"IndusInd Bank Conference Call"

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Moderator Ladies and gentlemen good day and welcome to the IndusInd Bank Conference Call on the Q2 FY12 results hosted by JM Financial Institutional Securities Private Limited. As a reminder for the duration of this conference all participants' lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference call please signal an operator by pressing '*' and then '0' on your touchtone telephone. Please note that this conference is being recorded. At this time I would like to hand the conference over to Mr. Puneet Gulati, thank you and over to you sir.

Puneet Gulati Thank you, Bineeta. Good evening everyone and welcome to IndusInd Bank's earnings call to discuss the 2nd Quarter results. To discuss the results we have on the call Mr. Romesh Sobti, the Managing Director and CEO, along with the top management team of the bank. While welcoming Mr. Sobti may I request him to take us through the financial highlights and subsequent to which we can open the floor for question-and-answer session. Thank you and over to you sir.

Romesh Sobti Thank you very much and good afternoon to you all. I think the numbers have already been uploaded so the entire investor presentation will probably be in your hand for the last 2 hours or so I'm presuming that you had time to digest it but till we will go through the broad headlines.

To begin with we had a very tough operating environment and as expectations went we did see falling credit growth, I am not talking about the bank but about the banking system. We did see rising deposit costs which made deposit interest pass-through difficult. We also saw shrinkage in demand liabilities for the system as a whole and we saw stagnant insurance and wealth businesses in a market. I think in the face of all these headwinds we have had a 'Coping Strategy' whereby we have been able to more or less preserve our margin and the margins conservation that happens through a combination of some new products, but largely through a change in the loan book mix, and we will talk about the change in the loan book mix although there is a very detailed slide on that as well.

Second item of course was the driver was the pushing the fee buttons and fortunately for two quarters running now fee has more than made up and the slackness that we saw in our net interest income and you will see that almost our whole fee lines are detailed in one of the slides we will talk about them.

Thirdly, I think we have not backed off from our branch expansion plan, so we continue the theme of investing to grow and we have opened a number of branches. We have crossed the 350 mark, yet we have kept the cost line by and large steady.

Fourthly, the cost of credit, we will talk about it in more detail but the cost of credit for the half-year you would see we give you a half year numbers this time around as well accordingly. As a half year cost of credit indicate that the full year cost of credit will be at least 8 to 10 basis points less than what we saw in the last year.

The other highlights were that I will talk about some other concern which people expect to us in our discussions. One big concern was on what is going to happen to half of your book which is vehicle financing. Those concerns have been belied, we have not only kept as a yield overall on that book higher than what it was last quarter but the delinquency profile is also held up very nicely. We have also improved our market share in these businesses. We will talk a little bit more about that as well.

The other item was that some new fee boosters that we have talked with you individually that were added to our portfolio over the last 3 to 6 months; credit card, originating home loans for HDFC, other fee generating products like loan against properties so these fee boosters have helped us. In fact if you just see the last month of the quarter, September, just these 3 items, credit cards, loan against properties, origination of home loans have added about 4.5 crores to our fee income just in 1 month. So these fee boosters have helped us and as a consequence of that you see that our non-interest income has now crept up as a percentage of a total from a low of 30% about 3 quarters ago to as much as 37% of our total income. What is more important also is something that we have shared with you that a very significant portion of the fee income that we generate is now generated with no linkages to the balance sheet, that's an important feature of the growth of the bank over the last few quarters because that is a clear linkage to the way we use our capital. Even though we grew our loan book by almost 29%, we did not consume too much capital during the quarter we certainly want to talk and the network as I mentioned to you has expanded. In the last 4 quarters we have added well above 100 branches. We are at 350, we are well on our way to crossing the 400 or 410 mark that we gave in our guidance and we have been staying steady on our overall ambition of taking this to between 650 and 700 branches.

So that's a summary of what happened during the quarter. I will go through some of the main headlines. One of the notable features is that while we are seeing a healthy Year-on-Year growth, we are also seeing a pretty healthy Quarter-on-Quarter growth that is of more importance to us. Year-on-Year the percentages still look very, very healthy for us but if you look at the revenue itself grew 9% Quarter-on-Quarter, interest income grew 7% Quarter-on-Quarter, fee income grew 11% Quarter-on-Quarter. In fact core fee income grew as much as 13% Quarter-on-Quarter. So that is a notable feature of the quarter's performance and of course we are seeing up-trending in our cost as well.

Let's first take the interest income and interest income as I mentioned to you is a function of few things that has happened to our portfolio. The retail part of our loan book as I mentioned last quarter as well is holding up pretty nicely both in terms of the yield structure and the liquidity structure. So we have allowed the retail which is at a new finance book to grow faster than our corporate book. As a consequence of that the mix of our loan book has actually changed even this quarter to 53% Corporate and 47% is the Consumer Finance book. Last quarter this was 45% and as of March it was 44%.

So there has been a steady trending that we are seeing in the loan book but within the Consumer Finance loan book by and large the percentages of individual products have held up as in the past. If you were to just look at the growth numbers, if you see Year-on-Year the Corporate Banking book has grown 18% and Quarter-on-Quarter Corporate Banking book has grown up by 2%. But the Year-on-Year growth on Consumer Finance is 43% and the Quarter-on-Quarter growth on Consumer Finance is 11%. So clearly you are seeing a change in the mix and that is one of the reasons why the overall sort of gross yield has actually moved up and this is the part of our 'Coping Strategy' in terms of managing our NIM. The yields of both these book I have been given separately, but if you really want to look at the explanation of what caused our NIM to be where it is, if you move to Slide 20 we have added to the disclosure that we normally give. Normally, we give the bar chart for cost of deposits, cost of funds, yield on advances, we have already added yield on assets. And this gives a fairly clear explanation of how the NIM moves during the quarter and what 'Coping Strategies' we have used. So you see the NIM did shrink by 6 basis points although in the beginning of the quarter we felt that maybe we will slip by about 10 or 12 basis points but by changing the yield mix and the cost of funds we have restricted the margin shrinkage to 6 basis points. That's on the interest income side.

We will take fee then we go down to the offline and then we will take the quality of the loan book. In the fee side there are two slides that we give. If you look at Slide 18 that gives you a Year-on-Year growth in our total fee which is a non-interest income which has grown by 37% but if you want a breakup of the real client-linked drivers which we talked about as a core fee income. Then you see both Year-on-Year and Quarter-on-Quarter we are seeing very healthy increases. Trade in the metals sales is 29% so you see growth of between 23% and 62% and what stands out is a growth in our foreign exchange income which has grown as much as 62% Year-on-Year but 24% Quarter-on-Quarter. The only downward pointing arrow you see there is investment banking book. In investment banking fee line, investment banking is really a function of how you close deal and when you close deal. Maybe Suhail, you want to --

Suhail Chander It's a function of deal closure so we have closed documentation, etc. we are seeing a substantial change in that number in this project.

Romesh Sobti It's a lumpy business, it's a question of when you book it and that itself is linked to when you do the closure documentation. But the pipeline of closed deals is very healthy and there will be a good and pleasant movement. So overall the growth momentum continues on the regular fee close. Foreign exchange income also has jumped and this is the second consecutive quarter that foreign exchange income has jumped. Suhail, you can also talk about the penetration --.

Suhail Chander The foreign exchange it is being one of our key focuses for this year is to improve both quality of product and product penetration within the corporate client base on the FX side and that has started to show results, so in both quarters, we have seen a substantial increase in fee income. The fee income is also distributed; it's not coming from one single FX product. So the variety of products that has been sold into the client base also have increased quite a lot from the very sophisticated long-term hedges to the regular core businesses in all sides have contributed to this increase over the last two quarters.

Romesh Sobti The other thing where we have seen some concerns on is a distribution income, and that includes Insurance and Mutual Funds and Credit Cards, etc. there people have been talking about shrinkage of the premium pie and all the sort of things. Maybe Sumant if you want to talk about that.

Sumant Kathpalia If you look at our distribution income it has grown about 40% Year-on-Year but what we have seen over Quarter-on-Quarter a marginal growth on that income about 9%. What we're seeing now is that we have launched different channels, we have launched the exclusive program at exclusive segment, where we have seen the pickup of the best business happening and we are making up a little bit of slowdown in the Life Insurance business with the Home Loan, Credit Card and the LAP distribution income which has started coming in and that's really made up the income on this growth. We expect a bounce back and the second half is always good for the Life Insurance business and we are seeing a robust demand and there will be a huge bounce back on the Life Insurance business as we go forward.

Romesh Sobti We have talked about few fee boosters. So, on the Consumer part of the business the fee boosters are Credit Card, the origination of HDFC loans and fees generation by the new products or loan against property.

Sumant Kathpalia What we do is we do about 4.5 crores of fee income in these three products. In a Credit Card our sourcing really happens through the brand channel where we are doing all Credit Cards. The beauty is that our average fee per card is about Rs 11,000 on an average. So the premium card is about 25,000, the Vanilla Card is about 7,500 but we are seeing a huge pickup of the 25,000 Signature Cards which is happening through the branch banking segment. On the LAP and Home Loan we now disbursed about 75 crores between LAP and Home Loan together and we make a fee about a crore on that income. So in the Credit Card we make about 3.5 crores fees and with LAP and Home Loans we make about a crores of fees and that's on a monthly basis. So we make an additional 4.5 crores of fee income month-on-month on a revised run rate. What we have done for the 2nd Quarter, 3rd and the 4th Quarter, we expanded the Home Loan distribution to about 40 cities now and we have expanded the LAP distribution to another 15 cities. So you will see this growth income coming up rapidly now because we wanted to take the order for the first five months and we have seen huge success in this business. We are now expanded to our other branch distribution outlets. So instead of 70 branches being covered now we will have 230 branches being covered and our 230 branch distribution outlets will now start distributing these products. So we see that growth happening and coming our ways in the 3rd and the 4th quarter.

Romesh Sobti That's the fee part we have explained the surge in the FX income. We will explain the investment banking and the other major item was on a distribution income. The other are essentially hygiene and processing fee and all those general banking fee, etc. as our volumes grow, they are growing a bit. Let's finish the whole P&L then we will go to the balance sheet because there are some additional information we want to give you on the balance sheet.

On the cost side of course also we have seen a very strong growth in both staff cost and other costs. But staff costs Quarter-on-Quarter have moderated because there was a surge in the hirings that we did in the 1st quarter that was for the branches that were opened up. So Quarter-on-Quarter the staff costs have increased by only 4% but other expenses have increased by 15% Quarter-on-Quarter and there are two factors that we would like to take into account here; one is that in the last quarter in March of last year we had changed the depreciation methodology and accelerated depreciation on a variety of asset classes. As a consequence of that we have voluntarily taken additional depreciation and tax of about 24 crores for the full-year this year. So that is also built-in there. And secondly more importantly the branch network is at a nascent stage. So they have not yet reached that 12 months breakeven that we have said, it’s almost 100 or 110 branches are in that incubation stage and a lot of them have actually done operational breakeven. On a portfolio basis the breakeven looks well on track, but this is the nascent part of that. So there was a lot of cost absorption, which is happening there. But cost-to-income ratio by and large we have still kept steady in spite of absorbing this large cost increase as a consequence of the network.

Suhail Chander The branch network as you know had a substantial increment in the last quarter of the last fiscal. The process continued, we have crossed 350 and the increased network of almost 100-odd over the last 3 quarters have significantly aided our distribution and other fee line. We expect that in another quarter or two the breakeven start to kick in and we will see the cost-to-income ratios moderating substantially thereafter.

Romesh Sobti So that is on the cost side. Finally, in terms of the book quality, book quality has two elements; one is the exposure to sensitive areas and if you would notice from Slide 14 as compared to last quarter in most of the sensitive areas our exposure has further fallen. As it is we don’t have too much exposure in the areas which cause a lot of concern in the analyst community so whether it’s real estate or it’s infrastructure or it’s telecom. When you actually look at the breakup on the real estate side, our actual real estate developer exposure is only 0.34% now and a major part of the exposure actually lease rental discounting. So, actually we have now given a further breakup of this exposure between lease rental discounting and developer financing.

Apart from that infrastructure is not there, certainly, there is an element of the construction but these are all EPC guys. So there is not infrastructure in terms of infrastructure but these are EPC most of it. Otherwise, we are seeing a downward trending in our overall composition of the loan book. The other element of course is how the NPAs have moved. We will kick back before we go onto some element of the balance sheet. NPAs we have shown here the net addition in our NPA of about 23 crores. As you know that in new finance book there is a lot of churn that happened. When the account becomes 90 days past due you put that as an addition but lot of these accounts go back on the 120th day, etc. so that is deduction. So if you look at the net addition of 23 crores actually that has made up of in addition of 131 and a deduction of 108, that's how the net of 23 that happens and the percentage of gross and net NPAs Quarter-on-Quarter has not moved. Likewise in fact the restructure advances have actually reduced from 0.37% to 0.30%. That's the entire P&L.

Suhail Chander Actually the credit costs have come down a little bit compared to the last quarter so credit cost this quarter is 30 basis points and for the half year as a whole it is 26 percentage points. So on an annualized basis we are likely to have credit cards which will be about 10 basis points less than what we had last year.

Romesh Sobti The loan book has grown by 29% and I have already explained to you the way the two books have been weighted which is the Consumer Finance book and the Corporate book. And the deposit book has grown by 23% and actually we saw a drop in our loan-deposit ratio compared to last quarter. Sequentially, loan-deposit ratio has fallen by about 2%, now 29% loan-deposit ratio.

Sumant Kathpalia The capital adequacy of the bank for this quarter stands at 14.32, it has Tier I element of 11.43 and Tier II element of 2.89 which signifies the substantial headroom average which was in Tier II. So at the moment we are well capitalized. The CRAR capital adequacy calculations are without considering the profit for Q1 and Q2 as required under the RBI guidelines, etc. If we add the profit for Q1 and Q2 our capital adequacy ratio stands elevated at 16.45 as against 14.32 reported.

Romesh Sobti We are at the end of our discourse. There is going to be some question certainly on the Vehicle Finance book. So maybe before we open this to questions, Partha you want to talk about how the Vehicle Finance scenario is and how we have coped in that.

SV Parthasarthy For the current year the Vehicle Finance book has grown by registered growth of 43% over the previous year and for Quarter-on-Quarter also we have registered an impressive growth. This Quarter-on-Quarter we had registered a disbursement growth of close to about 20% and disbursement growth over the previous year is close to about 48%. It would be fairly interesting to know that what we have achieved for the current year half year in terms of disbursement is almost the annual disbursement in 2009-10 we have registered 5,900 crores in terms of disbursement. While on the disbursement front it has been uniform across all segments. There has been uniform growth in terms of Commercial Vehicles, Construction Equipment, Three Wheelers, Two Wheelers and Cars. Our ____**26:32** has been on used vehicles front, we have also registered an impressive growth. The used vehicle is the portfolio accounts for only close to about 10% of the total portfolio which is about 1500 crores.

In terms of portfolio health, portfolio health remains more or less the same in comparison with the previous quarter. In terms of percentage of gross NPA there has been a decrease in gross NPA percentage and the net NPA percentage for the current quarter compared to the previous quarter, it was about 1.41% for June whereas it is 1.38% for the current quarter. In comparison with the previous year it was about 1.76% for the previous year, therefore there has been a steady Quarter-on-Quarter improvement. We have been noticing about steady Quarter-on-

Quarter improvement in our portfolio in terms of both gross NPA as well as net NPA. It is also pertinent to say that most of the leading industry players in this particular segment have also been experiencing a fairly good portfolio.

Romesh Sobti Partha, when you talk about balance sheet we left out the CASA fees. If you look at Slide 17 and you look at there is an absolute growth both in our CA and a total CASA but the percentage is down by about 50 basis points. But that’s systematic because we reduce our loan deposit ratio down to 79% that will be sustained the same then the percentage would have been the same level as it was over last year. But more importantly there has been a good traction on new customer acquisition.

Sumant Kathpalia What we have done over the last 6 months is that we increased the New to Bank customer client acquisition. We are now acquiring about 150,000 accounts per quarter and that means we will end this year at 600,000 new relationships as compared to 260,000 new relationships in last year. What we are seeing is the acquisition values going up. We are acquiring about 150 crores of CASA book on a Consumer Banking side, on a month to month basis that means we are adding about 430 crores to 450 crores on acquisition value. We see good momentum, our savings accounts with the new branches in 300 branches today is about 10.5 crores per branch. We expect it to go to about 13 crores to 13.5 crores per branch at the end of this year.

Romesh Sobti Likewise on the current account this quarter had lot of stuff coming in from the Corporate side of the business.

SV Parthasarthy This quarter after the results lot of dividend distribution takes place and of course that is a very good source of road for banks because if you get the dividend warrant mandate which means the paying of dividends to all the shareholders of listed companies we declare dividends. Once the warrants are issued the amount stays in the float with the bank and we are focused on that activity. We have nearly 30 dividend warrants mandate this quarter will close to 3000 crores of money flowing through our books and it includes prestigious mandates like NMDC and GAIL from the government plus lot of the private sector companies. We also continue to focus on collecting banker activity for IPOs, of course the number of IPOs this quarter was lower than has been before and some of the mutual PSU IPOs have got postponed. But despite that we did more than 10 mandates and nearly 500 crores of funds flow through our books. All of this adds to the CASA balance sheet.

Romesh Sobti We have covered on the stock trading, client assets you have already covered.

SV Parthasarthy Most of you will have questions on the mark-to-market provisions on the investment book. I will cover two things on the investment book, how the yield pickup has happened. It has happened through three routes; number-one all incremental additions in line with the balance sheet growth has been acquired at a very high yield and there has been a lot of churning on the book especially the maturing a table portfolio that has been added with the yield pickup of almost 3% to 4%. Thirdly, we have built as a yield advancer we have built a small book of non-SLR with the tune of 100 crores of double-digit deal. So all the three factors combined as per the yield of the investment book. And on the provision side we have as of now zero sovereign bonds book in the AFS book, everything is held at HTM and we have substantial chunk of pay bills in the AFS book which we plan to convert into bonds, probably post 25th October. So the yield on the investment book will continue to stay robust running into Q3 and Q4.

Romesh Sobti And there we have not rewarded any mark-to-market loss or mark-to-market gain. And Q3also we do not expect anything because we don't play the money market that way most of our book is held to maturity.

So in summary we will say that the net profit growth of 45% is a consequence of growth of all the top-line and not just the consequence of drop in our provision because they don't account for too much of our incremental listing. Yes, provisions are lesser by about 10 crores compared to same quarter last year but most of the traction has really come from a very diversified revenue growth on the top-line and management of cost. We have done and we will be open to questions now.

Moderator Thank you. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press '*' and '1' on their touchtone phone. If you wish to remove yourself from the queue by you may press '*' and '2.' Participants are requested to use handsets while asking a question. Anyone who has a question may press '*' and '1' at this time. The first question is from the line of Mahrukh Adajania from Standard Chartered, please go ahead.

Mahrukh Adajania Hi, congratulations. Could you give us a breakup of loan and disbursements of used and new CV?

Romesh Sobti Loans in disbursement or the total disbursement?

Mahrukh Adajania Total disbursements and total loans.

Romesh Sobti Total disbursement in Commercial Vehicle is 2078 crores for the current year and Used Commercial Vehicle is 530 crores.

Mahrukh Adajania Thank you.

Moderator Thank you. The next question is from the line of Susmit Patodia form Motilal Oswal, please go ahead.

Susmit Patodia Hi, this question was regarding the four vectors of growth that you have outlined in the last quarter. So if you could just take us through 2 minutes how the progress has been on the same? The used, new CV, credit cards, housing loan and _.

Romesh Sobti Used vehicles now account for about 15% of our monthly disbursement and in terms of outstanding used vehicles are 10% of our total portfolio, that is one. The other drivers we talked about so Credit Cards --.

Sumant Kathpalia We do revenue on Credit Cards of about 3.5 crores of fee and 3.5 crores of NIM and we make a PBT of about 2 crores, our MCL has gone down to 2.5%, on the LAP and Home Loans which is worth about 75 crores; 40 crores comes out of LAP which is on our book and 35 crores of disbursement comes out of Home Loans. We make a fee of 1 crore and we have a yield on the LAP book of 15.2% as of now and we have 200 crores book. We are expanding the LAP and Home Loan, today the function out of nine cities and cover about 70 branches. We're now expanding Home Loans to 50 branches to cover 283 branches and LAP to 12 cities to cover about 130 branches. So we will see LAP going up to about 75 crores of disbursement while Home Loans we expect to touch 125 to 130 crores of disbursement month-on-month from November onwards.

Susmit Patodia Thank you.

Moderator Thank you. The next question is from line of Arun Khurana from UTI Mutual Funds, please go ahead.

Arun Khurana Good evening sir and congratulations for a commendable, sustainable set of results ever since for the last couple of years since I you. My question is basically with the risk management processes of the bank pertaining to the macro challenges that we are facing right now. We have widening current-account as you said and in the wake of building capital flows primarily from FIIs and FDIs, there seems to be tightening the grip on the overall liquidity situation of the economy at this point of time. This seems to be having an upward bias on interest rates and everybody pretty confused in terms of where the interest rates are headed for. In the current scenario where do you see yourself position in terms of countering the challenges get to liquidity, rising interest rates and its overall impact on asset quality, delinquencies and probably asset/liability mismatch kind of a situation in the 3 to 6 months down the line? That is again declined and is likely to pick up in the busy season post policy of RBI…..

Romesh Sobti The whole interest rate scenario is a bit like shifting fans. I mean 6 months ago, 9 months ago we felt that we were peaking and every quarter we believe that we're peaking on interest rates and the peak is not yet in sight. So banks have really had to cope with. If you assume that inflation is peaking and if you assume therefore interest rates are peaking at that stage you start going long on your liability side and if you don't assume that they are peaking you still believe that interest rates are going to rise, you go short on your liability. That's what a bank will do. Now what has happened that in this process banks have gone short every 90 days. In every 90 days liability books are getting re-priced and the re-pricing is coming at a higher cost. So nobody has gone long yet because at this point of time we see uncertain where it is headed, would you go long? But there is some change which is now happening and this morning only we discussed that how the rate transmission is now happening from the shorter tenure to the longer tenure, so if you see the 10-year G-sec is at 8.75 and the one year G-sec is at 8.50. So the point is there is incentive for you to now move longer. So that's shift is now going to happen on the asset/liability side. Other than that again we have had a sensing this morning from a statement from the fiscal authorities that inflation is peaking. If you take that as face value then you would start fixing your rates so you would now start going long on liabilities. But as I said this is shifting fans, it's a very, very dynamic environment and therefore your coping strategies have to be very, very carefully sought out. We are not demigods, we have also been caught on the wrong foot sometimes, what has helped us through is really the balancing of the book especially on the Corporate side. And we have always felt and said that our corporate book is re-pricable and over the last 9 quarters we have demonstrated the re-pricability of our corporate book and you see how heavily we have repriced. So if you really see December 10, our corporate book yield was 9.48 and September '11 we're at 11.78. So there has been policy transmission and on the liability side we also took the same view as most banks did, go short on liabilities but that meant that the book got repriced at least three times in the last three quarters. Now the time has come to rethink the asset/liability mismatch again and we are moving slightly on the longer tenure. We have already started moving in on the longer tenure. So that's why you see that our NIM hasn't got hit for a six, so we have slid by 5-6 basis points at this quarter we slid 10 basis points last quarter because our book is on immune even though we claim that we have a match book, it's our immune to movements in interest rates and that's why we have seen. Going forward the next two quarters are going to be as dynamic as the last two quarters were. I don't think we're going to see too much stability and therefore banks will have to continue to remain opportunistic and to that extent utilize every available low-cost source of funds, it's not just deposits, its certificates of deposits, its deposits, its refinance, its foreign currency all sourcing that you can do so that your blended cost of fund remain low.

Suhail Chander As Romesh was saying the higher than lower match maturity book we were refunded by CASA and capital and corporate book funded by so called wholesale deposits. But going forward 8.5 repo rate its already on the higher side, that will be detrimental to growth momentum so ideally for good of the Indian economy repo above 8.50 will be unacceptable to the stakeholders of the system. So there are good signs of interest rates peaking out by December or latest by March 2012 so that FY13 we may see downtrending cost of funds. And having said that if you look at Q3 and Q4 the maturing deposit costs are at much higher level because in the month of March we saw one year deposit rates at 10 plus. So the flip side of this is that costs of outgoing deposits in Q3 and Q4 will be slightly higher than the cost of incoming deposit that we plug even if you look at average rate of 9.5 to 9.75. So we see a dilution in pressure on the cost side of the book. The cost of incoming deposit is marginally lower than the cost of outgoing deposit, that is positive for the banks.

Romesh Sobti Arun you also asked about delinquencies --

Arun Khurana Particularly the futuristic delinquencies which could probably happen at an accelerated pace in case the overall liquidity position dwindles in the economy in the wake of rising oil prices, depreciating rupee and busy season credit just about to hit the markets and of course the rising government borrowing programs which was not anticipated by the markets initially.

Romesh Sobti Delinquencies are really a function of, as we keep saying, interest rates are one component of delinquencies, then the slowdown in economy, and the third one is increase in input cost. Now these two of course should not happen, increase in input cost in a slowing down economy, but we are seeing some elements of commodities doing that as well. So all these three combined will cause delinquency. But let me give an example, 3, 4 months or 6 months ago there was a chorus about increasing delinquencies in the Vehicle Financing business. Now what we have seen really in the last 4 months is that freight rate has actually gone up by 3% to 4%. As a consequence of that our collections are better than they used to be even previously. So there are a few dynamics that we don't understand but all sectors are not performing in the same way and good times or bad times, there are going to be delinquencies, because of faulty business model, few ropes here and there. But what keeps us going is really a diversified book between Consumer and Corporate and within Corporate a well-diversified book in the sensitive sectors.

SV Parthasarthy And the liquidity squeeze is an administered squeeze. RBI if they want to allow liquidity; they can very well infuse liquidity in the system. What is the concern is a availability of foreign currency liquidity? We need to see improvement in the Euro-zone for diverting foreign currency funds into India. Otherwise we don't see any problem in Rupee liquidity.

Arun Khurana But the induction on liquidity the RBI then also depends on the overall inflationary scenario because in case they want to cut CRO they want to stuck, get into OMO mode, that would actually be counteracting the overall emphasis of RBI in terms of anchoring the inflationary expectations. It may just go down in a total opposite direction.

Romesh Sobti Yeah everything is possible but we don't foresee a liquidity situation except on the dollar side. Dollars have certainly become scarce but from the repo the peak drain has gone upto 2 trillion. Right now it is not even 0.5 trillion. So there is a slightly room in liquidity, it's the cost of liquidity that is more material.

Moderator Thank you. The next question is from the line of Aditi Thapliyal from RBS, please go ahead.

Aditi Thapliyal Good afternoon, everyone. Two sets of questions; we did a back-of-the-envelope calculation on the implied cost of your term deposits plus borrowings. So basically we knocked off the cost of your current and savings deposits and calculated that as a percentage of your liabilities. There is a big jump of about 110 basis points on a sequential basis to 10.6%. I'm just curious to understand what is the rationale behind this increase and to what extent do you guys believe that the bank will be able to pass on these costs to the Corporate loan book where yields seem to have already moved up significantly over the past 5-6 quarters.

Romesh Sobti Have you looked at the Slide 20 of our investor presentation?

Aditi Thapliyal Yes.

Romesh Sobti I think that gives all the explanation. You got to look at overall cost of fund and overall yields on assets. So the pass-through is quite visible that your cost of fund has gone up by about 52 basis points and your overall yield on assets has gone up by 46 basis points. That explains the difference of 6 basis points.

Aditi Thapliyal I was not exactly pointing to that, but if you look at the lending yield, on the Corporate Banking side over the last 6-7 quarters, lending yields have moved up by around 260-odd basis points. So what I'm trying to understand is on a sequential basis the big jump in cost do you think that can still be transmitted on to the Corporate Banking side customers? Is it likely to go beyond 11.78%?

Romesh Sobti We are transiting and the question is that in relation to the transition we have also churned the portfolio. So thereby we have restricted the additional growth as we restricted to much lower level than what we have done on the Consumer Finance book. So we have demonstrated over these last 2-3 quarters our ability to pass-through. Of course the last base rate increase we have not yet passed through but in case of base rate increase now we will certainly pass that through. We have not understood your back-of-the-envelope calculation.

Aditi Thapliyal I will run you through those offline but so broadly what you're saying is that Corporate Banking lending yields could continue to go ahead, if interest rates were to peak further?

Romesh Sobti Correct, because this book is re-priceable.

Aditi Thapliyal My second question is basically a housekeeping question. If I could have the NPA addition and deduction across the Corporate and Consumer Banking portfolio separately.

Romesh Sobti Yeah, we will give it to you; you get in touch with Sanjay Malik.

Aditi Thapliyal Sure and sir your restructured loans portfolio if I could have the absolute amount fees.

Suhail Chander Its actually come down from 103 crores to 91 crores.

Aditi Thapliyal Thank you and one last question on your capital raising plans.

Romesh Sobti Capital raising if you really add the profit bag, this quarter the 29% growth in our loan book is not reflected in the capital we used up. So we are still decently off and we are not distracting from our original guidance that we will go to raise capital in the next fiscal.

Aditi Thapliyal That answers my questions for now. I will get back with one of your colleagues on the calculation.

Romesh Sobti Yeah, sure.

Moderator Thank you. The next question is from the line of Manish Oswal from KR Choksey, please go ahead.

Manish Oswal Sir what is our strategy on the Credit Card business side, could you explain that?

Sumant Kathpalia Credit Card business is a support to the liability and the branch distribution business. Our strategy is to acquire New-to-Bank clients from the Banking business of the Credit Card side. We are not going out and acquiring New-to-Bank clients on only through the credit card route. We look at relationships within the bank and the distribution channel within the bank. We are focused on the premium segment, we are only doing Platinum and Signature Cards, and we have not opened up the Gold Card at all. We may open up Gold Card only in the Corporate sector where we have salary relationship or in the Defense segment where we sign the Army MoU for the army resources. So we are very conservative, we don't believe that we will create a 1 million book. We will acquire about 250,000 to 300,000 additional cards over the next two years. We do not believe that we will acquire 1 million cards but we will have our spend for card will be twice of that of the industry and that is what our mantra and we only do Premium cards.

Manish Oswal What is a proportion of bulk deposit in the total term deposit?

Romesh Sobti It's 50%. If you look at our total customer deposit about 28% is CASA, 22% is retail term deposits and 50% is wholesale.

Manish Oswal Can I have the modified duration of AFS book and the size of the AFS?

Romesh Sobti 0.51 is the modified duration for AFS. The size is around 3000 crores.

Manish Oswal Thank you, sir. All the best for the next quarter.

Moderator Thank you. The next question is from the line of Ahmed from Religare, please go ahead.

Ahmed Can I get the movement of the NPAs, gross, additions, recoveries and upgrades and write-off?

Romesh Sobti The additions were 131 crores and deductions were 108 crores, net additions were 23 crores.

Ahmed But out of this reduction how much is write-off?

Romesh Sobti About 21 crores.

Ahmed Just referring to the previous answers that you provided, this used CV portfolio you mentioned is 10% of the retail finance book or the overall loan book?

Romesh Sobti It's about 1500 crores and the retail finance book is about 14,000.

Ahmed So it's basically 10% of the retail finance book?

Romesh Sobti Correct.

Ahmed Thank you.

Moderator Thank you. The next question is from the line of Abhishek Kothari from Way2Wealth Securities, please go ahead.

Abhishek Kothari Sir in Q2 you have not raised your base rate, right?

Romesh Sobti There were two increases, so the last one the quarter basis point we did not increase.

Abhishek Kothari Could you just tell me how much of your loans are fixed with base rate?

Romesh Sobti The whole corporate book is repricable so that book is short-term loans which are 60-90-120 days; they get repriced along the lines of the base rate then of course the entire crash credit. So in a way the whole book barring about 10% which is term lending, the whole book in a way is actually linked to the base rate.

Abhishek Kothari Corporate book?

Romesh Sobti Yeah, only thing is that everything doesn't get repriced immediately. When you do a short-term loan for 90 days that rate is fixed while when it comes up for rollover it gets repriced linked to the base rate.

Abhishek Kothari Your view on asset quality in the second half because as I see your Consumer Finance division, year-to-date there has been an increase of 21% in the book and NPAs have increased by 24% in the book from March till now.

Romesh Sobti That includes the one-off on account of the Credit Card business so the credit card business was taken over in June from Deutsche Bank and there were 15 crores of those NPAs we have got transferred. Along with the transfer also came a 7 crores provision. So if you exclude that then you will see a completely different figure because the one-off that happened in the month of July.

Abhishek Kothari Going ahead can we expect some improvement in your asset quality?

Romesh Sobti You got to tell us which bank has better asset quality.

Abhishek Kothari I am just asking how is the portfolio performing?

SV Parthasarthy Always we hope to get better.

Romesh Sobti We talked about the portfolio on the Retail side of the business because there is no money in hands as a consequence of A) wage increases, B) freight rate increases; we are seeing a good traction on our collections on the Retail side so we see stability on the Retail side. As far as the Corporate side is concerned we are not seeing any wave either on the SME side or a particular sector. Yes, there are few accounts, good times, bad times as I said which always give you trouble, but overall our cost of credit will certainly not exceed the cost of credit we had last year.

Sumant Kathpalia Also in our profit book most of our lending is very short-term and working capital-oriented. So we have in finance very long tenure, project finance loans for infrastructure. As it is there is a complexion of the portfolio is tilted towards less risky business.

Abhishek Kothari So you mean to say that 47% the share of Consumer Finance division will remain at this level or will we see it increasing?

Romesh Sobti You have seen it increased in the last two quarters.

Abhishek Kothari Yes sir, from 44 to 47.

Romesh Sobti So we may continue seeing this trending. What is a steady state we don't know, but I would expect that if the portfolio continues to behave well and the yield structure holds then we maybe slowly moving towards the 50-50.

Abhishek Kothari That is by FY12?

Romesh Sobti Not necessarily FY12 but in a steady state.

Abhishek Kothari Thank you sir, that's it from my end.

Romesh Sobti Thank you.

Moderator Thank you. The next question is from the line of Prashant Shah from Vantage Securities, please go ahead.

Prashant Shah Thank you, good evening sir. Your mortgage book increase by 125% Year-on-Year and 111% sequentially means your Home Loans and LAP which you put in other loans.

Sumant Kathpalia Home loans are not booked on our balance sheet at all. It's a pass-through to HDFC.

Prashant Shah Yes I'm aware of that, but in your presentation which you have given it has increased to 319 crores.

Sumant Kathpalia 200 crores of LAP and 110 crores of earlier mortgage book.

Romesh Sobti There is earlier home loan book which we are holding on a book, we don't disburse any fresh loans and have not been disbursed in the last three years. So the growth is entirely on loan against property. So from a zero base that's why the percentage is higher.

Prashant Shah But this is the source directly from the bank not from outside?

SV Parthasarthy That's correct.

Prashant Shah And your interest expense also increase substantially whether you look at Year-on-Year or sequentially as compared to your interest expense.

Sumant Kathpalia Yeah that's why you're seeing NIM slippage….

Prashant Shah Yes but what is your outlook on this thing?

Romesh Sobti We just gave an outlook maybe you were not yet on the call. But we are certainly seeing that both Q3 and Q4 we don't see any likelihood of sharp reduction, even a moderate reduction in the cost of deposit. So we see that this is going to be sustained. Of course, we're seeing some benefits coming on CDs for instance, Certificates of Deposits are now about 20-25 basis points lower than the fixed deposit rate and that's why our CD component has actually moved up in Q3. We have raised a higher component of CD so the market as a whole is not going to see a significant reduction in cost of deposits but at least there will be stability, there is no further increase.

Prashant Shah Thank you very much, that's all.

Moderator Thank you. The next question is from the line of Ajitesh Nair from UBS, please go ahead.

Ajitesh Nair Good evening, congratulations on the quarter. Basically on the delinquencies that you mentioned is 130 crores is for this quarter?

Romesh Sobti Yeah that was the addition.

Ajitesh Nair This is for the Q2 or for first half this year?

Romesh Sobti Quarter. We explained that the Consumer book as you have seen that in many of the previous quarters that a lot of these books become 90 days past due, so they are put into slippage but then the guy comes back and pays off all three or four installments together and so the substantial portion of that goes into deduction. So that's how the additions and deductions happen and we have seen this several times in the past few quarters.

Ajitesh Nair Do you track anything on a cumulative basis basically from March to September, what was the cumulative addition, cumulative deduction?

Sumant Kathpalia Cumulative addition should be about 204 crores and deduction would be about 138 crores.

Ajitesh Nair Yeah, I got the numbers. Other question was on the non-CASA deposits, what will be the average maturity of the non-CASA deposit?

Romesh Sobti 120 days.

Ajitesh Nair Thank you so much.

Moderator Thank you. The next question is from the line of Shyam Srinivasan from Goldman Sachs, please go ahead.

Tabassum This is Tabassum here. Just two brief questions; on operating expenses we have been seeing it inching up gradually, so in terms of your guidance, this is one area where we have discussed in detail in the past, I just wanted to get a sense of whether you are keeping a guidance that it should be at around 45% to 47% or in terms of the cost-income ratio how do you see it, is it expected to stabilize here or increase?

Romesh Sobti There is no change in guidance there. What we are seeing is I explained earlier in the call. What we are seeing is the impact of the nascence of the new branch in the network which is not yet hit the 9-month of the benchmark. So you have got almost 100 branches which are in that incubation stage but of course all those branches, on a portfolio basis we are seeing that they are on track moving towards 12 months breakeven. So we have a little bit of nascence issue, we are not going to see a spike in our cost to income ratio. What we have seen this quarter is about 70 or 80 basis points, it's just a question of timing and you will see that the catch-up is happening on the revenue side.

Tabassum You will be adding more branches going forward every quarter where you will be adding about 100 branches a year so this issue will I guess remain till you are in a very fast expansion mode.

Sumant Kathpalia Tabassum, what happens is 100 branches which are now operating at about 110% efficiency will move down to about 85% to 90% efficiency. So what you will see over a period of another 6 months once the new branches come in you will see this actually efficiency moving down to 55% to 60% and that's where the new branches can get off and in the Tier II the efficiency of these branches actually branches move down to 35% and then new branches will come in. If your addition ramp of effect the new branches and the existing branches if you continue to improve on the efficiency will take care of the growth part of it. Right now what we are seeing is, this is the first time we have added so many branches and we are seeing a little bit of stress in the efficiency but what you will see, we have started seeing the revenue and the breakeven as per the model coming in, 80% of our branches are in the breakeven mode and what you will see is down the line 3 to 4 months the efficiency of these branches will move down to about 90%-95% and in another 6 months to about 35% to 40%.

SV Parthasarthy If I can just add to that, we opened 100 branches in the last 9 months and that has taken us to 350 on a base of 250. By the time we get to the next two-and-half years we will have 125 new branches on a base of 550. So the ratio of new-to-old will change dramatically, and the percentage of vintage branches pumping out CASA and fee will be much higher. So that's where you're going to get the difference.

Tabassum The second question I had is on Savings account, I realize that it's a tough market given that interest rates on deposits have moved up, but you are also adding quite a few branches. So do you expect the CASA ratio actually for end of this year to improve because we have seen some dip in the overall CASA ratio and the addition to Savings account deposit on a Quarter-on-Quarter basis is relatively slow?

Sumant Kathpalia If you look at it Tabassum you are right, Savings account we are still at 10-10.5 crores per branch if you look at it. What we have done over the last 6 months is like I said before we have added New-to-Bank clients, increased the acquisition of New-to-Bank clients relationship. We are now acquiring 150,000 accounts per quarter at an acquisition value of 150 crores a month, which is about 450 crores. What you will see is the effect of the lag books will start coming up and you will see the balance sheet growing rapidly in the Q3 and Q4. What we expect this year to close is about 13.5 crores per branch on a 320 branch network. Take out the 50 branches now we will be on a 3900-4200 crores Savings account book at least on the March end number which is what it looks like, the way we are doing our numbers. So we don't see an issue on the new to Savings account book growth. Yes, definitely there is a pressure of the interest-rate, but the New-to-Bank what we were slow on the New-to-Bank client acquisition and we have ramped that up very significantly.

Suhail Chander The dip in the CASA ratio is an optical dip because last quarter our CD ratio went up from 75% to 80% so the base of CASA on the customer deposit total created a higher CASA ratio. If you look at last quarter we added 600 crores of CASA and this quarter we added nearly 700 crores, so it's more of optical change rather than a dip in CASA ratio.

Tabassum But are we expecting to keep the CD ratio around these levels now?

Suhail Chander Yes.

Tabassum Just one final question on this agreement with HDFC, what is the kind of fees do we earn from them and what is the kind of optionalities we have, do we have any options to buy back any of the loans from them?

Suhail Chander Yeah, we earn about 0.9% fee and we make also an insurance fee of about 15 basis points on that. So that is the earning of the portfolio. We have an option to buyback 30% of the book.

Tabassum And that option is you can keep on accumulating or is it cumulative or you have to --?

Suhail Chander It is very small as of now; we are only disbursing 35 to 40 crores. The day we have a book of about 2,000-3,000 crores of that we will start talking about it. Right now we are building the LAP book in our bank and we would like to be in the distribution business and the housing loans as of now.

Tabassum But the loans which you are selling for them, originating for them that keeps on accumulating, it doesn't expire in terms of the option?

Suhail Chander As of today, no. I'm not aware of the expiration.

Romesh Sobti All we are saying that at any point of time which is outstanding is 2000 crores, we can buy back 600 crores.

Suhail Chander At any point of time. There is no contractual obligation that it expires at any point of time.

Tabassum That's good, thank you.

Moderator Thank you. The next question is from the line of Vijay Sarthi from Nomura, please go ahead.

Vijay Sarthi Good afternoon, Mr. Sobti. You talked about delinking fee income on the balance sheet growth. Can you elaborate a little bit more on that sir?

Romesh Sobti Yes, in fact that percentage is as higher as 45%.

Sanjay If you look at items almost entire distribution fee is not linked to any form of capital usage. So whether insurance or the mutual funds or HDFC home loans and there is a consumer foreign exchange business which has no lending linkages, that also is the large component size and the general banking fees. Liability linked businesses, distribution based businesses are all without balance sheet. To some extent remittances, consumer remittances are all linked to balance sheet, trade has a linkage, corporate assets have a straight linkage to balance sheet and loan processing fee.

Sumant Kathpalia I will just give you a breakup, it's a combination of distribution fee 100%, general banking fees also approximately between 10% and 20% of our trade and FX trade and remittance fees and roughly one-third of our FX business because the consumer FX is not related to our balance sheet at all. There is no lending in the consumer bank. 45% of core fee.

Vijay Sarthi Alright, thank you very much.

Moderator Thank you. The next question is from Sumit Doshi from Reliance Securities, please go ahead.

Sumit Doshi All my questions have been answered, thank you.

Moderator Thank you. The next question is from Nitin Kumar from Quant Capital, please go ahead

Nitin Kumar Congratulations sir on good performance. Your risk weighted asset growth is running much lower than the advances growth despite has been growing mostly in the CFD segment, so what is the reason for the same?

Romesh Sobti The CFD segment is schematic lending which does not invite the same risk weightage as corporate lending, in fact here the risk weightage is 75%, then on the corporate side a lot of the new financing has been on weightage exposures so the combination of these two.

Sumath Kathpalia So actually on the corporate sides now the increase improved weightage and the nature of product that we disbursed our risk weighted asset Quarter-on-Quarter actually lowered while the balance sheet a higher. So it is more efficient utilization of capital.

Nitin Kumar And coming back to the loan processing fee I see that it is quite lumpy in nature even though the loan growth had been equally sharp in earlier occasions as well but on those occasions the loan processing fee was quite subdued unlike this time. So is it like that you effected any policy change or is there any timeline between the time the income has accrued and when you book it?

Romesh Sobti There is no policy change at all.

Sumat Kathpalia How do you say it's lumpy, it was 39 crores then prior to that 33 crores, prior to that 34 crores.

Nitin Kumar No when I compare loan processing fee growth on a sequential basis with the loan growth so that way we have seen balance sheet growth of --.

Sumat Kathpalia Loan processing fee is not necessarily linked to only loan growth. There is also loan rollover on which you have seen fee charges.

Romesh Sobti Also, the processing fee is not what do you call it clearly related to the exposure level, the processing fee is a flat fee so whether you disburse the 200 crore loan or 50 crore loan or 20 crore loan, you may have a fee which is not directly linked. So there is no linear linkage between fee and the exposure so you can't really correlate loan growth with other things. Number of proposals is more material to processing fees and then the total exposure.

Nitin Kumar Fair enough, thank you.

Romesh Sobti Thank you.

Moderator Thank you. The next question is from the line of Hiren Dasani from Goldman Sachs, please go ahead.

Hiren Dasani Sir, can you tell me ballpark what would be your cost of term deposit now?

Romesh Sobti Term deposit?

Hiren Dasani Yeah you have declared 8.16% is the cost of deposit.

Romesh Sobti We will have to give you that number offline.

Hiren Dasani Something like what one of the earlier participants was asking if you assign about 4% cost to the savings book which is about 9% of your deposit that takes about 36 basis points and remaining 7.8% if you assign to the term deposit with 72% it works out to be something like 10.8%, is it sound reasonable?

Romesh Sobti That is absolutely incorrect. That is completely out of the market. Probably we don't have a single deposit at that price. The computation is faulty but you can get in touch we can give you a detail, we have the number, we give you the detail but that has to be a one-to-one basis.

Hiren Dasani Sure, no problem. The other thing is somewhere in the call I heard that there is no mark-to-market gain or something n the securities book, is that correct?

Romesh Sobti No loss is no material. So there is no loss.

Hiren Dasani 24 crores of trading gain, are they entirely trading?

SV Parthasarthy 23 crores is not entirely trading, that is some securities, the strategic investment is there. We had an investment in one IT Company, that was sold and that profit is reflected here.

Romesh Sobti There was a group company in which we had a 30% stake and that company only had cash. So as part of our corporate governance we have divested that So that was a gain of about 4 crores.

Hiren Dasani This contains your --?

Romesh Sobti FX for spot trading.

SV Parthasarthy It's across all asset classes.

Romesh Sobti So most of it would be FX kind of thing.

Hiren Dasani And again going back to the cost side, would it be fair to assume that most of your term deposit would be repriced now at the current level or at the prevailing market rate level or there will be still some old deposit need to be repriced uphold?

Romesh Sobti That percentage has shrunk dramatically, so the very few of those deposits would get repriced and as Moses explained that the fresh deposit that we expect in Q4 may have a minor lower cost than the outgoing deposits.

SV Parthasarthy When you saw the peak of interest rates in Q4 of last fiscal and Q1 of this fiscal after that the trending has been down despite RBI rate hike. So most of the 6-12 months deposit acquired during Q4 of last fiscal and Q1 of this fiscal will come for maturity in Q3 and Q4 which are at much higher cost. So there will be a benefit for the bank while replacing those deposits.

Hiren Dasani So does it mean that the NIMs should at best remain where they are if not expand from here on?

Romesh Sobti Our NIM, we can now say with some degree of confidence the NIM swing can be 5 basis points up or down, that's it.

Hiren Dasani Sir lastly on the Credit Card if I understand correctly in the last presentation also you had mentioned about 230-240 crores of the Credit Card book in the June presentation so that means that the portfolio would have been transferred in the June quarter itself?

Romesh Sobti Correct.

Hiren Dasani So I'm saying that the NPA of 15 crore and 7 crores provision cannot be attributed to that in this quarter, right?

Romesh Sobti No, we're talking of the cumulative. The question that was asked was for the half year.

Hiren Dasani And lastly just as a suggestion, earlier you used to disclose the sectoral NPA addition as well between Corporate book and the Consumer book if you can just continue that that would be great?

Romesh Sobti Yeah, no issues, that figure is available on one-on-one basis also. But we continue to give, if you see the sectoral if you look at the Slide 23, you got it all the product wise. I think you are talking about the two segments.

Hiren Dasani Basically the breakup of this 131 crore addition between Corporate and Consumer?

Romesh Sobti But the consumer part is broken up is still given there on Slide 23.

Hiren Dasani Is there any one-off in the Consumer side because of ongoing issues in Bellary region and all that?

Romesh Sobti We have already discloses the total exposure in Bellary is 7 crores, 3 crores is regular, 4 crores is irregular and 4 crores is where we are repossessing.

Sumant Kathpalia And our asset not is more than 10-15 crores.

Hiren Dasani Because from your last few quarterly run rates the 131 crores slippage does look little on the higher side?

Romesh Sobti But that also is on the basis by the deductions also.

SV Parthasarthy Fundamentally in Commercial Vehicles or any other kind of vehicles related finance, 3 months NPA is never considered to be a default kind of situation, people think it as a delay. There is always the slippage in terms of over 3 months, most of them are government related payments and government pays only once in a quarter. Therefore, if you start looking at my NPA book any quarter NPA names will be totally different from the other quarter. Therefore, those persons will come and pay and other persons will creep in therefore it is not an addition, division kind of, it is a churning of the portfolio and it will be like that for ever. Whereas most persons competition like we are competing in this particular line of NBFC there the recognition was after 6 months.

Hiren Dasani No, I fully appreciate the exercise, when you do your static pool analysis, I am sure you must be doing.

SV Parthasarthy Yeah for the static pool analysis, for the past 25 years we have been running this particular book and we have not come across any situation where our credit losses is beyond 5%-6%.

Hiren Dasani And you are not seeing any signs which are, you are not deviating from that?

SV Parthasarthy So far it is not only us, even established players do find the portfolio is being very stable.

Hiren Dasani Great, thanks a lot.

Moderator The next question is from Sri Karthik from Espirito Santo, please go ahead.

Sri Karthik If you were to look at the yields on your Consumer Finance division that hasn't repriced specifically, is it because of the fixed nature of the book?

Romesh Sobti Yes certainly. But there is still a movement, it is not a stagnant book in terms of its price, because you do get a large component of repayment every month and to the extent that we disburse the new book that is at a slightly higher price. So for instance we disbursed some 1160 crores in the month of September, 700 crores of the old book gets repriced and 460 crores is the additional disbursement. But the incremental growth in the yield is not as high for instance as the Corporate bank. But repricing does happen, to that extent therefore if you see on annualized basis if the 700 crores gets repriced in the month of September so the next 12 months that means 8000 crores will get repriced.

Sri Karthik On the outstanding CV portfolio, what would be the percentage of Ashok Leyland vehicles?

Suhail Chander It is definitely dicey question to answer but nevertheless answer is for you after 2005 when we got merged we were no longer doing only Ashok Leyland vehicles. We do for your information Tata vehicles much much more than Ashok Leyland vehicle and very important preferred financial for Telco vehicles, we are number two financials for Telco area as well. Therefore in terms of fresh disbursement of Ashok Leyland vehicles we do close to about for the previous year we have done close to about 11,000 vehicles, first half we have done close to about 5000 vehicles.

Sri Karthik The sort of concerns that have cropped in Bellary, have you seen them coming up in the States like Goa and Orissa?

Suhail Chander We had a situation in Orissa which has got safer now. Goa there is a situation which is growing but does not yet a situation. Most of that affects those persons who have got a very large cheaper kind of portfolio is preferably used in mining area and our specialization is more and more towards road transport vehicles. Therefore, we are not unduly affected even there is an issue in terms of mining areas and segment wise it's also related to first time users.

Romesh Sobti We don't do first-time users and lot of these financed vehicles are first-time users.

SV Parthasarthy In Bellary it used to be more towards the first-time users. Goa, it will get affected, it will be for a seasoned user as well but as I told you our mining exposure itself is very less, our exposures are more towards the road transport application which has got nothing to do with this particular areas.

Sri Karthik Thanks so much.

Moderator Thank you. The last question is from the line of Subramaniam PS from Sundaram Mutual Funds, please go ahead.

Subramaniam PS Sir most of my questions have been answered, just on the recoveries could you share with us what kind of trends have you been seeing over the past 4 quarters in the recoveries and has this been an exceptionally good quarter in terms of recoveries also? You said you have recovered something like 80 crores during this quarter.

SV Parthasarthy It is relating to which segment Mr. Subramaniam?

Subramaniam PS It is the total number on the gross NPA accounts you said you had additions of 131 crores and --

SV Parthasarthy It is a regular phenomenon, it goes in every quarter in terms of new NPA accounts or new persons, our slippage is beyond 3 months who come in and the existing persons who had 3 months slippages, so it is ever churning portfolio, at any constant point in Consumer Finance. We have close to about 100 crores of NPA do come in and 80 crores of NPA getting out.

Subramaniam PS My question was actually overall for the bank as a whole, you said you had 130 crores of additions and 80 crores of recoveries, what would this recovery number have been in the last quarter or 2nd quarter of last year?

SV Parthasarthy I have with for the past year as a whole, last quarter maybe I can give it to you offline.

Subramaniam PS Sure sir, I will take the question offline, that's it from my side. Thank you.

Moderator Thank you. I would now like to hand the floor over to Mr. Puneet Gulati for closing comments.

Puneet Gulati Thank you Vineeta. On behalf of JM Financial I would like to thank Mr. Sobti and the management team of IndusInd Bank and all participants for joining us on the call today. Thanks a lot.

Moderator On behalf of JM Financial Institutional Securities Pvt. Ltd. that concludes this conference. Thank you for joining us.