DCB BANK

DCB Bank Limited Q3 FY2013 -14 Earnings Conference Call

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Management Participants:

Mr. **M**urali **M**. **N**atrajan – MD & CEO, DCB Bank Ltd.

Mr. **B**harat **S**ampat – CFO, DCB Bank Ltd.

Mr. **S**ridhar **S**eshadri - Financial Controller, DCB Bank Ltd.

Mr. **R**ajesh **V**erma – Head: Treasury & Corporate Banking, DCB Bank Ltd.

Ms. **M**eghana **R**ao – Head: Investor Relations, DCB Bank Ltd.

Moderator Ladies and gentlemen, good evening and welcome to the DCB Bank Ltd. Q3FY14 Earnings Conference Call. Joining us on the call today are Mr. Murali M. Natrajan – MD and CEO, DCB Bank Ltd. and Mr. Bharat Sampat – CFO, DCB Bank Ltd. As a reminder, for the duration of the conference all participants' lines will be in the listen only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call, you may signal for an operator by pressing '*' and then '0' on your touchtone telephone. Please note this conference is being recorded. I would now like to hand the conference over to Mr. Bharat Sampat, thank you and over to you Sir.

Bharat Sampat Good evening everyone and welcome to DCB Bank's Q3 FY14 results conference call. Today from management side with me are Mr. Murali M. Natrajan – MD & CEO, Mr. Rajesh Verma – Head: Corporate Banking and Treasury, Mr. Sridhar Seshadri – Financial Controller and Ms. Meghana Rao – Head of Investor Relations. Murali will be taking this call from an outside location, so he is patched in. I apologize in advance, if there are any call quality issues but we will try to make sure that you get the answers that you are looking for.

I will now handover the call to Murali to start the conference.

Murali M. Natrajan Good evening everyone and welcome to the first DCB Bank Limited's investor call. As you know we changed our name from Development Credit Bank Limited to DCB Bank Limited primarily because most of the stakeholders were referring to us as DCB Bank and we thought that we just shorten the name and make it DCB Bank Limited which is easier for everyone. So welcome again.

We have this time put together an FAQ, since some of the questions seems to be repetitive, we thought that we might as well put it on the website and you have a chance to read those questions. So what I can do is I can go straight away to our question answer session. So if you have a question which is not covered by the FAQ or if you need some clarification feel free to ask me the question. I am ready for questions.

Moderator Thank you very much, Sir. Participants, we will now begin with the question and answer session. We have the first question from the line of Prashant Shah from Vantage Securities. Please go ahead.

Prashant Shah I just wanted to ask you actually regarding your margins you reported about 13 basis points sequential contraction in margins, but if you see the moment in your yields is about 24 basis points on the positive side whereas your cost of fund has gone up by about 30 basis points. So that accounts for about 6 basis points. But where it was the extra 7 basis point compression come from?

Murali M. Natrajan From July 15, 2013, in fact as a policy of the Bank, we have always seen some level of excess liquidity and after July 15, 2013 we chose to have lot more liquidity than we needed. So those are usually invested in the Treasury Bills short term. There is a cost of the excess liquidity, now that the situation seems to have stabilized at least in the country, as far as we can see we will slowly look for better opportunities than just putting it in T bills. So that is partly explained by the margin loss but more importantly fourth quarter always is a very big challenge for margin because priority sector lending targets comes in. Many banks are competing to meet them, so I do not expect our margins to improve in fourth quarter. I may even think that we may have little bit more dip in margins in the coming quarter. But as explained in my

FAQ we are confident of maintaining that 330 basis point and it still works for us from our business model point of view.

Prashant Shah You mentioned on liquidity but it does not seem to be reflecting anywhere on your Balance Sheet because the Investments are about Rs. 3,500 crores wherein last quarter there were about Rs. 3,300 crores your cash balance is in fact down?

Murali M. Natrajan But if you calculate the SLR we might be holding, I do not know Rajesh can comment, we are holding some level of excess SLR.

Prashant Shah Yes, your SLR is up actually. So it is classified in to that?

Murali M. Natrajan Yeah, so obviously it will be in the short tenure.

Prashant Shah Another thing I wanted to ask you is what is your Cost Income Ratio? You have given a target of 55% or maybe I think you mentioned in your FAQ was about 2015 or 2016 if I am not mistaken. 2016 I think it was. So but I wanted to ask you this quarter you had about 12 branch openings and yet your Cost to Income Ratio is actually quite lower so if you could just comment on that how did you manage that despite such a large investment in your network?

Murali M. Natrajan Yeah, so the main investments that has being done by the Bank at the moment is to expand branches in a very calculated and systematic manner. We do not have any big investments for any infrastructure or I mean the usual capacity related investments which is what I have been saying. Where we are opening the branches most of the branches I think has got opened in Tier 2, Tier 3 type of locations where the rentals are quite nominal and second thing is that as a part of our continuous process to improve the cost some of the locations where we were in high cost but we could have actually located to low cost. As the renewals have come up we have kind of relocated, for example, in a place called Nasik we have relocated our branch to a cheaper location without losing any business. In Thane, Mumbai we are in the process of relocating the branch to a cheaper location without losing any business.

So those kinds of activities are going on to kind of make sure that the costs are more productive than what it is. So that is my explanation for your question.

Prashant Shah And Sir, your NPAs, Personal Loans is down to about Rs. 224 crores, is this is part of your write-off strategy to gain from the tax benefit to eliminate the tax liability that you have, am I correct?

Murali M. Natrajan See I would not say that write-offs are done only because of the tax benefit.

Prashant Shah No, I am not saying only because of that but it is one part of that or are there any elements of recoveries involved in this?

Murali M. Natrajan No, it goes through Board reviews and Board of directors look at the performance of our recoveries and look at what are the loans that are looking like a write-off so they kind of guide us on these matters. But these write-offs are 100% provided in Personal Loan, so we have taken the opportunity to write them off.

Bharat Sampat Murali, if I may add. These are loans where for the past three years we have not received any collection, so we reviewed them and unsecured personal loan the business which we exited in FY 2008-09, around which there have been no further collections for last three years and have been fully provided we have taken a view to write it off now.

Prashant Shah But all the write-offs there have been no sales or recoveries as such?

Bharat Sampat There have been recoveries from time-to-time of small amounts but on these loans the recoveries had ceased to happen and these are not sold to any ARC.

Prashant Shah And just one last data point I wanted to ask you. If you could just throw light on your provision cost in the quarter which was at about Rs. 1 crore. What constituted of that and what is your outlook on that?

Murali M. Natrajan Provision for what?

Prashant Shah Your total provision cost.

Murali M. Natrajan So you said something about Rs. 1 crore, what was that?

Prashant Shah Your total provision cost was about sorry not Rs. 1 crore was about Rs. 100 million or Rs. 10 crores?

Murali M. Natrajan Okay Bharat, can you just give them a breakup of the provisions?

Bharat Sampat See this provision of Rs. 10 crores includes floating asset provision, which were not required to do last year but now we have put a policy in place and basis certain set criteria it kicks in. So provision includes Rs. 2 crores floating provision. Also, till last year we had surplus standard asset provision which was getting absorbed as we were expanding Balance Sheet. From this year we have been from current financial year or last quarter of last financial year we have been making Standard Asset Provision. So for this year that amount was Rs. 1.9 crores. I think there are a few provisions to top up our internal assessment of further provisions required on already existing NPAs.

Prashant Shah Could you just confirm you said Standard Asset Provision for this quarter was Rs. 1.9 crores?

Bharat Sampat Correct.

Prashant Shah And the balance you said was on top up on your regular NPA provision?

Bharat Sampat I mean for normal slippages and top up. I mean main variance is explained by these two factors.

Moderator Thank you. We have the next question from the line of Vipul Dalal from Vipul Dalal & Company. Please go ahead.

Vipul Dalal Congratulations on the good set of numbers. In fact, probably DCB Bank is the only bank. so far that I have seen where NPLs have come down. So I think the strategy of controlling that seems to be in place. But was it a deliberate strategy for focusing on Mortgages; the Mortgages exposure has gone up substantially this time so do you feel that that is a safer asset to finance or lend to?

Murali M. Natrajan First of all I would not declare victory or all is well in NPA and so on because the market continues to be in a very challenging situation so therefore we continue to be very watchful. We still have a few loans both in SME and a couple of loans in Corporate which have been showing stress for the last 18 months. So we are quite hopeful of resolution over the next 3 months. So hopefully we will continue on track of managing our NPA in the acceptable level. So I want to say that the NPA performance has been fine so far but lot of work still ahead of us given the market condition. So that is point number one. Point number two, everything that we do is a deliberate strategy nothing happens by accident.

So mortgage, if we recall, we always said that Mortgage will be about 35% to 40% of our book. It is 39%, if I am not mistaken and Retail we have said would be 45% of our book. The Mortgages both Home Loans and Loan against Property given the low loan to value ratios and given that the product has done well for the country, it seems okay.

But I guess that if the economy continues to be in the kind of situation that is there for 12 to 18 months I would not be surprised that even the Retail portfolio start to show some stress. But at the moment it looks like given all the historic situation, it looks like Mortgage is much safer than many of the other products there are in the market.

Moderator Thank you. We have the next question from the line of Sanchet Tulsyan from Emkay Investment Managers. Please go ahead.

Sanchit Tulsyan Looking at your NIM sir in Q1 it was 3.44% and Q2 it has been to 3.68% and then it driven back to 3.55% in the current quarter. So I just wanted to ask where you see it FY14 and in FY15 and can tell me the reason for this fluctuation. Like you were not able to increase your interest as per your cost or is it a change in mix of something, sir?

Murali M. Natrajan No, if you increase our Base Rate further there will be two problems. One would be that we would ourselves pass stress for some of the loans that may be in some kind of a borderline situation and second is that market would not accept that type of Base Rate, so we may not be able to generate the quality business that we want to generate. Now what happened if you see September 1, 2014, if I am not mistaken is when we increased the Base Rate by 35 basis points. Typically you apply the Base Rate to all the customers but some of the customer's request starts putting in, to not be impacted by the Base Rate, so we will have to make the few concession that starts to take away the NIM a little bit.

Then we also, as I mentioned, have been maintaining excess liquidity in SLR given the difficult condition that was there since July 15, 2013 and in that excess liquidity we are losing some basis points as compared to the Cost of Fund what we are getting. There is some loss of income there which I think will get moderated over the next 3-6 months because we are not going to be keeping that much of excess liquidity. But on a separate point on NIM, I have always mentioned that we are targeting, as long as we are about 325 to 330 basis points we are quite fine. We want to have quality business and the mix of products and the fact that we are continuing to achieve PSLs and the fact that our RIDF and other penalties are creating better results. The fact that our NPAs have been in control all that in some ways start to help in the NIM. So I would expect FY14 probably the next quarter will be that is in the coming quarter be a little weak on NIM but over a period of time we are happy to say that we will be able to maintain the NIMs at about 330 basis points.

Sanchit Tulsyan My next question Sir, your branches have increased by 30% in the past one year but your employee cost has only increased by 12.7%. So what is the reason for that? Is it mainly because you have opened new branches in Tier 2 and Tier 3 cities?

Murali M. Natrajan There is hardly any salary difference between a Tier 1 and Tier 4, may be Mumbai and Delhi could be exceptions in terms of salary part, but other than that when there is a salary scale, whether it will be higher than Tier 4 or Tier 2, I don't think so, it will be all very similar. So the way it has happens is that we hire staff at least 3 to 4 months ahead of the branch opening so that we give time to kind of train them and get them ready for handling those branches. So I will say that the branches that we put in this quarter part of the hiring would have already happened in the previous quarter. On a point-to-point basis I think the cost has gone up from Rs. 69 crores to Rs. 80 crores, if I am not mistaken. So that actually reflects the growth in number of employees.

Sanchit Tulsyan But the difference is quite large so the 30% increase in branches versus only a 12% increase in your cost, so I was just confused over that?

Murali M. Natrajan For small branches we do not hire more than 4 or 5 people. Large branches 8-9. I mean like if you open in an un-banked location if it is only 3 people. If you open a Tier 5 branch, it will be like 5 – 4 people. So it depends on the location.

Sanchit Tulsyan Sir, on your CASA growth, your CASA in December 2012 was around 27.2% of your Deposits and currently it is 25% and it is sequentially declining. It has come down to 24.8%. I understand it is because of your Retail Term Deposits growth. But I just wanted a sense like where you see it in FY 2015 and how do you plan on growing your CASA?

Murali M. Natrajan The new branches that are coming in, take time. Like I mentioned it takes about 18 months for branches to break even and about 36 to 42 months for it to really produce good results. So what is happening is that the speed at which the Balance Sheet is growing, we are not able to grow the SA balances. CA is a very big problem in any case. Because of the economic conditions CA has been very volatile for us and that is how it has been. I do not know about the market but I do hear that some other Banks also have similar challenges in CA. Expenses we could definitely do better. I think that in the near term as the Balance Sheet pace picks up because of the Term Deposit growth we may see a little bit more dip in SA but I can assure that as far as the branches are concerned there will be no change in strategy or no change in the goal sheet, no change in our approach to acquiring these accounts. As the interest rate was high we did see Deposits moving constantly from Savings Account to Term Deposit especially for customers with say Rs. 1 lakh, Rs. 2 lakh type of balances, we could see that they were trying to maximize by shifting it to a Term Deposit. So that also has caused some problem for us in SA growth.

Sanchit Tulsyan Any sense when you see it as a percentage of your Deposit in 2015?

Murali M. Natrajan Like I said I actually think that it might dip by another 1% or 2% point before we reach a 25% levels. We have internally plan saying that how to bring it back to 25% level given all these branches. But there is some work to do to achieve that number.

Moderator Thank you. We have the next question from the line of Mona Khetan from Elara Capital. Please go ahead.

Mona Khetan I had a question pertaining to your Tier 1 ratio. I mean assuming that under Basel III we are plugging back the profits we see a sequentially the Tier 1 has fallen by roughly 90 bps or so. So just wanted to understand where is, I mean this is a significant fall if I am correct on a sequential basis. So are we going into segments which we require higher capital consumption so just wanted to understand?

Murali M. Natrajan We have not changed any strategy in the loan side or any other risk parameters that requires us to significantly apply more capital. Whether it will be Mortgages or Corporate loans or SMEs we have not shifted any segment to have this. First of all , the accumulated profits for the current year are not added to the Basel Tier 1. It is added only after the full year is over after the audited results are published. I mean after audit is done so current year profits are not included so far.

Mona Khetan Could I have your Risk Weighted Asset number as of December 2013?

Murali M. Natrajan It should be there in the FAQ but Bharat, you can repeat that.

Bharat Sampat Just one minute will read it out. It is Rs. 7,873 crores.

Mona Khetan I was also looking for the slippages in this quarter.

Murali M. Natrajan Can you please refer to FAQ I do not know if you had a chance to see the FAQ?

Mona Khetan I do not think I have seen it.

Murali M. Natrajan It is there on our slide but for your benefit you can refer to it. The whole table is already given so you can actually take it from there.

Moderator Thank you. We have the next question from the line of Manish Agarwalla from Phillip Capital. Please go ahead.

Manish Agarwalla I had a question on your Asset Liability side. See predominantly your loan book is driven by Mortgages and if I see your liability side we are witnessing a decline in the CASA on one hand as well as the Wholesale piece of Deposit is actually increasing.

Murali M. Natrajan How do you say that the Wholesale piece is increasing? What is the point that have?

Manish Agarwalla See the percentage of the Retail Term Deposit is actually come down on a quarter-on-quarter basis.

Murali M. Natrajan That is 77% or something. Bharat, what is the number that we have retail deposits?

Bharat Sampat Retail was 77%.

Murali M. Natrajan 77% and I think top 20 depositors will be still less than 20%.

Manish Agarwalla So are you carrying any kind of mismatch say less than one year bucket?

Murali M. Natrajan No, in fact one of the strategies that we have followed is that we are acquiring a lot of Term Deposit in a two to three year bucket. So we have no problems in the gaps by actually increasing our Mortgages. The gap issue used to be there 12 months ago, but we have already plugged it by taken longer tenure Retail Deposits. When I talk about gaps I am talking about the Board approved and what is from a risk point of view whatever we identified as allowable gap.

Manish Agarwalla The other question is about did you hear anything from a regulator in terms of bringing down the promoters stake below the up to the stipulated number. Anything incremental on that?

Murali M. Natrajan No, I have written in my FAQ that we are going to seek guidance from Reserve Bank of India. It does not look possible for the Bank to be able to meet that 10% target by March 2014. So we are in the process of seeking their guidance. So as and when we kind of finalize that I will put it out for you guys.

Moderator Thank you. We have the next question from the line of Kajal Gandhi from ICICI Direct. Please go ahead.

Kajal Gandhi This is Kajal here. I wanted to know you have got a good Other Income this time. So is it that this write-off action was taken in order to prevent Tax on that because this has been lying in the account for long?

Bharat Sampat Kajal, if I may, we are not writing-off with a view to set off tax liability or anything. As I explained earlier, the write-off is based on accounts which are from a discontinued business. Bulk of write-offs have been from accounts from discontinued business on which we have stopped receiving funds coming in. So that has nothing to do and in any case the write-off is Rs. 34 crores and my core non-fund income has gone up from Rs. 22 crores to Rs. 26 crores so only Rs. 4 crores increase. There is no co-relation.

Kajal Gandhi Other than that in Deposit growth, does FCNR has any role to play like we have seen for other Banks?

Murali M. Natrajan No, FCNR we have not done as good a job as other Banks. To tell you the actual facts we had several opportunities to raise quite a lot of money. Unfortunately, many of the Foreign Banks that needed to kind of give that leverage to the customer did not have that type of lines for us in DCB Bank. While we have the customers we just could not execute that transaction. So we have very, very small FCNR growth in this quarter, we do not have those kinds of leverage deals or FCNR like for example some of the Foreign Banks have been able to do. We were perfectly capable of doing it. We had the customers but we did not have the lines.

Kajal Gandhi If the NR growth in 27% Deposit increase is all core, domestic?

Murali M. Natrajan No, you see NR Deposits also have grown.

Kajal Gandhi Yeah, that is a regular one so you are not saying that FCNR had a big role to play in this?

Murali M. Natrajan No, FCNR has played a very limited role in our growth in this quarter and in this 12 months, but NR definitely has because NR is a core business for us.

Kajal Gandhi So what is your average cost for you for your NRI Deposit?

Murali M. Natrajan Bharat, you have the scope there? I think NR Deposits also comes with about 20% to 25% CASA. It is very similar to Term Deposits of domestic.

Kajal Gandhi Term Deposits, correct?

Murali M. Natrajan Yeah, Term Deposits interest will be similar to that.

Moderator Thank you. We have the next question from the line of Saikiran Pulavarthi from Espirito Santo. Please go ahead.

Saikiran Pulavarthi Just quickly on CASA, you have elaborated before saying that it might see some drop down before it moves up to 25%. Just on a broader level strategy how important is CASA in the overall scheme of things especially for the Balance Sheet growth, if you can elaborate on that. Secondly potential of the new branches in terms of CASA mobilization depending on the location from an investment what you have put in, any color on that will be useful

Murali M. Natrajan See there has been no change in our approach to how the score cards are constructed for the branches for growing CASA, okay? There has been no change. There has been quite a lot of movement from Savings Account to Term Deposit, as customers especially customers above Rs. 2 lakhs - Rs. 3 lakhs that type of customers have had a tendency to shifts their Deposits to Term Deposits. So the money lies in SA and then just moves in to Term Deposit as the rates are attractive. We absolutely maintain that CASA growth in absolute terms is a very important part of our strategy. It also helps in making sure that our NIMs are as per model which is about 330 basis points. When we expand our branches in say Tier-4 or Tier-5, CASA cannot be the only strategy there. The reason for that is that when we got a branch let us say Mandideep or we put a branch in a place called Minjur in Tamil

Nadu near Chennai we have to sell all the products. We have to sell gold loans; we have to sell Micro-housing or Mortgages. We have to cater to some of the small traders there. So without diluting the CASA score card the score card will have Loan products as well in those locations because we cannot afford to have a separate team doing Loans in those places. They have to originate those Loans. So to answer your question CASA is absolutely an integral part of our strategy. We feel that as the Balance Sheet starts to pick up in the near term, we might even see a little bit more dip in the CASA but there has been no change in terms of the focus on CASA.

Saikiran Pulavarthi And sir, in terms of potential of the new branches if you can just elaborate broadly the average CASA for growth?

Murali M. Natrajan It all depends like for example we put a branch in Ludhiana and that has already reached the CASA of about Rs. 8.5 crores or Rs. 9 crores in less than 12 months. Smaller locations do not give you more than Rs. 2 crores, but Ludhiana over a period of time I would expect that it should give me at least Rs. 50 crores of CASA.

Moderator Thank you. We have the next question from the line of Prakash Kapadia from Ialpha Enterprises. Please go ahead.

Prakash Kapadia Just wanted your sense on Mortgages Murali, given that the higher supply in certain metros, are we reducing our LTV ratio in our LAP portfolio and from a risk mitigation perspective are we trying to grow the book by giving more CC and OD limits rather than EMI given the current environment? That was on Mortgages and if you could just give some color on the Other Income? We have seen Fee Income growth has been above 20% after almost four quarters so is it because of the low base of last year or is there some game plan to increase that?

Is it wealth management if you could give some insights in to that please?

Murali M. Natrajan We have always maintained that our focus is on core Fee Income. So except the first quarter that you would have seen a one off which is the transfer of portfolio from HTM to AFS you will not see in any quarter any one-off gains in our Other Income at least you will not see any one-off gains because the focus is on generating Fee Income which is core. We have substantially reduced our emphasis on Bancassurance and Mutual Fund. The reason for that is that we find that in our country at least our experience is that the RMs are not fully equipped and the customers have not fully matured and then even if there is no mis-sell you have to deal with a lot of issues that takes up our management time. So we have chosen, I know some Banks are pretty good at selling bancassurance and all.

We have chosen the path of saying that at least from the last, I would say 8 to 12 months, we have chosen the path saying that we will do very safe products in Insurance and very safe products in Mutual Fund because that customer does not lose any capital and the chance of mis-sell are almost negligible. But they all come with a lower fee component. So for example, we sell something called Personal Accident Insurance. For Rs. 500 you get Rs. 5 lakhs worth of Personal Accident Insurance. The customer calls up and says that look, it is a miss-sell all we have to do is just simply refund the Rs. 500 and close the chapter. It is as simple as that for example.

On the Fee Income the components that are actually growing are processing fee; we are doing quite well on Trade; we are seeing a slight uptick in ATM fees and all the CASA related fees which is account related fees like Demand Draft, quarterly charges and so on. We have not changed any fee structure, we have not. Some Banks have opted to increase their fees and all. We have chosen not to do that part. Our overall strategy has been that every year grow Fee Income by at least 12% to 14% so that it wipes out part of the overall cost growth. Our aim is to wipe out the entire cost flows but we have some way to cover on that. I hope that is clear?

Prakash Kapadia Yeah sure. And something on Mortgages in terms of?

Murali M. Natrajan Okay Mortgages, we have not made any change in LTV or anything like that. It is all distribution led growth. Of course from time-to-time you have to explore some new segments but that is all within the risk acceptable parameters. We are now doing Mortgages in a lot more locations. In fact I would say that the dependence on Delhi and Mumbai, of course they are two markets they will continue to be, has come down quite a lot. As we expand to more locations we do about more than 55% to 60% LAPs so the question of the vacant property and all that is we are not that heavy into home loans. And the other point you have to understand is that we try to do as much as possible self-occupied residential properties which is considered to be much safer than rented out property.

Prakash Kapadia And within that it is not okay we would prefer an end usage. I know you hinted that earlier but monitoring the end usage by having more of a CC or a OD limit rather than a pure EMI is that we are focusing on or it is always been part of our game plan to mitigate risk?

Murali M. Natrajan CC what we have given is only in the SME portfolio not in Mortgages. And there is a process by which we interview all customers and there is a formatted questionnaire which helps us to understand what he is using the money for which is used to judge whether for example it is usually considered that if a customer says that I am going to buy another property, it will be considered as slightly more risky than someone trying to buy a machinery or something. But it is all based on customer interaction and interview. Even in CC/OD, I can tell you that it is very difficult to monitor although a lot of attempt is made it is very difficult monitor especially if the customer camouflages his end use very carefully.

Moderator Thank you. We have the next question from the line of Setu Shah from Emkay Global. Please go ahead.

Setu Shah My question is towards LAP part. What is the average ticket size of the LAP for the current quarter?

Murali M. Natrajan Rs. 40 lakhs - Rs. 50 lakhs we do not like large ticket loans. As a Bank, we do not like large ticket loans. The only large ticket loans were done in Corporate Banking, like Rs. 20 crores to Rs. 30 crores type of loans. And in some cases we do like Rs. 7 crores to Rs. 8 crores type of loans in Agri and Inclusive Banking like for example warehouse construction and so on. So our LAP average would be about Rs. 40 lakhs to Rs. 50 lakhs.

Setu Shah And one more question. Sir, what would be the profile of people who are going for LAP? Would it be from salaried class or business SME people?

Murali M. Natrajan Salaried will be probably 2% or 5%. Our Bank's approach, philosophy, target market is self-employed customers. Now self-employed can be defined as MSME, SME, Trader whatever you define in that. So we do not do salaried. Of course, you cannot when you are in a market you cannot avoid doing salaried. LAP salaried are very limited may be 3% to 4% I do not know it is very limited.

Setu Shah Sir, one last question. You have mentioned that Advance growth for the FY15 will be 20% to 22% so which are the segments that you are focusing on? That will be more focus on Mortgage only or apart from Mortgages which are the other segments the focus would be on?

Murali M. Natrajan If you see our products, our business lines are Mortgages, Agri Inclusive Banking in which we have got number of products from Warehouse Construction to Retail, Agri to tractors, etc. Then you have MSME/SME which is largely CC/OD and short Term Loans. They will be like a 3-4 years type of Loans and then Corporate Banking which also has CC/OD short Term Loans etc. I do not see this ratio of contribution changing any dramatically either for FY14 or FY15.

Moderator Thank you. We will take the next question from the line of Hatim Broachwala from Karvy Stock Broking. Please go ahead.

Hatim Broachwala Sir, on the NPA breakup table the NPA within Mortgage segment has gone up by around 23% on a sequential basis. So want to understand is there anything to read from that or it can be one off?

Murali M. Natrajan See in this particular quarter I do not know exact Mortgage simply I do not recall Bharat, if you can tell me how much is that is it what Rs. 7 crores to Rs. 8 crores what is the slippage?

Bharat Sampat Murali, the gross Mortgage NPA has gone from Rs. 24 crores to Rs. 30 crores; Rs. 6 crores increase.

Murali M. Natrajan So it must be like 4 to 5 accounts and there has been some recovery as well. So I do not think there is any negative trend that we are seeing in Mortgages as of now.

Hatim Broachwala I want to know how much is our accumulated Floating Provisions?

Murali M. Natrajan Accumulated Floating Provisions, okay. So Bharat can answer that.

Bharat Sampat It is Rs. 5.6 crores.

Hatim Broachwala And sir, how much is our unabsorbed loss for Taxation purpose?

Bharat Sampat At the beginning of the year, we had approximately Rs. 200 crores.

Hatim Broachwala So on an approximate basis up to mid of FY15 we would not be paying taxes probably after that we will be under a full tax?

Murali M. Natrajan I do not think that answer is very straightforward, but I can tell you that our target is to wipe out the unabsorbed losses by second or third quarter of FY15. Worst case we want to achieve it by end of FY15.

Moderator Thank you. We will take the last question from the line of Nilesh Parikh from Edelweiss Financial Services. Please go ahead.

Nilesh Parikh Sir, you kind of given a roadmap of saying that over the next couple of years you are going to take your ROAs up to 1.4% and ROEs to about 15% by in the next two to three years. I just wanted to kind of understand in terms of the earlier question was about Tax. So by FY16 we would probably be in that Tax paying mode. So from Operating Profit perspective, what are the key lines that we are looking at in terms of today when you look at the our margin profile we are closer to at about 3.5% and the cost is one element which may be there is some effort which can probably go in to. But I think when you look at the provisioning line item it is largely close to bottom. So which are the key line items that we are working which will probably get us to that 1.4% number post Tax?

Murali M. Natrajan It is an ambitious target but yeah that is something that we are determined to kind of reach as we thinks from today's point of view, okay? First of our aim is to grow Income at 20% to 22% every year without growing cost beyond 11% to 12% or may be 13%. We see that we have been able to achieve so far. So if the Balance Sheet continues to grow and we do not mess up the NPAs, there is every chance that we will get to that Cost-to-Income ratio that we are planning to achieve. So the big element of this ROA/ROE has to be working on Cost-to-Income ratio. Margins at 330 basis points. It seems like unless there is a major regulatory or competitive action it seems like given our current mix of product it should be achievable. So it is a bit of stretch that 1.4% and 15% but I think we are at the moment confident that by improving our Cost-to-Income ratio, growing the Balance Sheet without upsetting the NIM or credit losses we should be able to reach there. There is the one year when the Tax, if in, we will have dent and then we will have to again build back from that point.

Nilesh Parikh So just as I understand this 1.4% in your calculation is post Tax, right?

Murali M. Natrajan Yes, that is the aim.

So operator that was all and if there are any questions we will have to answer they can write to us and if it is we will be more than happy to take it.

Moderator Thank you. Ladies and gentlemen on behalf of DCB Bank Limited that concludes this conference call. You may now disconnect your lines. Thank you.