“Federal Bank Q1 FY20 Earnings Conference Call”

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Moderator: Good day, ladies and gentlemen, and a very warm welcome to the Federal Bank Q1 FY20 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Anand Chugh – Head (Investor Relations) at Federal Bank. Thank you, and over to you, sir.

Anand Chugh: Thanks, Ali. Good afternoon, everyone. We have, from the management, Mr. Shyam Srinivasan – MD and CEO and other senior executives of the bank. I hand it over to Shyam and he will start with the opening remarks.

Shyam Srinivasan: Thank you. Good afternoon, everybody. I do hope you have had a chance to go through our numbers and we can go into Q&A more but let me just spend a few minutes giving the headlines and some of the texture of how Q1 went.

We believe Q1 was a strong quarter on operating performance as evidenced by both the operating profit growth and also the net profit growth, both of which recorded an all-time high operating profit of 783 and net profit of 384. Both are our all-time high. Underlying performance on both credit and liabilities quite strong, given the volatile environment that we are operating in. We have been wherever possible lend into segments that we are most happy to do so. And areas that we are little more concerned, we have pulled back. Our market share gains across both liabilities and assets is visible, keeping in with our twin objectives of both prominence and dominance in the geographies that we choose to do so. Interest income is beginning to match off credit growth as other income is growing at a much higher clip. The one development in Q1 was also the first time in 13 years, we did a Tier 2 bond issuance of about 300 crores. And we exit Q1 quite along the lines that we had visualized how it will shape up in what probably is one of the more stressful external environments.

We have been more picky in certain geographies as I have cautioned on a few calls in the past. We are being more watchful and certain geographies and certain client profiles. Otherwise, the underlying momentum on retail, in particular, is very strong and in wholesale where we are willing and where we feel more comfortable with, growth continues to be good. The overall performance for Q1, both on asset quality, deposits and in credit, is quite along the lines we visualize the year to be. If you may recall last year, when we ended and the sort of headline guidance we had given in terms of ROA and credit cost, we are tracking to that and believe that irrespective of the outcomes in the market, we should be able to meet or in part exceed some of those objectives. So, that's really the sort of entry point, key headline messages. The deck is out there and me and the entire senior team are here, and we will be happy to clarify or answer specific questions pertaining to any of the areas that may require clarification. So, I am not spending more time giving more nuances on this. We will take it as the call progresses. So, happy to open the call for questions.

Moderator: Thank you very much. First question is from the line of Abhishek Modi from Asit C. Mehta. Please go ahead.

Abhishek Modi: So, my first question is, on slide #19 as for the loan breakup, retail side is 47%, wholesale is 53%. So, what does the bank see going to? Are they going to bring the retail side more than 50% or is this more likely to be the figure going forward for the next few quarters?

Shyam Srinivasan: We have said, directionally, we want to be 50-50, retail/wholesale and that's how it's going. And you have seen the core retail is growing at 32%. And we believe that in 2 financial years, that number of 50-50 is where we will get.

Abhishek Modi: Okay. Sir, in terms of the IL&FS 2 accounts, would you be able to give us figure which went into the NPAs?

Shyam Srinivasan: 240 was the opening in those 3 accounts, 32 crores has slipped to NPA in Q1.

Moderator: Thank you. The next question is from the line of Darpin Shah from HDFC Securities. Please go ahead.

Darpin Shah: Sir, one question has been partly answered in terms of IL&FS exposure out of 240, only 32 has slipped. So, what is the status of the third SPV? How do we see it panning out over the next couple of quarters?

Shyam Srinivasan: As of now, it is amber and it is standard. In the course of Q2, we will know the fate of it. As you know yesterday, the day before, 3 of the amber accounts were upgraded to green. We believe that this account may face a similar outcome in the quarter 2 and we have increased our provision from 17 odd crores to 21 crores. So, it's 10% provision that we hold as standard asset provision for this account.

Darpin Shah: Okay. And your exposures on the other stressed names which keep on coming up in the media, would you like to highlight some of them? I'll name it one of the Housing Finance companies or the stressed group or the media group?

Shyam Srinivasan: Media groups, stressed group, we don't have any presence. Airlines, we don't have any presence. Housing finance, yes, we have. We have made some prudent, it's a standard asset, serviced dues as of 26th June. So, the account is standard, not even SMA. So, we will see how it goes. The market talk is not very favourable. So, we have started building some provisions for that.

Darpin Shah: Can you quantify the provisions?

Shyam Srinivasan: We have taken 15% provision, value of 15% provision for the account.

Moderator: Thank you. The next question is from the line of Jehan Bhadha from Nirmal Bang Securities. Please go ahead.

Jehan Bhadha: Sir, on the corporate loan growth, growth has come down, they have been consistently clocking over 25% growth since many quarters. But now, it has come down to 12%. So, any kind of light that you can throw on this?

Shyam Srinivasan: It's not 12%, it is 19% growth. I don't know where the 12% number came. But that said, it is lower than our past period, but it is also because in certain areas, which constituted corporate, where there were stresses, we have been either running down the portfolio or selling down the portfolio. To that extent, it is lower. But we are happy to be at the 18%, 20% at this juncture given what is happening in the market and not rush into growing. And to balance that out, we are doing a portfolio growth on retail at around 30-odd percent. So, the blend is shifting towards the 50-50, which is our desired mix. Going back 4 years, 3.5 years back when we were running at 68% CD ratio, I wanted to build up the book. We have come to about 84%, 85% consistently for now 4, 5 quarters. And we would like to see the CD ratio there. So, we don't want to do bulk business just for building up. We will do business that is both granular and structurally higher yield and yet keep the 50-50 mix.

Jehan Bhadha: Sir, next question on the CASA. It has come down quarter-on-quarter. So, is there any pressure that we are facing?

Shyam Srinivasan: Yes, I think savings, it's probably a market-related feature, and it's visible in ours. Current account is growing quite well at about 23%. Savings has come down to the early teens. It could be seasonal; it could be structural. We are watching out for it because while pan-India savings growth is happening at the higher cost savings, we have not jumped into that and we are still doing at the traditional 3.5% rate. To that extent, we will try to offset whatever saving shortfall through growing current accounts. And as the NR volumes pickup typically happens in second half of financial year, it should correct back.

Jehan Bhadha: Okay. Sir, last question on the PCR. Are we happy with the current levels? Or we intend to increase it further and to what levels?

Shyam Srinivasan: In the last 5 quarters, we have taken up PCR without technical write-off by 700 basis points. And we think by end of financial year 20, we will take it up another 250, 300 basis points.

Moderator: Thank you. The next question is from the line of Dushyant Mishra from SageOne Investment Advisors. Please go ahead.

Dushyant Mishra: My question is on your growth in the auto sector. Your auto grew by 61% and I was just wondering if this is a one-off thing? Or are we expecting more growth? And if you could give some idea on where this stems from?

Shyam Srinivasan: It is not one-off. You may have seen for now, I think 6 quarters or more, all our retail product volumes have been growing quite smartly. Auto and personal loans show up more because they are very small basis. So, when you grow 40%, 30%, 50%, 60%, I mean, a particular volume it starts showing up as high percentage growth. In auto, we think we are gaining share quite considerably. I would say 7 lakhs to 12 lakhs sales volumes, the ticket size businesses, our credit portfolio there is looking good and our share gain is impressive. We are much more entrenched because our relationship model is working well and that too in just 2 or 3 geographies.

Dushyant Mishra: Are you funding inventory for this?

Shyam Srinivasan: No.

Dushyant Mishra: You're not funding the inventory for dealers?

Shyam Srinivasan: We are doing end-use financing.

Dushyant Mishra: End-use financing only?

Shyam Srinivasan: Yes.

Moderator: Thank you. The next question is from the line of Girish Raj from Quest Investment. Please go ahead.

Girish Raj: Just on the business banking, you alluded in your opening remarks. Which segment is exactly getting the pressure? And also these slippages have increased quarter-on-quarter basis. Can you show some color on this?

Shyam Srinivasan: Sure. Business banking, again, in one or two geographies, particularly in the South, we are experiencing stress in the market and therefore, we are being a little more, sort of, hypervigilant on that to ensure that it doesn't become an issue. So, we have reduced or tightened the underwriting criteria so to that extent volumes are slightly lower. And in terms of slippages, for the same reason, again, in similar geographies, particularly pertaining to the post floods in Kerala, the moratorium offered, in those accounts, there is a debate whether the moratorium continues till December end or in the earlier quarters. The state government is pushing for a longer moratorium. The regulators are not very keen to expand on that. So, that is forcing certain clients' behaviour change and we're being watchful about it. In the bigger scheme of things, these won't matter, but yes, for that geography, it's very important and we've been a prominent player. We are being, shall I say, tougher on that.

Girish Raj: Okay. So, in your view, it would take a couple of more quarters to bottom out or...

Shyam Srinivasan: I think this is likely to present itself for the next 2 quarters till clarity emerges on the regulatory dispensations.

Girish Raj: Okay. Second question is, this 15% provision on the housing is on both the housing finance exposure or just 1 bigger?

Shyam Srinivasan: One.

Girish Raj: One. And second, we haven't...

Shyam Srinivasan: No.

Girish Raj: But that is a performing?

Shyam Srinivasan: Both are performing. I don't know which ones you're talking about, but what is not in the NPA list is a performing account. We don't have any masked accounts.

Girish Raj: And another question is on relatively higher operating expenses and tax expenses at the subsidiary level. Anything to do with FedServ or?

Shyam Srinivasan: No. What is this? Sorry, you have to point, I am not as good as you guys in knowing everything. But if you point to me, I'll explain.

Girish Raj: If you subtract consol minus standalone, the operating expenses comes to around 28 crores. But the total income is only 23 crores, so anything related to FedServ?

Shyam Srinivasan: Yes. I think you're talking of IDBI Federal because it declared.

Girish Raj: No, IDBI Federal would not be there in the operating part, it is part of...

Shyam Srinivasan: I'll ask the guys to look at it and come back to you.

Girish Raj: Okay. And last question is on the Forex income. It has declined. Any development that is leading to this?

Ashutosh Khajuria: I think it is more to do with, I mean, lesser booking of contracts and all because of the stability of rupee because normally, whenever there is more volatility, you simply see a hedge being purchased and all. So, I think it's just a phenomenon which happens when you have a fairly long spell of either this stability or rupee appreciating because when rupee appreciates, the remittance also gets impacted. So, the earning on that also gets impacted.

Girish Raj: Okay. So, what are the scheme of things, core other income growth would broadly trend in FY20. What is the expectation?

Ashutosh Khajuria: So, I think if you see core fee income, we have been guiding earlier also that whatever would be the business growth, particularly, the credit growth, it should have at least 400 to 500 basis points higher as fee income. So, our fee growth excluding the treasury gains, profit on sale of investments, it is 25%.

Girish Raj: Correct. No, I see that, yes.

Shyam Srinivasan: That will continue. That trend line will continue.

Ashutosh Khajuria: So, it is broad based. And it has all third-party products, it has processing fee, everywhere, commissions, exchange.

Moderator: Thank you. The next question is from the line of Renish Bhuva from ICICI Securities. Please go ahead.

Renish Bhuva: Sir my first question is on the deposit side. So, sequentially, we actually saw the decline in deposit portfolio and since we are already at 85% kind of a CD ratio. So, to fund the incremental growth, we have to have that much deposit growth in our book.

Ashutosh Khajuria: So, the reduction in deposit growth is non-bearing. If you break the deposits into 2 retail deposits and wholesale deposits, the reduction is mainly because of running down of CDs that were issued in fourth quarter last financial year. So, these CDs have run down in the first quarter to the extent of about 4,500 crores. So, though there is a growth in the retail deposits sequentially but because of CDs coming down which form part of wholesale deposits, the total deposits are negative.

Reynesh Bhubna: Okay. But even if you factor that, since we are at CD of 85%, either we have to compensate that with the retail or if retail is not growing, we have to compensate that with the wholesale market?

Ashutosh Khajuria: That is on a particular date because the ratio throughout the quarter has been between 82% to 85%. But that's the end of the day position.

Reynesh Bhubna: So, broadly my question is, actually I wanted to get a sense on what is our thinking on the deposit rates?

Shyam Srinivasan: We have been always 95% on net retail deposits and that will continue. And the mix within retail, CASA and term will vary. The CA is growing, like I pointed out, very handsomely. Term is price-elastic. SA is a challenge. We are working on through it, but at the growth of 19% credit, we grew deposits 19%.

Reynesh Bhubna: So, you don't see any risk on the deposit growth, right?

Shyam Srinivasan: Not at all.

Ashutosh Khajuria: So, I think both have grown but in fact, deposits have grown slightly higher than...

Shyam Srinivasan: To a percentage higher than credit...

Ashutosh Khajuria: Half a percent higher than credit. Both are rounded off to 19%...

Shyam Srinivasan: 18.8% and 19.6%.

Reynesh Bhubna: And sir, broadly what is our take on margins basically? I mean, if we have to go with this CASA ratio, I think we'll assume that CASA ratio will sustain at this level.

Shyam Srinivasan: Our yields have gone up, both because of the spread and the repricing we are doing and that has expanded, I think, 12 basis points. Cost of funds have gone up about 3 to 4 basis points this quarter. And we think the NIM expansion in the course of the year as pointed out in our year beginning update, we'll get to about 320.

Ashutosh Khajuria: The important point is NII growth is 18% against business growth of 19%, which used to be about 13% a year back and averaged at fourth quarter, it was 16%. So, while credit used to grow at 20%, NII used to grow at 13%, 14%, 16% also. This time, it does converged. The business growth is 19%, NII growth is 18%.

Reynesh Bhubna: Actually, Shyam sir, just wanted to reconcile one thing. So, basically, in this quarter, our yields have been actually improved by 12 basis point. But cost has not increased that much. Despite that, our margins actually declined by 2 basis points. So, I'm just not able to...

Shyam Srinivasan: Last quarter, 5 basis points was influenced by income tax refund, interest on income tax refund.

Ashutosh Khajuria: It keeps on coming periodically.

Shyam Srinivasan: Q4, usually, we get income tax refund, interest on income tax.

Ashutosh Khajuria: Interest on income tax.

Reynesh Bhubna: Got it sir. And sir lastly, on this employee cost, again you know this quarter, we were expecting some sort of moderation but that has not happened so...

Shyam Srinivasan: Because the same thing was a benefit on the treasury side.

Ashutosh Khajuria: Because of yields falling there had been treasury gains. So, similarly your pension requirements, it goes up, no? Actuarial calculations.

Reynesh Bhubna: Okay. So, does that mean that on the bond rate movement at net-net, we will not benefit or how to look at this number basically?

Ashutosh Khajuria: See the ratio is 2:1. So, the gain would be 2. Cost increase would be 1. So, if you are getting 40 crores extra, you are a treasury gain on the rates portfolio, you have 20 crores additional employee cost. That is the ratio.

Reynesh Bhubna: Right. But our treasury profit would be a function of how much we book right? We will not consider M-to-M, so...

Ashutosh Khajuria: That's right. But I'm just telling you the ratio. This is the ratio if you just mark-to-market and see both the positions, 2:1. Fall in yield ultimately is more gainful are subject to you having surpluses there. You don't have surpluses, then there is no gain.

Reynesh Bhubna: Yes, right. And sir, last question from my side, are we confident of sustaining this 20% loan growth right, sir after analysing...

Shyam Srinivasan: Credit growth is between 18% to 20%, full year, that's the run rate. And yes, whatever we said at beginning of the year commitments, we are confident of.

Moderator: Thank you. The next question is from the line of Nitin Agarwal from Motilal Oswal. Please go ahead.

Nitin Agarwal: Sir, a couple of questions. Firstly, any guidance on the full year slippages, so is the current run rate going to sustain or we can expect improvement there? And this quarter, the retail slippages has increased sharply, so any color behind the same? Secondly, the exposure at the stressed housing finance company, if you can quantify as to how much of this. I see in the presentation mentioning 97% is rated A and above. But like in the category below that, is it only one exposure that we have? And likewise, in the NBFC space, which again mentioned a similar number, so is there only one exposure which is rated lower than A? And the third question is on the treasury gains. So, this quarter, we have recorded pretty healthy gains and ultimately, how are we placed on this front, from the AFS and duration point as the rate environment still remains benign?

Shyam Srinivasan: First question on the slippage guidance. I think we had said at the beginning of the year, you should expect 55 to 60 basis points as credit cost. We believe that, that is very much what we are working to and our guidance remains consistent to that. Slippages could, is this 400-odd going to be the standard? It could be materially different if none of the known bad in the market tend to be slippages. Like I said, we have started making provisions. So, if it happens, then it can be a slightly higher or lower but if it doesn't happen, yes, this is the number that we are tracking, maybe even better. In particular, to the housing finance company, you say is that the only one we have got as a challenge. At this juncture, there are 2 housing finance companies totalling to 275 crores, which is what is tagged as potential challenges in the market of our portfolio. And that's reflecting both in the rating and in our view of how it will play out. We have started proactively providing, so as both are standard and are fully serviced loans. And it has not triggered any regulatory provisions.

Nitin Agarwal: Right. And over here like and to the conglomerate within the NBFC space, any exposure?

Shyam Srinivasan: No, I said all put together to HFC business.

Nitin Agarwal: And besides HFC?

Shyam Srinivasan: Nothing else.

Nitin Agarwal: Is there anything you want to...

Shyam Srinivasan: Nothing else.

Nitin Agarwal: Okay. And on the retail side, sir. Retail slippages.

Shyam Srinivasan: Oh, yes. Sorry. You pointed that, 140 crores was the retail slippage, 100 in Network-I and 40 rest of India. And like I said at the beginning of the call, that is triggered by local events in the state, which may persist for 1 or 2 more quarters. That said, after slippages, 30% has already been recovered in the first 2 weeks of this quarter. We'll see how it plays out.

Ashutosh Khajuria: I think we have still maintained what we said in the...

Shyam Srinivasan: The overall guidance is what we should look at. We are consistent with that.

Ashutosh Khajuria: We are saying credit cost would be 60 because recoveries would be higher to that extent.

Nitin Agarwal: Okay. And lastly on the treasury gain side, like how are we positioned?

Ashutosh Khajuria: Treasury gains, I think that depends on how much further fall happens and all. We normally do not maintain high duration in the AFS as a matter of policy. But occasionally, depending upon, I mean, where the, yields go. Present level of yields, house view is that we should be negative on duration. So, therefore, I think, not looking at buying aggressively at these levels or so.

Moderator: Thank you. The next question is from the line of Pranav Tendulkar from Rare Enterprises. Please go ahead.

Pranav Tendulkar: So, your spread and yield on advances has increased a lot and you alluded that it is the repricing that you are doing and also change of composition of book. Can you just highlight where you are repricing, in which part of the business, is it SME? Is it retail or which part?

Shyam Srinivasan: Across the spectrum. All our business leaders are looking at their portfolio. They carry target for revenue and on volume growth. And they are either repricing existing assets or the new bookings at a higher price.

Pranav Tendulkar: Okay. Sir, second question is that are you mapping total retail products per customer that you own? So, basically, cross sell. Any major of cross sell that you are measuring?

Shyam Srinivasan: Yes, we do.

Pranav Tendulkar: Can you highlight those?

Shyam Srinivasan: I think it's coming up to more than 2 right now. We have an internal target to take it up to 3, 3.5. The entire personal loan book that you may have watched us grow in the last 4 quarters, today it's 923 crores, is entirely only data mines digitally originated to existing customers. We don't do new off the street, new to bank customers at all. So, this is entirely digital, data mined serve the client, it clicks and takes the money.

Ashutosh Khajuria: That's on cross sell.

Pranav Tendulkar: Right. So, the assumption that the future of credit cost in this retail growth will be lower is correct because you already know the customers for a long time.

Shyam Srinivasan: Yes, which is our position as we commit to all our numbers.

Moderator: Thank you. The next question is from the line of M.B. Mahesh from Kotak Securities. Please go ahead.

M.B. Mahesh: Just a couple of questions. One, on the rating of the book on the question that was asked earlier, how often do you kind of, rate the book because there doesn't seem to be too much of a change between last quarter and this quarter?

Shyam Srinivasan: Every quarter it is refreshed and if it is not changed, it has not changed.

Ashutosh Khajuria: Whenever renewal happens and all. Rating would be happening at the time of renewal.

M.B. Mahesh: Even if a particular company has been, let's say, rated D, have seen a change of rating by the rating agencies. When would you kind of rate it in your books?

Shyam Srinivasan: It would be figured out immediately.

Ashutosh Khajuria: External and internal ratings are mapped. So, whenever there is a change in external ratings, so accordingly, there would be a...

M.B. Mahesh: And just an additional question on this. Housing finance companies and NBFC were 6% and 7% last quarter. And this has inched up even more this quarter.

Shyam Srinivasan: Yes, we have no negative bias against all of them. There are very good opportunities and very good names, and we have increased wherever possible to the best of breeds.

M.B. Mahesh: Perfect. Just 2 questions. One on the OpEx side, the retirement cost, how much can you quantify that amount for the quarter? Or what will be the additional amount. Just trying to understand, what is the underlying run rate going at if you exclude these one-offs?

Ashutosh Khajuria: Total is 80 crores. Additional is, I think, some 20-22 crores is additional because of the change in yield. Total is 80 crores.

M.B. Mahesh: Okay, perfect. And the recovery run rate that you had this quarter of 30 crores. Any broad color as to how you are seeing this number?

Shyam Srinivasan: We think the recovery for the full year, we are targeting on the run rate, which you saw is 37 this term. We are still at about 120 crores.

M.B. Mahesh: Okay, that's a fair amount of visibility on that particular line item.

Shyam Srinivasan: **At** this point in time, yes.

Moderator: Thank you. The next question is from the line of Sumit Kariwala from Morgan Stanley. Please go ahead.

Sumit Kariwala: I just wanted to get some idea on retail loan yields versus corporate loan yields. So, overall it's 9.55%. Can you break that down for corporate and retail?

Shyam Srinivasan: Retail is tracking at 10. Business banking and commercial banking closer to 11.

Sumit Kariwala: And corporate?

Shyam Srinivasan: Corporate is closer to 8.9.

Sumit Kariwala: So, a part of the improvement will also be driven by a mix change, maybe I've not looked at this...

Shyam Srinivasan: Yes, you're right.

Sumit Kariwala: And how much would be the repricing this quarter? Would you have a rough cut idea because it's like around 18 basis points from our…

Shyam Srinivasan: 12 basis points was the yield expansion in the quarter.

Ashutosh Khajuria: No. Actually 18 basis points, you're right, whereas cost of deposits has increased by 4 basis points, so 18 and 4.

Sumit Kariwala: Yes. And 18 basis points, how much would be because of repricing? Any rough-cut idea?

Shyam Srinivasan: No. I wouldn't, at the top of my head, no. But it's a mix because the new origination and repricing, both have worked together and the incremental growth has a large share of retail growth in it.

Moderator: Thank you. The next question is from Jatin K from Alpha Capital. Please go ahead.

Jatin K: One question that I have remaining is what is your guidance or target on ROA and ROE levels?

Shyam Srinivasan: When we were at 0.76, I had said between 10 to 12 basis point improvement each financial year. It became 0.88, and we're guiding for full year at 1 and 1.12. Last year, we exited at 1. This year, we'll exit at 1.12 or so and next year, 1.25.

Jatin K: Okay, and after that, as in maybe, probably, 3, 4 years down the line?

Shyam Srinivasan: I will be very honest, I don't have that kind of statement capability, given all the things that are happening in the market. I am not as visionary as many others are.

Moderator: Thank you. The next question is from the line of Madhuchanda Dey from MC Research. Please go ahead.

Madhuchanda Dey: My question is again on the slippage guidance. You mentioned that you are confident of maintaining this run rate provided that there is no additional hiccup on this, so far, troubled exposure. But does the increasingly weak economy worry you?

Shyam Srinivasan: Weak economy impact will be felt more in the new origination of business. The portfolio we hold and the sensitizing, we have done that. We believe that our guidance should hold. If the economy continues to have challenges over the next 3, 4 quarters, the impact will be visible in the subsequent years.

Madhuchanda Dey: But any particular concern on the retail book?

Shyam Srinivasan: At this juncture, nothing that I am overly concerned as in we worry about many things, but nothing uniquely different.

Madhuchanda Dey: And I really didn't quite get the reasons behind the slippage on the particular geographies. What's the reason for the accelerated slippages?

Shyam Srinivasan: There is moratorium that was announced after the floods last year, and there is a demand for that moratorium to persist till December 31, 2019. But the regulators are not willing to give that dispensation. State government is pushing for a longer dispensation.

Moderator: Thank you. The next question is from the line of Ankit Chowdhary from B&K Securities. Please go ahead.

Ankit Chowdhary: The first question is with respect to these staff expenses. So, last year, on the staff expenses, we had this gratuity liability, which has been made of around 52 crores. So, removing that, Y-on-Y staff expenses comes at around 35%, 36%, sir. So, what explains that? So, was there any one-off during the quarter, also?

Shyam Srinivasan: No, that's what Ashutosh was mentioning...

Ashutosh Khajuria: Last time, we have removed that 54 crores because that was a one-time 72 which was to be amortized over 4 quarters, but we did it in the second quarter itself. 18 was taken in March and 54 crores was taken in June. So, after you remove that, you're saying there is an increase of 35%. It's basically the yields that have moved. And as a result of that, the actuarial calculation for pension has gone up. So, that is more than compensated in profit on sale of investments. So, if you see profit on sale of investments, there you would find vis-à-vis last year, we have much more profit growth.

Ankit Chowdhary: So, how much has booked in the staff expenses this quarter?

Shyam Srinivasan: 20 odd crores is the impact on account of…..

Ashutosh Khajuria: 22 crores additional will be required**.**

Ankit Chowdhary: But even if I remove that, that also comes up to around 29% growth sir Y-on-Y staff expense removing that 52 crores.

Shyam Srinivasan: we have also factored for wage increase that is due.

Ankit Chowdhary: Sir secondly, this question was already asked earlier, but again on the NIMs front sir, even if I deduct this 5-basis point impact of last quarter, then also the increase in the NIMs were only 3 basis points vis-à-vis there was a high increase in the yield as well as the CD ratio. So, does the increase in the borrowings also has to play some part over here?

Ashutosh Khajuria: We are not much borrowing, we have very small borrowing book. Some refinances and all, but not much. Total borrowing put together on an average would be only 5000 crores.

Ankit Chowdhary: Quarter-on-quarter, there was substantial increase on that, so just wanted to know because quarter-on-quarter the NIMs would have been much higher, had it the borrowings book not grown that much around 28% quarter-on-quarter?

Shyam Srinivasan: What is 28%?

Ankit Chowdhary: Our borrowing book that has grown by 28% quarter-on-quarter. So, what I am saying is had it the NIMs been even higher, then the 3 basis points right now excluding the 5 basis points for the last quarter NIMs would have been even higher had the borrowings not grown that much. So, is that the correct assessment?

Shyam Srinivasan: I think no. We have to disaggregate your number better. I do not think it is consistent at what our picture is. But since you have pointed out, I will ask the team to look at it.

Moderator: Thank you. The next question is from the line of Ashish Shah from Tata Capital. Please go ahead.

Ashish Shah: Sir one small clarification on slippages. Sir, your run rate 400 crores of slippages, does it also include the one-time slippages if at all it happens of 200 crores of IL&FS and 275 odd crores of HFCs.

Shyam Srinivasan: I would urge not to draw any straight line in intra quarters within quarters you will not get a very clear picture. Full year number and particular the upgrade recovery plus credit cost 60 basis points, that we are confident of. If in a quarter the moratorium gets delayed and if the account that we are talking of becomes into substandard, the number may be higher, but in the subsequent quarter it will be lower. So, I would say do not draw line on one quarter.

Moderator: Thank you. The next question is from the line of Mona Khetan from Reliance Securities. Please go ahead.

Mona Khetan: On your lending and deposit rate, do you see these rates coming down from hereon given that system liquidity has been in surplus and even bulk deposit rates have come down over the last few months.

Shyam Srinivasan: Directionally yes, but I do not see it happening in just one or two quarters, but I do see rates both on lending and in deposits trending down as the year progresses.

Mona Khetan: And just 2 data keeping questions. If you could share your breakup of provisions for the quarter?

Shyam Srinivasan: What is the total number of crores?

Mona Khetan: 192 crores?

Shyam Srinivasan: 177 crores is credit and the balances is investment provisions.

Mona Khetan: And what would be your gold loan portfolio like for this at the end of this quarter?

Shyam Srinivasan: 7,521 crores gold loan.

Moderator: Thank you. The next question is from the line of Saket Kapoor from Kapoor & Company. Please go ahead.

Saket Kapoor: Firstly, sir upon the consol and the standalone part. If we take the treasury group the segment, we find that the consol, the treasury income segment revenue goes down, and so the profit. So, how would you explain this, sir?

Shyam Srinivasan: IDBI Federal paid a dividend of 20 crores and 23 crores. INR 20 crores, that is sitting in P&L for Q1. As a result, in the consol number, that will not show in the number.

Saket Kapoor: That would net off…

Shyam Srinivasan: Yes.

Saket Kapoor: Sir, what kind of recoveries are we expecting, sir, going forward, sir? And for the year, you gave us the idea for the slippages, I think, so 400 crores per quarter?

Shyam Srinivasan: Yes. I would still encourage not to look at any one quarter and draw lines. Having said that, many quarters, our recovery upgrade has been around 250 crores. Sometimes even higher at 300. Somewhere in that zone, minimally, what we would see.

Ashutosh Khajuria: Around 900 to 1,000 crores is something which we are expecting.

Saket Kapoor: On the recovery front?

Ashutosh Khajuria: Yes.

Shyam Srinivasan: Recovery and upgrade.

Saket Kapoor: Recovery and upgrade, yes.

Ashutosh Khajuria: You cannot sometimes exactly decide to be said by which it would be done because something has been agreed to but actually cash would flow to really see the recovery. Sometimes it crosses the quarter.

Saket Kapoor: Right, sir. Sir, whatever data we are getting for the Indian economy, the data are pointing towards the worsening of the state of economy for the country. So, sir, how comfortable are banks today taking in realigning themselves when you are giving a 15% guidance for increase in the business, how are you realigning yourself, sir, with the data that are coming up? Where is the disconnect, sir?

Shyam Srinivasan: No. I think our commitment and the growth expectation is not driven by external factors, it's about our risk appetite. At a 1% share in the market, we believe that India is not frozen, it is just growing slower. So, we have an opportunity to grow where we want to grow and either pick share or steal share. The combination of that is how we have grown for now 14 quarters.

Saket Kapoor: Right, sir. So, that sums up your reply to that?

Shyam Srinivasan: Yes. Thank you.

Saket Kapoor: And sir, one more point, sir was there. Regarding this other banking operation, we are finding that there is a big gap between the March quarter and for the June. So, how will you explain, sir? For the March, we report a revenue on 109 crores and then a profit of 53 crores wherein, for this quarter, it is 57 crores revenue and Rs. 9 crores loss?

Shyam Srinivasan: Which one? Which segment?

Saket Kapoor: I'm talking about the other banking operation, sir. There is a loss of 9 crores on a revenue of 57 crores.

Ashutosh Khajuria: I think one part is, of course, interest on income tax refund. Are you referring to that?

Shyam Srinivasan: In other banking, yes, it will be there.

Ashutosh Khajuria: Other banking...

Saket Kapoor: Sir, how would you explain this loss, sir? And what should we project for the year then under this category? What goes into it, if you could give me some granular details, that will be suffice.

Shyam Srinivasan: I would say may I request that don't read too much into the segment reporting. It will not give you full colour and it will only confound the issues because the categorization seems to be not very consistent with what the P&L of the book shows. So, you need to hold that off.

Saket Kapoor: Okay, sir. Just last point. I'll come in the queue, sir. For as a bank, our operating profits are highest and so the base is now being up. Sir, on a base of now operating profit around 780 crores on a stand-alone levels, how confident are we, sir, that we can be able to show growth going forward also? Or this is top most quarter that we can contemplate?

Shyam Srinivasan: I can only say our endeavour is to continuously grow credit, deposits, keep our costs in shape and ensure that our growth is consistent with what we are committing to and the effort is, yes, I mean, there will be an odd quarter. With this quarter, I remember that we had a 20 crores dividend declaration by IDBI Federal, which gave us an income lift. So, that in the subsequent quarters, that may not be there. This quarter, yields fell, so there was an income increase in treasury. The operating underlying performance of the bank is now running at a higher optimum run rate from previous and that's the model that we can work towards. So, will 780 become 800 become 850 that is exactly what we are working for.

Saket Kapoor: Absolutely, right, sir. Last point on the treasury point also, sir. You were speaking that you find the yields hardening up going forward. That was the message, I think, so you gave in your introductory remarks. Sir, if you could extrapolate more on the same, what are the factors are...

Ashutosh Khajuria: I think I just want to clarify. I didn't say yields hardening. I said house view is that this is not the level at which we should accumulate or buy more bonds.

Saket Kapoor: Sir, that translate into that only, sir, that the yields...

Ashutosh Khajuria: That means if you are not sure that how much risk/reward buy is, if it doesn't fall and you just get settled with too much of portfolio because I was asked the question to which I responded that what type of duration you maintain in AFS, whether we maintain a low duration and particularly at current yield levels and all, we would not like to buy duration further. So, if it falls something, we have a portfolio, so that could further appreciate and all. And if it hardens, then I think we are better placed by not increasing the duration.

Saket Kapoor: But I would like to only understand, sir, what factors are letting you know that the risk/reward ratio is not in the favour to buy bonds today?

Ashutosh Khajuria: Oil price high, adverse base effect for your food prices and all that because last year, you had the favourable base effect. This year, you have a base where there is no favourable base effect left. And as a result of that, there could be even RBI is saying that there could be an upward movement of inflation and all, to some extent.

Moderator: The next question is from the line of Deepak Shinde from SBICAP Securities. Please go ahead.

Deepak Shinde: Sir, my question is, what was the original quantum of the portfolio in moratorium due to the Kerala flood? And what is the incremental amount of portfolio expected to come out of moratorium over the next few quarters?

Shyam Srinivasan: I think don't read moratorium, and therefore it is a sentiment of what the state government is talking about that causes the problem. The moratorium book is not more than 250 crores or something which we restructured, in fact less. But the unfortunate part is, when there is a talk like that, then the customers start behaving differently. That said, I also said 21 crores or 22 crores of what's slipped already come back in the first 2 weeks of this quarter. So, we should not draw too many lines. I only gave that as a data point.

Deepak Shinde: And sir, given the pressure on the savings deposit, do you see any merit in the possibility for repricing of our savings deposit above 3.5%?

Shyam Srinivasan: No. We have, what we call, a bespoke savings account, where we have built about 750-800 crores of balances, which is a defensive product for customers who are placing more than 3 lakhs, negotiated rate, I think 6% or 6.5%, that is at a higher balance. We are not doing at an entire portfolio level. In some pockets of the market, we may consider lowering rates also.

Moderator: Thank you. The next question is from the line of Aditya Jain from Citigroup. Please go ahead.

Aditya Jain: On the breakup of other income, there is a line on 40 crores from recovery and other, which you mentioned earlier. Is the 20 crores of dividend from IDBI Federal included within this?

Ashutosh Khajuria: Yes. It will come under other fee income.

Management: Other fee income.

Aditya Jain: Okay. So, the recovery amount then is about 20 crores?

Ashutosh Khajuria: No. Recovery this quarter is 40 crores, no? Recovery from assets written-off and other receipts is 40 crores.

Shyam Srinivasan: That is not the dividend income.

Aditya Jain: Sir, dividend income is...

Shyam Srinivasan: Is an exchange, commission, brokerage, based on this, other fee income. The 169 crores will carry the dividend income.

Aditya Jain: The movement in the restructured loans, which then comes 604 to 619 crores, not a large movement. But if we try to understand that, sir, this would have included a decline of about 100 crores from Kerala with slipped and so there is other restructured accounts, which would have been typically...

Shyam Srinivasan: No. The 604 to 619 is driven by 1 account, which got restructured, which is about 15 crores.

Aditya Jain: Okay. So, the loans which were under moratorium in Kerala, would that...

Shyam Srinivasan: That would have slipped and it would have been in slippages, no? That's not in restructured.

Aditya Jain: No. Sir, in the earlier...

Shyam Srinivasan: No. That's why I said please don't read the 100 crores as moratorium accounts that have slipped. That is not the case. I'm saying moratorium is just the situation in the state. The slippages, it could be accounts that were in the moratorium, could be accounts that are outside of the moratorium also. Behaviour has changed. Nothing to do with the moratorium. The 604 becoming 619 crores is one account, one SME account for 15 crores. I think one question that somebody asked was around where is the IDBI Federal dividend income sitting? It is sitting in the 40 crores one, in the recovery from assets and other receipts.

Moderator: Thank you. The next question is from the line of Pranav Gupta from Aditya Birla Sun Life Insurance. Please go ahead.

Pranav Gupta: Just 2 clarifications. Firstly, you said that you have a 15% cover on one of the HFC account. Is that, right?

Ashutosh Khajuria: Yes.

Shyam Srinivasan: Yes.

Pranav Gupta: And the second one is that you said that 30% of the Kerala slippages in retail have been recovered in the first 2 weeks?

Shyam Srinivasan: 20 crores out of 100, 20%.

Pranav Gupta: Okay. And just one question, sir. Branches have remained stagnant for about 7, 8 quarters now. Where are we in terms of productivity? And when do we see an expansion in the network going forward?

Shyam Srinivasan: We think second half; we will add about 40 branches. And 35 to 40 branches this financial year, and a similar number the following financial year. And productivity is going up quite materially. As you can see, volume growth on the same base of branches, and we've added a significant feet-on-street presence. We now have 800-plus RMs covering the ground. Therefore, volume growth is visible particularly in geographies where our branch presence is less. Feet-on-street presence has increased significantly, thereby, retail, both credit and deposit growth is strong. If you see the slides that we have shown on growth in the network, you will see what I'm talking about in terms of rate of growth in particularly network 2.

Pranav Gupta: Right. And just lastly, in case this moratorium decision drags, do we see this behaviour in retail especially in Kerala continuing for the next quarter?

Shyam Srinivasan: For everybody's consistent understanding, not over amplify the moratorium as the point. Our guidance on slippages, the mix may vary. In the retail, even if you take out all the noise, retail, agri, SME, business banking, have been around 200 to 250 crores. That may go up to 300 crores and that will continue for the next 2 to 3 quarters and on a much higher denominator. Corporate, I can't predict right now. We have factored in 3, 4 accounts that may have issues through the financial year. And all that put together, how the guidance for credit cost have been given.

Moderator: Thank you. The next question is from the line of Roshan Chutkey from ICICI Prudential Asset Management. Please go ahead.

Roshan Chutkey: First of all, I want your comments on the BuB slippages, which have been relatively high. How do you read the environment? Secondly, want to understand this other income split. On Slide #20 and 21, there's a bit of a discrepancy between the fee income segments. Recoveries in assets here is shown as 31 crores. On other slide, it's 40 and exchange commission brokerage fee is shown as 169 whereas it adds up to 177 or so when I do the addition on the left slide. Can you please reconcile the two? Yes, that's about it.

Shyam Srinivasan: First question, Roshan, was what?

Roshan Chutkey: Was on the BuB slippages, sir. Any comments on the...

Shyam Srinivasan: How come it has shot up?

Roshan Chutkey: It's about 99 crores, shot up reasonably.

Shyam Srinivasan: Correct. I won't read too much into it because there have been quarters where it was 94, 107 and Q4, traditionally, tends to be lower. That hasn't dramatically altered.

Ashutosh Khajuria: Q4 is always the better quarter.

Shyam Srinivasan: You will see this Q4, a repeat or even better.

Roshan Chutkey: Sure. But are you seeing any stress building up because of the general slowdown in the economy? Any qualitative comments here?

Shyam Srinivasan: If I didn't mention, it's in the slide. Our stressed asset book is at all-time low. And SMA-2 is also at all-time low. So, I would think it's not showing up in any material manner. But these things tend to have a nasty way of popping up every 2 quarters, so we'll keep a watch. I, again, reiterate our overall guidance is factoring all these things.

Roshan Chutkey: In slides 20 and 21, right, if I look at slide #21, right, now cards plus third-party distribution plus banking commission and exchanges, plus general service charges, which is what I presume should add up to these 169 crores in the other slide is adding up to something like 177 crores. And recoveries in assets written-off and others receipt, in slide # 21 it's shown as...

Ashutosh Khajuria: The recovery from assets written-off and other receipts includes the dividend from subsidiary company.

Roshan Chutkey: Right. It is 20 crores, right?

Ashutosh Khajuria: You have 6 plus 8 plus 5 plus 21. That makes it 40. 6 is recovery on written-off accounts, 5 is other receipts and 21 is dividend, major items. All other are smaller ones. So, that's why it's clubbed together major items are. Out of 40, 21 is dividend, 6 is recovery on written-off accounts.

Roshan Chutkey: Okay. On the next slide, it's showing as 31 crores?

Ashutosh Khajuria: Where?

Roshan Chutkey: In the following subsequent slide, some may be...

Ashutosh Khajuria: That 9 crores of miscellaneous income has not been added.

Roshan Chutkey: Maybe need some categorization or whatever.

Ashutosh Khajuria: Yes.

Moderator: Thank you. The next question is from the line of Anand Dama from Emkay Global. Please go ahead.

Anand Dama: Sir, last quarter, we had talked about gold loan growth to some extent picking up about 16-odd percent Y-o-Y. Any numbers on that front this quarter? Any trend that we can talk about?

Shyam Srinivasan: Yes. We saw yet another strong quarter. Sequentially, 4% growth.

Anand Dama: Sequentially. So, what would be the outstanding retail gold loan book as of now?

Shyam Srinivasan: Retail plus agri, total gold loan book is 7,500 crores.

Anand Dama: Okay. And sir, any trends on the NRI deposit flow that we are seeing at this point of time? And can you talk about that?

Shyam Srinivasan: Remittances are not as robust as it was the same time last year. Our share of remittance business has gone up. Our NRI deposit grew 14%. We see remittance because the Eid came earlier this year and that typically, there is a mismatch between the normal flow and what we saw this year. So, we have to see how this thing shapes up. For our diversification, we've moved into markets in Africa also now. We are also looking at Australia, Africa and Canada as new opportunity. We have people on ground covering these geographies now. But we love to see how things shape up. Typically, the next big bump up will come during Onam, which is in September.

Anand Dama: Sure. And sir, any color on the CV book that you are actually building for past 2, 3 quarters as such? So, how much will that be now?

Shyam Srinivasan: The book has crossed about 150 crores right now. The team is getting built out. I think we have the South team in place. The West team is coming by end of August because we have recruited from competition maybe 3 months to serve their dues and come. So, the real growth will come in H2, which I'm happy with because we also want to see how the market shapes up.

Anand Dama: Sure. And sir, any clarification that we have got on your term extension beyond September 2019?

Shyam Srinivasan: You have to dial up RBI and find out. My Board has sent the approval to RBI.

Moderator: Thank you. Next question is from the line of Gaurav Jani from Centrum Broking. Please go ahead.

Gaurav Jani: Just coming to the NIM. Now we will see probably a shift in mix also possibly towards the high-yielding segments, but also the rate trajectory seems to be declining on a macro perspective. Now where I'm coming from is, sir, then, how do we see our yields panning out, one factor being positive, and the other being negative?

Shyam Srinivasan: I think we should look at the blended outcome of the book of our overall reversal and slippages, regularity of growth and our cost of funds. All 4 play a part in our NIM expansion. We've factored all that, and we look at 3.2 as an exit rate on NIMs.

Gaurav Jani: Sure, sir. That would mean for FY '20?

Shyam Srinivasan: Yes.

Gaurav Jani: Okay. Sir, what would be our absolute CA balance for the quarter end? If I may have this because we only have given the...

Shyam Srinivasan: CA is 6,800 if I remember rightly.

Gaurav Jani: Sir, there seems to be a sharp drop in the CA. atleast on a Q-o-Q basis. So, what would explain that?

Shyam Srinivasan: Very easy. CA tends to be volatile. CA tends to be back-ended. Average CA is what we measure for our internal and that has grown quite well.

Gaurav Jani: Got it, sir. Sir, any sort of CASA target that we have for FY '21?

Shyam Srinivasan: Yes. We are still looking at 33%-plus. It's an arduous task, but yes, we're working towards that.

Gaurav Jani: Sure. So, on the rating mix, the less than BB portfolio is about 17%. So, what sort of a comfort do we have in that book? I mean any color of that, how is the BB rated? I mean, what would be the realized then? What sort of...

Shyam Srinivasan: Then I will go back, and the only statement I will make is, our credit cost factors all these things.

Gaurav Jani: Sir, last, if I may squeeze in. The other housing finance company you mentioned, there's been no provisioning done on that, right? I mean, one, we have 16%, there is zero on the other, right?

Shyam Srinivasan: Yes. We've made excess provisions in Q1 not specific to the NIM, but yes, we've made an excess provision of 30 crores. In my profit, I have taken 30 crores into provisioning.

Moderator: Thank you. Next question is from the line of Jai Mundhra from B&K Securities. Please go ahead.

Jai Mundhra: Thanks for the improved disclosure on the fee income. Most of the questions have already been answered. So, just one question. One, if you can provide some sense on the real estate business, which is somewhere around 3.6% in terms of either is there some exposure to Mumbai-based corporate or how is this exposure in general?

Shyam Srinivasan: General, retail, home loans and lap, we don't have developer or a big ticket exposure to any names that you may consider, we don't have. Our total development exposure is less than 100 crores.

Jai Mundhra: Sure. And second, sir, I mean, you just clarified, but just to get things in perspective. That wholesale below BBB book is somewhere around 10,000 crores, right? Because that is 16% of your wholesale exposure, which is 60,000-odd crores. So, this is 10,000 crores, which is below BBB rated, and you are saying all this is included in your estimate of 60 basis point credit cost. Is that...

Shyam Srinivasan: Yes, you're right.

Moderator: So, we'll take last question from the line of Kaushik Poddar from KB Capital Markets. Please go ahead.

Kaushik Poddar: Shyam, there's a difference of 9 crores between the consolidated net profit and standalone net profit. What explains the difference?

Shyam Srinivasan: The 20 crores dividend income declared by IDBI Federal, that has come into our profits. And therefore, their number has come down by that amount.

Kaushik Poddar: And how has been the performance on the insurance, your subsidiary?

Shyam Srinivasan: The subsidiary is doing very well, so as we've done for them. And because we are doing well for them, their numbers are looking good. For the first time in 10 years, our performance outstripped that of IDBI, but that's not saying much because they have their own set of challenges. But our engagement with IDBI Federal has increased quite materially and it is visible in our other income, as you would see. They're doing well as an entity. We are in the market looking to find a replacement partner, given that IDBI has to get out of this business.

Kaushik Poddar: And when do you see that happening?

Shyam Srinivasan: There in the process. JPMorgan is running the process. We expect some clarity in the next say, 90, 100 days.

Moderator: We'll take the next question from Pawan Ahluwalia from Laburnum Capital. Please go ahead.

Pawan Ahluwalia: Yes. I just had a question on loan growth. So, if you look at it, obviously, year-on-year, it's kind of roughly in line with the numbers you're talking about, but the Q-o-Q growth has come off quite a bit. Are you projecting a significant acceleration in the run rate in the second half of the year? And if so, what segments are you expecting this to happen in?

Shyam Srinivasan: Well, traditionally, Q1 tends to be very slow, and we usually see 2% to 3% growth in the Q1. This year, we saw 2%. And typically, the momentum picks up as the year goes. We usually see 2%, 4%, 6%, 6% or 2%, 4%, 5%, 7%, that's the kind of rate of growth we would see. I think that will pick up as we go into second half. But again, I will caution, I will not grow just to meet the end number. We want to be extremely focused on the quality of the book. And retail has had good momentum. That will continue. Corporate, we are doing more picking where we want to. So, that pickup depends on the opportunities. We'll see how it goes. But if it means we have to starve for a short while, we will do that also.

Moderator: The next question is from the line of Kranthi Bathani from WealthMills Securities. Thank you.

Kranthi Bathani: Sir, most of my questions are answered. But you mentioned that you are going to open 40 branches in the coming days. I would like to know whether these 40 branches will be in the same geography or do you want to venture into new geography because whenever Federal Bank comes, it always comes in the news as it is centered from Kerala or South-focused branch?

Shyam Srinivasan: Our branch presence outside Kerala is 655 branches, spread across the 5 bigger geographies. And we are looking at branch expansion in these geographies. If you take 40, I would say about 10 would be in Tamil Nadu, around 10 will be in the West and the remaining will be across the spectrum of the country.

Moderator: The next question is from the line of Ankur Shah from Quasar Capital. Please go ahead.

Ankur Shah: Sir, just a question on the repricing of loans. Sir, considering liquidity easing and RBI trying to work on the transmission of rates and also given that we are not doing so well as an industry in CASA, sir, how do you see the spreads going forward? Like let's say, if I fast track it for 6 to 12 months, do you see the spreads coming down or coming under pressure?

Shyam Srinivasan: We believe that the current spreads we should be able to maintain and if possible, improve, by not just repricing, by a mix change.

Ankur Shah: And sir, just one very important question. Sir, any news on MDR? RBI is considering MDR waive off. Any news on that?

Shyam Srinivasan: No, nothing. Absolutely, no news.

Ashutosh Khajuria: No news.

Ashutosh Khajuria: No views

Shyam Srinivasan: No views and no news. We are not a big acquirer. So, in that way merchant acquirer. So, it's not going to impact us that much.

Moderator: The last question is from the line of Shishadri Sen from Alchemy Capital. Please go ahead.

Shishadri Sen: Most of my questions have been answered. Just the last one on ROE and cost income. You have been sort of guiding for an improvement and I understand this quarter, there were some issues with the pensions. But is that still on trajectory, especially with you're adding branches towards the end of the year?

Shyam Srinivasan: Seshadri, I think pension or not, we have honored all our commitments and so yes, to that extent, branch expansion also is factored in. It's in our year-end guidance of getting close to 49% or little less than 49% cost income. We have guided as you would remember, 200 basis points across 2 financial years.

Shishadri Sen: Yes. Just sequentially, there was a little bit of flatness, so you know if there is time...

Shyam Srinivasan: 60 basis points. It has improved.

Ashutosh Khajuria: Q-o-Q. Sequentially, it has improved.

Shyam Srinivasan: Year also improved materially, but sequentially it is...

Shishadri Sen: And the pension anyway is getting offset by your treasury income, so...

Shyam Srinivasan: Yes. That's what I said. Yes. That's what I said, sir. Thank you very much for joining us.

Moderator: Thank you. Ladies and gentlemen, on behalf of Federal Bank, that concludes this conference call for today. Thank you for joining us, and you may now disconnect your lines.