

25 January, 2011

Moderator:

Ladies and gentlemen good day and welcome to the Q3 FY'11 post results conference call of South Indian Bank hosted by Emkay Global Financial Services. We have with us today Dr. V.A. Joseph, M.D. & CEO, Mr. Abraham Thariyan, Executive Director, Mr. Cherian Varghese, Executive Director and Mr. M.S. Mani, General Manager, Treasury. As a reminder all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. If you should need assistance during the conference call, please signal the operator by pressing "*" and then "0" on your touchtone phone. Please note that this conference is being recorded. I would now like to have the conference over to Mr. Kashyap Jhaveri, Senior Research Analyst at Emkay Global. Thank you and over to you Sir.

Kashyap Jhaveri:

Thank you everyone for joining us today. We would like to welcome Mr. V.A. Joseph and the top management of South Indian Bank and thank the management for giving us an opportunity to host this call. I would now like to hand over the call to Mr. Joseph. Over to you Sir.

V.A. Joseph:

Welcome for this conference call. I am very happy to inform you that the South Indian Bank has declared quarterly net profit of 75.36 Crores for the third quarter of current fiscal as against 62.46 Crores for the corresponding quarter of the previous year. The net profit for the nine months period increased to 210.80 Crores during the current year from 195.14 Crores during the previous year. The total business of our bank has increased by 10,675 Crores from 35,511 Crores to 46,186 Crores on a year-to-year basis registering a growth of 30.06%. While the deposits have gone up by 6,355 Crores from 20,643 Crores to 26,998 Crores registering a growth of 30.79%, the advances has increased by 4,320 Crores from 14,868 Crores to 19,198 Crores registering a growth of 29.06%.

CASA of the bank has increased by 1,046 Crores from 4,999 Crores to 6,045 Crores registering a growth of 30.92%. The bank earned the total income of 1878.52 Crores during the nine months as against 1586.53 Crores for the previous year registering a growth of 18.40%. Bank net interest margin stood at 3.03% for the current period. During the nine months the face value of equity shares of the bank are subdivided from Rs. 10 each in to 10 equity shares of one each. Annualized earnings per share for the quarter has increased to 2.48 from 2.07 as on March 31, 2010. The book value per share increased to Rs.15 from Rs.13.27 on a year-on-year basis.

Capital adequacy ratio of the bank is as healthy at 14.89% under Basal II standard against the regulatory requirement of 9%. Due to extensive monitoring and recovery measures, bank would maintain the net NPA percentage at 0.39% at the same level as that of the corresponding previous period. The bank has achieved the NPA coverage ratio of 70.69% as against a benchmark of 70% stipulated by RBI. It opened 33 new branches and 74 ATMs during the nine months period and the total number of outlet has crossed 1000. The bank is planning to open 27 more branches during the current fiscal to take the total number of branches to 640. Branches of our bank are accredited as points of presence for collecting premium under the new pension system introduced by Government of India. The bank certificate of deposits carries the highest rating of PR1 by PR rating. The Bank has been selected recently as the best bank in the private sector in the Business Well Price Waterhouse Cooper survey and also by the Kerala State Forum of Banker's Club. The bank has launched online trading facility for its customer to avail capital market services through bank. SIB has launched the next generation banking product, branded "SIB FLASH" being the first bank in India to launch technologically innovative product in partnership with UAE exchange, Abu Dhabi offering Straight Through Processing (STP) and confirmation of beneficiary credit through SMS to mobiles of remitter and beneficiary in less than 60 seconds of completion of remittance. The bank also provides ASBA facility to its customers for hassle-free investment in public issues like companies. The bank has also introduced SIB Easier Remit Scheme, which is an Internet based hassle-free fund transfer remittance service facility to India from USA. Our focus during the current financial year will be on increasing the CASA funds further as well as non-interest income by sale of mutual funds and insurance products. The marketing team has been strengthened to yield maximum benefits out of it ties up with the Life Insurance Corporation of India and Bajaj Allianz and group health insurance with Cholamandalam Insurance.

The bank has also initiated the financial inclusion measures to accomplish the objectives of extending the banking service to the poorest of the poor in our society.

I also have with me Mr. Abraham Thariyan who will be answering questions on the development site on the business front and Mr. Cherian Varghese will be answering your questions on credit and I also have Mr. Krishnan who is the Chief Financial Officer who will be answering your questions on accounting side and Mr. Mani will be answering your questions on treasury side. I welcome all of you once again. Thank you.

Moderator:

Ladies and gentlemen, we will now begin with the question and answer session. The first question is from the line of Naga Deepika from Capital Market. Please go ahead.

Naga Deepika:

My first question is on the growth and advances. What are the sectors that we witnessed the growth in advances and why was NIM compressed?

V.A. Joseph:

During the year, the advance of growth from 16,115 to 19,188 a growth of 3072 Crores and the growth has happened in various sectors, evened out manner like agricultural sector has grown by around 667 Crores, various industries have grown by around 250 Crores, large industries have grown by around 720 Crores, housing has grown by around 256 Crores, personal loan by 265 Crores and things like that. So it was an evened out growth of 3000 Crores in various sectors.

Naga Deepika:

I was talking about the margins front of it?

V.A. Joseph:

NIM is at 3.03%.

Naga Deepika:

It has come down on sequential basis, right?

V.A. Joseph:

Year-on-year basis right?

Naga Deepika:

On both sequential basis and year-on-year basis that is at peak.

V.A. Joseph:

On year on year basis. If you remember that we had a problem with one of our deposit account where interest borrowed, for us three quarters were not properly accounted to that extent, the NIM given at that time was marginally on the higher side, the actual number was 2.80. So to that extent it has only grown up, now coming to the sequential part of it, during the last quarter it has started moving up. Immediately, the liability side gets reprised, so that the cost of deposit will be growing up slightly faster and yield on advance will be catching up slightly with a lag. So there is a marginal decrease in the yield on advance, NIM on a sequential basis.

Naga Deepika:

What was the percentage of floating and fixed book of total advances?

V.A. Joseph:

Total advances, out of 19000 Crores, fixed is around 3000 Crores on base rate and the balance on BPLR.

Naga Deepika:

Pardon sir, I could not hear you properly.

V.A. Joseph:

Around 3000 Crores is fixed rate of interest and 9,000 Crores marginally about 9,000 Crores on base rate linked and the balance around 7,000 Crores is on the BPLR linked.

Naga Deepika:

What was the movement, what is the kind of provision we did in BPLR and base rate in last then two quarters?

V.A. Joseph:

Last two quarters BPLR has gone up by 1%, and base rate, which was at 8.1 at the start of July, now at 8.5 but it is going to be revised to 8.8 effective Monday.

Naga Deepika:

When did we change it to 8.5?

V.A. Joseph:

8.5 last month.

Naga Deepika:

This kind of reprising will be done this 8.8% of base rate will be reprised when will it affected with in our fixed rate, in our floating books?

V.A. Joseph:

Next Monday.

Naga Deepika:

Second one is on NPA front. The gross NPA have increased on absolute terms. Can you just tell us what are the slippages and break-up and what sectors did the NPA come from?

V.A. Joseph:

It is only one major account around 18 Crores, which was local supermarket chain. Subject to that if you remove that 18 Crores then the slippage was as per the pattern of the previous quarter, so that single account accounts for the margin slippages that is evident in the gross NPA number.

Naga Deepika:

It was only in the some retail front?

V.A. Joseph:

That account is anyway absolutely fully secured by collaterals and to recovery, no issue at all. We should be getting substantial recovery even this quarter also.

Naga Deepika:

Can you give breakup of provisions and contingencies that has to rise in like 53% this quarter and why was so this high?

MS Mani:

This provisions and contingencies for the third quarter is alone loss of 19.38, restructured account 0.04, investment depreciation on investment 0.62 and income tax provision is 37.67 and standard asset provision is 9.86 then total gross is 67.50 for this quarter.

Naga Deepika:

I was asking about the movement of NPA in this quarter?

MS Mani:

This was earlier it was 227.23 was a September figure, so we had recovery of 22.23 Crores and addition is to the extent of 48.58; so the total figure outstanding is 253.58. In net to debt term it is an increase of 26 Crores.

Naga Deepika:

Can you tell us what is the quantum of restructured assets, or cumulative as well as what was that restructured in this quarter?

V.A. Joseph:

During the quarter is zero, cumulative for the last two years is 420 Crores.

Naga Deepika:

420 Crores, and out of these what will be slippages?

V.A. Joseph:

It was around 25 to 30 Crores.

Naga Deepika:

Coming back to loan and advances front what will be the housing loan as per our advances?

V.A. Joseph:

The housing loan numbers you want?

Naga Deepika:

If you give us the break-up of the loan book I will be more grateful?

MS. Mani:

The agricultural is 3236 Crores. The SME is 2159, large industries 2945, housing 1567, commercial real estate 135, NBFC is 917, food credit is 367 and bills purchased under LCs is 2930 Crores and other is 4928 Crores.

Naga Deepika:

The exposure to MFI will be taken under the SME?

V.A. Joseph:

This is under priority sector part is under agri and part is under other non-agri.

Naga Deepika:

What will be the exposure proportion? What will be the MFI loan book?

V.A. Joseph:

MFI loan book total of 240 Crores.

Naga Deepika:

Did any of them slip into the NPA?

V.A. Joseph:

No.

Naga Deepika:

All are standard assets and none from AP?

V.A. Joseph:

From AP is around 115 Crores.

Naga Deepika:

115 Crores from AP. We do not foresee any pressure from these also?

V.A. Joseph:

As we stand today no.

Naga Deepika:

Thanks a lot Sir. I will come up from few other questions.

Moderator:

Thank you. The next question is from the line Viraj Gandhi from ICICI Securities. Please go ahead.

Viraj Gandhi:

Just wanted few data points if you can just provide me with the breakup of our deposits in terms of CASA term and NRI deposits that we have?

V.A. Joseph:

Total deposits as we told it is 26998 Crores and advance is 19188 Crores, current account deposits are 179 Crores, SME sales bank deposit is 4966 Crores and NRI deposits totally 3701 Crores.

Viraj Gandhi:

Is it safe to understand all the NRI deposits should be low cost?

V.A. Joseph:

Not necessarily, out of these 3700, about 1500 Crores is low cost because of some of them is overlapping with the SB accounts and other things.

Viraj Gandhi:

The amount of gold loan that you are spending for the end of the quarter will be?

V.A. Joseph:

3810 Crores.

Viraj Gandhi:

Loan value for this book will be what?

V.A. Joseph:

Around 70% is the maximum because I think we gave around Rs.1300 as against 2200 per gram that is the level.

Viraj Gandhi:

One more clarification on our investment book if you can just give as a break-up and outlook for yields going forward?

V.A. Joseph:

Yield-to-maturity outstanding book is 5846 Crores, AFS is 1174 Crores, held for trading is 397 Crores the total book comes to 7428 Crores. This is excluding RIDF, which is about 593 Crores. Modified duration of AFS and Held for trading comes to 0.44.

Viraj Gandhi:

Your outlook on yields?

V.A. Joseph:

Yields claim base is going up and I think even the filtration is on 25 basis point increase day after tomorrow it is almost factored in that. So I think there should be some continuity because with the inflation under commodity prices are going up there may be still some stronger measures from Reserve Bank of India in the next two weeks. We expect the yield will harden.

Viraj Gandhi:

As a bank quarter we are the expecting from the policy?

V.A. Joseph:

Policy is nothing, I do not think as a general these thing it is only the expectation with regard to interest rate tightening, otherwise I do not think may be something I can selective credit if the government wants to control of prices something could be affected from that side, otherwise there is nothing special in that.

Viraj Gandhi:

That is all from my side. Thank you.

Moderator:

Thank you. The next question is from the line of Megha Gupta from Birla Sunlife Insurance. Please go ahead.

Megha Gupta:

I wanted to check up to one year cumulative ALM gap statement, how much would that be?

V.A. Joseph:

Cumulative ALM gap means, what is..., Liquidity..., you are asking?

Megha Gupta:

The structural liquidity segment, which you submitted to RBI, what would be the one year position?

V.A. Joseph:

Cumulatively we are positive at the 29.13 that are in that up to one year.

Megha Gupta:

The capital adequacy front, what could be the tier-I?

V.A. Joseph:

12.10 is tier I, there is 2.48 and 14.79 is the total overall capital adequacy ratio.

Megha Gupta:

Thirdly, I just wanted to know these gross NPAs on the retail portfolio; the gross NPA percentage?

V.A. Joseph:

I am not getting the question, what she said?

Megha Gupta:

The gross NPA percentage on the retail portfolio?

V.A. Joseph:

The number we will be able to make always make it available to you later.

Megha Gupta:

Thanks.

Moderator:

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

Rajatdeep Anand:

My question is regarding a bit of a spike that we have seen in slippages this quarter. I would like to understand it is a one-off or it is something would be related to the quality of our book and what is the probability of recovery on this and if this would go down from next quarter or if we should expect this to sustain?

MS. Mani:

You are asking about the NPA slippages on account right, as I told you earlier we are fully covered by property collaterals for this amount, so recovery absolutely no issue in fact party has seriously started efforts, all indications are there that anywhere between 5 and 10 Crores that will be getting recovered during the quarter. The rest also is absolutely no issues, I mean #1. #2 that is one-off the case, there is no pattern can be derived from that.

Rajatdeep Anand:

Of the provisioning of about 30 Crores that we have done, what would be on the account on your teaser loans loans that we have done?

MS. Mani:

Teaser loan provision is at 6 Crores.

Rajatdeep Anand:

Just one question. If you can also share with us retail term deposits are the percentage of overall deposits?

MS. Mani:

The bulk deposits are in the range of 6108 Crores and there is the CDs are over 1500 Crores rest are all jewelry retail only.

Rajatdeep Anand:

Those are my questions. Thank you.

Moderator:

Thank you. The next question is from the line of Shrikant Akula from Spark Capital. Please go ahead.

Shrikant Akula:

Can you just give me break-up of your other income?

MS. Mani:

Break-up of the other income is basically commission and exchange is 25 Crores, profit of sale of investment 25 Crores, foreign exchange 13 Crores, miscellaneous income is 72 Crores totaling to 236 Crores this is as against 164 Crores last year, but if you take out the sale of investment last year we had a little more larger profit on some of the sale of equity holding we had, once you take it out actually the increase in these other areas, there is an increase of 20 Crores this year comparing to last year.

Shrikant Akula:

Can you give break-up for this quarter alone?

MS. Mani:

This quarter only I told that is this quarter alone if you take it is basically 8 Crores, 8.73 Crores for commission and exchange, profit on sale of investment is 9.69 Crores, profit on foreign exchange is 4.78 Crores and miscellaneous income 26.52 Crores.

Shrikant Akula:

Sir what is the nature of this miscellaneous income?

MS. Mani:

This income is basically related all sale of third party products, our acquiring charges on ATM operation, our commission and exchange, our processing fee and upfront fee on term loans and retail loans. These are the major one. Also safe deposit lockers charges and all those things, mobile banking, our techno savvy product income on that.

Shrikant Akula:

Thank you very much.

Moderator:

Thank you. The next question is from the line of Nithesh Jain from Espeirito Santo. Please go ahead.

Nithesh Jain:

My question is regarding the branch networking. What is your strategy of expanding further in which area you are planning to expand further?

MS. Mani:

Actually this year our plan is to increase from pan India presence. If you make your real analysis, 60% of the total business is already handled by outside Kerala branches and this year we will be planning at least ten more branches we will be operating outside Kerala this year and our long-term perspective is to have a much larger number of branches all over the country. This year some of the branches we opened in Kerala to take the advantage of the entire six, four and five centers where we do not need the Reserve Bank of India permission for opening branches in smaller centers in Kerala where we opened few branches, but the rest of the branches almost 26 branches we are planning this year itself for opening. This will be due in the next two months of which quite a lot of them will be outside Kerala.

Nithesh Jain:

My second question is regarding NRI deposits. I have seen lot of banks entering into NRI deposits because of their low cost nature. What is your strategy of maintaining your NRI deposits going further?

MS. Mani:

First of all our NRI deposits even though along with CASA if you take the NRI deposits also the low cost NRI deposit that is NRI deposits minus NRO deposits which roughly comes to 28% first of all and this year we are concentrating quite a lot of initiatives we have taken from abroad by having large number of exchange services tie ups and foreign banks and also faster remittances through what has been told by our MD as a SIB Flash a new arrangement which we started through UAE Exchange by which realtime remittances are received with an intimation to the remitter as well as for the beneficiary in SMS, in realtime words and also in US we have SES related online transaction for remittance also we have started this year. We have few more projects online, so I think NRI we are giving a lot of trust this year.

Nithesh Jain:

Thank you Sir.

Moderator:

Thank you. The next question is from the line of Akshat Gandhi from Sahara Asset Management. Please go ahead.

Akshat Gandhi:

What I wanted is the daily average planning of the deposits and advances, so just wanted to confirm the numbers which have been given are they daily average planning for the quarter?

MS. Mani:

These figures that have been given are the quarter end figures; the average deposits and advances will be I will just give it you.

Akshat Gandhi:

Sure, what I wanted is for the last quarter and this quarter, if I could get it?

V.A. Joseph:

Average deposit this quarter is December 31 is 23814 Crores as against last December of 18714 Crores, average deposits and our average advance is 17047 Crores as against 3724 Crores last December.

Akshat Gandhi:

I am sorry once again, it is 1747 Crores right?

V.A. Joseph:

17047 Crores.

Akshat Gandhi:

What was the last quarter advances?

V.A. Joseph:

Last quarter you are talking of September or last December?

Akshat Gandhi:

September quarter?

V.A. Joseph:

16476 Crores.

Akshat Gandhi:

The deposit sequentially last quarter?

V.A. Joseph:

Last quarter it was 23814 this quarter as against 23200 last quarter.

Akshat Gandhi:

Sir if I go to see the CD ratio has actually remained constant sequentially, so the NIMS have basically been due to the increase in the base rate and the BPLR is that correct?

V.A. Joseph:

I would say correct slightly because if you take the average CD ratio, which has substantially improved than what it was last year, December actually just slightly come down with the figures of last December 31, actually our average CD ratio has improved at least by 5%-6%.

Akshat Gandhi:

What I want to say is that for the next quarter you still have been legroom to increase the CD ratio further and improve your NIMS, is that correct?

V.A. Joseph:

Exactly.

Akshat Gandhi:

Perfect Sir. That is all from my side. Thank you.

Moderator:

Thank you. The next question is from the line of Amandeep Goraya from Finquest Securities. Please go ahead.

Amandeep Goraya:

Sir just wanted to know, our employee expenses have come down on sequential basis, and so what is the main reason is?

V.A. Joseph:

Main reason I would say two to three things, first of all the business increase has been more substantial than the increase in the number of staffs, that is one of the major reasons and the large scale recruitments against the senior getting retired etc., has been there for almost 2000 people have been taken during the last two to two-and-a-half years in our bank almost our average ages come down to less than 35 now and 40% of our staff are in the age group of 29, the pay packet salary in spite of the heavy bills which we have to pay on arrears etc., our cost has come down from 50% to 47% on the cost to income ratio.

Amandeep Goraya:

Right Sir, one more thing like any change in your guidance like looking after the interest rates scenario, like on your margins for 2012?

V.A. Joseph:

2012 margins we are still aiming at 3%, but then the uncertainty like the way the interest rate is going to harden up and all is to be seen that decision can be marginally impacted, but then we still strive to keep the NIM at around 3%.

Amandeep Goraya:

Sir your growth targets?

V.A. Joseph:

Growth target we have already declared that we will be targeting at 48,000 Crores business comprising of 20,000 Crores advance 28,000 Crores deposits.

Amandeep Goraya:

Great Sir. Thank you Sir.

Moderator:

Thank you. The next question is from the line of Sai Kiran from India Bulls. Please go ahead.

Sai Kiran:

Sir, good afternoon, I just to understand more on the slippages sometime back which we talked about. Can you just explain us which sector if I have missed out on this?

V.A. Joseph:

As I told to you last time, it was only one-off case of a retail local chain having turned into NPA, amount being around 18 Crores.

Sai Kiran:

Understand that. On the second thing, can you just help us understand in how does our margins trajectory will be considering what we can say pressure on interest rates going forward. How do you see these getting settled down?

V.A. Joseph:

That is what I have trying to explain earlier. We will be still targeting 3% and as you are aware with the basis being more dynamic and more capturing the reality on the cost of funds and other practice to some extent though with a lag we may be able to pass on the incremental cost of borrowings to the lenders through the base rate mechanism, to that extent we will be able to have a better protection of the NIM better than what it was when the BPLR mechanism was coming. Having said that as I told you earlier if the hardening of interest is going to be slightly more then the lag being there for reprising of the advances NIM can be marginally under pressure. That is okay, though we have still target at 3% only.

Sai Kiran:

The second thing actually, our employee cost have been little volatile understand that something can be attributed to second option of pension, but is there is anything to read into the sequential decline of employee expenses?

V.A. Joseph:

Actually, Sai Kiran there is only one thing in that, actually we said pension liability and gratuities is about 147 Crores.

Sai Kiran:

147 Crores?

V.A. Joseph:

Correct, this was to be amortized by us the banks paying for three years. The last quarter and it was that for a first year three years means each year, it would come to about 48 Crores or something like that. That mean in half year we have to do 24 Crores, during the September quarter, the first quarter between April and June it was slightly less, so in the September to make up to the half of percent little more provision was made. Now it is not required that is why it has come down.

Sai Kiran:

The current quarter numbers will be more or less the same?

V.A. Joseph:

Same number will be there. Incidentally, amortized the expenditure for a period of three years whereas as we expect Reserve Bank will give us a clearance to all the banks in India to extent of five years, so we have actually taken a very pessimistic view and we have taken three years and we have divided that cost accordingly.

Sai Kiran:

Just couple of bookkeeping question sir, what is our risk-weighted assets number Sir?

V.A. Joseph:

Risk weighted asset is 13,914 Crores.

Sai Kiran:

13,914 Crores and our tier I capital is arrived at without including the current year profits?

V.A. Joseph:

It is up-to-date; all these things are taken into that account.

Sai Kiran:

Okay because I understood that RBI have suggested that we should not include the current year profits if they are not audited results, so that current 12.31% is including our profits on the tier I capital?

V.A. Joseph:

I think Mr. Krishnan is it like that?

Krishnan:

I think so, is inclusive of current year.

V.A. Joseph:

Current year is that what we do not take. That is the way it has been taken.

Sai Kiran:

It is including that current year? What is our branches number of Q3?

V.A. Joseph:

Branches today it is 614 branches and 26 branches more will be opened during this year to make it 640.

Sai Kiran:

What is this as of September 30, 2010?

V.A. Joseph:

September 30, it was 610 branches.

Sai Kiran:

Just one more thing actually the other time we are saying teaser (ph) home loan rate provisions around 6 Crores, just wondering what will be the portfolio of our teaser (ph) home loan rate and what is the nature of this?

V.A. Joseph:

Teaser provisions is 2%, so if it is 6cr, obviously it is 300 Crores.

Sai Kiran:

300 Crores and it will be more or less fixed for one year or how many years if you can put a number to it?

V.A. Joseph:

18 months.

Sai Kiran:

What will be the rate at which these were there?

V.A. Joseph:

8.5% up to 20 lakh 9.5% above 20 lakhs.

Sai Kiran:

That is all from my side. Thank you very much.

Moderator:

Thank you. The next question is from the line of Kumarapan Mayyapan from Anush Shares & Securities. Please go ahead.

Kumarapan Mayyapan:

What is the yield on advances for Q3?

V.A. Joseph:

10.69.

Kumarapan Mayyapan:

10.69, corresponding quarter?

V.A. Joseph:

Corresponding previous December you are asking, it was 11.39.

Kumarapan Mayyapan:

Cost of deposit?

V.A. Joseph:

Cost of deposit is 6.40 and previously as on December it was 7.03.

Kumarapan Mayyapan:

7.03 and the NIM?

V.A. Joseph:

NIM is 3.03 and earlier December it was 2.80.

Kumarapan Mayyapan:

This is after adjusting for that?

V.A. Joseph:

Yeah with adjusting

Kumarapan Mayyapan:

Without adjusting what was it?

V.A. Joseph:

It is 3.29.

Kumarapan Mayyapan:

Thank you.

Moderator:

Thank you. The next question is from the line of Manisha Porwal from Arihant Capital. Please go ahead.

Manisha Porwal:

Most of my questions have been answered; I just wanted to know CASA percentage?

V.A. Joseph:

CASA percentage is really 22%.

Manisha Porwal:

This is against what percentage last quarter September?

V.A. Joseph:

September is almost the same.

Manisha Porwal:

We managed the CASA?

V.A. Joseph:

But this does not include the low cost deposits which I mentioned of around 2,500 Crores on account of low cost in NRI deposits, so that is NRE and SDNR. If you take that also into consideration it comes into 27.80%.

Manisha Porwal:

What would be the normalized profit of last year if I want to remove the impact of deposit cost?

V.A. Joseph:

It will be only 46.47 for a quarter.

Manisha Porwal:

Impact on NII?

V.A. Joseph:

Impact of NII after the revision it is 2.80.

Manisha Porwal:

Not NIM?

V.A. Joseph:

NII at that time it was given 489 Crores after adjustment it will come to 416 Crores.

Manisha Porwal:

Sir, I just wanted to know how is the business from new branches in the non-southern areas, basically for non-Kerala and outside Kerala domain?

V.A. Joseph:

Actually outside Kerala branches are doing extremely well, actually our growth is really taking place especially in the north and in the central part of Kerala in the metros. We have almost reaching 100 branches in six metros and those branches the number of branches are going up substantially in these places during the last two years all are picking up very well. As I told you 60% of our total business is today from outside Kerala business and Delhi region has already reached or even their annual targets and they are going for our ambitious target actually. Incidentally, we have opened one more region that is in Madurai in Tamil Nadu during this year, because Tamil Nadu we have almost more than 100 branches.

Manisha Porwal:

Thanks a lot.

Moderator:

Thank you. The next question is from the line of Amit Ganatra from Religare Asset Management. Please go ahead.

Amit Ganatra:

I just wanted to reason for low cost NRI deposit about 2,500 Crores or 1,500 Crores?

V.A. Joseph:

First for NRE term deposits is 1019 Crores, our FCNR figure is around 500 Crores, these two figures put together it is 1500 Crores.

Amit Ganatra:

What was it at the end of September quarter?

V.A. Joseph:

Under September quarter is also more or less the same, they have not been much of an increase during the last three months.

Moderator:

Thank you. The next question is from the line of Sumit Jatia from Aditya Birla Money. Please go ahead.

Sumit Jatia:

Sir I just wanted to know the proportion of your unsecured loan book in total advances?

V.A. Joseph:

That is very much flexible more than 88% is secured loans, only 11 point is something is unsecured loan.

Sumit Jatia:

What will be your duration of the assets and liabilities?

V.A. Joseph:

Assets and liabilities in that way the Reserve Bank has prescribed how the assets and liabilities are to be done, so we are confirming to those things, because it cannot be matched one-to-one like that so we have a system where assets and liabilities are all bucketed in various things and there is a tolerance limit for each thing so it has been well within the regulatory limits. Budgets have been actually taken care very much within the regulatory limit.

Sumit Jatia:

Can I get the one more confirmation; I missed some of the figures, I think agriculture you said 3206?

V.A. Joseph:

Agriculture is 3236, SMA is 2159, large scale industries is 2945, housing 1567, commercial real estate 135, NDS is 917, food credit 367, bills purchase under LC is about 2930 Crores and all others put together is 4928 Crores.

Sumit Jatia:

Thank you.

Moderator:

Thank you. The next question is from the line of Mohammed Riazuddin from Eureka Stock And Shares Broking. Please go ahead.

Mohammed Riazuddin:

I just wanted to know what are the growth targets in advances and deposits for FY'12?

V.A. Joseph:

Target as I already told you, we have targeting a total business of 48000 Crores comprising of 20,000 Crores advances and 28,000 Crores deposits.

Mohammed Riazuddin:

In that case our currently return on assets are at 1.04% do we see any increase in that going forward, there will be a lot of mix between the NIM movement and advance growth, so how do we see return on assets panning out in FY'12?

V.A. Joseph:

Return on asset is again linked the base rate and as per base rate is very much captured in the movement in cost of deposits as per the present dispensation, if the cost rate deposit is going to grow then yield on advance is also going to go up. Actually in December it was 1.04.

Mohammed Riazuddin:

Yes Sir I can see that, sir considering the low level of tier II capital that we have, we still have a lot of headroom in expanding our capital from tier II basis, so we can leverage our basic capital so in that way the effect of RBI should generate higher return on equity going forward?

V.A. Joseph:

We are in the planning stage as far as actions to be taken with regard our capital management next year, but by the end of the year we will decide what we should do based on profits and also on the business.

Mohammed Riazuddin:

But definitely we can look up for greater figure in ROE at least because we will have right sir?

V.A. Joseph:

Yes.

Mohammed Riazuddin:

Approximately 20% should be an acceptable figure?

V.A. Joseph:

20% for what you said?

Mohammed Riazuddin:

20% for ROE?

V.A. Joseph:

Normally the industry average is about 1.33.

MS Mani:

We should be able to tell that because as of today it is 16.50.

Mohammed Riazuddin:

Exactly Sir and one more thing any specific growth drivers that we have in our mind to boost our business going forward?

V.A. Joseph:

Actually we had a long-term plan for five years from 2008-2013 that is five-year program we had made for deposits, advances, branch network and profitability and number of employees and as of now it is that we are going exactly in tune with the plan we have already made and we are slightly ahead of whatever our plans are as on today or as on December 31. So based on that if you move forward by end of 2013 we should have a 75000 Crores of business, 750 branches and 7500 employees.

Mohammed Riazuddin:

Finally would your exposure to infrastructure sector as of today?

V.A. Joseph:

May be the exact numbers I do not know, but I think it should be around 2000 Crores.

Mohammed Riazuddin:

What will be the proportion of NPA on this book Sir?

V.A. Joseph:

These are all recent disbursement in the power, road and things like that, so hardly NPA there.

Mohammed Riazuddin:

Do we have sectoral headroom in infrastructure going forward Sir?

V.A. Joseph:

Even the sectoral we have subdivided into e-sector of infra so headroom is very much there.

Mohammed Riazuddin:

How the business per branch and business per employee panning out over the quarter?

V.A. Joseph:

The business per branch and business per employee is doing extremely well because per branch business has substantially improved that to per branch business is 75 Crores as of now and per employee business has also gone up substantially from last year to 8.37 Crores per employee.

Mohammed Riazuddin:

Thanks a lot Sir that is all from my side.

Moderator:

Thank you. The next question is from the line of Dhawal Gala from B&K Securities. Please go ahead.

Dhawal Gala:

I had just one question again on the infrastructure loan side as we mentioned outstanding will be 2000 Crores. I just wanted to know what will be the break-up between power, road and in power whether we will be lending to any state electricity boards or new generation companies?

V.A. Joseph:

For that question my answer is yes we have exposure to a couple of electricity boards, then generation companies are there all those exposures are there.

Dhawal Gala:

Sir but any skewness in any particular means, electricity board companies or generation sector?

V.A. Joseph:

Generation, distribution all those companies are there.

Dhawal Gala:

Just to rephrase my question what would be the largest exposure in this in terms of our ticket size?

V.A. Joseph:

We limit ourselves to say around 100-150 if it is pure private sector, if it is government sector we may go up to 150-200.

Dhawal Gala:

Okay not beyond that?

V.A. Joseph:

Yes not beyond that.

Dhawal Gala:

Thanks a lot sir. That is from my side.

Moderator:

Thank you. Ladies and gentlemen that is the last question. I would now like to hand the floor back to Mr. Kashyap Jhaveri for closing comments. Please go ahead Sir.

Kashyap Jhaveri:

Thank you Sir. Can I ask one question? On this NPA of about 18 Crores which you mentioned and is this account something located in Thrissur itself or it is somewhere in Kerala?

V.A. Joseph:

This a retail chain they have orders in around 60-70 locations, they have two in Thrissur, two in Ernakulam, Trivandrum, Kottayam, Kozhikode.

Kashyap Jhaveri:

As a collateral we have sort of mortgaged on all the properties that they own?

V.A. Joseph:

We have sufficient collaterals on the form of landed property to cover our exposure.

Kashyap Jhaveri:

That is all on my side. On behalf of Emkay I would once again like to thank you all for joining the call today. Have a great day.

Moderator:

Thank you gentlemen of the management. Thank you Mr. Jhaveri. Ladies and gentlemen on behalf of Emkay Global Financial Services that concludes the conference call. Thank you for joining us. You may now disconnect your lines.

Note: 1.This document has been edited to improve readability.

2. Blanks in this transcript represent inaudible or incomprehensible words.

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