratio till then do not read too much into that.

Laxmi Narayan: Thank you Sir.

Moderator: Thank you very much. The next question is from the line of Pranav Gupta from Birla Sun Life Insurance. Please go ahead.

Pranav Gupta: Now, we have seen lot of NBFCs going out of the market and probably competition is less into little bits, so what kind of pricing power are you seeing in your core segments like MSME and traders or you will be able to pass through more of the increased in cost of funds to these borrowers?

N. Kamakodi: It is premature to answer these things. One side, you see many NBFCs were getting out of SME business or anything like that because of other issues. At the same time you are also seeing public sector banks, which are coming, out of your PCA mechanism and they are expected to come to this line. So let us allow the system to stabilize. It is safe to assume that as we have been doing in the past expect to some amount of pressure on the margin. If it does not happen well and good but it is safe to assume and prepare for some amount of margin contraction because of the changing dynamics in the industry per se.

Pranav Gupta: Just to come back to the SA front. Just wanted to on the CASA front, you have seen absolute accretion, which has been in the highest post demonetization, this is just Q4 phenomenon or is there something that we have been doing on the SA front that has seen the strong accretion this quarter?

N. Kamakodi: One, as you rightly said, it is the continuation of what demonetization. Number two, it is not that we are not taking any steps. We are taking certain steps trying to do something, but I do not want to say anything or give anything in the numbers and all unless and otherwise I get a total grip on how the SA number behaves, so that is why I said just do not read too much till the time, we touch 30% regime.

Pranav Gupta: Sir lastly could you quantify your exposure to these educational institutes that you highlighted could be a problem going forward, what are the kind of exposures that we have in totality to these kind of institutes?

N. Kamakodi: As of now, we do not have anything, which apart from this particular institution, which is having any issue per se, but what we read in the papers that there are not many admissions in the engineering and the government itself is defaulting and postponing the payment. There is nothing much we could do. We will let you know if at all we get into any problem. As of now we do not have anything to suggest that we will be having more problems and all, but if you see government defaulting the payment and all there is nothing we could do.

Pranav Gupta: Thank you so much.

Moderator: Thank you very much. The next question is from the line of Rinish Bhuva from ICICI Securities Limited. Please go ahead.

Rinish Bhuva: Thanks for taking my question. The first question is on the slippage side, this quarter slippage is little elevated at Rs.200 Crores which is actually highest in last 12, 16 quarters, so how you are reading this number. Basically is there any pressure building up on the SME side or on the customer where we operate or this is you will strike it off as one-off quarter? Your qualitative comments would be really helpful on this.

N. Kamakodi: That is why we are repeatedly saying that at the beginning of the year we gave a guidance that we will be having slippage ratio of 1.75% to 2% of our closing advances for FY2018-2019 and our final account is well within that at about 1.91% for the year as a whole. Like that this year also we feel we will be having in the same band maybe like say whatever we expected for the year throughout did not happen every quarter may be that to happened towards the end of the quarter. We do not see anything which is making us concerned at this point of time. If we had seen some good time probably, I would have even said it will be 1.50% and 1.75% slippage ratio to the closing advances for 2019-2020. Since we did not see good times coming in the FY2018-2019, we will still keep that 1.75% to 2% which is built into the model.

Rinish Bhuva: Sir secondly this year, there has been a sharp increase in the standard asset provision also to almost Rs.21 Crores versus Rs.2 Crores last year, so what is the reason behind this, why we are increasing standard asset provision so high in particularly?

N. Kamakodi: There has been about Rs.2,400 Crores of incremental advances in Q4 FY 19 and you need to have 0.40% to 1.00% of standard assets provision requirements for various prescriptions based on the IRAC norms, provisioning RBI norms. Also, there were certain write back on that particularly two years back the exposures to Punjab Government Food Credit we were asked to make larger standard assets provision of 15% and it was permitted to written off during the last Q4 FY 18 and that is why the numbers will not be comparable.

Rinish Bhuva: Basically you are saying last year base was lower because of the write back?

N. Kamakodi: Yes.

Rinish Bhuva: Sir last question from my side, in this quarter particularly there has been incremental disbursement towards the wholesale segment like CRE Infra, large industry etc., so which is in sharp contrast to what we used to do, so our sense these has always been SME is on ticket size loan, but this quarter it looks like we have been growing more in the wholesale side, so what is the reason behind this?

N. Kamakodi: There is absolutely no change in the strategy, basically there are certain differences, because there are two factors. Number one, what you call because of that participation certificate exchange, number two, because of there are certain reclassification which have happened in products like other secured overdrafts where you do in terms of which were sort of your business LAP. If they are given taking the drawing power and on the stock and all they will be classified under cash credit and if they are made in terms of the real estate collateral like your home or other things, it becomes something like a LAP and all they were all original business loan that there is a reclassification which has resulted in the increase.

Rinish Bhuva: Right, so it is right to assume that the ticket size would also be inline with what we do in SME?

N. Kamakodi: Absolutely, there is no change in the strategy or loan product mix or whatever.

Rinish Bhuva: Thanks a lot for this clarification Sir, very helpful. That is it from my side.

Moderator: Thank you. The next question is from the line of Ankit Choudhary from B&K Securities. Please go ahead.

Ankit Choudhary: Thank you for the opportunity. I just wanted to know about commercial real estate portfolio so that has grown by around 26% quarter-on-quarter, so just wanted to know what type of customers or there is a small builders, large builders and which citizen specific are doing these things?

N. Kamakodi: As I explained for the previous question, it is only because of the reclassification of about Rs.200 Crores, Rs.300 Crores worth of business loans, overdraft against the properties and things like that, which got reclassified during the audit apart from that do not think that it is given to a builder or it is given for that type of loan, it is our typical normal business loans.

Ankit Choudhary: Secondly, the agri portfolio also that comprises of around 15% portfolio, so are we seeing any pressure on that due to the elections so that all the same?

N. Kamakodi: No, as we have been maintaining in the past about not less than 70%, 75% of our agricultural portfolio is collateralized by gold and even this portfolio survived during 2013 crisis.

Ankit Choudhary: And finally Sir what is the risk weighted assets during the quarter?

N. Kamakodi: Around Rs.31450 Crores.

Ankit Choudhary: Thank you.

Moderator: Thank you. The next question is from the line of Darpin Shah from HDFC Securities. Please go ahead.

Darpin Shah: Thank you for the opportunity. How much is your total written off pool as of now March?

N. Kamakodi: The total amount under TW will be about Rs.600 Crores.

Darpin Shah: Second thing and how much recovery are we expecting from this pool?

N. Kamakodi: Our normal let us say on NPA account, the recoverability has been established at around 70% to 80%, here it will be less than that probably you can expect may be about 40% to 50%.

Darpin Shah: Our calculated coverage is around 40%, do we intend to shore it up in the next couple of year and if so by how much?

N. Kamakodi: We always aim for 60% coverage ratio including the technical write off, we are currently between 63% to 64%, this is the base with which we operate.

Darpin Shah: Last question is on your SMA2 if you can throw some light there, now how it has been trending?

N. Kamakodi: This is what I have been saying for many quarters, there is no need to get into too much of SMA details and all, we told you that we will be having 1.75% to 2% slippage ratio as a percentage of closing advances for FY2018-2019 and ended with 1.91%. Similarly this year also we expect it will be in the same line.

Darpin Shah: Thanks a lot Sir.

Moderator: Thank you. The next question is from the line of Anand Dama from Emkay Global Financial Services. Please go ahead.

Anand Dama: Thanks a lot Sir. We talked about the education loan institution where we are taking some stress, Pranav actually enquired about the exposure that we have to these institutions, so do we have number basically that what is the kind of expect that we have to the educational institution as a whole?

N. Kamakodi: I do not have the exact numbers with me and I do not expect – do not blow up things like, let us first divided into two, one is educational loan and another one is exposure to the educational institutions. In the educational loan to the individuals, you already have stress and the industry level, the NPA percentage is as high as 25% to 30% & we have an exposure of about 175 around that and we already have about Rs.50 Crores, Rs.60 Crores NPA, which has already declared if my memory is right. Secondly, on educational institution side, Apart from that one account we have discussed earlier, we do not have any major exposure of Rs.30 Crores, Rs.40 Crores which is into the stress level and all, but if government can default and create problems in that something could happen in the future, but as of now apart from this particular one, we do not have anything on hand, if at all we get any stress we will let you know during the coming next quarterly calls also.

Anand Dama: So in this Rs.200 Crores odd slippage that we had reported in the fourth quarter, any large accounts out there?

N. Kamakodi: There is no account, which is larger than Rs.20 Crores.

Anand Dama: Then the NPAs that we have seen in this quarter is largely from the SMA sector?

N. Kamakodi: The amount involved in the top 5 accounts of additions around Rs.70 cr with Rs.17 cr exposure is the highest as I told you from educational institution in Kerala, it is mixed coming.

Anand Dama: Okay and Sir we also have reasonably high real estate exposure on our book, can you provide some colour on that what kind of exposure that we have?

N. Kamakodi: We do not have exposure to large builders and things like that. Some of the classifications particularly in this quarter to real estate sector is where the sort of your business loans supported by the properties and things like that, there is no increased or improved exposure on the real estate, do not confuse yourself on that. The total risk perception or whatever there is absolutely no change what you have been seeing for many quarters.

Anand Dama: Thanks a lot Sir.

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

Rohan Mandora: Thanks Sir for the opportunity. At the beginning of FY2019 you had guided that the reduction in yields and we have seen on 50 bps. I just wanted to get your guidance from yields for FY2020?

N. Kamakodi: This is a billion dollar question. As I have been expecting for the last five, six quarters already margin compression should have come. As somebody asked on one end you have NBFCs who are supporting the SME since they are moving out of the segment, there is a supply side constraint. At the same time, you will be having few public sector banks, which are coming out of the PCA, but it will be coming for the SMA loan. So whatever expectations I had for the past four, five quarters, they did not happen in the way I expected, but I was erring on the right side, so I am also like you keeping my finger crossed and watching, I do not have anything to explain at this point of time.

Rohan Mandora: Because from where I am coming is that if you look at in FY2019, we got both on the NIMs because the investment portfolio did not grow, there was a 2% decline year-on-year. Despite 50-basis point kind of a compression on yields, we were probably able to desperate the NIM compression to 10-basis point and that buffer may not be available going ahead in FY2020, so from that perspective I was trying to understand?

N. Kamakodi: This pressure should have happened as I told you many quarters back. You also have another 1% or 2% SLR cut, so at some point of time, if you try to get into all these problems, it will look as if you will be working on negative NIM, do not bother let us move step by step.

Rohan Mandora: Because one of your competitors from the same state has been able to do risk based pricing and improved the yield, so that is what also another and dynamics that was playing around?

N. Kamakodi: You just compare the final NIM, what we have and what other banks have, so our NIM is still in top 5% of the industry. Let us hope for best and it is not that we are keeping quite, we are also doing all sorts, it is basically a type of working which you have to work, so as I told you we have given you some overall guidance and we will work our best to get ourselves into the guidance.

Rohan Mandora: Sir how has been placed on priority sector achievement for FY2019?

N. Kamakodi: It is 50% plus touching around 55%.

Rohan Mandola: And if you could share the IBPC purchase and sale number for FY2019?

N. Kamakodi: Rs.700 Crores we sold and Rs.700 Crores we bought in that we will be earning an income of about Rs.3.5 Crores or so for a period of 91 days.

Rohan Mandola: Thanks a lot.

Moderator: Thank you. The next question is from the line of Shiji Phillip from Axis Capital. Please go ahead.

Shiji Phillip: Thanks for the opportunity Sir. I just wanted to know what is the outlook on cost to income ratio going forward?

N. Kamakodi: It is safe to assume around 42% what we have achieved could be a reasonable guidance.

Shiji Phillip: Could you please share the breakup of provisions again I just missed that part?

V. Ramesh: For the whole year, provision for NPA around Rs.270 Crores, provision for tax Rs.242 Crores, standard assets Rs.21.5 Crores, investment depreciation Rs.16 Crores, shifting of investment Rs.6.51 Crores, and write back of restructure in FITL accounts Rs.9.63 Crores and all other losses Rs.10.76 Crores, totally Rs.557.14 Crores.

Shiji Phillip: Thank you Sir. That is all from my side.

Moderator: Thank you very much. Ladies and gentlemen due to time constraints that will be the last question for today. I will now hand the conference over to the management for closing comments.

N. Kamakodi: Thank you very much to Ambit and all the analysts and investors who have participated in the discussion. As I was sharing with you though the FY2018-2019 was not as rosy as we expected that it was not as bad as point out to be it is still to sign. We hope FY2019-2020 to be better than what we signed in FY2018-2019. The numbers, the discussions and we will shortly be uploaded in our website. If you still have any questions you can always get in touch with Mr. Ramesh, our CFO or Mr. Jayaraman who’s number is already available in the investor presentation that is given. It is not always easily to have guidance or have a number for each and every data point per se, so at the same time we try to go our best to achieve in best efficiency and profitability parameter as we have done in the past. So far if we tried to have certain matrices we are able to have at least strike at 7 or 8 matrices and at least reach one or two, so we hope and we will try our best to ensure we are able to get the numbers as much as matrices as possible. Thank you very much for all your support and wishes. We hope we will be having a better FY2019-2020. Thank you all. Once again thank you very much for Ambit for arranging this concall.

Moderator: Thank you very much. On behalf of Ambit Capital that concludes this conference. Thank you for joining us. You may now disconnect your lines.