# **Federal Bank**

# Q1 2014 Earnings Call

22 Jul'13

#### **Operator**

Ladies and gentlemen, good day and welcome to the Q1 FY '14 Earnings Conference Call of Federal Bank hosted by Ambit Capital. As a reminder, all participants' line will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Please note that this conference is being recorded. I now hand the conference over to Mr. V. Krishnan from Ambit Capital. Thank you and over to you, sir.

# V. Krishnan, Analyst

Yeah, hi. Very warm welcome to all of you for the 1Q FY '14 Federal Bank earnings conference call. It's our pleasure at Ambit Capital to be hosting the senior management team at Federal Bank. We have Mr. Shyam Srinivasan, the MD and CEO. We have Mr. Abraham Chacko, the ED. We also have Mr. D. Sampath, the GM at Federal Bank representing Federal Bank at this call. Without further ado, I would like to hand over the floor to Mr. Srinivasan to walk us through the key performance indicators for 1Q FY '14. Mr. Srinivasan, the floor is up to you sir.

#### **Shyam Srinivasan, Managing Director & Chief Executive Officer**

Thanks -- thanks Krishnan. Good afternoon everybody. I have on the call with me my Head for Finance, Risk and in Mumbai the corporate team and Head of Treasury is also there. We'll be able to -- happy to take questions once I go through the initial briefing. I won't spend too much time on the numbers that you all may have had access to and we'll anyway answer all questions around it. Just give some kind of a headline intro with reference to what we have been trying to do and where we are in our journey.

Almost the entire period I have been in the bank, I have been continuously giving an insight into what our principle objectives are. One is around the -- strengthening the risk and we will talk about what's gone well and what's not gone well. Second is the footprint expansion, primarily to look at two elements, one is the liability franchise particularly the low cost deposit franchise growing and second is the retail and SME. On that count we feel quite encouraged particularly in the liability profile of the bank is changing quite considerably driven both by domestic and NR deposits growing quite, I would say a tough quartile given the size of the network. Our absolute growth (technical difficulty) markets.

And last part, our challenge has been the large corporate -- fee income growth. If we look at through that lens, our Q1 performance, our footprint expansion has helped, we are seeing good momentum on the deposit franchise. And that's the sort of platform which -- on which we want to strengthen and grow from, particularly our retail assets and SME advances are growing on the back of this confidence.

And the effort elastic inputs on credit, which is basically the retail SME and some extent the middle end of the large corporate is responding well to the inputs, but we have had challenges, unfortunately for almost four to six quarters with one name or the other, that is hurting on the large corporate side. But we do hope that with the turning environment in the coming quarters, we should be able to go -- cross over that hump, but that we will address specifically.

Largely, both on large corporate on the advances side, and therefore on the deposit side, there has been an active debulking. The advances of, some of the bigger corporates which are in the form of short-term loans were either not renewed or which was not to be very competitive on rates. So we did not get them rolled over or renewed, they paid and to that extent we've seen a degrowth in the advance portfolio. And to not hang on to the deposits, we also gave up almost to about 1,000 crores of bulk deposits.

So from a balance sheet perspective we feel it's a lot more cleaner and leaner right now. Deposits growth encouraging, retail SME growth on advances good, gold loans specifically we degrow because of the volatile gold price, but that is more a point-in-time, we believe the core capability to grow gold as the market stabilizes remain and that we will continue to.

On the credit side gold doesn't pose any -- sort of pose any threats for us on the portfolio side. Home loans are beginning to tick along, we need to take the scale up which we will. SME has registered almost an annualized growth of 25% for two quarters successively. So that gives us the confidence that our processes are working. At the same time, you may have observed the SME slippages are more than halved, so both the growth and the credit quality on SME is trending in the right direction.

Retail has stabilized in and around 40, 50 crores of slippages a quarter. While that is better than what it was we are seeking to

improve that. Large corporate tends to be patchy; in the quarter that went by we had one large account for which we specifically provided 100%. And a couple of restructured accounts of both fairly significant size accounts slipped and we sort of didn't meet their restructuring norms at a CDR level, so we have dissolved the restructuring and taken the NPA impact on it. As a consequence, Q2 -- Q1 provisions went up materially and therefore because we wanted to hold up provision coverage, we saw the impact on net profit being lower than what we would have liked it to be. Operating profit grew in -- grew quite well, sequentially almost 16% and that trend will more or less continue in the coming quarters. Margin uptick was modest, about 10 basis point was impacted because of the lack of rather degrowth in gold but that should come back as the price stabilizes.

So, my key message is one, the deposit franchise trending and ticking well. Retail SME both on the growth and on the credit quality in the right direction; large corporate credit off-take very modest, our sanctions are undisbursed, large pool of sanctions remains undisbursed, but we are not pushing that hard till we see confidence that it is the right kind of growth. Credit quality on the large corporate, we have taken some big knocks. The pipeline is definitely coming down but I would be cautious about guidance on that, given what's happening in the market.

Broadly, those are my inputs. The network expansion has given us some gains on the low cost deposit growth. We will, like I mentioned in the last call, consolidate before we expand again. In Q1, we opened only four branches, we had guided for about 30, 40 branches in the first half of FY '14. We may even lower that at 20, 20 part and then look at the market in Q3, Q4 to see how and where we need to expand.

So at that point, I'll sort of open the floor for questions and all of us are there to respond to any questions that anybody may have. So operator if you can open it for questions, please.

# **Questions And Answers**

### **Operator**

Thank you very much sir. Participants, we will now begin with the question-and-answer session. (Operator Instructions). We have the first question from the line of Hardik Doshi from First Voyager. Please go ahead.

#### Hardik Doshi, Analyst

Yeah. Thank you. I had two questions. First one was on the corporate loan book which degrew 14% quarter-on-quarter, as you said that you chose to protect your yield and advances and let go off some of these bulky loans. Can you just give us an idea of, did this happen pretty much at -- towards the end of the quarter and related to that your loan deposit ratio is down to about 72%, where do you see that stabilizing and how -- what is your corporate loan book and full year loan book estimate?

#### Shyam Srinivasan, Managing Director & Chief Executive Officer

Yeah. The loan book degrowth in corporate was fairly even as in we saw almost 1000 odd crores getting paid off by end April, early May and the balance through I would say May. I don't see, June was not significant in any pay off. The CD ratio being 72, 73, in fact it continued to be more or less in the early 70s throughout the quarter. It was despite running off a large part of the bulk because we saw very significant growth on NR term.

And that like I have always maintained is unfortunately high expense but it's customer. And confirm it with that growth also comes the savings growth, so we want to keep that going. In a curious way, the early July issues in the market, for a bank that has a high -- a low CD ratio, we were actually in a better position than maybe some of the market participants.

On the outlook for large corporate, we are being cautions in giving any guidance on large corporate only for the fact that the sanctions still remain but we are not seeing big pick up nor do I see a large pipeline of very big projects coming up. So I would be little more cautious about giving guidelines while we at early part of this year we had said about 20%, 25% growth on overall advances.

I think the retail SME will continue to be there and retail SME is now about 65% of the book. On large corporate, I'm holding back committing because we would like to see, how much of the sanctions actually translate into disbursals. So on that part, we are little more circumspect right now.

#### Hardik Doshi, Analyst

Okay, then related to this I mean obviously in the last year or year and a half our cost to income ratio has gone up significantly as we expand the branches. If our overall balance sheet does not grow because of the lack of pick up in corporate. I mean, can you give an outlook on how we are going to improve our cost to income ratio going forward, I mean what's the strategy and what's the outlook of that?

# Shyam Srinivasan, Managing Director & Chief Executive Officer

Yeah. We have beginning of the year also said our cost to income will be between 44 and 45 this year. You may have observed this quarter also it was there or thereabouts. That will continue to be the cost income for the financial year '14. Like I mention, the expansion we are calibrating to the growth. And Q1 we opened only four branches, Q2 maybe another 20 branches as well. And the remaining will be as we see the market pick up towards the back end of the year.

The costs are reasonably predictable. Income on retail and SME is more in our command, but retail which shows particularly in gold loan in Q1 only because of the environment, the trade out [ph] was to hold back and get the payments in before we step up. That may come back in Q2 and beyond. So overall, the cost income guidance remains the same, 44% to 45%. Income growth will be on the back of all the other initiatives that we've been speaking of, growth in the retail SME, reduction in cost of deposits and importantly, the lower reversals on account of, hopefully, relatively lower slippages in the quarters ahead.

# Hardik Doshi, Analyst

Okay. Alright. And just finally on asset quality, we saw another 180 crore or so in slippages in corporate accounts. I think in the last two conference calls, you had generally given an idea for somewhere around 200 crore to 300 crore, I believe, as the potential watch account that you had. Given this current environment where there could be potentially further slowdown going forward, can you give us an update on how is this looking out and any sense on the size of the potential problem accounts, including restructuring?

# Shyam Srinivasan, Managing Director & Chief Executive Officer

Sure. The guidance -- rather the inputs we had shared on the calls and with individual meets. We had between 300 crores and 400 crores of what we had considered as highly stressed and watch accounts. They haven't slipped. The two accounts that you see this quarter was part of the restructured account, which also I had mentioned saying there are two accounts and they have slipped. So 300 crores to 400 crores of the large corporate is the pool that we are yet watching. As for now the sense on them is we have a better control, but it is continuing to be on our watch. On the restructured pipeline, right now we have about 150 crores to 180 crores of demand for restructuring, which is not in this 300 crores.

#### Hardik Doshi, Analyst

Okay. So 150 crore to 180 crore in restructuring and another 300 crore to 400 crore, which can possibly grow NPA?

#### Shyam Srinivasan, Managing Director & Chief Executive Officer

Across time, but that is just our big, the worry list, if you will.

#### Hardik Doshi, Analyst

Okay. And can you give a sense of this 300 crore to 400 crore, I mean any particular industries or areas where this is coming from?

#### Shyam Srinivasan, Managing Director & Chief Executive Officer

No. They are fairly widespread, both geography and segment. There is no concentration of big ticket. There is no one big ticket like we had unfortunately six months back which was a large agriculture marketing. That we don't have any ticket of that nature.

#### Hardik Doshi, Analyst

Okay. Okay. And with the NAFET account now, both you and South Indian Bank have written it off even though the RBI had given a

moratorium.

# Shyam Srinivasan, Managing Director & Chief Executive Officer

I had only said, provided 100% of it.

### Hardik Doshi, Analyst

Yeah, yeah. Sorry, you provided for it. But my question is, I mean, what is the outlook in terms of recovery, timeline? I mean, what is the reason to provide for it completely now as well?

# Shyam Srinivasan, Managing Director & Chief Executive Officer

The regulatory need was to provide 100%. Outlook remains the same. I mean, all efforts to go out and negotiate settlement or a recovery is very much on. We are strengthening our case quite materially in particular to this account, but those are by the nature of the fact that it is government, a quasi government, it has many elements and we did not know the horizon in which the recoveries may happen. So to that extent, it's a more prudent call.

We will see, I mean the efforts are very aggressive to try and restore the account in some part, we wouldn't know yet because of the way the other side is and the government intervention that is there.

### Hardik Doshi, Analyst

Okay. Thanks.

# Shyam Srinivasan, Managing Director & Chief Executive Officer

Thank you.

#### **Operator**

Thank you. We have the next question from the line of Jon Prigoff from Equinox. Please go ahead.

#### Jonathan Prigoff, Analyst

Hi, I am just wondering, a part of the new branch opening strategy was always using gold loans to get the loan book up to scale reasonably quickly and in this kind of an environment where gold loans aren't growing, does that change the profitability of the new branches you've opened or plan to open?

If you could help us understand that, I'd appreciate it.

#### Shyam Srinivasan, Managing Director & Chief Executive Officer

Sure. Yes, your point is quite valid, gold loans were the crucial part of getting the new branches, both the book and the customer base and therefore making them profitable early. Like I pointed out, the gold loan book in this quarter we slowed down only because we wanted to make sure that they don't run into a problem. That may not be a sustained outcome, gold loan continues to be even now, disbursals are about 25 crores, 26 crores a day. The only thing, the repayments are 35 crores a day.

So gold loans will be continuing to be there, so the new branches will originate gold loans, there is no issue, particularly new branches have no baggage, so to that extent, they have no book to protect other than growth.

The growth will be modest at a portfolio level only because, there is greater repayments. So new branch strategy per se doesn't get impacted by the fact that we are slowing down on gold in the overall portfolio.

That said, new branches are also for current account, savings account and for SME and they are being encouraged to do that. Yeah.

# Jonathan Prigoff, Analyst

Just to follow up with that, if I look at the gold price and I do, even a pretty simplistic analysis (technical difficulty) some clients were under water on their gold loans, but you said earlier that there is no credit issue with the gold book. Can you explain, how that's the case and why we shouldn't expect any credit issues there?

# Shyam Srinivasan, Managing Director & Chief Executive Officer

Sure. The book is about 6,000 crores between the retail and the agricultural gold loan overall. And our LTVs have been fairly in the 60%, 65% range and the weighted portfolio right now I think is about 76% to 77% of the LTV of the book, this is after applying interest. And in Q1 we took about 4 crores to 5 crores as impairment or the NPA on the whole book and that trend will continue. The book that is 90% plus LTV, and 95% plus LTV is what we are actively working on getting the repayments in, so that those accounts stay safe and that's why I said we are focusing on greater amount of repayments to ensure that the book remains stable.

The bank's experience is different from that of an NVSP, where the rates of interest are higher and the payment schedules are different and the profile of the client also is slightly different. That said, an element of the book will remain a challenge, which is why we are increasing the recovery efforts on that.

# Jonathan Prigoff, Analyst

Sorry did you say 45 crores?

# Shyam Srinivasan, Managing Director & Chief Executive Officer

Nο

# Jonathan Prigoff, Analyst

(inaudible) impairments?

# Shyam Srinivasan, Managing Director & Chief Executive Officer

4 crores to 5 crores, not 45 crores. 45 crores will be very torturous.

# Jonathan Prigoff, Analyst

Okay, thank you.

#### Shyam Srinivasan, Managing Director & Chief Executive Officer

Welcome.

#### Operator

Thank you. We have the next question from the line of Sri Karthik from Espirito Santo. Please go ahead.

#### Saikiran Pulavarthi, Analyst

Hi, sir. This is Saikiran from Espirito. Just quickly a couple of questions, sir, the margins, how do you feel this behaving I mean you mentioned specifically in your opening remarks the behavior is highly contingent and how the gold loan book will stabilize, but considering the current liquidity conditions I guess you would see the ratio is still lower than what it would have been ideal. And what are the reasons, I mean, how do you see this panning out in the next few quarters?

# Shyam Srinivasan, Managing Director & Chief Executive Officer

Sorry, if I get the question, one is, outlook on margins, second is CD ratio is low and outlook on that. Is that the question?

### Saikiran Pulavarthi, Analyst

Yes, right, sir.

### Shyam Srinivasan, Managing Director & Chief Executive Officer

And maybe they're linked. The CD ratio like I mentioned is -- has been around 72, 73 at the -- in Q1. We would like that to go up, but there is an element of the growth -- or sanctioned corporate tickets have to happen, but that notwithstanding, if we're able to grow our SME book by another 6%, 7% this quarter sequentially and gold loan growth which looks a little more encouraging in Q2 than it was in Q1, if those happen, we see our both CD ratio strengthening as also our advances on the retail and SME side growing.

And third is, we are looking at the debulking of deposits on the large -- big ticket deposits, even further. So CD ratio improvement, better utilization of the low cost deposits for growth in retail and SME, and of course, if gold comes back, we think a 3.25 margin is what we are targeting in Q2. But give or take 5 basis points, which is why I guided for anything -- 3.13 to 3.20 is what we think will be Q2. And that will if the momentum comes back, we'll see a better growth in the coming quarters.

### Saikiran Pulavarthi, Analyst

On the outlook of margins, how do you see this moving going forward?

# Shyam Srinivasan, Managing Director & Chief Executive Officer

We had initially guided for 335 as a full year while we have an internally sort of changed forecast. Yes, we recognize the fact it is going to be a tough period. So I'll give my guidance for Q2 and we have to watch for the year as things play out because there are a couple of issues that need to be happening in the market for us to see those benefits. So, we're right now talking of 320 for Q2.

### Saikiran Pulavarthi, Analyst

That's it sir. Thank you.

# Shyam Srinivasan, Managing Director & Chief Executive Officer

Thanks.

#### **Operator**

Thank you. We have the next question from the line of Vigesh Gandhi from Bank of America. Please go ahead.

#### Shyam Srinivasan, Managing Director & Chief Executive Officer

Yeah, please go ahead.

# **Operator**

Mr. Vigesh Gandhi, you may proceed with your question. Sir, there seems to be no response from the line of Mr. Vigesh Gandhi. Should we proceed with the next question?

#### Shyam Srinivasan, Managing Director & Chief Executive Officer

Please do.

# **Operator**

We have the next question from the line of Abhishek Kothari from Violet Arch Securities. Please go ahead.

# **Abhishek Kothari, Analyst**

Sir, could you give me the -- if I have missed out, I don't know -- restructuring book as on Q1 and NPA from restructured book?

# Shyam Srinivasan, Managing Director & Chief Executive Officer

Q! restructuring was 76 or 77 crores.

#### Abhishek Kothari, Analyst

Outstanding book, right now?

# Shyam Srinivasan, Managing Director & Chief Executive Officer

2500.

### Abhishek Kothari, Analyst

2500 crores and total NPAs from restructured book?

# Shyam Srinivasan, Managing Director & Chief Executive Officer

Live to date of the bank of the restructured 2500, 630 is the live to date restructuring NPA. That includes the two accounts we restructured in Q1.

#### **Abhishek Kothari, Analyst**

You did restructuring of 76 crores during the quarter, right sir?

# Shyam Srinivasan, Managing Director & Chief Executive Officer

Yes, yes, yes.

#### **Abhishek Kothari, Analyst**

So, I mean apart from that how much has slipped into NPA from restructuring, total? 180?

### Shyam Srinivasan, Managing Director & Chief Executive Officer

No, no.

# **Abhishek Kothari, Analyst**

During Q1?

# Shyam Srinivasan, Managing Director & Chief Executive Officer

During Q1, its 102 plus 40, so 141.

# **Abhishek Kothari, Analyst**

141 crores. Those are the two accounts 101 and 40.

# Shyam Srinivasan, Managing Director & Chief Executive Officer

That's right, yes. 102 and 39 or 101 and 40. Sorry, one of the two, yeah.

# Abhishek Kothari, Analyst

So, I mean another question is coming back on through your slippages apart from this corporate portfolio that you have already seen. I mean, what would be the guidance going forward?

# Shyam Srinivasan, Managing Director & Chief Executive Officer

I mentioned earlier in the call. The two things that we have been watching and working on, is a pool of about 300 to 400 crores of -- a bigger tickets --

#### **Unidentified Participant**

Okay.

# **Unidentified Speaker**

that we are working on very actively and the restructuring pipeline is about 150 crores to 160 crores which also we are working on.

# **Unidentified Participant**

Okay. And what kind of growth would you see on the corporate, I mean, some 15 levels?

# **Unidentified Speaker**

See on the corporate, we unless -- we are not giving a very good guidance because the pool of sanction non -- quite large.

#### **Unidentified Participant**

Okay.

#### **Unidentified Speaker**

But we haven't seen pick-up. So I'm unable to give a good guidance as and me and the large corporate team, we are evaluating but I wouldn't like to give a guidance but exactly, we 10% plus. And the Retail SME is very predictable and the trend is also suggesting a 20% plus.

# **Unidentified Participant**

So I mean, why I'm asking this is, what could be your fee growth target then for the year?

#### **Unidentified Speaker**

We are confident our 20% plus, year-on-year.

Year-on-year? Okay.

# **Unidentified Speaker**

Yeah.

# **Unidentified Participant**

And sir, one data-point. What would be your RWA at the end of the quarter?

# **Unidentified Speaker**

37,000 crores.

# **Unidentified Participant**

How much sir?

# **Unidentified Speaker**

37,000. 37,001 [ph]

# **Unidentified Participant**

Okay. That's it. Thank you, sir.

# **Operator**

Thank you. We have the next question from the line of Amit Ganatra from Religare Invesco Asset Management. Please go ahead.

#### **Amit Ganatra, Analyst**

Sir, from this quarter I mean on this quarter presentation, there was no mention of the rating profile I think, you had started giving it earlier. Can we get that data once again?

### **Unidentified Speaker**

Yeah. We will post it, there was some error on the unrated portfolio, so in the next day or two, we will post in on the website.

# **Amit Ganatra, Analyst**

And the other question is, can we get a breakup of your, this total other income of 215 crores that you're voted for the quarter?

# **Unidentified Speaker**

Sure. -- other expense or else, other income.

#### **Amit Ganatra, Analyst**

Yeah.

See income will be total this, 103 crores, 104 crores that 215, -- incomes 104 which can push up several write-offs.

#### **Amit Ganatra, Analyst**

Okay.

# **Unidentified Speaker**

We were trading on this 89 crores.

### Amit Ganatra, Analyst

Trading in this 89?

#### **Unidentified Speaker**

89, unless various items.

# **Operator**

Sorry to interrupt you, sir. Sir, he is -- at a distance, we are unable to hear you clearly.

# **Unidentified Speaker**

Yes.

# **Unidentified Speaker**

So fee income, the total is 103 crores, 104 crores and trading gains is around 89 crores. With this -- It is a miscellaneous side.

# **Unidentified Participant**

Recovery from return of accounts?

# **Unidentified Speaker**

10 crores.

#### **Unidentified Participant**

Sir, last question on this NAFET, what's the status currently, I mean, is it gone for restructuring or something like that or?

# **Unidentified Speaker**

It is we have provided 100%.

# **Unidentified Participant**

No, no. I know that bank has provided 100%. But what, what is the status of the case right now. In that sense, that, is it basically going for restructuring or you are perusing direct recoveries or what's the?

Actually a little more than that, because there's no multi bank coordinated effort on this by the nature of the client.

#### **Unidentified Participant**

Okay.

# **Unidentified Speaker**

While there's an informal effort by all banks to collect, each bank is trying to pursue, are they you to available. But from the government side, there's some kind of recognition on the need to restore the account and the company, but it is very ambiguous, I don't' think anybody's is able to give a very clear cut which, but us has -- we have worked in the legal process to strengthen our case. But it could an act end of being a delayed action because the heavy effort can be act by them. So, I would say that case is not very clear, there's no action path, anybody can very confidently say.

From us, from our side we are perusing multiple rules. No suspect, many would give you a similar as...

# **Unidentified Participant**

-- That's five. Thank you, thanks a lot.

### **Operator**

Thank you. We have the next question from the line of Pankaj Tibrewal from Kotak Mutual Fund. Please go ahead.

# Pankaj Tibrewal, Analyst

Good afternoon. Couple of quesitons. One, can you give us some sense on what was all CASA groth, ex NRI deposits?

#### **Unidentified Speaker**

As for growth, ex NRI deposit?

### Pankaj Tibrewal, Analyst

Yes. If you remove the NRI, which is and which was, here's the limit of your branch expansions. What you have...?

#### **Unidentified Speaker**

Why would that be?

#### Pankaj Tibrewal, Analyst

On the domestic side, the kind of branch expansion, my sense is, this most of is coming from the (inaudible) late NRI community?

### **Unidentified Speaker**

May, may I want to suggest your data point is wrong.

#### Pankaj Tibrewal, Analyst

Okay. So...

Our NRI growth outside Kerala is 100% compare to its past on a relatively low against...

# Pankaj Tibrewal, Analyst

So can you give us some sense, because my understanding is that, these branch expansions which you have done over the last 18, 24 months. Somehow that's not resulting in the domestic mobilization of CASA, which would I have expected. So, had the NRI part been not there, the domestic CASA mobilization has been much below expectation. So, I maybe wrong, but if you can me some sense on that part on the outlook over there.

### **Unidentified Speaker**

Sure.

# Pankaj Tibrewal, Analyst

Yeah.

# **Unidentified Speaker**

Okay. Savings resident savings --

# **Unidentified Participant**

Yes.

# Shyam Srinivasan, Managing Director & Chief Executive Officer

-- in Q1. Resident savings has moved from 7,281 --

# **Unidentified Participant**

Okay.

# Shyam Srinivasan, Managing Director & Chief Executive Officer

-- to 7,554.

#### **Unidentified Participant**

Okay.

# Shyam Srinivasan, Managing Director & Chief Executive Officer

Right. And NR -- sorry, one second, 72 -- yeah, (inaudible) add this also -- yeah, 7,554. NR savings has moved from -for Q1 this is. NRE SB has moved from 484 to 554 -- 4,843 to 5,543.

#### **Unidentified Participant**

Okay.

#### Shyam Srinivasan, Managing Director & Chief Executive Officer

That's the growth in resident and NR. And NR growth is about 80% in Kerala and 20% outside Kerala.

Okay. So that's the point I'm trying to make, that if you look at the resident deposit growth, the CASA growth has been very muted, which should have been the way that the branch expansions have happened. You should expect a volume-led growth (inaudible) happening for you, even if you don't factor in the productivity gains from your existing branch. So just trying to understand that thought process, as management how are you looking at it from the (inaudible) because your opening remarks was that liability franchises have been very strong. That's a good part. So just trying to understand that aspect.

# Shyam Srinivasan, Managing Director & Chief Executive Officer

Like I mentioned, the NR growth ex-Kerala on a smaller base is growing 100%.

# **Unidentified Participant**

Yes.

# Shyam Srinivasan, Managing Director & Chief Executive Officer

Right? So our growth aspiration is to make sure that happens and in fact, more of it.

# **Unidentified Participant**

Yes.

# Shyam Srinivasan, Managing Director & Chief Executive Officer

And if that didn't happen, then our liability franchise locally in those locations are not growing. And you have to grow to your strength. The bank is heavily NR oriented in deposit growth. So when you see that happening in your non-home market, that's the encouraging sign for us. And like I pointed out, those numbers suggest the growth on ex-Kerala also the deposit growth. And the NR savings ex-Kerala -- I gave you the number just now.

# **Unidentified Participant**

Yeah.

# Shyam Srinivasan, Managing Director & Chief Executive Officer

So that is suggestive of how growth rate is probably even higher than in our home market. Home market base is huge.

# **Unidentified Participant**

Okay.

# Shyam Srinivasan, Managing Director & Chief Executive Officer

The 100 crores odd is the non-Kerala growth and 680 crores odd is the Kerala growth.

# **Unidentified Participant**

Yes.

# Shyam Srinivasan, Managing Director & Chief Executive Officer

So 100 crores odd on a small base.

# **Unidentified Participant**

Yeah.

# Shyam Srinivasan, Managing Director & Chief Executive Officer

And 680 crores on a large base.

#### **Unidentified Participant**

Yes.

# Shyam Srinivasan, Managing Director & Chief Executive Officer

So that's what I said, about 80-20.

# **Unidentified Participant**

So that's the point, Mr. Srinivasan [ph], I'm trying to make --

# Shyam Srinivasan, Managing Director & Chief Executive Officer

I don't know what you're trying to prove, but go ahead.

#### **Unidentified Participant**

The point which I'm trying to say is that your branch opening ex-Kerala has been very high been very high over the last 18 months. But the growth has not -- has been seen on the liability from domestic resident as well as from NRI though on a small base you're adding 100 crores, but the kind of momentum we have seen in some of the other private sector banks, I am sure that I'm not comparing that with -- but is there any strategy forward out, you think that no, the growth has been there and my data points or with the belief I have this --

# Shyam Srinivasan, Managing Director & Chief Executive Officer

See, the problem is, I am not an analyst, I'm running the bank.

# **Unidentified Participant**

Sure.

#### Shyam Srinivasan, Managing Director & Chief Executive Officer

I don't write my reports through anything. We -- bank to run the bank.

# **Unidentified Participant**

Sure.

# Shyam Srinivasan, Managing Director & Chief Executive Officer

They're growing and we know we have lots of gaps to improve and which is what we are working on.

Fair.

# **Shyam Srinivasan, Managing Director & Chief Executive Officer**

So I can't run it to the commentary of somebody else.

# **Unidentified Participant**

Fair, fair.

#### Shyam Srinivasan, Managing Director & Chief Executive Officer

Yeah.

#### **Unidentified Participant**

Okay. And the second question sir, which I had was on SME side, we have seen quite a commendable job been done on the asset quality there. Any stress points you are seeing in -- sectors or stuff because the large corporates has been a sole point not so much on SME and retail -- commendable there?

# Shyam Srinivasan, Managing Director & Chief Executive Officer

SME remains reasonably okay for now. But I would worry that, if the large corporate doesn't dramatically, there are pick up and environment doesn't pick up, one day they will face stress. But right now, they are reasonably effort elastic only because of the fact that the bank, client basis relatively embedded and -- in the local cash burns we know them.

## **Unidentified Participant**

Okay.

# Shyam Srinivasan, Managing Director & Chief Executive Officer

But it is something that we are -- aware and watchful of. We probably be on the luckier side.

#### **Unidentified Participant**

Okay. And the SME book -- be largely working capital based?

# Shyam Srinivasan, Managing Director & Chief Executive Officer

75% of the SME book is largely capital, 75% to 80% is working capital.

# **Unidentified Participant**

Correct, correct. Okay, great. Thanks --

#### Shyam Srinivasan, Managing Director & Chief Executive Officer

We reverse on the large part.

Thanks a lot. Thank you.

# **Operator**

Thank you. We have the next question from the line of Anand Laddha from HDFC Mutual Fund. Please go ahead.

# **Anand Laddha, Analyst**

Sir, just wanted to have few data points from you. On the investment book size, if you can just how much is the FS [ph] book, what could be your duration?

# Shyam Srinivasan, Managing Director & Chief Executive Officer

Ashutosh, are you on the line?

# **Ashutosh Khajuria, President Treasury**

Yeah.

# Shyam Srinivasan, Managing Director & Chief Executive Officer

Would you give it?

# **Ashutosh Khajuria, President Treasury**

76 [ph].

# Shyam Srinivasan, Managing Director & Chief Executive Officer

We can't hear Ashutosh.

# Ashutosh Khajuria, President Treasury

0.76.

#### **Anand Laddha, Analyst**

Is duration of the FS book?

# **Ashutosh Khajuria, President Treasury**

Yes.

# **Anand Laddha, Analyst**

And how big the FS book?

# **Ashutosh Khajuria, President Treasury**

It is about 3,000.

#### **Anand Laddha, Analyst**

Okay. Also if you can give -- what's the yields on advances, yields on investment for this I don't have no data basically it's on the presentation side.

### Shyam Srinivasan, Managing Director & Chief Executive Officer

Yields on advances this quarter was 11.88, if I remember right, 7.38 was cost of deposit. And yield on investment was 8.68, yields on investments.

### **Anand Laddha, Analyst**

Okay.

# Shyam Srinivasan, Managing Director & Chief Executive Officer

11.88, 7.38 and 8.68.

#### **Anand Laddha, Analyst**

Okay. And sir lastly, they have been two -- it has been slipped from the restructured book due to no fulfillment of CDR terms. So what is the course of action would use to (inaudible) proceeding against those -- wait for other bank for them to declare NPA across all the bank and probably then, --

# Shyam Srinivasan, Managing Director & Chief Executive Officer

No, we are commencing recovery action.

#### **Unidentified Participant**

Okay.

# Shyam Srinivasan, Managing Director & Chief Executive Officer

But they are very sort of difficult ones to get passed with these accounts don't seems easy but yes recovery actions are commencing.

# **Unidentified Participant**

Okay. But in any of the -- have you filed out for winding up or winding a petition over looking for (inaudible) against them.

#### Shyam Srinivasan, Managing Director & Chief Executive Officer

(inaudible). Winding a petition, opportunities are less with these two cases.

#### **Unidentified Participant**

Okay and sir, just roughly on the NRI deposit, total NRI deposit -- is INR15,000 odd crore. If you can give break up in terms of NRI term deposit, NRI saving and other saving if you can share that?

#### Shyam Srinivasan, Managing Director & Chief Executive Officer

One second. NRI term is 8296. NR SB, we just give the number 55542

55?

# Shyam Srinivasan, Managing Director & Chief Executive Officer

5,542.

# **Unidentified Participant**

Okay and remaining must be the ONR rupees which has got us bank balance, 8296[ph], 5542[ph]. ONR one second

# Shyam Srinivasan, Managing Director & Chief Executive Officer

The NR SB, 5543; NR term, 8296; foreign currency 959

# **Unidentified Participant**

Okay.

# Shyam Srinivasan, Managing Director & Chief Executive Officer

And ONR SB, 615

# **Unidentified Participant**

615.

# Shyam Srinivasan, Managing Director & Chief Executive Officer

Yeah more or less than --

# **Unidentified Participant**

The TD, ONR TD?

# Shyam Srinivasan, Managing Director & Chief Executive Officer

ONR TD is how much, ONR Terms is 1,295

#### **Unidentified Participant**

Okay, thank you sir.

# Shyam Srinivasan, Managing Director & Chief Executive Officer

Thanks.

#### **Unidentified Participant**

That's from my side thank you.

# Shyam Srinivasan, Managing Director & Chief Executive Officer

Yeah welcome.

# **Operator**

We have the next question from the line of Prakash Kapadia ialpha Enterprises. Please go ahead.

# Prakash Kapadia, Analyst

Thanks for taking my question. Sir, if you could throw some light, average yields as you just said has on a overall basis -- if I calculate based on what you have given me despite the corporate share coming down and SME and Retail growing in the --. That was the first question.

Secondly on the SME side, if you could give us some sense, what are we doing as SME is typically tend to be more under stress in a economic environment because of the OEM dependence or the export dependence. So what are we doing to minimize risk? Are we reducing ticked sizes, are we telling portfolios and thirdly, we have read in media about white ATM sponsorships. So, how do that help us?

#### **Unidentified Participant**

You can throw some bite.

# **Unidentified Speaker**

Sure. First of all, it was around the yield on advances. The large corporate coming down, the growth have been in home loans and as you know the gold loan which is the higher margin product this quarter saw degrowth.

# **Unidentified Participant**

Right.

#### **Unidentified Speaker**

If that extend the gold loan balance came down. Sequentially margin went up on advances 11.79 went up to 11.88. But at a portfolio level all new business if you competing for higher quality certainly come at a lower margin.

# **Unidentified Participant**

Okay.

#### **Unidentified Speaker**

SME margin continue to be about 12, 12.5.

# **Unidentified Participant**

Okay.

#### **Unidentified Speaker**

Retail home loans we are competed is against is the Sbi were at below our base rate.

# **Unidentified Participant**

So to that extend 10-20, 10-40 is the rate for new origination of home loans.

# **Unidentified Participant**

Right.

# **Unidentified Speaker**

-- as it comes back it will be at 13, 13.5.

# **Unidentified Participant**

Okay.

# **Unidentified Speaker**

It is a blended yield on advances, I don't see it becoming more than 11-88, 11-90 that will be the rate.

# **Unidentified Participant**

Okay

# **Unidentified Speaker**

Sorry, second part of your question was.

# **Unidentified Participant**

On the SME side you know . . .

# **Unidentified Speaker**

Various growths coming from.

# **Unidentified Participant**

What are we going to minimize the risk because. .

# **Unidentified Speaker**

Sure.

# **Unidentified Participant**

Typically, they would be proven more to the slowdown in terms of --

# **Unidentified Speaker**

Sure, the growth that we have seen is largely from the local -- we tried to focus more around the local business opportunities

whether it's a trading opportunity or a medical institution or a college or a local business. They are not very heavily linked to the, sort of supply chain of the larger company. As I said it's not like we can be compete the -from that.

# **Unidentified Participant**

Right

# **Unidentified Speaker**

And therefore this is an area of watch and close interactions, that is what our -- have been, sort of way opened for and being pushed to do more off.

# **Unidentified Participant**

Right.

# **Unidentified Speaker**

And right now it's a watch area, it has no one unique, we haven't sold down not do intend selling down SME portfolio. And that if we can continue to keep the close watch and early warning signals are there and we know when to exist we'll be okay. But for now it's a book of around 8,500 crore down the SME side plus agrees about 4,500 crores. Its holding out reasonably well and that will be a focus of growth. And that, it is by being very close there.

### **Unidentified Participant**

Okay.

# **Unidentified Speaker**

There is no one sort of product solution that we can say; he is going to solve the problem.

# **Unidentified Participant**

Okay.

# **Unidentified Speaker**

Third part of your question was I think the --

# **Unidentified Participant**

Right, right.

#### **Unidentified Speaker**

Yeah we are the sponsor bank for TATA, we do the backend processing for them and earn a C on that. But is we have just, they have just put up 180 a -- of now so, early t comment on what kind of profitability it will be but it will be opportunity for us to redeploy our cash better.

# **Unidentified Participant**

Sure, sure.

The cash management opportunity for us --, we are not in the front of it. We are just a sponsor bank for that.

# **Unidentified Participant**

Okay, okay. Got it, sir. Thank you.

# **Unidentified Speaker**

Thank you, yeah.

#### Operator

Thank you. We have the next question from the line of Nilesh Parikh from Edelweiss Securities. Please go ahead.

# Nilesh Parikh, Analyst

Yeah. Hi sir. Good afternoon.

# **Unidentified Speaker**

Good afternoon.

# Nilesh Parikh, Analyst

Sir, just one clarification on restructuring --, you mentioned it's about 25,100 [ph]. Just wanted to understand, is this cumulative or outstanding and this inputs the NPA also or this is, it's a standalone?

# **Unidentified Speaker**

No. This is cumulative, including the 600 crores which I split.

#### Nilesh Parikh, Analyst

Okay. Sir --

# **Unidentified Speaker**

Like-to-date.

### Nilesh Parikh, Analyst

Sure. What could be the outstanding number sir on the standards?

# **Unidentified Speaker**

1955.

#### Nilesh Parikh, Analyst

1955, and this is a standard right?

Yes.

# Nilesh Parikh, Analyst

Okay. Sir the other thing is on gold loans, I just wanted to kind of understand, besides after having seen the prices which are pretty [ph] volatile. What are the -- changes that you made in the entire, on the risk management side, sir?

#### **Unidentified Speaker**

Gold side, I have no --. Gold loan side, the movement of price started falling down, we have went to the customers, asking for that to remit the interest and interest, whatever is debited in the account plus, we have also asked them to bring back some more gold. So that they can remain at the same level of outstanding which mostly it's our role on portfolio is our customer, about 95% of the total gold loan customers are having some other relationship also.

So they responded well and we could do it, Infact, notices were sent and we could also conduct auction wherever possible, wherever required before 30 of June. So we could contain our NPA and the LTB also at a reasonable level.

#### Nilesh Parikh, Analyst

But, on the portfolio, you mentioned on -- with the LTB is about 90% to 95%. Can you quantify that amount correctly or to that semi?

# **Unidentified Speaker**

Portfolio about 90% for LTB?

#### Nilesh Parikh, Analyst

Yeah.

#### **Unidentified Speaker**

Apart 10% to 15% of the portfolio which is 6,000 crores will be 90% plus LTB.

#### Nilesh Parikh, Analyst

Okay, okay, okay. And so this is where, we would be asking for higher collateral or asking?

#### **Unidentified Speaker**

We actually ask for it from 75 onwards.

#### Nilesh Parikh, Analyst

From 75 onwards?

#### **Unidentified Speaker**

Yes. And it only took say for we took it, because when the gold price cracked on March, 26. I recalled we had call with some of our investors in early April.

# **Unidentified Participant**

Yeah.

# **Unidentified Speaker**

And even then we weighted average of portfolio was about little shy of 80, by the time we had started calling for either to top up or to paid up.

# **Unidentified Participant**

Okay. On new origination of gold loans, support of the LTP [ph] that we are currently...

# **Unidentified Speaker**

Around 60 to 65.

# **Unidentified Participant**

On new origination?

# **Unidentified Speaker**

Yeah.

# **Unidentified Participant**

Fine sir. Thank you. All the best.

# **Unidentified Speaker**

Thanks.

#### Operator

Thank you. We have the next question from the line of Keshub savery [ph] from NK Global. Please go ahead.

#### **Unidentified Participant**

Yeah. Good afternoon sir. You mentioned about your standard restructured asset outstanding is about 1955 crores. Now this would also include Air India, State Electricity Boards?

# **Unidentified Speaker**

Yes.

# **Unidentified Participant**

So, would -- how much would that quantum, the almost half of this?

# **Unidentified Speaker**

900 crores have been --.

# **Unidentified Participant**

So let say, this, now let's say, this quarter we had some the slippages on the restricted portfolio. Going forward from actually that portfolio we shouldn't be expecting much, slippages coming into the picture?

# **Unidentified Speaker**

There are, yeah. Typically we didn't like you see 10% to 15% as the slippage from the restricted growth.

# **Unidentified Participant**

Okay.

# **Unidentified Speaker**

May be the worst transition anticipate.

# **Unidentified Participant**

Okay. So...

#### **Unidentified Speaker**

So, we bulk laggy pointed out these three are the bulk of the restricted, look who are, for now honoring their commitment and even if they were, they would only renegotiate the term.

## **Unidentified Participant**

Right.

# **Unidentified Speaker**

There is a risk in that Electricity Board, which I want to guide everybody, is that the Rajasthan and others are restructured in March, 2012 very different terms. If they insist on the new FRP, there can be a significant revenue impact in the coming financial year or whenever they do.

### **Unidentified Participant**

Right.

# **Unidentified Speaker**

We are working on that, but there's nothing with the bank can do about it right now.

#### **Unidentified Participant**

And, once we get the bonds, there will be a reduction in this 1955 crore number?

## **Unidentified Speaker**

Actually 300 to 400.

# **Unidentified Participant**

So, and there will be a release of provisions also?

That's right. But, we haven't gone there yet, we don't' know what's the consequences are.

# **Unidentified Participant**

Not even TamilNadu Electricity Board?

# **Unidentified Speaker**

No, TamilNadu is remembering March 2013, we've restructured fully in the new term.

# **Unidentified Participant**

Okay, okay.

# **Unidentified Speaker**

They are not part of this.

# **Unidentified Participant**

So that number you've already reduced from these 1955 crores?

# **Unidentified Speaker**

Yes.

# **Unidentified Participant**

Okay. And, second question on your yields. Even if let's say want to assume that home loans, probably are going up, within that I think the higher proportionwould actually be lap rather than residential...

# **Unidentified Speaker**

One way is mixed home loans is a mixed one.

# **Unidentified Participant**

No. I'm saying in terms of incremental...

# **Unidentified Speaker**

Yeah. Incremental is mixed, incremental growth of every 100 crores I think, 60 crores is home loan.

# **Unidentified Participant**

Okay.

# **Unidentified Speaker**

30, 35 crores is an energy.

So, what I'm trying to understand is that, is the depressed yield also because of the fact that, this two accounts would slip from restructuring to NPL, there would be interest income reversal on those two accounts?

# **Shyam Srinivasan, Managing Director & Chief Executive Officer**

Marginal, about -- income reversal on account of slippages is about 17 crores.

# **Unidentified Participant**

17?

# Shyam Srinivasan, Managing Director & Chief Executive Officer

Yeah.

### **Unidentified Participant**

Okay, okay, okay. And -- hello?

# Shyam Srinivasan, Managing Director & Chief Executive Officer

Yeah, please go ahead.

#### **Unidentified Participant**

Yeah, and if I look at the write-off history for last about couple of quarters, we haven't had much of the write-offs post 2011. So in terms of let's say in other income where we have this recovery from written off accounts, that number would remain pretty much in this small tin or let's say a single digit number?

# Shyam Srinivasan, Managing Director & Chief Executive Officer

Answer is, yes, but though we formally [ph] hope the ones that we are writing off in Q1 gives us results in coming time.

#### **Unidentified Participant**

Okay.

### Shyam Srinivasan, Managing Director & Chief Executive Officer

But yeah, for now you are right.

#### **Unidentified Participant**

And the one that you have written off, what would the vintage of those accounts?

#### Shyam Srinivasan, Managing Director & Chief Executive Officer

Vintage of booking by 2006 and 2005.

#### **Unidentified Participant**

So, those are about like, four, five years old account.

# **Shyam Srinivasan, Managing Director & Chief Executive Officer**

A little longer.

# **Unidentified Participant**

Okay, okay. And just I had one last question -- actually I missed out in between.

# Shyam Srinivasan, Managing Director & Chief Executive Officer

No problem.

# **Unidentified Participant**

Sorry, I'll come back and -- okay, I just was wondering, if I look at your GSEC portfolio, that's roughly about 31% and then you have apart from that mutual fund CDs and CPs. So are we looking at reducing that proportion or we would sort of keep growing our liability profile in retail as we have been doing for last couple of quarter?

# Shyam Srinivasan, Managing Director & Chief Executive Officer

No, the retail liability growth is the core part of what we would like to do.

# **Unidentified Participant**

Okay.

# Shyam Srinivasan, Managing Director & Chief Executive Officer

And that we will continue to do.

# **Unidentified Participant**

Okay.

#### Shyam Srinivasan, Managing Director & Chief Executive Officer

The term deposit part usually is not something that we sort of rush for, but that's our core strength and we end up doing that well.

#### **Unidentified Participant**

Okay.

#### Shyam Srinivasan, Managing Director & Chief Executive Officer

And every time we grow that (inaudible) retail savings growth because the customer usually brings in both together.

#### **Unidentified Participant**

Okay.

#### **Shyam Srinivasan, Managing Director & Chief Executive Officer**

So that we will continue to do.

Right. But my question is that, are we looking at converting that 31% into higher LDR, which will slow down our overall deposit growth?

### Shyam Srinivasan, Managing Director & Chief Executive Officer

No, I am not getting the question.

#### **Unidentified Participant**

Sir, I am saying, GSEC as a percentage of deposits is about 30%, 31% odd.

# Shyam Srinivasan, Managing Director & Chief Executive Officer

Correct. Correct, correct.

### **Unidentified Participant**

Are we looking at reducing that proportion and converting those into loans?

### Shyam Srinivasan, Managing Director & Chief Executive Officer

(inaudible) opportunity base. That is really, Treasury explores opportunities and evaluate...

# **Unidentified Participant**

Right.

# Shyam Srinivasan, Managing Director & Chief Executive Officer

The right to do.

#### **Unidentified Participant**

Because...

# Shyam Srinivasan, Managing Director & Chief Executive Officer

So, Ashutosh, if you're on the line, you can answer that.

### **Unidentified Participant**

Because your yield on investments is still pretty sort of robust at about 8.7% if I am not mistaken you mentioned earlier in the call.

# Shyam Srinivasan, Managing Director & Chief Executive Officer

Correct, yeah, the eight point is safe.

#### **Unidentified Participant**

So that leaves still lot of gains for us to -- or is it because of CD...

# Shyam Srinivasan, Managing Director & Chief Executive Officer

If there are good opportunities, yes, certainly, yes.

#### **Unidentified Participant**

Okay, okay. Sure, yeah, that's it from my side. Thank you.

# Shyam Srinivasan, Managing Director & Chief Executive Officer

Thanks. Operator, can we do two more questions and then close down?

#### **Operator**

Sure, sir. Thank you. We'll take the next question from the line of Anish Tawakley from Barclays. Please go ahead.

#### **Anish Tawakley, Analyst**

Yeah. Could you just walk us through the sort of loan recovery process for gold loans, in the sense at what points do what actions get triggered? You mentioned that 75 bps -- 75% LTV you ask them to post more collateral. At what point do you sort of initiate auction and does that differ for your sort of core customers versus new to bank customers? That would be helpful.

# Shyam Srinivasan, Managing Director & Chief Executive Officer

Gold loans, we have several products, depends on the duration of -- tenure of the product also. And auction is the last resort and we cover -- I mean we get around 95% of the value when we go for auction. So a prudent action will be taken locally, but -- all our regional setups are empowered to do the auction. So they take necessary action, but we start issuing notices the moment -- we started doing that when the moment it crossed 75% LTV last time. And all those accounts crossed 75% LTV, we issued notices for auction. The customers' borrowers responded very well, repaid. Wherever they have not responded, we issue another notice for remitting with 15, 20 days' time. They are not forthcoming and if it is a -- if it is not, as I said, risky one and we go for a sensible action of auctioning.

#### Anish Tawakley, Analyst

So earlier in the call it was mentioned that about 10% to 15% of the portfolio is greater than 90% LTV.

#### Shyam Srinivasan, Managing Director & Chief Executive Officer

Yeah.

#### Anish Tawakley, Analyst

Will most of that be put up to for auction soon or is there a different approach for some (inaudible)?

# Shyam Srinivasan, Managing Director & Chief Executive Officer

In those cases, we cannot take a blind decision to go for auction, because as I said earlier 95% of the gold loan borrowers are our own clients. I mean the branches may be holding back some of the ornaments, some of the gold loan accounts not going for auction depending on the other relationships. So we cannot take an action. That is why we have a regional setup to take appropriate decision.

#### Anish Tawakley, Analyst

Okay, great. And -- sorry, just one more question. I think this was asked earlier. You mentioned that the SME outlook is still

uncertain. Could you sort of describe how much stress there is and are there some accounts that were upgraded earlier that might fall into NPAs, is there any metric, you use for sort of, for SMEs -- like early say, delinquencies, how many are 30 days or it your 60 days overview? What does, what do those metrics indicate?

# **Unidentified Speaker**

Sure. We track our -- of course, 30 plus and 60 plus on a regular basis. The SME is 60 plus has been lowering between 8 -- 7% to 8%, I would say. That has not seen dramatic variation across quarters and the resolutions have been fairly strong and the net debentures [ph] it's a 90 plus, which is what this clip have screened. Of course, Q1 this year was very good but I have batched [ph] the doubt, has been about 80 crores to 90 crores, a quarter. 75 crores to 90 crores, a quarter has been the slippage for a quarter on SME and that will, I think, that's what is older.

Q1 was particularly good but that may not remain, maybe it will be more in the region of 75 crores or so.

# **Unidentified Participant**

So there's been a volatility in the net slippages number but the 60 day delinquency is steady.

# **Unidentified Speaker**

More or less steady.

# **Unidentified Participant**

I understand. So it is, probably taking an average is more, more useful from our perspect? Okay. Thank you very much.

# **Unidentified Speaker**

Yeah, welcome.

#### Operator

Thank you. We have the last question from the line of M B Mahesh from Kotak Securities. Please go ahead.

#### M B Mahesh, Analyst

Sir, just one clarification. In your other expenses, are there any one-off's here?

### **Unidentified Speaker**

In Q1, this year?

#### M B Mahesh, Analyst

Yeah.

#### **Unidentified Speaker**

One second.

### M B Mahesh, Analyst

Any marketing related spends?

No, no. Nothing, lower significant in expenses. The Q1 this year was 151 crores total other expenses, other operating expenses. Last year, Q1 was 117 and last quarter, last year was 156. So it's better by 5 crores, there is no one-off, depreciation is about 20 crores. Rent and tax is about 37 crores and other expenditure which includes, which are -- what are the other expenditure? Okay, so deposit increase the deposit insurance premium had gone up.

So 48 crores is our other expenditure on that so, there is really no, large one-off. It's just the run-rate of the footprint expansion, whereby it's translating into rent, depreciation and rent depreciation and other expenses.

#### M B Mahesh, Analyst

Is it fair to assume that, we can take a similar run-rate, given the fact that the expansion now is, kind of slowing down?

# **Unidentified Speaker**

Yeah, 155 to 156 because last year, last quarter would be the run-rate.

### M B Mahesh, Analyst

Okay. And just one question, you had mentioned that the interest reversal was about 70 crores.

#### **Unidentified Speaker**

Yeah. Income interest, there was an -- on account of the 17 to 18.

# **Unidentified Participant**

I was just trying to back calculate it. There was about 140 crores of restructured account slippages. And typically you would have reversed the entry from the date it first fell into NPLs, from the day the first default happened. So wouldn't that number be on the higher side?

#### **Unidentified Speaker**

There are many cross lines that will be -- sequentially just wanting, we won't start it off. Some increase, some decrese, so it's a very -- Kris crossing that. The net impact of 17 crores, 18 crores is --

#### **Unidentified Participant**

Okay. And one last question. Housing loans you mentioned was something which were quite pleasant with the way the progress has been in terms of growth. But housing portfolio as such has not grown, it seems to be more on the LAP side. So just wanted to understand how are you looking at the --

#### **Unidentified Speaker**

Housing loans is growing at about 2% this quarter, we would like it to be much higher, certainly it will. But the repayments, we've just crossed the amp of the higher repayments which now is turning out to be incremental growth. But new originations are increasing substantially. I think this quarter we did 200 plus crores of sanctioning. So that is beginning to grow, but not in the level we would like to, but is beginning to grow.

#### **Unidentified Participant**

Would we kind of end the year at closer to about an industry average?

#### **Unidentified Speaker**

Yes. We would like it to be growing at anything, 16% to 18% minimum.

# **Unidentified Participant**

Okay, sir. Thanks a lot.

# **Unidentified Speaker**

Thanks.

# **Operator**

Thank you. I would now like to hand the floor back to Mr. V. Krishnan for closing comments. Over to you, sir.

# V. Krishnan, Analyst

Yeah. It's been a pleasure to host the senior management team at Federal Bank for this call. I take this opportunity to thank Mr. Srinivasan and your entire team, sir. It's been a pleasure to host you.

# Shyam Srinivasan, Managing Director & Chief Executive Officer

Thank you very much, all the best. Thank you.

# V. Krishnan, Analyst

Thanks.

### **Operator**

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