Good evening every body and thank you for attending this City Union Bank's earnings call of Q3 FY 2015.

Dr. Kamakodi here welcoming you all. Thank you very much for attending the conference call of City Union Bank for the 3rd quarter ended 31.12.2014. The board approved the results on 24.01.2015 and declared our results a little early because of few other engagements clashing in the first week of February, when we normally used to declare our results.

I will spend some time discussing our outlook to start with and our CFO Mr. Sundar will take over for discussing results. Towards the end we can have Q & A.

Overall the Q3 got closed in a way better than what we anticipated. The addition to NPA in Q3 is Rs.65.47 cr least in the last 5 Quarters compared to Rs.150 cr in Q2 FY 14, Rs.91 cr in Q3 FY 14, Rs.173 cr in Q4 FY 14, Rs.168 cr in Q1 FY 15 and Rs.83 cr in Q2 FY 15.

Restructuring in Q3 is also Rs.6.80 cr only. Rs.45 cr account which we mentioned in the last quarter is still in the pipeline. Since some formalities are under way, it is not added to restructuring in Q3 but will get into restructuring in Q4. As you know, we have not restructured any account in Q1 & Q2 this year. Hence total restructuring done in the last 9 months is only Rs.6.80 crs.

But it does not imply that we can extrapolate as we discussed in the last quarter results. However 75% of the problems are definitely over.

We could see some growth sprouts around Q2 results. But we could not see them growing which is disappointing.

We believe in desperation that economic activities will pick up after budget and manifestations should be visible by Q2/Q3 FY 2015-16. All our assumptions are based on these expectations.

Last year as a whole, our total NPA slippage was Rs.456.22 cr. In the first Nine months of the current year total slippage is Rs.316.46 cr. We should be closing this year with much lesser slippage than last year. The recovery/upgradation of live NPA was Rs.37.05 cr in Q3 FY 2015. Though NPA addition is subdued in both Q2 & Q3, Asset quality pressures have not vanished fully yet. Though vision of good sentiments in the atmosphere could be observed, but the effect of changes in sentiments is yet to bring changes in fundamentals and it may take a few more quarters. So we are awaiting the turnaround of economy.

We are trying our best to boost our recovery of NPAs. No stone is left unturned in collecting live NPAs, technically written off NPAs and also redemption of securitized receipts. As we have been stressing again and again, we are confident of recovering 70-80% of slippages as we have done in the past. But now there is more than expected delay in liquidation of collaterals. We are closely monitoring that.

Since regulatory dispensation for restructuring ends with this quarter, we are looking into whether any account will require any restructuring. Normally we don't restructure if we don't have faith on viability of the business. That will be evident from our track record. So far we have not found significant quantum to be restructured in Q4. If we find something, we will do.

Similarly we are also exploring if any more NPA accounts may be sold to ARCs. We have identified one more steel NPA a/c with exposure of Rs.100 cr for ARC sale. If quotes are worth exploring, we will do the sale. If I have to do that sale, I have to make one performing unit with exposure of about Rs.30 cr NPA. Hopefully things should settle by the end of the calendar year 2015 with property market also becoming active along with general economy.

One question that was haunting me was Spice Jet. They cleared our arrears for the quarter and you all know about the present developments. We have Rs.100 Cr of Loan against Deposits and another Rs.100 cr of working capital covered by adequate immovable collaterals. Hopefully, we should come out without any problem.

We are going ahead with branch expansion plans. We should cross the milestone of 500 branches by April or May if not in March. Further expansion plan will be decided based on the general economic conditions. So cost to income ratio will be at elevated level of 45%.

You might have seen many New generation banks have shown exemplary results both in growth and in profits. We are seeing mixed results from Public Sector Banks and Old Private Banks. We think we should get into the growth trajectory of 20% plus towards Q3, Q4 of FY 15-16 if economic recovery picks up.

But I have to say one thing. We are better capitalized now. We have better IT infra structure. We have better branch network. We are better prepared to get benefited by economic growth which is expected sooner. We don't have much baggage of Restructured/CDR cases/ Consortium cases or infrastructure advances. Hence we should be doing much better in the expected good economic cycle better than what we did in the previous decade.

We are entering into decreasing interest rate cycle. It means shrinking NIMs and opportunity for treasury profits.

With this remarks, I hand over to our CFO Mr. Sundar. He will discuss the details of performance for Q3 and 9 months performance. After he finishes we can have Q&A.

Thank you MD sir … I am Sundar, CFO.

Good evening every body and thank you for attending this City Union Bank's earnings call of Q3 FY 2015.

Our Board has adopted the Unaudited Financial Results for the third quarter ended 31.12.2014 on 24.01.2015 and the details have been already updated in our website and circulated.

Let us go into the details for the third quarter results:

In a nutshell, the Bank has recorded a growth of 25% in Operating Profit over the corresponding Q3 and 18% in the 9 Months FY 2015 as compared with 9 Month FY 2014. Similarly the Net Profit for the third quarter FY 2015 has increased by 15% as compared to corresponding third quarter FY 2014 and 12% with the corresponding nine months period last year. Net NPA was 1.31% compared to 1.30% in September 2014 (Sequential quarter).

For the period ended 31.12.2014, Deposits has increased by Rs.2087 cr from Rs.21116 cr to Rs.23203 cr, thereby registering a growth of 10% y-o-y basis.

For the period ended December 2014, our Advances increased by Rs.1143 cr (7%) from Rs.15825 cr to Rs.16968 cr. Though the advances has increased by 7% y-o-y on net basis, in case we take note of decrease in jewel loan portfolio of Rs.637 cr and Rs.365 cr of NPL sold to ARC during the last one year, the total increase of advances portfolio comes to 14% even after considering regular repayments.

Total business thus grew by 9% on a y-o-y basis. CASA has increased by Rs.238 cr from Rs.3692 cr to Rs.3930 cr, thereby registering a growth of 6%.

The Cost of Deposits for Q3 FY 15 decreased to 7.98% from 8.32% compared with last Q3 FY 14. Cost of Deposits for the 9 Months FY 15 also decreased to 8.15% from 8.40% which is 25 basis points lower as compared to last year.

The yield on advances for Q3 stood at 13.08% and for the 9 month ended at 13.20% as compared with previous year Q3 13.52% and for 9 month ended 13.54%.

The Yield on Investments has increased by 11 bps to 7.44% for 9 Month FY 15 as compared to 7.33% during the last 9 Month ended FY 14.

The net interest income for the Q3 FY 15 stood at Rs.209.77 cr as against Rs.197.54 cr in the corresponding quarter thereby registering a growth of 6%. The net interest income for the 9 Months ended December 2014 grew by 5% increased to Rs.602.71 cr from Rs.574.73 cr corresponding period. The Net Interest Margin for Q3 FY 15 stood at 3.48%. Some shrinkage in NIM is inevitable now as we enter decreasing interest rate cycle. We have consistently maintained the NIM at around 3.30% for the last 20 quarters while the range is between 3.10% and 3.70%.

The non interest income of the bank in Q3 was Rs.97.78 crores as compared to Rs 58.98 crs in the corresponding quarter reflecting an increase of 66%. Of this, the commission, exchange, loan processing charges, etc representing core fee income raised from Rs.39.52 crs in Q3 FY 14 to Rs.43.29 crs in Q3 FY 15. Treasury profits comprising both domestic and forex treasury, increased from Rs.13.35 crs to Rs.39.95 crs. Out of this, the domestic treasury gains increased from Rs.3.09 crs to Rs.21.51 crs. The profit from sale of Bonds in HTM category was around Rs.4 crs only. The balance of profits was from sale of AFS/HFT securities, liquid mutual funds, shares, etc. On the Forex side, the profits in current Q3 was Rs.18.44 crs against Rs.10.26 crs in corresponding Q3. Of this about Rs 14 crs of forex profits was attributed to integrated treasury operations deploying surplus funds on the back of lower average CD ratio of 72% Vs 76 % last year. Had these funds been deployed in domestic treasury, it would have yielded an interest income of around Rs 12 crs. Lower than Rs.14 crs attained on integrated treasury. Similarly the recoveries in the written off accounts in the current Q3 was Rs 14.24 crores as against Rs 5.44 crs in the corresponding Q3. The Non interest income for 9 Month FY 2015 stood at Rs.298.63 cr up from Rs.194.64 cr in the corresponding period last 9 Month FY 2014 an increase of 53%.

Other operating expenditure has increased by 14% on Q3 Vs Q3 basis from Rs.121.86 cr to Rs.139.26 cr and for the 9 month period it rose from Rs.332.36 cr to Rs.387.51 cr registering an increase of 17% due to normal increase in expenses like Salaries, Rent, Electricity, Insurance, Depreciation, etc.

The operating profit for Q3 has thus increased by 25% from Rs.134.66 cr to Rs.168.29 cr. For the nine month period, the operating profit has increased by 18% from Rs.437.01 cr to Rs. 513.83 cr.

For Q3 FY 2015, the total provisions has increased by 44% from Rs.45.57 cr in Q3 FY 2014 to Rs.65.59 cr. The total provisions for the nine month ended increased by 26% from Rs.173.28 cr last year to Rs.217.89 cr. We have provided Rs.38.50 cr towards taxation as against Rs.16.50 cr for the corresponding period. Taxation provision last fiscal was based on MAT consequent upon rise in yield on Govt bonds leading to higher depreciation on HTM securities coupled with higher technical write offs. The Provision for NPA this quarter was Rs.26.70 cr. Vs Rs 22.50 crs.

PAT for the third quarter thus has increased by 15% from Rs.89.09 cr to Rs.102.70 cr. For 9 Month FY 2015 the same has increased by 12% to Rs.295.94 cr from Rs.263.73 cr last year.

Return on Assets for 9 month ended FY 2015 stood at 1.51% Vs 1.47% for the corresponding period and for Q3 the same was 1.54% vs 1.47%. The Return on equity stood at 17.59% for 9M 2015 and 15.72% for Q3 FY 2015, mainly on account of fresh infusion capital by way of QIP in Q2 FY 2015.

Cost to income ratio decreased to 42.99% for 9M FY 15 from 43.20% in 9M FY 14. Similarly on comparison of quarterly basis, the cost to income ratio stood at 45.28% for Q3 FY 15 as against 47.51% last year Q3 FY 14. We have made an ex-gratia payment of Rs.12 crs in Q3 FY 2015 for festive season thus increased the establishment cost by 14% from Rs.52.75 crs in Q3 FY 2014 to Rs.60.34 crs in Q3 FY 15. The cost income ratio for the fiscal 14 was 44.10%.

For Q3 FY 2015, the additions to NPA account were Rs.65.47 cr Vs Rs.90.70 cr in the corresponding Q3 last year. For 9 months period, the additions were Rs 278.60 cr. The NPA addition in Q3 FY 2015 was the lowest in the last 5 quarters and there was no major addition of big ticket accounts during the quarter. During the quarter we have sold assets to ARC by way of SR to the tune of only Rs.6 cr. With this, the Gross NPA for Q3 FY 2015 stood at Rs.360.70 cr which is 2.12% of Gross Advances Vs 2.00% in the sequential quarter Q2 FY 2015. The Net NPA stood at Rs.220.40 cr which is 1.31% of Net Advances Vs 1.30% in the sequential quarter Q2 FY 2015. Also, there is no TW in Q3 FY 15.

Only one account has been restructured in Q3 FY 2015 to the tune of Rs.6.80 cr and you may be aware that we have not restructured any accounts in the first half of FY 2015. The restructured standard advances currently stands at Rs.257 cr which is 1.51% of our Gross advances. We have received a net payment of Rs. 18 cr in restructured standard accounts in the last 9 months ending FY 2015. As already informed during our last con call session one account to the tune of Rs.45 cr – Rs.50 cr is still under pipeline for restructuring.

With this I conclude and over to you for questions.

Thank you all!

Over to Question & Answers:

First Question from ....

Mr. Vinay Arya: Good afternoon sir! Thanks for taking my question… My first question would be what is the status of the paper account you have mentioned in the previous call? Whether restructured or sub-standard – what is the status now?

DR N KAMAKODI, MD & CEO - Actually the Promoters brought in capital and things are running ok. It didn't go bad as you are expecting because of the addition of the incremental capital, the unit is running and things are ok now. Hopefully, that account should survive.

Mr. Vinay Arya : What is the amount of loan against property outstanding in our book?

DR N KAMAKODI, MD & CEO – Actually, we don't have a separate product of loan against property for say. You can probably consider our Real Estate exposure which is given in our presentation which will be about Rs.927 cr i.e. 6% of our loan book.

Vinay Arya : Sir, what is the major break up of our loan book "Others" which include education loan, staff loan, etc. amounting to Rs.919 cr? What could be the biggest and what is the amount of educational loan and staff loan?

DR N KAMAKODI, MD & CEO – The education loan is about Rs.170 + cr and the staff is about Rs.136 cr.

Thank you – next question is from the line of Mr. Yash Mehta!

Mr. Yash Mehta – Reason for decline in yield on advances for the quarter comparing to sequential quarter?

DR N KAMAKODI, MD & CEO – The yield on advances for the Q2 was 13.57% and for Q3 it is about 13.08% and in fact on sequentially there is about 49 bps dip in the yield on advances and at the same time there is about 25 bps decrease in the cost of deposits.

Mr. Yash Mehta – understood sir! Just wanted to know the sharp decrease in that?

DR N KAMAKODI, MD & CEO – Basically, you cant take it in a sequential basis. If you look in to the Nine months / three quarter average our yield on advances is about 13.20% and you see the temporary aberrations in one or two quarters. Particularly, the increase in Q2 is mainly due to collection of interest in NPA accounts but in Q1 and Q3 the yield is about 13.00% and 13.08% and on an average currently it is about 13.20% for the three quarters, if you put together.

Mr. Yash Mehta – What types of tax rate is expected going forward?

DR N KAMAKODI, MD & CEO – We should be in the same 22 – 25% is the normal numbers. But this quarter, we did not have much of technical write offs and also last time we were in MAT but this time we didn't have and that's why it is elevated level for Q3 FY 2015. But the normal rate should be some where between 22 – 25% after considering normal tax breaks available to us.

Mr. Yash Mehta – What about the CASA position for the last quarter and why there is a decline?

DR N KAMAKODI, MD & CEO – The savings bank has increased by about 16% and current account decreased by 9%. The decrease in current account is basically because of fluctuations in few big accounts like say one of the major reasons was LIC and few educational institutions are there. So the LIC numbers basically very large during the quarter ends and you cannot have full control over it. Nevertheless on average basis it is ok.

Mr. Yash Mehta – What is pattern going forward?

DR N KAMAKODI, MD & CEO – As I have been repeatedly telling you can't expect or don't think that there will be huge growth in the percentage CASA and it should be hovering around between 16 – 18%.

Mr. Yash Mehta – Sir, you have mentioned about 70 crs account in the opening remarks…

DR N KAMAKODI, MD & CEO – No No it is not 70 crs and it is 40 – 45 crs. In the last con call, we thought that it will get restructured in the 3rd quarter. Some formalities are pending still and it will get into restructuring in the 4th quarter.

Mr. Yash Mehta - Ok sir. Is there any other account in pipe line?

DR N KAMAKODI, MD & CEO – We don't have any major accounts in pipe line. We are still evaluating and if at all anything is there, we will go. As of now we don't have anything apart from the one what I have mentioned about Rs.40+ crs.

Mr. Yash Mehta - Thank you sir… That's all from my end.

Next question is from the line of Mr. Saurabh das.

Mr. Saurab Das – Hello sir! Thanks for the opportunity. You had mentioned the CASA position will be hovering around 15 – 20% going forward, but given that CASA CAGR itself has dropped so much, don't you think that sustaining 17 – 18% also will be quiet challenging one and did you take any special steps to increase the CA portion?

DR N KAMAKODI, MD & CEO – For your reference, as I have been repeatedly telling, this is not our core strength and I don't expect any major change in that. For example, if you look in to the aberrations in the past 4 – 5 years particularly in the monthly average, for the year ended 31.03.2014 it was Rs.1442 cr and it dropped to Rs.1292 cr in April, Rs.1290 in May and went back to Rs.1468 in June, once again went up to Rs.1540 cr in July, down to Rs.1440 cr in October, Rs.1243 cr in November and again gone up to Rs.1311 cr in December. There is are all the numbers which is unpredictable and as we have been repeatedly telling, our focus is more towards in terms of the income growth and ROA more than the % of CASA. I don't assure you our CA portion will increase like our SA portion and the particular weakness is always there for CA portion.

Mr. Saurabh Das - Can you help us with the understanding of your overall term deposit profile– out of the total term deposits, how much will be repriced or due for maturity in the next one year time?

DR N KAMAKODI, MD & CEO – Almost 90 – 95% will get re-priced in a year. That is the typical preferred time period for which the retail term deposits are placed.

Mr. Saurabh Das – Is it also your strategy to encourage the whole network to target like shorter end term deposits?

DR N KAMAKODI, MD & CEO – No, that will become more riskier. So we don't want to play away with the duration per say. Basically, our main focus is on the retail deposits rather than CASA and we are very strong in retail deposits. We are pretty strong in mobilization of retail deposits. About 90 – 95% of term deposits are from the retail source. We try to play with that and we don't want to reduce the duration to shorter end deposits. As Mr. Sundar rightly pointed out, we are maintaining 3.3% - 3.6% is our normal NIM and wider range will be 3.10% - 3.75%. When compared to last 40 quarters, in only quarter it was short of 3% and entire focus is actively managing the NIM in the band between 3.3% - 3.6%, so we are currently at 3.48% for Q3.

Mr. Saurabh Das – Are you happy a cut in Base rate?

DR N KAMAKODI, MD & CEO – We have already cut our deposit rates and we have not yet cut our base rate. So we started with the deposit rates with the intention to manage the NIM to the extent possible in the decreasing interest rate cycle.

Mr. Saurabh Das – Can you give us the average cut in deposit rate?

DR N KAMAKODI, MD & CEO – About 25 bps.

Mr. Saurabh Das – OK – So, we have seen decrease in large corporate mid and with the 25 bps rate cut in deposit rate and you know lot of your TD bill also re-priced in next one year and hold on to base rate, do you think any pressure in NIM or is there any expectation of increase in NIM?

DR N KAMAKODI, MD & CEO – It depends on how the market re-acts on interest rate drops. For example, the regulator is stepping down heavily that immediate transformation in to rates and all such things. Basically if you look into currently the growth in industry level and not just at the CUB level, at the industry level the deposit growth rate and advances growth rate are by and large they match. Earlier decreasing interest rate cycle and all you will be hitting at a quarter when you will be having 10% growth in advances but 18% growth in deposits, when everybody will cut rates and cycle will start. But this cycle looks slightly different and the things are almost matching. So both should happen in tandem and we are actively trying to manage that and let us see how things move.

Mr. Saurabh Das – Thank you sir – one last question on segmental yield, what is your yield on Agri, MSME and retail?

DR N KAMAKODI, MD & CEO – I can broadly give you this way. Major item where the lower interest rate comes from the Agri side around 11% - 11.50%. So, all other average will be crowding somewhere between 12.50% to 14%.

Mr. Saurabh Das – And large corporate were around 12%?

DR N KAMAKODI, MD & CEO – Yes, you are right.

Mr. Saurabh Das – OK – In terms of your non-agri jewel loan book drops continuous but given that we have seen some sort of flow in calm down gold prices and in last two or three weeks you see some charm come back in gold, your outlook will remain there to any shrink?

DR N KAMAKODI, MD & CEO – See you hit on the right point. The experience is mixed location-wise. Even within Tamilnadu we are seeing growth in few districts and people come back to take gold loans and decrease starts in few other districts. By and large may be things may not fast as we saw in the past and I think things should start from next year onwards.

Mr. Saurabh Das – Did you seen any auction on Gold loan?

DR N KAMAKODI, MD & CEO – Yes. When the gold prices are started to going down in April 201e, we are the first bank to start auction and even in a con-call I was asked by an investor about the loss anticipated in auction for the FY 14. In fact, I prepared myself about Rs.5 crs of loss for FY but at the reality the loss on auction was hardly Rs.70 – Rs.80 lakhs and this year also we wont think much and the figures are only in lakhs.

Mr. Saurabh Das – Thanks a lot and all the very best.

The next question is from Mr. Yash Mehta – Please go ahead

Mr. Yash Mehta – What is the hair cut incurred in the sale to ARC last quarter?

DR N KAMAKODI, MD & CEO – The total incremental SR in the quarter is about Rs.5 – Rs.6 cr. We have sold about Rs.25 – Rs.30 cr of assets, in that we have received about Rs.18 – Rs.20 crs as cash and Rs.6 crs through SR and the total haircut was around Rs.5 – 6 crs i.e. 15 – 20% of total ARC sale this quarter.

Mr. Yash Mehta – What is breakup of Non-resident deposits to total deposits?

DR N KAMAKODI, MD & CEO – The Non-Resident deposits is somewhere between Rs.1000 – Rs.1200 crs.

Mr. Yash Mehta – Thank you very for all the data points.

The next question is from Mr. Vikas Chaudha – please go ahead.

Mr. Vikas Chaudha – In the opening remarks you have mentioned about Spice jet. This Rs.200 crs exposure is fully paid or outstanding as of now?

DR N KAMAKODI, MD & CEO – It is outstanding as of now and there is no overdue. That is the status.

Mr. Vikas Chaudha – And what is the security against that?

DR N KAMAKODI, MD & CEO – Rs.100 cr is LAD ie loans against deposits and net of financial collateral our exposure is only Rs.100 cr which is backed by immovable collateral worth about Rs.150 – Rs.160 cr.

The next question is from Mr. Ukanwara from Sushil Finance.. please go ahead…

Mr. Ukanwara – Good evening sir – What is sale amount of ARC this quarter?

DR N KAMAKODI, MD & CEO – This quarter the sale ARC is hardly about Rs.25 – Rs.30 cr and the SR sale is about Rs.6 crs.

Mr. Ukanwara – Thank you sir – If we see in the last few quarter we have a healthy growth in MSME, Housing and personal loan sector. Any strategy on the same sector if you going forward and any concentration to Large Corporates?

DR N KAMAKODI, MD & CEO – One thing I want to make it clear – Large Corporate is clearly distinct from the size of other banks. Any thing the size between Rs.70 – Rs.100 crs is the large corporate and for all these loans are not under the consortium, almost in all the cases we are the sole bankers with individual collateral and all these cases, they started with SME background and they are with us for more than 2 decades back and grew with us. We normally don't take large ticket advances in a fresh way and focus is mainly on SME, trading and agriculture which together constituting about 70% of loan portfolio.

Mr. Ukanwara - Ok – we were just looking at a growth of 10 – 12% for FY 2015, so you want to maintain the same phase of growth for the next quarter?

DR N KAMAKODI, MD & CEO – Ya, to achieve that goal only we are working very hard. So include us in your morning prayer. 10% is minimum figure at which we are chasing now. 10 – 12% was the guidance given and we are putting our sincere efforts to achieve the growth rate between these two numbers.

Mr. Ukanwara: What is the total employee count? What is the risk weighted assets? Do you have last year same quarter figure?

Dr. Kamakodi, MD & CEO: Basel III RWA for 31.12.2014 was Rs.15413 cr Vs Rs.13283 cr of the last year. With regards to Basel II, RWA for 31.12.2014 was Rs.15370 cr Vs Rs.13279 cr for the last year. Total employee count as on December 2014 is 4496.

Mr. Ukanwara: Thank you sir …

Next question is from the line of Mr. Mitun Soni, GC Investments.

Mr. Mithun Soni: How much of Security receipts outstanding right now?

Dr. Kamakodi, MD & CEO: Please refer page number 40 of our investor presentation - total quantum is Rs.325 Cr.

Mr. Mithun Soni: You have also mentioned in your opening remarks that there is a Rs.100 Cr account which can get in to ARC this quarter . Just elaborate on that.

Dr. N. Kamakodi, MD & CEO: One steel account which is in our NPA book for the past three quarters. So, we are also exploring all the possibilities to come out and we are really now convinced that the pressure given by the ARCs in recovery particularly in the large ticket advance is probably making things to move faster. We are working on that and the quote from ARC is well for us we should be going ahead with the sale.

Mr. Mithun Soni: How much you have provided on that as of now?

Dr. N. Kamakodi, MD & CEO: Should be about not less that 35 to 40% .

Mr. Mithun Soni: You said that you may have to take a haricut of Rs.25 to 30Cr on that. Just show some light on that.

Dr. N. Kamakodi, MD & CEO: No, I have not said on that way. Since I don't have any quote from ARCs right now, I don't have the number. What I was telling is about the past track records in the last say 7 to 8 years. Our actual recovery rate in the past from the slippage is about 70 to 80% and we should be in a position to maintain that going forward. That statement is general statement for all the NPAs which we have done in the past.

Mr. Mithun Soni: Thank you very much sir for the numbers …. That's all from my side.

Next question is from the line of Mr. Gowrav Goel.

Mr. Gowrav Goel: Branch expansion strategy you have mentioned that your endeavour will be to reach 500 branches in next four to five months from 445 branches. Will you please elaborate more on this?

Dr. N. Kamakodi, MD & CEO: Actually till last quarter con-call I was mentioning that we should be achieving about 500 branches for the March itself. Since the sign of growth in the economy has some time to take place, the 500 branch numbers may be end up in the next year starting only. It may come up in April or May 2015. Last year we have closed with 425 branches and this year if we close at 480 or 485 branches and we should have opened about 60 branches. We are still opening not less than 75% of our new branches in four southern states, and even 60 to 65% of the new branches are still coming in Tamilnadu. We have about 300 odd branches in Tamilnadu currently. Till we achieve about 500 to 600 branches, our focus is mainly on Tamil Nadu because we will be exhausting Tamil nadu when we touch about close to 600 branches in Tamil Nadu itself. We have normally planned to go for about 75% in 4 Southern States and the remaining 25% of the branches in the rest of India. And this pattern will continue for next two to three years.

Mr. Gowrav Goel : Thank you sir…

Next question is from the line of Mr. Shohail Alal.

Mr. Shohail Alal: Regarding security receipts what would be the gross book value of Assets sold?

Dr. N. Kamakodi, MD & CEO: It will be almost equal. May be you have to add another 10% for the cash margin given by them. The gross book value may be around 325 to 350 cr.

Mr. Shohail Alal: There is no profit sitting on this and do you book it through recovery in P & L?

Dr. N. Kamakodi, MD & CEO: Yes and if the point here is the endeavor of ARC is to recover more than the SRs. And the un-booked interest income also there and if we recover just at SR the net income of the ARCs is more than the book value. We are in the thought that almost 95% recovery may be seen from ARC and anything which is recovered above that number because you don't add interest beyond that incremental growth has to come from that collection.

Mr. Shohail Alal: Just I want to understand 50 to 60% why are you selling loans to ARC?

Dr. N. Kamakodi, MD & CEO: As I have explained in the last two or three concalls, all these borrowers, most of them are our customers for not less then close to two decades. And all are having adequate collateral for their loan. When you are going for collection, beyond certain point we need some professional bodies to handle it in a professional way to speed up the processes which there has been some amount of gap from our side to do that. Since we have seen them growing with us for two decades and all we are not able to talk that language what ARCs is doing. In that way we are able to see the things happening much in a faster phase than what we could do. That's why we on a select basis wherever we feel that ok we needs some external agencies, we go for ARCS.

Mr. Shohail Alal: All the accounts sold to ARC are basically NPAs or any written of the loan account is there?

Dr. N. Kamakodi, MD & CEO: Ya we have sold some written off accounts also. Hardly about 30 to 40 Cr of written off accounts sold to ARC in the last one year. We have sold with 10 - 15% haircut and cash recovery also happened in that sale and which gets reflected in the cash recovery.

Mr. Shohail Alal: What kind of colleterals do you have on these loans?

Dr. N. Kamakodi, MD & CEO: Mainly immovable collateral - particularly his residence, factory land and buildings after that you have the machineries also. Say for example it will be definitely around more than 100% to 125% of the loan amount. For example, we have sold one brewery to ARC two to three quarters back. That brewery is actually in Bannergatta Road in Bangalore when the factory was made it was 10 to 15 km out of the city finally which got in to the city limit itself. So in the case of all the big ticket things what we have sold the immovable collateral will be the factory land and buildings and the promoters residence in most of the cases along with other machinery which are in the unit.

Mr. Shohail Alal: In terms of restructure book, any exposure given to electricity?

Dr. N. Kamakodi, MD & CEO: Only one account - Tamilnadu State Electricity Board which is about 20 to 25 Cr is outstanding on that.

Mr. Shohail Alal: There may be delay in the recovery that account may affect interest of the banks?

Dr. N. Kamakodi, MD & CEO: That why I used to say, even on the regular recovery what we have done in the past in fact that is also available in our presentation in the page number 39, but for the last couple of years we typically use to have 1.00% – 1.50% slippage in to NPA after taking into account of the recovery made. So, on an average basis the net provision made as a % to gross advances between 40 to 50 basis points which is one of the lowest in the industry. That's why when you asked about the Spicejet it also collateralized apart from the financial collateral deposits of 100 Cr and the other one is like say with immovable collateral and sufficient margin. We have just continued to do the things in traditional way without diluting the norms. That's what I am trying to say.

Mr. Shohail Alal: So you think things are started moving towards?

Dr. N. Kamakodi, MD & CEO: Definitely things have started moving towards the positive side and hopefully the final point comes may be in two to three quarters. I mean as I told you, we are in the much better situation compare to many of our peers and we don't have more restructured book, we don't have much of infrastructure book, we don't have much of our CDR cases and we don't much on the large ticket consortium loans and all. We have been the sole bankers to not less than 90 to 95% plus of our borrowers and that's why we are much better situation now. We have to wait and watch for the firm signals to come but definitely last two quarter particularly on the slippage front we are much better way what we anticipated ourselves for.

Mr. Shohail Alal: Final data point I need – Can you give me the break up of Provision on NPA , depreciation and investments?

Dr. N. Kamakodi, MD & CEO: For Q3 the provision for NPA is 26.70 Cr, Provision for tax is 38.50 Cr, Provision for standard assets is 0.90 Cr, the reversal in investment depreciation is Rs.1.30 Cr and all other provisions put together comes to 0.79 lakhs. So total comes to 65.59 Cr.

Mr. Shohail Alal: Thank you sir for all the updates …. All the best.

Next question is from the line of Mr. Sameer Shah, Aditya Birla Capital Advisory…

Mr. Sameer shah: Your other income had increase substantially. So could you throw some light on that and this quarter from the bond side is there any increase? Also could you throw some light what the strategy on that?

Dr. N. Kamakodi, MD & CEO: See in terms of other income the growth in the core fee income commission exchange brokerage for the q3 to q3 is only 10%. There is a growth of treasury income grew from 13.35 cr in q3 last year to Rs.39.95 cr this year. This is mainly because as Mr.Sundar explained we had surplus cash as our CD ratio was slightly lower, we had invested the same in the integrated treasury. So, when we using the funds in intergrated treasury transactions, the profit instead of getting booked as the interest income booked under the profit on sale. More over we have booked about Rs.4 cr or so only from the sale of our securities from the HTM. So, all other treasury profits are in the usual way only and nothing substantial. The increased number is mainly because, some of the incremental profit of 2 – 3 cr, what he mentioned during the discussion that is getting booked as the profit on sale of securities instead of your interest income because of the accounting treatment and that's why looks good and other wise the performance of the treasury is in the usual way only.

Mr. Sameer shah: Is there any trading made under HFT?

Dr. N. Kamakodi, MD & CEO: Ya that is always there and it may be on the lower side.

Mr. Sameer Shah: Is there any major recovery in this quarter?

As far Q3, we have about total recovery and up-gradation figures of Rs.31 Cr. And in the recovery side particularly the liquidation of assets of the NPA accounts in to cash is slightly taking more time than what we anticipated because of the subdued performance in the real estate sector. Hopefully things should improve to move forward.

Mr. Sameer shah Aditya Birla Capital advisory : That's all from my end sir … Thank you very much.

No more participants for questions and we are now come to a conclusion part and on behalf of Ambit Capital myself Ravi Singh convey my sincere thanks to the City Union Bank management to given an opportunity to host the Q3 FY 15 con-call and my thanks to all the participants.

Over to MD Dr N Kamakodi for closing note…

Dr. N. Kamakodi, MD & CEO: On behalf of city union bank let me express my hearty thanks to all of you participating in the con-call. Just to summarize, this quarter had gone really well much better than what we have anticipated. Slippages have really come down. We could see subdued slippage both in the Q2 and Q3 and we had not made any major sale to ARCs this quarter in terms of SR it is hardly about 5-6 Cr. But what we can see is that like say 75% of problems are there probably and another 25% problem which will get solved in recovery of general economy which could happen may be in a couple of quarter away. We are pretty confident that we are in much better shape in terms capital, in terms of infrastructure, in terms of branch network and in terms of our asset composition. Once the recovery starts the number should improve much beyond what we are now and thank you for all the supports and all are rendering and I hope to receive the same as we move forward.

Thank you very much and thank you all.