CITY UNION BANK LIMITED, ADMIN OFFICE, KUMBAKONAM

CONCALL TRANSCRIPT OF OUR EARNIGS CALL – JUNE 2017

Good evening everybody, Dr. Kamakodi here.

Hearty welcome to all of you for this conference call to discuss Q1 FY 2018 financial results of City Union Bank. The Board of Directors adopted the unaudited results today at Chennai.

I will brief the overview and Mr. Ramesh, CFO will run through the numbers and at the end we can have Q & A.

Hope you all have received the copy of the presentation.

I would like to bring to your attention a couple of Board level changes.

Our Board member Sri. T K Ramkumar retired from the Board after completion of eight year term.

Sri. Subbu N Subramaniam has joined the Board. Shri. Subbu is a popular name in the private equity industry. He is a Chartered Accountant, Cost Accountant, Company Secretary and also an alumni of Indian Institute of Management (Ahmedabad). He has over a quarter century of experience in financial service industry with stints in Bank of America, Barings pvt equity etc., Currently he is managing M. Cap private equity.

Bonus shares has been credited to the shareholders and payment for the fractional shares are in progress.

This year the Annual General Meeting (AGM) of the bank is scheduled to be held on the 23rd August, 2017 at Kumbakonam. We invite all the shareholders to attend the Annual General Meeting.

In that meeting, we are seeking the shareholders approval for two enabling resolutions. One is for QIP issue of Rs.500 cr. We have been getting approval for QIP issue every year since FY 2008-09 but used it only once when we went for a QIP in July 2014. It will be used on need basis and on available opportunities. The QIP approval is only an enabling resolution.

The second resolution is for approval of 3 crore ESOP shares. As you may remember, we took shareholders approval for 5 crore shares for ESOP in the year 2008 and continued with ESOP allotment till date from that pool.

We invite all shareholders to attend the meeting.

The highlights of the Q1 financial results are as follows:

Overall, we have closed the first quarter with 13% growth in Advances, 9% growth in Deposits resulting in business growth of 11%. The growth of OP, PAT and NII was 26%, 14% and 22% respectively for Q1 FY 2018 over corresponding period Q1 FY 2017.

The Q1 performance has been in line with the expectation which we have shared during our last con-call in May 2017. We still hope to achieve the credit growth between 15% and 18% for the FY 2017-18.

Slippage for the current quarter is Rs.148 cr translating into an annualized slippage ratio of 2.45% to closing advances figure. We have been repeatedly mentioning in our concalls (last 8 quarters) about 2-3 problematic accounts of Rs. 50 cr & above showing signs of stress. Out of the 3 problematic accounts, one account from Iron & Steel sector to the tune of Rs.93 cr slipped as NPA during Q1 FY 2018 which has increased the quantum of slippage. In the remaining two accounts, we expect one account from Food processing to turn NPA in the coming quarter. We have been approached by consortium leader for S4A. Final decision is yet to be taken. Even though there may be variation in the slippage ratio during the quarters, we are anticipating that our overall slippage ratio for FY 2017-18 will be around 1.75% - 2.00%, as discussed in the previous concalls.

As we discussed in the September 2016 con-call, you all know that Rs.373 cr of securitized receipts was in our book as on 1st April 2016. Out of this, 4 big accounts amounts to Rs.327 cr, which constitutes 88% of outstanding SRs and resolution has started in two of the four cases mentioned. About Rs.27 cr worth of cash recovery has happened in those cases during FY 2016-17 thereby reducing the SR outstanding to Rs.346 cr as on 31.03.2017 and repayment schedule goes up to FY 2022. We have made a provision of Rs.15 cr, Rs.10 cr, Rs.18 cr during Sep-16, Dec-16 and March-17 respectively, thereby the total provision towards SR was Rs.43 cr to take care of future expected haircuts. During Q1 FY 18, an amount of Rs.1.37 cr has been recovered in the 2 accounts mentioned and we are expecting around Rs.10 cr in FY 2018. Based on the present condition, during Q1 FY 18 we have appropriated a sum of Rs.30 cr towards SRs. As discussed in May 17 concall, apart from Rs.30 cr provided now for SR, we may provide an additional amount of Rs.50 – 60 cr in the remaining three quarters.

During the quarter we had not restructured any accounts and we had not made any sale to ARCs. The provision coverage ratio stands at 62%.

During the quarter, we have received an income tax refund of Rs.11.30 cr which has 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 1.60%, ROE is 15.51%, Cost to Income Ratio is at 37.84%. NIM is still holding at above 4% (4.47%) which is not sustainable.

We have achieved a live recovery of Rs. 43 Cr during Q1 FY 18. The recovery and liquidation of collaterals is showing some positive trends but it has to improve.

We have opened 2 branches during July 2017 adding the total to 552 against our plan of 50 branches for FY 2018. Balance to be opened during rest of the quarters.

The implementation of GST is also expected to put pressure on expenditure side as Banks can take only 50% of input tax benefit on expenditure incurred towards unregistered suppliers. Because of this, there may be an incremental expenditure to the tune of Rs.15 – 18 cr during FY 2017-18. Based on the preliminary feedback received from borrowers, the impact of GST for various industries is mixed and we give below the gist of the same.

Iron & Steel industry – The future outlook appears to be positive due to lower tax rate on major inputs like coal & iron ore. Removal of Octroi / Inter-state tax will improve movement of goods across borders which will widen the market.

Textile Industry – The increase in tax in this segment and introduction of tax for job workers, which so far came mostly from unorganized sector, will have adverse effect initially.

Wholesale / Retail Trade - There is a general change in modus operandi of the business may result in thin margin in view of competition.

Still we are watching to understand the impact.

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 numbers. Over to 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 Q1 FY 18.

Let us get into the details of the first quarter results:

The Bank has recorded a growth of 26% in Operating profit in Q1 FY 18 over the corresponding period in Q1 FY 17. In absolute terms the Operating profit increased from Rs. 236 cr to Rs. 297 cr.

Similarly, the Net Profit for Q1 FY 2018 has increased by 14% over Q1 FY 17. In absolute terms the net profit increased to Rs. 140 cr from Rs. 124 cr.

The Net NPA sequentially increased by 8 bps in Q1 FY 2018 to 1.79% viz-a-viz 1.71% as on 31.03.2017.

Coming to the Business growth, our Deposits have increased by Rs.2532 cr from Rs.27936 cr to Rs.30468 cr in Q1 FY 18 thereby registering a growth of 9%.

Similarly, for the quarter ended 30th June 17, our Advances increased by Rs.2842 cr from Rs.21216 cr to Rs.24058 cr translating into a 13% growth. Thus the total business grew by 11% from Rs.49151 cr to Rs.54526 cr on y-o-y basis.

CASA has increased by 23% in absolute terms by Rs. 1342 cr from Rs. 5757 cr in Q1 FY 17 to Rs.7099 cr in Q1 FY 18. The current account portion has increased by 26% and the savings account portion by 22%. The share of CASA to total deposits was 23%.

Cost of Deposits for Q1 FY 18 falling by 68 bps to 6.44% from 7.12% compared with Q1 FY 17. Cost of Deposits for the sequential quarter Q4 FY 17 was 6.62%.

The Yield on Advances for Q1 FY 18 stood at 11.79% as compared with 12.36% in Q1 FY 17 on account of stiff competition from peers / PSUs. For sequential quarter Q4 FY 17 it stood at 11.86%.

The interest yield on Investments has decreased by 53 bps to 6.93% for Q1 FY 18 as compared to 7.46% for Q1 FY 17. For Q4 FY 17 it stood at 7.20%.

The Net Interest Income for Q1 FY 18 stood at Rs.342.38 cr as against Rs.280.02 cr in the corresponding period in FY 17 thereby registering a growth of 22%. The Net Interest Margin for Q1 FY 18 stood higher at 4.47% vis-à-vis 4.07% in Q1 FY 17.

The non interest income of the bank in Q1 FY 18 was Rs.135.34 cr as compared to Rs. 111.11 cr in Q1 FY 17 reflecting a growth of 22%. For sequential quarter it was Rs.125.85 crs. The major contribution had been derived from Guarantee Commission, CEB, locker rent, collection from written off accounts and income from ATM operations. In Q1 FY 18, we have received interest on Income Tax refund of Rs. 11.30 cr.

Other operating expenditure has increased by 16% in Q1 FY 18 from Rs.155.36 cr to Rs.180.75 cr. The increase is on account of revised salary, and normal rise in expenses like Rent, printing & Stationary, Repairs and maintenance, etc. Out of the above, the establishment expenses (salaries) increased from Rs. 63 cr to Rs. 76 cr in Q1 FY 18.

The operating profit for Q1 FY18 has thus increased by 26% from Rs.236 cr to Rs.297 cr.

For Q1 FY 2018, the total provisions have increased by 40% from Rs.112 cr to Rs.157 cr due to higher provisioning for NPA and SRs. We have provided Rs. 40 cr towards taxation as against Rs.41.50 cr last year and Rs.86.00 cr towards NPA as against Rs.67.00 cr provided last year. We have also provided Rs.23 cr towards possible haircut on SRs.

The details of provision made for the Q1 FY 2017 is as follows;

Provision for NPA	86.00 cr
Provision for Income Tax	40.00 cr
Provision towards depreciation on Investments	23.00 cr
For investment shifting	10.24 cr
Standard Assets provision	-0.90 cr
All other provisions – written back	-1.70 cr
Total	**156.64 cr**

Thus, total PAT for Q1 FY 18 increased by 14% from Rs.123.52 cr to Rs.140.33 cr.

The Return on Assets (ROA) for Q1 FY 18 stood at 1.60% Vs 1.55% in Q1 FY 17. The Return on Equity stood at 15.51% for Q1 FY 18 as against 16 % for Q1 FY 17.

Cost to income ratio decreased to 37.84% for Q1 FY 18 from 39.72% in Q1 FY 17 on account of improvement in other income and for Q4 FY 17 it was 40.94%.

For Q1 FY 18, the additions to NPA account was Rs.147.50 cr vs Rs.100.53 cr in Q1 FY 17 due to addition of one steel account to the tune of Rs. 93 cr.

During the year the Bank has not Restructured any accounts and nor sold any assets to ARCs. On the accounts we sold to ARCs on SR basis in earlier years, we have provided a sum of Rs.73 cr towards expected shortfall in future realization. The outstanding in SRs as at the end of 30.06.2017 was Rs. 345 cr.

The total restructured standard advances currently stood at Rs. 133.40 cr which is 0.55% of our Gross advances. In Q1 FY 18, no accounts slipped to NPA from restructured standard category.

With this I conclude and over to you for questions.

Q : Okay and then on yields you mentioned that you are getting a bulk of growth from migration of customers from PSU banks. We know that they are getting competitive on home loans so that loans on the retail side your yields do not look like that there is lot of competition, yet is that just not that much competition on yields from SME bonds right now, is that why your yields are not coming off?

A : Yes, because the demand is more and supply is less and once you are in to the rate cut cycle the yields have to start coming down as we move progressively that is why I have repeated that this amount is not sustainable and I am telling this for the last four-five quarters continuously. We are not in to home loan market. Right from the beginning we are not too much in to the consumption particularly getting too much in to the home and all because of the ALM mismatches and all it will not work and we had never been in the home loan market and whatever home loans which is there in our book is mainly for those customers predominantly who have taken other facilities or who are SME borrowers for whom the home also forms the additional collateral so we are not into that segment at all.

Q : Just a follow up, the way I wanted to sort of revert at that question is as you seen the structural improvement in the spreads on the SME side that could be possible because your cost of deposits continue to come down while your yields need not need to re-price them in line with what you have seen in your cost of deposits so is that something?

A: I do not think that way. You will definitely be having what you call the healthy banks trying to expand this particular focus and come out with far more. I do not expect the sustainable. Definitely there will be yield compression moving forward but quantum and at what pace and all we have to wait and see actually speaking this should have happened in the last year itself but still it has not happened but as I have conveyed in the previous conference calls also the reduction in the yield is bound to happen but then we have to wait and see.

Q: On the slide number 16 we have other income breakup in which there is I think a written off recovery is around 130 and out of that 266 minus 130 so what could be the remaining amount pertaining to?

A: We spoke the income tax refund, income from the income tax refund which is about 11.30 Crores.

Q: Okay and anything any other item sitting in that number 26 Crores, any other item is there?

A: These two take care of almost everything. 13 plus 11 is 24.

Q: Thanks for the opportunity on good set of numbers. Could I have the provision breakup for this quarter please?

A: Provision for NPA. Net 86 Crores, provision for income tax 40 Crores, investment depreciation 10.24 Crores, provision towards SR 23 Crores.

Q: Which one was that 23 Crores?

A: Security Receipts.

Q: Secondly I wanted to know size of the watch list potential would you be able to help us on that?

A: See basically we hardly have about two or four accounts, which are more than 50 Crores. The largest one is about 72 Crores you can do your maths.

Q: Okay in terms of the impact of INBAs on your PF?

A: Please understand when I say this it does not mean that you will be having zero slippage from other thing the usual small account slippages will always be there.

Q: So would you be able to guide on that in terms of the INBAs impact from the expected credit cost angle what could it be?

A: That is what I mentioned to you that we up to financial year 2013 we used to have typically 1.25% to 1.5% slippage. If you give credit to the write back of written off assets, net credit cost will be to the tune of about 30 to 40 basis points that let us say 1.25% to 1.5% is doubled to 2.8% and progressively it is coming down for the last four quarters. The net credit cost is currently about 0.75% to 0.8% for the last year. Going forward, we feel the incremental slippage has to be between 1.75% and 2% for the current year and the final credit cost will depend upon how much recovery happens which is known, unknown for which we are keeping our fingers crossed and taking all our efforts.

Q: Sir I wanted your thoughts what is the kind of economic situation out there in Tamil Nadu and related to that how you are growing versus other private banks in that state because when we look at the all India growth numbers for private bank they are certainly growing faster than you are. Sir is there some kind of loss of market share vis-à-vis them while you are certainly still gaining versus PSU banks?

A: See like I said you overall credit growth of the system is still in single digits, you have few banks may be handful banks who are showing growth rate upward of 20% to 25% and on the other side you have handful of banks who are even degrowing. So the overall systemic growth rate currently is around 10% mostly in single digits now. The Tamil Nadu situation is not as bad as it is widely perceived. It is just going to greater extent linked with the country's growth rate this way or that way nothing major to complain about. The bulk of the growth rate like say if you dissect the numbers of the banks, which are growing at 25% to 30% and either bulk of growth comes from the retail either housing loans or vehicle loans and things like that are from the corporate book. These are all two segments, which historically we had not been there and it is not in our scheme of things. So March will be let us say slow and steady within that let us say that is why we said our expected growth rate under the current situation for the current financial year is 15% to 18% at the same time maintain ROA, ROE and other efficiency and profitability ratio's to the best as possible and showing a descent growth. I do not think we will be able to expand our ROAs beyond 1.6% or okay you have two-three banks, which are having about 1.7%-1.8% and all but under this thing our ROAs and other efficiency ratios are probably top 10 percentile of the industry.

Q: But Sir even on SME side these faster growing private banks are actually doing well, is it some loss of market share then?

A: No, actually from the market share lost by those banks which are under stress they are taking more share and probably we are taking less share, overall our market share is not de-growing I mean not coming down and the amount of opportunity available is much higher but we are very choosey. We do not want to I mean the fact of the matter is that well from the beginning we have been very clear that we do not want to press for the growth and buy problems for tomorrow so we will do things at our own pace.

Q: That is helpful. Secondly the coverage numbers, I have seen your presentation you are saying you have 60% coverage but if I simply do a division of net NPA to gross NPA?

A: No see here we have that concept of technical write off so RBI definition of coverage ratio includes the technical data.

Q: Do you have plans to improve the coverage?

A: No we have consistently been around 60% in this calculation and we will be maintaining around the same number.

Q: At a time right now when most of the large private sector banks are pretty competitive in the SME space so like we are seeing balance transfer of state on max what is the outflow of loans from our books to these new private sector banks?

A: It is not just restricted to new private sector banks. Do not think that my entire outflow is only to the new private sector bank. It could be to few other old private sector banks, it could also be to any public sector bank is active it could go there. Overall when we calculated the total outflow in the last year, the number was about 200 odd Crores. I mean the total quantum of loans that closed our account and it was taken over by some other bank which is not very significant, hardly 1% or so.

Q: Okay Sir just one line from this like any addition to the relationship banking that we do what could be the other triggers that would enable us to retain the customers and they are not moving to other banks for the rate benefits?

A: See every businessman he wants some sort of comfort and understanding with the branch. Let us say one important point, which I would like to say is that my branch manager is having sufficient voice in the system unlike most of the other particularly new gen banks whose model the credit vertical will be handled from a different location and you will not be having a branch manager in a closer location who could understand the problem and try to find out a solution. I think this is one model what we are following used to be the model of public sector banks but unfortunately they are not able to deliver those requirements that is why this is I feel as the major differentiation that happens. Another difference which is not just the rate do not think that what you call the rate side, another important thing is that the composition of advances. If you are more aggressive in the home loan naturally your weighted average yield on advances has to come down. More than the individual cases the composition of different lines of advances also determine your yield. So you cannot fully say that we are giving higher interest means they are paying higher interest rate to me and they get any alternate thing. So you have to look all these things together in a focused perspective.

Q: Okay Sir and what are on exposure to the unorganised sector?

A: Not very high. Normally the unorganised sector requirement particularly non-personnel business loan, the requirement will be in the range of 10-15-20 Crores a sort of. I do not have an exact statistics but I feel based on making intelligence guess it could be between 5% and 8%.

Q: 5% to 8% okay Sir.

A: As one reason for that is as per when the fourth quarter after the demonetisation when the RBI gave dispensation that let us say less than 1 Crores accounts the dispensation can be given we hardly had about 11 Crores or so at that point of time, which was used, 16 Crores only on that part we do not have much significant exposure on that segment.

Q: Sir like in the past four quarters our exposure in the retail trade segment has been coming down so is that a segment that we are not focusing on incrementally?

A: There will be short-term aberrations because of like say we saw a trend after the demonetisation there is lot of repayments happening and the usage ratio coming down. In fact we had about in cash credit accounts normally the unutilized portion used to be about 18% to 19% the unutilized portion increased to as much as 22%, 23%, 24% so this fluctuation we were able to see pattern after the demonetisation. We have not made any conscious effort to reduce the outstanding and all it is basically the outstanding on that particular quarter closing day.

Q: As on last question, what would be your guidance and NIM and cost to income ratio?

A: What I can definitely say is that the margins have to contract and it should have contracted in the last year itself. I do not have guidance on that. On cost to income ratio we are comfortable between 40 and 42. This time it is less because you have lot of other income. Normally our cost to income ratio will be between 40 and 42 it has been a trend for many quarters.

Q: My first question is related to slippage you said the one account of 73 Crores is included there so if I remove other than that so then obviously slippage ratio looks reasonably quite healthy and what will be the guided 1.75% to 2% that is excluding these three accounts so would you like to revise that number?

A: No, the slippage ratio of 1.75% to 2% on closing balance is inclusive of all the slippage, which you are expecting at this point of time.

Q: Okay now it is inclusive because last quarter it was exclusive of?

A: Last year it was 1.99% year as a whole, which included all the slippages. On a comparative basis we expect that to be between 1.75% and 2%.

Q: Including the two accounts what you mentioned?

A: Yes and it is our wish and expectation based on the facts and information we are having currently.

Q: Second question is actually a combined question on MSME how are you witnessing your client base that is the first question post GST because last quarter I assume that there must be some destocking also so may the working capital requirement must have come down from the behavior side that might again pickup in the coming quarter. The second obviously moving away from other source of funding including the NBFC part and which is the related question of the third part is that margin guidance which you are mentioning for the last few quarters but we have been seen otherwise the numbers on a margin net like one of the margins we have seen so far. So what is that we have some clients with a very good and why cannot are we offering them a very low rate like we are cost at 6.8% so we can afford to rise to about 10% or 10.5% or 9.5% and get a good client and increase our credit book so what is your thought on that side Sir?

A: Can you summarise the question in one sentence?

Q: Sir my question is that first of all on MSME how is the behavior post GST that is the first question? Second question is that there must be very good other SMEs also so can we reduce our lending rate so it may be flexibly may be 100 to 150 basis point and able to garner market share?

A: The MSME reduction in the usage the pattern is almost it was set in October-November and it is continuing so I said normally we used to have about unutilized portion of about 18% - 19% which is going up as high as 24% for few days. How much because and one thing what you to have understand is that our borrowers, I would not say that we are catering in to the unorganised sector to a greater extent anybody who is taking more than 50 to 60 lakhs of bank funding have to be to greater extent organised because they have to file their returns and things like that so that is further point. Number two, we make a conscious call particularly on the growth and all it is not that we make the credit calls on the customers individually. It does not mean that my risk appetite and my expectation like we fix the rates in tune with the market reality and it does not mean that if I reduce yield by another 50 basis point or one year, I will be able to grow by another 5% more and all it does not work that way. We are conscious about the market interest rate and we are also conscious to ensure that we do not lose any existing customer and at the same time we are also conscious that we will not be losing the market expansion opportunities. We take calculated view we actively manage our ALM to ensure that we have a descent net interest margin and do not think that like say we are not growing because we are not reducing interest rates it does not work that way.

Q: Sir I had questions on the loan to deposit ratio, we are at 79% loan to deposit ratio and we are talking about 15% odd loan growth so can you put some light on how do we look at the trajectory here on, what is the comfortable LDR that is we are looking at incrementally?

A: Yes, normally we do not push the credit deposit ratio beyond 82 and all. The 80 is our target and it will be mostly between 78 and 82.

Q: So incremental in that case we see deposit book growing at a higher pace...?

A: In fact we have another let us say I can today increase my advances by say about 1000 Crores to 1500 Crores without increasing my deposits so we manage it actively.

Q: Outstanding SR is 345 Crores?

A: Yes.

Q: The provisions held against SR are 73 Crores?

A: Yes.

Q: Can we look to provide additional 50 Crores to 60 Crores?

A: To the current year.

Q: Okay and this 345 Crores is made up of four accounts?

A: Four accounts which constitute about 80% to 85% of the total outstanding.

Q: One is on the MSME the core segment, what is the average exposure on the loan side for a client?

A: Normally about 75 lakhs to 10 Crores this composition will roughly take care of about 65 to 70 page of my total loan book.

Q: The balance would be higher?

A: No, it will be equally distributed because you know that the agriculture and all have to be lower than that and partly 50% will be higher.

Q: Just a followup question on that is what is the NPA composition from a gross NPA basis in the three buckets so loans less than 75 lakhs loan?

A: The issue is the lower segment because of the directorate segment the yields will be low, the NPA percentage will be low, but the number of accounts will be very high.

Q: As a percentage of overall NPA not in terms of number of accounts but in terms of..?

A: In terms of quantum if I have about less than 50 lakhs will roughly constitute maximum about 15% to 20% of my outstanding NPA.

Q: Okay and loans which are more than 10 Crores what would be the NPA contribution?

A: It will constitute roughly about 50%. I do not have the exact number with me it will be close to 50% of the NPA's.

Q: The core segment, the quality of loan book in the core segment is intact even though there is sort of elevated NPA's there?

A: That is why I always say this is my pattern, my model. My current slippage ratio is about 50-basis point more than my ten-year track record, which I used to have in the past. Since I have collateral and I am always on the secured lending, after post recovery my net credit cost used to be only about 50-basis points or so. Now my incremental slippage ratio is coming down. My recovery is slowly showing some signs but not to the extent I would like to see. We are probably another four to six quarters away from the point when you will be getting back to the old numbers this is what our call now.

Q: Sir my point more was that the increased NPA is on account of the fact that there are larger ticket borrowers where there is higher NPA's, which do not form bulk of the book and the core segment of MSME, which is less?

A: That is why I repeatedly conveyed the number of accounts, which are having issues right from the beginning. As of now we are almost coming closer to that hardly very few things left but only expectation is that the turnaround of the general economic recovery will start. If it does not stop nobody can say how things will behave.

Q: Just wanted to reconcile this number interest on advances so if I see the interest on advances this is up 6% quarter-on-quarter whereas our yield on advances is down by around 7 basis point and our loan book is also more or less flattish quarter-on-quarter so how does these?

A: The average advance plays a major role. So the closing figure of the fourth quarter was almost the average advances for this quarter. This will help you to understand how it behaves.

Q: So roughly Sir, what would be the average growth in the advances if you can just help it with that?

A: Average advances for the fourth quarter around 22300, first quarter around 23500.

Q: Just two small data point question; one, what is our total loan book exposure in Tamil Nadu roughly?

A: Almost about the 70% plus even more than that, so will be close to 75% or so. In the presentation itself it is about 65%.

Q: The security receipt number that we have disclosing that is gross number and the provisioning is of course we have to?

A: We are not netting it off. That is separate and this is separate.

Q: Congratulations on a great set of numbers. Sir, just one question from me, the core fee income has grown very well by 27% year-on-year and it has been doing well since the last two to three quarters so is it mainly insurance third party or are you also doing mutual funds, is there any other component to that?

A: No growth because of the third party growth but it is mainly because of your increase in the charges and all which come in to affect and our typical banking services income only.

Q: Okay so how much was the pay insurance out of this core fee income of 70 Crores?

A: Last year, year as a whole we hardly had about 6 to 7 Crores from the distribution of insurance products.

Q: Okay and we have seen last two three quarters lot of private banks are selling insurance though have seen any up trending traction there?

A: We are seeing it in quantum but not in the commission income.

Q: I wanted to check on the operating expense line. What explains nearly 20% increase in the staff cost and about 15% on the other opex? Did you mention any impact?

A: In fact our salary revision with our association and union came into effect from the July 1 of last year that is why the first quarter last year will have lower base.

Q: Okay and anything on the non-staff side?

A: Basically your AMCs and because we have about 30 branch which has grown and all other usual inflation and listed growth sort of.

Q: Okay, there is no one off impact of GST or any other?

A: Not yet.

Q: Thank you for the opportunity. Sir just one quick question, what part of our portfolio is MCLR linked and what is the extent of reduction in our one year MCLR rate?

A: See the almost close to it will be 90% of our loan book should be on MCLR. The reset comes in every year that is why it comes on a continuous basis.

Q: Right but what has been the extent of reduction?

A: So far I think last against two and two half-quarter reduction in the rate, ours is about one to one and half quarter. 1% is since the last rates at regular quarter.

Q: Right and in the shorter term it should have been more frequent is it right to say that?

A: It happens on continuous basis.