CITY UNION BANK LIMITED, ADMIN OFFICE, KUMBAKONAM
CONCALL TRANSCRIPT OF OUR EARNIGS CALL – DECEMBER 2017

Dear Investors /Analysts,

Hearty welcome to all of you for the earnings call for Q3 FY2018 of City Union Bank. Our Board adopted the results this morning. Hope you all have the presentation with you and details are also posted in our website.

I will give a brief overview and our CFO Shri. Ramesh will take you through numbers.

I would like to bring to your attention that a couple of Board level changes happened in the current Board Meeting.

Our Board members Sri. C R Muralidharan and Justice Sri. S R Singharavelu would be completing their full term of 8 years in Feb' 2018. The Nomination Committee held today had inducted two more directors into the Board namely Dr. T. S. Sridhar and Sri. V.N. Shiva Shankar.

Dr. T.S. Sridhar, Indian Administrative Service (IAS), Former additional Chief Secretary, Govt. of Tamil Nadu who has diverse experience in all levels of administration including policy formulation, Govt. programmes including that of Agriculture, monitoring schemes at secretariat level, implementation of projects in infrastructure, highways, electricity board etc., project implementation – SMEs, Large industries, Corporates etc.,.

Sri. V.N. Shiva Shankar, ACS, AICWA, B.L is a practicing Advocate and founder of VNS legal – a corporate law firm specializing in corporate laws, financial regulations and capital markets.

RBI inspection has been recently concluded with position relating to 31.03.2017 and we do not have requirement of reporting any divergence as per RBI / SEBI guidelines for the said period and the same was informed to stock exchanges through our filing dated 30.01.2018.

The highlights of Q3 FY 2018 and 9M FY 2018 are as given below;

- ✓ We have recorded a growth of 5% in Deposits, 20% in Advances resulting in business growth of 11%.
- ✓ The growth in Operating profit, PAT and NII for Q3 FY 2018 was 8%, 22% and 19% respectively.
- ✓ The growth in OP, PAT, NII for 9M FY 2018 was 22%, 18% and 20% respectively.
- ✓ Gross NPA for 31.12.2017 stands at 3.30% and Net NPA at 1.74% which is marginally lesser than 1.76% reported in last September quarter.

Overall, the Q3 and Nine months performance are in line with our expectations and guidance. Even though, the credit growth Y-o-Y position stands higher at 20% because of the base effect of last Q3 FY 17, if you compare the same from last year Q2 FY 2017 it is 17%. So, we still stick to the guidance of credit growth in the range of 15-18% for FY 2018.

Slippage for the current quarter is Rs.132 cr translating into an annualized slippage ratio of 2.03% to closing advances figure. Even though the quarterly slippages may vary from 2.45% in Q1 FY 18 & 2.31% in Q2 FY 18, we hope the annual slippage ratio would be in the range of 1.75% to 1.99% as percentage of closing advances and communicated earlier. As regards the problematic accounts we used to discuss in our concalls, one account which we mentioned under stress has slipped to NPA which is a textile account amounting to around Rs. 50 crs. We are doing our best to control our slippages and going forward we expect that the slippage should fall further. By and large all problematic large accounts have been declared as NPAs. We pray almighty that new problems should not come. It is not in our hand.

As discussed during last concalls, 4 large NPA accounts sold to ARCs in earlier years constitutes 90% of our SRs in FY 2016 and recovery had started in 2 of the 4 cases. In the first half of FY 2018 an amount of Rs. 2.13 cr was received as cash recovery in these cases. During Q3FY18, we have received a cash recovery of Rs.1.90 crs in the accounts thus taking the total recovery during the 9 months period to Rs.4.03 crs. We made a provision of Rs.3 cr towards SR in Q3 FY18 and thus the total provision stood at Rs.117 crs to take care of the future haircuts, if any. The expected collection in SR during the current year is Rs.10 cr and we made cash recovery of Rs.26.66 cr last year. The repayment schedule of these accounts extends over a period of 5 to 6 years.

During the quarter, we have recovered an amount of Rs.50.80 cr from live account and for the 9 months period we have recovered around Rs.139 crs which is almost equal to the last year recovery figure of Rs.146 cr for FY 2016-17. We are taking steps to maintain the recovery trend in the coming quarters also.

During the quarter we had not restructured any accounts and we had not made any sale to ARCs. The provision coverage ratio stands at 65%.

During the quarter, we have received an income of Rs. 2.60 cr by way of sale of our excess lending under Micro and General category of advances through Priority Sector Lending Certificate (PSLC) and also we have received an incentive of Rs.1.28 cr towards purchase of BNAs which has been accounted under Other Income.

The core profitability and efficiency ratios like ROA, ROE, Cost to Income ratio and the NIM are closer to the best in the banking industry. ROA is 1.64%, ROE is 15.70%, Cost to Income Ratio is at 39.10%. NIM stood at 4.41% which is slightly less than 4.46% reported in the last quarter and we expect that it is going to come down in the coming quarters.

Initial signs of improving recoveries of NPA and increased credit growth are visible in a mild way now. If this trend continues for next 2 – 3 quarters, we can go for slightly accelerated growth.

As declared to the stock exchanges on 08.12.2017, we had a cyber attack and unauthorized ATM withdrawals from 20 countries on 02.12.2017. Total amount withdrawn was RS. 31.55 cr and we have cyber attack insurance for Rs. 25 cr. Balance Rs. 7 cr we have provided in full.

As you know, we have booked Rs.44.71 cr profit from sale of Govt. Securities during Q2 FY18. Our call is proved correct by subsequent yield movements. But we may not have opportunities in booking treasury profits in subsequent quarters. Hence, other income will have a dip resulting in elevated cost to income ratio.

You have started seeing PSBs increasing deposit rates. Margin pressure has to intensify. Next year RoA has to be protected by reducing slippages and improving NPA recovery moderating credit cost.

As disclosed in our Annual Report of 2016-17, we have currently balance in Deferred Tax Asset of Rs.17.67 cr towards "Provision for Advances (NPA)" and Deferred Tax liability of Rs.29.47 cr towards "Accrued interest on Investments" which requires review. It is suggested that the DTL could be taken to P & L after the introduction of ICDS. We are discussing whether DTA of Rs. 17.67 Cr can be netted with DTL and net amount can be credited to P&L account. We are also contemplating whether to wait for Ind AS era or do it now itself. If we do, it will add Rs.29.47 cr to profit on gross basis and Rs.11.80 cr on net basis.

We have opened 11 branches in 9M FY 2018 thus adding the total to 561 against our plan of 50 branches for FY 2018 and the balance will be opened before March 2018. Of the above branches, one branch has been set up as banking outlet as suggested by RBI manned by a BC.

To sum up,

It is one more usual stable quarter without much surprises. We are keeping the fingers crossed and waiting for the general economic turnaround to accelerate the growth. At the same time we definitely believe incremental pressure on asset quality will ease.

Now, Mr Ramesh will explain the numbers. Over to CFO Shri. Ramesh.

Good evening everybody and thank you for attending the City Union Bank’s earnings call of Q3 FY18 / 9M FY18.

Let us get into the details of the third quarter & 9 months results:

The Bank has shown a growth of 8% in Operating profit in Q3 FY 2018 over the corresponding period and for 9M FY 2018 the growth was 22%.

The Net Profit has shown a growth of 22% for Q3 FY 18 & 18% for 9M FY 18 as compared to previous period.

The Net NPA has marginally decreased by 2 bps sequentially to 1.74% in Q3 FY2018 from 1.76% in Q2 FY2018 (sequential quarter).

Our Deposits has increased by Rs.1353 cr from Rs. 29986 cr to Rs. 31339 cr, registering a growth of 5% on y-o-y basis. Similarly, Advances improved by Rs. 4288 cr from Rs.21801 cr to Rs. 26089 cr translating into a 20% growth. Thus, the total business grew by 11% on y-o-y basis.

CASA has come down by 3% to Rs.6,989 cr from Rs.7,174 cr compared to previous period and mainly due to base effect of demonitization period of last year. The share of CASA to total deposits which was 22% for Q3FY18 as compared to 24% in Q3 FY 17.

The Cost of Deposits for Q3 FY18 decreased by 43 bps to 6.24% from 6.67% compared with Q3 FY17 due to re-pricing of deposits at lower rate. Cost of Deposits for 9M FY18 was lower at 6.32% vs 6.89% in 9M FY17.

The yield on advances for Q3 FY18 stands reduced to 11.37% as compared to 12.05% for Q3FY17. The yield on advances was at 11.55% for 9M FY18 vs 12.25% last year. The decline in yield is on account of decreasing interest rate cycle, competition in the market and to retain the existing clients.

The Net Interest Income for Q3 FY18 has improved by 58 cr from Rs. 307 cr in Q3 FY17 to Rs. 365 cr in Q3 FY18 registering a growth of 19%. NII for 9M 2018 improved by 174 cr from Rs. 888 cr in 9M FY 17 to Rs. 1062 cr in 9M FY18.

The Net Interest Margin for Q3 FY18 has improved by 36 bps to 4.41% compared to 4.18% in Q3 FY17. NIM for 9M FY18 was at 4.45% vs 4.16% in the corresponding period last year. We have consistently maintained the 8 quarter average NIM of above 3.50%.

The non interest income of the bank in Q3 FY18 has declined by Rs. 21 cr to Rs. 122 cr as compared to Rs.143 cr in Q3 FY 17 mainly due to decrease in profit made from Integrated treasury. However, the non-interest income for the 9M FY18 has increased by 15% to Rs. 412 cr from Rs. 358 cr in 9M FY17. This is on account of higher collection of TW accounts, income made from trading of PSLC, Interest on Income tax refund and incentive received for BNAs.

Further, the treasury profits comprising both domestic and forex segments declined by 60% from Rs. 79 crs during Q3 FY17 to Rs. 34 crs during Q3 FY18. For 9M period, profit has come down by Rs. 32 crs from Rs. 170 cr for 9m FY 17 to Rs. 138 cr in 9m FY 18. Profits for the upcoming periods are contingent on the future trajectory of interest rates in the government securities market in India.

Operating expenditure has increased by 8% in Q3 FY18 to Rs.190 cr from Rs.176 cr incurred in the corresponding quarter last year. For 9 M FY18 Operating Expenses increased to Rs. 561 cr from Rs.500 cr in 9M FY 17. The increase is mainly on account of salary, increase in expenses due to GST, Repairs & Maintenance.

Cost to income ratio decreased to 39.10% for Q3 FY18 from 39.18% in Q3 FY17 on account of increase in NII. For 9M FY18 the ratio was 38.05% as against 40.14% for 9M FY17.

Thus, the Operating Profit for Q3 FY18 has increased by 8% from Rs. 274 cr to Rs. 296 cr in the corresponding quarter. Similarly operating profit for the 9M FY18 increased by 22% to Rs. 913 cr from Rs. 746 cr for the corresponding period last year.

For Q3 FY18, the total provision made was Rs. 142 cr, as against Rs. 147 cr in Q3 FY17. Provision for Bad and Doubtful debts has decreased from Rs. 87 cr to Rs. 75 cr for Q3 FY18 on account of reduction in slippages. Provision for tax increased to Rs. 56 cr in Q3 FY18 from Rs. 55 cr in Q3 FY17.

For the 9M FY 2018, the total provisions increased by 27% to Rs. 474 cr from Rs. 372 cr in 9M FY17 mainly on account of slippages during first 2 quarters and also adhoc provision made for SRs.

The details of provision made for Q3 FY 2018 is as follows;

Rs. in cr

Provision for NPA	75.00
Provision for Income Tax	56.00
Provision towards depn in Inv / SR	6.00
Standard Assets provision	2.00
Provision for Others - Country Risk / malware attack	8.16
Write back of prov on account of collection in FITL	-5.50
Total	**141.66**

The details of provision made for 9M FY 2018 is as follows;

Provision for NPA	248.00
Provision for Income Tax	142.00
Provision towards depn in Inv / SR	70.75
For investment shifting	10.24
Standard Assets provision	1.10
Write back of prov - collection in FITL & NPV in Restructured accounts	-7.20
Provision for Others - Country Risk / malware attack	8.71
Total	**473.60**

Thus, PAT for Q3 FY 18 increased by 22% from Rs.127 cr in Q3 FY17 to Rs.155 cr in Q3 FY18. For 9m FY18, PAT registered a growth of 18% from Rs.374 cr to Rs.440 cr.

Return on Assets stands at 1.64% for Q3 FY 18 as against 1.45% for the corresponding quarter last year. ROA for 9 m FY 18 vs 9m FY 17 stood at 1.61% vs 1.50% .

The Return on equity stood at 15.70% for Q3 FY18 against 15.01% for Q3 FY 17. Similarly for 9m FY 18, ROE stands at 15.47% Vs 15.36% in last year corresponding period.

The Capital Adequacy Ratio (as per Basel III) stands at 14.93% of which core CRAR at 14.47% for 9m FY 2018.

For Q3 FY18, the gross additions to NPA is Rs. 132 cr compared to Rs. 147 cr in Q2 FY 18 and Rs.148 cr in Q1 FY18. We have recovered a sum of Rs.50.80 cr in NPA accounts during the quarter. For 9m FY 18 , the total slippages stands at Rs.427 cr as against Rs.341 cr in corresponding period 9m FY 17.

Accordingly, the Gross NPA for Q3 FY18 stood at Rs.860 cr equivalent to 3.30% of Gross Advances Vs 2.98% at the close of corresponding quarter last year Q3 FY17. The Net NPA stood at Rs.448 cr which is 1.74% of Net Advances Vs 1.72% in the corresponding quarter last year Q3 FY17.

We have not sold any assets to ARCs during this quarter and we have not restructured any account during the quarter. The outstanding standard restructured assets to Gross advances stood at 0.04% Vs 0.87% in the corresponding period last year. We have collected a sum of Rs. 4.30 cr towards repayments in the restructured standard accounts during the quarter. During this quarter no borrowal accounts slipped into NPA from restructured standard assets.

With this I conclude and over to you for questions.

Moderator: Thank you very much Sir. Ladies and gentlemen we will now begin with the question and answer session. We take the first question from the line of Rinish Bhuwa from ICICI Securities. Please go ahead.

Rinish Bhuwa: Thanks for the opportunity and congrats for the great set of numbers. Sir just a quick question on margins, surprisingly you have been although mentioning margins handing up well which is a positive surprise to you also but now I mean today RBI making compulsory for banks to link the loans to MCLR from April 1, 2018 so Sir what sort of impacts you see on our margins factoring both these linking loans to MCLR plus the increasing competition which might impact the asset gain Sir?

N. Kamakodi: Basically if we are shifting from base rate to MCLR which is not going to have a major impact because already we have most of our loans linked to the MCLR only. But as clearly even given under this situation what you call the RBI team is going to be harmonizing, like say you will be indexing it, the final interest rate when you quote at this point of time will not change and accordingly I do not expect migrating from base rate, I mean it may be having issues with the incremental rates but not on point to point rate that is one thing which we have to keep it in mind. At the same time let us say you heard multiple times both during the budgeting and everything the public sector banks will be asked to focus and they will be given capital one of their requirement and they will be focusing only on SME, you are hearing so many narratives, so how that is going to get translated, I mean how fast that is going to get translated into the grass route level thing is something which we do not know and we are waiting but we are reasonably confident that we should be able to move but one thing, which you have to understand is that anything in the way of average will have tendency to move towards that average. Our sustainable level has been only between 3.5% to 3.7% I mean we are not convinced that our capacity to let us say a higher margin has come, we are not able to believe which has happened now so that is why I am cautious in giving you that guidance. See we will see for the full cycle probably if we are able to maintain that then we will claim okay some sort of adjustment has happened in the way we manage that but the question you asked, changing to the MCLR per se is not going to have any issue on the margin that is what we have to keep it in mind.

Moderator: Thank you. We will take the next question from the line of Abhishek Murarka from India Infoline. Please go ahead.

Abhishek Murarka: Good afternoon Sir. Sir my question is if I look at your growth in savings account balances on a Y-o-Y as well as Q-o-Q basis it is not very high it is actually almost flattish on a Y-o-Y basis and 2% up Q-o-Q, now considering that your loan growth is showing some sort of improvement and the outlook is also strong your deposit growth is lagging behind and obviously then you will have to fund it through may be market borrowings? What do you think or how do you think this can be corrected as is there any plan in place to increase your deposit especially the CA and retail term so that, that is used more as incremental funding rather than market borrowing?

N. Kamakodi: I think you have answered both the questions. No.1 we have right from the beginning very clear that we are not CASA centric bank and we are not CASA strong bank so whatever we got extra during the demonetization time let us say the normal growth happens and some amount of reduction in those savings deposit which came during the demonetization are reeling that is why we are staying at the same place where we are. At the same time there has no where been our strategy to go for a large scale funding from the wholesale market; our focus will be purely on the retail term deposits and there could be a 10-

15-20 basis point increase in the cost of term deposits if at all we want. Now see points which you have to appreciate is that we try to operate on a very tight CD ratio and we purposely kept our deposit growth rate low and we increased our average CD ratio to as high as 83% when we used to operate in and around 75% level. This has also partly contributed to the higher net interest margin, not fully so whenever let us say we always have a cushion how much advances we can grow without growing the deposits and all we have the ALM mechanism we will be going for incremental retail term deposits and this is how we have managed in our previous cycles also.

Abhishek: So Sir it is basically then should it be fair to say that you are already at a sort of peak in terms of CD ratio incrementally?

N. Kamakodi: May be small headroom is there.

Abhishek: Okay so let say I mean will it be 85-90?

N. Kamakodi: Maximum 85.

Abhishek: So there is not very small headroom and then you will obviously have to pay a little more on term deposits so what is the outlook on margins then because incrementally your cost is?

N. Kamakodi: That is what I said whatever margins we are, I mean keep two things in mind let us say if at all we want to taking care of our deposits and all probably another 20 basis points this way or that way may be required, till our net interest margin is way of our long term average and sustainable level.

Abhishek: So what is the guidance Sir?

N. Kamakodi: See I have given all the necessary information. I am not able to make the guidance because had I given the guidance three quarters back it should have already come down to 3.75, so these are all the macro factors, which are happening around so if let us say for example I also, which visualize at that point of time based on the reduction in the yield now may not happen in the way we like them to see or interest trend which now says that interest rate is increasing in the market. So I can individually answer the different levels so they are collectively going to react to something, and I am also keeping my fingers crossed and watching.

Abhishek: Okay Sir thanks for that answer, if I have a follow up I will come back. Thanks.

Moderator: Thank you. We will take the next question from the line of Mihir Ajmera from Enam Holding. Please go ahead.

Mihir Ajmera: I just wanted to check on the comment that you made regarding the cyber breach the bank had faced and there was a loss of around 35 Crores so were we the only bank that got impacted or there are other banks which also got impacted by this attack?

N. Kamakodi: I understand there are few other banks also which had some impact but I am not fully privy to that information and is not in the market domain. You had a major notes which were given as debit card breach of a major network about two three quarters back, so I do not want to name other banks.

Mihir Ajmera: Can you just guide on the loan growth going forward or something how we are seeing the impact on the SME sector like post GST how do you see the growth shaping up and like how are they adjusting to the new norms?

N. Kamakodi: See my experience is things are not as bad as it is getting perceived from outside. Let us say today you had some dispensation that was given by the RBI, all the numbers we have disclosed today is without using those dispensations.

Mihir Ajmera: Okay, Sir any guidance on growth?

N. Kamakodi: We should be, let us say 15 to 18% what we discussed during the beginning of the year it is now what your call looks like we should be touching or may be slightly even crossing 18% for the current year. If it goes in the same way probably for the next year it should be between 18% and 20%.

Mihir Ajmera: Thank you Sir.

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

Jai Mundra: Thanks for the opportunity. Sir you just mentioned about this opportunity which has come in the RBI policy anything that you can quantify Sir, how would it impact in terms of our slippages or is there any scope to upgrade those account which would have slipped because of the dispensation?

N. Kamakodi: I do not expect any major material impact because of that. Let me tell you, already without using the dispensation itself our numbers are now clear so I do not expect and I am not sure because like say when I discussed with some of my peer banks in other geographies and all I could see there was some amount of haircut between their own experience and our own experience. I do not understand whether it is because of the geography or whatever. It is not as bad here as it is being perceived that is why I do not expect any major and even if that is going to be it will be only temporary if they have real problems you are going to have it tomorrow, that is why I do not expect any major change in disclosure in this regards.

Jai Mundra: Sir roughly as a percentage of our SME book how many would qualify or what they have mentioned in the loan amount of 225 Crores so based on our book how much percentage would theoretically be eligible for this moratorium just to get a sense?

N. Kamakodi: At least it will be 70%-75%.

Jai Mundra: And that would include trader book as well or this is only MSME book?

N. Kamakodi: Who said, like two conditions they have put one the ceiling on the exposure No.2 registrations on the GST so roughly about may be let us say 60% to 65% of my book will qualify.

Jai Mundra: 60% to 65% of your MSME and trader book right?

N. Kamakodi: Yes, I mean if you look into SME trader segment it could be even slightly high.

Jai Mundra: Okay. And Sir just in your initial commentary you mentioned about the one textile account being slipped and now the watch list is restricted Sir can you quantify your watch list now after this account has slipped?

N. Kamakodi: I do not have any large account more than 50 Crores under watch list now and hopefully nothing new comes.

Jai Mundra: I will come back in the queue.

Moderator: Thank you. We take the next question from the line of Abhishek Murarka from India Infoline. Please go ahead.

Abhishek Murarka: Thanks for allowing the followup. Sir just carrying on the discussion from cyber security breach etc., going forward you probably have to spend more on cyber security or technology etc., so because of this incident do you see that going forward on a recurring basis you will make a materially higher allocation to whatever part of opex is allocated for system security or technology? Is that going to be a material number?

N. Kamakodi: See we are already spending substantial and we are clear that these sort of breach that are coming into cannot be stopped with the incremental expenditure. There are clear cut standards which are set by all starting from the regulator to everybody, industry level standards on the cyber security which are basically norms, then these sort of breaches happen those are all something which occurs beyond these norms and are under nobody’s control. Even best of the banks with best of the IT infrastructure these kind of breaches may happen.

Abhishek Murarka: No of course, I understand these things will happen and your part will continue to beef up your security as much as possible?

N. Kamakodi: We are already spending lot of money on that and we will continue spending a lot of money on that and let us say these sorts of things it is not going to have any future impact.

Abhishek Murarka: But basically what I want to understand is in this 200-180-190 Crore quarterly run rate or let us say 700-800 Crores annual cost that you have what proportion would generally go into this technology as a bucket or security what proportion would be spent there, just to get an idea of how much bank of your size requires to spend on that?

N. Kamakodi: Basically we will be having about may be 75 Crores to 100 Crores expenditure every year.

Abhishek Murarka: On entire technology.

N. Kamakodi: Entire.

Abhishek Murarka: So it includes the Lakshmi effort and all?

N. Kamakodi: Yes, all the structures.

Abhishek Murarka: Thanks Sir.

Moderator: Thank you. We will take the next question from the line of Sneha Ganatra from Subhkam Ventures. Please go ahead.

Sneha Ganatra: Sir there is a substantial improvement in the PCR, which has moved from 43% to 48% in Q3 how do you see that moving further considering there could be some lowest slippages also and there could be no requirement of the provisioning also?

N. Kamakodi: See normally we always keep around 60% provision coverage ratio including technical write off, so this time we felt that we made provisions in such a way that we have sequentially reduced net NPA and also we made haircut provisions and, as we have repeatedly said when we cross 60% provision coverage ratio including technical write off we do not have any target to increase beyond further and the decisions will be taken depending upon the requirements at that point of time. It will also be determined by what you call, how the NPAs migrates will determine how much incremental provision is required and accordingly will determine the amount of provision to be made and I mean just to clarify you when we cross 60% provision coverage ratio with technical write off we do not see any further target number beyond that.

Sneha Ganatra: How do you see the overall recoveries and upgrades, which is being little bit lower in Q3?

N. Kamakodi: No, it is in fact higher. See in fact we gave you for the whole year last year we had 145 Crores for the three months we have 139 Crores our three quarters collection is almost equal to the whole year last year. Do you get what I mean?

Sneha Ganatra: Got it. And you spoke of other improvement?

N. Kamakodi: Yes, we are taking steps if this trend continues it should improve we will see, we are, I mean after if you had a chance to attend my earlier concalls and all perhaps I am at this moment optimism particularly on the recovery front I would not have had in the previous quarter but still I want to see a firm trend for the next two three quarters before giving firm numbers.

Sneha Ganatra: Got it. All the best.

Moderator: Thank you. We will take the next question from the line of Manisha Porwal Mutual Fund. Please go ahead.

Manisha Porwal: Good afternoon Sir. Sir today RBI gave some temporary relief to MSME sector now I just wanted to understand how acute is the problem and will this dispensation take care of their problem or in this sense it is a very temporary relief?

N. Kamakodi: In fact when Deputy Governor spoke he clearly mentioned that the data suggests some issues but as I shared during one in the earlier question probably our experience is slightly different in the sense we do not see as much as problem that is being perceived from outside. That is why even without the dispensation we are able to see the incremental slippage ratio and even absolute quantum of slippage ratio is dropping. So but logically what he said and probably since they have access to larger quantum of data they have come to this decision to dispensation but they have clearly given it is going to be purely temporarily and will only be for six months.

Manisha Porwal: And what is our share of in the sense GST compliant MSME in the sense registered one?

N. Kamakodi: For us as I shared with you in the earlier quarters and all, you can roughly take that by and large borrowers who have taken more than let say 50 lakh to 60 lakh are fully compliant and fully organized and those who have taken less than 20 lakh-25 lakh they would be in the process of registering and formulating now. You can safely assume as I told about two-third of that will be fully compliant at least if you look at the last stage I mean atleast 80% to 85% of them will become compliant in this process while you will be having 15% receivable.

V. Ramesh: The data is based on the anecdotal evidence. The data support I can take it only after this process is complete.

Moderator: Thank you. Ladies and gentlemen we will take the last question from the line of Ankit Agarwal from Centrum Broking. Please go ahead.

Ankit Agarwal: Thanks for taking my question Sir. Just want to understand from the core fee part how do you see that moving going ahead and if I look at other income to asset ratio where do you see this trending towards FY 2019-2020 basis?

N. Kamakodi: It will be following the growth rate of the balance sheet.

Ankit Agarwal: Sir on the other income to asset ratio where do you think it will trend it has been in that 1.4-1.5% range?

N. Kamakodi: See the other income if you have a chance to look into number track over a period of time that I mean financial year 2011 started with about 1.2%. Financial year 2017 it is at 1.44%, the highest was recorded somewhere at 1.52% somewhere in financial year 2015. 1.4% to 1.5% that should be the rough range in which it should be oscillating and it will be tracking the growth rate of balance sheet.

Ankit Agarwal: Sir this number obviously because your treasury gains will come down?

N. Kamakodi: Which will be compensated, let us say you have the four levers one is your commission exchange brokerage fee, one is your treasury, one is your write back of written of assets and all other miscellaneous income put together, the different levers will offset the plus or minus, I mean this is how the trend has happened in the past and this is how it has behaved in the past.

Ankit Agarwal: Sir just a follow up on that, lot of the other banks even mid sized banks focusing a lot on distribution as a source of income are we also thinking on those lines?

N. Kamakodi: We are thinking, it will take some quarters before we actually show something on the fees. Finally what matters is your ROA, as long as you are able to give it closer to the top 5% top 10% we have to be satisfied and squeezing beyond that will be difficult for the system. Looks like another meeting is people are waiting, those who want to answer any specific thing we will give the number of Mr. Ramesh, 93440 66625 immediately after then you can call and individually we will answer and there is absolutely no issue about that.

Moderator: Thank you. We will take the next question from the line of Rohan Mandora from Equirius Securities. Please go ahead.

Rohan Mandora: Sir thanks for the opportunity. Sir this was to the guidelines today issued by RBI in terms of the removal of cap on the PSLC qualification so Sir just wanted to get a sense on like what could be the incremental loan book that would qualify under PSLC?

N. Kamakodi: Already since we have about 48% we did not bother much about that. Exact calculation I have to get back to my headquarter and come back which will add may be few Crores of PSLC opportunity for the future.

Rohan Mandora: It will not be that significant in terms of PSLC opportunity right?

N. Kamakodi: Yes, absolutely.

Rohan Mandora: Thank you.

Moderator: Ladies and gentlemen that was the last question, I would not like to hand the conference over to Mr. Ravi Singh from Ambit Capital for closing comments.

Ravi Singh: Thanks everyone for joining with us on this call, thank you and have a good day Sir.

N. Kamakodi: Thank you.

Moderator: Thank you. Ladies and gentlemen, on behalf of Ambit Capital that concludes this conference call. Thank you for joining us. You may now disconnect your lines.