DCB BANK

DCB Bank Q1FY 13 Result Conference Call

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Moderators

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Moderator Ladies and gentlemen good day and welcome to the DCB Bank Q1 FY13 Investor Conference Call. Joining us on the call today are Mr. Murali M Natrajan, MD and CEO of DCB Bank and Mr. Bharat Sampat, CFO of DCB Bank. As a reminder for the duration of this conference, all participant lines will be in the listen-only mode. 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, please signal an operator by pressing * followed by '0' on your touchtone phone. Please note that this conference is being recorded. I would like to hand the conference over to Mr. Murali M Natrajan. Thank you and over to you sir.

Murali M Natrajan Thank you. Good evening everybody and welcome to the Q1FY13 results update call. I have Mr. Sridhar Seshadri our Financial Controller, Mr. Rajesh Verma – Head; Treasury and Corporate Banking, Mr. J.K. Vishwanath our Chief Credit Officer, Mr. Bharat Sampat – CFO and Meghana Rao – Head, Investor Relations.

So let me take a few minutes to update you on the results and then we will open for questions. We would like to finish the call in about 45 minutes, so if by any chance, your questions remain unanswered please feel free to call/email us later. We will only be too happy to provide you with the required details, if we could. So let's me start the update.

Profit in the 1st quarter of Q1 FY 2013 stands at Rs.18.9 cr. in comparison to Rs. 8.8 cr. for the same quarter last year., so there has been a substantial improvement. Two years ago our profit for the full year was about Rs. 21 cr. whereas now in a quarter itself we are at about Rs. 18 to 19 cr. We are quite happy with the progress which we have been able to make with the Bank, we want to keep building on this momentum in the coming year and really take this bank to a very different level but ofcourse the environment has been challenging so we have to operate cautiously. This represents the year-on-year growth of 114%, but it is a small base so obviously the percentage will look quite flattering. Corresponding profit for the preceding quarter of

Q4 FY 2012 was at Rs. 17.3 cr. The Total Income for Q1 FY 13 is Rs. 91.4 cr. as compared to the 1st quarter of Q1 FY 12 it was Rs. 75.3 cr. The last quarter (Q4 FY 12) Income was Rs. 85.1cr. We are growing Net Interest Income strongly however, because of the challenges in the Cost of Funds, while the Advance growth may be higher but the Net Interest is slightly lower than the total Advance growth. We have been able to progress on Advances growth in the 1st quarter of Q1 FY 13, however, what I have to say is that especially in the SME and MSME book what we noticed is that existing portfolio draw down is very limited in fact there has been some repayments in the existing book while the new acquisitions are strong the existing book has de-grown primarily because customers are not expanding their business. So therefore the 1st quarter of Q1 FY 13 is somewhat flat. However, the pipeline of new sales is pretty strong. We have done a decent job in Mortgage as well as Corporate Banking.

Corporate Banking, we have very limited focus and we are very selective. So at times some of the deals kind of fructifies in one particular quarter and the Balance Sheet does grow. We are making good progress in the granular increase in the fee income. In fact, Non-Interest Income has gone up by 17% to Rs. 27.5 cr. and overall Balance Sheet has crossed Rs. 9,000 cr. We are aiming to obviously cross the Rs. 10,000 cr. mark of Balance Sheet this year. Hope that we are able to achieve it by 2nd or 3rd quarter itself, let us see how that goes. We are seeing strong traction on the Savings Account growth but Current Account continues to be very volatile. In some ways it is the reflection of the market and business environments. So we are not seeing any impact of the increase in Savings Account interest rates by some of the players, we continue to pay 4%. However, our new acquisition, which is focused on self-employed segment, continues to be strong.

Capital adequacy was at 14.49% under Basel II with Tier I at 13.18%. If you recall, we did raise capital in 4th quarter of last year (Q4 FY12). We also had some repayment of Tier II capital in the 1st quarter of this year (Q1 FY13). So Tier II capital is slightly down primarily because of the scheduled repayment. Retail Deposits continue to contribute 83% of our Total Deposits. Our Net Advances for Q1 FY2013 has grown as compared to last year by 29% and 3% as compared to the previous quarter (Q4 FY12). Net Interest Margin (NIM) is at 3.18%. I was actually thinking that our NIM might even go down to 300 basis points because there is absolutely no opportunity to increase the Base Rate. In the Base Rate we have not made any changes, we have neither decreased nor increased.

The Deposit rates continue to be on the higher side. We have not seen any reduction in the Deposit rates. So there is no opportunity for us to reduce the Base Rate. Provisions are still declining; our credit losses are in good control. In this quarter (Q1 FY13) we have had one large account slippage in the SME Banking. It was a rice processor that we had funded in the state of Gujarat, this company is having some problems with the partners, but it is fully secured loan so we are pretty confident of recovery of the loan. Apart from that there has been only business as usual slippages that happens in a quarter and get cured over the next two or three quarters. So the portfolio quality is still pretty much there but I have to say that we do see some level of anxiety as delays in payments are seen by SMEs from either the large companies or their customers.

We have opened two new branches one in Kochi, Kerala and other one in Pipariya, Madhya Pradesh. So we now have 86 branches we also have 331 ATMs, I do not think we will add further ATMs till we understand exactly how the ATMs fee structure is going to pan out in the next few months because that would determine as to how we would want to expand our ATM network. We do think that the remaining number of branches that we have still holding would get completed in this financial year (FY 2012-13). At the same time we might add few more branches to support our priority sector lending especially in the rural areas (Tier II – Tier VI) but that would happen in the coming quarters.

The other strong point I would like to mention is that we embarked on Non-Resident Indian (NRI) business last year. We have a bank called Diamond Trust bank in East Africa, which is also owned by Aga Khan Fund for Economic Development. They are head quartered in Kenya. Lots of second-generation Indians who have an affinity to India are based out of Kenya. So we are getting a lot of support from that bank for customer references. Our NR I Deposits, hopefully, I will be able to publish the numbers in the next quarterly investor presentation. Our NRI Deposits have actually doubled in the last 12 months so the initiative is coming out well. We want to invest a lot more resources in that to further improve our Deposits purely from Retail Deposit point of view.

All in all, I find that we are pretty much on track. We started the year well, we hope to continue to build on the momentum and end the year on a strong note. There is no change in strategy, we still continue to focus on SME and Micro SME, Retail Mortgages with the limited focus on Corporate and a lot more focus on direct Priority Sector Lending so that our yields are better, so that is where we stand. If you have any questions please feel free to ask them.

Moderator Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press * and 1 on the touchtone telephone. We have the first question from the line of Mr. Parees Purohit from Elara Capital, please go ahead.

Parees Purohit I just wanted to touch upon your earlier comment of about your Net Interest Margin if I remember in the last con call, also you had guided or you had expected some amount of weakness in the first half of FY 13 and I remember rightly, that was basically some concern arising from cost of fund increases. The quarter has been fairly tight but despite that you have done much better than anticipated, where this gains is coming from. Like you said, Base Rate has not really moved that much, yield of Advances is okay, it explains some of it. But if you can just add some color as to what worked well for you in the quarter and do you still see further headwinds in the next few quarters or you think you will come out on top?

Murali M Natrajan We want to obviously come out on top, and we do not want to reduce our NIMs below 325 basis points. We want to improve the NIMs, if possible in the coming quarter. Obviously we have been helped by the fact that the full impact of the Capital we find in this particular quarter because it came in the last few days of FY 12, we have had the full impact of the capital infusion of approximately Rs. 190 cr. besides that we are looking at our loan book and making sure that we do the pricing really carefully to appropriate the risk that we are taking. 4 to 5 basis points improvement in any portfolio is quite important to us, at the same time even on the Deposits side while we are building Retail Deposits very strongly, especially the Term Deposits, we are not offering some crazy pricing to attract Deposits we are trying to build the momentum by getting granular level of Deposits. So besides that I do not know of anything special we are doing to maintain the NIMs. If there are some improvements in the Deposit rates we would obviously have to pass on the benefits to the customer by lowering the Base Rate but at the same time we would be very careful not to pass on the charge on to the customer who may not deserve that type of Base Rate based on the risk profile.

Parees Purohit That is helpful but just getting a little more granular your yield on advances on a quarter-on- quarter basis have dipped by about 20 bps where as the cost of funds have moved up by 23 bps so spreads have effectively narrowed by close to 40, are you suggesting that because of the capital infusion the investment yields help turn the margin around?

Murali M Natrajan Yes investment yields would have, obviously the equity is coming at zero cost. I will not say zero cost because we have to return, the return on equity has to be given but I am just saying that cost of fund part of fund it is zero.

Parees Purohit Just one housekeeping question. Can you just help explain the NPA movement for the quarter?

Murali M Natrajan Let me just tell you broadly, then Bharat can tell you the details. We have had approximately about Rs.20 cr. of slippage in this particular quarter out of that 2 accounts, one large account of approximately Rs.12 cr. was for the rice processing company which was not because of any downturn, as mentioned earlier they have got some problem with the partner dispute because of which the business has slowed down. We are holding 110% to 115% hard collateral of this company. So we are negotiating with the company for repayment. That itself is half the slippage for this quarter and then there was another account some Doctor in the Mortgage, which is about Rs. 3 cr. worth of Mortgage loan which is slipped into NPA because there was a huge delay in them getting government approval for starting a clinic and then cash flow suffered. So, if I take these 2 accounts that is about Rs, 14 cr. of slippage out of the Rs. 20 cr. These are fully secured loans, we have a very strong coverage in terms of hard collateral. The rest are all usual businesses as usual like a Rs. 50 lakh loan sometimes goes into NPA and kind of gets recovered in the following quarter, so that is the main slippage explanation on the approximately Rs. 20 odd cr. So Bharat can give you the reconciliation of that.

Bharat Sampat We started the year with Rs. 242 cr. of Gross NPA, fresh slippage is roughly Rs. 22 cr., Recoveries and upgrades are around Rs. 6.5 cr., write off/sacrifice on settlements is Rs. 22 cr. so it totals to Rs.236 cr. through the quarter.

Moderator Thank you. The next question is from the line of Rajatdeep Anand from ICICI Prudential Life, please go ahead.

Rajatdeep Anand Few questions first one on the CD ratio it has come from 83% to 80% is this something where we are comfortable or will this go down further. Secondly, on CASA I think this is the 1st quarter (Q1 FY 13) in the series of past many quarters we have seen CASA has declined as a percentage of Deposits it has come down from 32% to 30%. So how are we looking there? Cost Income Ratio I think we are trying to control but this quarter we saw an increase. So how are we thinking there? And SME; the slippage which is started, do you think it is a one-off case or SME would continue to face pressure in this kind of macro. So these are my questions to you.

Murali M Natrajan So let us go one by one from the reverse, SME/MSME portfolio on an overall portfolio I do not see any concerns. However, I do see a few accounts having some kind of anxiety not because their business model is a problem it is just they are facing delays in terms of getting payments from their customers, whether it be government. I will give you an example. There was a customer who is making some kind of shed for many of the state governments and state governments are delaying payments. So while his business model and margins are very good. He continues to have some cash flow problems. So I'm just giving you an example of how things are, so having said that I do not see any systemic issue in our SME/MSME portfolio this particular quarter had a large account of about Rs. 12 cr. which was given about two years ago, this the partners have gone into some kind of a dispute because of which they are just not functioning normally and there is some issue in terms of the business and since our collateral coverage is very strong we see it as an NPA but we do not see it as a potential loss or anything like that. So to answer your question, there are some challenges in the environment and that would definitely have some impact on SME/MSME portfolio, but nothing that is out of the ordinary that I see or even beyond the kind of levels that we expect SME/MSME portfolio to perform. To that extent, there is no problem. Cost Income Ratio our aim is to take it below 70% for sure this year. Last year's 1st quarter was 78%, this year it is at 72%. So there is improvement in the 1st quarter of the financial year. You give salary increases, so the cost hits you from the first month itself. Whereas usually in the 1st quarter the Income is not that strong so that is the reason you see some increase in Cost Income Ratio, but I am confident of bringing it down 70%. If you see our total cost for four years we have operated within the total cost of about Rs. 240 cr., In FY 2008-09 the cost was Rs. 240 cr. and as on FY 2011-12 the cost was about Rs. 246 cr., and in the mean time we have added new ATMs we have added about 6 odd branches we have created lots of new businesses SME, Micro SME, Mortgages, Agri and Inclusive Banking. We have created all these businesses in the last three years or so. So I think overall cost in control and I think we will be definitely aiming to bring it below 70% and below 60% in about 2 to 3 years is what I've would always stated in my calls. Coming to CD ratio, there is major focus on continuously improving the Retail Deposits momentum - both Term deposits and CASA - there has been no let up on that. So there is some improvement in CD ratio. As far as what we have taken from other Banks, while it is called Borrowings, we have taken actually Term Loan from Banks of one to two years and there are loans which we are getting in some cases even three years kind of Term Loan. So what happens is in these loans is that we repay them and then the Bank replenishes our limit primarily because our financials are improving. There are more Banks coming forward to give us more support. Regarding CASA, Savings Account is not that big a challenge, Current Account is a challenge. There is a lot of volatility, some days it goes up by Rs. 50 cr. or Rs. 100 cr. another day it goes down but overall as the business environment is not growing strongly. Current Account seems to have a challenge. Our aim is to keep this above 30% and branches still have 50% of their score card tuned to generating CASA.

Rajatdeep Anand So does average daily CASA also the declines as significant as reported CASA for Q4 FY 12?

Murali M Natrajan Average would actually be better, because we do not manage the quarter end to show good results for CASA

Rajatdeep Anand Average CASA Q1FY 13 is better than Q4 FY 12?

Murali Natrajan Average CASA Q1 FY 13 will be better, SA in Q1 FY13 would be definitely better than Q4 FY12, CA I do not think so.

Moderator Thank you. The next question is from the line of Jigar Walia from OHM Group, please go ahead.

Jigar Walia Firstly, a data point. Can I have the CASA breakup for the current quarter and the previous?

Murali M Natrajan We don't give that breakup, but I can tell you that almost 40% is CA.

Jigar Walia The breakup for Mortgage how much is sourced and how much is acquired

Murali M Natrajan Now, I have stopped talking about source versus acquired it is becoming almost like a business as usual one quarter it happens if there is an opportunity, another quarter it does not happen. We also sell Mortgages, because like I told you earlier that we had to test out the contingency plan as well as we wanted to not hold some low yield Home Loans in our book. I do not have the numbers readily to give you, all I can tell you is that on a monthly basis we generate approximately Rs.50 cr. of Mortgages

Jigar Walia Any business mix target that we have in mind, Mortgages is now one-third of overall book so going ahead from a longer duration guidance?

Murali M Natrajan I have always mentioned to you that our aim is to keep SME and MSME at about 40% and Mortgages at about 30%, but maybe some changes will be there quarter-on-quarter depending on the season, etc. But that is the basic aim of ours, 40% in SME/MSME and 30% Mortgages. Recently in this quarter we had restarted Commercial Vehicles. The main idea of starting Commercial Vehicle is because we do not want to be dependent on finance companies to sell their portfolio to us for Priority Sector Lending because the yields are not very good. We found that over the cycle Commercial Vehicle portfolio that we had originated in the past has not been that bad, we incorporated those learnings and in a limited manner we have started the Commercial Vehicle business but I do not expect that business to be a big business. It will be enough to sustain our Priority Sector Lending requirements.

Jigar Walia Overall in terms of NIMs would we expect it to sustain or are we looking at something to expand but probably given the risk-reward and stuff like that?

Murali M Natrajan In 2nd quarter (Q2 FY13) our aim would be to try and maintain the NIM, from 3rd to 4th quarter (Q3 FY13 to Q4 FY13) our aim would be to see if there are opportunities of expansion, we are always looking for opportunities to expand NIM; that is our job.

Jigar Walia And expansion opportunity to primarily be driven by cost of funds?

Murali M Natrajan Cost of funds when you are trying to grow your Balance Sheet, Cost of Fund is the function of what the Deposit rates are in the market. You can give or take 25 basis points, but you have to be in the range to obtain those Deposits. Of course, if you do a much better job in CASA that would obviously help but then associated with that would be some cost of administrating those accounts and so on. So there is a balance in that. Our aim would be to make sure that we use our analytics, price the customer correctly, both on the Deposit and Loan side and third to keep the NIMs at about 300 to 325 basis points.

Jigar Walia Sir, if you can let me know what is the restructured book?

Bharat Sampat Restructured book is 4 accounts totaling to Rs. 10 cr. exposure.

Jigar Walia These are all old accounts or any restructuring in this quarter?

Murali M Natrajan I do not know whether old or new. These are what the recent accounts that we have and out of that two accounts are paying quite well. This is what we have. We never had I think every quarter we have repeated, we have not had some massive restructuring ever. Unless and until we are convinced about the customer's ability to sustain the business model, we do not restructure and we are also not part of the CDR anymore.

Jigar Walia Last question from my side are we open for fund raising and looking for some fund raise in this year?

Murali M Natrajan No, you mean capital?

Jigar Walia Yes.

Murali M Natrajan We have to do a good job of the capital that we already raised so I think we do not need any capital. We are at 14.49% under Basel II, and we want to deliver at least 14 to 15% Return on Equity that is what I have said in 2 to 3 years we have to do that, so till such time and I hope we do not do anything silly to need capital at all for the next three years.

Moderator Thank you. We have the next question from the line of Ameya Sathe from JM Financials, please go ahead.

Ameya Sathe Two questions, one is on cost of funds probably right now the cost of funds is as at lifetime high in the Banks. So do you think still further upside in the cost of funds?

Murali M Natrajan You mean worsening of the cost of funds?

Amey Sathe Yes.

Murali M Natrajan While Deposit Rates, have not come down, but I don't see it going up which happened in like, say, for example, somewhere between November to March. But anyway, every year in the last quarter, there will be some struggle on liquidity and cost of fund that keeps happening, but I do not expect the cost of funds to worsen any further, but anyone who makes a guess on the interest rates always goes wrong, so I'm just saying with a caveat I do not expect it. But let us see how it goes.

Amey Sathe On the Commercial Vehicle (CV) lending part of it is mainly your new CV or it is a mix of new as well as used?

Murali Natrajan In Priority Sector Lending (PSL) you have to do both the new CV and refinance. We have our Credit Head - J.K. Vishwanath, who is an expert on Commercial Vehicle, we have our Regional Credit Head - Mr. R. Krishna who has worked for many years in Commercial

Vehicles, a salesperson who is an expert, so we have always had expertise. Now that we find that we are getting too fine a pricing in Priority Sector Lending on what we buy and I do not know the new priority sector norms, if it ever comes saying that you cannot buy anything to complete your PSL, then we definitely need our own ability to generate such kind of PSL.

Amey Sathe So it is shown under Agri and Inclusive Banking, right?

Murali M Natrajan No, this will be shown separately under Commercial Vehicle itself. We have actually shown this year, but it is too small. It is separate.

Amey Sathe It is not even Retail.

Murali M Natrajan It is small at the moment. It has probably generated Rs. 5 cr. to Rs. 6 cr. in the whole quarter (Q1 FY13), Page #13 in the latest Investor Presentation if you see.

Amey Sathe I have that number. So I was just wondering whether it is part of that Agri & Inclusive banking.

Moderator Thank you. We take the next question from the line of Vijay Sarathi from Nomura, please go ahead.

Vijay Sarathi Going back to your comment on your SME/MSME customers, not wanting to take on new business or expanding the business, in your experience over the last 3 to 4 years. How worse is the problem now compared to say, FY 09 or FY 08 because I would think the working capital cycles are getting expanded so if the credit requirements are not going up despite this environment, how bad is the situation now?

Murali M Natrajan No, I would put it like this I am not seeing strong expansion activities, yeah working capital cycle are getting a bit stretched no doubt, but I'm not seeing very strong expansion activities. Supposing I were to compare between let's say FY 2009-10, first quarter how it was looking from a business expansions to how it was last year (Q1 FY 2011-12) to how it is this year's (Q1 FY2012 -13), I'm seeing many times customers are excepting the Sanction Letter even submitting the documents for processing, even giving their collaterals for verification and so on. And yet not taking the plunge to draw down and shifting the date and so on. My reference point is continuous business reviews and anecdotal examples of what I see, so I cannot tell you whether it is worse or not but I do see a slowdown that is all I am saying.

Vijay Sarathi And my second question is now given that Mortgages is a fairly big chunk of your book. Plus, you are also getting CV loans and every other Bank in the system given the slowdown in the corporate side, is also trying to focus on this. So how protected is your niche in these two segments?

Murali M Natrajan I am doing about Rs. 40 to 50 cr. or maybe Rs. 55 cr. at some months and I do not think those kind of volumes are going to threaten any bank. Frankly we have a pretty strong sales team. We have very good products, we are doing it in about 7 to 8 locations, and we have a variety of products to suit the self-employed needs. I am attracting the self-employed segment and SME segment and I do not go to salaried segment actively and we have about 60 to 70 relationship managers who originate these loans so we are pretty confident that we should be able to sustain this volume. Yeah, there will be some price pressure. In fact, I would say in Commercial Vehicles, I have to be very careful not in terms of credit quality but more in terms of pricing because we find that even erstwhile Microfinance Institutions are getting into Commercial Vehicles. So quality is not an issue. I think pricing would be a bit of sell, but it will still be better than what price we end up paying for portfolio buyouts so I'm confident of Mortgage business.

Moderator Thank you. The next question is from the line of Elizabeth John from Crisil, please go ahead.

Elizabeth John Just follow up one thing on the restructured account you touched upon that 4 accounts have got restructured which segments were these sir?

Murali M Natrajan You mean which type?.

Elizabeth John Like Corporate or SME?

Murali M Natrajan SME customers, I think is there. One SME, one Corporate and I think 1 Microfinance and small Agri Inclusive Banking account.

Elizabeth John So, it is spread over all across.

Murali M Natrajan Exactly.

Elizabeth John The two new branches that we have opened up. What is the exact I mean, how are we focusing, is it like more for the Deposits collection that we are doing or our target would be for SME lending?

Murali M Natrajan The main cities that we have got which is Kochi, Ludhiana I hope we will be opening this quarter, Jaipur also I think we will get opened. Two main focus on the large branches is CASA Deposits and SME/MSME Banking. Added to that Kochi, that we have opened recently, is a straight focus on Non-Resident Indian (NRI) Deposits and remittances. So we have started this NRI business last year. We probably will have tie ups to grow these remittance business, so Kochi is a very prime location for us to do NRI Business. However, Pipariya is a clear example of CASA and Agri Inclusive Banking to do direct lending in the Agri Inclusive Banking areas, but CASA will be a focus on all branches in any case. In fact, I would say the smaller branches that we have put like last year, Mandvi and Netrang, all these small branches are doing quite well on CASA.

Elizabeth John And regarding the fee income actually you mentioned that YoY there is an improvement definitely but sequentially still it is muted like Commission Exchange and Brokerage, I was just looking at the core fee income in Q4 FY12 it was Rs. 22 cr. and Rs. Q1 FY13 it was Rs. 20 cr. Any key takeaway from there and what improvements can we see?

Murali M Natrajan Last quarter of every year is always very strong on processing fees because the loan generation is very strong. So I hope we do even better in the 4th quarter of this year. Now the only thing that I want to watch out for is that is there any change in ATM fees, which is, I believe NFS switch has already reduced it by Rs. 3 from Rs. 18 or

Rs.15. So this may have an impact in the coming quarters, but we have not dimensioned it as yet, but you know what is happening is that some of these regulatory pressures, rightly from a customer point of view, will have some adjustment. But when it comes to Trade Fee, Smart Trade, Insurance, I think we are quite happy with the progress we are making.

Elizabeth John One last question is related to the Operating Expenses, one part I understood the Staff Cost is increased because of the increments and the second part, I wanted to understand the other Operating Expenses, which have increased 11% sequentially is it largely because of the 2 branch addition, or anything else?

Murali M Natrajan No compared to the last quarter we would have added six branches from 80 to 86.

Elizabeth John No in Q4 FY12, I'm mentioning Q4 FY12, vis-à-vis Q1 FY'13, so 11% growth sequentially?

Murali M Natrajan I think what has happened is that the security agencies, some rentals lease, house keeping agreement all that has come up for renewal in Q1 FY13. Apart from the staff cost those also have come all in the first quarter, that is the reason for that.

Elizabeth John That is one-time?

Murali M Natrajan No, in the sense that the rentals have all gone up like if the lease agreement has come up for renewal after nine years or so some branches or even office space some of that has happened in the first quarter that is the impact actually.

Moderator Thank you. We will take the next question is from the line of Saikiran Pulavarthi from Espirito Santo, please go ahead.

Saikiran Pulavarthi Just quickly if you can put numbers of on the branch additions during the current quarter in the licensed trend and the unlicensed trend in the rural areas for the current year?

Murali M Natrajan Rural areas I do not need licenses if the population is less than 1 lakh.

Saikiran Pulavarthi So if you can put number to, how many branches you would like to add in the current year?

Murali M Natrajan Okay let me answer it like this. We are having license, like six licenses, which we need to finish in this financial year, so hopefully that will take it to 92. On top of that we might open about four or five branches in the less than 1, 00,000 populations. So I would say another 10 to 12 branches. But over a three years' period we are aiming at about 120 to 130 branches. The idea is to cover 40 top cities in India from a SME-CASA business point of view and I cannot put a number to what number of less than 1,00,000 branches we will operate because that will depend upon how we progress on making sure that meet the Priority Sector Lending target.

Saikiran Pulavarthi Just quickly if you can just touch upon any recoveries from written-off assets like…..

Murali M Natrajan I think Bharat mentioned the upgrades and recoveries are about Rs. 6.5 cr. this quarter (Q1 FY13).

Saikiran Pulavarthi Outlook for the current year, maybe going forward is how much?

Murali M Natrajan We do not give any forward looking statement, but I will tell you that we are making still good progress on the Rs. 100 cr. of Personal Loans which is fully provided. Even in Commercial Vehicle/Construction Equipment, provided book, we are making pretty good progress. So I do not expect our credit losses to be more than what full year we had last year. Our aim is to not have credit losses beyond what the full-year last year we had.

Murali M Natrajan Thank you all, we come to the end of the call Bharat, myself and Meghana, would be extremely happy to meet or talk to you or answer your questions, if you have any further questions or you need to discuss and have a personal meeting with us, please contact Meghana. Thanks for listening to us.

Moderator On behalf of DCB Bank we conclude this conference call. Thank you all for joining as you may now disconnect your lines. Thank you.