Q1 2012 Earnings Call - HDFC Bank Dt-19 Jul'11

Operator

Thank you for standing by, and welcome to HDFC Bank First Quarter Results Conference Call presented by Mr. Paresh Sukthankar. At this time, all participants are in a listen-only mode. There will be a presentation followed by a question-and-answer session. Please be advised, this conference is being recorded today. I would like to hand the conference over to Mr. Paresh Sukthankar. Over to you, sir.

Paresh Sukthankar

Thank you. Hi, everyone. I've got Sashi and Amit as well with me and Vivek Kapoor. While she mentioned that I'd walk in to our presentation, I think most of you would have the press release and the numbers with you, so I won't sort of walk you through the detailed numbers. I'll just take a minute or two to read out some of the key financials. I guess that might also give a minute for any of the – those who have been trying to get in to the call to also join the call.

Very quickly, you're seeing the total income was up about 31%, net interest income was on the back of tough net interest margin of 4.2% and an average asset growth. The other income was driven by fee growth and FX growth. We had a small negative on the bond gains because of mark-to-market given that the yields had gone up. The cost-to-income ratio was roughly stable. Provisions were down marginally, although they also include a floating provision element nearly because the NPLs were down. And profit after tax was up 33.7%.

On the balance sheet side, the overall balance sheet growth was 22.6%. Loan growth year-on-year, if you adjust for the short-term one-off loans that we had last year on 3G, which ran off by September to December, then the year-on-year loan growth would be about 29%. Sequential from March to now, the loan growth is about 9%.

On the deposit side, the CASA ratio was about 49%. The savings account grew by about 20%. The fixed deposit growth was a little lower than that. So, total deposit growth was a little too lower on the back of the fact that we also raised some Tier II deposits. So we did not take too much of wholesale deposits during the quarter. On the back of the Tier II raising and the growth on the loans, the capital adequacy was at 16.9%. Tier I was at 11.4%.

On the branch side, we've added 125 branches in this quarter. So, that takes the total branch network to 2,111 branches. We've also have almost 6,000 ATMs, 5998. And these 2,111 branches and roughly 6,000 ATMs are in 1,111 cities. So, there has been a continued expansion on the distribution side as well.

On the portfolio quality side, gross NPAs were at 1.04%, net NPAs at 0.2%, and restructured loans at 0.4%. So, not too much of a change, but a marginal improvement on the NPA side as well. So, those are some of the key figures. You probably had a chance to mull over them. So, I'll plunge into the questions right away. If you can throw the conference open for questions now.

Operator

Sir, should I announce for the Q&A.

Paresh Sukthankar

Yes.

QUESTIONS AND ANSWER SECTION

Operator

Thank you. [Operator Instructions] First question comes from Mahrukh Adajania from Standard Chartered. You may go ahead, please.

<Q - Mahrukh Adajania>: Yes, hi. Congratulations on a very good set of numbers. I just had a few questions. One is the retail loan growth has been very strong as expected, but how do you see sustainability? If you exclude the one-off telecom loans, then the loan growth is 30%. So is that the kind of loan growth we should see ahead and how do you see the retail growth standing out in the quarters ahead. That's one question. And the other question is on breakdown of provisions. How much of floating provisions are made during the quarter and when would you have to start making general provisions again?

<A - Paresh Sukthankar>: Okay. On the loan growth, I am sure there will be some quarterly variations depending on how we could

have paced our loan growth through the year. But our normal stance that by the end of the year, we would like to grow at a few percentage points higher than the system loan growth. I think that remains our strategy or what we would like to deliver by the end of the year. That's our internal target. At what pace does the system grow at is a question. But at this point of time, most of us believe that if the economy grows at about 7.5% to 8%, then the system will grow at about 19%, 20%. And we would then want to grow a few percentage points more than that. At this point of time, the growth that we are seeing just for one-offs of say 29% or thereabouts is almost equally from both corporate and retail. So, the retail book has also grown at 28.6%. Obviously, there is no base correction there because the wholesale thing is only on the corporate side. So, we have both retail and wholesale right now growing at a very similar growth rate of 28%, 29%.
Going forward, whether there are any specific products within retail which show slightly moderated growth rates, either because of underlying sales growth coming off or because of some moderation in demand, because of higher interest rates. I think, that's something which we'll have to wait and watch. So far, at least till June, the impact of the higher interest rates or what's happening on the underlying car or CV or other sales, that impacting loan growth has been somewhat new to it. So, which is why loan growth continues to be reasonably healthy.

The only other mitigant to that risk is that because there are six or seven products, we – even if you have an all-product or two slowing down, there's always room for some of the others to sort of pickup the planks. Also, in this first quarter, we have not bought any of the home loans that we have originated. So, if you adjust – if you'd sort of take on something which would normally have come through, the retail loan growth would have been a little higher. So, to that extent, again depending on what ultimately happens in terms of some of the other retail loans with the mortgage also coming in, I think, we should be able to maintain a reasonable growth on the retail side as well.

<Q - Mahrukh Adajania>: Okay. The mortgage origination was strong, it's only that you did not buy loans or there was a slowdown in general mortgage originations also.

<A - Paresh Sukthankar>: No, there's not been a major slowdown or anything in the mortgage origination. I mean we've continued – there are normally some seasonal undersides, some little variations. But it is just that we haven't – typically, we do this once in three months, so we would have probably ended up doing it or we would have done it probably since then or we'll be doing it right now.

So there is nothing – there's no sort of method in the whole thing. The fact is that we would buy from time to time. So that will come in, in any case. So that's where we are. As far as your provision question is concerned, we have a little more than Rs. 250 crores of floating provisions in the provision figure. As far as general provisions are concerned, we have now in this quarter, we a couple of crores of general provisions which we've been – which we can start making now. So we have utilized the excess general provision. I mean we have grown into the general provision so to say by the loan book having grown to where it is today.

So certainly for whatever growth that we see in the next quarter in terms of loan growth, we will have to make general provisions. But for this quarter, it's only a couple of crores because the larger part of the loan increase was still utilizing the GP that we had earlier.

<Q - Mahrukh Adajania>: Right. But just in terms of your floating provisions, last year in the first quarter, did you have much floating provision in the first quarter?

<A - Paresh Sukthankar>: We had, I think around Rs. 100 odd crores in the first quarter of last year.

<Q - Mahrukh Adajania>: Okay. And any guidance on credit cost. Obviously apart from asset quality, you don't have to continue to meet floating provisions, right? So even if you have to meet general provisions, that could be an offset.

<A - Paresh Sukthankar>: Yes. I guess we have an internal policy on floating provisions. But obviously, these are counter cyclical. So if you have a normalization of NPLs and therefore normalization of specific provisions or as the general provisions pick up, would we also have to make incremental floating provisions? No. I think we are reasonably comfortable, but from time to time, we may need them as well.

<Q - Mahrukh Adajania>: Okay, thanks so much. Thanks.

<A - Paresh Sukthankar>: You're welcome, madam.

Operator

Thank you, sir. Next in line we have Kashyap Jhaveri from Emkay Global. You may go ahead, please.

<Q - Kashyap Jhaveri>: Yes. Good evening. Hi, Paresh.

<A - Paresh Sukthankar>: Hi.
<Q - Kashyap Jhaveri>: Sashi, congratulations on a good set of numbers. A question on wholesale advances, which in this quarter seem to have grown pretty fast at about 15% Q-on-Q, I mean any one-off over there?

<A - Sashi Jagdishan>: Yes, there are some large one-off loans, loans which we have given to the oil companies and some to the Food Corporation Credit Consortium. So that is a part of this kind of – there are some one-offs out here. If you skip that out, I think it leads from anywhere between 6% to 7%.

<Q - Kashyap Jhaveri>: Okay, okay. Another question on the retail loan book side. I see, on a sequential basis, we have seen a sharp growth in few unsecured portfolios like personal loan and credit card segment. So, are we comfortable with the behavior of the borrowers in those categories still?

<A - Paresh Sukthankar>: Yes. Actually we have been comfortable in terms of the stability of those portfolios for the last few quarters now.

<Q - Kashyap Jhaveri>: Okay.

<A - Paresh Sukthankar>: You know, we were holding back in terms of the sort of stepping on the accelerator because the system was still going through a certain amount of pain. And we did not want to grow the portfolio when there were still players in the system who are withdrawing from the market or who are running down portfolios. We've
– and you know, to whatever extent, there were specific segments or specific geographies where we had any sort of discomfort, those we have worked ourselves out of or reduced our presence there.

Last few quarters, we've therefore started growing this gradually. Usually, you notice therefore from a less than 2%, 3% growth rate, we went to a high single-digit growth rate. And we've been able to grow further on that. So, one, I think we do see fairly stable portfolio quality on the existing book. We've seen these trends of stability for quite some time including some of the early delinquencies we're seeing in those particular products. And, we've stepped up the ante a little. Obviously, the base is a lot smaller, so the rates of growth might look a little higher. But in absolute terms, it is still not a large part of the growth, because the auto commercial vehicles, mortgages, when it comes back – when you take it on our books, business banking, which are all the secured products, are still the larger contributors to the loan book.

<Q - Kashyap Jhaveri>: Okay.

<A - Paresh Sukthankar>: So, if look at between credit cards and personal loans, there will still even – both of them put together, will be somewhere in the teens in terms of proportion of our loan book.

<Q - Kashyap Jhaveri>: Right.

<A - Paresh Sukthankar>: So, 3%, 4%, 5% faster growth in those will not drive the retail loan growth, but it'll certainly be sequentially faster growth than what we have seen in those products last year.

<Q - Kashyap Jhaveri>: Okay. And, last question on the deposit side, if I look at sequential deposit growth, it's sort of one of the lowest in last about four years, five years that we have seen, it's about 1.2% sequential growth in deposits.

<A - Paresh Sukthankar>: Yes.

<Q - Kashyap Jhaveri>: Still, our CASA would have fallen by about 360 bps Q-on-Q.

<A - Paresh Sukthankar>: Yes.

<Q - Kashyap Jhaveri>: So, what's the guidance on the CASA side?

<A - Paresh Sukthankar>: On a sequential basis, we see CASA clearly as – in the March quarter itself, we had said that there were a few thousand crores of current accounts, which had come based on the fertilizer company selling their bonds on 31st to the RBI in India and so on.

<Q - Kashyap Jhaveri>: Okay.
<A - Paresh Sukthankar>: So we had, in fact, mentioned that even at the time of the conference call that we did for March.

<Q - Kashyap Jhaveri>: Right.

<A - Paresh Sukthankar>: Those were obviously one-offs which were there and which we had adjusted at that time itself and obviously which are run-offs.

<Q - Kashyap Jhaveri>: Okay, okay.

<A - Paresh Sukthankar>: Other than that, the savings account deposits have grown at about 20% odd. We would obviously look to continue to grow those and adjust for the one-offs, the regular current account growth to also continue to happen through the year. As far as the fixed deposit growth is concerned, while we have continued to grow the retail fixed deposits to whatever extent we would have liked it do.

On the corporate fixed deposits or the wholesale fixed deposits, we have not been as aggressive as we could have been or we would have in the normal course have been because this was also time that we were sitting on some excess interbank and other liquidity where we were – therefore liquidity, those short-term assets to handle the liquidity because it made more sense to lend those and that was at a lower yield than taking fresh bulk deposits, that did not make sense.

And secondly, having days about Rs. 3,650 crores of Tier II, we also had additional liquidity. So as the margin to also take bulk deposits at the rates at which they are just not did not make sense till we actually needed to deploy that money.

<Q - Kashyap Jhaveri>: Right.

<A - Paresh Sukthankar>: So the swing factor of the last few percentage points to the question of taking those bulk deposits at whatever market rates there are, which – if we don't need them which we did not need them in the first quarter, it did not make sense. If we need them going forward as whatever proportion of the deposits, you'll get back to the normalized deposit growth. So, I don't see an issue there and obviously depending on how interest rates also pan out.

<Q - Kashyap Jhaveri>: Right.

<A - Paresh Sukthankar>: We figure out when we would like to be a little more in the fixed deposit market and a little less.

<Q - Kashyap Jhaveri>: Right. And just one clarification, those margins which we report in the press release those are on the earning assets or those are core margins not on total assets?

<A - Sashi Jagdishan>: These are on total.

<Q - Kashyap Jhaveri>: On total assets?

<A - Sashi Jagdishan>: Yes.

<Q - Kashyap Jhaveri>: Okay.

<A - Sashi Jagdishan>: Obviously I am told the other banks do it on earning assets, which has been surprising. So, probably on a similar basis, we would be much more.

<Q - Kashyap Jhaveri>: Okay and just one more question on those NPAs. I see sequentially there is about one particular addition, so anything to read on those assets, Rs. 140 crores?

<A - Paresh Sukthankar>: No. I mean there are some regular slippage. There's also some statistics, which we're looking at slightly differently. One is that we have some portfolio buyout in the MFI piece, which has become non-performing.
<Q - Kashyap Jhaveri>: Okay.

<A - Paresh Sukthankar>: Not a large amount, but still that is one portion, which has slipped into NPA.

<Q - Kashyap Jhaveri>: Okay.

<A - Paresh Sukthankar>: The other is that there was a RBI circular, which required investments where it means preference shares, which something to do which is preference dividends similar to preference shares and the dividends are not declared of whatever has to be declared as NPA. So, those have been classified. Again, none of these have been very large amounts. But when you look at what is different from what would have inclined to Rs. 140 crores, it would have been there. Other than that, I guess given the size of balance sheet, this is sort of less than what the normalized NPA slippages should be for the mix of portfolio that we have.

<Q - Kashyap Jhaveri>: Sure, yes. I'm done. Thank you.

<A - Paresh Sukthankar>: Good.

Operator

Thank you, sir. Next in line we have Suresh Ganapathy from Macquarie. You may go ahead please.

<Q - Suresh Ganapathy CFA>: Yes. Hi, Paresh and Sashi. Just quickly on your provisions. So this quarter, whatcould be the SP provisions, that is basically the GP plus [indiscernible] (00:17:58) rate combined that you gave?**<A - Paresh Sukthankar>**: Well, the total provisions are...**<Q - Suresh Ganapathy CFA>**: Rs. 443 crores.**<A - Paresh Sukthankar>**: Rs. 443 crores. And of that, approximately Rs. 250 odd crores are the floating.**<Q - Suresh Ganapathy CFA>**: Correct.**<A - Paresh Sukthankar>**: There are some small contingent provisions, which are not very hard to [indiscernible]
(00:18:19) which are tax and other things which are about Rs. 20 crores, Rs. 30 crores and the balance are the GP and loan loss provisions.

<Q - Suresh Ganapathy CFA>: Okay. So, the other one-off provisions are roughly Rs. 20 crores, Rs. 30 crores basically.

<A - Paresh Sukthankar>: That's right.

<Q - Suresh Ganapathy CFA>: Yes, okay. Just on this floating provision policy, I mean RBI doesn't allow usage of floating provisions for smoothening of earnings. I mean it's very tightly regulated as to when you can use floating provisions. So, when you've made so much of floating provisions over the past few quarters and various contingent provisions, how confident you are that you can actually reverse it back in future for any delinquencies that arise, in fact – so just wanted to understand the logic behind making these floating provisions when the reversibility of them is

relatively low?**<A - Paresh Sukthankar>**: I don't think there is any intention of reversing out floating provisions if there are normaldelinquencies or anything of that sort, right.

<Q - Suresh Ganapathy CFA>: Okay...

<A - Paresh Sukthankar>: So, it's not – you've mentioned two things. You've mentioned contingent provision andfloating provision.**<Q - Suresh Ganapathy CFA>**: Correct.

<A - Paresh Sukthankar>: And there's – obviously there's a difference between the two. The floating provisions are part of the policy to build countercyclical provisioning buffer. They – we are not therefore using them for smoothening or netting off from net NPLs or whatever, right. They are currently being made as per board-approved policy. You're absolutely right that if we need to avail of any of these provisions, we would have to get, one, our board approval and secondly, RBI approval before we can use it. Have you understand that there are banks in the system, who in certain circumstances – this is what I am given to understand have approached and have got permission from RBI, though I'm not – there's no way that I can verify that.

<Q - Suresh Ganapathy CFA>: Okay.

<A - Paresh Sukthankar>: Unless there's an extraordinary situation, and I think they're in the circular as well, obviously one cannot just reverse out floating provisions at whim and fancy. So we recognize that these are provisions which reflect the normalized cost to an extent and which are currently going up to beef up the Tier II capital of the bank.

<Q - Suresh Ganapathy CFA>: The entire floating goes into Tier II or a part of it goes into...?

<A - Paresh Sukthankar>: The entire floating.

<Q - Suresh Ganapathy CFA>: Entire floating, okay.

<A - Paresh Sukthankar>: Yes. As far as the contingent provisions are concerned, there we are saying that whenever there are external shocks, which have a very clear impact on potential losses or potential asset quality concerns. But at that point of time, the exact amount or the exact entity which will result in those losses or which will create those losses cannot be defined, then the bank has made contingent provisions.

So, broadly if I can remember, there are two major situations where this had been done. One, if you remember a few days back was when we had the entire derivative-related issue. We had dimensioned what could have been losses or repudiation or other risks and the bank had estimated and made some contingent provisions. So, these were identified and existing issues, but contingent on what might or might not happen in terms of certain counterparties or certain regulatory – certain legal cases and so on.

The more recent one, of course, which we have done was again on the MFI issue in recognizing that there was an external – it was not a wrong credit decision nor a normal cyclical change in a particular industry. We had a regulatory change or a change in a particular state. We all recognize that that created a significant shock to the system. And the fact that they would be MFIs who would therefore not be able to service their obligations to the bank, whether that would result in restructuring or NPLs and so on. So the bank made a contingent provision based on an estimate of the portfolio. That is the second situation that we have done.

So there obviously, as some of those NPLs actually form or there are losses which are incurred or there are provisions which are to be made on the restructuring of some of those loans. As I'm told – in fact, we obliged to use the contingent provisions that they have already created for that particular use.

<Q - Suresh Ganapathy CFA>: Okay, fine. So this quarter, when you said there is some slippage on the MFI portfolio buyouts, a part of that contingent would have already been utilized?

<A - Paresh Sukthankar>: That's right.

<Q - Suresh Ganapathy CFA>: Yes. Okay. So can you just give us a block of contingent as well as floating provisions that is outstanding on the balance sheet as on date?

<A - Paresh Sukthankar>: Well, the floating provisions as of year-end were at – that is last year-end were at Rs. 730 crores or whatever, and we've added about Rs. 250 odd crores to them.

<Q - Suresh Ganapathy CFA>: Okay.
<A - Paresh Sukthankar>: Contingent provisions, I think there are two, three such situations in which they have been created. There is no – we did not put that in the public domain.

<Q - Suresh Ganapathy CFA>: Okay, fine. So any quantum that you can define how much you would have used from your contingency distinct for this quarter's portfolio buyout. I mean which have gone bad basically.

<A - Paresh Sukthankar>: I mean the proportion to which we'd have created for those particular loans, as I said, we have identified specific portfolios or specific names when we have arrived at the requirement of a certain contingent provision.

<Q - Suresh Ganapathy CFA>: Okay, fine.

<A - Paresh Sukthankar>: That proportion if from whatever we had said that these could be vulnerable. There's a certain proportion of that portfolio has become NPL, that is the portion in which we would have been able to step into that.

<Q - Suresh Ganapathy CFA>: Okay. Just two quick questions, again, first on margins, I mean this is a quarter when the savings rate hike has happened.

<A - Paresh Sukthankar>: Yes.

<Q - Suresh Ganapathy CFA>: Plus you already had 16% Q-o-Q decline in current account, which you already pay zero percent interest.

<A - Paresh Sukthankar>: Yes.

<Q - Suresh Ganapathy CFA>: Despite that your margins are still flat at 4.2%. So, can you just throw some color as to how much cost of funds have moved up and whether your yield on funds has also moved up pretty significant? Just wanted to understand the dynamics as to how you've gone about maintaining your margins, despite such a bad quarter in general for the sector?

<A - Paresh Sukthankar>: Yes, there has been some impact of about 4, 5 basis point, but that still keeps the – so we're talking about second decimals here.

<Q - Suresh Ganapathy CFA>: Okay, fine.

<A - Paresh Sukthankar>: But, the fact is that the movement was not enough to knock off in a rounded off basis to come down to below the 4.2 level.

<Q - Suresh Ganapathy CFA>: Okay.

<A - Paresh Sukthankar>: How have we done that? I think one is, if you remember the knocking off of the current accounts, it was not relevant because that was not what was had propped up last quarter's margin either because as I said, some of those current accounts weren't there for a day or two.

<Q - Suresh Ganapathy CFA>: Okay.

<A - Paresh Sukthankar>: Because of what, as I said, happened on 31st, in fact it's a date that those bonds were bought up by government.

<Q - Suresh Ganapathy CFA>: Fine.

<A - Paresh Sukthankar>: But other than that, the fact that the fixed deposit rates went up sharply is a fact. And obviously this quarter, we'd have had an even more full quarter impact of the higher fixed deposit costs relative to last quarter. But equally on the lending side, the loan yields especially on the corporate shorter-term loans, those yields have also gone up pretty much to the same extent. You have seen what has happened to CP rates and CDUs and so on.

So, the short-term working capital-type loans as they are maturating are obviously getting re-priced at whatever are the short-term corporate lending rates and those have been pretty – have moved virtually in line with what has happened to deposit rates. Between that and the fact that you know we [audio gap] (00:25:33-00:25:40) fixed deposits and the margin. And if you've had then some increase in lending rates on the corporate side and some on the retail side, broadly that's been adequate to allow us to pass on or offset much of the cost increase. There is a few basis points reduction, but still remains pretty close to where we have been.

Operator

Shall I take the next question?

<A - Paresh Sukthankar>: Yes, sure.

Operator

Thank you. Next in line we have Veekesh Gandhi from DSP Merrill Lynch. You may go ahead, please.

<Q - Veekesh Gandhi>: Hi, Paresh, Sashi. Just a few questions, basically one is your fee income has become quite volatile, 30% last quarter, 15%, 16% growth this quarter. Can you throw some light considering also the fact that I mean your loan growth adjusted for that one-off is running at almost 30%? And earlier we had periods of very much mirroring the growth – feeing growth mirroring your loan growth. I understand that third party insurance and all that line off to a large extent but beyond that, is there anything else?

<A - Paresh Sukthankar>: No, not really. In fact, highly might have spent that in the past the loan growth and fee growth somewhat more and in terms of rates of growth. That was sort of its previous correlation if you might because as you know, much of our – in fact, almost all our fee growth has got nothing do with loan growth, except for maybe about 5% or 7% of our retail assets processing fees.

<Q - Veekesh Gandhi>: Right.

<A - Paresh Sukthankar>: There is hardly any other lending that results directly in fees. In the last quarter, we have some slightly higher commissions that we have got from whatever considered as sales that we have made on the insurance side and so on, yes. Has that been dropping off sharply given the mix of the insurance sales and the fact that for the ULIP-type policies now, the drop in the commission rate is almost 50% to 70%? So even if you have some growth in volumes, which of course will also have some volatility from quarter to quarter.

<Q - Veekesh Gandhi>: Right.

<A - Paresh Sukthankar>: The last quarter is always a peak for all these sales. Apart from the volume volatility, the commission rate decline for that, not for the entire peak, but for certain types of policies, almost 60% to 70%. So that – if there is a toll on the fee growth rate, it's probably much more attributable to the third party fees than anything else whatsoever.

<Q - Veekesh Gandhi>: And would it be fair to assume your wholesale retail fee would be what, 60/40 or 70/30?

<A - Paresh Sukthankar>: No, it could be probably...

<A - Sashi Jagdishan>: 85/15.

<Q - Veekesh Gandhi>: 85% would be corporate?

<A - Paresh Sukthankar>: No, it would be retail.

<Q - Veekesh Gandhi>: Retail, right.

<A - Paresh Sukthankar>: This thing may be between 80% and 85%.

<Q - Veekesh Gandhi>: 85% would be retail, okay. And any – you have expanded 125 branches in this quarter. Are you carrying the more licenses? And do you have outlook on that for the next balance part of the year?

<A - Paresh Sukthankar>: We would add 200 more branches. There are now – it's not just a question of getting licenses, which of course we have some approvals, but it's also a question of adding some licenses to some branches, which don't require licenses, right. So that's really a function of how we sort of – where we want expand, how fast. But in the rest of the year, we would probably end up adding another couple of hundred branches at least.

<Q - Veekesh Gandhi>: Great. And just quickly, so you are basically not disclosing or not giving on the MFI piece that is the buyout piece that is NPL?

<A - Paresh Sukthankar>: Well, so far what is there is frankly...

<Q - Veekesh Gandhi>: Because you had some thousand crore exposure, right, to MFI the whole?

<A - Paresh Sukthankar>: That was several, several months back. Our total MFI exposure now across everything and most of it, about 90% of it is loans.

<Q - Veekesh Gandhi>: Right.

<A - Paresh Sukthankar>: It's about Rs. 600 crores or so, which includes, obviously some players who have been not been impacted at all and some portion which is – either at times, some of it is already in the restructured loans of 0.4. In there, they are pending applications. They are applications which are pending restructuring and there is some portion in the NPL.

<Q - Veekesh Gandhi>: Okay. And just very small data point, how much would your wholesale funding be now of your deposit base?

<A - Paresh Sukthankar>: Wholesale of the fixed deposit probably would be about somewhere between 25% and 30% of the fixed deposits.

<Q - Veekesh Gandhi>: Right. Okay, fine. Great. Thanks a lot.

<A - Paresh Sukthankar>: You're welcome.

Operator

Thank you, sir. Next in line you have Nilanjan Karfa from Brics Securities. You may go ahead please.

<Q - Nilanjan Karfa>: Hi, Paresh.

<A - Paresh Sukthankar>: Hi.

<Q - Nilanjan Karfa>: Thanks for taking this question. A quick understanding on where do you think we are in terms of the NPL cycle at present?

<A - Paresh Sukthankar>: Well, we seem to be at an all time low. So I'm not sure when we'll start moving up, but even if you look at our own cycle and leave out anything to do with the difference that we have normally had between our NPL levels and the average of the industry. Even by our own NPA levels, we are at perhaps that is in the recent few years an all-time low. We are not currently seeing any immediate trends of NPLs looking up. But if I just look at the book at a half and half between corporate and retail and look at what normalized expected NPLs on the corporate book would be and the normalized weighted average of the NPLs that I expect across our retail loan portfolio, is certainly today lower than what that should have been.

One could argue that if I look at the historical averages and if the portfolio mix does not change too much, then our normalized NPLs have traditionally been somewhere between 1.3 and 1.5. It's just that for the last few quarters, the portfolio has just been holding up. And we've not been seeing as much as slippages. I think from a very long-term point of view, it is fair to believe that these NPL levels should normalize have but we're not seeing any pressure right now.

<Q - Nilanjan Karfa>: Any indication as to what would be driving this in terms of lowering fees?

<A - Paresh Sukthankar>: We are also looking at what we've done right so it would be all the same. But to be honest, I think one of the thing of course you are even though there's a slight slowdown you're still in a economy which is growing at annually somewhere between 7.5 and 8. Our portfolio itself has been fairly very diversified, so we don't have a huge concentration in any industry or any sector. So, even when you have these little bits of shocks like we had for the MFI or some other sector [audio gap] (00:33:04-00:33:14) on the whole side we've had a little more of working capital and medium-term loans and not as much of project infrastructure loans, which could be – which are a little more vulnerable to cyclical changes in the economy.

<Q - Nilanjan Karfa>: Okay.

<A - Paresh Sukthankar>: And on the retail side, we have traditionally been a little more disciplined. We've had a larger proportion of our lending to our own internal customers. We've got a large salary account customer base. So, I think – I mean, I can't say that any one or two of these have been the major contributors, but these are various things which have worked for us. But I think whatever are these cyclical concerns in the economy in terms of whether there's an economy slowdown or interest rates go up or what it does to SME or it does to certain retail portfolios. I don't think, we can be completely uniform them...

<Q - Nilanjan Karfa>: Right.

<A - Paresh Sukthankar>: But, we are pretty confident that historically, even if there is a cyclical swing in NPL level at the industry level, we should be better off than that. I think that is something which we remain comfortable.

<Q - Nilanjan Karfa>: Okay. So, which means that you will keep on doing floating provision for at least next four quarters, it looks like....?

<A - Paresh Sukthankar>: I have no such impact timing on that as well.

<Q - Nilanjan Karfa>: Okay. Just...

<A - Paresh Sukthankar>: I just want to mention, however, we are back to creating floating – actually back to creating standard provisions for, I mean, wholesale...

<Q - Nilanjan Karfa>: Right, right.

<A - Paresh Sukthankar>: General provision for standard assets, because the loans have grown.

<Q - Nilanjan Karfa>: Right. Let me ask you the second question, which is related to the Tier II. You have raised quite a lot of amount, is that something to do in what you perceive in terms of the liquidity or corporate deposit that can turn towards volatile over the next two or three quarters, any indication?

<A - Paresh Sukthankar>: No, not really. It's just the fact that – we have our Tier II, both lower and upper Tier II are rated AAA. There is demand from – we've been issuing this every 12 or 18 months or so. So, sometimes someone's offering us at reasonable rates and given the fact that we do grow faster than our sustainable growth rate and therefore do consume capital. It is logical for us to look to raise Tier II from time to time.

<Q - Nilanjan Karfa>: Rental looks a little higher this time, right?

<A - Paresh Sukthankar>: [audio gap] (00:35:32-00:36:11) If you had to include the first quarter results, the capital adequacy would have been probably about 50, 60, 70 basis points, even higher than where it is today. So, we recognized that we're comfortable from a capital point of view. But, this was an opportunity. It makes sense for us. We believe that the rate was reasonable from a capital point of view and so we did that.

<Q - Nilanjan Karfa>: All right. Third, even see going on this question was this, so typically and how much is coming from the LCs and the guarantees? Is your off-balance sheet growing much faster than your balance sheet?
<A - Paresh Sukthankar>: No. Actually LCs, guarantees while they have been growing in the last few years, the fee rates are very low. So, while we continue to grow that, either side, your total wholesale commissions which includes LCs, guarantees, custody, tax payments, whatever all the wholesales commissions put together are somewhere between 15% and 20% of our total fees and commissions.

<Q - Nilanjan Karfa>: Right.

<A - Paresh Sukthankar>: So, although while the business continues to grow and it's a good profitable business, it's not seeing feverish growth rates, it's seeing – I would say if you look at the average growth rate on commissions, the fees from some of these products that you just mentioned would actually be more than the average.

<Q - Nilanjan Karfa>: Okay, I see. And quickly in terms of couple of other banks have raised their short-term rates, can you speak in terms of – do you see some movement in term assets or saving assets in or out of the line because of that or as a system?

<A - Paresh Sukthankar>: You are saying shift from fixed deposits – from saving accounts and fixed deposits?

<Q - Nilanjan Karfa>: And even to other banks because some other banks have raised their short-term rates quite sharply.

<A - Paresh Sukthankar>: That could happen. I mean again that tends to happen a little more on the corporate deposit side. Retail deposits, first of all, the more relevant rates for retail deposit tends to be the one year and whatever, one-year 15 days or somewhere between one to two years tend to be the more important rates for retail depositors. But you are right, for 60-day, 90-day, 30-day corporate deposit, naturally those deposits would tend to gravitate towards those banks who are offering the highest rates.

Again, these are retail rack rates or sometimes there are premiums which are there for corporate deposits. So there we – depending on whether we are in that market and looking to add deposits or not, we would be more or less competitive at any point of time. Admittedly in the last quarter, we were not being so competitive where we had consciously taken a decision not to be very competitive on the corporate deposits because of what we just discussed earlier in terms of our having liquidity, our having raised Tier II and so on. But if it means that we need to have slightly higher corporate – higher deposit rates on the shorter term for [indiscernible] (00:39:17) we would have to be competitive.

<Q - Nilanjan Karfa>: Okay. And a quick retail question. Can I have the risk weighted asset, total and split between balance sheet and off balance sheet?

<A - Paresh Sukthankar>: I will try and sort of get somebody to pull it together if we can while I take some other questions in the meantime.

<Q - Nilanjan Karfa>: Okay, sure. Thanks.

Operator

Thank you, sir. Next in line, you have [ph] Ashwini Aggarwal from JM Financial Mutual Funds (00:39:42). You may go ahead, please.

<Q>: Hi, Paresh.

<A - Paresh Sukthankar>: Hi.

<Q>: Paresh, I just wanted to know your views on the interest rates and how do you see it panning out for the next two quarters?

<A - Paresh Sukthankar>: Well, actually we thought that we had, because of the strong deposit growth at system level and loan loads coming off and the gap narrowing, we had thought that we probably had seen roughly the peaking of both deposits and loan rates. And that even if they had been another 25 basis points or something in the policy rate side, that we should not have seen too much of an increase on deposit or lending rates. That was our general expectation. However, the fact that in the last couple of weeks, you have been seeing some increase in deposit rates, a little more at the shorter end, but certainly at the short and medium term end means that we've probably not seen the absolute end, although we are close to the peak of deposit rates. And therefore, it is likely that deposit rates remain where they are or in some tenure or the other might go up marginally if any of the larger banks decide to continue to raise their deposit rates.

<Q>: Okay.

<A - Paresh Sukthankar>: If the deposit rates remain where they are or increase very marginally, then I think on the lending side as far as base rate increases are concerned, I think we also have seen much of the peak on the base rate side. However, if you look at some of the retail loan products, then in some of them the rate increases have not been commensurate at least with the FD increases.

<Q>: All right.

<A - Paresh Sukthankar>: Obviously, on a blended basis, your funding cost for a bank like us does not go up in the same proportion as fixed deposit rate. So it does not squeeze margins. But if I look at it purely from a fixed deposit rate increase and a retail loan rate increases, I don't think those have been as much as there could be some more increase yet to go as far as lending rates on some of the retail products are concerned.

<Q>: So, what has been your average cost of funds and what's your incremental cost of funds?

<A - Paresh Sukthankar>: We actually don't put out on a quarterly basis asset used and funding cost. But I can tell you on a sequential basis between last quarter and this quarter, both the funding costs are up by about 30 odd basis points. And the asset used are also up by almost that much some 3, 4 basis points less than that.

<Q>: Okay. Paresh, CD ratio is almost 83%?

<A - Paresh Sukthankar>: Yes.

<Q>: So for you, what's a comfortable CD ratio for you and how do you plan to increase the deposits?

<A - Paresh Sukthankar>: See I don't think we recognize it from a CD ratio point of view, but we are because the higher CD ratio is really a function of our having gauged some of the Tier II. We generally haven't had a higher capital position. So the rest of it is funded not from borrowing or wholesale money or whatever it's funded from equity or Tier II date. But going forward, everything seems to be attuned whatever Tier II and so on you have to raise. Going forward, whatever on a incremental basis is the loan growth that we are looking to do, you have to ensure that the deposit growth is keeping pace. We have traditionally grown on the deposit side also passing the system. So we are pretty comfortable being able to do that.

<Q>: Okay. And sir, what are the industries which you see will drive the demand as you said you will be growing by 25% next year too?

<A - Paresh Sukthankar>: Actually one, of course, I did not say we're growing by 25%, but that may be by introducing the number when you build it from the system plus delta. But other side – on the corporate side we have about 22 or 23 industries, which account for 2% or more of the portfolio. So, it's a highly diversified book. I don't think there are two or three or four sectors that are going to be the major contributors. But from a product point of view, I can certainly say that we will have more of a medium and short tenure loans and working capital than we'll have of term loans or project finance, but it may be diversified across every industry.

<Q>: So, any sector the industry has seen or are there any sector in last three months may be in retail or corporate?

<A - Paresh Sukthankar>: Not really, no. I mean other than what we just mentioned in terms of the MFI, which is pretty much as anticipated, but other than that we haven't seen any sector.

<Q>: Okay.
<A - Paresh Sukthankar>: Showing us any signs of which can cause concern.

<Q>: Okay. Typically it takes some time like between increase in various sectors?

<A - Paresh Sukthankar>: I would think so. In fact, we have been anticipating or we've been expecting some impact of the higher interest rates and the slight uncertainty in environment and so on for quite some time. So, in fact if you look at the last nine months and you had fairly reasonably high increases on the retail side, but neither has demand been affected as much as some would have expected with 150 basis points increase in interest rates nor has asset quality been impacted.

Of course, on the retail side, since most of our loan book is fixed rate. The obligations of existing borrowers don't change. And so the higher interest rate impacting loan quality does not really show up on the existing book. It probably first impact demand for new loans.

And potentially if you continue to have growth with the higher interest rates and therefore there is some adverse selection and so on, that would at some stage show up on the retail side. But so far, I think we haven't seen this.

<Q>: Okay, okay. That's from my side. Thank you, sir.

Operator

Thank you, sir. Next in line we have [indiscernible] (00:46:03). You may go ahead, please.

<Q>: Hi, Paresh.

<A - Paresh Sukthankar>: Hi.

<Q>: My question is what kind of exposure do you have to power sector and real estate sector? And power sector particularly, do you have direct lending to SCBs?

<A - Paresh Sukthankar>: To?

<Q>: SCBs?

<A - Paresh Sukthankar>: We don't have any direct exposure to the SCBs. As far as the power sector, we have existing power companies – again much of it may be working capital and some turns but these are not – most of it is not new project finance as much as existing companies although we may have some projects. But the number is about between 2% and 3%. I'll tell you the exact percentage, but it will be somewhere around 2% odd, so that is 2%. And real estate, if you're looking at developer financing, not mortgage or not anything else, which is secured by real estate because some of our SMEs portfolios and business banking also has collateral loans against property and so on. But if you're looking at lending to the real estate sector or construction or developer financing, I think about 0.5%.

<Q>: Okay, thank you.

<A - Paresh Sukthankar>: You're welcome.

Operator

Thank you, sir. Next in line, we have Tabassum Inamdar from Goldman Sachs. You may go ahead, please.

<Q - Tabassum Inamdar>: Yes, thank you. Just one question, basically looking at your operating expenses, it seems to be growing now at more modest pace. And this is despite the expansion in branches. So is it a trend we should expect will continue in terms of the expense growth numbers?

<A - Paresh Sukthankar>: Well, we have been looking to add branches, expand, but to try and do that in a manner and a pace which allows us to maintain our cost-to-income ratio at somewhat stable level. So, at this point of time, we – while there is obviously the wage inflation and whatever the normal growth in expenses, but we don't – even if there is

some growth in expenses, we don't see that at a pace, which will impact the cost-to-income ratio negatively. **<Q - Tabassum Inamdar>**: Thanks, that's all.

Operator

Thank you, ma'am. Next in line we have Ganesh Jayaraman from Spark Capitals. You may go ahead, please.**<Q - Ganeshram Jayaraman>**: All my questions were already answered. Thank you.**<A - Paresh Sukthankar>**: Thanks.

Operator

Thank you, sir. Next in line we have Hitesh Aswani from Khambatta Securities. You may go ahead, please.

<Q - Hitesh Aswani>: Hi, Paresh.

<A - Paresh Sukthankar>: Hi.

<Q - Hitesh Aswani>: Hello?

<A - Paresh Sukthankar>: Yes, hi. Go ahead.

<Q - Hitesh Aswani>: Yes, hi. This just a data point question, if you could provide the retail loan breakup for Q1 FY '12?

<A - Paresh Sukthankar>: Sure. Now, these are of course the figures as categorized from March onwards, where we have reclassified retail to be in regulatory retail, okay?

<Q - Hitesh Aswani>: Okay.

<A - Paresh Sukthankar>: So, as of June 2011 the auto loans are, and I am rounding these off, 20,000, commercial vehicles 9,000, two wheelers 2,000, personal loans 11,000, business banking 15,000, credit cards 5,000, home loans 11,000 and others is about 6,000. So the total is about 84,000, 83,863.

<Q - Hitesh Aswani>: Okay. Another question, just a quick macro outlook if you could provide on the auto and residential property market and what would be your guidance on auto loans and the home loans going forward as the interest rate sensitive sectors seem to be a slowdown in the sector.

<A - Paresh Sukthankar>: On auto loans, the first couple of months somehow while you had a little bit of gyration of one month down and one month back again and so on, the overall momentum was not bad. But I think in the last few weeks, one has seen a slight slowdown in the actual demand on the ground in terms of bad dealerships and so on. I think some of those car sales numbers have also been coming through reflecting that there is some moderation in growth rates as far as car sales are concerned. So I think it would be fair to believe that in the next few months, there should be some moderation in car sales and therefore in car loans to that extent.

<Q - Hitesh Aswani>: Yes.

<A - Paresh Sukthankar>: It should have actually showed up in this quarter. But in the first couple of months, I think we were sort of surprised that it did not show up as much. I don't know if there was a slight slowdown, but there was some spillover or redistribution of market share, I am not sure. But certainly, I think going ahead it will be fair to believe that there should be some impact market.

<Q - Hitesh Aswani>: Okay. Thanks for taking the question.
<A - Paresh Sukthankar>: And just one more elaboration of that sector, the similar impact should have been there on commercial vehicle sales and commercial vehicle loans, which surprisingly we haven't yet seen.

<Q - Hitesh Aswani>: Okay.

<A - Paresh Sukthankar>: But I would imagine that is usually even more price sensitive than cost. So again, fair to expect that some of it could bond rate and growth rates along the way, but again there is a sign yet – as yet has been even less than in the cost.

<Q - Hitesh Aswani>: Okay. Thanks.

<A - Paresh Sukthankar>: You're welcome.

Operator

Thank you, sir. Next in line we have Ajitesh Nair from UBS. You may go ahead, please.

<Q - Ajitesh Nair>: Thank you. Good evening, sir.

<A - Paresh Sukthankar>: Hi, Ajitesh.

<Q - Ajitesh Nair>: Hi, sir. Sir, just a couple of questions, one is on if you could share the movement of NPAs, how much would have been the slippages in this quarter?

<A - Sashi Jagdishan>: Analyzed about 80 to 90 basis points.

<Q - Ajitesh Nair>: So, still lower than last year what we see?

<A - Sashi Jagdishan>: Yes, that's right.

<Q - Ajitesh Nair>: Okay. And secondly just I know you answered a bit on the commercial vehicle side because the 11% Q-on-Q kind of growth that we are seeing is totally diverted from the underlying OEM sales that we are witnessing. So is that some of the players have exited from the market or maybe you have...

<A - Paresh Sukthankar>: No, I don't think they are players in this markets get away, getting in fact I think the last two months I think there are no players in the competition if anything has intensified a little. And this is whatever you are seeing is on the retail side as I mentioned earlier is without having even taken the home loans in our books.

<Q - Ajitesh Nair>: Right.

<A - Paresh Sukthankar>: So, but tough to say, we have seen in the past that there are some quarters stronger become weaker growth. So I'm not sure that this is something which you should necessarily extrapolate. But we certainly, on the CD side, had a stronger quarter than one – what would have imagined or tried to factor in given the slight slowdown in the economy and the higher interest rates.

<Q - Ajitesh Nair>: Sure. And finally on the margin bit, there was some bit of softening in this Q, but do you expect this to be the worst in terms of margin and the rest of the year should look better in terms of the calculations that you are witnessing?

<A - Paresh Sukthankar>: See, I think it's still early to say. I mean obviously this quarter had the double whammy of the higher savings account rate and the higher fixed deposit rate. And if anything, what has probably surprised is a little on the stickiness of the fixed deposit rates. Because if you remember from the March peak as we came into April, the deposit rates did come off and even that is what we had expected, but then surprisingly along the way somewhere around there in the quarter, they started going up again and they may not have gone back to the February-March levels but they're still clearly higher than what they had come down to in the first half of April.
So I think – and if it remains this way, you will continue to see some of the deposits getting re-priced, the fixed deposits getting re-priced as they mature. So our basic outlook on margins is that you can look at the range which you have seen at an absolute low of 3.9 and a high of say 4.3, that range we are quite comfortable will not get breached. Within that range, whether you will go up or down by 5, 10 basis points is something that could happen, I mean you know may have movements in both directions over the next two, three quarters.

Do I see that we have seen the last of any sort of downward pressure on margins, I think that may not be fair because we're not sure what is going to happen to deposit cost from here and whether there's going to be some more better re-pricing on the retail side going forward either. So I would just say that margins will be somewhat range bound, but a few basis points coming off cannot be ruled out.

<Q - Ajitesh Nair>: Sure, sir. That's very helpful. Thank you.

<A - Paresh Sukthankar>: Thank you.

Operator

Thank you, sir. Next in line we have Anand Vasudevan from Franklin Templeton. You may go ahead, please.

<Q - Anand Vasudevan>: Thanks. Hi, good evening, Paresh and Sashi. There's a question on the most recent, in fact, yesterday evening's guidelines from RBI on branch licensing. The requirement to open 25% of branches in unbanked Tier V and Tier VI locations. So, does that – what sort of readjustments do you need to make to your branch expansion plans to meet these guidelines and some thinking on what could be the economic impact of that?

<A - Paresh Sukthankar>: Anand, we haven't actually mentioned exactly how many more branches we might need to open in this sort of situation, because some of these were not – are indications which have been there. So, the fact that we would need to open more branches in some of these locations is something that we have also factored into our plans as we are putting them together. So, it's not something which has taken us completely by surprise. Obviously these numbers and the proportions were not necessarily frozen.

Well, from our point of view, if we then do want to open X number of branches, we recognize that that proportion is not being made, we would have to open those many more of branches in these locations. I think from a cost dynamics point of view, it does not make too much of a difference because as you can imagine these are extremely low cost given the extremely low cost of rental and so on in these locations. It might – if at all, if you're tracking things like parameter on a per branch basis, these branches would obviously be significantly lower in terms of potential, if look at deposits per branch or whatever profits per branch and stuff like that. But does this distort the cost-to-income ratio, no. Does it – is it something that you would therefore do partly obviously because of the regulatory compliance issue and partly because if you're going to be there, we might want to ensure that we leverage these branches for whatever part of the financial inclusion or other targets that we have taken on, I think we would do that.

So, I don't think economically it's a big swing factor. There will be some costs, no doubt. But those would have to be factored in. It does need some more management time and effort, but again not to identify and to execute and to manage and control. But I think like several cost of compliance and that's something which we would put in place.

<Q - Anand Vasudevan>: Okay. And the related question is the requirement to meet IT sector norms and RBI again saying that branch licensing – I'm sure that RBI has always been looking at how banks meet various norms, but is it fair to think that this is becoming increasingly important, and with respect to your direct agri lending, what was the position in March '12 and do you need to be taking that up significantly in – I'm sorry what was the position in March '11 and what would you like to take it up to by March '12?

<A - Paresh Sukthankar>: You're right that this is extremely important, not that it was any less important in the past, but on a relative basis, it's certainly becoming that much more important. The good part is that in the last maybe 18 to 24 months, we have ourselves, I don't know whether it was partly just seen the signs, partly larger distribution network post the merger and everything else. But we have ramped up our origination of PFL loans, direct to agri and so on. And we have embedded that into each of our business. So it's not that we do our corporate lending and retail lending and then we have a separate department doing PFL. We try and identify PFL opportunities and originate PFL from each of the businesses whether it being specific products within retail or specific segments on the corporate and emerging corporates and business banking side.

We have actually seen extremely healthy growth on the direct to agri side between last year, between March '10 and March '11. But we are still short of the debt agri figure. We have now put the percentage as such right now in the public domain, but we are short of the supplement for direct to agri. And to that extent, we have to keep increasing that share. I mean that piece is going faster than our overall loan books. So our percentages have been improving.

<Q - Anand Vasudevan>: Okay.

<A - Paresh Sukthankar>: But they would have to improve further. But the fact that we've been improving, the fact that we now have some branches in the semi-urban and the fringes of rural which we can use to do more of this stuff. I think those efforts have been recognized and I think we are therefore getting our licenses and so on. I think where RBI loan – which have evaluated how we are doing across each of these parameters. So will this remain a challenge that we are to continue to work on? Yes. Is it something that is out of the blue or which is only going forward? No, I think it's a process which has probably gained momentum in the last few quarters. But it's been something that we have been working on pretty feverishly in the last few years.

<Q - Anand Vasudevan>: Okay. Thank you.

<A - Paresh Sukthankar>: You're welcome.

Operator

Thank you, sir. Next in line, we have Mahrukh Adajania from Standard Chartered. You may go ahead please.

<Q - Mahrukh Adajania>: Yes. Hi, Paresh. One follow up question. Basically in terms of floating provisions just to clarify. So last year there was no draw down – I mean there was no floating provision which was netted off against NPL, is that correct?

<A - Paresh Sukthankar>: Yes, that's right.

<Q - Mahrukh Adajania>: Okay, thank you.

Operator

Thank you, ma'am. Next in line, we have Jatinder Agarwal from Royal Bank of Scotland. You may go ahead, please.

<Q - Jatinder Agarwal>: Hello.

<A - Paresh Sukthankar>: Yes. Hi, Jatinder.

<Q - Jatinder Agarwal>: Good evening, sir. Sir, two questions, one is while we have a very small textile exposure, could you briefly touch up as to what's happening in that industry? We have not got good feedback in the recent couple of weeks. And secondly on your floating provisions, what is the tax implication of this?

<A - Paresh Sukthankar>: On the first part, Jatinder, unfortunately the textile thing as you might have seen is about 1% or 1.5% odd book. So we are dealing with slightly better plays there. So we haven't seen anything. And I have been hearing the same thing that you have. So I know that with what's happening to raw material prices, markets and so on. There has been some concerns on that industry, but we haven't seen any deterioration in the asset quality as yet.

<Q - Jatinder Agarwal>: Okay.
<A - Paresh Sukthankar>: But again, because our portfolio is so small, it may not be reflective of – or we may nothave the right or the adequate understanding relative to other players who are much larger.

<Q - Jatinder Agarwal>: Okay.**<A - Sashi Jagdishan>**: As far as on the tax implications of floating provisions, Jatinder, this is – this will come underthe preview of timing differences. So in current taxation, it will not be allowed.

<Q - Jatinder Agarwal>: Okay.**<A - Sashi Jagdishan>**: Up to 5% it's allowed, beyond that it will not be allowed. So you will get it allowed when you

start to dip into and write off the provisions, the actual write off. So as of now, we are carrying a deferred tax asset onfloating provisions.**<Q - Jatinder Agarwal>**: Perfect. That is useful. Thank you, sir.**<A - Paresh Sukthankar>**: Thank you.

Operator

Thank you. Next in line, we have Kashyap Jhaveri from Emkay Global. You may go ahead, please.**<Q - Kashyap Jhaveri>**: Hi, as a follow up question on the margins front. I guess average assets have grown by

roughly about 6%, 7% during the quarter. And you mentioned that the margins on total assets were about 4.2% whichis flat Q-on-Q, but I mean we still see the net interest remaining flat sequentially. So how do you solve that equation?**<A - Sashi Jagdishan>**: See, there are – you're right. Sequentially, we have not seen too much of a growth in the net interest income. That's because there have been some – as you know, our net interest income is net of some charge offs such as acquisition costs and certain other items in the net interest line.

<Q - Kashyap Jhaveri>: Okay.**<A - Sashi Jagdishan>**: So since the acquisitions, there has been a one off from the acquisition cost during thisquarter. So which is why you are not seeing that incremental or a sequential growth because of that?

<Q - Kashyap Jhaveri>: And that's part of interest expenses.**<A - Sashi Jagdishan>**: No, that is netted off from the interest income.**<Q - Kashyap Jhaveri>**: Okay. So and interest income on advances, probably we would have netted of that side.**<A - Sashi Jagdishan>**: Yes. There are multiple items which are netted off from interest income.**<Q - Kashyap Jhaveri>**: Okay.**<A - Sashi Jagdishan>**: One is the acquisition cost...**<Q - Kashyap Jhaveri>**: Okay.**<A - Sashi Jagdishan>**: Which is principally on retail assets. So second one is the amortization of premier on health

maturity investments.**<Q - Kashyap Jhaveri>**: Okay, okay.

Okay, sure.

Operator

Thank you, sir. Next in line we have Hiren Dasani from Goldman Sachs Asset Management. You can go ahead, sir.
<Q - Hiren Dasani>: Thanks. Just to follow-up on one of the earlier questions on just recent changes in the Tier V, Tier VI. I didn't really understand whether they have made it more stricter in terms of you to open into unbanked areas or I mean is it a bit more relaxed compared to earlier what we're seeing 33% in Tier V and Tier VI?

<A - Sashi Jagdishan>: No, they have put in a bit of both. I mean obviously Tier V, Tier VI is not so attractive because it's unbanked. But at the same time, they have also dangled a carrot because if you do open 100 branches, if there is 50, which is in overbanked in Tier I and Tier II cities. And say 50 in – and say 25 in Tier III and Tier IV cities and 25 in Tier V, Tier VI cities. What he says is that if you do open 25 in Tier V, Tier VI cities you may be allowed to open another 25 in Tier I and Tier II cities. So that's a bit of a carrot, which they seem to have given. So it's a bit of both, one is trying to push you to go into Tier V, Tier VI, which as Paresh was mentioning it while the cost may be low, the business per branch may be pretty much on the lower side as against one would get in a normal semi-urban and rural branches. But at the same time, it is giving an additional carrot that you can open in a Tier I and Tier II city.

<Q - Hiren Dasani>: Yes. And in terms of language I thought the earlier language you were saying under bankeddistricts and under banked states and now there's unbanked.**<A - Sashi Jagdishan>**: Yes exactly.**<Q - Hiren Dasani>**: Does it make a little more kind of prohibitive?**<A - Sashi Jagdishan>**: Exactly. Slightly more tougher.**<Q - Hiren Dasani>**: Okay, that's it, Thanks.**<A - Paresh Sukthankar>**: But the proportion has come down.**<Q - Hiren Dasani>**: Sure, yes. Thank you.

<A - Paresh Sukthankar>: Thank you.Operator instructions: Thank you, sir. Next in line we have Suruchi Chaudhary from Edelweiss. You may go ahead,please.

<Q>: Yes, sir. This is [ph] Kunal (01:07:31) over here from Edelweiss.**<A - Paresh Sukthankar>**: Hi, [ph] Kunal (01:07:33).**<Q>**: Yes. Firstly, what is the average CASA cost this quarter.**<A - Sashi Jagdishan>**: 49%. Yes, even on a daily average basis also, its 49%.**<Q>**: Okay. And as you mentioned with respect to the wholesale deposits that they say that some of us, so how was the

proportional to wholesale deposits in Q1 of FY '11 as compared to say 25% to 30% in this quarter?**<A - Sashi Jagdishan>**: One second, I will tell you.

Operator

Hello sir.**<A - Paresh Sukthankar>**: Just a few seconds. That was March.**<A - Sashi Jagdishan>**: March?**<Q>**: Yes. Even March,

what was the number? So where was it at the year end?**<A - Sashi Jagdishan>**: It's the same, 2% to 3% higher than what it is now.
<Q>: Okay, okay. Maybe one on the retail side, did we see any moderation in deposits on the term deposit side apart from wholesale?

<A - Sashi Jagdishan>: So actually, if you do really look it is sequentially, the retail term deposits actually was pretty much strong and robust. And you could see a corresponding slight moderation in the saving accounts, as Paresh did mentioned that there was some moderation. But otherwise, retail timed deposit was pretty much good in this quarter.

<Q>: Okay. And year-on-year it would be similar to that of your term deposit growth rate of 15% to 16%?

<A - Sashi Jagdishan>: A little faster than that.

<Q>: Okay, faster than that. Okay. And you gave the guidance in terms of how the retail loans, your outlook on say mortgages and auto, but how it would be on the corporate side, maybe on the working capital side, are we seeing there is some termination coming because the wholesale rates are also pulled off. So, on the corporate side currently excluding one-offs we are seeing 29% kind of run rate. Do we see any moderation out there on the corporate side?

<A - Paresh Sukthankar>: No, I think Sashi briefly alluded that there were some one-off large disbursements, which are not necessarily every quarter like I mentioned for the Food Corporation or others, that claims come, you disburse that once or may be twice a year. So I would not read too much into any particular quarter's growth on corporate. And corporate is always a combination of some stuff which is tactical short-term and some which is an ongoing core increase. So can't predict on how the quarterly movements on the corporate side would be.

<Q>: But maybe on the broader side, I just wanted to know whether the working capital utilization at the corporate level, whether it is coming off?

<A - Paresh Sukthankar>: No, I don't think it's coming off. In fact, what typically happens is because we are in a slightly higher inflation mode, working capital requirements actually tend to go up. And we have certainly not seen any slackening off working capital demand at all. So in addition to that, there might have been some one-offs, but the basic working capital and medium term loan growth is not coming off in terms of demand.

<Q>: Even in terms of disintermediation maybe because the wholesale sales now come down below the base rate. So that is also not impacting that it is getting offset by a higher inflation?

<A - Paresh Sukthankar>: Yes. Not yet and the thing is that moment – that happens it happens temporarily but if the system as a whole is still a net deficit then in the market rates might come off for a brief time and then they tend to bounce back again. And if for instance, market rate, because short-term liquidity improves so much, if market rates to do come off then it's only a matter of time before short-term deposit rates will come off and that would then again translate into lower base rates. So they could be a month or two of lead and lag. But ultimately, short-term lending rates and therefore the base rate will be reflective of the shorter-term liquidity conditions and shorter-term market rates.

<Q>: Okay. So that lag we are not seeing as of now maybe...

<A - Paresh Sukthankar>: Not really.

<Q>: Not yet seeing the signs of that.

<A - Paresh Sukthankar>: Not yet. I mean not yet.

<Q>: Okay. Okay, sir. Thanks a lot.

<A - Paresh Sukthankar>: Thank you.

Operator

Thank you, sir. Next is – yes, sir?

<A - Paresh Sukthankar>: Do you have an idea of how many more questions do we have in line here?

Operator

Seven, eight. Eight now.**<A - Paresh Sukthankar>**: Okay, fine.

Operator

Shall I take the next question?**<A - Paresh Sukthankar>**: Yes, please.

Operator

Okay. Next in line we have [ph] Manish Oswal from KRT (01:12:20). You may go ahead, please.

<Q>: Hello.

<A - Paresh Sukthankar>: Go ahead, [ph] Manish (01:12:28).

<Q>: In terms of your net interest margin because on the quarterly percentage wise on a – because we have calculated reported numbers basis, it has declined by 23 basis point whereas in the reported basis it is 4.2. So could you explain why there is a distance between these two?

<A - Sashi Jagdishan>: We compute our ease, cost and expenses in deposit of cost and deposits and hence the margins on a daily average basis. So it is far more accurate and reflects the movements of the P&L. So normally what happens is there are violent fluctuations on period end. Sometimes you may get erroneous results, because if you go on a period end basis and try to average it out, but if you do on a daily average basis you will get a 4.2.

<Q>: Second, what is your risk weighted asset number as on June 2011?

<A - Paresh Sukthankar>: Yes. In fact, this is a figure that I have been asked earlier as well. The total risk weighted assets as of June is Rs. 9,000 crores. Somebody had asked about the proportion about 78%. 77% 78% of that is on bench. I think this is for the last earlier – I think Nilanjan had asked, I think for that proportion. Yes.

<Q>: And sir, you raised Tier II bonds during this quarter. What is the coupon rate on that?

<A - Paresh Sukthankar>: 9.4 around that much. I'm not sure exactly, but its' somewhere in that 9.4, 9.5 range, definitely somewhere in that 9.4, 9.5 range.

<Q>: During the year, sir, how much have you raised your base rate in BPLR?

<A - Paresh Sukthankar>: During the year so far?

<Q>: In the quarter, how much you have raised base rate in BPLR?

<A - Sashi Jagdishan>: We raised our base rate by about 55 plus 25, that's about 80 basis points and BPLR by about 75 basis points. I'm sorry, in the quarter because this we would have done in June, July. During the quarter ended June, we would have done it by about 55 basis point base rate and 50 basis point BPLR. And then subsequently in July, around just about few days ago or about a week ago, we raised it by another 25 basis points, both the base rate and the BPLR.

<Q>: During this quarter, fee income grew at 23.7% Y-o-Y. So what is the driver of the income, whether they are predominantly into wholesale, fee income or retail? So could you explain what is the driver and how it will step up going forward?

<A - Paresh Sukthankar>: No, the fee income actually grew by 16%. I'm not sure if you are clubbing the fees and the FX and so on. So I think the fee income, as I said, grew by about 15% to 16%. As I mentioned there are a few lines which have seen sluggish growth because of changes in the commission rates and so on. So I would imagine that the fee growth will probably continue to be somewhere in the low teens if at all. And on the bond gain side of course, whether it's a marginal positive or a marginal negative will be a function of what happens to bond yields because our duration on the AFS is less than a year. So the swings are not too much, but a marginal negative or a marginal positive is a function of what happens to bond used between now and the rest of the year.

And finally as far as foreign exchange revenues are concerned, those have been running in the 20s again last year. In the corresponding quarter, there was a trading loss. So the year-on-year growth therefore looks in the 30s, but if you adjust for that, the core growth on the FX revenue has typically been in the 15%, 20% range. So I think most of the other income have been in the teens.

<Q>: What is your outlook on net interest margin going forward for the full year?

<A - Paresh Sukthankar>: We expect the margin to remain in the range of 3.9% to 4.3%.

<Q>: Can I have AFS book side in the modified duration of AFS book?

<A - Paresh Sukthankar>: The AFS piece is about 20% of our total – sorry, around 25% of our government securities book, of our total book – total investment book and has the duration of less than one.

<Q>: Thank you very much, sir.

<A - Paresh Sukthankar>: You're welcome.

Operator

Hello?

<A - Paresh Sukthankar>: Yes, please next question.

Operator

Next in line we have Sreesankar from Tata Securities. You may go ahead, please.

<Q - Sreesankar Radhakrishnan>: Paresh, good evening.

<A - Paresh Sukthankar>: Good evening.

<Q - Sreesankar Radhakrishnan>: Yes, a quick question. We have maintained our NIMs at around 4.2%, okay. And if I heard clearly there has been one-off large of lending this quarter to oil companies and Food Corporation of India, et cetera, which has probably in terms of yields, will be pretty on the lower side. How did you manage this despite that?

<A - Paresh Sukthankar>: Actually, because – at the margin some of the – when we looked at the deployment of funds, some of the excess liquidity that we had in interbank or short-term investments, we are not necessarily yielding in fact we are yielding less than what were – what have been – what are now yielding, being yielded by these loans. And as I said even though these are lendings which are at the best rates, the short-term corporate lending rates have been pretty healthy, because that has been reflecting what has been happening in the short term money markets and the short term CP rates. So these are not at the rates or these are not lending that we would not have been comfortable with on a return basis either.

<Q - Sreesankar Radhakrishnan>: Okay. On the other side, you also mentioned about probably had given the current scenario of GDP growth of around 7.5% to 8% probably, are you saying that you are expecting somewhere around 19% to 20% growth for the industry?

<A - Paresh Sukthankar>: Yes, that's right.

<Q - Sreesankar Radhakrishnan>: Okay. And do you also believe that in the current environment, the industry is going to have a problem of going forward in terms of credit growth because investments are on the lower side than anticipated?

<A - Paresh Sukthankar>: See, I think the fact that new greenfield investments are going to be slow to come to the table in the current environment unless something changes in terms of sentiment and so on in the later part of the year, I think that's a reality. But my feeling is that the actual loan disbursements which will be happening right now are a function of projects and CapEx decisions which have been taken a year or 18 months or two years back.

So if you have perhaps a lesser number of new projects being initiated right now and if that does not change for the next few quarters, then I guess somewhere along the time, whether it's in the last quarter of this year or the first half of next year, at some stage, it would tend to reflect in terms of lower term loan growth. But there will always be a lag in that, in between the discussions and the proposals and then the approvals and the actual disbursement. So right now, I'm not sure whether that is going to impact this year's loan growth even for the system.

<Q - Sreesankar Radhakrishnan>: Yes. I mean obviously I was talking about the future.

<A - Paresh Sukthankar>: Yes. Then I think I would tend to agree with you. Now how much is the question market, but some moderation I think is probably what all of us believe is realistic.

<Q - Sreesankar Radhakrishnan>: Yes. One final question, I think you mentioned about the fee income in terms of health commissions on LPs and guarantees, et cetera. The competition has been so severe that the commissions – the yields from that part also has been driven down. Have you seen the bottom yet?

<A - Paresh Sukthankar>: Yes, I think we have, because a lot of these now get down to fixed amounts, it's not even [indiscernible] (01:21:23). So you open the next phase, you're getting a fixed flat amount. So, I think in terms of fee rates there or fee amounts there you are probably seeing the bottom. I guess that's being true for a lot of the wholesale fee of markets.

<Q - Sreesankar Radhakrishnan>: Okay. Thank you and all the best.

<A - Paresh Sukthankar>: Thank you.

Operator

Thank you, sir. Next in line we have [ph] Srinivasan R. from IIFL Capital (01:21:54). You may go ahead, please.

<Q>: Hi, most of my questions have been answered. Thank you.

<A - Paresh Sukthankar>: Thank you.

Operator

Thank you, sir. Next in line we have [ph] Brian Hunsaker from KBW (01:22:06). You may go ahead, please.

<Q>: Thanks, good afternoon. Can we go back to NIM calculation? I appreciate that you're making the calculation on an average daily basis, so that's a more accurate way to do it than what some of the analysts from the outside will be doing. But you also mentioned there was this issue of acquisition cost and suggested these are one-offs. So I'm just trying to understand because on my calculated net interest margin, it seems like the NIM declined by roughly 25 basis points Q-on-Q.
So should we attribute this discrepancy between what you're saying is the mean, and what would appear to be the mean? Is that – how much of that is due to this issue of using the daily average balance, and how much would you attribute to these sort of one-off adjustments, and particularly the acquisition costs? And if you could – on these acquisitions costs, are these generally sort of a one-off or won't they be repeated as you continue to do more retail lending?

<A - Paresh Sukthankar>: The acquisition costs are not one-off. We continue to originate every quarter – I mean every month and they get charged off. However, whenever there's a spike, let's say in the March period or whenever – there are certain quarters when your retail loans might spike for acquisition cost of a certain channel. So there could be for the dealer channel, for the DSA channel and not for the branch channel as much. So there could be one-off increases or spikes, but the charge off of acquisition cost, and which is what our press release also typically has been saying is net interest earned, net off acquisition cost and so on, I think those are the things that we have been giving at least in the past for quite sometimes.

Now, what Sashi was referring to was that there was a higher – there was a spike in the acquisition cost, which was a one-off. But otherwise, that's the only issue as far the one-off element of the acquisition cost. Other than that, it's what, the balance sheet year end spike.

<A - Sashi Jagdishan>: Yes, other than the reason why probably you were getting a larger denominator, when you see net interest income to total assets, by doing a period end average because we had a higher period end in March as Paresh was mentioning in the earlier conversation that we had from one-off deposits. So it ballooned the balance sheet size by an X amount. So that creates a lower margin for you when you do it from a period end basis. But when you take it on a daily average basis, it's not so much of an impact.

<Q>: Okay. Thanks. So, it sounds like the bulk of the discrepancy is coming from the denominator rather than these deductions from the...

<A - Paresh Sukthankar>: Yes, on the margin – on the – this is to explain the discrepancy – the two of you who just mentioned that on a period end basis we are getting margins to be lower by 20 basis points, I'm trying to explain that. But to another gentleman, who had said that sequentially there has not been a growth in NII, while you've seen a sequential growth and advances and probably more stable margins, as I said on our optical basis, we would have said 4.2, but we should mention that it's still lower by about 3 to 4 basis points. That impact, plus the fact that you have slightly relatively higher charge off on the acquisition costs, which is a reason for a drop.

<A - Sashi Jagdishan>: So, it's the March peak for us?

<A - Paresh Sukthankar>: Yes.

<Q>: Okay, thank you.

<A - Paresh Sukthankar>: Thanks, [ph] Brian (01:26:10).

Operator

Query is answered, sir? Hello?

<A - Paresh Sukthankar>: Yes, you can go onto the next one.

Operator

Thank you, sir. Next in line, you have Kajal Gandhi from ICICI Direct. You may go ahead, please.

<Q - Kajal Gandhi>: Hello. Good evening, sir.

<A - Paresh Sukthankar>: Hi, Kajal.
<Q - Kajal Gandhi>: Hi, sir. Sir, just wanted to know on this loan growth, if we see industry has seen a huge loan growth of around Rs. 84,000 crore in this last for 15 days, so have we also made a major loan book accretion in that 15 days?

<A - Paresh Sukthankar>: No. See in any case if there is something in the last 15 days a thing, which is basically post June or you are saying...

<Q - Kajal Gandhi>: In June, the last fortnight of the quarter basically?

<A - Paresh Sukthankar>: June. No, I don't think we saw any particularly large – see again, if retail actually will get spread every month, and on the corporate side, I'm not sure whether the...

<A - Sashi Jagdishan>: It could be some amount but...

<A - Paresh Sukthankar>: A large portion did not come through towards the month or the quarter end. There might have been some disbursements. In corporate, they will always be little chunky, but I wouldn't – I mean there wasn't any really large proportion of these corporate loans which came up only towards the last fortnight or the last week of the quarter.

<Q - Kajal Gandhi>: Sir and also secondly for last quarter this year was the 3G loan of one and some were supposed to be bridge loans, one year loans being talked of. So whether they have been any reversal on those sides in this quarter?

<A - Paresh Sukthankar>: No, all of those which we have met last June, I mean in the June quarter were paid off by December. So by December of last year, all those short term loans were off our books

<Q - Kajal Gandhi>: Okay, okay. Thank you, sir.

<A - Paresh Sukthankar>: You're welcome.

Operator

Thank you, ma'am. Next in line we have Manish Shukla from Deutsche Bank. You may go ahead. **<Q - Manish Shukla>**: Good evening. First question is on asset quality, the sequential NPL growth is 8%. Now if you adjust for the two one-offs that you mentioned, MFIs and the preference shares. What would the run rate have been like? Basically, I'm trying to understand if you take off the one-offs, then what would the asset quality have looked

like? And coming from the fact that your NPLs, reported gross NPLs had been declining sequentially for the last two orthree quarters and now we have seen a spot. So, how do you read that?**<A - Paresh Sukthankar>**: There would have been about half of the amounts that are – with the one-offs, would be

roughly just a little less than half of the total amount of slippages.**<Q - Manish Shukla>**: Okay.**<A - Paresh Sukthankar>**: So, if you knock that off, it could be roughly flat to the previous quarter.**<Q - Manish Shukla>**: Okay, all right. On you non-retail book, which is roughly having 52% of your total book now,

what would be the average maturity of that book?

<A - Paresh Sukthankar>: The average maturity of that book would be about – okay, 70% would be less than oneyear.**<Q - Manish Shukla>**: Okay.**<A - Paresh Sukthankar>**: And the balance would have maturities going up between three to five years.

<Q - Manish Shukla>: But those also would have a one-year reset?**<A - Paresh Sukthankar>**: Most of them would have a one-year reset as far as any of the term loans are concerned.

They would be either one-year reset or would be linked to some benchmark. It could be ongoing pricing around thebenchmark is reset.**<Q - Manish Shukla>**: Okay. And how does this book look if you split it as large, mid and small corporates in terms

of rough proportions?**<A - Paresh Sukthankar>**: Well, the total wholesale book would be about 60% large corporate, would be about 25%emerging corporates and then there are some segments, which are the larger ticket sizes of, say commercial section

equipment, commercial equipment business banking and so on, which under the regulatory classification now, come asa wholesale because they are more than Rs. 5 crore ticket size.**<Q - Manish Shukla>**: Okay. But in terms of behavior, will this segment behave similar to an SME?**<A - Paresh Sukthankar>**: Probably closer to a mid-sized corporate rather than a SME in that sense. As you know the

business banking peak, which is what we would call SME.**<Q - Manish Shukla>**: Right.**<A - Paresh Sukthankar>**: This is probably somewhere in between that and an emerging corporate sort of a business.**<Q - Manish Shukla>**: All right. Okay, those were all my questions. Thank you.

Operator

Thank you, sir. Next in line we have [indiscernible] (01:31:03). You may go ahead, please.

<Q>: Hi. Sorry to come back to this question again, I probably missed on the particular. But when you calculate netinterest margins, the acquisition cost is not netted off, but when we calculate interest income, this is netted off.**<A - Paresh Sukthankar>**: It is.**<Q>**: But not in interest margin, so 4.2...**<A - Sashi Jagdishan>**: Of course it is. That's why I said when we have same core margins of 4.2, it is net of

acquisition costs.**<Q>**: Okay, okay. So both interest income as well as NIMs, both are netted of for acquisitions?**<A - Sashi Jagdishan>**: Yes.**<Q>**: Okay, sure. That's it. Thank you.

Operator

Thank you, sir.

<A - Paresh Sukthankar>: Okay, I think we'll – this call has lasted for an hour and half and unless – how many more questions are left?

Operator

One more question is there, sir.
<A - Paresh Sukthankar>: Okay, fine. Okay, we'll hear that and then we'll – let's not take any more questions. I'm sure everybody has had their share. So one last question. Let's go ahead.

Operator

Okay, fine. Next in line, we have Nitin Kumar from Quant Capital. You may go ahead, sir.
<Q - Nitin Kumar>: Yes, hi. Good evening, sir. Sir, I want to know what proportion of your loans are linked either tothe basic or to the BPLR, retail and wholesale segment?**<A - Paresh Sukthankar>**: About 20%.**<Q - Nitin Kumar>**: And that would be primarily from the wholesale?**<A - Paresh Sukthankar>**: It would be – no, on the retail side it includes the risk banking, maybe a little bit banking.

And on the corporate side, it includes some part of our cash credit limits.**<A - Sashi Jagdishan>**: And home loans.**<A - Paresh Sukthankar>**: But home loan not linked to our...**<A - Sashi Jagdishan>**: Not our but floating. Okay, he said to our basic.**<A - Paresh Sukthankar>**: And there is another – the home loan portion which is about 10% to 12% of the retail book

is also floating though it's not linked to our base of PLR, it's linked to the HDFC which PLR or whatever it is.

<Q - Nitin Kumar>: And secondly, the wholesale loan growth in this quarter has been particularly strong. So are thereany loans that we disperse in this quarter that are likely to get reversed?**<A - Paresh Sukthankar>**: As I said the – there are some short-term loans that we have put out to our companies and so on which are typically 90, 180 days of that loan. So they could get reversed, if we don't renew them at the end of 90 days. Those are short-term asset opportunity that we sort of avail of. And as far as the food credit draw downs, again there are proportions because our balance sheet has grown and those are allocated across banks in a certain proportion, our share that has gone up. But, what proportion gets drawn through the year and what proportions come off is really a function of what happens to the total consortium. It's not really a function of what we want to put out or take back but it's a function of what the total volumes for that are. But our share in that total thing has gone up because our share in deposits of the banking system has gone up.

<Q - Nitin Kumar>: Right, yes. That's it from my side, yes.**<A - Paresh Sukthankar>**: Okay. Thanks.**<Q - Nitin Kumar>**: Thanks.

Operator

Thank you, sir. Sir, there are no further questions.

Paresh Sukthankar

Yes, thank you so much everyone for actively participating, asking these questions and I hope we have been able to answer most if not all of them. Thanks once again. Bye.

Operator

That does conclude our conference for today. Thank you for participating on the Reliance Conference Bridge. You may all disconnect now.

Paresh Sukthankar

Thank you.